

Industrivärden Annual Report

2003



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Information on the Annual General Meeting and notification form on back flap.

Financial Calendar 2004

Interim reports will be released

■ on May 4 for the period January–March

■ on August 5 for the period January–June

■ on October 29 for the period January–September 2004

All reports will also be published on Industrivärden's website:

www.industrivarden.net.

See also the section Market Communication, page 78

**This Annual Report is a translation
of the Swedish original.**

Highlights



Active ownership and a professional investment operation are central components of Industrivärden's business.

- Net asset value at year-end was SEK 156 (126) per share, an increase of SEK 30 per share in 2003. Including reinvested dividends, net asset value rose SEK 37 per share.
- The total return for Industrivärden's stock was 28%, compared with 34% for the return index.
- During the period December 2002 to April 2003, 11% of the shares in the moisture control company Munters were acquired for SEK 490 M.
- Shares in SCA, Handelsbanken and SSAB were also acquired during the year for a total of SEK 1,303 M.
- In November and December the entire shareholding in Skandia was sold for a total of SEK 1,253 M, giving rise to a capital loss of SEK 1,510 M.
- The Board of Directors proposes a dividend of SEK 5.50 per share (5.80).

Industrivärden in summary

% change per year	2003	Five-year period 1999–2003	Ten-year period 1994–2003
Net asset value			
Net asset value	24	-1	8
Net asset value including reinvested dividends	29	7	14
Total return			
Total return, Industrivärden stock	28	7	13
Return index (SIXRX)	34	2	11
Excess return, Industrivärden	-6	5	2

To Our Shareholders

AFTER FALLING FOR THREE YEARS IN A ROW, prices on the world's stock markets turned upward in 2003. For the Stockholm Stock Exchange, this break in trend took place in March, after which the stock market and Industrivärden's net asset value moved in a positive direction. Despite this period of depressed stock prices, Industrivärden's total return has developed relatively well in a longer perspective. Over the last five- and ten-year periods, Industrivärden has delivered an average annual return that is five and two percentage points higher, respectively, than the return index.

During the second half of the past year and thus far in 2004 we have seen increasing signs of global stability and a stronger economy. This applies above all for the United States and South-east Asia, but even Europe is showing signs of economic growth. Naturally, this trend is positive for traditional industry, which generally impacts a significant part of Industrivärden's net asset value. At the same time, it is important to keep in mind the continued challenges that companies face in the form of growing competition from Southeast Asia, continuous demands for efficiency improvement and a weaker dollar.

Influence – a Prerequisite

When I took office as CEO at the 2001 Annual General Meeting, Industrivärden adopted a strategy that entailed that we would invest mainly in medium-sized and large listed Nordic companies. Our criteria for investing in these companies are that they have robust and proven business concepts, sustainable cash generation capacity, and the opportunity for international growth – both organically and through acquisitions. We invest primarily in companies in which we can take a position as one of the largest shareholders and have board representation. This latter point is a prerequisite for our ability to wield significant influence and actively affect the company's strategic development. Our active ownership thereby shifts our sight to a long-term investment horizon.

Activities During the Year

In 2003 we continued working on the foundation of this strategy. We studied a large number of potential new investments during the year, but when it came to actual investments we were sparing. Through our highly structured work process, today we have a clear and continuously up-to-date picture of the Nordic companies that we find most interesting. We have thereby achieved what we set

out to do with respect to establishing an effective investment organization. It is not enough, however, that a company meets our investment criteria. An additional two requirements must also be met:

- We must be able to acquire a sufficient number of shares to attain a significant owner position.
- The stock market's valuation of the company must be reasonable and allow future value appreciation of 10%–15% per year over a long period of time.

Against the background of these investment criteria, in 2003 we made one new investment, in Munters. Although Munters performed relatively weakly in 2003 – in terms of profit as well as its stock price – we believe in the company's long-term potential.

During the past year we established a structured market presence in accordance with the guidelines laid out in the 2001 Annual Report. Through limited and disciplined risk-taking – primarily in derivatives – we succeeded in enhancing the return of our portfolio. The profits generated by these activities more than amply covered our management costs of SEK 80 M.

During the year we also divested our holding in Skandia and invested most of the proceeds in SCA, Handelsbanken, SSAB and Sandvik. The divestment of Skandia resulted in a booked loss of SEK 1,510 M.

A Few Words About Ericsson and Isaberg Rapid

Of our existing holdings, there are two companies that I would like to mention in particular.

Perhaps the most gratifying development during the year can be credited to Ericsson, whose management has worked perseveringly on transforming the company following measures first taken by the company's board and management in late 2001. Strong streamlining measures, the resolution of problems in the mobile phone business through creation of the half-owned company Sony Ericsson, a new organization and consistently implemented capital rationalization have benefited the company. Ericsson posted a profit for the final quarter of 2003 and has prospects for good profitability at sales levels that are nearly half of what they were at the company's peak sales years at the start of the decade. This has taken place at the same time that Ericsson has succeeded



in consolidating or strengthening its already strong market positions. A key component in this context was the rights issue carried out in August 2002, for which Industrivärden stood as a guarantor and also subscribed for its allotment. Today Ericsson is operationally and financially well equipped to meet rising demand for its products and services.

In late 2003 we announced that Industrivärden has initiated a process aimed at selling the wholly owned subsidiary Isaberg Rapid. Over the course of many years we have developed the company into a leading player in its niche. From a long-term perspective, however, Industrivärden is not the best owner. Therefore, our ambition is to be able to carry out the sale in spring 2004.

Industrivärden Celebrates 60 Years

On February 21 it was sixty years since Industrivärden was established. The original purpose was to manage the shareholdings that Handelsbanken had taken over as security for outstanding debts during the financial crisis of the 1930s. In connection with its stock market listing in early 1945, Industrivärden adopted the business concept of optimally managing shareholders' assets in the form of an equities portfolio worth approximately SEK 60 M. The same basic tenet permeates today's business, even though we have continuously adapted our way of working to where we today focus on long-term active ownership in a concentrated portfolio of mainly listed Nordic companies. During the sixty years that have passed, the price of Industrivärden's stock has risen by a factor of no less than 350, compared with a factor of 220 times for the Affärsvärlden General Index. It is our ambition to give our shareholders a continued long-term favorable return.

Dividend Proposal

At the price of SEK 133 per Class A share and SEK 119 per Class C share, the proposed dividend of SEK 5.50 per share represents a dividend yield of 4.1% and 4.6%, respectively. The average dividend yield for the Stockholm Stock Exchange in 2003 was approximately 2.5%. The Board's proposal thus provides a dividend yield that is well in line with our objective of being above the average for the Stockholm Stock Exchange.

Let me close by extending a warm thanks to all of Industrivärden's employees in the Parent Company as well as in the wholly owned subsidiaries for their fine performance in 2003. Our loyal and competent employees form the foundation for continued favorable development. I am therefore very optimistic about the future.

Stockholm, Sweden, February 2004

ANDERS NYRÉN

President and Chief Executive Officer

Industrivärden – An Overview

INDUSTRIVÄRDEN IS ONE OF THE NORDIC REGION'S leading holding companies, with an active ownership role in a concentrated selection of listed Nordic companies with good development potential.

Business Mission

Industrivärden's mission is to create shareholder value based on a professional investment operation and active ownership in its portfolio companies.

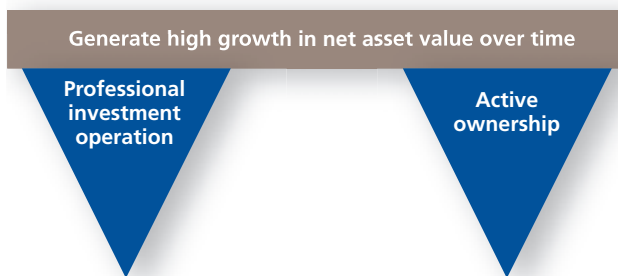
Goal

The goal is to generate high growth in net asset value over time. High growth in value enables Industrivärden to deliver a total return which, over the long term, is higher than the average for the Stockholm Stock Exchange. Industrivärden also strives to offer its shareholders a higher dividend yield than the average for the Stockholm Stock Exchange.

Strategy

Industrivärden's strategy is based on a professional investment operation and active ownership. Investment activities are built upon a structured process of continuous analysis of existing and potential holdings. Active ownership is based on Industrivärden's value creation model for its portfolio companies.

Two Dimensional Strategy



Composition of Net Asset Value

Parent Company	SEK billion		SEK per share ¹	
	12/31/2003	12/31/2002	12/31/2003	12/31/2002
Equities portfolio ²	32.9	26.4	170	136
Net debt	-2.8	-2.0	-14	-10
Net asset value	30.1	24.4	156	126

¹ Total number of shares: 193,135,612.

² The wholly owned subsidiaries Indutrade and Isaberg Rapid have been assigned an estimated value using a P/E multiple of 13 (the same as at December 31, 2002), based on the companies' earnings for 2003.

Goal Achievement

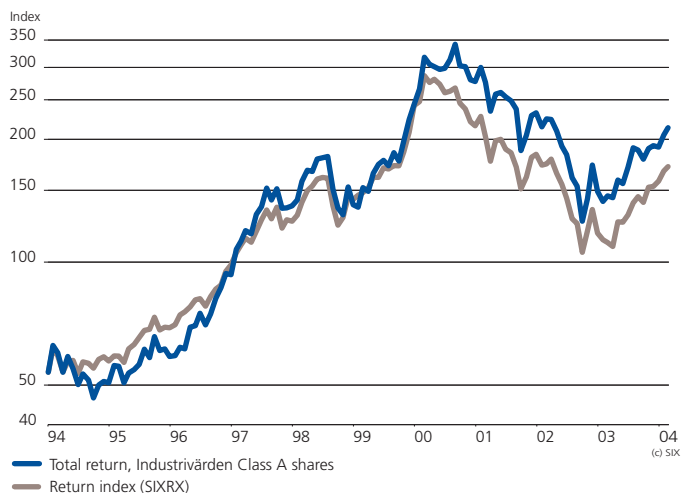
During the five-year period from year-end 1998 to December 31, 2003, Industrivärden's net asset value decreased by an average of 1% per year. Taking into account reinvested dividends, net asset value rose 7% per year during the same period. Industrivärden's total return averaged 7% per year during the five-year period, compared with 2% for the return index.

During the ten-year period starting at year-end 1993, net asset value rose by an average of 8% per year. Taking into account reinvested dividends, net asset value rose 14% per year during the same period. Industrivärden's total return during the ten-year period averaged 13% per year, compared with 11% for the return index.

The total return for Industrivärden's stock in 2003 was 28%, compared with 34% for the return index. Net asset value rose 24% during the year. Taking into account reinvested dividends, net asset value rose 29%.

Average annual dividend growth during the five-year period 1998–2003 will be 4%, provided that the Annual General Meeting approves the Board's proposed dividend for 2003. The average dividend yield during the period will thus be 4.6%, or twice as high as the average for the Stockholm Stock Exchange.

Indexed Total Return, Industrivärden



Industrivärden's Equities Portfolio

Share of market value as per December 31, 2003, %

Handelsbanken	24	Skanska	7	Isaberg Rapid	1
SCA	19	Indutrade	5	Ossur	1
Sandvik	16	SSAB	5	Other holdings	6
Ericsson	15	Munters	1		

Net Asset Value

NET ASSET VALUE IS A MEASURE OF THE SHAREHOLDERS' aggregate wealth in the company, which is defined as the actual or calculated market value of the company's assets less its liabilities.

Measuring the Market Value of Industrivärden's Assets

To show the composition of net asset value, in the Parent Company's balance sheet the book values of listed and unlisted equities have been replaced by the actual market values of listed equities and the estimated values of the wholly owned subsidiaries Indutrade and Isaberg Rapid, as well as the book values of shareholders' equity in other unlisted holdings. Net asset value has been calculated as the difference between asset values measured in this manner and net debt.

In this way an estimate is obtained of what net asset value would be if the Company's assets could be liquidated as per the date of calculation. Since holding companies are exempt from capital gains tax on sales of stocks, the calculations have not been charged with any standard tax assumption. The tax rules for Swedish holding companies are described on page 72.

Valuation of Listed and Unlisted Holdings

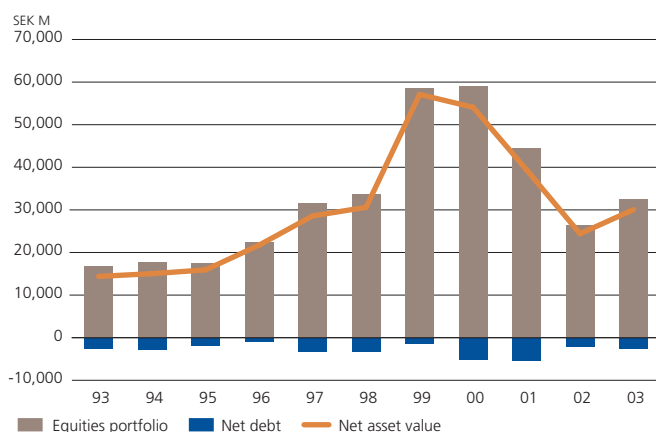
The listed shareholdings have been valued at their current market value as per the accounting date. Skanska's Class A shares, which have strong voting power and are unlisted, have been valued at the same price as its Class B shares.

The wholly owned subsidiaries Indutrade and Isaberg Rapid have been assigned an estimated value for a conceivable future stock market introduction by multiplying the year's earnings after net financial items, less a standard tax rate of 28%, by a P/E multiple of 13.

Development of Net Asset Value

The average annual change in net asset value from the end of 1998 through December 31, 2003, was -1%. During the ten-year period starting at year-end 1993, average annual growth in net asset value was 8%. Taking into account reinvested dividends, net asset value rose 7% per year during the five-year period 1998–2003 and 14% per year dur-

Development of Net Asset Value



ing the ten-year period 1993–2003. Net asset value as per December 31, 2003, has been calculated at SEK 30.1 billion, or SEK 156 per share.

Borrowings and Risk

In addition to the change in value of equities, net asset value is also affected by borrowings on the equities portfolio and its level of risk. A guideline for Industrivärden is that the net debt-equity ratio should normally amount to a maximum of 20% of the market value of the equities portfolio. At the end of the years 1999–2003, the net debt-equity ratio varied from a low of 3% to a high of 11%.

The overarching risk in Industrivärden's business is associated with fluctuations in the value of the equities portfolio. Industrivärden is also subject to other financial risks, which are described on pages 56–58.

During the five years 1999–2003 the standard deviation in the total return for Industrivärden's listed portfolio was 29.4%, compared with 26.0% for the return index. The total variation in the return for Industrivärden's listed portfolio is thus higher than a broad market index, which is logical in view of the relatively concentrated nature of the listed portfolio. The yearly total return for the listed portfolio was 3.1% during the same period, compared with 2.1% for the return index. The portfolio's return thus outperformed the index at the same time that the portfolio's risk was also higher than the risk in the index.

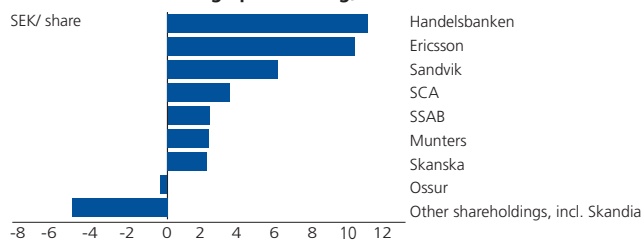
Change in Net Asset Value per Share

The change in net asset value in 2003 was SEK 30 per Industrivärden share. An illustration of the major shareholdings' impact on net asset value is shown in the chart below.

Composition and Development of Net Asset Value

SEK/share	2003	2002	2001	2000	1999
Equities portfolio	170	136	231	306	305
Net debt					
Interest-bearing net debt	-12	-9	-26	-25	-6
Other assets and liabilities	-2	-1	-1	-1	-1
Net asset value	156	126	204	280	298
Change in net asset value, %	24	-38	-27	-5	86
Market price of Class A shares, Dec. 31	121	100	165	205	185
Market price of Class C shares, Dec. 31	109	91	152	193	177
Discount to net asset value, A-shares, %	22	21	19	27	38
Discount to net asset value, C-shares, %	30	28	25	31	41
Net debt-equity ratio, %	7	7	11	9	3

Net Asset Value Change per Holding, 2003



The change in net asset value per holding takes into account changes in value as well as purchases and sales.

Industrivärden's Stock

INDUSTRIVÄRDEN'S STOCK IS QUOTED ON THE A-List of the Stockholm Stock Exchange (Stockholmsbörsen). The price of Industrivärden's Class A shares rose by 21% during the year. Trading volume in Industrivärden shares totaled SEK 5 billion. At year-end Industrivärden's market capitalization was SEK 23 billion.

Codes Assigned to Industrivärden's Stock

Industrivärden's Class A shares are traded under the following codes:

INDUa.ST (Reuters)

INDUA SS (Bloomberg)

INDU A (Ecovision)

Industrivärden's Stock as per December 31, 2003

Number of shares	Par value, SEK M	Percentage of	
		votes	shares
134,273,702 Class A shares	671.4	96	70
58,861,910 Class C shares	294.3	4	30
193,135,612	965.7	100	100

Each A-share carries entitlement to one vote, and each C-share carries entitlement to one-tenth of a vote. All shares carry equal entitlement to a share of the Company's assets and profits. The shares have a par value of SEK 5 each. Both classes of stock are registered on the Stockholm Stock Exchange.

Capital Stock Development

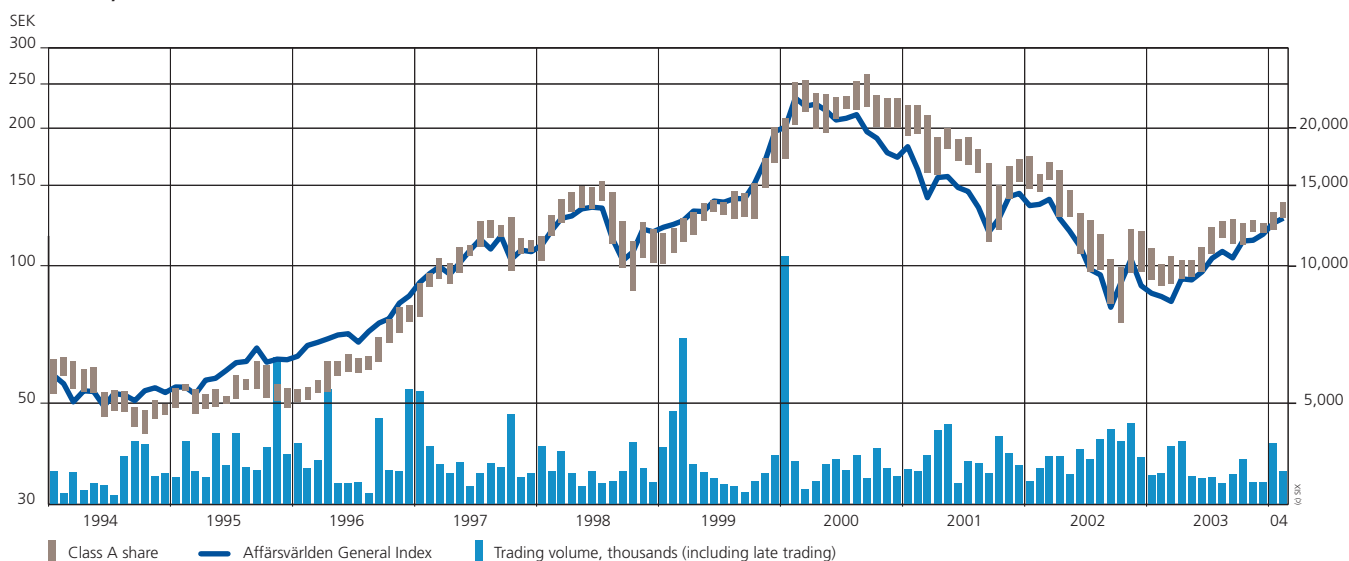
SEK M	Capital stock	Number of shares
1994 Conversion of CPNs	858.2	42,911,222
1995 Conversion of CPNs	858.3	42,912,781
1996 Conversion of CPNs	858.3	42,912,813
1997 No change during the year	858.3	42,912,813
1998 Stock split 4:1	858.3	171,651,252
Conversion of CPNs	858.6	171,711,252
1999 Conversion of CPNs	858.6	171,711,952
2000 Conversion of CPNs	858.9	171,776,320
2001 Conversion of CPNs	870.5	174,097,031
2002 Cancellation of CPN loan ¹	965.7	193,135,612
2003 No change during the year	965.7	193,135,612

¹ In 1988 Industrivärden floated a convertible debenture through the issuance of convertible participating notes (CPNs). CPNs could be converted to stock at any time. In accordance with the terms of the loan, an Extraordinary General Meeting resolved in 2001 to prematurely cancel the CPN loan. The motives for the cancellation were to simplify the Company's share structure, facilitate valuation of the Company and increase the shares' liquidity. In accordance with the terms of the loan, CPN owners received one and one-tenth (1.1) shares per CPN held. As a result of the cancellation of the CPN loan, the total number of shares outstanding increased by 12.4%, to 193,135,612.

Performance of Industrivärden's Stock in 2003

Industrivärden's stock performed slightly below the market average in 2003. The General Index rose 30% during the year, while Industrivärden's Class A shares rose 21%, from SEK 100 to SEK 121. The Class C shares rose from SEK 91 per share to SEK 109, or by 20%. The total return for the Class A shares including reinvested dividends was 28% in 2003, compared with 34% for the market as a whole.

Price Trend, Industrivärden's Stock





Industrivärden's stock delivered an average annual total return of 7% during the five-year period 1999–2003, compared with an average annual change of 2% for the return index. During the ten years 1994–2003, the annual total return was 13%, compared with 11% for the return index.

Trading volume for Industrivärden's stock on the Stockholm Stock Exchange in 2003 was SEK 5 billion, corresponding to a turnover rate of 22% for the A-shares and 35% for the C-shares.

Dividend

Industrivärden's dividend policy is to offer its shareholders a dividend yield that is higher than the average for the Stockholm Stock Exchange. This goal has been achieved every year during the past five-year period.

The Board of Directors has proposed that the Annual General Meeting declare a dividend of SEK 5.50 per share (preceding year: ordinary dividend of SEK 5.00 and bonus dividend of SEK 0.80). The proposal entails that the Parent Company will not need to pay any tax for 2003. If the Annual General Meeting votes in favor of the Board's proposal, average annual dividend growth during the past five years will amount to 4%.

Total Return, Industrivärden's Stock

	2003	2002	2001	2000	1999
Total return for Class A shares, %	28	-36	-16	14	76
Index (base: Dec. 31, 1998)	138	108	169	201	176
Return index, %	34	-36	-15	-11	70
Index (base: Dec. 31, 1998)	110	82	129	151	170

Dividend

	2003	2002	2001	2000	1999
Dividend	5.50¹	5.80	8.35	8.40	6.20
Annual growth in dividend, %	-5²	-31	-1	35	38
Dividend yield, Class A shares, %	4.5	5.8	5.1	4.1	3.4
Dividend yield, Class C shares, %	5.0	6.4	5.5	4.4	3.5
Dividend yield for					
Stockholm Stock Exchange, %	2.5³	2.8	2.0	1.9	1.5

¹ Proposed by the Board of Directors.

² Average annual dividend growth during the past five years was 4%.

³ Source: SIX Findata. Preliminary figures for 2003.

Ownership Structure



Largest Shareholders

Industrivärden has approximately 35,500 shareholders (34,200). Institutional investors, such as pension foundations, insurance companies, mutual funds and investment companies, own approximately 82% of the shares (83%). Foreign ownership in the Company is approximately 6% (6%).

Major Changes in Ownership Structure

In 2003 L E Lundbergföretagen became Industrivärden's largest shareholder in terms of votes, at 10.7%, through the purchase of 6.4 million Class A shares during the year. In early 2004 L E Lundbergföretagen increased its holding to 12.6% of the votes and 9.2% of the capital.

Employee Ownership

Information on holdings of stock and options by Company directors and senior executives is provided on pages 76–77. Industrivärden has an employee stock option program from 2002 that is offered to all employees of AB Industrivärden. More detailed terms of the option program are described in Note 6 on page 63.

Ownership at December 31, 2003¹

	Number of shares	Percentage of	
		votes	shares
L E Lundbergföretagen	15,000,000	10.7	7.8
Handelsbanken Pension Foundation	12,900,000	9.2	6.7
Wallanders & Hedelius Foundation	11,400,000	8.1	5.9
Handelsbanken Pension Fund	10,750,000	7.7	5.6
SCA Pension Foundation	8,925,540	6.4	4.6
AMF Pension	24,055,100	6.1	12.5
SCA	6,923,600	4.9	3.6
Oktogonen	6,500,000	4.6	3.4
SCA Pension Foundation for salaried employees and foremen	3,411,692	2.4	1.8
Handelsbanken	2,785,569	2.0	1.4
Fourth National Swedish Pension Fund	2,446,500	1.7	1.3
Fredrik Lundberg	1,750,000	1.2	0.9

Ownership Statistics as per December 31, 2003¹

Size class	Number of shareholders	
	as % of total	Total holding as % of capital
1–500	65.1	2.1
501–1,000	15.7	2.1
1,001–10,000	17.3	8.6
10,001–50,000	1.4	4.8
50,001–	0.5	82.4
	100.0	100.0

¹ Direct and nominee shareholders. Source: VPC.

Active Ownership and Professional Investment Operation

INDUSTRIVÄRDEN'S CORE BUSINESS IS TO INVEST in listed Nordic companies with good potential for value appreciation, and through active ownership to create value and realize growth in connection with a sale. Due to this active ownership role, operations are long-term in their nature. Work is conducted in a structured manner within the framework of three main processes: new investments, active ownership and exit evaluation. In addition, purchases and sales of equities and equity derivatives are conducted to a limited extent through a structured market presence. The aim of these activities is to support Industrivärden's main processes with market information and to generate profits.

Solid Foundation for Value Creation

Through a concerted effort, Industrivärden has built up a competitive platform for long-term value creation. This is based primarily on:

- Good financial resources and a long-term investment perspective
- A professional investment organization
- First-rate work methods and information systems
- A well developed model for identifying and evaluating new investments
- A well developed model for exercising active ownership
- Experienced directors with ties to Industrivärden on the boards of the portfolio companies
- A valuable contact network with Nordic ties
- A strong brand.

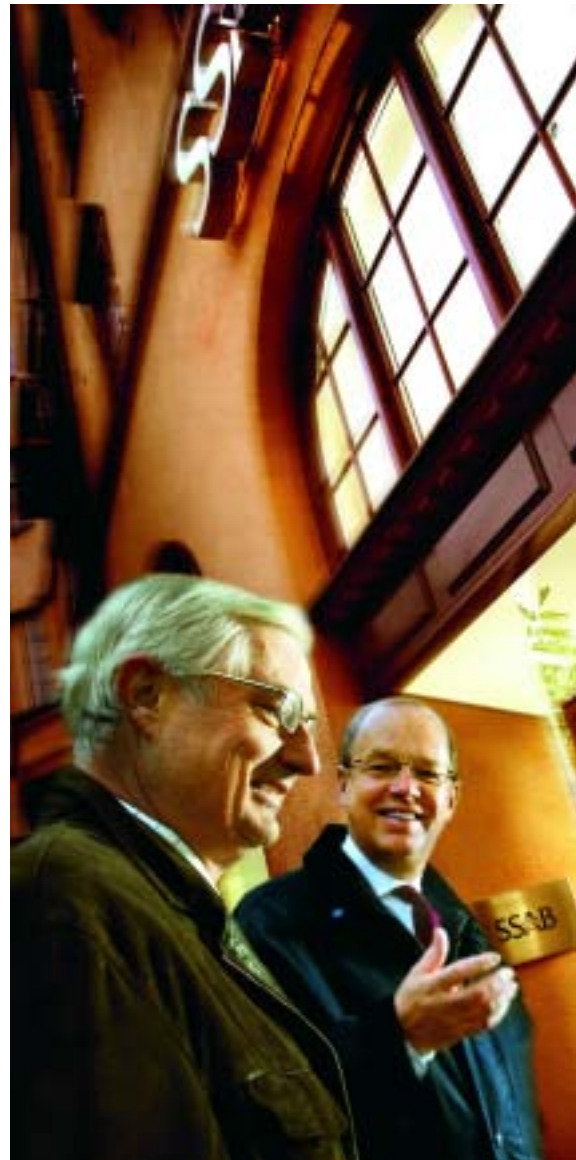
During the last ten-year period Industrivärden has shown a good ability to create value, as evidenced by high growth in net asset value. As a result of this growth in value, Industrivärden's total return has been higher than the average for the Stockholm Stock Exchange over the last five- and ten-year periods.

