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INDUSTRIVÄRDEN ANNUAL REPORT 2004



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Financial Calendar 2005

Interim reports will be released

- on May 3 for the period January–March
- on August 4 for the period January–June
- and on October 31 for the period January–September 2005.

All reports will also be published on Industrivärden's website: www.industrivarden.net.
See also the Market Communication section, page 86.

*See inside of back cover for information on the 2005 Annual General Meeting.
This Annual Report is a translation of the Swedish original.*



Highlights 2004

- Net asset value at year-end was SEK 189 (156) per share, an increase of 22% for the year. Including reinvested dividends, net asset value rose 25%.
- The total return for Industrivärden's stock was 46%, compared with 21% for the return index.
- During the year Industrivärden purchased stock in Handelsbanken and Sandvik worth SEK 3,432 M and thereby consolidated its position in two profitable companies with good development potential.
- Complementary stock purchases were made in SSAB, Munters and Ossur, totaling SEK 309 M.
- Total purchases of stocks amounted to SEK 5,203 M and total sales amounted to SEK 2,956 M.
- The result of short-term equity trading and derivative transactions was SEK 103 M (100), which more than amply covered Industrivärden's management costs.
- The Board of Directors proposes a dividend of SEK 6.00 per share (5.50).

CEO's Message



“Industrivärden’s stock rose over 40% in 2004 which, taking into account our dividend payout of SEK 5.50, entailed a total return of 46% for the Class A shares and 47% for the Class C shares. The much stronger growth in the share price than in net asset value represents a significant reduction in the discount to net asset value during the year. I believe that the lower discount is due to a greater recognition of the strength of our clear portfolio strategy and our work methodology.”

2004 – Favorable Economic Trend Globally As Well as for Industrivärden's Shareholders

Growth in the world economy was stronger in 2004 than it has been for 30 years. Essentially the entire global economy developed in a positive direction, except for in the EU, where Germany and France, in particular, experienced low growth. The favorable conditions are reflected in the performance of most of our portfolio companies, which posted strong results for the year through own measures and with the support of the economy. A slight let-up can be seen for 2005, which is natural in view of where we currently are in the business cycle. Provided that we have reasonable geopolitical stability, the prospects of this year also being a good one for our portfolio companies are therefore good.

Today the market's required rate of return for equity investments is twice as high as the credit market's required rate of return for high-grade corporate bonds. The unusually high risk premium for equity investments is resulting in few new stock market introductions and the emergence of a secondary market for private equity investments in which private equity participants are buying and selling companies among themselves. In an environment in which companies are reporting favorable earnings and in which the global political situation has stabilized, this valuation gap should narrow over time.

The high quality of the holdings in our portfolio helped boost our net asset value in 2004 by 22%, or SEK 6.5 billion, to SEK 36.6 billion. The companies that had the strongest price tend during the year were Ossur, which rose 75%, and Ericsson, which climbed 56%. After completion of an extensive restructuring program, Ericsson's earnings have now been restored at a high level. Earnings after financial items were SEK 28 billion in 2004 (-12). From a value perspective, Ericsson – which today accounts for roughly 20% of our portfolio – naturally has a considerably larger impact on our net asset value than Ossur, which only makes up 1% of our portfolio value. It is nevertheless gratifying to see that Ossur is meeting the expectations we had as a basis for our investment. A company that did not make a contribution to the positive development during the year was SCA. The company has had a tough time with its various business units for economic as well as structural reasons. However, the company's strong market position, combined with the action program that has now been initiated, makes it well positioned ahead of increased demand.

Acceptance for Industrivärden's Strategy

Industrivärden's stock rose over 40% in 2004 which, taking into account our dividend payout of SEK 5.50, entailed a total return of 46% for the Class A shares and 47% for the Class C shares. The

much stronger growth in the share price than in net asset value represents a significant reduction in the discount to net asset value during the year. The discount consists of the difference between our reported net asset value and Industrivärden's market capitalization, and was 13% (25%) at year-end. I believe that the lower discount is due to a greater recognition of the strength of our clear portfolio strategy and our work methodology, where the most important factors are:

- A concentrated and transparent portfolio of primarily listed companies. Investments are made only in companies in which we can achieve significant influence with a long-term investment horizon.
- A lean, efficient and professional organization which uses highly developed methods to pursue its three main tasks: active ownership, evaluation of existing and new investments, and market operations. Our total management cost of SEK 80 M was unchanged compared with 2003 and corresponds to 0.2% of managed assets.
- Market operations in the form of derivative transactions by Industrivärden and short-term equity trading by our subsidiary, Nordinvest. The aim of these activities is to obtain current market information through continuing market operations and to contribute to the financing of our management costs. These activities enable us to conduct small and large equity transactions in a cost-efficient manner and with low brokerage fees. It is gratifying to note that we earned more than SEK 100 M on these activities for the second year in a row, which more than amply covered our management costs.

Activities During the Year

Our strategy entails that Industrivärden's main business is to work with matters revolving around active ownership. This concerns processes and ways of working that do not make business headlines, but which nonetheless make a major contribution to the creation of long-term growth in value in our portfolio companies, to the benefit of our shareholders. Among other things it involves issues such as management development, acquisition and investment decisions, capital structure matters, and work on audit and compensation committees. In order for this work to be successful, it must be based on continuity and knowledge.

The other, more visible aspect of our business involves purchases and sales within the framework of our investment activities.

We invested actively in 2004: during the year we purchased stocks with a combined value of SEK 5,203 M and sold stocks for

SEK 2,956 M. This resulted in a turnover rate that is high for Industrivärden from a historic perspective. The most important measure in 2004 was that we completed the strategic reshaping of our portfolio that began with the sale of our entire shareholding in Skandia in late autumn 2003. We used the proceeds from that and a number of other sales to increase our holdings in Handelsbanken and Sandvik by a net total of SEK 3.4 billion. As a result of this, our borrowings have increased, bringing our debt-equity ratio up to 11.5%, compared with 7.4% at year-end 2003. It should be noted, however, that we have made good use of the favorable interest rate climate. For example, we have taken out long-term loans at fixed interest rates that are lower than the dividend yield for Sandvik as well as Handelsbanken.

We also made minor complementary investments in Ossur, SSAB and Munters. However, we did not make any investments resulting in a new active ownership position. This does not mean that we have stopped evaluating new investment candidates – on the contrary. We are systematically evaluating a large number of companies. However, I must say that very few companies meet our investment criteria and have an ownership structure that would allow us to take a leading ownership position. It is certain, however, that interesting situations will emerge over time. And when they do, we are prepared and can act swiftly.

Late last spring we broke off the sales process for our wholly owned subsidiary Isaberg Rapid, one of the world's largest manufacturers of staplers and staples for the office and tool markets. Unfortunately the company suffered a couple of setbacks and thus the offers did not meet our expectations, after setbacks. Measures are now being carried out to improve Isaberg Rapid's profitability. As soon as we believe that the company has achieved stability in its earnings capacity, the issue of a sale will once again be brought up on the table.

Focus on Corporate Governance

During the year, the so-called code group of the government-appointed Commission on Business Confidence presented its final version of a Swedish Code of Corporate Governance. I feel it is good that we now have such a code in Sweden, not least because it gives the international capital market a convenient overview of how corporate governance matters are treated in our country. As the representative of an institution that has exercised its role as an active owner for more than 60 years, I can attest that we are already in compliance with the spirit of the code in most respects. For us, the most important aspects of the code are:

- that as guidance for international investors, it interprets the Swedish Companies Act and the forms of practicing corporate governance that have been developed by Sweden's major, public listed companies;
- that it can contribute to the further development of a long tradition of generally accepted practice in corporate governance matters in Sweden. What it cannot prevent, however, is the risk for scandals. More than anything, the foundation for internal work that is characterized by good judgment and high ethics is created by a sound corporate culture and good balance between various interest groups.

One difference in approach, however, is that I see continuity and long-term perspective in the work on doing business as a vital cornerstone for successful value creation. Against this backdrop, I find the views in the code on rotation of board members to be rather peculiar. Being classified as a dependent board member just because one has long experience with a company can never be right, even though the indicated time limit of 12 years may seem long.

Proposed Dividend 2004

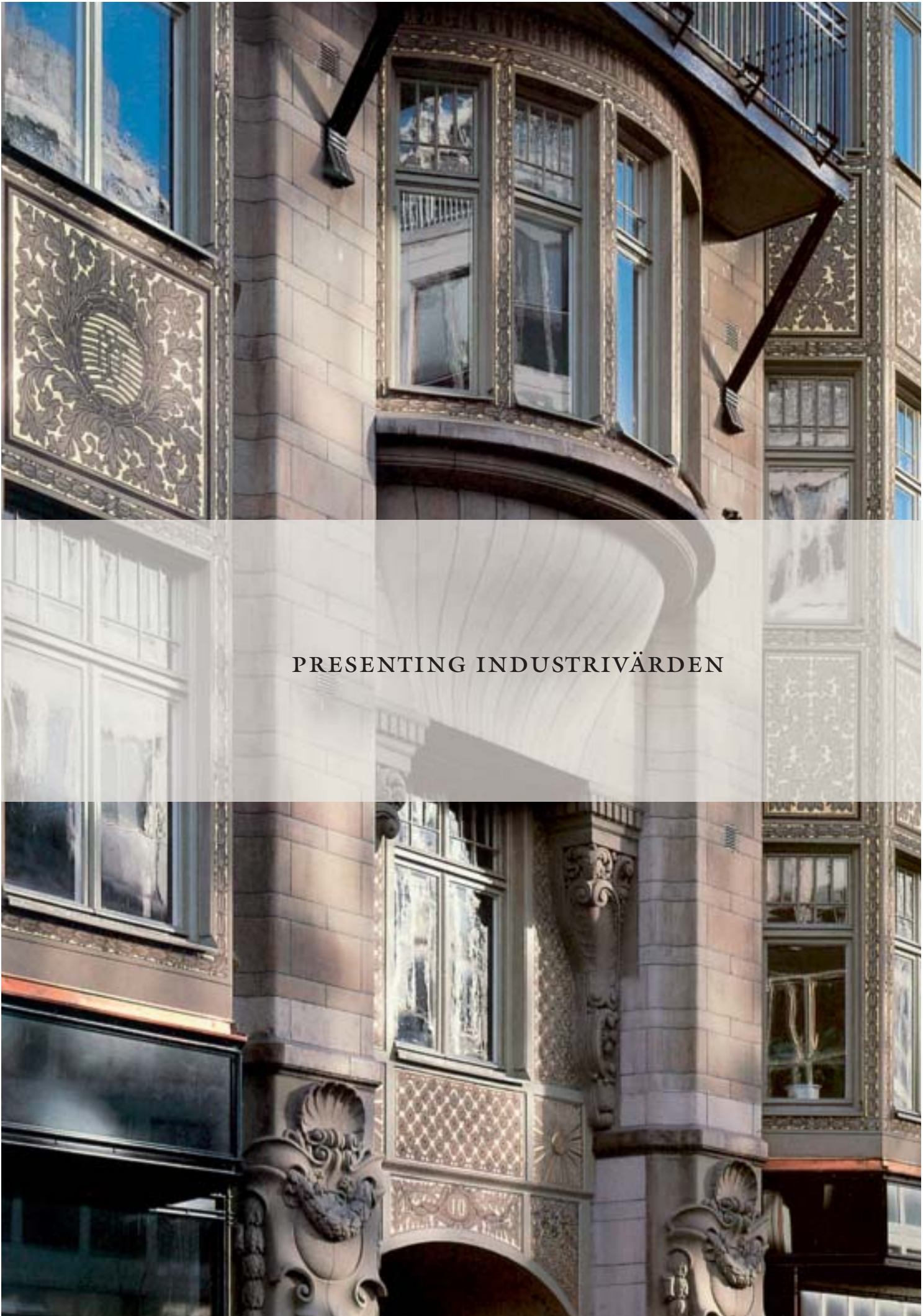
The proposed dividend of SEK 6.00 per share represents an increase of 9% for the year and a dividend yield of 3.5% as per year-end. As in the past, we have thereby achieved our objective of offering a dividend yield that is higher than the average for the Stockholm Stock Exchange. I am satisfied to note that on account of the good cash flow from our market operations and portfolio companies, lower interest expenses and lower tax effects from the standard income calculation, our liquidity is now in balance. This is the first time in many years that we have achieved this balance. Moreover, I am happy once again to note that the year's performance entails that we are continuing to do well from a long-term perspective. Over both the last five- and ten-year periods, Industrivärden's stock has delivered a total return that is higher than the market's return index by a good margin.

Finally, I would like to direct a warm thanks to all employees of the Parent Company and the subsidiaries for their outstanding performance in 2004. With the quality of our employees' competence and our successful portfolio companies, I have great hopes for 2005.

Stockholm, Sweden, February 2005



Anders Nyrén
President and CEO



PRESENTING INDUSTRIVÄRDEN

Industrivärden at a Glance

Industrivärden is one of the leading industrial holding companies in the Nordic region and pursues an active ownership role in a concentrated selection of listed Nordic companies with good development potential. Work is based on a professional investment operation and value-creating active ownership.



Business mission – To create shareholder value through a professional investment operation and active ownership.

Goal – To generate high growth in net asset value. From this vantage point the aim is to enable a total return to Industrivärden's shareholders which, over the long term, is higher than the average for the Stockholm Stock Exchange.

Strategy – Value creation through 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 model for value creation in its portfolio companies.

Industrivärden's Strategy is Based on the Following Overall Criteria

- Investments in medium-sized and large listed, Nordic companies
- Ownership stakes that enable significant influence
- Strong potential for growth in value through active ownership
- Concentration on a limited number of shareholdings.

Equities Portfolio as per December 31, 2004

	SEK billion	Ownership, %
Handelsbanken	11.5	28
Ericsson	8.1	19
Sandvik	7.2	17
SCA	5.3	13
Skanska	2.6	6
SSAB	2.3	5
Indutrade	2.0	5
Munters	0.6	2
Ossur hf	0.5	1
Isaberg Rapid	0.3	1
Other holdings	1.3	3
Total	41.7	100

Composition of Net Asset Value¹

	SEK billion		SEK per share ²	
	12/31/2004	12/31/2003	12/31/2004	12/31/2003
Equities portfolio	41.7	32.9	216	170
Net debt	-5.1	-2.8	-27	-14
Net asset value	36.6	30.1	189	156

- 1) Net asset value indicates the shareholders' total net worth in the Company, defined as the market value of the Parent Company's equities portfolio less net debt.
2) Total number of shares: 193,135,612.

Goals and Goal Achievement

Industrivärden's goal is to generate high growth in net asset value over time and to enable a total return to its shareholders which, over the long term, is higher than the average for the Stockholm Stock Exchange. Industrivärden has historically demonstrated a superior ability to create shareholder value.

Industrivärden works according to a well established model for structured investment activities and active value creation in its portfolio companies. Using this as a base and with a long-term approach, Industrivärden has generated favorable growth in net asset value in both the short- and long-term perspectives. This favorable growth, combined with the Company's policy of paying

a dividend yield that is higher than the average for the Stockholm Stock Exchange, has contributed to a favorable and competitive total return for Industrivärden's shareholders. Over the last five- and ten-year periods, Industrivärden's stock has delivered a better total return than the average for the Stockholm Stock Exchange.

Average Growth in Net Asset Value

	2004	Five years (2000–2004) ¹	Ten years (1995–2004) ¹
Net asset value, %	+22	-9	+9
Net asset value incl. reinvested dividends, % ²	+25	-2	+16

1) Average per year.

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

Annual Excess Return³ for Industrivärden's Stock Compared with Return Index (SIXRX)



3) Growth in value including reinvested dividends.

Net Asset Value

Net asset value indicates the shareholders' total net worth in the Company, defined as the market value of assets less 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 market values of listed equities and the estimated value of the wholly owned subsidiaries Indutrade and Isaberg Rapid, and shareholders' equity for other shareholdings. 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 were to 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 79.

Valuation of Listed and Unlisted Holdings

The listed shareholdings have been stated at their stock 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 market value by multiplying the year's earnings after net financial items (excluding costs for ongoing action programs), less a standard tax rate of 28%, by a P/E multiple of 13.

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. Industrivärden's rule is that the net debt-equity ratio should not exceed 20% of the market value of the equities portfolio. During the years 2000–2004, the net debt-equity ratio varied from a low of 5% to a high of 17%.

The most significant risk in Industrivärden's business entails fluctuations in the value of the equities portfolio. This risk and other financial risks that affect Industrivärden are described in detail on pages 62–64.

During the ten-year period 1995–2004 the standard deviation in the total return for Industrivärden's listed portfolio was 24.3%, compared with 21.8% for the return index (SIXRX). The total variation in the return for Industrivärden's listed portfolio is thus higher than a broad market index, which is logical considering the relative concentration of the listed portfolio. Net asset value including reinvested dividends rose by 16% per year, compared with 13% for the return index (SIXRX). The increase in net asset value was thus higher than the index at the same time that the portfolio's risk was higher than the risk in the index.