Investment Criteria

Based on the business mission of creating shareholder value through active ownership and a professional investment operation, Industrivärden's work is conducted according to the following investment criteria:

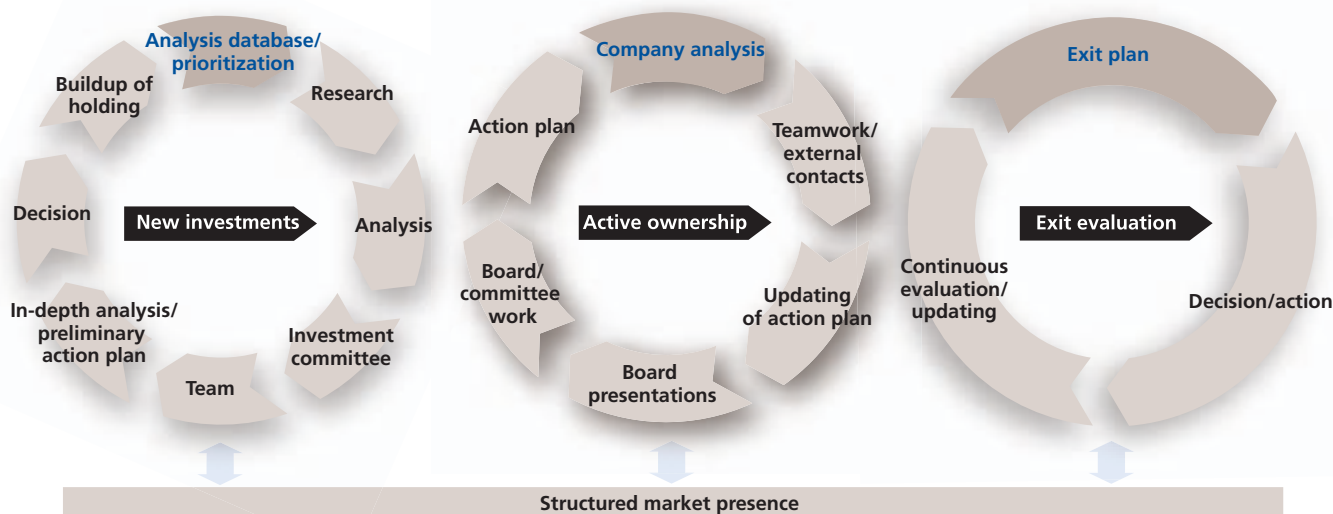
- Investments primarily in medium-sized and large listed, Nordic companies
- Ownership stakes that enable significant ownership influence
- Major potential for value growth through active ownership.

For each potential new investment an analysis is performed of the possible value appreciation in relation to the required rate of return. This analysis involves setting target values and evaluating possible forms of a future exit.



As a principle, investments are not dependent on any particular sector and are assessed on a regular basis with a 3–8 year time horizon. Active ownership requires major resources and focus, which is why Industrivärden's equities portfolio is concentrated on a limited number of holdings.

Main Operating Processes



FROM AN OVERALL PERSPECTIVE, Industrivärden's operations consist of three main processes: new investments, active ownership and exit evaluation.

New Investments

The new-investment process is aimed at identifying new investments with good potential for value growth. Industrivärden monitors developments on a regular basis and maintains a clear picture of the companies listed on the Nordic stock markets through analysis and active external contacts. Of the some 900 listed companies in these markets, Industrivärden monitors roughly 150 companies that meet its investment criteria. Information about these companies and their operating environments is documented in an analysis database that is updated on a regular basis. Following research, external contacts, and analysis, the companies are presented to Industrivärden's investment committee. Decisions are made thereafter on whether or not to proceed with a more in-depth analysis and form an investment team for continued consideration. One of the duties of this team is to prepare an action plan outlining how Industrivärden would be able to actively contribute to value creation in the company. Such a plan also covers specific goals and forms of future exit. Following this in-depth analysis, if the investment is still judged to be interesting, the forms of stock purchases are established – following a decision by the Board – and an ownership position is gradually built up in the company.

Normally Industrivärden strives to have at least one director on the board of its portfolio companies. This person has insight into the value-creation analysis performed by Industrivärden. This includes, among other things, a company analysis that identifies potential areas for value growth as well as a list of measures that are

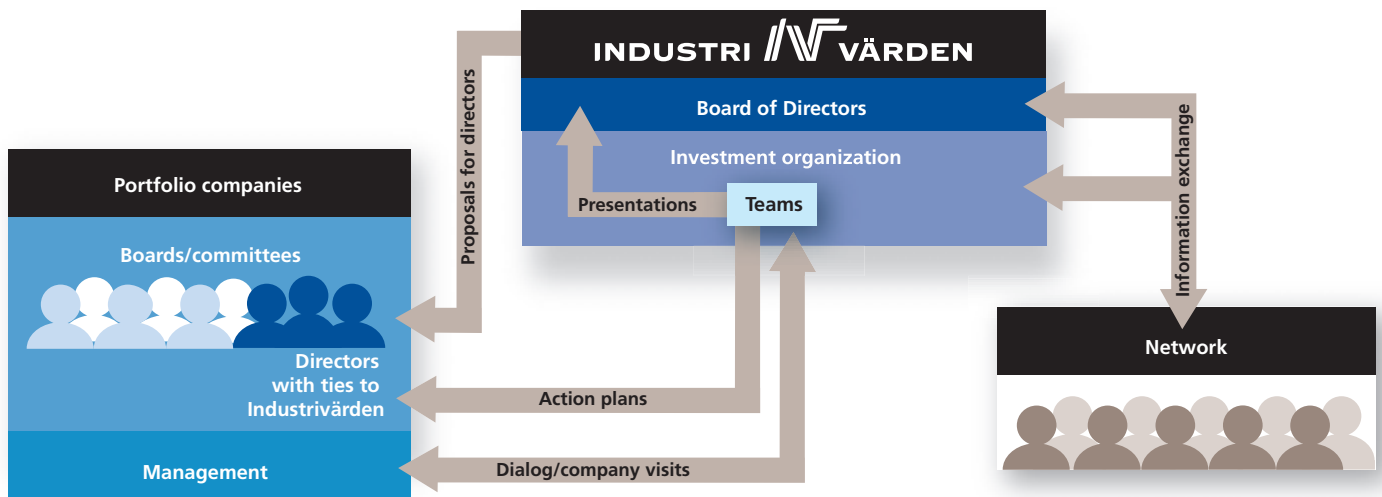
needed to achieve this value growth. The investment team monitors the company as well as its industry during the entire time Industrivärden has the holding.

For each investment target an evaluation is made with respect to the following and other areas:

- VALUE POTENTIAL
Business model, growth, profitability and other value-creating measures.
- MARKET POTENTIAL
Organic growth for the market and the company. Entry obstacles. Acquisition opportunities.
- STRATEGIC POSITIONING
Strategy, acquisitions or divestments.
- CAPITAL RATIONALIZATION
Dividend, reductions of capital, stock buybacks, refinancing, working capital.
- BOARD AND MANAGEMENT
Competence and ability.
- OPERATIONAL IMPROVEMENTS
Cost-cutting, market position, etc.

Through a systematic investment process, a high degree of effectiveness and well-documented decisions are achieved. The goal is to:

- continuously have a clear indication of which companies are interesting;
- be able to act swiftly when business opportunities arise; and
- create a highly efficient organization at a low cost.



Structured Market Presence

In the aim of supporting its investment activities, Industrivärden also maintains a structured market presence among other things through derivative transactions based on the holdings in the equities portfolio. In addition, limited asset management is conducted through the subsidiary Nordinvest. Risk is limited by strict risk mandates and by the fact that transactions may only be made in stocks that Industrivärden has knowledge about within the framework of its overall strategy.

Active Ownership

Industrivärden's influence in its portfolio companies is grounded in significant ownership stakes as well as a strong position of trust. From this platform, an active ownership role is exercised in cooperation with other major owners in the aim of finding ways to build value in the shareholdings. Active ownership is exercised by the directors on the boards of the portfolio companies who have ties to Industrivärden, through committee work, and through direct dialog between Industrivärden's investment organization and leading representatives of the portfolio companies.

Once Industrivärden has taken an active ownership role in a new portfolio company, the action plan for value creation takes on a more concrete design. From having been a decision-making document in the investment process, it now forms the base of the design and evaluation of Industrivärden's active ownership. The aim is primarily to describe various opportunities for value appreciation and strategic measures for creating this value. The team that is responsible for a given holding continuously monitors and updates the action plan. This work is conducted according to a structured work method and consists of continuous, fundamental company analysis of the portfolio company and its competitors. Information is obtained with the help of suitable system support, through company visits and through an ongoing dialog with com-

pany management. Industrivärden also takes advantage of an extensive network of contacts.

Company-specific action plans are based on Industrivärden's general guidelines for active ownership and cover strategic matters such as:

- Strategy and business development
- Structure
- Goals
- Financial matters
- Corporate governance and management issues
- Organizational, management and compensation systems
- Reporting and control systems, etc.

Each investment team makes regular presentations of its action plan to the director or directors with ties to Industrivärden serving on the board of the portfolio companies and in the committees. In this way, Industrivärden's representatives are provided with a current picture of the opportunities and measures that have been identified. The presentations are made in a dialog with the director or the committee member based on a material produced by Industrivärden's investment organization.

Exit Evaluation

Exit evaluation aims to optimize the realization of built-up value. The action plan prepared during the new-investment process includes goals and options for a future exit. It is important at an early stage to evaluate the goals for value growth and the forms of a future exit side-by-side the practice of active ownership. Through close interaction between the three main processes, plans and ways of working can be quickly adapted to new knowledge or changed conditions in the business environment.

Industrivärden's Role in Society

Social Responsibility

A fundamental tenet held by Industrivärden is that creation of shareholder value should be pursued hand-in-hand with social responsibility. Industrivärden strives to be a good corporate citizen by accepting the responsibility that is inherent in an active ownership role. Only in harmony with society in general can long-term growth in value be created. Like other companies, Industrivärden works in a world in which companies are expected to be aware of their societal impact, based on environmental, economic and social factors.

Key aspects of social responsibility include sound business ethics, respect for the individual, and the Company's commitment to the environment, health, equal opportunity and community concerns. Industrivärden strives on a continuing basis to ensure that it lives up to its social responsibility – internally within the Group as well as in the companies making up its major holdings. Industrivärden puts particular emphasis on the following principles:

- Compliance with national legislation in the countries in which it works
- Compliance with the UN human rights declaration and the OECD guidelines for multinational companies
- Conducting all business activities with high standards of integrity and ethics

- Availability and an open channel for dialog with the parties affected by its operations
- The Company's social responsibility shall be evaluated on a continuous basis.

Environmental Responsibility

Industrivärden acts to ensure that the companies in which it has major holdings adopt environmental policies – based on their respective business conditions – that put special emphasis on the following areas:

- The market
 - The companies shall be responsive to customers' preferences and to the market's environmental demands.
- Environmental impact
 - The companies shall be aware of their environmental impact and work actively to reduce this impact and their use of resources.
- Legislation
 - Legal regulations shall be viewed as a minimum requirement.
- Environmental management
 - Targets must be quantifiable and followed up on a continuous basis.



Corporate Governance at Industrivärden



INDUSTRIVÄRDEN'S GOVERNING BODIES CONSIST OF the General Meeting, the Board of Directors, the President and CEO, and the auditors. Industrivärden has also appointed two executive vice presidents. At the Annual General Meeting the shareholders elect a board, which appoints the CEO. The auditors are responsible for examining the accounts as well as the Board's and President's administration during the fiscal year. The auditors report to the Annual General Meeting in a separate audit report.

General Meeting

The General Meeting is Industrivärden's supreme governing body. At the Annual General Meeting, which is held within six months after the end of the fiscal year, the Annual Report is adopted, the dividend is decided on, the Board of Directors and auditors (where applicable) are elected, their fees are determined, and other items of legally ordained business are conducted.

The notice for the Annual General Meeting on March 29, 2004 was published in Swedish daily newspapers and on Industrivärden's website on February 27, 2004. This notice presented a detailed agenda and proposals for the meeting.

Minutes from the Annual General Meeting are available from Industrivärden upon request within two weeks after the Annual General Meeting. Shareholders who so desire can request a copy of the minutes from Industrivärden.

Board of Directors

Industrivärden's board currently consists of eight members, including the CEO, who are elected by the Annual General Meeting. All of these directors, except for the CEO, are independent in relation to Industrivärden. Of the directors, more than two are independ-

ent from Industrivärden's major shareholders. A presentation of the directors can be found on page 76. Other Company executives participate in board meetings by submitting reports or as the secretary.

The Board is ultimately responsible for the Company's organization and administration and is also responsible for acting on strategic matters based on an analysis of the operating environment. This includes:

- setting the Board's work plan
- strategic plans and business and profitability targets
- purchases and sales of companies or businesses
- major purchases and sales of listed stocks

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

At the statutory meeting the Chairman and Vice Chairman are elected, the Board's work plan is adopted, and decisions are made on the Company's signatories, persons to check the minutes of Board meetings, and allotment of directors' fees.

At the first regular meeting of the year, the Board deals with the year-end accounts, the Board of Directors' report, the proposed distribution of earnings and the year-end report. In connection with this, the Company's Chief Auditor presents a report of the auditors' observations and remarks.

At regular meetings later in the year, the Board approves and releases the Company's interim reports, or delegates this task to the CEO.

The regular meetings include a number of set agenda items. These include, among other things, a report on the current financial result of operations and on the development of net asset value



and the performance of the equities portfolio. In addition, ordinarily a special review is conducted of one or more of the portfolio companies. As a rule, each year a meeting is held at one of the major portfolio companies, with a company visit in conjunction therewith.

Important Matters During the 2003 Fiscal Year

In 2003 the Board held a total of six meetings, in addition to the statutory meeting, of which four were regular meetings and two extra meetings. Aside from strategic planning, the largest single items of business in 2003 concerned the sale and purchase of stock in listed and unlisted companies.

Committees

The Board has appointed a *compensation committee* to submit for the Board's approval a proposal for the salary and remuneration of the CEO and other members of the executive management, and to set up any incentive programs.

The 2003 Annual General Meeting resolved to authorize the Chairman of the Board to form a *nominating committee* for the election of Board members. To form this committee the Chairman was authorized to appoint, in addition to himself, members from among the shareholder representatives, who are not directors on Industrivärden's board.

In 2003 an *audit committee* was established for oversight of the Company's risk management, business management and control, and financial reporting. This committee, which meets as needed, includes all the Company directors except for the CEO. In connection with the adoption of the year-end accounts, the Company's chief auditor reports on his observations from the audit and his opinion of the Company's internal control. The chief auditor

ordinarily also reports to the Board at one or more of the other board meetings during the year.

The committee members are presented on page 77.

The Chairman's Role

In addition to directing the work of the Board and its committees, the Chairman monitors Industrivärden's continuing performance through regular contact with the CEO on strategic matters, and represents the Company in matters concerning its ownership structure.

The Chief Executive Officer and Executive Vice Presidents

The CEO is responsible for Industrivärden's day-to-day management, which includes all matters not reserved for the Board. The CEO's authorization to decide on investments and on purchases and sales of listed stocks – and concerning financing matters – is subject to rules established by the Board of Directors.

The Chairman, the CEO and three other board members are each directors of one or more of the companies in which Industrivärden serves as an active owner. These exercise Industrivärden's active ownership role in accordance with the principles described on page 9.

In addition, Industrivärden's CEO and executive vice president in charge of finance (the Chief Financial Officer) hold chairman positions in the wholly owned subsidiaries Indutrade and Isaberg Rapid, respectively. The executive vice president in charge of the investment operations (the Chief Investment Officer) serves as a director on the boards of the wholly owned subsidiaries and of the portfolio companies Munters and Ossur.

The Chairman, the CEO and the CFO are members of nominating committees for election of directors of companies in which Industrivärden is a major owner.

Equities Portfolio

INDUSTRIVÄRDEN'S EQUITIES PORTFOLIO was worth SEK 32.9 billion (26.4) on December 31, 2003, corresponding to SEK 170 (136) per Industrivärden share. The listed holdings are stated at their year-end market value. The wholly owned subsidiaries Indutrade and Isaberg Rapid are valued based on a P/E multiple of 13 and shareholder's equity for other shareholdings.

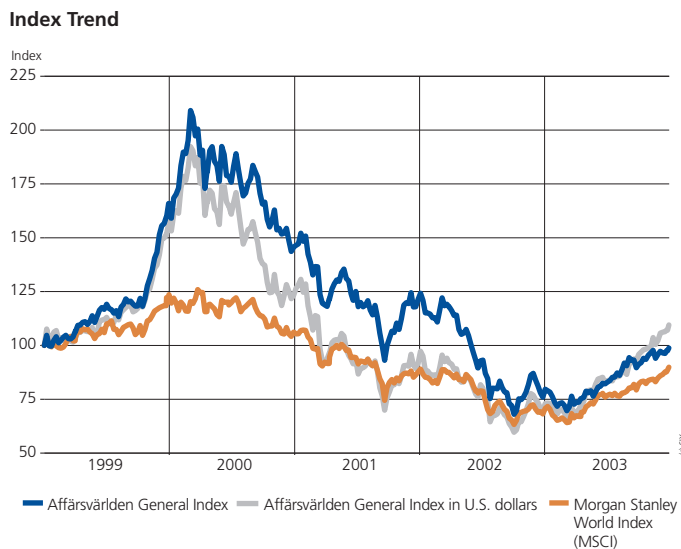
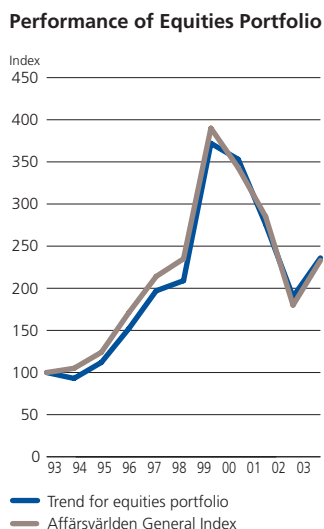
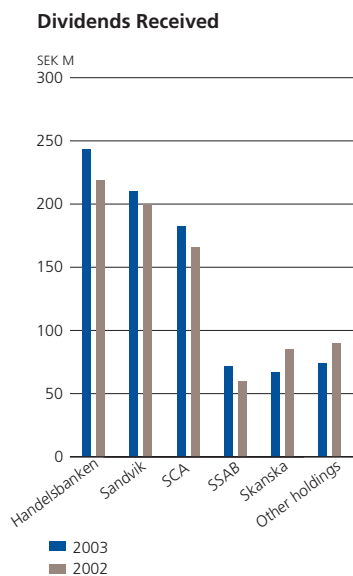
Composition of Equities Portfolio

Industrivärden's equities portfolio consists mainly of major shareholdings in companies in which Industrivärden serves as an active owner. These are: Handelsbanken, SCA, Sandvik, Ericsson, Skanska, Indutrade, SSAB, Munters, Isaberg Rapid and Ossur.

The total value of these holdings was SEK 30.8 billion on December 31, 2003, corresponding to 94% of Industrivärden's equities portfolio. The aggregate market capitalization of Industrivärden's listed Swedish portfolio companies on the same date was SEK 662 billion, or 37% of the aggregate market capitalization of the Stockholm Stock Exchange.

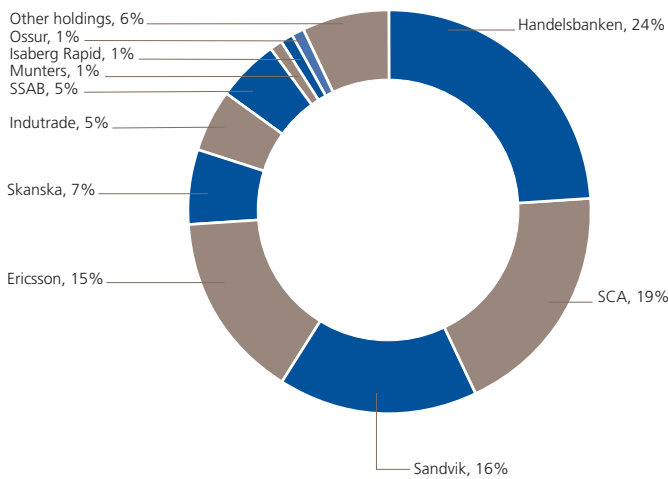
Stock Market 2003

The decline in the world's stock markets that began in spring 2000 was broken in March 2003. Measured in U.S. dollars the New York Stock Exchange (S&P 500) rose by 26% in 2003, the leading bourses in Europe by 32% (Eurotop 300), and the world index by 30% (MSCI). The Stockholm Stock Exchange rose by 30%, measured in Swedish kronor, or by 56% in dollars. The low for the year was noted in mid-March, when the Stockholm Stock Exchange had fallen by 12%. Economic growth improved in the U.S. and Japan, but declined slightly in Europe. The strong stock market in 2003 should also be seen against the background of the fact that interest rates in nominal terms are at historically low levels in the U.S., Europe and Japan.





Composition of Equities Portfolio



Investment Activities in 2003

The combined value of stock purchases was SEK 2.0 billion (2.1), and the combined value of sales was SEK 1.9 billion (6.3). Together, combined purchases and sales corresponded to 13% (24%) of the average portfolio value during the year. The turnover rate for the listed holdings since 1994 is shown in the chart on page 17.

The largest stock purchases were for SEK 657 M in SCA B, SEK 514 M in Handelsbanken A, and SEK 453 M in Munters. The investments in SCA and Handelsbanken entailed additions to existing holdings at attractive prices. Through the purchase of 11% of the capital and votes in Munters, Industrivärden became the largest shareholder in that company, which specializes in dehumidification, humidity control and related services. Munters is a world-leading player with good profitability and continued growth potential.

The largest stock sales pertained to Skandia, for SEK 1,253 M (the entire holding), Ericsson B, for SEK 361 M, and Eniro, for SEK 175 M. The sale of Skandia should be seen in light of the strategy to invest in companies in which Industrivärden has a significant influence and thus an opportunity to influence value growth.

Derivative transactions are conducted on a regular basis to maintain a structured market presence and enhance the return of the equities portfolio. The profit from these activities amounted to SEK 101 M (47), which more than adequately covered Industrivärden's management costs.

Purchases and Sales of Listed Stocks

	Number	SEK M
Purchases		
SCA B	2,224,600	657
Handelsbanken A	4,096,000	514
Munters	2,505,750	453
SSAB A	1,047,000	132
Other		256
Total		2,012
Sales		
Skandia (entire holding)	48,846,800	1,253
Ericsson B	43,285,616	361
Eniro	2,671,400	175
Swedish Match	1,590,500	103
Other		41
Total		1,933

Performance of the Equities Portfolio in 2003

At year-end 2003 the value of the listed holdings was SEK 32,890 M (26,413), compared with a book value of SEK 17,476 M (18,612) for the shares. The surplus value was thus SEK 15,414 M, compared with SEK 7,801 M at the start of the year. The value of the equities portfolio, taking into account purchases and sales, rose 24% during the year, which was slightly below the Stockholm Stock Exchange General Index, which rose 30%.

Dividends received during the year totaled SEK 849 M. The total return of the portfolio, i.e., growth in value plus reinvested dividends, was 29%, compared with 34% for the return index.

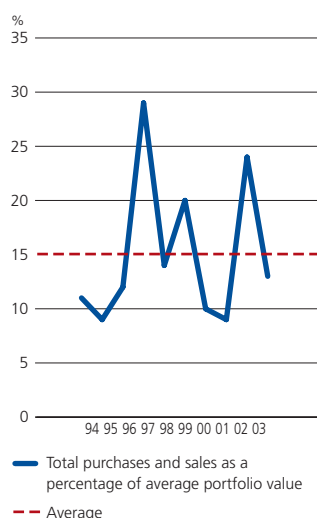
The total return for the major portfolio companies and their contribution to the performance of the total portfolio are shown in the table on page 18.

From year-end 2003 through February 29, 2004, the value of the equities portfolio, taking into account purchases and sales, increased by 10%, compared with 10% for the Stockholm Stock Exchange General Index during the same period.

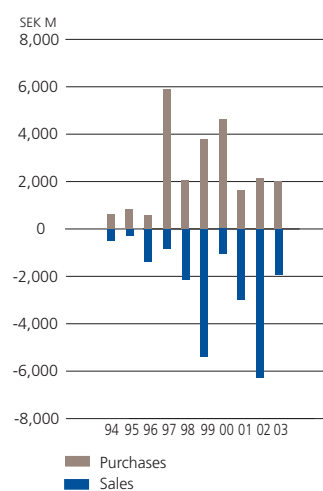
Performance of Equities Portfolio

	2003	2002	2001	2000	1999
Price trend for portfolio, %	24	-31	-22	-5	78
Index (1998 as base)	113	91	132	169	178
Affärsvärlden General Index, %	30	-37	-17	-12	66
Index (1998 as base)	99	76	121	146	166

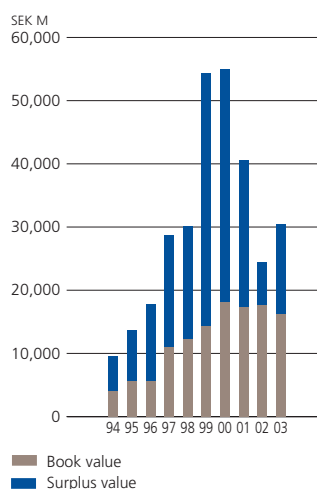
Equities Portfolio – Turnover



Gross Investments In Equities Portfolio



Listed Holdings – Market Value and Surplus Value



Price Trend for Equities Portfolio, 2003

Company	Change in value, SEK M ¹	Price change, %	Total return, %	Total return ²	
				5 years, %	10 years, %
Handelsbanken	1,638	27	31	8	18
SCA	20	0	4	16	12
Sandvik	1,168	28	34	17	12
Ericsson	2,284	86 ³	86	-18	5
Skanska	417	25	30	7	10
Indutrade	10	–	–	–	–
SSAB	310	25	32	16	11
Scania	106	22	26	9	–
Pfizer Inc.	-27	16	19 ⁴	-2	22
Munters	-20	-10	-8	22	–
Isaberg Rapid	159	–	–	–	–
Volvo	136	55	64	8	12
Ossur hf	-74	-19	-19 ⁴	–	–
Nokia	-16	-10	-8	1	36
Others	181				
Total	6,292		29		
Return index			34	2	11

¹ Change in value is adjusted for purchases and sales.

² Average annual total return.