Change in Net Asset Value per Share

Net asset value increased by 25% in 2004, or by SEK 33 per Industrivärden share after taking into account the dividend of SEK 5.50 per share. An illustration of the major shareholdings' impact on net asset value is shown in the chart at top right on page 25.



Sandvik Coromant has developed a new system for lathing difficult-to-work materials. Sandvik has been included in Industrivärden's equities portfolio since 1997.

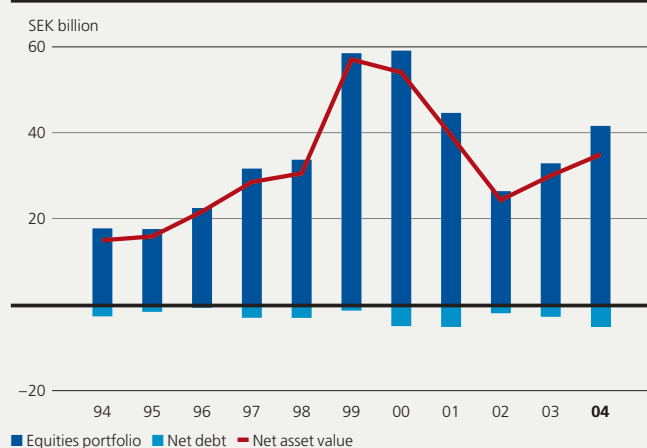
Composition and Development of Net Asset Value

SEK/share as per Dec. 31	2004	2003	2002	2001	2000
Equities portfolio	216	170	136	231	306
Net debt					
Interest-bearing net debt	-25	-12	-9	-26	-25
Other assets and liabilities	-2	-2	-1	-1	-1
Net asset value	189	156	126	204	280
Change in net asset value, %	22	24	-38	-27	-5
Market price of Class A shares	170	121	100	165	205
Market price of Class C shares	154	109	91	152	193
Discount to net asset value, A-shares, %	10	22	21	19	27
Discount to net asset value, C-shares, %	19	30	28	25	31
Net debt-equity ratio, %	12	7	7	11	9

Comment: Net asset value indicates the shareholders' total net worth in the Company, defined as the market value of assets less liabilities. Industrivärden's rule is that the net debt-equity ratio should not exceed 20% of the market value of the equities portfolio. During the years 2000–2004 the net debt-equity ratio varied between 5% and 17%.

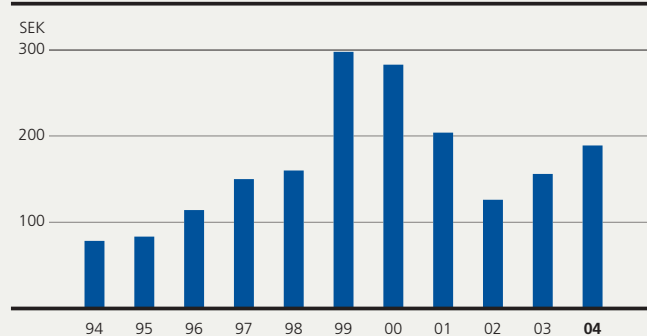
During the years 2000–2004, the discount to net asset value for Industrivärden's Class A shares, i.e., the difference between net asset value and the stock price measured in relation to net asset value, was as high as 35% at the beginning of 2000 and as low as 10% at year-end 2004.

Development of Net Asset Value

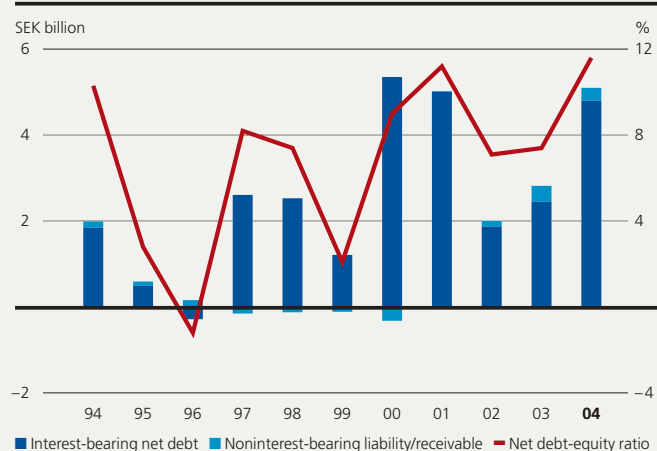


Comment: From year-end 1994 until year-end 1999, net asset value increased by nearly 300%, or roughly 30% per year. From 2000 to 2002, stock prices fell sharply and net asset value was more than halved. In 2003 and 2004, net asset value increased by 24% and 22%, respectively. During the entire ten-year period from year-end 1994 to year-end 2004, net asset value increased by an average of 9% per year.

Net Asset Value per Share



Net Debt-Equity Ratio



Industrivärden Share Data

Industrivärden's stock is quoted on the Stockholm Stock Exchange's list of most actively traded shares. Industrivärden's Class A shares rose 40% during the year, and the Class C shares rose 41%. Trading volume was SEK 7 billion. Industrivärden's market capitalization was SEK 32 billion at year-end. The total return was 46% for the Class A shares and 47% for the Class C shares, compared with 21% for the stock market as a whole.

Industrivärden's Stock

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.

Performance of Industrivärden's Stock in 2004

Industrivärden's stock outperformed the market average in 2004. The General Index rose 18% during the year, while Industrivärden's Class A shares rose 40%, from SEK 121 to SEK 170. The Class C shares rose from SEK 109 per share to SEK 154, or by 41%. The highest price paid was SEK 171 for Industrivärden's Class A shares and SEK 156 for the Class C shares, and the lowest price paid was SEK 120 for the Class A shares and SEK 109 for the Class C shares. The total return in 2004 (including reinvested dividends) was 46% for the Class A shares and 47% for the Class C shares, compared with 21% for the market as a whole.

Trading volume of Industrivärden's stock on the Stockholm Stock Exchange in 2004 was SEK 7 billion, corresponding to a turnover rate of 24% for the Class A shares and 36% for the Class C shares. Average daily trading volume was 126,000 Class A shares, for a value of SEK 18 M, and 86,000 Class C shares, for a value of SEK 11 M.

Dividend

Industrivärden's dividend policy is to offer the 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 ten-year period.

The Board of Directors has proposed that the 2005 Annual General Meeting declare a dividend of SEK 6.00 per share (5.50). This would correspond to a dividend yield of 3.5% (4.5%), which is higher than the average dividend yield of 2.9% (2.5%) for the Stockholm Stock Exchange. 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 10%.



SCA is an international paper company that produces absorbent hygiene products, packaging solutions and forest products. SCA has been included in Industrivärden's portfolio since the 1950s.

Largest Shareholders

Industrivärden has approximately 36,600 shareholders (35,500). Institutional investors, such as pension foundations, insurance companies, mutual funds and investment companies, own approximately 82% of the shares (82%). Foreign ownership in the Company is approximately 7% (6%). Industrivärden's ownership structure is shown in the tables on page 12.

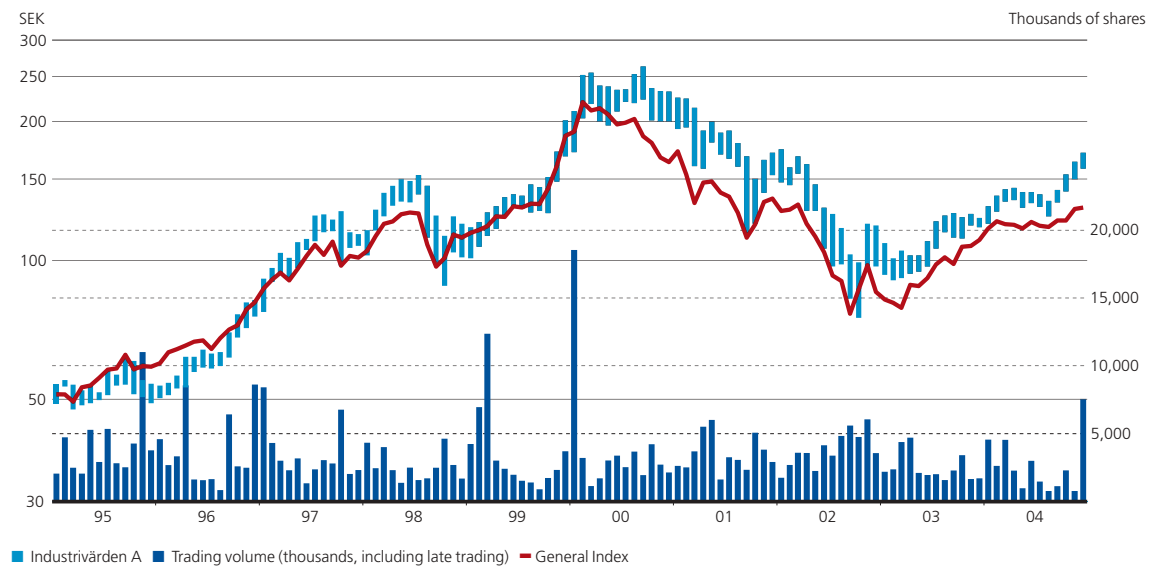
Major Changes in Ownership

In 2004 L E Lundbergföretagen increased its shareholding in Industrivärden through aggregate purchases of 5.3 million Class A shares, corresponding to 3.8% of the votes. Other major purchases of Industrivärden's stock were made by the Handelsbanken Pension Foundation, which bought 2.1 million Class A shares, corresponding to 1.4% of the votes. Major sales were made by Skandia Liv, 2.5 million shares, and Alecta, 2.2 million shares.