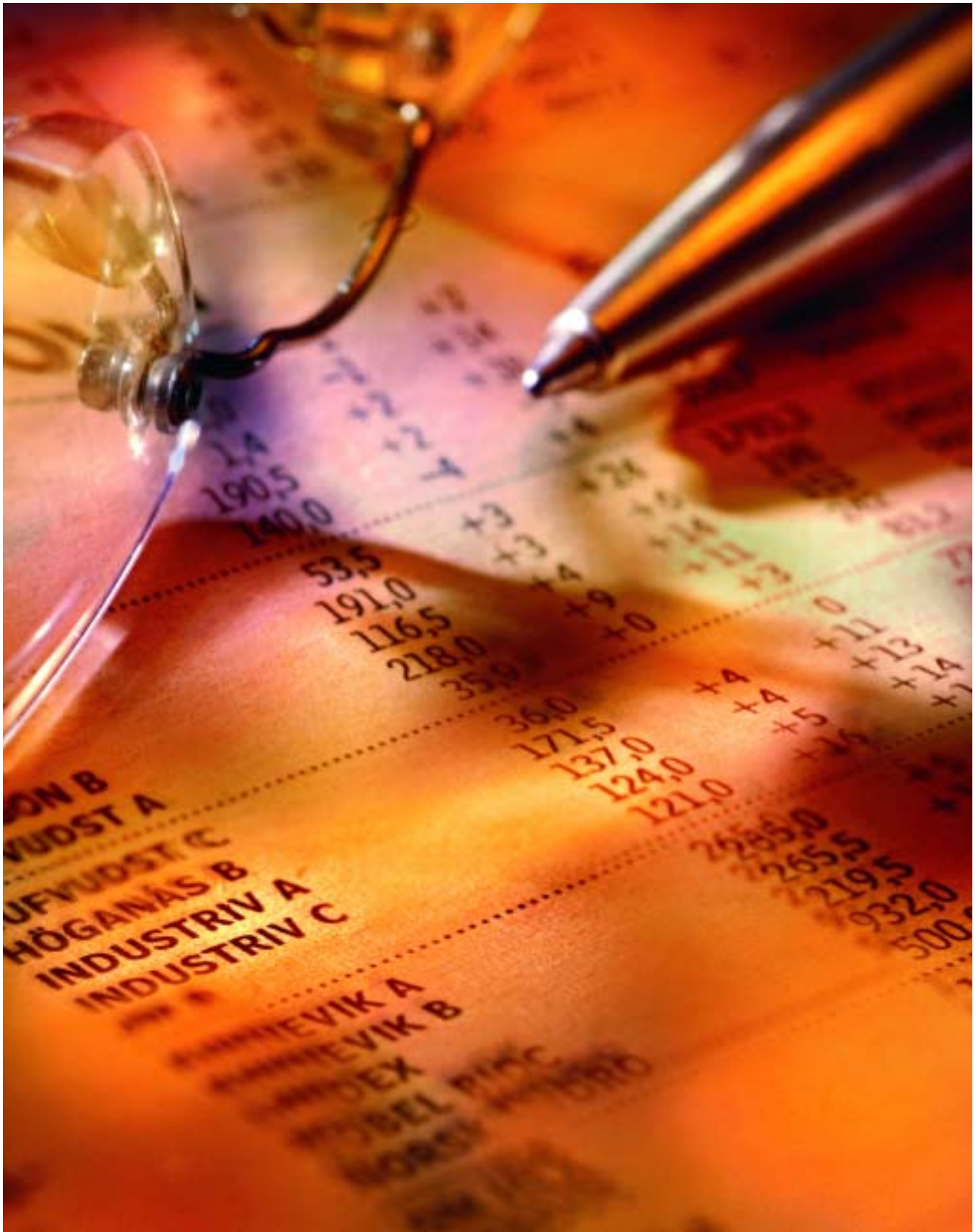
³ Total return for Ericsson in 2003 pertains to a weighted average for Industrivärden's holdings of Class A and B shares.

⁴ Calculated in local currency.

Equities Portfolio as per December 31, 2003

Company	Number	Market value,		Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
		SEK M	SEK per share			
Handelsbanken	52,751,900	7,754	40	24	7.4	8.0
SCA	21,206,600	6,235	32	19	9.0	29.1
Sandvik	21,167,500	5,249	27	16	8.0	8.0
Ericsson	364,039,276	4,882	25	15	2.2	27.7
Skanska ¹	33,302,756	2,115	11	7	8.0	27.2
Indutrade		1,704	9	5	100.0	100.0
SSAB	13,112,600	1,685	9	5	13.0	17.0
Scania	3,002,200	607	3	2	1.5	1.9
Pfizer Inc.	2,017,500	513	3	2	0.0	0.0
Munters	2,705,750	471	3	1	10.8	10.8
Isaberg Rapid		459	2	1	100.0	100.0
Volvo	1,786,400	382	2	1	0.4	0.8
Ossur hf	52,000,000	230	1	1	15.8	15.8
Nokia	1,400,000	174	1	0	0.0	0.0
Others		430	2	1		
Total		32,890	170	100		

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



Handelsbanken



HANDELSBANKEN IS A NORDIC, UNIVERSAL BANK with a highly decentralized organization. The heart of the bank is its large network of branches. The basic concept is that the organization and work methods should be based on the branches' responsibility for individual customers. The branches have total responsibility for all customers in their respective geographic areas, including major corporate clients. The branches coordinate the central and regional resources needed to give customers the best possible service. Handelsbanken prioritizes high service along with the goal of having the lowest costs compared with all the other Nordic banks.

Handelsbanken is a universal bank, i.e., it covers the entire banking area: traditional corporate transactions, investment banking and trading, and retail banking including pensions and life insurance.

Handelsbanken's business units consist of the Branch Office Operations (including finance company services such as leasing and factoring, and Stadshypotek Bank), Markets (including Capital Markets, which conducts trading in the money and foreign exchange markets, corporate finance and equity trading, and Markets International, which conducts trade financing and banking outside the Nordic region and the U.K.), Asset Management, and Pensions and Insurance.

Handelsbanken conducts a comprehensive universal banking operation in the Nordic region and the U.K. The branch activities are conducted via eleven regional banks – seven in Sweden and one each in Norway, Finland, Denmark and the U.K. Handelsbanken has a strong position in the Swedish market, with 453 branches. In the other Nordic countries the bank has 91 branches, plus ten in the U.K. Within the next two years Handelsbanken plans to open an additional 30 branches outside Sweden. Branches in new markets will be run according to the same principles that are applied in Sweden. Handelsbanken also has banking and representative offices in another fifteen or so countries.

Handelsbanken's overall objective is to have a higher return on equity than a weighted average of the other listed Nordic banks. If this target is met, an amount corresponding to a maximum of 25% of the bank's dividend (15% starting in 2004) is allocated to the Oktogonen Foundation, Handelsbanken's employee profit-sharing system. A significant portion of the foundation's assets are invested in Handelsbanken stock.

Handelsbanken's higher profitability is intended to benefit its shareholders through higher dividend growth than the average for other Nordic banks.

Profitability is always more important than volume. In the bank's lending activities this means that credit quality may never be neglected in favor of a large lending volume. Handelsbanken aims to have the most satisfied customers of the Nordic banks.

Highlights 2003

- Profit was SEK 11.6 billion (10.2). Net interest income as well as net trading income improved as a result of higher business volumes. Overheads decreased and were even lower than 2001 levels. Loan losses remained low.
- Handelsbanken Finans established leasing services at the Group's regional bank in the U.K. This business is integrated with the local branches, which have total customer responsibility.
- For the third year in a row, Handelsbanken was named as the best Nordic bank by Euromoney magazine. Handelsbanken has had the most satisfied customers of the major banks in Sweden ever since independent measurements of customer satisfaction were first conducted in 1989.
- For the thirty-second year running, Handelsbanken reported a better return on equity than the weighted average of the other listed Nordic commercial banks.

Assessment of the Company from an Ownership Perspective

Handelsbanken has consistently developed its business concept with a focus on customers satisfaction and cost efficiency, which has given the bank the industry's best profitability for many years running. The bank has extended its geographic reach through ventures in the other Nordic countries and the U.K., where operations have been developed according to the same principles applied by the Swedish operations. Industrivärden expects continued favorable development for Handelsbanken.

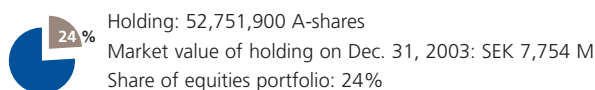
For more information on Handelsbanken, visit www.handelsbanken.se/ireng.



Handelsbanken is a Nordic, universal bank focusing on availability and service from 453 branches in Sweden and an additional 91 branches in the other Nordic countries. Its experience from running a profitable universal banking business in the Nordic region is now also being applied in other markets, such as the U.K.

Share of votes: 8.0%¹

Share of capital: 7.4%¹



Key data	2003	2002
Operating income, SEK M	22,130	21,664
Operating profit, SEK M	11,550	10,190
Earnings per share, SEK	11.70	10.50
Dividend per share, SEK	5.25 ²	4.75

¹ Handelsbanken repurchased 3% of its shares, net, from 2000–2002, but it has not reduced its capital stock. No repurchases were made in 2003. Industrivärden's share of votes and capital is based on all shares outstanding, including those repurchased.

² Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2003

	% of votes	% of capital
Oktogonen Foundation	10.1	9.3
Industrivärden	8.0	7.4
Alecta	3.1	3.8
AMF Pension	3.1	3.2
Nordea mutual funds	3.0	2.8

Chairman Arne Mårtensson

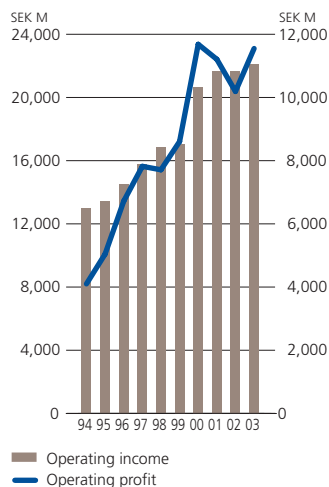
CEO Lars O. Grönstedt

Board members with ties to Industrivärden Sverker Martin-Löf, Arne Mårtensson and Anders Nyrén

Handelsbanken's Stock

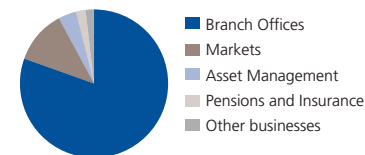
Handelsbanken's stock is listed on the Stockholm Stock Exchange. The share price rose by 27% in 2003, and trading volume was SEK 88 billion. Handelsbanken's market capitalization was SEK 102 billion at year-end 2003.

Handelsbanken 1994–2003

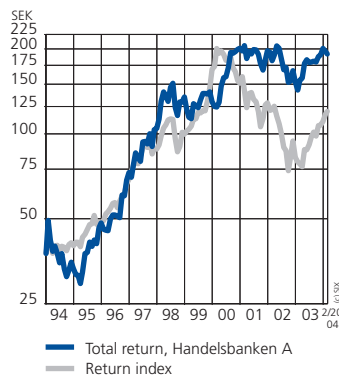


Handelsbanken Structure

Income per business area



Handelsbanken's Stock



During the past ten years, Handelsbanken's stock has outperformed the return index by a wide margin.



SCA PRODUCES AND SELLS HYGIENE PRODUCTS, packaging solutions and publication paper. Based on customer needs, value-added products are developed for consumers, institutions, industry and the retail trade. Products for private individuals aim to enhance quality of life, while SCA's products and services for institutions and companies offer enhanced product quality, safety, productivity and profitability.

SCA strives to increase the share of high value-added products in order to achieve a sustained level of high profitability. SCA's products consist almost exclusively of renewable and recyclable material. The company uses equal quantities of recycled fiber and fresh wood fiber in its production.

Western Europe is SCA's main market, with a concentration in Germany, the U.K., France and Sweden. Sales outside Sweden account for more than 90% of total.

The Group also has strong positions in certain product segments in North America. Expansion is pursued through organic growth and selective acquisitions, mainly in the hygiene products and packaging segments. Geographic expansion is also being pursued in Asia, Central and Eastern Europe, and Latin America.

SCA's overall objective is to provide shareholders with good growth in value and a rising dividend. This is based on the principle that the company's value is determined by its future cash flows and the level of risk in the business. Future cash flows, in turn, are a function of profitability and growth. SCA's cash flow target for 2003 was SEK 7.9 billion, taking into account strategic investments made in 2002.

SCA's long-term financial target is that roughly 40% of the Group's capital should be financed through loans, corresponding to a debt-equity ratio of 0.7. Based on this target ratio, the required rate of return on capital employed in 2003 was 15%.

Highlights 2003

- Earnings after financial items amounted to SEK 6,967 M (8,078). Operating profit for the hygiene products and packaging businesses fell by 12% and 19%, respectively, but with an essentially unchanged gross margin. Operating profit for the forestry products business fell by 22%.
- The hygiene products business was affected by negative currency effects and lower prices for consumer tissue paper, the packaging business by lower volumes and higher pension costs, and the forest products unit by lower prices for printing paper.
- Operating cash flow, i.e., cash flow before strategic investments and dividends, amounted to SEK 8,134 M (8,620).

Assessment of the Company from an Ownership Perspective


SCA is the leading European producer of hygiene products and transport packaging. Through a selective acquisition strategy the company has also gained a strong foothold in the North American market. Work on gradually increasing the share of high value-added products has resulted in favorable earnings growth during the last five years. Industrivärden expects that SCA will stick to this strategy by further strengthening its position in the hygiene products and packaging paper segments, giving the company continued good potential for growth as well as favorable development of earnings and cash flow.

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



SCA sells hygiene products, packaging solutions and publication paper on all continents of the world. Europe and North America are the main markets, with expansion taking place in Latin America and Asia.

Share of votes: 29.1%
Share of capital: 9.0%

 Holding: 16,982,000 A-shares and 4,224,600 B-shares
Market value of holding on Dec. 31, 2003: SEK 6,235 M
Share of equities portfolio: 19%

Key data	2003	2002
Net sales, SEK M	85,338	88,046
Earnings after net financial items, SEK M	6,967	8,078
Earnings per share, SEK	21.84	24.54
Dividend per share, SEK	10.50 ¹	9.60
Operating cash flow per share, SEK	34.98	37.12

¹ Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2003

	% of votes	% of capital
Industrivärden	29.1	9.0
Handelsbanken ²	12.0	4.7
SEB mutual funds	4.6	2.1
Fourth National Swedish Pension Fund	2.8	1.5
Third National Swedish Pension Fund	2.6	1.7

² Including pension foundations, employee foundations and mutual funds.

Chairman Sverker Martin-Löf

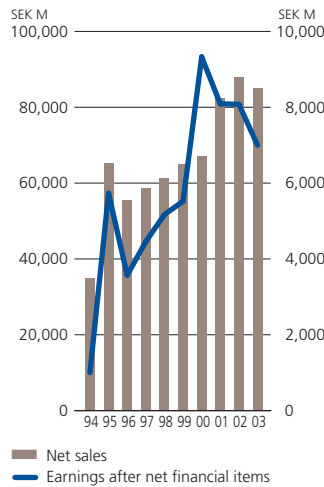
CEO Jan Åström

Board members with ties to Industrivärden Tom Hedelius, Sverker Martin-Löf and Anders Nyrén

SCA's Stock

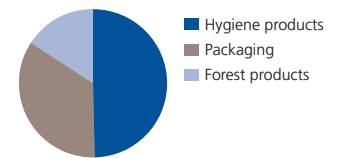
SCA's stock is listed on the Stockholm Stock Exchange and the London Stock Exchange. The stock is also traded in the U.S. through an American Depositary Receipt program. The share price was unchanged in 2003, and trading volume on the Stockholm Stock Exchange was SEK 53 billion. SCA's market capitalization was SEK 69 billion at year-end 2003.

SCA 1994–2003



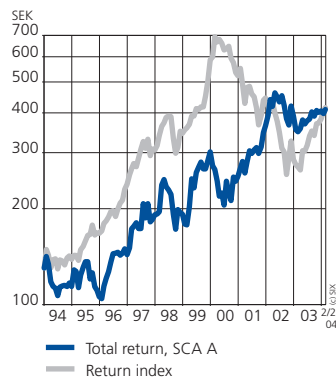
SCA Structure

Net sales per business area



2000 earnings included a capital gain of SEK 2,656 M on the sale of Modo Paper and a provision of SEK 625 M for restructuring measures in the tissue segment.

SCA's Stock



During the past ten years SCA's stock has performed slightly better than the return index.



SANDVIK IS A HIGH-TECHNOLOGY ENGINEERING GROUP with operations in 130 countries. The Group works in three business areas, all of which have world-leading positions. Tooling specializes in cemented carbide and high-speed steel tools for metalworking. Mining and Construction focuses on equipment, tools and service for the mining and construction industries. Materials Technology manufactures highly refined products made of advanced metallic and ceramic materials. The Sandvik Group also includes the partly owned, listed company Seco Tools (61% of the capital), which is active in metalworking.

About two-thirds of the Group's sales consist of industrial consumption products and one-third investment goods. Sandvik is one of Sweden's largest export companies, with operations spanning the globe.

One of Sandvik's financial targets is to achieve average annual organic sales growth of 6%, which is higher than the underlying average annual growth rate for the market of 3%–4%. This higher rate of growth will be achieved through increased market shares and new products and applications. The aim is to generate an average annual return on capital employed of 20%. This target is slightly higher for the Tooling business area and slightly lower for the Materials Technology business area. The target net debt/equity ratio is 0.6–0.8. The dividend should amount to at least 50% of earnings per share over a business cycle. The total return target for Sandvik's stock is to exceed the industry average.

During the last ten-year period Sandvik has acquired more than 35 companies, mainly in the Tooling and Mining and Construction units, which has added sales of over SEK 20 billion calculated from the time of acquisition. The acquired companies are integrated in the Group after Sandvik has provided resources and know-how in a number of areas.

For many years running, Sandvik's expenditures on R&D and quality assurance have corresponded to 4% of sales on average for

the business areas, which is more than its competitors. However, in high-tech areas, Sandvik's R&D investments are considerably higher. The ultimate aim of Sandvik's R&D activities is to increase its customers' productivity and profitability.

Half of Sandvik's sales and three-fourths of production pertain to Europe. Over time the goal is to have a relatively even balance of sales and production in America, Europe and Asia.

Highlights 2003

- Earnings after net financial items amounted to SEK 4,187 M (5,063). Operating profit before restructuring costs improved for the Tooling business area, while it was unchanged for Mining and Construction and lower for Materials Technology. Exchange rate movements had a negative impact on profit, in the amount of SEK 700 M. Restructuring costs pertaining to the American subsidiary Precision Twist Drill amounted to SEK 600 M.
- The work on integrating the most recent major acquisitions – the American company Valenite and the German company Walter – continues according to plan.

Assessment of the Company from an Ownership Perspective

Industrivärden has a positive view of Sandvik's concentration of its operations on the business areas in which it has a world-leading position. The acquisitions and rationalization measures that have been taken during the past year to meet a difficult business situation are expected to lead to gradual earnings improvement. Strong technological and market positions point to sustained high profitability.

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



Sandvik is a high-technology engineering group with advanced products and unique expertise in materials technology. The company has a world-leading position in several areas and conducts operations in 130 countries.

Share of capital and votes: 8.0%¹

16% Holding: 21,167,500 shares
 Market value of holding on Dec. 31, 2003: SEK 5,249 M
 Share of equities portfolio: 16%

Key data	2003	2002
Net sales, SEK M	48,810	48,700
Earnings after net financial items, SEK M	4,187	5,063
Earnings per share, SEK	11.20	13.70
Dividend per share, SEK	10.50²	10.00
Cash flow per share, SEK	14.62	9.91

¹ Sandvik repurchased 3.4% of its shares in 2001 and 2002, but has not reduced its capital stock. No repurchases were carried out in 2003. Industrivärden's share of the votes and capital are based on all shares outstanding.
² Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2003

	% of votes and capital
Handelsbanken ³	8.8
Industrivärden	8.0
FöreningsSparbanken mutual funds	3.5
AMF Pension	2.6
Nordea mutual funds	2.2

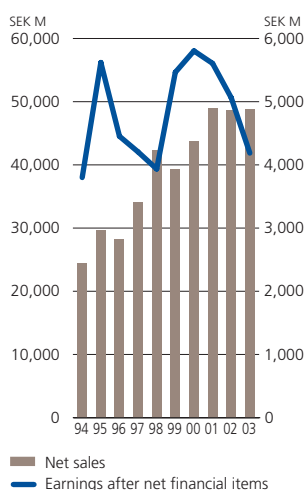
³ Including pension foundations, employee foundations and mutual funds.

Chairman Clas Åke Hedström
CEO Lars Pettersson
Board members with ties to Industrivärden Arne Mårtensson and Anders Nyrén

Sandvik's Stock

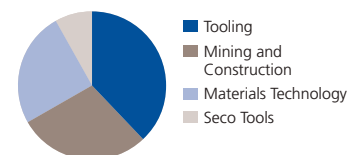
Sandvik's stock is listed on the Stockholm and Helsinki Stock Exchanges. The stock is also traded in the U.S. through an American Depositary Receipt program. The share price rose by 28% in 2003, and trading volume on the Stockholm Stock Exchange was SEK 86 billion. Sandvik's market capitalization was SEK 64 billion at year-end 2003.

Sandvik 1994–2003



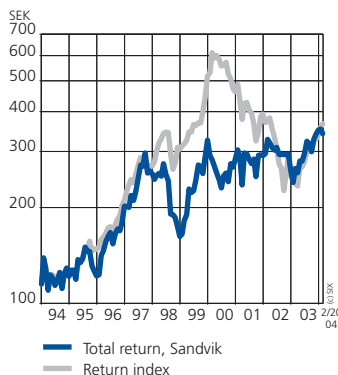
Sandvik Structure

Net sales per business area



Earnings in 1999 included a capital gain of SEK 1.6 billion on the sale of the Saws and Tools business area.

Sandvik's Stock



Sandvik's stock has performed slightly better than the return index for the past ten years.



ERICSSON IS AN INTERNATIONALLY LEADING COMPANY active in the development and delivery of advanced systems and services for mobile and fixed-line communication to network operators. Ericsson's wide offering of telecom and datacom equipment includes turnkey solutions, systems and services that enable mobile and fixed-line networks to transmit voice, data and multimedia effectively, fast and securely.

With operations in 140 countries, Ericsson has the widest global reach of any player in the telecom industry. The company's local presence gives it knowledge about specific market conditions, enables good relations with customers and suppliers, and forms the backbone of its local service organization.

Operations are organized under two segments: systems and other businesses. In mobile networks, which is the entirely dominant sub-segment within systems, Ericsson is at least twice as large as each of its competitors. Ericsson's mobile phone business is conducted through Ericsson Mobile Platforms and Sony Ericsson Mobile Communications, a joint venture company in which Ericsson has contributed its leading mobile phone technology and Sony its know-how in consumer electronics.

The most important markets in 2003 were, ranked by size, the U.S., China, Italy, Sweden, Spain, India, Russia, the U.K, Brazil and Australia.

Recent years have seen an acceleration of growth in mobile telephony and an equally rapid expansion in the use of the Internet. However, development in the telecom industry was hampered by substantial over-investment by telecom operators from 1997–2000, which subsequently led to substantial volume declines for telecom companies. The market stabilized in 2003.

Highlights 2003

- Earnings after net financial items totaled SEK -12,103 M, including SEK -14,892 M in items affecting comparability (SEK -22,835 M, including SEK -8,804 M in items affecting comparability). Excluding items affecting comparability, Ericsson reported a profit of SEK 2,789 M (-14,031).
- Capacity utilization improved significantly during the fourth quarter. Earnings for the quarter after net financial items, excluding items affecting comparability, amounted to SEK 5,474 M (-2,064).
- Cash flow before financing activities was SEK 19,455 M (-7,104), entailing a strengthening in the company's financial position.
- An extensive efficiency improvement program has more than halved operating overhead on a yearly basis since mid-2001. The number of employees, which was 105,000 in 2000, is expected to decrease by 4,600 in 2004 to 47,000.
- Carl-Henric Svanberg took office as CEO.

Assessment of the Company from an Ownership Perspective

Ericsson has carried out an extensive efficiency-improvement program to adapt its organization and capacity to the changed market conditions in the telecom industry.

Industrivärden considers Ericsson to be a good investment in the long-term perspective. Important success factors are capacity expansion in existing telecommunications networks, expanding service business, upgrading of systems with larger bandwidths, and the continued shift from fixed to mobile communication.

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



Ericsson is the world's largest supplier of mobile telecommunications systems and offers turnkey solutions that cover fixed-line as well as mobile communications solutions. Approximately 40% of all mobile phone traffic around the world is conducted using systems supplied by Ericsson.

Share of votes: 27.7%
Share of capital: 2.2%

 Holding: 186,000,000 A-shares and 178,039,276 B-shares
Market value of holding on Dec. 31, 2003: SEK 4,882 M
Share of equities portfolio: 15%

Key data	2003	2002
Net sales, SEK M	117,738	145,773
Earnings after net financial items, SEK M	-12,103	-22,835
Earnings per share, SEK	-0.69	-1.51
Dividend per share, SEK	None ¹	None
Cash flow per share, SEK	1.23	-0.57

¹ Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2003

	% of votes	% of capital
Investor	38.3	5.0
Industrivärden	27.7	2.2
Handelsbanken Pension Foundation	7.2	0.5
Handelsbanken Pension Fund	4.7	0.4
Livförsäkrings AB Skandia	4.5	1.2

Chairman Michael Treschow

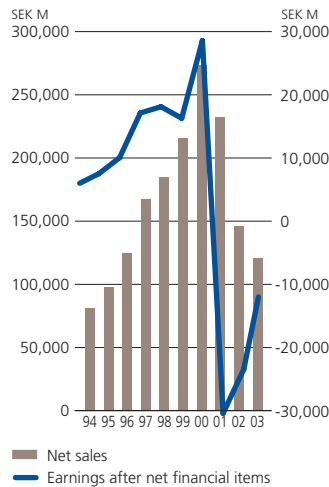
CEO Carl-Henric Svanberg

Board members with ties to Industrivärden Sverker Martin-Löf and Arne Mårtensson

Ericsson's Stock

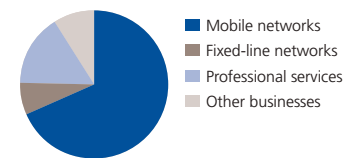
Ericsson's stock is listed on the Stockholm, New York and London Stock Exchanges. Ericsson's Class A shares rose by 62% in 2003, and its Class B shares rose by 111%. Trading volume on the Stockholm Stock Exchange was SEK 484 billion. Ericsson's market capitalization at year-end 2003 was SEK 209 billion.

Ericsson 1994–2003



Ericsson Structure¹

Net sales per segment



¹ The mobile phone business is conducted by the joint-venture company Sony Ericsson Mobile Communications.

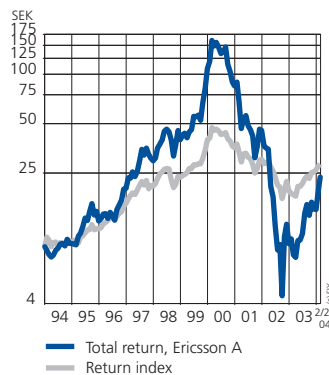
Earnings for 2000 included a total of SEK 14,416 M in nonoperational capital gains/losses and other items affecting comparability.

Earnings for 2001 included a total of SEK -9,200 M in nonoperational capital gains/losses and other items affecting comparability.

Earnings for 2002 included SEK -8,804 M in items affecting comparability.

Earnings for 2003 included SEK -14,892 M in items affecting comparability.

Ericsson's Stock



During the past ten-year period, Ericsson's stock has lagged slightly behind the return index. However, from the low point in September 2002 through the end of December 2003, the Class A shares rose by 236% and the Class B shares by 283%.



SKANSKA IS ONE OF THE FIVE LARGEST CONSTRUCTION companies in Europe and North America, and one of Europe's largest real estate development companies. Skanska's mission is to develop, build and maintain the physical environment for living, traveling and working. Its vision is to be a world leader – the client's first choice – in construction-related services and project development in its home markets.

Skanska is a global name in construction, with operations in some thirty countries, as a rule through local subsidiaries. Skanska has 11 home markets. The largest are the U.S., Sweden, the U.K., Norway, the Czech Republic and Finland. The share of foreign revenues has risen from about 10% at the end of the 1980s to approximately 80% today. The U.S. is Skanska's largest market, accounting for 34% of sales in 2003.

Operations are conducted in four business units: Construction and Services, Residential Project Development, Commercial Project Development and BOT (Build-Operate-Transfer).