Employee Ownership

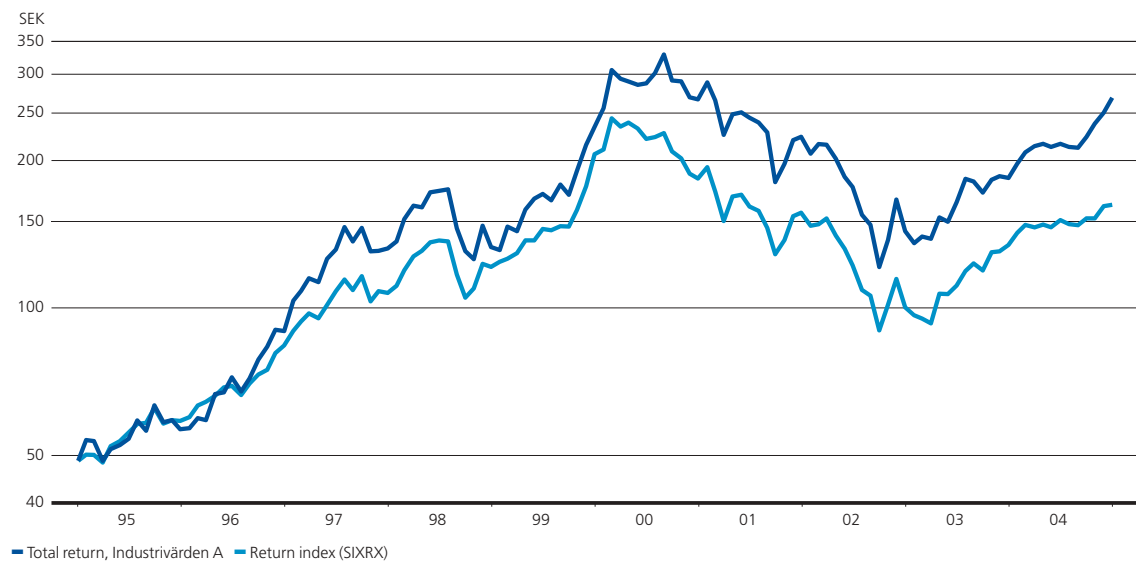
Information on holdings of stock and options by Company directors and senior executives is provided on pages 84–85. Industrivärden has an employee stock option program that was set up in 2002 for all employees of AB Industrivärden. More detailed terms of the option program are described in Note 6 on page 69.

Price Trend, Industrivärden's Stock



Comment: During the ten-year period from year-end 1994 to year-end 2004, Industrivärden's stock rose by an average of 13% per year, compared with an average of 10% for the General Index.

Total Return for Industrivärden's Stock



Comment: During the ten-year period from year-end 1994 to year-end 2004, the total return for Industrivärden's stock was 451%, compared with 233% for the return index. The average annual total return was 19%, which was 6 percentage points higher than the return index.

Industrivärden's Stock as per December 31, 2004

Number of shares	Par value,	Percentage of	
	SEK M	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

Capital Stock Development

SEK M	Capital stock	Number of shares
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
2004 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. 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.

Total Return, Industrivärden's Stock

	2004	2003	2002	2001	2000
Total return for Class A shares, %	46	28	-36	-16	14
Index (base: Dec. 31, 1999)	114	78	61	96	114
Return index (SIXRX), %	21	34	-36	-15	-11
Index (base: Dec. 31, 1999)	79	65	48	76	89

The beta coefficient for the Class A shares was 1.07¹ in 2004. If a stock has a beta that is higher than one, it indicates that the stock is more sensitive to market fluctuations than an average stock, and if it has a beta that is lower than one, it indicates that the stock is less sensitive than the average stock.

1) Compared with SAX index. Source: Bloomberg.

Dividend

SEK	2004	2003	2002	2001	2000
Dividend	6.00¹	5.50	5.80	8.35	8.40
Of which, bonus dividend	-	-	0.80	3.35	3.40
Annual growth in dividend, % ²	9	-5	-31	-1	35
Dividend yield, %	3.5	4.5	5.8	5.1	4.1
Dividend yield for Stockholm Stock Exchange, % ³	2.9	2.5	2.8	2.0	1.9

1) Proposed by the Board of Directors.

2) Average annual dividend growth during the past five years was 4%, excluding the bonus dividend.

3) Source: SIX Findata. Preliminary figures for 2004.

Ownership Structure at December 31, 2004¹

Owners	Number of shares	Percentage of	
		votes	shares
L E Lundbergföretagen	20,250,000	14.5	10.5
Handelsbanken Pension Foundation	12,900,000	9.2	6.7
Handelsbanken Pension Fund	12,800,000	9.1	6.6
Wallanders & Hedelius Foundation	11,400,000	8.1	5.9
SCA Pension Foundation	8,925,540	6.4	4.6
Oktogonen	6,500,000	4.6	3.4
AMF Pension	22,759,000	4.6	11.8
SCA Pensionsfonds Custodian ²	4,307,315	3.0	2.2
SCA	3,779,549	2.7	2.0
SCA Pension Foundation for salaried employees and foremen	3,411,692	2.4	1.8
Handelsbanken	2,785,569	2.0	1.4
Fredrik Lundberg and family	2,160,000	1.5	1.1

1) Source: SIS Ägarservice.

2) Shares held in custody by Clearstream Banking.

Ownership Structure at December 31, 2004¹

Size class, no. of shares	Number of shareholders as % of total	Total holding as % of capital
1-500	66.1	2.3
501-1,000	15.3	2.3
1,001-10,000	16.8	8.9
10,001-	1.8	86.5
	100.0	100.0

1) Direct and nominee shareholders. Source: VPC.

Codes Assigned to Industrivärden's Stock

Class A shares	
Reuters	INDUa.ST
Bloomberg	INDUA.SS
Ecovision	INDU.A

Business Model

Industrivärden's business involves three main processes: New Investments, Active Ownership and Exit Evaluation. Most of Industrivärden's work is focused on creating value through active ownership in its portfolio companies.

Industrivärden's core business is to invest in listed Nordic companies with good potential for value appreciation, and to create value through active ownership and realize gains in connection with an exit. By virtue of this active ownership role, operations are long-term in their nature. Work is conducted in a structured manner and revolves around three main processes: new investments, active ownership and exit evaluation. In addition, purchases and sales of equities and equity derivatives with a short time span are conducted to a limited extent. The aim of these activities is to support Industrivärden's main processes with market information and to generate profits. Most of Industrivärden's resources are concentrated in the active ownership process.

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 highly developed model for identifying and evaluating new investments
- An established process 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 demonstrated a superior ability to create value, as evidenced by the high growth in its net asset value. As a result of this performance, Industrivärden's total return has been higher than the average for the Stockholm Stock Exchange over the last five- as well as ten-year periods.

Investment Criteria

Based on the business mission of creating shareholder value through active ownership and a professional investment operation, Industrivärden conducts its work according to the investment criteria listed on the next page.

Industrivärden's Three Main Processes

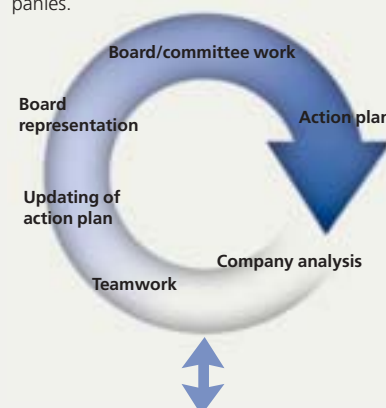
New Investments

The new-investment process aims to identify new investments with good potential for value growth. Industrivärden monitors some 100 listed Nordic companies on a regular basis.