Construction and Services refers to building and civil construction. Civil construction consists mainly of infrastructure projects such as rail systems, bridges, tunnels, roads, harbors and power plants. Residential Project Development covers activities ranging from land acquisition to the sale of apartments. Commercial Project Development focuses on office and retail projects, where the objective is to complete the entire development cycle within an average of three years. BOT refers to privately financed infrastructure projects. Skanska's BOT expertise covers the entire chain from financing and construction to operation of the finished facility.

Skanska's goal is to be number 1 or number 2, in terms of size and profitability, in all its home markets. Its financial targets are to have an operating margin of over 2.5% for construction services and to achieve a 16% average annual return on capital employed and shareholders' equity after tax. The debt/equity ratio target is 0.1–0.3.

Highlights 2003

- A sweeping action program was carried out in the aim of further improving operating earnings and focusing on home markets, where Skanska has a leading position.
- Operating income amounted to SEK 4,532 M (981), including gains of SEK 2,399 M (294) on sales of commercial properties.
- The Grävling block in central Stockholm was sold for SEK 2.3 billion, generating a capital gain of SEK 1.1 billion, which was Skanska's largest deal ever for a single property.
- Good cash generation capacity in the construction operations contributed to a strong cash flow and improved financial position. Cash flow from operating activities increased to SEK 9,970 M (1,966). Interest-bearing net debt decreased during the year from SEK 9,376 M to net cash of SEK 150 M.
- In consortium with a British construction company, Skanska signed a preferred bidder contract for its largest order ever. The order, worth approximately SEK 13 billion, pertains to the design, construction, operation and maintenance of two hospitals in central London. The contract is expected to be signed in early 2005.

Assessment of the Company from an Ownership Perspective

Skanska is carrying out a consolidation and strategic concentration of its operations in a strong phase of expansion. The company's financial targets give priority to profitability over growth. Industrivärden is optimistic about Skanska's opportunities for long-term favorable growth in earnings.

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



Skanska offers competitive solutions in the development, construction and maintenance of physical environments for living, traveling and working. The company is active in over thirty countries and aims to be a leader in construction-related services and project development in its home markets.

Share of votes: 27.2%¹
Share of capital: 8.0%

7% Holding: 17,302,756 A-shares and 16,000,000 B-shares
Market value of holding on Dec. 31, 2003: SEK 2,115 M
Share of equities portfolio: 7%

Key data	2003	2002
Net sales, SEK M	132,879	142,033
Earnings after net financial items, SEK M	4,072	73
Earnings per share, SEK	6.60	-2.00
Dividend per share, SEK	3.00 ²	2.00
Cash flow per share, SEK	25.85	0.83

¹ In August 2003 Industrivärden had 5 million Class A shares converted to Class B shares, thereby decreasing Industrivärden's share of votes from 31.6% to 27.2%.
² Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2003

	% of votes	% of capital
Industrivärden	27.2	8.0
Inter Ikea Investment	11.4	5.9
Handelsbanken ³	8.2	2.7
AMF Pension	4.0	6.1
Alecta	3.9	6.5

³ Including pension foundations and mutual funds.

Chairman Sverker Martin-Löf

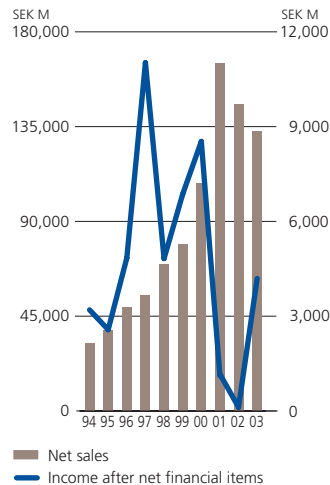
CEO Stuart Graham

Board members with ties to Industrivärden Sverker Martin-Löf, Finn Johnsson, Arne Mårtensson and Anders Nyrén

Skanska's Stock

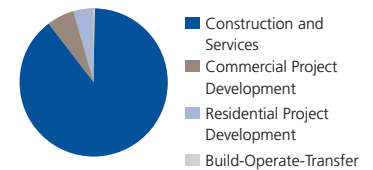
Skanska's stock is listed on the Stockholm Stock Exchange. The share price rose by 25% in 2003, and trading volume was SEK 16 billion. Skanska's market capitalization was SEK 27 billion at year-end 2003.

Skanska 1994–2003



Skanska Structure

Net sales per business unit



1997 earnings included a capital gain of SEK 9.1 billion on the sale of most of the shareholding in Sandvik.

1999 earnings included a capital gain of SEK 3.3 billion on the sale of the shareholding in Scancem.

2000 earnings included combined capital gains totaling SEK 3.3 billion on the sales of the shareholdings in SKF, JM, Norrporten, Piren, and other companies.

2002 earnings included a write-down of goodwill and a provision for discontinued businesses, together totaling SEK 2.0 billion.

Skanska's Stock



During the past ten years Skanska's stock has performed slightly below the return index.



INDUTRADE IS A TECHNICAL TRADING COMPANY with the overriding business concept to provide imported components to industrial companies with a recurring need. In connection with this Indutrade offers qualified, technical system solutions. Indutrade's suppliers consist of international corporations with brand-name products and major development resources as well as smaller niche manufacturers. Most of the products are leaders in their respective segments. The emphasis is on manufacturers of qualified products, i.e., high-quality branded products from suppliers with own R&D resources.

Indutrade's principal markets are Sweden, Finland, the Benelux countries and Denmark. The company is also active in Norway, Germany, the Baltic countries and Russia. The products are targeted at local industry, while the offering of consumer and capital goods is negligible.

Indutrade's expansion has taken place through organic growth as well as through yearly acquisitions of small and medium-sized trading companies, often privately held. As a rule, the former owner is offered to stay on as president at the same time that the acquired company is integrated into Indutrade's organization and business culture. Indutrade has highly developed routines for the review and risk assessment of acquisition targets, as well as for integrating new companies into the group.

In 2003 Indutrade acquired the Finnish companies Kontram, Maansäkhö and Warla Trade. These companies have combined annual sales of approximately SEK 200 M and about 85 employees. During the last ten-year period Indutrade has acquired some 30 companies with combined sales of roughly SEK 1,850 M in 2003. In addition, Indutrade has established subsidiaries in the Baltic region and Russia, with combined sales in 2003 of approximately SEK 100 M.

Indutrade's suppliers are mainly in Western Europe, the U.S. and Japan. As a rule, Indutrade's companies have exclusive agency agreements in their respective geographic markets.

The customers of the Indutrade companies consist of manufacturers and end-users that have a recurring need for technical components. They represent a cross-section of industry, with a concentration in the engineering and process industries. The pharmaceutical and food industries are growing customer groups.

Highlights 2003

- The economic situation in Finland and the Netherlands improved during the year. However, demand fell in Indutrade's business areas in Sweden, Denmark and Norway. An action program was initiated during the year and is expected to cut costs by roughly SEK 35 M on a yearly basis.
- Total invoiced sales in 2003 amounted to SEK 3,197 M (3,078), which was unchanged for comparable units.
- Indutrade's earnings after net financial items totaled SEK 182 M (181). The return on capital employed was 19% (19%). Operating cash flow was SEK 176 M (190).

Assessment of the Company from an Ownership Perspective

During the last ten years, Indutrade's return on capital employed has averaged 24%, with a strong cash flow.

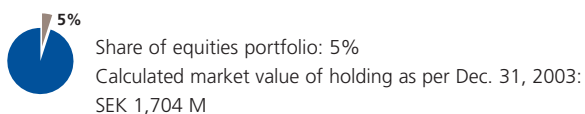
Through a conscious effort Indutrade has built up and refined a model for acquiring and integrating industrial trading companies. In view of Indutrade's proven ability to run an expansive group of trading companies with good profitability, Industrivärden expects to see a continued favorable trend in profitability for Indutrade.

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



Indutrade conducts trading in imported industrial components for customers with a recurring need. Products are offered together with qualified technical system solutions. Indutrade's customers consist primarily of industrial companies in northern Europe and the Benelux region.

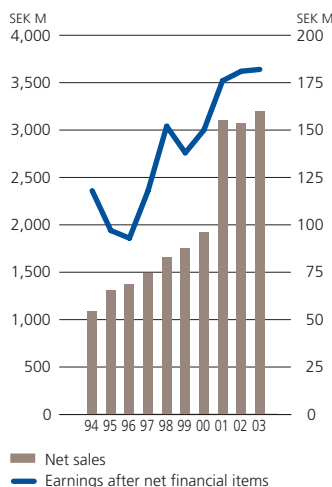
Share of votes and capital: 100%



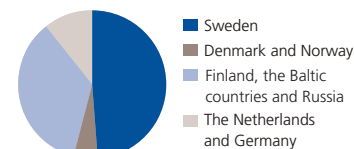
Key data	2003	2002
Net sales, SEK M	3,197	3,078
Earnings after net financial items, SEK M	182	181
Return on capital employed, %	19	19
Operating cash flow, SEK M	176	190

Chairman Anders Nyrén
CEO Gunnar Tindberg
Board members with ties to Industrivärden Anders Nyrén and Bengt Kjell

Indutrade 1994–2003



Indutrade Structure
Net sales per region



2001: Acquisition of Fagerberg, Tecalemit and other companies with combined net sales of SEK 1,029 M.

SSAB IS ONE OF THE MEDIUM-SIZED STEEL COMPANIES in Western Europe. Its steel operations have been successfully developed as the result of a distinct niche strategy aimed at consolidating the company's position as one of the leading producers of high-strength sheet and quenched steel.

Growth in these niches has been higher than for the steel market in general, and deliveries of these products, which account for 43% (40%) of sales, have increased strongly during the past five years. The investments made in the steel operations in recent years are enabling continued strong growth in SSAB's niche markets.

In the sheet segment, SSAB specializes in extra and ultra high-strength sheet, where it is one of the leading suppliers in Europe. The steel sheet product line includes hot-rolled, cold-rolled, metal-coated and organic-coated sheet. High-strength steel sheet is used in the automotive industry and by crane manufacturers, among others. Ordinary sheet is used primarily in the engineering and construction industries.

In the plate segment, SSAB is a world-leading producer of quenched steels, i.e., abrasion-resistant steel and high-strength construction steel. Quenched steels are used in construction machinery, mining equipment, cranes and bridges, among other things. Ordinary plate is used in shipbuilding and general engineering.

In addition to the steel operations, which are conducted by the subsidiaries SSAB Tunnpålar and SSAB Oxelösund, the SSAB Group includes the subsidiaries Plannja, SSAB HardTech and Tibnor (85% stake).

Plannja processes sheet into products such as roofing tiles and rainwater runoff products. SSAB HardTech manufactures press-hardened safety components for the automotive industry, such as

side-impact beams and bumpers. Tibnor is the leading steel trading company in Sweden. These subsidiaries make an active contribution to giving the steel operations a strong position in the Swedish market, where SSAB has a market share of approximately 50%.

SSAB's financial targets include an average return on shareholders' equity that is at least 6 percentage points higher than the ten-year bond rate, an equity ratio in the range of 50%, and a net debt/equity ratio of approximately 30%.

Sales outside Sweden account for approximately 65% of total.

Highlights 2003

- Profit after financial items improved to SEK 1,343 M (816), mainly due to higher margins, but also to a better product mix in the steel operations.
- Deliveries of the Group's special products, such as quenched steel and ultra high-strength sheet, rose by 18% and accounted for 43% of total delivery volume.
- Sverker Martin-Löf took over as Chairman of the Board.

Assessment of the Company from an Ownership Perspective

SSAB is one of the most profitable companies in the steel industry. The investment program carried out in recent years will secure the company's profitability position in the industry by enabling expansion in the high-strength products segment. SSAB is thus well equipped in an increasingly toughening global competitive situation. The business generates good cash flows. Industrivärden has an optimistic view of SSAB's development opportunities.

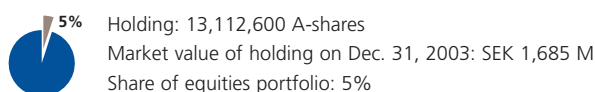
For more information on SSAB, visit www.ssab.com.



SSAB is a world-leading manufacturer of quenched steel plate, such as abrasion-resistant steel and high-strength construction steel. In the sheet segment the company has a stronghold in ultra high-strength sheet, where it is one of the leading suppliers in Europe.

Share of votes: 17.0%

Share of capital: 13.0%



Key data	2003	2002
Net sales, SEK M	19,806	19,271
Earnings after net financial items, SEK M	1,343	816
Earnings per share, SEK	8.90	5.70
Dividend per share, SEK	6.00 ¹	6.00
Cash flow per share, SEK	6.27	10.56

¹ Proposed by the Board of Directors.

Largest owners as per Dec. 31, 2003

	% of votes	% of capital
Industrivärden	17.0	13.0
LKAB	6.2	4.8
AMF Pension	4.8	3.7
SEB mutual funds	4.2	3.2
Second National Swedish Pension Fund	3.6	2.9

Chairman Sverker Martin-Löf

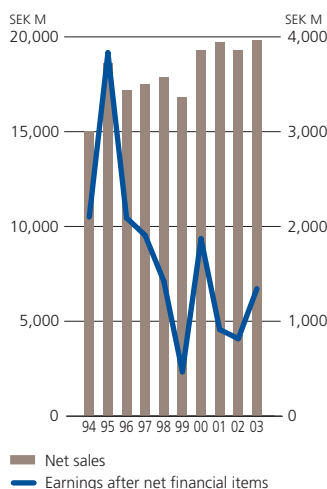
CEO Anders Ullberg

Board members with ties to Industrivärden Sverker Martin-Löf and Anders Nyren

SSAB's Stock

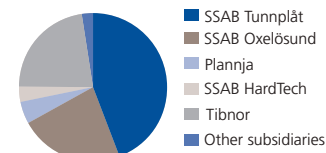
SSAB's stock is listed on the Stockholm Stock Exchange. The share price rose by 25% in 2003, and trading volume was SEK 10 billion. SSAB's market capitalization was SEK 13 billion at year-end 2003.

SSAB 1994–2003



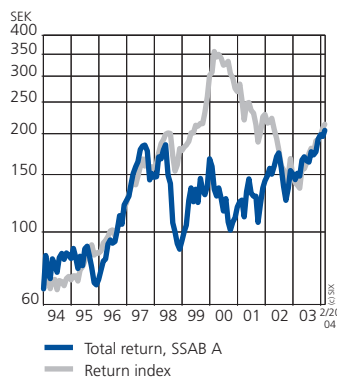
SSAB Structure

Net sales per subsidiary



Niche products such as high-strength sheet and quenched plate steel accounted for 43% of total sales in 2003.

SSAB's Stock



During the last ten-year period SSAB's stock has performed on a par with the return index.

MUNTERS IS THE WORLD LEADER IN HUMIDITY CONTROL, with products and services for water and fire damage restoration, dehumidification, humidification and air cooling. Munters has global market shares in excess of 50% in certain market segments. The most important customer segments are the insurance, food and pharmaceutical industries.

Munters' operations are divided into three product areas: Dehumidification, Moisture Control Services (MCS) and HumiCool.

Dehumidification pertains to products and solutions for controlling humidity and indoor climates. By maintaining a constant, low level of air humidity, rust, mold, frost and bacteria growth can be prevented. Manufacturing and storage processes become more effective, and product life, quality and hygiene are improved. Prioritized market segments for the Dehumidification division are the food and pharmaceutical industries.

MCS offers services for water and fire damage restoration and for temporary climate control. The MCS service concept is based on drying instead of rebuilding following water or fire damage. Munters' services in this area cover a wide range of applications, from limiting water damage in homes to renting of dehumidifiers for industrial needs.

HumiCool offers products and services that create a controlled indoor climate. The technology is environmentally friendly and is based on evaporative cooling and humidification. This technology is used in a variety of different applications. For example, Munters' applications make it possible to grow vegetables and flowers indoors or raise chickens in a created, ideal climate.

Munters' strategy, in brief, is to focus on customers with underlying growth in non-cyclical industries, to pursue forward integration by growing sales directly to end customers, to repeat successful installations, to expand service sales, and to open new geographic markets.

The financial targets over a business cycle include annual sales growth in excess of 10%, an EBIT margin in excess of 10%, and a capital turnover rate in excess of 3.

Highlights 2003

- Earnings after net financial items amounted to SEK 280 M (436). Demand weakened in the MCS area as a result of dry weather conditions in the main markets in Europe. Earnings were also hurt by low demand for the Dehumidification and HumiCool businesses. Earnings were further hurt by negative currency effects, totaling SEK 41 M.
- A cost-cutting program was initiated during the year, with a combined effect of SEK 120 M on a full-year basis.

Assessment of the Company from an Ownership Perspective

Munters has a very strong market position in humidity control and has had good growth during the last five years and a high rate of return on capital. Although earnings weakened in 2003, Munters has had favorable growth in sales and earnings over the long term.

Industrivärden believes that Munters has continued good future opportunities by broadening its range of applications and strengthening its positions.

For more information on Munters, visit www.munters.com.

Munters is a world leader in humidity control, with products and services for dehumidification, humidification and air cooling.

Share of votes and capital: 10.8%

1% Holding: 2,705,750 shares.
 Market value of holding on Dec. 31, 2003: SEK 471 M
 Share of equities portfolio: 1%

Key data	2003	2002
Net sales, SEK M	4,308	4,666
Earnings after net financial items, SEK M	280	436
Earnings per share, SEK	7.04	10.83
Dividend per share, SEK	3.50 ¹	3.50
Cash flow per share, SEK	4.06	-2.41

¹ Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2003 % of votes and capital

Industrivärden	10.8
Nordea mutual funds	8.3
Third National Swedish Pension Fund	7.7
FöreningsSparbanken mutual funds	6.0
AMF Pension	5.2
Latour ²	4.9

² In early 2004 Latour's holding amounted to 10.3% of the votes and capital.

Chairman Berthold Lindqvist

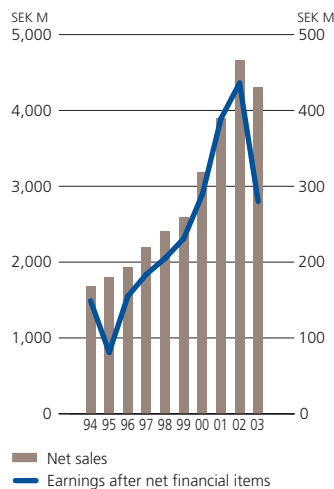
CEO Lennart Evrell

Board member with ties to Industrivärden Bengt Kjell

Munters' Stock

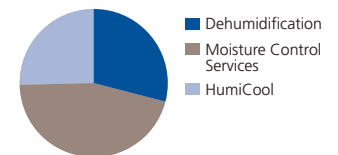
Munters' stock is listed on the Stockholm Stock Exchange. The share price fell by 10% in 2003, and trading volume was SEK 2 billion. Munters' market capitalization was SEK 4 billion at year-end 2003.

Munters 1994–2003

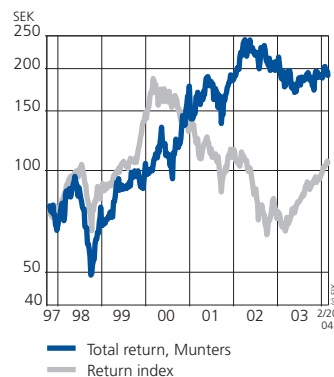


Munters Structure

Net sales per product area



Munters' Stock



Since its stock market introduction in 1997, Munters' stock has outperformed the return index by a wide margin.

ISABERG RAPID IS A GLOBAL COMPANY IN STAPLING with a focus on the office and tool markets. The company's products are marketed under the Rapid brand. The product line includes both manual and electric staplers. Desktop staplers and stapling pliers are used in offices for stapling paper, while electric tackers and hammer tackers are used by professional craftsmen and for hobby work. For the OEM market, Isaberg Rapid develops staplers that are built into photocopiers.

Isaberg Rapid is Europe's leading company in stapling. Its products are sold in more than 100 countries, and more than 90% of sales are outside Sweden. Europe and North America are the most important markets. Isaberg Rapid's products are also sold through a network of dealers in South America, the Middle East, Africa, the Far East, Australia and New Zealand. The company's Rapid brand is well known and has the broadest market coverage in the world in its product area. Rapid products are sold in three main markets: office staplers, stapling tools and OEM.

By establishing and acquiring own sales companies in Denmark, France, Italy, the Netherlands, Spain, the U.K. and Germany, Isaberg Rapid has created potential in recent years for greater market shares and thus higher production volumes. A large percentage of sales are made through local distributors, which are also responsible for service, however, additional future growth is being sought by establishing direct contact with end customers. International office-supply chains, which have been a driving force behind the changing distribution pattern, are a key customer group. Isaberg Rapid has been designated as a preferred supplier of staplers and staples by most of the major office supply chains.

In 1998 a subsidiary was established in China, adding a line of low- and medium-price products that are enabling penetration of

new market segments. Manufacturing of staplers and staples is conducted at two plants in Sweden, two plants in France, and one plant in China.

Product development is a cornerstone in Isaberg Rapid's strategy of enabling volume growth. One such product innovation is a specially engineered electric stapler with a patented staple cassette for incorporation into office photocopiers. In 2003 Isaberg Rapid launched its Duax office stapler, for stapling of between 2 and 170 pages. A unique feature of this product is that it cuts the staple to a suitable length.

Highlights 2003

- Invoiced sales rose 3% to SEK 877 M (848).
- Earnings after net financial items totaled SEK 49 M (32). The return on capital employed was 13% (10%).

Assessment of the Company from an Ownership Perspective

Isaberg Rapid's return on capital employed rose sharply in connection with the successful introduction of photocopier staplers in the mid-1990s, but it has subsequently fallen during a phase of expansion. As a result of a concentration on major customers in recent years, Isaberg Rapid is being forced to adapt its product supply to meet the customers' needs for efficient manufacturing and competitive prices.

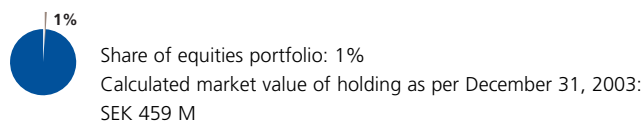
Industrivärden expects favorable development for Isaberg Rapid as a result of the structural activities currently being carried out in manufacturing and distribution.

For more information on Isaberg Rapid, visit www.isaberg-rapid.com.



Isaberg Rapid is Europe's leading company in stapling for the office and tool markets. The company's products are sold in more than 100 countries, with Europe and North America representing the most important markets.

Share of votes and capital: 100%



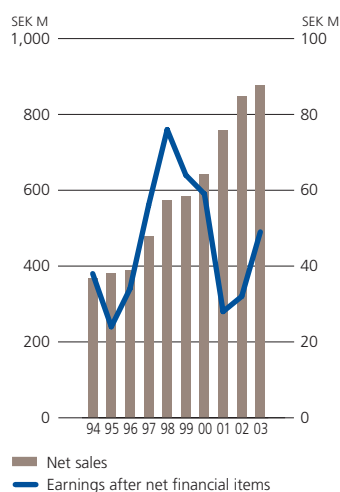
Key data	2003	2002
Net sales, SEK M	877	848
Earnings after net financial items, SEK M	49	32
Return on capital employed, %	13	10
Operating cash flow, SEK M	20	28

Chairman Carl-Olof By

CEO Tommy Bäckström

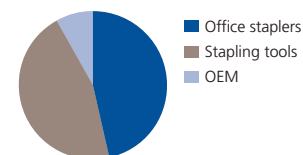
Board members with ties to Industrivärden Carl-Olof By and Bengt Kjell

Isaberg Rapid 1994–2003



Isaberg Rapid Structure

Net sales per business area



2001: Acquisition on July 1 of Rocafix, with annual sales of approximately SEK 200 M.



OSSUR IS A MEDICAL TECHNOLOGY COMPANY active in prosthetics and orthotics. The company works primarily with prosthetics and is currently broadening its operations into the orthotics segment (braces, etc.). Ossur's high-tech prostheses enable users to live an active life. The company's original product consisted of silicone liners that are rolled on the residual limb to protect the skin from friction injury. In 2000 Ossur expanded its operations through company acquisitions in the U.S. and Sweden to include a complete offering of market-leading leg prosthetic products. In the U.S., two companies were acquired with leading positions in foot and knee prostheses, respectively. In parallel with its acquisitions, Ossur has built up its own marketing organizations in Europe and the U.S. Ossur's technology has been developed in Iceland as well as in Sweden and the U.S.

The leading causes of amputation are vascular diseases (40%) and diabetes (35%). Accidental injuries account for only 5% of all amputations.

Ossur's products include prosthetic sockets, knees, feet, sleeves and locks. New products are being innovated on a continuous basis. Ossur's expertise in the development and production of prosthetic legs is based on extensive technical know-how in the areas of silicone, carbon fiber, metalworking and mechanics/electronics.

Opportunities for expansion can be found through establishment in new geographic markets outside Europe and the U.S., expanded service business, and through expansion in the orthotics segment. Ossur works in a strongly growing market with major medical need. The company is research-intensive and is a world-leader in its sector.

Ossur's financial target is to grow earnings per share by an average of 15% per year. The goal is to increase sales to USD 180 M by 2006, with a profit margin of 15%.

Ossur's head offices are in Iceland. The company has subsidiaries in the U.S., the Netherlands and Sweden. Ossur has a very strong position in the Nordic region, with a local headquarters in Uppsala, Sweden.

Highlights 2003

- Sales rose by 16%. The European markets showed continued good growth, while sales in North America declined.
- Ossur acquired the American orthotics company Generation II Group, with a first-rate product portfolio and focus on product development.
- Earnings after net financial items totaled USD 5.7 M (11.8). Earnings were charged with USD 1.5 M in restructuring costs for reorganization in the U.S. A nonrecurring charge of USD 2.2 M was taken for settlement of a legal dispute.

Assessment of the Company from an Ownership Perspective

Through innovative entrepreneurship and extensive technical know-how Ossur has successfully carved a strong position in the development and production of prosthetic legs and orthoses. Industrivärden believes Ossur has good future opportunities in an interesting field of medical technology.

For more information on Ossur, visit www.ossur.com.



Ossur is an international medical technology company and leading innovator of high-quality prosthetics, orthoses and products for the orthopedics market. The company conducts operations in Europe and North America and has an extensive distribution network for other markets.

Share of votes and capital: 15.8%

1% Holding: 52,000,000 shares
 Market value of holding on Dec. 31, 2003: SEK 230 M
 Share of equities portfolio: 1%

Key data	2003	2002
Net sales, USD M	94.5	81.3
Earnings after net financial items, USD M	5.7	11.8
Earnings per share, USD	0.01	0.03
Dividend per share, USD	None	None
Cash flow per share, USD	-0.06	0.02

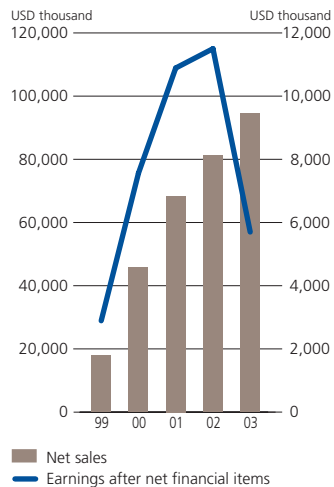
Largest Owners as per Dec. 31, 2003	% of votes and capital
Mallard Holding S.A. ¹	24.2
Industrivärden	15.8
Bankastraeti 7 pension fund	12.0
Arion (custodian)	4.7
Ossur ²	3.1

¹ Owned by the founder, Össur Kristinsson and companies.
² Repurched shares. The share capital was reduced in 2004.

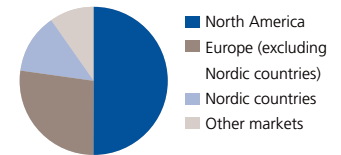
Chairman Pétur Guðmundarson
CEO Jón Sigurðsson
Board member with ties to Industrivärden Bengt Kjell

Ossur's Stock
 Ossur's stock is listed on the Reykjavik Stock Exchange. The share price fell by 19% in 2003, and trading volume was SEK 0.8 billion. Ossur's market capitalization was SEK 1.4 billion at year-end 2003.

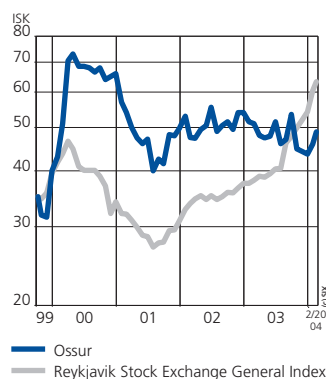
Ossur 1999–2003



Ossur Structure
 Net sales per region



Ossur's Stock



Ossur's stock was introduced on the Reykjavik Stock Exchange in 1999. The share price has varied between ISK 30 and ISK 80. Industrivärden's share purchase in 2002 was made at a price of ISK 50.



Board of Directors' Report

Registered Number SE 556043-4200

The Board of Directors and President of AB Industrivärden (publ) herewith submit their annual report and consolidated accounts for the 2003 financial year.

Composition and Work of the Board of Directors

The Board of Directors consisted of eight members in 2003. A presentation of the Board can be found on page 76.

The Board held seven meetings in 2003, including the statutory meeting. Aside from strategic planning, the most important individual matters of business pertained to purchases and sales of stocks in listed and unlisted companies. For a more detailed account of the Board's duties, regular items of business, committees, and so on, see the Corporate Governance at Industrivärden section on pages 13-14.

Net Asset Value

During the year, net asset value increased from SEK 24.4 billion, or SEK 126 per share, to SEK 30.1 billion, or SEK 156 per share, an increase of 24%. The components making up net asset value are shown in the table below.

Parent Company

The Parent Company, *AB Industrivärden*, manages the equities portfolio.

The Parent Company's dividend income amounted to SEK 849 M (820). Including earnings from equities transactions, totaling

SEK -1,511 M, of which the sale of the entire holding of Skandia accounted for SEK -1,510 M¹, derivative transactions for SEK 101 M (47), and other income and expenses for SEK -2 M (-28), earnings from portfolio management were SEK -563 M (4,845). After management costs of SEK -80 M (-85), which was a decrease of 6%, operating earnings were SEK -643 M (4,760).

On account of a ruling by the Administrative Court of Appeal in January 2004, Industrivärden has made a provision of SEK 54 M for back interest and SEK 165 M for additional tax (see Note 13, page 65). After net financial items of SEK -244 M (-242) and tax of SEK -165 M (-), net earnings for the year were SEK -1,052 M (4,518).

The market value of the equities portfolio at year-end was SEK 32,890 M (26,413), an increase of 25%. The surplus value was SEK 15,414 M (7,801). Purchases of stocks during the year totaled SEK 2,012 M (2,089) and sales totaled SEK 1,933 M (6,266). Stocks were thus purchased for a net total of SEK 79 M (net sales of SEK 4,177 M).

During the year, 5,000,000 Skanska Class A shares were converted to Class B shares, thereby reducing Industrivärden's voting rights from 31.6% to 27.2%.

Taking into account purchases and sales, the value of the portfolio increased by 24% during the year (-39%). The Affärsvärlden General Index rose by 30% during the same period (-37%). The total return was 29% (-37%), compared with 34% (-36%) for the return index (SIXRX).

¹ Earnings from equities transactions in 2002 amounted to SEK 4,006 M, including SEK 2,651 M from the sale of Besam and SEK 1,498 M from the sale of Lundbeck A/S.

Net Asset Value

Parent Company	SEK billion		SEK per share	
	12/31/2003	12/31/2002	12/31/2003	12/31/2002
Equities portfolio	32.9	26.4	170	136
Net debt	-2.8	-2.0	-14	-10
Net asset value	30.1	24.4	156	126

Purchases and Sales by the Parent Company, and Earnings from Equities and Derivative Transactions

Purchases	No. of shares	SEK M	Sales	No. of shares	SEK M	Earnings from equities transactions	SEK M
SCA B	2,224,600	657	Skandia (entire holding)	48,846,800	1,253	Ericsson B	129
Handelsbanken A	4,096,000	514	Ericsson B	43,285,616	361	Eniro	-100
Munters	2,505,750	453	Eniro	2,671,400	175	Skandia	-1,510
SSAB A	1,047,000	132	Swedish Match	1,590,500	103	Other	-30
Other		256	Other		41		
Total		2,012	Total		1,933	Total	-1,511
						Earnings from derivative transactions	101

Portfolio Management Subsidiaries

Nordinvest AB conducts asset management. During the year purchases of listed stocks totaled SEK 549 M and sales totaled SEK 574 M. Stocks were thus sold for a net total of SEK 25 M.

Indus Innovation AB owns 25% of the shares purchased within the framework of the venture capital company Ericsson Venture Partners.

Earnings after net financial items for portfolio management subsidiaries amounted to SEK 12 M (-81).

The Parent Company's

Financing and Interest-Bearing Net Debt

The Parent Company's cash and cash equivalents and short-term investments amounted to SEK 410 M (1,825), and interest-bearing receivables amounted to SEK 78 M (926). Interest-bearing liabilities and provisions decreased by SEK 2,161 M to SEK 2,990 M (5,151), including SEK 49 M (46) in pension provisions. Of total interest-bearing liabilities, SEK 2,215 M (2,540) consisted of long-term loans. Net debt increased from SEK 2,400 M to SEK 2,502 M.

The net debt-equity ratio was 7% (7%), as shown in the specification on page 53.

Operating Companies

Net sales of the operating companies amounted to SEK 4,075 M (4,890). Earnings after financial items totaled SEK 226 M (291). The preceding year's figures include Besam for the first half of the

year, with SEK 963 M in net sales and SEK 50 M in earnings after financial items.

Indutrade's net sales amounted to SEK 3,197 M (3,078). Earnings after financial items totaled SEK 182 M (181).

Isaberg Rapid's net sales totaled SEK 877 M (848). Earnings after financial items totaled SEK 49 M (32).

Consolidated Net Sales and Earnings

Consolidated net sales amounted to SEK 4,075 M (4,890), an increase of 1% compared with the preceding year for comparable units. Sales outside Sweden accounted for 67% (71%) of total.

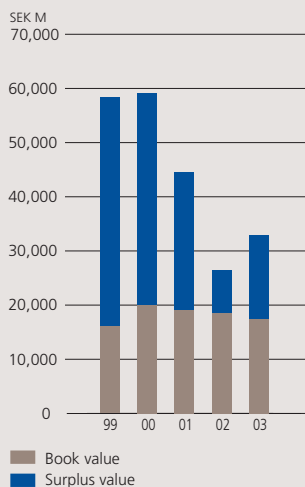
Operating earnings were SEK -374 M (4,712), of which SEK -538 M (4,497) pertained to earnings from portfolio management, SEK 244 M (300) to earnings from operating companies, and SEK -80 M (-85) to management costs.

Net financial items amounted to SEK -249 M (-236). Earnings after financial items totaled SEK -623 M (4,476).

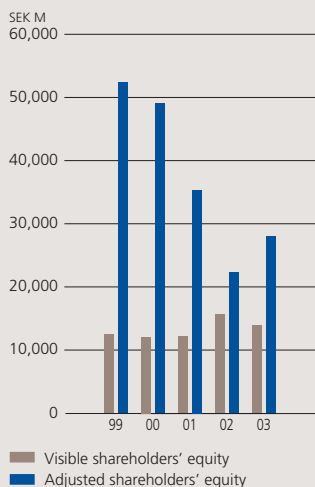
The result of associate accounting amounted to SEK 9 M (-464). After tax of SEK -253 M (-111), net earnings for the year were SEK -867 M (3,901).

A breakdown of the Group's net sales and earnings after financial items by business unit is provided in a table on page 48 under the Income Statement and in the segment reporting section, Note 4, on page 60.

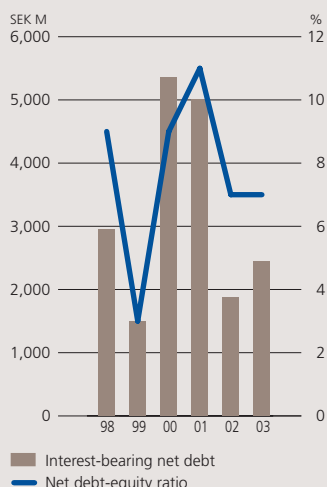
Parent Company's Equities Portfolio



Parent Company's Shareholders' Equity



Parent Company's Interest-Bearing Net Debt, December 31



Net debt is adjusted for liabilities to internal companies (see page 53).

Capital Expenditures

The Group's capital expenditures in tangible fixed assets amounted to SEK 86 M (128) during the year, and scheduled depreciation totaled SEK 88 M (108).

The Group's Interest-Bearing Net Debt

The Group's net debt increased by SEK 454 M to SEK 2,831 M.

Employees

The average number of employees in the Group was 2,581 (3,232), of whom 1,556 (2,060) were outside Sweden. A breakdown of the number of employees, and information on wages, salaries, remuneration and social security costs for the Board, the President, and other employees, are provided in Notes 5 and 6. A description of Industrivärden's organization and employee structure is provided on page 73.

Proposed Dividend

The Board of Directors proposes a dividend of SEK 5.50 per share (preceding year: ordinary dividend of SEK 5.00 plus SEK 0.80 in bonus dividend). The proposal entails that no tax will be paid by the Parent Company for 2003.

Environmental Impact

AB Industrivärden does not conduct any operations requiring a permit according to the environmental code. A discussion of Industrivärden's corporate responsibility initiatives, including its environmental responsibility, is presented on page 12.

Of Industrivärden's subsidiaries, only Isaberg Rapid AB conducts operations requiring a permit. These pertain to a surface treatment facility.

Implementation of

International Financial Reporting Standards

Starting in 2005 listed Swedish companies will be required to report in accordance with International Financial Reporting Standards (IFRS), which are issued by an independent expert body and apply for the entire EU.

The transition to IFRS affects the Company's accounting as well as financial reporting and requires extensive preparations. Industrivärden has made good progress in these preparations, both in the Parent Company and in the wholly owned subsidiaries, and will be reporting in accordance with IFRS starting in 2005, with adjusted comparison data for 2004. The IFRS rules that will have the greatest impact on Industrivärden's accounting and reporting are IAS 19, Employee Benefits; IAS 32, Financial Instruments: Disclosure and Presentation; and IAS 39, Financial Instruments: Recognition and Measurement.

IAS 39 entails, among other things, that financial instruments are to be measured at fair value. Measurement of Industrivärden's listed equities portfolio at fair value as per December 31, 2003, would entail an increase in the Parent Company's total assets by SEK 14 billion. Remeasurement of other financial instruments to fair value has a very small impact on the Group's earnings and financial position.

IAS 32 is in agreement – with certain exceptions – with recommendation RR 27: Financial Instruments: Disclosure and Measurement, which was adopted as from January 1, 2003. RR 27 concerns how financial instruments are to be measured in the balance sheet and which disclosures are to be made in order for it to be easier to understand how financial instruments affect a company's earnings, financial position and cash flow. See further the section Financial Instruments and Risk Management, pages 56–58.

If IAS 19, which is concerned with reporting of pensions, among other things, had been applied as per December 31, 2003, the Group's booked pension liability would have increased by SEK 11 M, according to preliminary actuarial computations.

Proposed Distribution of Earnings

According to the Consolidated Balance Sheet, the Group's unrestricted shareholders' equity amounts to SEK 11,063 M, of which SEK -867 M represents net earnings for the year. No provisions to restricted reserves are required.

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

Retained earnings	SEK 12,954 M
Net earnings for the year	SEK -1,052 M
	<hr/>
	SEK 11,902 M

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

To shareholders, a dividend of SEK 5.50 per share	
totaling	SEK 1,062 M
To be carried forward	SEK 10,840 M
	<hr/>
	SEK 11,902 M

The Parent Company's and Group's earnings and financial position are shown in the following income statements, balance sheets, changes in shareholders' equity, statements of cash flows and notes to the financial statements.

Stockholm, February 18, 2004

TOM HEDELIUS
Chairman

SVERKER MARTIN-LÖF
Vice Chairman

BOEL FLODGREN

FINN JOHANSSON

ARNE MÅRTENSSON

LENNART NILSSON

CLAS REUTERSKIÖLD

ANDERS NYRÉN
President and CEO

Our Audit Report was submitted on February 25, 2004.

Öhrlings PricewaterhouseCoopers AB

INGVAR PRAMHÄLL
Authorized Public Accountant

Parent Company Income Statement

SEK M	Note	2003		2002	
PORTFOLIO MANAGEMENT					
Dividend income from stocks	1		849		820
Earnings from equities transactions	2	-1,511		4,006	
Earnings from derivative transactions	2	101	-1,410	<u>47</u>	4,053
Other income and expenses	3		-2		-28
Earnings from portfolio management			-563		4,845
Management costs	5-7		-80		-85
Operating earnings			-643		4,760
<i>Interest income</i>					
Subsidiaries		9		36	
Other		<u>23</u>	32	<u>65</u>	101
<i>Interest expenses</i>					
Subsidiaries		-4		-28	
Other		<u>-262</u>	-266	<u>-276</u>	-304
Other financial income	10	4		8	
Other financial expenses	11	-14	-10	-47	-39
Earnings after financial items			-887		4,518
Tax	13		-165		-
Net earnings for the year			-1,052		4,518

Comments on the Parent Company Income Statement

Portfolio Management

Dividend income from stocks totaled SEK 849 M (820), an increase of 4%. Handelsbanken, SCA, Sandvik and SSAB raised their dividends. Ericsson did not pay a dividend 2002 or 2003.

Earnings from equities transactions entailed a loss of SEK 1,511 M (profit SEK 4,006 M). The largest individual capital gain was SEK 129 M from the sale of 43 million Class B shares in Ericsson. The sale of all 49 million shares in Skandia resulted in a capital loss of SEK 1,510 M. In the preceding year, the largest capital gains pertained to the sale of Besam, generating a gain of SEK 2,651 M, and the sale of the entire holding in Lundbeck A/S, generating a gain of SEK 1,498 M.

Derivative transactions within the framework of Industrivärden's structured market presence generated a profit of SEK 101 M (47), which more than amply covered management costs.

Earnings from portfolio management were SEK -563 M (4,845).

Management Costs

Management costs decreased by 6%, to SEK -80 M (-85). The Parent Company's administration pertains to investment activities as well as active ownership.

Net Financial Items and Tax

Net financial items amounted to SEK -244 M (-242), of which SEK -54 M pertained to back interest for additional tax. A provision for this amount has been made on account of a ruling by the Administrative Court of Appeal (see below).

Interest-bearing net debt increased by SEK 102 M, to SEK 2,502 M.

Earnings after financial items totaled SEK -887 M (4,518). Excluding equities transactions and derivative transactions, earnings after net financial items were SEK 523 M (465).

As in the preceding year, no tax is paid on the year's earnings. Dividends rendered are deductible for holding companies. The proposed dividend of SEK 5.50 (5.80) per share entails that there is no taxable income in the Parent Company for 2003.

A provision of SEK 165 M has been made for a supplementary tax charge as a result of a ruling by the Administrative Court of Appeal. The ruling entails that deduction is not granted for interest expenses that have reduced the tax in holding companies owned by and subsequently merged with Industrivärden during the years 1995-1998 by a total of SEK 165 M. The ruling, which was not unanimous, will be appealed to the Supreme Administrative Court.

Net earnings for the year thereby amounted to SEK -1,052 M (4,518).

Parent Company Balance Sheet

SEK M	Note	12/31/03	12/31/02
ASSETS			
Fixed assets			
Financial fixed assets			
Equities	17, 20	16,292	17,710
Shares in subsidiaries	18, 20	507	475
Long-term receivables	20	3	10
Total financial fixed assets		16,802	18,195
Total fixed assets		16,802	18,195
Current assets			
Current receivables			
Receivables from subsidiaries		76	940
Other receivables		3	22
Prepaid expenses and accrued income	22	8	15
Total current receivables		87	977
Short-term investments	23	310	1,706
Cash and bank balances		100	119
Total cash and cash equivalents		410	1,825
Total current assets		497	2,802
TOTAL ASSETS		17,299	20,997

SEK M	Note	12/31/03	12/31/02
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity (see page 50)			
Restricted shareholders' equity			
Capital stock		966	966
Share premium reserve		342	342
Statutory reserve		720	720
		2,028	2,028
Unrestricted shareholders' equity			
Retained earnings		12,954	9,049
Net earnings for the year		-1,052	4,518
		11,902	13,567
Total shareholders' equity		13,930	15,595
Provisions			
Provision for pensions	24, 26	49	46
Total provisions		49	46
Long-term liabilities			
Long-term interest-bearing liabilities	27	2,215	2,540
Total long-term liabilities		2,215	2,540
Current liabilities			
Liabilities to subsidiaries		1	2
Tax liability		165	-
Accrued expenses and deferred income	28	130	156
Other noninterest-bearing liabilities		83	93
Total current noninterest-bearing liabilities		379	251
Liabilities to subsidiaries		148	812
Other interest-bearing liabilities	29	578	1,753
Total current interest-bearing liabilities		726	2,565
Total current liabilities		1,105	2,816
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		17,299	20,997
Pledged assets	30	20	20
Contingent liabilities	31	4	4

Comments on the Parent Company Balance Sheet

Financial fixed assets pertain mainly to the book value of the Parent Company's holdings of stocks, totaling SEK 16,292 (17,710). The surplus value was SEK 14,165 M (6,648).

Stocks were purchased for a net total of SEK 79 M (net sale of SEK 4,153 M). Stock purchases totaled SEK 2,012 M (2,089), of which SCA B accounted for SEK 657 M, Handelsbanken A for SEK 514 M and Munters for SEK 453 M. Sales of stock totaled SEK 1,933 M, of which Skandia accounted for SEK 1,253 M, Ericsson B for SEK 361 M and Eniro for SEK 175 M (SEK 6,266 M, of which Besam accounted for SEK 2,931 M and Lundbeck A/S for SEK 2,363 M).

The market value of the equities portfolio, taking purchases and sales into account, increased by 24%, compared with 30% for the General Index.

Shareholders' equity decreased by SEK 1,665 M, to SEK 13,930 M. The change pertains to net earnings for the year, totaling SEK -1,052 M, the dividend payment for 2002, totaling SEK -1,120 M, corresponding to SEK 5.80 per share, and merger profit totaling SEK 507 M.

Interest-bearing liabilities, including interest-bearing pension provisions, decreased by SEK 2,161 M, to SEK 2,990 M. Cash and cash equivalents decreased by SEK 1,415 M, and interest-bearing receivables by SEK 848 M. Interest-bearing net debt amounted to SEK 2,502 M (2,400). The net debt-equity ratio was 7% (7%), as shown in the specification on page 53.

Consolidated Income Statement

SEK M	Note	2003	2002
PORTFOLIO MANAGEMENT			
Dividend income from stocks	1	850	820
Earnings from equities transactions	2	-1,486	3,703
Earnings from derivative transactions	2	101	47
Other income and expenses	3	-3	-73
Earnings from portfolio management		-538	4,497
OPERATING COMPANIES			
Net sales	4	4,075	4,890
Cost of goods sold		-2,695	-3,261
Development costs		-33	-46
Selling costs		-856	-936
Administrative costs		-246	-347
Other operating income and expenses		-1	0
Earnings from operating companies		244	300
Management costs	5-9	-80	-85
Operating earnings		-374	4,712
Interest income		33	75
Interest expenses		-286	-289
Other financial income	10	20	28
Other financial expenses	11	-16	-50
Earnings after financial items		-623	4,476
Result of associate accounting*		9	-464
Tax	13	-253	-111
Minority share in net earnings for the year		-	0
Net earnings for the year		-867	3,901
*Adjustments pertaining to the equity method			
Dividend income from associated companies	1	-249	-251
Adjustment of acquisition value pertaining to divested associated companies	2	0	65
Share in associated companies' earnings	12	497	-129
Tax pertaining to associated companies	13	-239	-149
Result of associate accounting		9	-464
Depreciation included in operating earnings	8	135	150
Earnings per share, SEK ¹		-4.49	20.20
BREAKDOWN BY BUSINESS UNIT			
Net sales			
Indutrade		3,197	3,078
Isaberg Rapid		877	848
Besam (divested holding) ²		-	963
Other, net		1	1
Total, operating companies		4,075	4,890
Earnings after financial items			
Portfolio management³		-849	4,185
Indutrade		182	181
Isaberg Rapid		49	32
Besam (divested holding) ²		-	50
Other, net		-5	28
Total, operating companies		226	291
Group		-623	4,476

¹ Earnings for the year divided by 193,135,612 shares.

² Besam, which was sold on June 30, 2002, was included in the income statement through the first half of 2002.

³ Parent Company and other portfolio management subsidiaries.

Consolidated Balance Sheet

SEK M	Note	12/31/03	12/31/02	SEK M	Note	12/31/03	12/31/02
ASSETS				SHAREHOLDERS' EQUITY AND LIABILITIES			
Fixed assets				Shareholders' equity (see page 50)			
Intangible fixed assets				Restricted shareholders' equity			
Goodwill	14	236	211	Capital stock		966	966
Intangible rights	14	23	15	Restricted reserves		4,384	4,226
Total intangible fixed assets		259	226			5,350	5,192
Tangible fixed assets				Unrestricted shareholders' equity			
Land and buildings	15, 16	291	276	Unrestricted reserves		11,930	9,636
Plant	15, 16	142	148	Net earnings for the year		-867	3,901
Equipment	15	84	107			11,063	13,537
Construction in progress	15	15	30	Total shareholders' equity		16,413	18,729
Total tangible fixed assets		532	561				
Financial fixed assets				Minority shares			
Equities	17, 20	10,403	12,292			-	1
Shares in associated companies	19, 20	7,720	7,573	Provisions			
Long-term receivables	13, 20	13	30	Provision for pensions	24, 26	154	149
Total financial fixed assets		18,136	19,895	Deferred taxes	13	37	43
Total fixed assets		18,927	20,682	Other provisions	25, 26	53	47
Current assets				Total provisions			
Inventories	21	734	737			244	239
Current receivables				Long-term liabilities			
Accounts receivable, trade		627	585	Long-term interest-bearing liabilities	16, 27	2,632	2,547
Other receivables		60	85	Long-term noninterest-bearing liabilities		-	9
Prepaid expenses and accrued income	22	44	49	Total long-term liabilities		2,632	2,556
Total current receivables		731	719	Current liabilities			
Short-term investments	23	397	1,768	Accounts payable, trade		291	291
Cash and bank balances		286	359	Accrued expenses and deferred income	28	345	375
Total cash and cash equivalents		683	2,127	Other noninterest-bearing liabilities		422	266
Total current assets		2,148	3,583	Total current noninterest-bearing liabilities		1,058	932
TOTAL ASSETS		21,075	24,265	Current interest-bearing liabilities	16, 29	728	1,808
				Total current liabilities			
				TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			
						21,075	24,265
				Pledged assets	30	52	36
				Contingent liabilities	31	6	6

Parent Company and Group, Shareholders' Equity

Changes in shareholders' equity

Parent Company	Capital stock ¹	Share premium reserve	Statutory reserve	Unrestricted shareholders' equity	Total shareholders' equity
Amount at December 31, 2002	966	342	720	13,567	15,595
Dividend to shareholders	–	–	–	-1,120	-1,120
Merger profit ²	–	–	–	507	507
Net earnings for the year	–	–	–	-1,052	-1,052
Amount at December 31, 2003	966	342	720	11,902	13,930
Amount at December 31, 2001	871	39	720	10,507	12,137
Dividend to shareholders	–	–	–	-1,458	-1,458
Conversion of CPNs	95	303	–	–	398
Net earnings for the year	–	–	–	4,518	4,518
Amount at December 31, 2002	966	342	720	13,567	15,595

¹ The capital stock at December 31, 2003, consisted of 193,135,612 shares with a par value of SEK 5 each, of which 134,273,702 were Class A shares and 58,861,910 were Class C shares. See also the section Industrivärden's Stock, page 6.

² Pertains to profit from merger of the subsidiary Gedevo AB.

Group	Capital stock	Restricted reserves	Equity method reserve	Unrestricted shareholders' equity	Total shareholders' equity
Shareholders' equity according to adopted balance sheet at December 31, 2002	966	1,265	–	14,408	16,639
Effect of new accounting principles ³	–	–	2,961	-871	2,090
Opening shareholders' equity according to adjusted balance sheet	966	1,265	2,961	13,537	18,729
Dividend to shareholders	–	–	–	-1,120	-1,120
Transfers between unrestricted and restricted shareholders' equity	–	10	–	-10	–
Translation differences ⁴	–	0	–	-7	-7
Effect of associated companies on earnings for the year	–	–	–	-9	-9
Provision to equity method reserve ⁵	–	–	148	-461	-313
Net earnings for the year	–	–	–	-867	-867
Amount at December 31, 2003	966	1,275	3,109	11,063	16,413
Shareholders' equity according to adopted balance sheet at December 31, 2001	871	967	–	11,517	13,355
Effect of new accounting principles ³	–	–	3,214	–	3,214
Opening shareholders' equity according to adjusted balance sheet	871	967	3,214	11,517	16,569
Dividend to shareholders	–	–	–	-1,458	-1,458
Conversion of CPNs	95	303	–	–	398
Transfers between unrestricted and restricted shareholders' equity	–	-5	–	5	–
Translation differences	–	0	–	-21	-21
Effect of associated companies on earnings for the year	–	–	–	464	464
Provision to equity method reserve	–	–	-253	-871	-1,124
Net earnings for the year	–	–	–	3,901	3,901
Amount at December 31, 2002	966	1,265	2,961	13,537	18,729

³ Effect of transition from the cost method to the equity method in associate accounting.

⁴ The total translation difference in shareholders' equity is SEK -14 M, of which SEK 3 M pertains to restricted shareholders' equity and SEK -17 M to unrestricted shareholders' equity.

⁵ The share of associated companies' change in shareholders' equity, excluding earnings for the year, pertaining mainly to translation differences.

Parent Company and Group, Statements of Cash Flows

SEK M	Parent Company		Group	
	2003	2002	2003	2002
OPERATING ACTIVITIES				
Portfolio management				
Dividend income from stocks	849	820	850	820
Tax received	–	14	–	14
Cash flow from changes in working capital	-7	-28	-18	-27
Operating cash flow from portfolio management	842	806	832	807
Operating companies				
Earnings from operating companies	–	–	244	300
Adjustment of non-cash items:				
Depreciation	–	–	135	150
Other non-cash items	–	–	-4	3
Tax paid	–	–	-94	-115
Cash flow from changes in working capital	–	–	-66	13
Operating cash flow from operating activities	–	–	215	351
Management costs paid	-75	-97	-75	-97
Interest received	63	113	72	87
Interest paid	-256	-330	-275	-314
Other financial items	-15	-26	-2	-9
CASH FLOW FROM OPERATING ACTIVITIES	559	466	767	825
INVESTING ACTIVITIES				
Portfolio management				
Net purchase/sale of listed stocks	-79	1,094	-54	1,020
Net purchase/sale of equity derivatives	68	12	67	12
Net purchase/sale of subsidiaries	563 ¹	2,931	–	2,886
Net purchase/sale of other stocks	13	152	12	122
Cash flow from investments in portfolio management	565	4,189	25	4,040
Operating companies				
Net purchase/sale of stocks in subsidiaries	–	–	-56	-2
Net purchase/sale of other fixed assets	–	–	-62	-113
Cash flow from investments in operating companies	–	–	-118	-115
CASH FLOW FROM INVESTING ACTIVITIES	565	4,189	-93	3,925
FINANCING ACTIVITIES				
Loans raised and amortization of debt	-1,493	-2,026	-995	-2,034
Change in financing of subsidiaries	177	33	–	–
Dividends and CPN interest paid out	-1,120	-1,620	-1,120	-1,620
Payment of shareholder contribution	-103	1	–	–
CASH FLOW FROM FINANCING ACTIVITIES	-2,539	-3,612	-2,115	-3,654
NET CASH FLOW FOR THE YEAR	-1,415	1,043	-1,441	1,096
Cash and cash equivalents at beginning of year	1,825	782	2,127	1,034
Exchange rate difference in cash and cash equivalents	–	–	-3	-3
CASH AND CASH EQUIVALENTS AT END OF YEAR	410	1,825	683	2,127

¹ Including the effect of the merger of the subsidiary Gedevø AB, totaling SEK 525 M.