Active Ownership

Active ownership is exercised by board members with ties to Industrivärden, through participation on the respective companies' nominating committees, and through a direct dialog between Industrivärden and the management of the respective portfolio companies.



Exit Evaluation

Exit evaluation aims to optimize the realization of built-up value.



Organization: Industrivärden has a cost-effective organization that is characterized by flexibility and short decision-making channels.

Networks: Industrivärden's networks make up an important source of information and support in the investment and ownership processes.

Methods & systems: Industrivärden works with uniform methods in a highly structured work process. The aim is to achieve a high degree of efficiency, speed and high quality.

- 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
- Concentration in a limited number of holdings.

Every new investment is analyzed with respect to the potential for value appreciation in relation to the required rate of return. Target values are evaluated on a continuous basis, as are possible forms of future exit. In principle, investments are not dependent on any particular sector and are evaluated on a regular basis with a 3–8 year time horizon.

New Investments

The new-investment process is aimed at providing a continuous clear picture of attractive investment candidates in the aim of quickly being able to act when business opportunities arise. Through a systematic work process, well documented decisions can be made with a high degree of efficiency and low cost.

Through this method of analysis and continuous contact, Industrivärden has a good picture of the some 900 companies that are listed in the Nordic stock markets. The 100 or so most interesting listed companies are monitored more closely. Following information gathering, external contacts, analysis and prioritization, presentations of the most interesting companies are made regularly to Industrivärden's investment committee. Any decisions are made thereafter on whether to proceed with a more in-depth analysis and on whether to form an investment team for further consideration. One of the duties of this team is to prepare a preliminary action plan outlining how Industrivärden would be able to actively contribute to value creation in the company. Central matters include value potential, market potential, strategic positioning, capital efficiency, operational improvements, and the company's board and management. Such a plan also covers goals and forms of future exit. Following this in-depth analysis, if the investment candidate 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.

Market Operations

In the aim of supporting its investment activities, Industrivärden conducts market operations in the form of derivative transactions based on the holdings in the equities portfolio and through short-term equity trading by 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. Earnings amounted to SEK 103 M (100).

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 through interaction 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 participation on the respective companies' nominating committees, and through a direct dialog between Industrivärden's investment organization and leading representatives of the portfolio companies. Normally Industrivärden seeks to have at least one director on the boards of its portfolio companies, preferably as chairman.

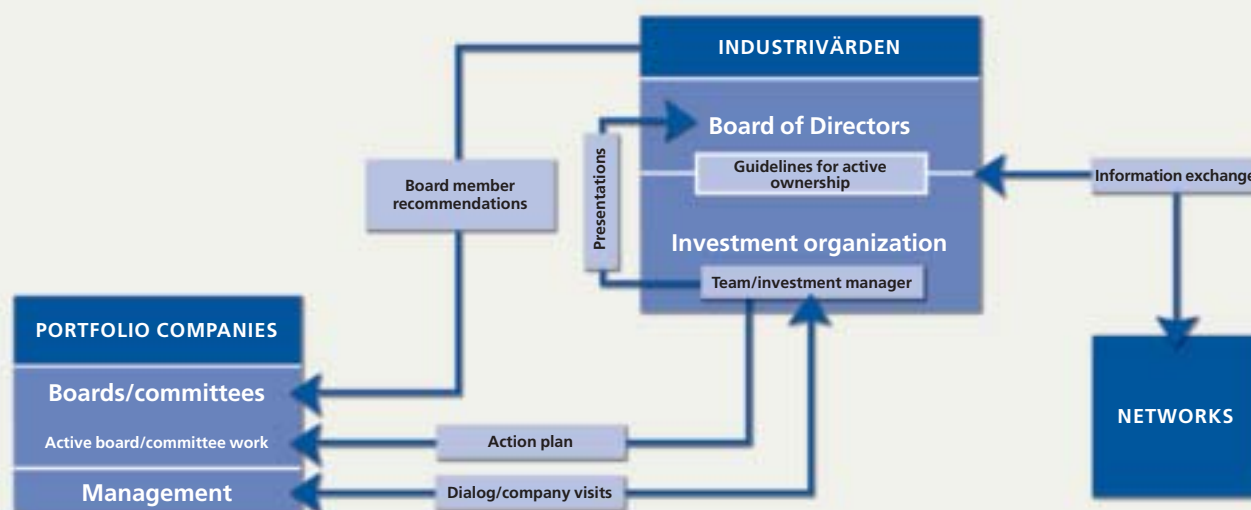
Once Industrivärden has taken an active ownership role in a new portfolio company, the action plan for value creation takes on a more concrete design. From having been a decision-making document in the investment process, it now forms the base of the design and evaluation of Industrivärden's active ownership. The aim is primarily to identify and describe opportunities for value appreciation and strategic measures for creating this value. The team that is responsible for a particular holding regularly 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 the management of the respective companies. Industrivärden also makes use 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 structures
- Reporting and control systems, etc.

Each team makes regular presentations of its action plan to the director or directors with ties to Industrivärden serving on the board of the portfolio company and on the committees. In this way, Industrivärden's representatives are provided with a current picture of the opportunities and measures that have been identified. This information is presented for the board or committee representative based on material produced by Industrivärden's investment organization.

Industrivärden's Active Ownership



When Industrivärden takes an active 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, the action plan now makes up the basis for the form and evaluation of Industrivärden's active ownership.

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 conceivable 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

Corporate Social Responsibility

A fundamental tenet held by Industrivärden is that creation of shareholder value should be pursued hand-in-hand with social responsibility. Industrivärden aspires 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.

Key aspects of corporate social responsibility include sound business ethics, respect for the individual, and the Company's commitment to the environment, health, equal opportunity and community involvement. Industrivärden strives on a continuing basis to ensure that it lives up to its social responsibility – internally within the Group as well as in its active 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

In its role as active owner, Industrivärden strives to ensure that the companies in which it acts as an active owner 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 regular basis.

Governing Bodies and Corporate Governance

Industrivärden's governing bodies are the General Meeting, the Board of Directors, the President and CEO, and the auditors. The Board appoints the President and Executive Vice Presidents. The Board has a compensation committee and an audit committee. Representatives of the shareholders and the Chairman of the Board form a nominating committee for election of board members.

Industrivärden's governing bodies consist of the General Meeting, the Board of Directors, the President and CEO, and the auditors. Industrivärden also has two executive vice presidents. At the Annual General Meeting the shareholders elect a board. One of the Board's key responsibilities is to appoint the CEO. The auditors are responsible, under assignment of the Annual General Meeting, for examining the accounts as well as the Board's and President's administration during the fiscal year.

Articles of Association

The Articles of Association stipulate that Industrivärden is a public company whose business is to own and manage real estate and chattel. The Company's shares are divided among Class A and Class C shares. In votes at general meetings the Class A shares carry entitlement to one vote and the Class C shares one-tenth of a vote.

The Board shall consist of at least three and not more than nine members, who are to be appointed yearly at the Annual General Meeting. Notices to the Annual General Meeting shall be issued not earlier than six weeks and not later than four weeks prior to the meeting. Notices to extraordinary general meetings in which the agenda does not concern amendments to the Articles of Association shall be issued not earlier than six weeks and not later than

two weeks prior to the extraordinary general meeting in question. Notice shall be made through advertisements in the Official Swedish Gazette (Post- och Inrikes Tidningar) and in Dagens Nyheter and Svenska Dagbladet or any other nationwide daily newspaper.

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 income statement and balance sheet 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 April 20, 2005, was published in Swedish daily newspapers and on Industrivärden's website on March 17, 2005. This notice presented a detailed agenda, including proposals for the election of board members and for directors' and auditors' fees.

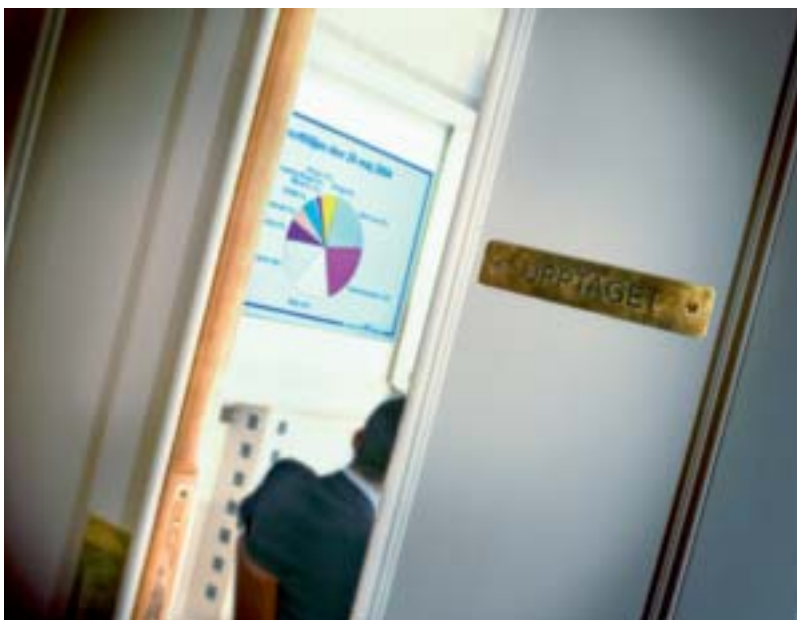
At the Annual General Meeting on March 29, 2004, attorney Sven Unger served as chairman.