Comments on the Parent Company Statement of Cash Flows

Reported cash flow pertains only to transactions that entail incoming or outgoing payment flows. Cash and cash equivalents include, in addition to cash and bank balances, short-term financial investments with remaining terms of less than three months.

The statement of cash flows is broken down into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

Operating Activities

Operating cash flow from portfolio management pertains primarily to dividends received, totaling SEK 849 M (820), and also includes other operating payments such as tax and changes in working capital, together totaling SEK -7 M (-14). Operating cash flow from portfolio management was thus SEK 842 M (806).

Added to cash flow from portfolio management computed in this manner are management costs paid out, totaling SEK -75 M (-97), interest received, totaling SEK 63 M (113), interest paid out, totaling SEK -256 M (-330), and payment of other financial items, totaling SEK -15 M (-26). After factoring in these figures, total cash flow from operating activities is obtained, which amounted to SEK 559 M (466).

Investing Activities

Cash flow from investments in portfolio management pertains to the net sum of purchases and sales of listed stocks and equity derivatives, totaling SEK -11 M (1,106), of subsidiaries, totaling SEK 563 M (2,931) (of which, SEK 525 M pertaining to the effect of a merged subsidiary), and of other stocks, totaling SEK 13 M (152). Cash flow from investing activities was thus SEK 565 M (4,189).

Financing Activities

Financing activities involve the net sum of externally settled receivables, totaling SEK 7 M; raised loans, totaling SEK 200 M; amortization of debt, totaling SEK -1,700 M, entailing a net outflow of SEK -1,493 M (-2,026); and dividends paid, totaling SEK -1,120 M (-1,620). Financing activities also takes into account the change in financing for subsidiaries, etc., totaling SEK 74 M (34). Cash flow from financing activities was thus SEK -2,539 M, (-3,612).

Cash Flow; Cash and Cash Equivalents

The net of the various cash flow items was SEK -1,415 M (1,043). Cash and cash equivalents thus decreased during the year to SEK 410 M (1,825).

Comments on the Group Statement of Cash Flows

The statement of cash flows is broken down into cash flow from operating activities, cash flow from investing activities and cash

flow from financing activities. The first two of these categories, in turn, are broken down into portfolio management and operating companies.

Operating Activities

Operating cash flow from portfolio management pertains primarily to dividends received, totaling SEK 850 M (820), and also includes other operating payments such as tax and changes in working capital, together totaling SEK -18 M (-13). Operating cash flow from portfolio management was thus SEK 832 M (807).

Operating cash flow from operating companies is based on earnings of SEK 244 M (300), which are adjusted for non-cash items, such as depreciation, totaling SEK 135 M (150) and other, totaling SEK -4 M (3). It also takes into account tax paid, totaling SEK -94 M (-115) and cash flow from changes in working capital – mainly inventories, accounts receivable and accounts payable – totaling SEK -66 M (13).

Added to cash flow from portfolio management computed in this manner, totaling SEK 832 M (807), and from operating companies, totaling SEK 215 M (351), are management costs paid out, totaling SEK -75 M (-97), interest received, totaling SEK 72 M (87), interest paid out, totaling SEK -275 M (-314), and payment of other financial items, totaling SEK -2 M (-9). After factoring in these figures, total cash flow from operating activities is obtained, which amounted to SEK 767 M (825).

Investing Activities

Cash flow from investments in portfolio management pertains to the net sum of purchases and sales of listed stocks and equity derivatives, totaling SEK 13 M (1,032), of subsidiaries, totaling SEK - M (2,886), and of other stocks, totaling SEK 12 M (122).

Cash flow from operating companies includes the net sum of purchases and sales of sub-subsidiaries, totaling SEK -56 M (-2), and of other fixed assets, totaling SEK -62 M (-113). Total cash flow from investing activities was thus SEK -93 M (3,925).

Financing Activities

Financing activities involve the net sum of loans raised, totaling SEK 705 M; amortization of debt totaling SEK -1,700 M, entailing a net of SEK -995 M (-2,034); and dividends paid, totaling SEK -1,120 M (-1,620).

Cash Flow; Cash and Cash Equivalents

The net of the various cash flow items was SEK -1,441 M (1,096). Cash and cash equivalents were also affected by an exchange rate difference of SEK -3 M (-3), and thus cash and cash equivalents decreased during the year by SEK 1,444 M to SEK 683 M (2,127).

Change in Parent Company's Interest-Bearing Net Debt

SEK M	December 31, 2003	Cash flow	Change in loans	Other changes	December 31, 2002
Cash and cash equivalents	410	-1,415	–	–	1,825
Interest-bearing receivables	78	–	-848	–	926
Long-term interest-bearing liabilities	2,215	–	-325	–	2,540
Current interest-bearing liabilities	726	–	-1,839	–	2,565
Interest-bearing pension provisions	49	–	–	3	46
Interest-bearing net debt	2,502	1,415	-1,316	3	2,400
Less: liabilities to internal companies ¹	-50	–	475	–	-525
Net interest-bearing liabilities	2,452	1,415	-841	3	1,875
Market value of equities portfolio	32,890				26,413
Net debt-equity ratio, %	7.4				7.1

Value of Acquired/Divested Assets and Liabilities in Purchased/Sold Subsidiaries

SEK M	2003		2002	
	Operating companies	Portfolio management	Operating companies	
Fixed assets	-78	244		-11
Current assets	-43	896		-9
Long-term liabilities and provisions	3	-123		–
Current liabilities	32	-420		6
Capital gains	–	2,334		5
Total purchase price	-86	2,931		-9
Unsettled portion of purchase price	15	–		7
Cash and cash equivalents in affected companies	6	-45		0
Change of receivable pertaining to sold companies	9	–		–
Cash flow pertaining to purchase/sale of subsidiaries	-56	2,886		-2

Change in Group's Interest-Bearing Net Debt

SEK M	December 31, 2003	Cash flow	Change in loans	Other changes	December 31, 2002
Cash and cash equivalents	683	-1,441	–	-3	2,127
Long-term interest-bearing liabilities	2,632	–	85	–	2,547
Current interest-bearing liabilities	728	–	-1,080	–	1,808
Interest-bearing pension provisions	154	–	–	5	149
Interest-bearing net debt	2,831	1,441	-995	8	2,377

¹ Pertains to the Parent Company's liability to the subsidiaries Handus AB in 2003 and Gedevo AB in 2002.

Accounting Principles

The annual report has been prepared in conformity with the Swedish Annual Accounts Act, the recommendations of the Swedish Financial Accounting Standards Council (SFASC) and the pronouncements issued by the Emerging Issues Task Force of the SFASC.

New accounting recommendations

Starting in 2003 Industrivärden applies the following new recommendations issued by the Swedish Financial Accounting Standards Council: RR22 – Presentation of Financial Statements, RR 24 – Investment Property, RR 25 – Segment Reporting, RR 26 – Events After the Balance Sheet Date, RR 27 – Financial Instruments: Disclosure and Presentation, RR 28 – Government Assistance, and RR 2:02 – Inventories. In addition, new legal instructions are applied with respect to the reporting of employee sickness-related absence and gender breakdown of the company's management and board. Application of RR 22 has entailed a change in the method of accounting for associated companies, as described below. In other respects, application of the new recommendations has not entailed any impact on earnings for the year or the reported financial position.

Accounting for investments in associates

Starting with the 2003 Annual Report, the equity method is used for accounting for investments in associates in the consolidated financial statements. Previously the cost method was used. By an associate is meant a company in which the owning companies has a holding that corresponds to at least 20% of the votes. Industrivärden's voting rights correspond to at least 20% in Ericsson, SCA and Skanska, as well as in two small IT companies, Establish and Interpeak.

The equity method entails that the item "Shares in associated companies" in the consolidated balance sheet is stated at cost and is thereafter adjusted according to the share of the change in shareholders' equity in the associated companies. Cost includes goodwill arising at the date of acquisition, which is amortized over a period of 10 years. The share in equity and goodwill pertaining to associated companies, less the book value carried by Industrivärden, is reported in the consolidated balance sheet among restricted reserves as an equity method reserve or is charged against the Group's unrestricted shareholders' equity if the book value is higher than the share in the associated company.

The consolidated income statement includes dividend income received from associated companies and earnings from sales of stocks pertaining to associated companies, based on the historic cost. To adjust the income statement to the equity method, adjustments to this method are reported separately as "Result of associate accounting." This item includes the sum of the share in associated companies' earnings before tax after deducting goodwill amortization, less dividend income from associated companies, adjustments of cost of divested associated companies and the tax cost attributable to associated companies.

The change in accounting principle pertaining to accounting for investments in associates has been done in accordance with RR 5 –

Change of Accounting Principle. Application of the new principle entails that the Group's earnings for 2003 are SEK 9 M higher than if the previous principle had been applied. Comparison figures have been recomputed in accordance with the new principle, and the effect of the change in principle has been reported directly against the Group's shareholders' equity, which thereby increased by SEK 2,090 M.

In other respects, the accounting principles and calculation methods used are the same as those used for the 2002 financial year.

New order of presentation in the Annual Report

To clarify Industrivärden's focus on investment activities, the Parent Company's income statement and balance sheet, which have been prepared in accordance with the same methods as in 2002, are presented before the consolidated income statement and balance sheet, which in observance of RR 22 – Presentation of Financial Statements, are prepared in accordance with the equity method starting in 2003 (see above). The same order of presentation is used for the changes in shareholders' equity table, the statements of cash flows, and the notes.

Principles of consolidation

The consolidated financial statements apply to the Parent Company and all companies in which the Parent Company directly or indirectly has a significant influence, and associated companies in accordance with the principles described under the section "Accounting for investments in associates." The consolidated financial statements have been prepared in accordance with the principles presented in recommendation RR1:00 – Consolidated Financial Statements, issued by the Swedish Financial Accounting Standards Council.

Purchase method

The consolidated balance sheet has been prepared according to the purchase method. This entails that the Parent Company's cost of shares in subsidiaries is eliminated against the subsidiaries' shareholders' equity at the time of acquisition. Thus only earnings that have arisen after the date of acquisition are included in the Group's shareholders' equity. Shareholders' equity in acquired subsidiaries is determined on the basis of a fair valuation of assets and liabilities at the time of acquisition. If necessary, a provision is made at the time of acquisition for e.g., restructuring and work force reductions in the acquired business (a restructuring reserve), which is based on an action program prepared in connection with the acquisition. In cases where the cost of stock in subsidiaries exceeds the acquired shareholders' equity in accordance with the above, the difference is reported as goodwill in the balance sheet. In accordance with the provisions of the Swedish Annual Accounts Act, amortization of goodwill is based on estimated useful life. Goodwill is normally amortized over a period of 5–10 years. Goodwill values and their amortization periods are tested yearly.

Subsidiaries that have been sold during the year are included in

the consolidated financial statements up until the date of sale. Companies that have been acquired during the year are included in the consolidated financial statements starting on the date of acquisition.

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

Translation of foreign subsidiaries' financial statements

All foreign subsidiaries have been classified as independent, and thus their assets and liabilities are translated to Swedish kronor (SEK) at year-end exchange rates. Income statements of foreign subsidiaries are translated at average exchange rates for the year. Translation differences are transferred directly to shareholders' equity and do not affect earnings for the year.

Valuation principles

Recognition of income

Dividend income from stocks is recognized when the respective companies' general meetings have set the dividend. Interim dividends are recognized as income when they are received.

Earnings from sales of stocks are recognized as per the transaction date as the difference between the sales price less selling overheads and the average cost of the shares.

Sales of goods and services are recognized upon delivery to the customer, excluding value-added tax and discounts. Intra-Group sales are eliminated.

Interest income is recognized taking into account accrued interest on the accounting date.

Depreciation

Depreciation of the cost of machinery and equipment is done according to plan. The depreciation rates are based on estimated useful life. As a rule, fixed asset properties are depreciated by the highest amount allowed by tax rules. The estimated useful life for fixed asset properties is in agreement with the stipulations of the tax laws.

Income taxes

Reported income taxes include taxes for the current year, adjustments of previous years' taxes and changes in deferred taxes. Valuation of all tax liabilities and tax assets is done at nominal amounts in accordance with the applicable tax rules. Deferred tax is calculated on all temporary differences that arise between reported and tax values of assets and liabilities. Deferred tax assets pertaining to tax-loss carryforwards are reported to the extent that it is likely that the deduction can be offset against surpluses in future taxation. Deferred tax liabilities pertaining to temporary differences arising from investments in subsidiaries and associates are not reported, since the Parent Company can steer the date for recovery of the temporary differences.

Translation of receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at year-end

exchange rates. Receivables or liabilities that are hedged are valued at the hedge rate. Unrealized exchange gains and losses have been taken to earnings.

Valuation of equities

Listed stocks are valued collectively as a portfolio at the lower of cost or market in accordance with FAR recommendation number 12, "Reporting of shares and participations."

Other shares and participations are stated at cost. Any write-down to market value is made item by item to the extent it is believed that impairment has taken place.

Valuation of stock options issued

Industrivärden issues, on a regular basis, call and put options on the shares included in its equities portfolio. Option premiums received are booked as a debt and deducted from premiums paid upon repurchase. If an issued option expires without being exercised, the premium is recognized as income. Upon exercise of an issued option, the premium increases the exercise price upon the sale of the shares or reduces the exercise price upon the purchase of shares.

Measurement of fair value of financial instruments

The fair value of Industrivärden's financial instruments is based normally on the market price on the accounting date of financial instruments with a quoted market price. For other financial instruments, various methods are used to measure fair value, such as the most recently available sales prices for similar financial instruments or corresponding values.

Inventories

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

Trade accounts receivable

Trade accounts receivable are stated individually at the amount in which they are expected to be received.

Leasing contracts

Leasing contracts of limited value (such as for office machinery), which are classified as finance leases, are reported as operating leases. In other respects the Swedish Financial Accounting Standards Council's recommendation for financial leasing is followed.

Hedging of shareholders' equity in foreign subsidiaries

To reduce the Group's currency exposure, shareholders' equity in foreign subsidiaries is hedged through forward exchange contracts and/or loans in foreign currency. In the consolidated financial statements, translation differences that arise in these forward exchange contracts and/or loans are offset against the translation differences that arise in the foreign subsidiaries' shareholders' equity. See also the "Currency risk" section on page 57.

Financial Instruments and Risk Management

Organizational considerations

The Parent Company's financing and management of financial risks are conducted in accordance with guidelines set by the Board of Directors. The Parent Company's central finance function works primarily with financing and placing surplus liquidity. The wholly owned operating subsidiaries Indutrade and Isaberg Rapid have their own finance functions and are independently responsible for the management of their financial risks within the limits set by the Parent Company's board.

Financing

The Parent Company's financing is arranged through both short- and medium-term borrowing. Short-term borrowing consists of confirmed and unconfirmed credit lines with banks, a commercial paper program, and a Euro Commercial Paper (ECP) program. Medium-term borrowing consists primarily of a Medium-Term Note (MTN) program and a five-year syndicated loan.

At the end of 2003 the Parent Company had confirmed limits corresponding to SEK 5.0 billion (7.4), of which SEK 0.9 billion (0.9) was utilized, and unconfirmed limits and market programs totaling SEK 14.4 billion (14.9), of which SEK 1.9 billion (3.4) was utilized.

At the same point in time, the Industrivärden Group had total confirmed limits of SEK 5.4 billion (7.5) and unconfirmed limits and market programs totaling SEK 14.4 billion (14.9).

Utilization of confirmed and unconfirmed limits and market programs is shown in Notes 27 and 29 on page 69.

A minor portion of available credit facilities has been utilized during the last two years since Industrivärden executed several divestments in 2002, which generated surplus liquidity. Among other things, the wholly owned subsidiary Besam and the entire

holding in the listed company Lundbeck A/S were sold, generating surplus liquidity of approximately SEK 3,050 M and SEK 2,400 M, respectively.

Ratings

Industrivärden has been assigned international corporate credit rating of A+/Stable/A-1 by Standard & Poor's. Industrivärden's commercial paper programs have been assigned the highest credit ratings by the same agency, K1 and A-1, respectively.

Financial risk management – general

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

Industrivärden has well developed internal routines for effective risk management and strives to conduct its operations with limited and controlled risk.

Equities risk

Equities risk pertains to share price risk (but also currency risk arising from changes in exchange rates for foreign equities), liquidity risk and counterparty risk.

By share price risk is meant the risk of a decline in value caused by changes in prices in the stock market. This is the most significant risk in Industrivärden's business.

Active ownership has a central role in Industrivärden's business concept and is aimed at finding value-enhancing measures in the major portfolio companies in cooperation with other owners. Industrivärden's portfolio companies generally show a historically good growth in value, which has entailed – among other things – that Industrivärden's total return over a longer period of time has been higher than the average for the Stockholm Stock Exchange. Industrivärden's contribution to value creation should reduce the relative equities risk in the portfolio companies and thereby also in Industrivärden's portfolio. Moreover, the active ownership role provides good insight into the portfolio companies' operations, operating environment and continuing development.

By having a well weighted composition of different holdings in the equities portfolio, exposure to industry- or sector-related risks is reduced. The mix of various equities in the portfolio reduces volatility and contributes to a more stable return over time.

Industrivärden's equity investments are made within the parameters of the investment rules set by the Board of Directors.

In addition to investments in listed stocks, Industrivärden also conducts transactions in standardized and non-standardized stock options. As per December 31, 2003, the Parent Company had outstanding market-quoted stock options with a market value of SEK 2 M, which was the same as their cost. Derivative transactions are

Compilation of confirmed and unconfirmed limits and market programs

SEK billion	Parent Company		Group	
	12/31/03	12/31/02	12/31/03	12/31/02
Bank overdraft facilities	2.5	1.0	2.7	1.1
Syndicated loan (in euros) ¹	2.5	5.5	2.5	5.5
Other confirmed credits	–	0.9	0.2	0.9
Total confirmed credits	5.0	7.4	5.4	7.5
Unconfirmed credits	2.8	3.3	2.8	3.3
ECP-program (EUR 500 M)	4.6	4.6	4.6	4.6
Commercial paper program	2.0	2.0	2.0	2.0
MTN-program	5.0	5.0	5.0	5.0
Total market programs	11.6	11.6	11.6	11.6
Total limits	19.4	22.3	19.8	22.4

¹ A new, five-year EUR 275 M international syndicated loan was raised in autumn 2003, with a term lasting through November 2008. The previous syndicated loan was for EUR 600 M.

conducted in accordance with applicable investment rules for equities and equity-related instruments. In order to limit counterparty risk, derivative transactions may only be made with counterparties that are approved by Industrivärden.

The subsidiary Nordinvest conducts limited asset management with a short-term investment horizon. The equities risk is minimized with the help of a special set of investment rules with strict risk mandates and stop-loss rules.

Share price risk can be illustrated in such way that a one percent change in the price of all listed shareholdings in Industrivärden's equities portfolio as per December 31, 2003, would have impacted net asset value by SEK +/-304 M.

In addition, Industrivärden's holdings of foreign equities are affected by currency movements (currency risk). For investments in foreign, listed equities, decisions to take out hedges are made from case to case. As per December 31, 2003, investments in foreign, listed equities with a market value of approximately SEK 900 M were not hedged.

Equities risk also includes liquidity risk, which can arise, for example, for a stock that is difficult to sell. Industrivärden's equities portfolio consists mainly of listed stocks with good liquidity, and thus the liquidity risk is limited.

For additional information on Industrivärden's equities risk, see the section "Borrowings and risk," on page 5.

Currency risk

Currency risk is the risk that the value of a financial instrument will vary due to changes in exchange rates.

In addition to the currency risk that arises in connection with ownership of equities denominated in foreign currency (see above), the Industrivärden Group – primarily its operating subsidiaries – is affected by currency movements. Currency risk can be broken down into transaction exposure and translation exposure.

Transaction exposure arises in the operating subsidiaries' commercial flows. Currency flows are monitored and hedged on commercial terms by the respective subsidiaries' finance departments. According to the finance policy, hedges may be taken for a maximum of 12 months forward. The effects of currency fluctuations are also limited with the help of customer agreements containing currency clauses and price adjustment mechanisms.

Of the operating subsidiaries' net sales, 33% (29%) are derived from Sweden, 62% (59%) from other Europe, and 5% (12%) from the rest of the world. Net sales in the EMU area accounted for 47% (47%) of the Group's total sales.

The operating subsidiaries' earnings for 2003 were positively affected in the amount of SEK 26 M by currency effects, which includes the effect of forward exchange contracts, totaling SEK +1 M.

Translation exposure arises in foreign subsidiaries' shareholders' equity. According to the finance policies, operating subsidiaries shall

hedge the shareholders' equity in their foreign subsidiaries via loans in foreign currency or through forward exchange contracts (equity hedges). Other loans that the Parent Company and subsidiaries take out in foreign currency, which do not constitute equity hedges, are always converted to Swedish kronor through swaps in order to avoid currency exposure.

On the whole, Industrivärden's currency risk and its effect on earnings is judged to be low.

Translation exposure in foreign subsidiaries – of which, hedged

SEK M Dec. 31, 2003	Net assets	Equity hedge	Share, %
EUR	142	147	103
Other foreign currencies	83	79	95

Book-closing exchange rates

	Year-end rate		Average rate	
	2003	2002	2003	2002
EUR	9.08	9.16	9.13	9.15
GBP	12.88	14.09	13.27	14.59
USD	7.26	8.79	8.14	9.79

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will vary due to changes in market interest rates.

The financial instruments that are exposed to interest rate risk are loans and, where applicable, their accompanying swaps. Swaps are used in the aim of limiting interest expenses, under the condition that the risk in the instrument can be calculated in monetary terms.

Industrivärden measures interest rate swaps at cost. All swaps are matched exactly with their underlying loans with respect to amount, maturity, interest payments, margins, etc. At year-end 2003 Industrivärden had swap agreements which, stated at fair value, would have affected the result negatively in the amount of SEK 32 M.

Upon a hypothetical one percentage point increase in market interest rates, the effect – based on the Parent Company's debt portfolio as per December 31, 2003 – would be that the average interest rate in the debt portfolio would increase from approximately 5% to 5.4%, entailing an annual cost increase of roughly SEK 10 M. The reasons why a one percentage point increase does not have a full impact on interest expense are that the loans carry fixed rates of interest and that some loans are swapped from variable to fixed interest rates.

According to the finance policy, the average term of fixed interest rates for Industrivärden's net borrowings shall be 18 months, with permissible deviations upwards of 12 months and downwards of 6 months. At year-end the average term of fixed interest was 12 months. Industrivärden had no financial instruments with maturities in excess of five years as per December 31, 2003.

Industrivärden's interest rate risk and its effect on earnings is judged to be low.

Liquidity risk and refinancing risk

Liquidity risk is the risk of encountering difficulties in accessing liquid assets in order to meet commitments associated with financial instruments.

Industrivärden's liquidity risk is limited, since its assets consist mainly of liquid, listed equities. Moreover, in compliance with the finance policy, at any given time Industrivärden has a minimum of SEK 3 billion in confirmed credit facilities at its disposal.

Refinancing risk is the risk that a company cannot obtain financing or that financing can only be obtained upon incurrence of a considerable cost.

In the aim of minimizing refinancing risk, the loans' maturities are distributed evenly over time to lower the likelihood of a large portion of loans being refinanced at the same date. The average maturity in the loan portfolio at December 31, 2003, was 21 months. A breakdown of maturities per year is shown in Note 27 on page 69.

Industrivärden's liquidity risk and refinancing risk are judged to be low. Taking into account the market value of Industrivärden's equities portfolio and adjusted equity ratio of 90%, AB Industrivärden has major financial flexibility.

Counterparty risk

Counterparty risk is the risk of a party in a transaction with a financial instrument not being able to meet its commitments and thereby causing loss to the other party.

The Industrivärden Group is exposed to counterparty risks through financial commitments in the form of investments, derivative transactions, etc., and through customer credits in the operating subsidiaries. Counterparty risk in financial commitments is limited by investing surplus liquidity with counterparties with a very high creditworthiness based on Standard & Poor's rating, with limits in terms of amount as well as maturity.

Industrivärden's financial agreements on transactions in equities, equity-related derivatives and other derivatives are made with several different creditworthy financial institutions with which Industrivärden has wide-ranging and long-term cooperation arrangements.

Credit risks also exist in outstanding accounts receivable in subsidiaries, which amounted to SEK 627 M as per December 31, 2003. Combined bad debts for the 2003 financial year amounted to SEK 3 M.

Routines set by Industrivärden place demands on high creditworthiness of counterparties with respect to investments, derivative transactions, etc., which is why counterparty risk is considered to be low. The risk for sizable bad debts in the subsidiaries is limited, since accounts receivable are spread out among more than 60,000 customers.

Operational risks

Operational risk is the risk of incurring a loss due to deficiencies in internal routines and systems. Industrivärden's risk management rests on a foundation of investment rules, finance policy, authorization instructions and other policies and instructions. Legal reviews of contracts and commitments are conducted on a regular basis. In addition, controls that govern and ensure responsibility and authorization in the day-to-day operations are performed on a regular basis. The subsidiaries have their own instructions that are based on the rules that apply for the Parent Company.

The Group's insurance risks are managed in accordance with the estimated insurance needs. The respective companies have insurance for various types of liability and property risks.

Matters pertaining to confidentiality and information security are of major importance for Industrivärden. An information policy established by Industrivärden governs actions related to information matters. With respect to IT security, systems and routines are under continuous development.