At the meeting, the annual report and auditors' report were presented. In connection with this, the Chairman of the Board presented information on the Board's work and the work of the compensation and audit committees. In addition, CEO Anders Nyrén gave an address on Industrivärden's activities in 2003.

The auditors reported to the Annual General Meeting on their examination in a separate audit report and, in connection with this, gave an account of their work during the past year.

The 2004 Meeting resolved:

- to set the dividend at SEK 5.50 per share;
- to elect as directors Boel Flodgren, Tom Hedelius, Finn Johnson, Fredrik Lundberg (new election), Sverker Martin-Löf, Arne Mårtensson, Lennart Nilsson and Anders Nyrén;
- to authorize the Chairman of the Board to appoint at least four members from among the shareholders' representatives, who are not directors on Industrivärden's board, to form with the Chairman a nominating committee for future board elections; and
- that Industrivärden, at an extraordinary general meeting of Ericsson, would approve the proposal concerning a change in the voting power of Ericsson's Class B shares that was presented by a group of major shareholders in Ericsson.



In 2004 Industrivärden's board held four regular meetings and one extra meeting.



The Chairman, the CEO and four other board members are each directors of one or more of the companies in which Industrivärden acts as an active owner.

Minutes of the Annual General Meeting are available from Industrivärden within two weeks after the Annual General Meeting. Copies of the minutes are available to shareholders upon request from Industrivärden.

At the statutory board meeting that followed the Annual General Meeting, Tom Hedelius was appointed Chairman and Sverker Martin-Löf was appointed Vice Chairman.

Board of Directors

Industrivärden's board of directors, which is elected by the General Meeting, currently consists of eight members, including the CEO. All of these directors, except for Anders Nyren, are independent in relation to Industrivärden. Of the directors, Boel Flodgren, Finn Johnsson and Sverker Martin-Löf are independent in relation to Industrivärden's major shareholders. A presentation of the members of the Board can be found on page 84. Other Company executives participate in board meetings by making presentations.

The Board is ultimately responsible for the Company's organization and administration, and also for making decisions on strategic matters.

In general, the Board acts on matters of material importance for the Group, such as:

- setting the Board's work plan
- strategic plans and business and profitability targets
- acquisitions 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 four 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 apportionment of directors' fees.

In connection with the board meeting that deals with the annual financial statements, the Board of Directors' report, the proposed distribution of earnings and the year-end report, the Company's Chief Auditor presents a report of the auditors' observations and remarks from its audit.

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 cover a number of set agenda items. These include, among other things, a report on the current financial result of operations and on the development of net asset value and the performance of the equities portfolio, including detailed information on stock transactions that have been carried out. The report also includes a description of the share price and earnings trends with peer comparisons for Industrivärden as well as for the active holdings. 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.

The Board evaluates on an annual basis the financial reporting that it receives from the Company and makes demands on its content and structure.

Important Matters During the 2004 Fiscal Year

In 2004 the Board held a total of five meetings, in addition to the statutory meeting, of which four were regular meetings and one an extra meeting. All directors were present at all of the Board's meetings except for one, where one director was not present. General Counsel Thomas Nordvaller served as Company Secretary through March 2004, and thereafter attorney Sven Unger. The most important task for the Board pertains to matters concerning the Company's active holdings in the equities portfolio. Aside from strategic planning, the largest single items of business in 2004 concerned sales and purchases 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 President & CEO and other members of the executive management, and to set up any incentive programs. The Compensation Committee includes Chairman of the Board Tom Hedelius and Vice Chairman Sverker Martin-Löf.

The 2004 Annual General Meeting resolved to authorize the Chairman of the Board to appoint at least four members from among the shareholders' representatives, who are not directors on



In December 2004 the Business Confidence Commission presented the Swedish Code of Corporate Governance.

Industrivärden's board, to form with the Chairman a nominating committee for future board elections. The committee's membership was published in the third-quarter interim report well in advance of the Annual General Meeting. The members of the Nominating Committee are: Tom Hedelius, chairman of the board, Christer Elmehagen (AMF Pension), Curt Källströmer, committee chairman, (Handelsbanken), Ulf Lundahl (LE Lundbergföretagen), and Anders Nyberg (SCA).

The nominating committee held two meetings at which it evaluated the Board's work during the past year and proposed re-election of the Board.

The Board has also appointed an audit committee, which includes all the Company directors except for the CEO. Audit committee meetings discuss matters such as the focus and scope of audit work, and any observations from the examination of the internal control and annual financial statements.

The Chairman's Role

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

The Chief Executive Officer and Executive Vice Presidents

Industrivärden's CEO, Anders Nyrén, joined the Company in 2001. From 1997 to 2001 he was employed by Skanska as Execu-

tive Vice President and CFO. From 1996 to 1997 he served as Executive Vice President in charge of Investment Banking and Capital Markets for Nordbanken. He was Executive Vice President and CFO of Securum from 1992 to 1996, and from 1987 to 1992 he served as CEO of OM International.

The CEO is responsible for Industrivärden's day-to-day management. 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.

Anders Nyrén is chairman of the wholly owned subsidiary Indutrade, vice chairman of Handelsbanken, and a director of Sandvik, SCA, Skanska, SSAB and the wholly owned subsidiary Isaberg Rapid. Bengt Kjell, Executive Vice President in charge of the investment operations, joined Industrivärden in 2002. He serves as chairman of Isaberg Rapid and is a director on the boards of Indutrade, Munters and Ossur. Carl-Olof By, Executive Vice President and Chief Financial Officer, joined Industrivärden in 1990 and is a director of Handelsbanken Region Stockholm City and Isaberg Rapid.

Active Ownership

The Chairman, the CEO and four 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 earlier in this Annual Report under the "Business Model" section on pages 13–15.

Participation on the portfolio companies' nominating committees is a vital aspect of Industrivärden's active ownership. Industrivärden's chairman serves as chairman on the nominating committee for Handelsbanken, the CEO is chairman of Ericsson's nominating committee, and the CFO is chairman of the nominating committees for Sandvik, SCA, Skanska, SSAB and Munters.

Auditors

At the 2002 Annual General Meeting, Öhrlings PricewaterhouseCoopers AB was elected as the Company's auditor for a term through the 2006 Annual General Meeting.

Ingvar Pramhäll, Authorized Public Accountant, is Chief Auditor. In 2004 he was also among other things Chief Auditor for the listed companies Gunnebo, Opcon and Rottneros.

In 2004 Öhrlings PricewaterhouseCoopers had a total of 91 auditing assignments for companies listed on the Stockholm Stock Exchange, of which eight were in cooperation with other auditing firms.

Swedish Code of Corporate Governance

In December 2004 the Swedish Code of Corporate Governance was presented. This code was drafted by the Business Confidence Commission appointed by the Swedish government in cooperation with business representatives.

The aim of the code is to develop a code of governance for Swedish companies and to promote confidence in Swedish industry. The basic principle is to apply the code according to a "comply or explain" principle, i.e., that deviations from the code are permitted but must be explained. Through self governance, a constructive climate is created for companies to take an active and responsible approach to corporate governance.

The basic premise of the code is to adhere to the standard established in other countries' codes of corporate governance, but with an adaptation to the Swedish Companies Act and EU recommendations.

The nominating committee is the body that represents the owners by, among other things, proposing who is to serve as chairman of the board, as company directors, and their fees. The members of the nominating committee are to be announced not later than six months before a company's annual general meeting.

The chairman is to be elected by the annual general meeting and is responsible for ensuring that the board evaluates its work each year. At the annual general meeting the chairman shall report on the board's recommendations for principles regarding compensation matters and so on. The annual general meeting votes on principles for compensation of the executive management, including stock-related incentive programs.

A separate corporate governance report is to be drawn up for examination by the auditors. The corporate governance report, which starting in 2005 will take up a separate section in the annual report and the company's website, shall among other things explain the process for the election of the company's directors, how the board work was conducted, the principles for compensating the board and executive management, and information about stock-related incentive programs. The company's internal control is to be described in a special report for examination by the auditors.

The code takes effect in July 2005, at which time Industrivärden's website will be complemented with a separate corporate governance section.

Organization and Employees

Industrivärden works with a lean and efficient organization characterized by flexibility and short decision-making channels. Coupled to this is a large network with ties to Industrivärden.

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), the Executive Vice President and Chief Investment Officer, and the Head of Portfolio Management and Market Operations.

The Investment unit includes eight persons, the Accounting and Finance unit six persons, the Information and IT unit three persons, and other support functions three persons. In all the Company has 22 employees.

The employees in the Investment unit participate in investment teams and assist Industrivärden's board and management with company analyses and decision-making documentation for the portfolio companies. Each investment team is headed by an investment manager supported by a project leader. 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 pages 13–15.

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

The Information unit is responsible for investor relations and

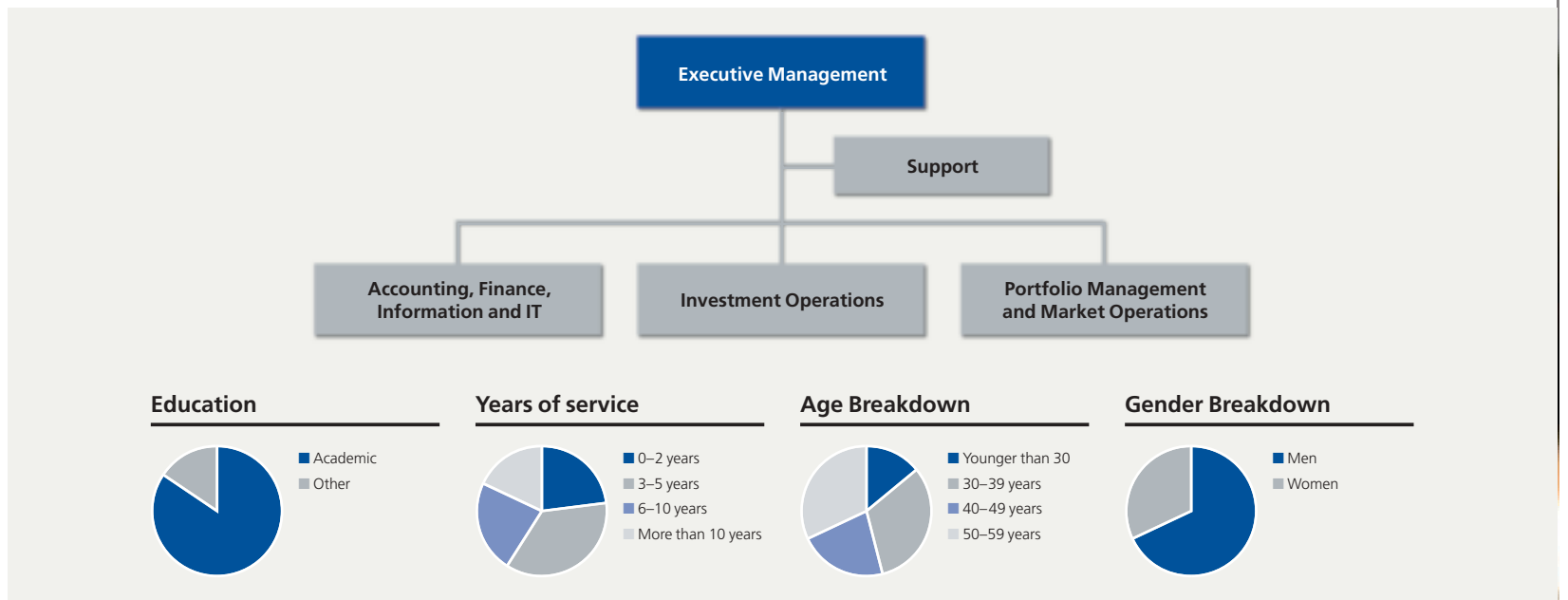
coordination of information. The IT unit is responsible for operation of the Parent Company's IT systems.

Within the framework of Industrivärden's market operations, asset management is conducted by the subsidiary Nordinvest, whose aim is to support Industrivärden's business activities and generate profits. Nordinvest has two employees.

Industrivärden's organization is characterized by flexibility and short decision-making channels. Work is project-oriented and involves employees from both the Investment unit and staff functions. 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, through participation on nominating committees, and through direct dialog between Industrivärden's investment organization and leading representatives of the portfolio companies. Coupled to this is a large network with ties to Industrivärden.

Recruiting Principles

New recruitment of employees to Industrivärden is based on the individual's competence, experience and personal qualities irrespective of gender or ethnic origin.





EQUITIES PORTFOLIO



Composition and Performance of the Equities Portfolio

Industrivärden's equities portfolio consists mainly of major shareholdings in Handelsbanken, Ericsson, Sandvik, SCA, Skanska, SSAB, Munters and Ossur, and of the wholly owned subsidiaries Indutrade and Isaberg Rapid, all of in which Industrivärden acts as a long-term owner.

The equities portfolio was worth SEK 41.7 billion (32.9) on December 31, 2004, corresponding to SEK 216 (170) per Industrivärden share. The listed holdings are stated at their year-end market value. The wholly owned subsidiaries Indutrade and Isaberg Rapid are stated at estimated values based on a P/E multiple of 13. Other holdings are valued based on shareholders' equity.

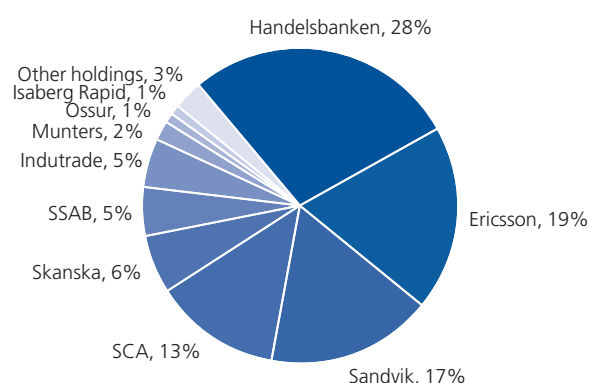
Composition of the Equities Portfolio

The total value of shareholdings in companies in which Industrivärden acts as a long-term owner, which are shown in the chart at right, was SEK 40.4 billion on December 31, 2004, corresponding to 97% of Industrivärden's equities portfolio. Other shareholdings had a value of SEK 1.3 billion.

Stock Market 2004

The upturn in the world's stock markets that began in spring 2003 continued in 2004. Measured in U.S. dollars the New York Stock Exchange (S&P 500) rose by 9% in 2004, the leading bourses in

Composition of Equities Portfolio



Europe by 17% (Eurotop 300), and the world index by 13% (MSCI). The Stockholm Stock Exchange rose by 18%, measured in Swedish kronor, or by 27% in U.S. dollars. The high for the year was noted in December, at which time the Stockholm Stock Exchange was up 19%. At year-end the General Index was up 18% over year-end 2003. Economic growth was strong in the U.S. Japan and Southeast Asia also performed favorably, while Europe lagged behind somewhat. Corporate profits rose sharply. The stock market's performance in 2004 should also be viewed in light of rising raw material prices and historically low interest rates.

Investment Activities in 2004

The combined value of stock purchases was SEK 5.2 billion (2.0), and the combined value of sales was SEK 3.0 billion (1.9). Together, combined purchases and sales corresponded to 22% (13%) of the average portfolio value during the year. The turnover rate for the equities portfolio since 1995 is shown in the chart on page 25.

The largest net stock purchases were for SEK 1,980 M in Handelsbanken A, SEK 1,452 M in Sandvik, and SEK 255 M in Ericsson B. The purchases of Handelsbanken and Sandvik stock represented investments at attractive prices in two profitable companies with good development potential. As a result of these purchases, Industrivärden's share of votes in both Handelsbanken and Sandvik increased to slightly more than 10%, and the holdings thereby became classified as business-related shares (see page 79). Through complementary purchases of stock in SSAB for SEK 128 M, in Munters for SEK 91 M, and in Ossur for SEK 89 M, Industrivärden strengthened its position as a major owner of those companies.



SSAB is a world-leading producer of quenched steels in the heavy plate segment. SSAB has been included in Industrivärden's portfolio since 1992.