Notes

(Amounts in SEK M unless stated otherwise)

■ Note 1 Dividend income from stocks

Parent Company	2003	2002
Biodisk	–	13
Eniro	6	3
Handelsbanken	243	219
Munters	9	–
Nokia	4	2
Pfizer Inc.	9	13
Sandvik	210	199
SCA	182	166
Scania	17	11
Skanska	67	85
Skandia	15	14
SSAB	72	60
Volvo	14	14
Other	1	21
Parent Company	849	820
Other	1	–
Group	850	820
Of which, dividend income from associated companies	2003	2002
SCA	182	166
Skanska	67	85
Total	249	251

■ Note 2 Earnings from equities- and derivative transactions

	Parent Company		Group	
	2003	2002	2003	2002
Besam (entire holding)	–	2,651	–	2,334
Biodisk (entire holding)	–	109	–	109
Eniro	-100	–	-100	–
Ericsson	129	–	129	–
Lundbeck A/S (entire holding)	–	1,498	–	1,498
Pharmacia Corp.	–	28	–	28
Skandia (entire holding)	-1,510	–	-1,508	–
Other equities transactions	-1	-73	-5	-87
Write-downs of unlisted holdings	-29	-207	-2	-179
Equities transactions	-1,511	4,006	-1,486	3,703
Derivative transactions	101	47	101	47
Total	-1,410	4,053	-1,385	3,750

	Group	
Divestment of shares in associated companies	2003	2002
Biodisk	–	-13
Ericsson	13	–
Other equities transactions	-13	78
Adjustment of consolidated earnings as a result of divested associated companies	0	65

■ Note 3 Other income and expenses

	Parent Company		Group	
	2003	2002	2003	2002
Costs pertaining to Indus Innovation	–	–	–	-45
Research grant to the Stockholm School of Economics	–	-20	–	-20
Other	-2	-8	-3	-8
Total	-2	-28	-3	-73

■ Note 4 Segment Reporting

Primary segments – business units	2003				2002			
	Portfolio management	Operating companies	Group adjustments	Total, Group	Portfolio management	Operating companies	Group adjustments	Total, Group
INCOME STATEMENTS								
Dividend income from stocks	850	–	–	850	820	–	–	820
Earnings from equities and derivative transactions	-1,385	–	–	-1,385	3,750	–	–	3,750
Other income and expenses	-3	–	–	-3	-73	–	–	-73
Earnings from portfolio management	-538	–	–	-538	4,497	–	–	4,497
Net sales	–	4,078	-3	4,075	–	4,893	-3	4,890
Cost of goods sold	–	-2,702	7	-2,695	–	-3,268	7	-3,261
Business overheads, etc.	–	-1,130	-6	-1,136	–	-1,323	-6	-1,329
Earnings from operating companies	–	246	-2	244	–	302	-2	300
Management costs	-80	–	–	-80	-85	–	–	-85
Financial income and expenses	-231	-28	10	-249	-227	-22	13	-236
Earnings after financial items	-849	218	8	-623	4,185	280	11	4,476
Result of associate accounting	–	–	9	9	–	–	-464	-464
Tax	-165	-88	–	-253	–	-111	–	-111
Net earnings for the year	-1,014	130	17	-867	4,185	169	-453	3,901
BALANCE SHEETS								
Assets								
Equities	16,851	–	-6,448	10,403	18,246	3	-5,957	12,292
Shares in associated companies	–	–	7,720	7,720	–	–	7,573	7,573
Other fixed assets	3	750	51	804	10	751	56	817
Total fixed assets	16,854	750	1,323	18,927	18,256	754	1,672	20,682
Current assets	487	1,742	-81	2,148	2,963	2,382	-1,762	3,583
Total assets	17,341	2,492	1,242	21,075	21,219	3,136	-90	24,265
Shareholders' equity and liabilities								
Shareholders' equity	14,051	1,058	1,304	16,413	15,601	1,492	1,636	18,729
Minority shares	–	–	–	–	–	1	–	1
Provisions	49	181	14	244	46	157	36	239
Long-term liabilities	2,215	417	0	2,632	2,540	16	–	2,556
Current liabilities	1,026	836	-76	1,786	3,032	1,470	-1,762	2,740
Total shareholders' equity and liabilities	17,341	2,492	1,242	21,075	21,219	3,136	-90	24,265
Capital expenditures for the year¹	–	95	–	95	–	140	–	140
Depreciation for the year	–	135	0	135	–	154	-4	150
Operating cash flow²	588	86	–	674	4,552	198	–	4,750

¹ Investments in intangible and tangible fixed assets.

² Cash flow from operating activities and investing activities.

Secondary segments – geographic ³	2003			2002		
	Net sales	Portfolio management ⁴	Total	Net sales	Portfolio management ⁴	Total
Sweden	1,332	-535	797	1,378	4,570	5,948
Other Nordic countries	1,327	–	1,327	1,306	–	1,306
Europe, excl. Nordic countries	1,193	–	1,193	1,613	–	1,613
North America	92	–	92	418	–	418
Other markets	131	–	131	175	–	175
Total, Group	4,075	-535	3,540	4,890	4,570	9,460

³ Slightly more than 90% of Industrivärden's assets and capital expenditures pertain to Sweden, as in previous years.

⁴ Pertains to dividend income from stocks and earnings from equities and derivative transactions.

■ Note 5 Average number of employees

	2003		2002	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	22	6	24	6
Subsidiaries in Sweden	1,003	305	1,148	354
Total, Sweden	1,025	311	1,172	360
Subsidiaries outside Sweden				
Baltic countries	68	15	75	16
China	381	240	373	205
Denmark	127	18	152	27
Finland	412	82	346	74
France	314	159	342	142
Germany	116	41	178	50
Italy	9	5	23	13
Netherlands	91	25	175	48
Norway	19	3	42	12
U.K.	11	3	73	15
USA	–	–	151	33
Other	8	3	130	34
Total	1,556	594	2,060	669
Total, Group	2,581	905	3,232	1,029

Reporting of sickness-related absence

Combined sickness-related absence in the Parent Company during the year was 627 hours out of a total of 40,692 hours, i.e., 1.5% of total working hours. Of the total sickness-related absence rate, 1.0 percentage points pertained to long-term absence, i.e., uninterrupted absence of more than 60 days, and 0.5 percentage points to short-term absence.

Reporting of gender distribution in boards and company management

The gender distribution in the Parent Company's board and executive management is specified on pages 76 and 77. Of the wholly owned subsidiaries, Indutrade has one woman on its board and Isaberg Rapid has one woman on its board. All other persons on the subsidiaries' boards and management are men.

■ Note 6 Wages, salaries and other remuneration; social security costs

	2003			2002		
	Wages, salaries and other remuneration	Social security costs	Of which, pension costs	Wages, salaries and other remuneration	Social security costs	Of which, pension costs
Parent Company¹	27	19	10	25	18	9
Subsidiaries in Sweden	300	141	27	349	161	37
Total, Sweden	327	160	37	374	179	46
Subsidiaries outside Sweden						
Baltic countries	8	3	0	9	3	0
China	6	2	0	7	4	0
Denmark	73	4	3	72	3	3
Finland	142	36	27	121	29	21
France	67	22	1	74	34	3
Germany	49	8	0	59	12	3
Italy	2	1	0	8	3	2
Netherlands	35	13	9	55	14	7
Norway	9	2	1	19	2	0
U.K.	4	1	1	27	7	3
USA	–	–	–	79	16	6
Other	1	0	–	31	9	3
Total	396	92	42	561	136	51
Total, Group	723	252	79	935	315	97

Of the Parent Company's pension cost, SEK 5 M (5) pertains to the Board of Directors and the President. The corresponding amount for the Group was SEK 17 M (16).

Wages, salaries and other remuneration, broken down by country and between board members, etc., and other employees

	2003			2002		
	Board of directors and presidents	Of which, bonuses and similar	Other employees	Board of directors and presidents	Of which, bonuses and similar	Other employees
Parent Company¹	12	0	15	8	–	17
Subsidiaries in Sweden	25	2	275	30	6	319
Total, Sweden	37	2	290	38	6	336
Subsidiaries outside Sweden						
Baltic countries	1	0	7	2	0	7
China	0	–	6	0	–	7
Denmark	5	0	68	6	2	66
Finland	11	1	131	10	1	111
France	1	–	66	3	1	71
Germany	2	1	47	4	1	55
Italy	1	–	1	1	–	7
Netherlands	2	0	33	3	1	52
Norway	1	–	8	2	–	17
U.K.	1	–	3	3	1	24
USA	–	–	–	4	–	75
Other	–	–	1	6	2	25
Total	25	2	371	44	9	517
Total, Group	62	4	661	82	15	853

¹For specification of Note 6, see page 63.

Specification of Note 6: Wages, salaries and other remuneration; social security costs

The following principles form the basis of compensation of the Board and executive management.

– The Nominating Committee, which has been appointed in the manner decided by the Annual General Meeting, makes recommendations on directors' fees to the Annual General Meeting. The Board of Directors' fee is payable in accordance with a resolution of the Annual General Meeting and is apportioned among the directors at the Board's discretion.

– Compensation of the CEO and the other three members of the executive management is prepared for a decision of the Board by the compensation committee, whose members are listed on page 77. Fixed salary and standard employment benefits are paid to executive management. Added to this are pension benefits and incentive programs, as described below.

Disclosure of holdings of stock and employee stock options in Industrivärden by directors and members of executive management is provided on pages 76 and 77.

The Board was paid a fee of SEK 2.5 M in 2003 (2.0), in accordance with a resolution by the Annual General Meeting. Of this amount, the Chairman received SEK 0.75 M (0.6) and the Vice Chairman SEK 0.5 M (0.4). In accordance with his previous employment contract, the former CEO of the Company, who serves as a director on the Board, has received temporary retirement pension benefits which will be paid out until he turns 75 years of age. This commitment, which has been expensed by the Company, entailed a pension payment of SEK 1.2 M in 2003.

The CEO received a fixed salary and standard employment benefits valued at a total of SEK 4.7 M (4.2). The fees from directorships paid to the CEO that have been directly linked to his position have been paid to the Company. The CEO is entitled to pension benefits from 60 to 65 years of age equivalent to 70% of his average fixed salary during the three years prior to retirement, and to retirement pension benefits after 65 years of age equivalent to 50% of his average fixed salary during the three years prior to retirement, indexed from the date of retirement in the same manner that would apply for a pension from Alecta. Pension benefits are earned in a linear manner up until the age of retirement. The cost of the pension commitment in 2003 was SEK 3.1 M. In addition, the CEO is entitled to disability pension equivalent to 50% of his fixed salary the year before such pension occasion, and his survivors are entitled to survivorship benefits equivalent to approximately 40% of his fixed salary. The Company must give two years' notice if it terminates the CEO's employment contract.

The other three members of the executive management together received fixed salary and standard employment benefits worth SEK 6.2 M (5.1). Added to this is a variable salary portion for the 2003 financial year totaling SEK 0.6 M, which will be paid out in 2004. Two of these

executives are entitled to pension benefits equivalent to 70% of their base salary from 60 to 65 years of age. Pension benefits are earned in a linear manner up until the age of retirement. One of these executives is entitled to pension from 65 years of age under the applicable ITP plan. The other two executives are covered from 65 years of age by defined-contribution pension plans, whereby the amount of the pension benefits is dependent on the performance of their contracted pension plans. The total cost of the pension commitment in 2003 for these three executives was SEK 2.9 M. In the event the Company serves notice, one member of the executive management is entitled to severance pay equivalent to three years' salary, one is entitled to severance pay equivalent to two years' salary, and one is entitled to two years' notice.

In 2002 an incentive program was established for the employees of the Parent Company, entailing employee stock options and a variable salary portion. Of the maximum 260,000 employee stock options that may be granted under the program, 187,000 options were granted to 22 employees, whereby the CEO was granted 30,000 options and the other three members of the executive management were granted a total of 50,000 options. The options have a term until February 28, 2007, and give the holder the right to purchase one share of Industrivärden Class A stock from a financial institution at the exercise price of SEK 177 per option or, alternatively, to receive cash payment for the difference between the exercise price and the market price of the underlying share. One-third of the options may be exercised after March 1, 2005, and the rest after March 1, 2006. As a rule, the stock options can only be exercised if the employee remains employed by the Company. Industrivärden has entered into a swap agreement with a financial institution which has hedged the employee stock option commitment (incl. social security charges) in the event of a price rise. In the event of a price decline, Industrivärden bears the risk. In 2003, SEK 5 M of a provision of SEK 13 M made a year earlier was dissolved; this pertained to the price decline that has taken place since the start of the program, when the price of Industrivärden's Class A stock was SEK 154 per share. At the time of issue, as per February 15, 2002, the options had a theoretical value of SEK 35 per option. As per December 31, 2003, the theoretical value was SEK 7.80 per option. The valuations, which were performed by an independent firm, do not take into account the fact that the options cannot be transferred before the start of the exercise periods stated above.

All employees, except for the CEO, are entitled to a variable salary portion amounting to a maximum of 20% of the fixed salary, provided that they have achieved certain individually set targets. A provision of SEK 1.8 M has been reserved for the accrued cost of the variable salary portion for the 2003 fiscal year. Variable salary portions has been paid out in 2004.

The benefit value that can arise from the variable salary portion and exercise of stock options is not pensionable.

Compilation of executive management's compensation and pension costs for 2003 and employee stock options in 2002

SEK M	Fixed salary	Variable salary portion ¹	Other benefits	Total compensation	Pension costs	No. employee stock options, 2002/2007
CEO	4.6	–	0.1	4.7	3.1	30,000
Other members of executive management	6.0	0.6	0.2	6.8	2.9	50,000
Total	10.6	0.6	0.3	11.5	6.0	80,000

¹ Variable salary portion pertains to the 2003 fiscal year, and will be paid out in 2004.

■ Note 7 Auditors' fees

	Parent Company ¹		Group	
	2003	2002	2003	2002
Auditing fees				
Öhrlings PricewaterhouseCoopers	1.2	1.1	8.9	8.4
Other auditing firms	–	–	0.4	0.3
Total auditing fees	1.2	1.1	9.3	8.7
Other consulting fees				
Öhrlings PricewaterhouseCoopers	0.9	1.0	2.0	1.2
Other auditing firms	–	–	0.9	0.2
Total auditors' fees	0.9	1.0	2.9	1.4
Total	2.1	2.1	12.2	10.1

¹Including value added tax.

■ Note 8 Depreciation/amortization

The income statement's sub-items include amortization of intangible fixed assets and depreciation of tangible fixed assets as follows:

Group	2003	2002
Cost of goods sold	66	74
Development costs	3	1
Selling costs	47	48
Administrative costs	19	27
Total	135	150

Of the change for the year, SEK 18 M pertains to divested companies and SEK 5 M to divested businesses.

■ Note 9 Operating leases

Group	2003	2002
Leasing fees paid during the year	41	50
Future, contracted leasing fees		
Expiration in 1 year	39	44
Expiration in 2 years	23	30
Expiration in 3 years	15	15
Expiration in 4 years	9	8
Expiration in 5 years	5	7
Expiration after 5 years	5	14
Total future leasing fees	96	118

Operating leases pertain primarily to premises.

■ Note 10 Other financial income

	Parent Company		Group	
	2003	2002	2003	2002
Exchange rate differences	2	–	18	20
Other	2	8	2	8
Total	4	8	20	28

■ Note 11 Other financial expenses

	Parent Company		Group	
	2003	2002	2003	2002
Exchange rate differences	–	-16	-1	-19
Bank charges ^{1,2}	-21	-18	-22	-18
Other ³	7	-13	7	-13
Total	-14	-47	-16	-50

¹ Of which, arrangement fee for new syndicated loan

² Of which, fees for credit limits and market programs

³ Of which, hedging of employee stock option commitment

■ Note 12 Share in associated companies' earnings

Group	2003	2002
Ericsson	-366	-669
Establish	-10	-48
Interpeak	-6	-2
SCA	618	645
Skanska	261	-55
Total share in associated companies' earnings before taxes and after goodwill amortization	497	-129

■ Note 13 Tax and specification of deferred tax assets and deferred tax liabilities

	Parent Company		Group	
	2003	2002	2003	2002
Current tax	-165	–	-251	-111
Deferred tax	–	–	-2	0
Total	-165	–	-253	-111
Tax pertaining to associated companies	–	–	-239	-149

In a ruling in 2002 the County Administrative Court raised Industrivärden's taxation for the fiscal years 1997–2000 with respect to the standard income reported for shares in subsidiaries. In total this ruling entails additional tax of SEK 71 M, including charges and interest, plus an additional SEK 9 M for the fiscal year 2001 in accordance with the decision by the tax authority. Industrivärden has followed the instructions issued by the National Tax Board for valuation of holding company shares in subsidiaries and has therefore appealed the ruling by the County Administrative Court as well as the tax authority's decision. No tax liability has been booked. The Administrative Court of Appeal has not issued a ruling on the appealed ruling.

In a ruling issued in January 2004, the Administrative Court of Appeal upheld the tax authority's request to apply the tax evasion act with respect to the questioned right to deduction for interest paid during the fiscal years 1995–1998 in holding companies owned by and subsequently merged with AB Industrivärden. The ruling entails that deduction is not granted for interest expenses that have reduced the tax in the holding companies by a total of SEK 165 M. The County Administrative Court turned down the tax authority's request in a ruling in 2002. Industrivärden will file an appeal of the Administrative Court of Appeal's ruling to the Supreme Administrative Court.

Specification of the Group's tax rate

Special tax rules apply for holding companies. The most important of these are exemption from capital gains taxes on sales of stocks and the right to deduct dividends rendered, however, with the addition of a standard-calculated income based on the market value of the stocks. For a more detailed discussion of the tax rules for holding companies, see page 72. As a result of the dividends paid by the Parent Company in 2002 and 2003, no tax charge has been incurred for these years.

	Group	
	2003	2002
Earnings after financial items	-623	4,476
Tax according to Swedish tax rate of 28 %	174	-1,253
Difference in tax rates in various operating countries	-19	-33
Tax pertaining to previous years	-165	0
Effect on Group's tax rate of the Parent Company's non-payment of tax	-248	1,176
Amortization of goodwill	11	10
Other, net	-6	-11
Total tax	-253	-111

The deduction right for dividends rendered enables the Parent Company not to pay any tax, which is why deferred tax assets and deferred tax liabilities are only specified for the Group below.

Specification of deferred tax assets

	Group	
	2003	2002
Internal profit and provision for obsolescence in inventories	4	5
Reserve for doubtful debts	0	1
Provision for guarantees	6	8
Provision for pensions and similar commitments	4	5
Other deductible temporary differences	6	6
Total deferred tax assets	20	25

Specification of deferred tax liabilities

	Group	
	2003	2002
Real estate, machinery and equipment	41	42
Untaxed reserves	13	14
Other taxable temporary differences	2	3
Total deferred tax liabilities	56	59
Total deferred tax assets/liabilities, net	-36	-34
Of which, deferred tax assets as per balance sheet	1	9
Of which, deferred tax liabilities as per balance sheet	-37	-43

■ Note 14 Intangible fixed assets

Group	Goodwill	Intangible rights	Total intangible fixed assets
Opening acquisition value	432	42	474
Investments during the year	–	9	9
Company acquisitions	71	7	78
Sales and disposals	–	0	0
Company divestments	-5	–	-5
Translation differences	-3	0	-3
Closing accumulated acquisition value	495	58	553
Opening amortization	221	27	248
Amortization for the year	41	6	47
Company acquisitions	3	2	5
Sales and disposals	–	0	0
Company divestments	-3	–	-3
Translation differences	-3	0	-3
Closing accumulated amortization	259	35	294
Planned residual value, 12/31/2003	236	23^{1,2}	259
Planned residual value, 12/31/2002	211	15	226

¹ Of which, SEK 7 M in expenses carried forward for research and development, SEK 16 M for patents and licenses, and SEK 0 M for leaseholds.

² Of which, SEK 16 M in acquired intangible rights.

■ Note 15 Tangible fixed assets

Group	Land and buildings	Plant	Equipment	Construction in progress	Total tangible fixed assets
Opening acquisition value	451	460	377	30	1,318
Investments during the year	3	16	40	27	86
Company acquisitions	–	8	12	–	20
Transfers from construction in progress	32	9	1	-42	–
Sales and disposals	-11	-5	-75	0	-91
Company divestments	–	-2	-2	–	-4
Translation differences	-1	-4	-3	0	-8
Closing accumulated acquisition value	474	482	350	15	1,321
Opening depreciation	175	312	270	–	757
Depreciation for the year	14	37	37	–	88
Company acquisitions	–	–	9	–	9
Sales and disposals	-5	-5	-45	–	-55
Company divestments	–	-2	-2	–	-4
Translation differences	-1	-2	-3	–	-6
Closing accumulated depreciation	183	340	266	–	789
Planned residual value, 12/31/2003	291	142	84	15	532
Planned residual value, 12/31/2002	276	148	107	30	561

The tax assessment value of Swedish real estate was SEK 207 M (194).

■ Note 16 Finance leases

Group	2003	2002
Acquisition value	16	27
Accumulated planned depreciation	-12	-18
Remaining liability	4	9
Of which, current liability (year 1)	2	3
Of which, long-term liability (years 2–5)	2	6

Finance lease contracts pertain to machinery for 2003 and to machinery and buildings for 2002.

■ Note 17 Equities

	Number	Share of capital, %	Share of votes, %	Market value	Book value
Biacore	210,250	2.1	2.1	36	36
Eniro	1,328,600	0.7	0.7	92	136
Ericsson A	186,000,000	2.2	27.7	2,585	1,763
Ericsson B	178,039,276			2,297	952
Establish	2,353,762	20.0	20.0	6	6
Handelsbanken A	52,751,900	7.4	8.0	7,754	2,350
Interpeak	382,715	22.5	22.5	10	10
Munters	2,705,750	10.8	10.8	471	490
Nokia	1,400,000	0.0	0.0	174	364
Pfizer Inc.	2,017,500	0.0	0.0	513	605
Readsoft B	1,345,000	4.1	2.8	16	64
Sandvik	21,167,500	8.0	8.0	5,249	3,977
SCA A ¹	16,982,000	9.0	29.1	4,993	829
SCA B	4,224,600			1,242	754
Scania A	1,952,000	1.5	1.9	394	589
Scania B	1,050,200			213	324
Skanska A	17,302,756	8.0	27.2	1,099	817
Skanska B	16,000,000			1,016	813
SSAB A ²⁻⁶	13,112,600	13.0	17.0	1,685	756
Volvo A	1,260,000	0.4	0.8	266	267
Volvo B	526,400			116	115
Ossur hf	52,000,000	15.8	15.8	230	275

Parent Company's holdings of equities⁷

30,457 16,292

Other equities⁸

55 55

Group's holdings of equities

30,512 16,347

Less: associated companies

Ericsson					-2,715
Establish					-6
Interpeak					-10
SCA					-1,583
Skanska					-1,630

Group's holdings of equities, excluding holdings of shares in associated companies

10,403

■ Note 18 Shares in subsidiaries

	Reg. no	Domicile	Share of capital, %	No. of shares	Shareholders' equity	Book value
Handus AB	556384-5428	Stockholm	100	10,000	189	0
Indus Innovation AB	556364-7758	Stockholm	100	100,000	13	1
Industrivärden Service AB	556289-9160	Stockholm	100	10,000	9	1
Indutrade AB	556017-9367	Stockholm	100	25,000	688	277
Isaberg Rapid AB	556035-6684	Hestra	100	400,000	204	133
Nordinvest AB	556287-8826	Stockholm	100	42	108	94
Other			100		1	1
Total						507

■ Note 19 Shares in associated companies

	Reg. no	Domicile	Shareholders' equity	Earnings after tax	Share of capital, %	Share of votes, %	No. shares, 000s	Value according to associate accounting
Ericsson	556016-0680	Stockholm	60,481	-10,844	2.2	27.7	364,039	1,564
Establish	556511-6083	Stockholm	37	-7	20.0	20.0	2,354	7
Interpeak	556586-9517	Stockholm	12	-4	22.5	22.5	383	5
SCA	556012-6293	Stockholm	49,754	5,075	9.0	29.1	21,207	4,690
Skanska	556000-4615	Stockholm	14,169	2,761	8.0	27.2	33,303	1,454
Total								7,720

1 Industrivärden – together with Custos and Skandia – issued a total of 942,000 call options to SCA's management group; Industrivärden accounted for 94,000 of these options. Each call option entitles the bearer to purchase one share of SCA Class B stock for SEK 283 during the period April 26, 2004 – May 28, 2004. The total book value of the underlying shares is SEK 16,786 K. The total value of the exercise price and expensed premium is SEK 28,482 K.

2 In 1999 Industrivärden issued a total of 61,049 call options to members of SSAB's executive management. Each option entitles the bearer to purchase one share of SSAB Class A stock for SEK 151.50 during the period May 28, 1999 – May 28, 2004. The total book value of the underlying shares is SEK 3,518 K. The total value of the exercise price and expensed premium is SEK 10,006 K.

3 In 2000 Industrivärden issued a total of 28,950 call options to members of SSAB's executive management. Each option entitles the bearer to purchase one share of SSAB Class A stock for SEK 146 during the period May 25, 2000 – May 31, 2005. The total book value of the underlying shares is SEK 1,668 K. The total value of the exercise price and expensed premium is SEK 4,667 K.

4 In 2001 Industrivärden issued a total of 55,637 call options to members of SSAB's executive management. Each option entitles the bearer to purchase one share of SSAB Class A stock for SEK 141 during the period May 25, 2001 – May 31, 2006. The total book value of the underlying shares is SEK 3,206 K. The total value of the exercise price and expensed premium is SEK 8,524 K.

5 In 2002 Industrivärden issued a total of 32,590 call options to members of SSAB's executive management. Each option entitles the bearer to purchase one share of SSAB Class A stock for SEK 175 during the period May 25, 2002 – May 31, 2007. The total book value of the underlying shares is SEK 1,878 K. The total value of the exercise price and expensed premium is SEK 6,218 K.

6 In 2003 Industrivärden issued a total of 25,766 call options to members of SSAB's executive management. Each option entitles the bearer to purchase one share of SSAB Class A stock for SEK 170 during the period May 28, 2003 – May 31, 2008. The total book value of the underlying shares is SEK 1,485 K. The total value of the exercise price and expensed premium is SEK 4,671 K.

7 At year-end 2003, no stocks were out on loan.

8 Of which, SEK 52 M pertains to investments made by Indus Innovation.

■ Note 20 Financial fixed assets

	Parent Company				Group	
	Shares in subsidiaries		Equities		Equities excl. associated companies	
	2003	2002	2003	2002	2003	2002
Opening acquisition value	475	672	17,710	17,548	12,292	13,224
Sales	-56	-196	-3,430	-1,785	-3,184	-1,764
Purchases	-	-	2,012	2,089	1,307	870
Write-downs	-15	-67	-	-142	-12	-38
Shareholder contribution	103	66	-	-	-	-
Closing acquisition value	507	475	16,292	17,710	10,403	12,292

	Group	
	Shares in associated companies	
	2003	2002
Opening acquisition value according to associate accounting	7,573	7,611
Sales	-233	-34
Purchases	706	1,249
Write-downs	-13	-129
Provision to equity method reserve	-313	-1,124
Closing acquisition value according to associate accounting	7,720	7,573

	Long-term receivables			
	Parent Company		Group ¹	
	2003	2002	2003	2002
Opening acquisition value	10	33	30	147
Purchases	-	-	3	-
Sales	-	-	-3	-106
Increase for the year	-	-	0	10
Decrease for the year	-7	-23	-17	-21
Translation differences	-	-	0	0
Closing acquisition value	3	10	13	30

¹ Includes SEK 1 M (9) in deferred tax assets.

■ Note 21 Inventories

Group	2003	2002
Raw materials and supplies	96	100
Goods in process	50	46
Finished products and goods for resale	586	590
Work in process on behalf of others	2	1
Advances to suppliers	0	0
Total	734	737
Portion of inventory that is expected to be turned over within 12 months, %	99	99

■ Note 22 Prepaid expenses and accrued income

	Parent Company		Group	
	2003	2002	2003	2002
Prepaid rents	0	1	5	5
Accrued interest income	0	7	0	7
Prepaid service and maintenance charges	2	1	10	8
Other items	6	6	29	29
Total	8	15	44	49

■ Note 23 Short-term investments

	Parent Company		Group	
	2003	2002	2003	2002
Asset management equities in Nordinvest AB	-	-	36	61
Other short-term investments	310	1,706	361	1,707
Total	310	1,706	397	1,768

■ Note 24 Provision for pensions

	Parent Company		Group	
	2003	2002	2003	2002
PRI-pensions	13	11	100	95
Other pensions	36	35	54	54
Total	49	46	154	149

■ Note 25 Other provisions

Group	2003	2002
Guarantees	2	2
Restructuring measures decided on	1	2
Product liability	3	3
Other items	47	40
	53	47

Other items consist of supplementary purchase prices in connection with company acquisitions, noninterest-bearing pensions and general reserves.

■ Note 26 Commitments to company directors and CEOs

The Parent Company's provisions include SEK 31 M (29) for pensions and similar benefits for current and former company directors and CEOs. The corresponding amount for the Group is SEK 52 M (51), as shown in Notes 24 and 25.

■ Note 27 Long-term interest-bearing liabilities

	Parent Company		Group	
	2003	2002	2003	2002
Bond issues	1,157	1,157	1,157	1,157
Other interest-bearing liabilities	1,058	1,383	1,475	1,390
Total	2,215	2,540	2,632	2,547

Maturity dates:	Parent Company		Group	
	2003	2002	2003	2002
-2004	-	525	-	525
-2005	1,358	1,358	1,690	1,361
-2006	600	400	635	400
-2007	-	-	-	-
-2008	257	257	307	261
-2009 or later	-	-	-	-
Total	2,215	2,540	2,632	2,547

■ Note 28 Accrued expenses and deferred income

	Parent Company		Group	
	2003	2002	2003	2002
Accrued interest expenses	102	90	102	90
Accrued staff-related expenses	18	15	146	133
Other	10	51	97	152
Total	130	156	345	375

■ Note 29 Current interest-bearing liabilities

	Parent Company		Group	
	2003	2002	2003	2002
Utilized bank overdraft facility	-	-	58	25
Bond issues	200	850	200	850
Current portion of long-term liabilities	-	-	8	12
Other interest-bearing liabilities	378	903	462	921
Total	578	1,753	728	1,808

The granted amount of the bank overdraft facility is SEK 2,500 M (950) in the Parent Company and SEK 2,724 M (1,045) in the Group.

■ Note 30 Pledged assets

	Parent Company		Group	
	2003	2002	2003	2002
General bank guarantee				
Chattel mortgages	–	–	14	8
Property mortgages	–	–	9	7
Total pertaining to general bank guarantee	–	–	23	15
Other				
Cash and cash equivalents	20	20	28	20
Chattel mortgages	–	–	1	1
Total other	20	20	29	21
Total pledged assets	20	20	52	36

■ Note 31 Contingent liabilities

	Parent Company		Group	
	2003	2002	2003	2002
Contingent liabilities on behalf of other Group companies	4	4	–	–
Other contingent liabilities	0	0	6	6
Total contingent liabilities	4	4	6	6

The Parent Company has a contingent liability on behalf of a subsidiary regarding product liability for a sold operation. Provisions considered necessary for this contingent liability have been made in the balance sheets of the subsidiary and the Group.

Auditors' Report

To the Annual General Meeting of the shareholders of AB Industrivärden (publ)

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB Industrivärden (publ) for the year 2003. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts, and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our

opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any board member or the President or whether they have in any way acted in contravention of the Companies Act, the Annual Accounts Act, or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act, and thereby give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the administration report, and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, Sweden, February 25, 2004

Öhrlings PricewaterhouseCoopers AB

INGVAR PRAMHÄLL
Authorized Public Accountant

Tax Rules for Holding Companies

FOR A COMPANY TO BE DEFINED as a holding company for tax purposes, the requirements are that the company is engaged exclusively or almost exclusively in the management of securities, that the company's stock is spread among a large number of shareholders, and that the portfolio of securities is well distributed.

Intermediaries

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

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

Tax Rules

The main points concerning taxation of holding companies are:

- that interest income is taxable, while interest expenses and management costs are tax deductible,
- that dividends received are taxable, while dividends rendered are tax deductible, and
- that capital gains on sales of stocks are tax exempt, but in return, a standard-calculated level of income, which amounts to 1.5% of the market value of the equities portfolio at the start of the fiscal year, is taxed.

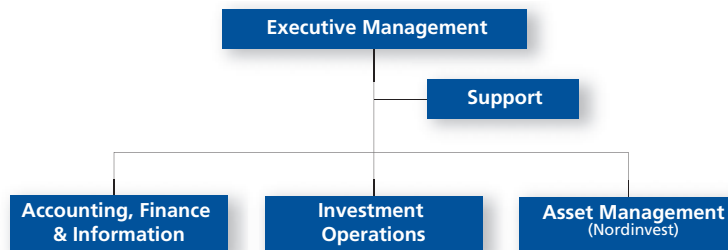
Lower Basis for Calculating Standard Income Starting in 2004

Taxation of capital gains on business-related shares was generally eliminated on July 1, 2003. By business-related shares is meant unlisted stocks as well as listed stocks in which the holding corresponds to at least 10% of the number of votes.

As a consequence of this, the rules for calculating the standard level of income for holding companies have been adapted so that business-related shares are not included in the calculation bases starting with the 2004 fiscal year. In other respects, the same rules apply for business-related shares as for non-business-related shares, as described above.

In addition, the new tax rules entail that the standard level of income shall be calculated on the most recently acquired stocks if these have been held for less than one year at the start of the fiscal year.

Organization and Employees



INDUSTRIVÄRDEN'S EXECUTIVE MANAGEMENT is made up of the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer (also responsible for information and IT), and the Executive Vice President and Chief Investment Officer.

The Investment Operation includes eight persons, the Accounting and Finance unit six persons, the Information and IT units three persons, and other support functions three persons. The total number of employees is 22.

The employees in the investment operation participate in investment teams and assist Industrivärden's board and management with analyses and decision-making documentation for the various portfolio companies. Each investment team is headed by an investment manager, who has a project leader at his disposal. The work on continuously contributing to the development of the portfolio companies and thus to value creation forms the core of active ownership. In addition to the work with the existing holdings, new investment projects and conceivable exits are evaluated on a continuous basis. See also page 11.

Within the framework of Industrivärden's structured market pres-

ence, asset management is conducted by the subsidiary Nordinvest, whose aim is to support Industrivärden's business activities and generate profits. Nordinvest has one employee.

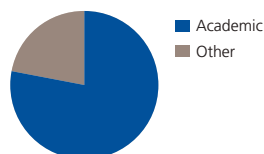
The Accounting and Finance unit is responsible for the Group's financial control systems and monitoring day-to-day business activities.

The Information unit is responsible for investor contacts and information coordination. The IT department is responsible for operation of the Parent Company's IT systems.

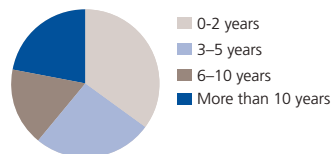
Industrivärden's organization is characterized by flexibility and short decision-making channels. Work is project-oriented. The investment and ownership activities are based on analyses conducted from both company-specific and stock market perspectives. Industrivärden has the necessary resources at its disposal to conduct professional investment activities and high-quality active ownership. Active ownership in the portfolio companies is exercised by directors with ties to Industrivärden and through direct dialog between Industrivärden's investment organization and leading representatives of the portfolio companies. Industrivärden also makes use of an extensive network.

Employee Profile 2003

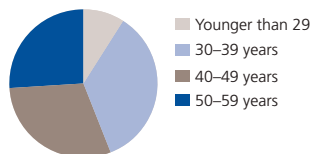
Education



Years of Service



Age Breakdown



Industrivärden in Summary – SEK¹

	2003	2002	2001	2000	1999
Key ratios (SEK per share)					
Net asset value	156	126	204	280	298
Visible shareholders' equity	85	97	71	72	73
Adjusted shareholders' equity	156	126	191	263	282
Earnings per share	-4.49	20.20	7.17	6.32	23.37
Cash flow per share	-7.46	5.67	2.84	-3.55	-0.18
Stock price, December 31					
Class A shares	121	100	165	205	185
Class C shares	109	91	152	193	177
Dividend	5.50 ²	5.80	8.35	8.40	6.20
Dividend growth, % per year	-5	-31	-1	35	38
Dividend yield, %	4,5	5.8	5.1	4.1	3.4
Total return, %	28	-36	-16	14	76
Key ratios (SEK M)					
Net asset value	30,070	24,415	39,413	54,081	57,027
Change in net asset value, %	24	-38	-27	-5	86
Visible shareholders' equity	16,413	18,730	13,753	13,951	13,973
Adjusted shareholders' equity	30,048	24,433	36,960	50,886	53,935
Visible equity ratio, %	78	77	62	65	73
Adjusted equity ratio, %	87	82	82	87	91
Net debt-equity ratio, %	7	7	11	9	3
Capital expenditures	86	128	130	130	105
Average number of employees	2,581	3,232	4,004	2,947	2,916
of whom, outside Sweden	1,556	2,060	2,640	1,749	1,744
Income statements (SEK M)					
Dividend income from stocks	850	820	918	839	787
Earnings from equities and derivative transactions	-1,385	3,750	644	366	3,635
Earnings from portfolio management	-538	4,497	1,549	1,219	4,422
Earnings from operating companies	244	300	485	499	396
Operating earnings	-374	4,712	1,919	1,623	4,747
Earnings after financial items	-623	4,476	1,510	1,364	4,603
Net earnings for the year	-867	3,901	1,223	1,029	4,334
Balance sheets (SEK M)					
Fixed assets	18,927	20,682	18,733	19,166	16,460
Current assets	2,148	3,583	3,375	2,308	2,758
Total assets	21,075	24,265	22,108	21,474	19,218
Shareholders' equity	16,413	18,730	13,355	13,502	13,525
CPN loan	–	–	398	447	448
Provision for pensions	154	149	204	172	158
Interest-bearing liabilities	3,360	4,355	6,566	6,064	3,925
Noninterest-bearing liabilities	1,148	1,031	1,585	1,289	1,162

¹ The consolidated financial statements for 2003 and 2002 are prepared in accordance with the equity method. For the years 1999–2001, the cost method was used. See also the Accounting Principles section, page 54.

² Proposed by the Board of Directors.

Industrivärden in Summary – Euros^{1,2}

	2003	2002	2001	2000	1999
Key ratios (EUR per share)					
Net asset value	17.15	13.80	21.77	31.64	34.81
Visible shareholders' equity	9.36	10.59	7.58	8.14	8.53
Adjusted shareholders' equity	17.13	13.81	20.38	29.72	32.94
Earnings per share	-0.49	2.21	0.77	0.71	2.73
Cash flow per share	-0.82	0.62	0.30	-0.40	-0.02
Stock price, December 31					
Class A shares	13.32	10.92	17.61	23.16	21.61
Class C shares	12.00	9.93	16.22	21.81	20.68
Dividend	0.61 ³	0.63	0.89	0.95	0.72
Dividend growth, % per year	-5	-31	-1	35	38
Dividend yield, %	4.5	5.8	5.1	4.1	3.4
Total return, %	28	-36	-16	14	76
Key ratios (EUR M)					
Net asset value	3,312	2,665	4,206	6,111	6,662
Change in net asset value, %	24	-38	-27	-5	86
Visible shareholders' equity	1,808	2,045	1,468	1,577	1,632
Adjusted shareholders' equity	3,309	2,667	3,945	5,750	6,301
Visible equity ratio, %	78	77	62	65	73
Adjusted equity ratio, %	87	82	82	87	91
Net debt-equity ratio, %	7	7	11	9	3
Capital expenditures	10	14	14	15	12
Average number of employees	2,581	3,232	4,004	2,947	2,916
of whom, outside Sweden	1,556	2,060	2,640	1,749	1,744
Income statements (EUR M)					
Dividend income from stocks	94	90	98	95	92
Earnings from equities and derivative transactions	-153	410	69	43	425
Earnings from portfolio management	-59	491	165	138	517
Earnings from operating companies	27	33	52	56	46
Operating earnings	-41	514	205	183	555
Earnings after financial items	-69	489	161	154	538
Net earnings for the year	-95	426	131	116	506
Balance sheets (EUR M)					
Fixed assets	2,084	2,258	1,999	2,165	1,923
Current assets	237	391	360	261	322
Total assets	2,321	2,649	2,359	2,426	2,245
Shareholders' equity	1,808	2,045	1,425	1,526	1,580
CPN loan	–	–	42	50	52
Provision for pensions	17	16	22	19	18
Interest-bearing liabilities	370	475	701	685	459
Noninterest-bearing liabilities	126	113	169	146	136

¹ For 1999 a year-end exchange rate of 8.56 has been used, for 2000 a rate of 8.85, for 2001 a rate of 9.37, for 2002 a rate of 9.16 and for 2003 a rate of SEK 9.08.

² The consolidated financial statements for 2003 and 2002 are prepared in accordance with the equity method. For the years 1999–2001, the cost method was used. See also the Accounting Principles section, page 54.

³ Proposed by the Board of Directors.

Board of Directors, Executive Management and Auditors

Board of Directors



Tom Hedelius, MBA, Honorary Doctor of Economics, b. 1939, Stockholm. Chairman of the Board. Director since 1991. Chairman of Bergman & Beving. Vice Chairman of Addtech and Lagercrantz Group. Director of SCA and Volvo, among other companies. Honorary Chairman of Svenska Handelsbanken. Shareholding: 10,000.



Boel Flodgren, LL.D. Honorary Doctor of Economics. Professor, b. 1942, Lund. Director since 2002. Chairman of Sparbanken Finn. Director of Brinova, the University of Oslo, the Volvo Foundation for Education, the Volvo Foundation for Research, the Pehr G Gyllenhammar Research Foundation, the Ruben Rausing Foundation for Research on Entrepreneurship and Innovation, and the Albert Pålsson Foundation for Research and Charity.



Finn Johnsson, MBA, b. 1946, Gothenburg. Director since 2000. President and CEO of Mölnlycke Health Care. Acting Chairman of Volvo. Chairman of Wilson Logistics Holding, Svenska Handelsbanken Western Sweden Region, Thomas Concrete Group and Unomedical A/S. Director of Skanska. Shareholding: 2,000.



Sverker Martin-Löf, Doctor of Technology, b. 1943, Stockholm. Vice Chairman of the Board. Director since 2002. Chairman of SCA, Skanska and SSAB. Director of Ericsson and Svenska Handelsbanken. Shareholding: 7,000.



Arne Mårtensson, MBA, Honorary Doctor of Economics, b. 1951, Djursholm. Director since 2002. Chairman of Svenska Handelsbanken. Vice Chairman of Ericsson. Director of Holmen, Sandvik, Skanska, Vin & Sprit, Swedish ICC, the Industry and Commerce Stock Exchange Committee, and the International Business Council of the World Economic Forum. Chairman of the Stockholm School of Economics Advisory Board. Shareholding: 980.



Lennart Nilsson, M. Eng., Honorary Doctor of Economics, b. 1941, Lund. Director since 1997. Chairman of the Association of Swedish Engineering Industries. Vice Chairman of Cardo. Director of the Crafoordska Foundation, AFA, AMF Pension and the Confederation of Swedish Enterprise. Shareholding: 3,000.



Anders Nyrén, MBA, U.S. MBA, b. 1954, Bromma. President and Chief Executive Officer of Industrivärden. Director since 2001. Chairman of Indutrade. Vice Chairman of Svenska Handelsbanken. Director of Sandvik, SCA, Skanska, SSAB, Ernströmgruppen, SNS (the Center for Business and Policy Studies) and the Industry and Commerce Stock Exchange Committee. Shareholding: 19,875. Employee stock options: 30,000.



Clas Reuterskiöld, MBA, b. 1939, Stocksund. Director since 1994. Vice Chairman of the Panel for supervision of financial reporting. Shareholding: 51,020.

Of the Board's eight directors, seven are men and one is a woman.

Executive Management



A visit to Slattery Skanska's power plant project adjacent to the Poletti Generating Station in Astoria, Queens, New York. The new combination power plant will supply New York City's power grid with an additional 500 megawatts of capacity.

Bengt Kjell, b. 1954.
Executive Vice President and Chief Investment Officer.
Employee since 2002.
Shareholding: 10,000.
Employee stock options: 20,000.
Chairman of Kungsleden.
Director of Indutrade, Isaberg Rapid, Munters and Ossur.

Anders Nyrén, b. 1954.
President and Chief Executive Officer.
Employee since 2001.
Shareholding: 19,875.
Employee stock options: 30,000.
Other directorships: see opposite page.

Carl-Olof By, b. 1945.
Executive Vice President and Chief Financial Officer.
Employee since 1990.
Shareholding: 10,000.
Employee stock options: 20,000.
Chairman of Isaberg Rapid.
Director of Svenska Handelsbanken, Stockholm City Region.

Thomas Nordvaller, b. 1944.
General Counsel and Company Secretary. Employee since 1992.
Retiring with contractual pension on 31 March 2004.
Employee stock options: 10,000.

All four members of the executive management are men.

Committees

Compensation Committee to decide the salaries, benefits and pensions for the CEO and Executive Management: Tom Hedelius and Sverker Martin-Löf.

Nominating Committee for election of the Board of Directors: Tom Hedelius, Chairman, Christer Elmehagen (AMF Pension), Thomas Halvorsen (Fourth National Swedish Pension Fund), Curt Källströmer (Svenska Handelsbanken), Ulf Lundahl (L E Lundbergföretagen), and Anders Nyberg (SCA).

Audit Committee for oversight of the Company's risk management, business management and control, and financial reporting: Board of Directors excluding the CEO.

A presentation of the committees' work can be found in the section Corporate Governance at Industrivärden, page 13.

Auditors

**Öhrlings
PricewaterhouseCoopers AB**

Chief Auditor:
Ingvar Pramhäll,
Authorized Public Accountant,
b. 1942, Stockholm.

Senior Executives

Fredric Calles, b. 1966,
Head of Market Operations and Asset Management.
Employee since 2003. Member of executive management with effect from April 1, 2004.

Claes-Göran Pettersson, b. 1956.
Head of Group Accounting, Control and Finance.
Employee since 2000.
Employee stock options: 10,000.

Jacob Röjdmarm, b. 1965.
Investment Manager.
Employee since 1996.
Employee stock options: 10,000.

Sverker Sivall, b. 1970.
Head of Investor Relations.
Employee since 1997.
Employee stock options: 5,000.

Stefan Sundblom, b. 1962.
Investment Manager.
Employee since 2001.
Shareholding: 3,000.
Employee stock options: 15,000.

All five senior executives are men.

Industrivärden's organizational structure is presented on page 73.

Market Communication

INDUSTRIVÄRDEN HAS HIGH AMBITIONS regarding the demands on communication with its shareholders and the stock market in general. Information to the market will maintain a high standard of quality and be made quickly available to anyone interested. Through a close dialog with market participants Industrivärden strives to continuously develop and improve its communication. Following is a sampling of independent evaluations of some of the information channels:

- *Swedish Shareholders' Association's assessment of the half-year interim reports of listed Swedish companies in 2003 (2002):*
Ranked 2 (1) of 19 (13) holding companies.
- *Swedish Shareholders' Association's assessment of annual reports of listed Swedish companies in 2003 (2002):*
Ranked 1 (2) of 19 (13) holding companies.
- *Dagens Industri's competition of the best information practices of listed companies in 2003 (2002):*
Ranked 12 (21) of 300 (300) surveyed companies, and ranked 1 (2) of 14 (14) holding companies.
- *Hallvarsson & Halvarsson's assessment of listed companies' websites in 2003 (2002):*
Ranked 7 (6) of 112 (151) surveyed Swedish companies.

Reporting Dates 2004

Interim reports will be published on the following dates:

- May 4 for the period January–March
- August 5 for the period January–June
- October 29 for the period January–September

Information Channels

Publications

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

- by post from AB Industrivärden (publ), Box 5403, SE-114 84 Stockholm, Sweden
- by phone, at +46-8-666 64 00
- by fax, at +46-8-661 46 28
- by e-mail at: info@industrivarden.se

Industrivärden Online

Industrivärden's website, www.industrivarden.net, is a vital complement to the other information channels. It presents current information about the Company and the major shareholdings, including the latest stock prices and press releases. In addition, press

releases, interim reports and year-end reports are available in their entirety in connection with their publication. Visitors to the website can use interactive analysis tools to help them conduct their own analyses of Industrivärden's stock and of Industrivärden's major shareholdings. The website also includes an extensive description of Industrivärden as a company and equity investment.

Press Releases and Reports "Direct"

Anyone with Internet access can subscribe to Industrivärden's press releases and reports simply by registering their e-mail address at www.industrivarden.net or www.waymaker.se. In connection with the publication of press releases and interim reports, subscribers will be sent an e-mail containing the press release or interim report in question.

Investor Contact

Head of Investors Relations: Sverker Sivall, tel. +46-8-666 64 19, e-mail: info@industrivarden.se.

Investor Activities

Industrivärden participates regularly in various investor meetings and also conducts exclusive presentations of the Company and its stock. Requests for company presentations are always welcome.

Financial Analysts Monitoring Industrivärden

ABG Sundal Collier	Fredrik Grevelius	+46-8-56 62 86 00
Alfred Berg Fondkommission	Jacob Wall	+46-8-723 58 00
Cazenove Equities	Christopher Brown	+44-20-7588 2828
Carnegie Fondkommission	Johan Sjöberg	+46-8-676 88 00
C A I Cheuvreux Nordic	Tomas Ramsälv	+46-8-796 69 00
Danske Equities	Fasial Kalim Ahmad	+45-33-44 04 26
Enskilda Securities	Andreas Joelsson	+46-8-52 22 95 00
Handelsbanken Markets	Henrik Kronqvist	+46-8-701 10 00
Kaupthing Bank	Håkan Persson	+46-8-791 35 00
Swedbank Fondkommission	Christian Brunlid	+46-8-58 59 20 00
UBS Limited	Johan Svensson	+44-20-7568 8486

International Corporate Credit Rating and Rating of Commercial Paper Program

Standard & Poor's AB	Peter Tuving	+46-8-440 59 00
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Glossary and Definitions

Adjusted equity ratio Visible shareholders' equity plus the surplus value of equities, in relation to total assets and surplus values of equities.

Adjusted shareholders' equity Visible shareholders' equity plus surplus values of equities.

Capital expenditures Investments in tangible fixed assets, i.e., buildings, land, plant and equipment.

Discount to net asset value The difference between net asset value and the stock price, measured in relation to net asset value.

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

Earnings per share Earnings after tax divided by the number of shares after full dilution. The tax cost is charged to the Group's earnings after financial items, adjusted for tax-exempt capital gains on sales of stocks, tax-deductible dividends paid, and the standard earnings value that applies at any given time in accordance with the tax rules for holding companies. Full tax is equal to reported tax.

Equity hedge To reduce currency exposure in a corporate group, an equity hedge can be taken out of shareholders' equity in foreign subsidiaries by raising loans or through forward contracts in foreign currencies. Foreign exchange differences on these loans can be offset against translation differences in the foreign subsidiaries' shareholders' equity.

Goodwill If the acquisition value of shares in a subsidiary exceeds the value of the acquired shareholders' equity, the difference is reported as goodwill in the consolidated balance sheet. Goodwill is normally amortized over a period of five to ten years.

Interest-bearing net debt Interest-bearing liabilities and pensions less cash and cash equivalents and interest-bearing receivables.

Market value of equities portfolio The market value of the equities portfolio is defined as the sum of the market value of the listed portfolio, the estimated values (based on a P/E multiple of 13 and actual earnings for 2003) of the wholly owned subsidiaries Industrade and Isaberg Rapid, and shareholders' equity for other shareholdings.

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

Net asset value including reinvested dividends The development of net asset value including reinvested dividends after tax, recalculated taking into account the development of the listed portfolio. This gives a measure of how net asset value would have developed if Industrivärden had not paid any dividends and thereby had taxable earnings, since dividends rendered are tax-deductible.

Net debt The Parent Company's interest-bearing net debt and noninterest-bearing liabilities, less noninterest-bearing current assets.

Net debt-equity ratio The Parent Company's interest-bearing net debt, adjusted for liabilities to internal companies, in relation to the market value of the Parent Company's equities portfolio.

P/E multiple A common way of measuring the value of a stock is to measure its price per share in relation to anticipated earnings per share. P/E multiples vary from sector to sector, depending on the anticipated level of sales and earnings growth.

Return on capital employed Operating earnings and interest income, in relation to average interest-bearing liabilities and provisions, and visible shareholders' equity.

Surplus value The difference between the market value and book value of listed stocks, and between the estimated value and shareholders' equity for unlisted stocks.

Total return The return of Class A shares, defined as the change in the share price plus reinvested dividends. Compared with the return index (SIXRX), which indicates the price trend on the Stockholm Stock Exchange including reinvested dividends.

Visible equity ratio Visible shareholders' equity in relation to total assets.

Visible shareholders' equity Reported shareholders' equity, minority shares and CPN loans (through 2001).

Industrivärden – A Brief History

1944: Industrivärden established

During the 1920s and '30s, Handelsbanken took over majority shareholdings in several Swedish industrial companies to protect its credits in connection with various financial crises. A holding company was formed in 1944, to which the shareholdings were transferred. The company was given the name Industrivärden ("Industrial value") to symbolize the industrial value it had been put in possession of. Industrivärden was sold to Handelsbanken's owners in 1945 and has been a publicly listed company ever since.

1950s and '60s: Equity stakes in leading listed companies acquired

Ericsson has been included in Industrivärden's equities portfolio since the start. During the 1950s Industrivärden acquired large shareholdings in AGA, SCA and Handelsbanken. During the 1960s major investments were made in the construction and real estate sectors. These holdings were sold in the 1980s, among others to Skanska, which paid with its own shares.

1980s: Concentration of listed portfolio

A concentration was made of the listed portfolio during the 1980s, bringing the total number of holdings to around ten by the start of the 1990s.

1990s: Wholly owned operation is built up and divested

Through the acquisition of PLM and the investment companies Dacke and Bahco around 1990, Industrivärden created a wholly owned operation which was subsequently divested. Today Industrivärden and Isaberg Rapid are the only remaining wholly owned subsidiaries.

Major deals during last ten years

During the past ten years Sandvik and SSAB became new, major shareholdings, while Industrivärden's stakes in AGA and PLM – as well as in the subsidiaries Besam and Thorsman – were sold.

Shifts as a result of adapted strategy

As part of Industrivärden's strategy to invest in Nordic companies in which it can take an active ownership role, the shareholdings in the Danish Company Lundbeck and in Skandia were sold in 2002 and 2003, respectively. New, promising shareholdings include the Icelandic medical technology company Ossur, which was acquired in 2002, and the moisture control company Munters, which was acquired in 2003.

Industrivärden today

Operations are focused on a concentrated portfolio of long-term holdings in mainly listed Nordic companies with potential for value growth in which Industrivärden can take an active ownership role and contribute to the creation of value.



Annual General Meeting

Time and place

The Annual General Meeting will be held at 2 p.m. on Monday, March 29, 2004, at the Grand Hôtel, Vinterträdgården (entrance at the corner of Stallgatan/Blasieholmsgatan), in Stockholm, Sweden. The doors will open at 1 p.m., and registration will take place until 2 p.m., at which time the doors will be closed.

Who is entitled to participate?

To be entitled to participate in the Annual General Meeting, shareholders *must be listed* on the shareholder register printed out by VPC on Friday, March 19, 2004, and give notice of their intention to participate in the Meeting no later than 3 p.m. on Thursday, March 25, 2004.

How to become registered in the shareholder register

Shares are registered in the shareholder register maintained by VPC in the name of either the owner or the owner's nominee. Shareholders who have not arranged to have their shares registered in the nominee's name are registered in their own names. Shareholders whose shares are managed by a third party may have chosen to have their shares registered in the nominee's name. In order to be able to participate in the Meeting, shareholders who own nominee-registered shares must request in advance that their shares be temporarily registered in their own names as per March 19, 2004.

Notice of attendance

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

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

Upon notification, shareholders should always state their:

- name
- national ID number (or corporate registration number)
- address and phone number

Notice of attendance must be received by the Company not later than 3 p.m. on Thursday, March 25, 2004.

Proxies

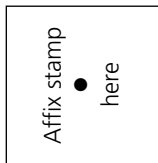
Shareholders may exercise their entitlement to participate in the Meeting by proxy. Please use the power of attorney statement provided on the notification form. For representation of legal persons by proxy, the power of attorney must be signed by an authorized signatory of the company/organization, and a copy of the registration certificate, which states the company's/organization's authorized signatories, must be attached.

Dividend

The dividend for 2003 will be paid to shareholders who are recorded in the shareholder register on the record date. The Board of Directors proposes April 1, 2004 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 April 6, 2004.



Notification to attend the Annual General Meeting of AB Industrivärden (publ) on March 29, 2004, at the Grand Hôtel in Stockholm, Sweden. This application form must be received by AB Industrivärden (publ) not later than 3 p.m. on March 25, 2004.



Svarspost
110 595 100

Industrivärden
SE – 110 05 Stockholm
Sweden

Notification

Shareholder's name (BLOCK LETTERS)

National ID number/corp.reg.no.

Street address

Postal code and city/town/country

Telephone (daytime)

Attending meeting in person.

Represented by proxy as per below.

Tear off this side along perforation at left, fold down center, and tape according to marking.

FOLD HERE

Proxy for

Proxy's name (BLOCK LETTERS)

National ID number/corp.reg.no.

Street address

Postal code and city/town/country

Telephone (daytime)

to represent all my shares in the Company at the Annual General Meeting of AB Industrivärden (publ) on March 29, 2004.

Location

Date

Shareholder's signature

Name (BLOCK LETTERS)

(Please print)

TAPE HERE

INDUSTRI  VÄRDEN

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