Equities Portfolio as per December 31, 2004

	No. of shares	Value breakdown		Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
		SEK M	SEK/share			
Handelsbanken	66,364,100	11,481	59	28	9.6	10.1
Ericsson	372,000,000	8,072	42	19	2.3	13.3
Sandvik	26,953,500	7,224	38	17	10.2	10.2
SCA	18,381,960	5,254	27	13	7.8	28.5
Skanska ¹	32,302,756	2,576	13	6	7.7	28.6
SSAB	14,113,750	2,258	12	5	14.0	18.3
Indutrade		2,022	10	5	100	100
Munters	3,219,350	644	3	2	12.9	12.9
Volvo	2,265,820	579	3	2	0.5	1.1
Ossur hf	65,118,000	537	3	1	20.4	20.4
Isaberg Rapid		290	2	1	100	100
Others		754	4	1		
Total		41,691	216	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.

Net Purchases and Sales of Listed Stocks¹

Net purchases	000s SEK M		Net sales	000s SEK M	
Handelsbanken A	13,612	1,980	SCA B	2,824	811
Sandvik	5,786	1,452	Scania A ²	1,952	478
Ericsson B	7,961	255	Scania B ²	1,050	251
SSAB A	1,001	128	Pfizer Inc.	1,018	263
Munters	514	91	Eniro ²	1,329	88
Ossur hf	13,118	89	Others		439
Others		582	Total		2,330
Total		4,577			

1) Gross purchases and sales are shown on page 47.

2) Entire holding.

Price Trend for Holdings in the Equities Portfolio, 2004

	Price change, %	Total return, %	Total return ¹	
			5 years, %	10 years, %
Handelsbanken	18	22	13	22
Ericsson	56	56	-26	10
Sandvik	8	13	4	13
SCA	-3	1	6	14
Skanska	26	31	5	13
SSAB	25	30	9	12
Munters	15	17	16	-
Volvo	20	29	12	13
Ossur hf ²	75	75	-	-
Total	21	24		

1) Average annual total return.

2) Calculated in local currency.

Change in Value of Major Holdings, 2004

SEK M	Value at Dec. 31, 2004	Value at Dec. 31, 2003	Change in value, 2004
Handelsbanken	11,481	7,754	3,727
Ericsson	8,072	4,882	3,190
Sandvik	7,224	5,249	1,975
SCA	5,254	6,235	-981
Skanska	2,576	2,115	461
SSAB	2,258	1,685	573
Indutrade	2,022	1,704	318
Munters	644	471	173
Ossur hf	537	230	307
Isaberg Rapid	290	459	-169
Others	1,333	2,106	-773
Total	41,691	32,890	8,801

Performance of Equities Portfolio

	2004	2003	2002	2001	2000
Price trend for portfolio, %	21	24	-31	-22	-5
Index (1999 as base)	76	63	51	74	95
General Index, %	18	30	-37	-17	-12
Index (1999 as base)	71	60	46	73	88



Ericsson is a world-leading supplier of equipment for mobile and fixed line communications. Ericsson has been included in Industrivärden's equities portfolio since Industrivärden's establishment in 1944.

The largest net stock sales pertained to SCA B, for SEK 811 M (these shares were acquired in late 2003 in connection with the sale of the shareholding in Skandia), Scania A, for SEK 478 M (the entire holding), Scania B, for SEK 251 M (the entire holding), and Pfizer Inc., for SEK 263 M. These sales were part of the financing of Industrivärden's purchases of shares in Handelsbanken and Sandvik.

Derivative transactions are conducted on a regular basis to enhance the return of the equities portfolio. The profit from these activities amounted to SEK 69 M (101). In addition, short-term equity trading by the subsidiary Nordinvest made an additional earnings contribution of SEK 34 M (-1). The total result of Industrivärden's market operations thus amounted to SEK 103 M (100).

Performance of the Equities Portfolio in 2004

At year-end 2004 the value of the holdings was SEK 41,691 M (32,890), compared with a book value of SEK 20,031 M (17,476) for the shares. The surplus value was thus SEK 21,660 M, com-

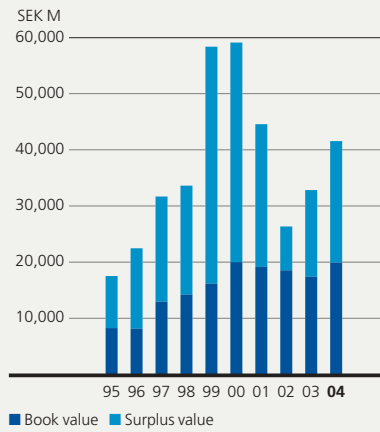
pared with SEK 15,414 M at the start of the year. The value of the equities portfolio, taking into account purchases and sales, rose 21% during the year, which was slightly better than the Stockholm Stock Exchange General Index, which rose 18%. The price trend for the major shareholdings is shown in a table on page 23.

Dividends received during the year totaled SEK 1,033 M (849). The total return of the portfolio, i.e., growth in value plus re-invested dividends, was 24% (29%), compared with 21% (34%) for the return index (SIXRX).

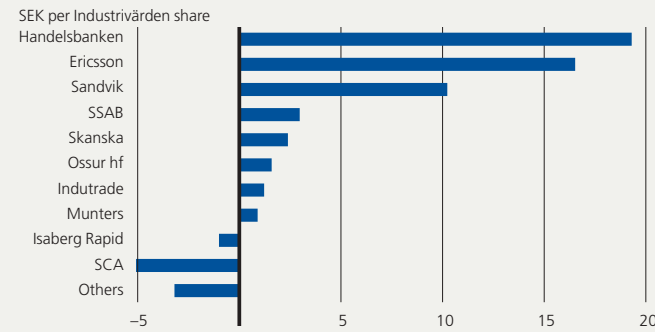
The total return for the major portfolio companies and their contribution to the performance of the total portfolio are shown in a table on page 23.

From year-end 2004 through February 28, 2005, the value of the equities portfolio, taking into account purchases and sales, was unchanged, compared with an increase of 5% for the Stockholm Stock Exchange's General Index during the same period.

Market Value of Equities Portfolio

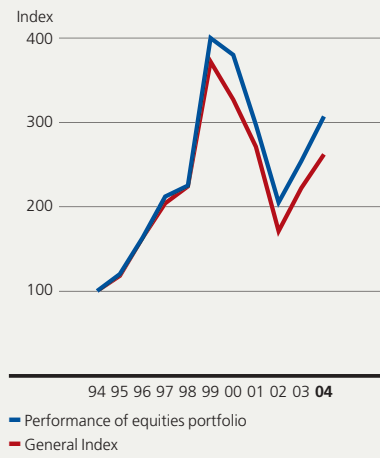


Change in Value per Shareholding, 2004

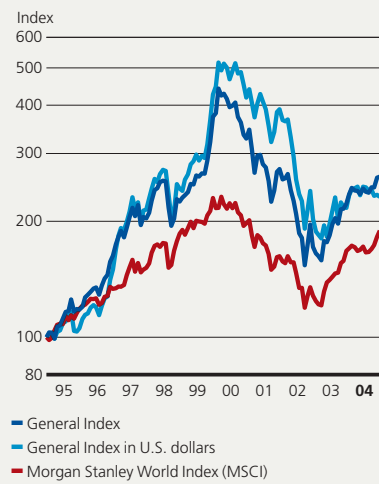


Comment: Change in value per holding takes into account changes in value as well as purchases and sales.

Performance of Equities Portfolio



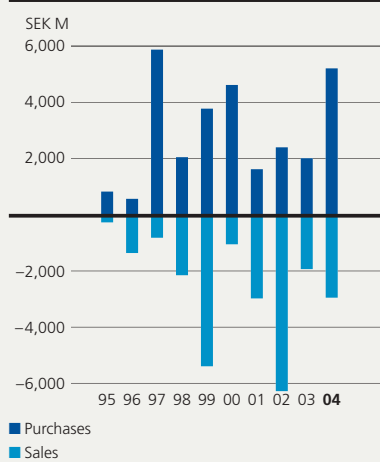
Index Trend



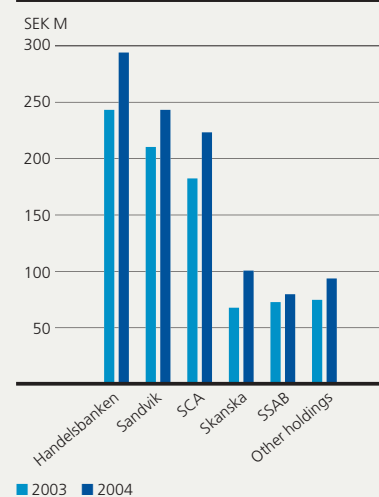
Equities Portfolio – Turnover



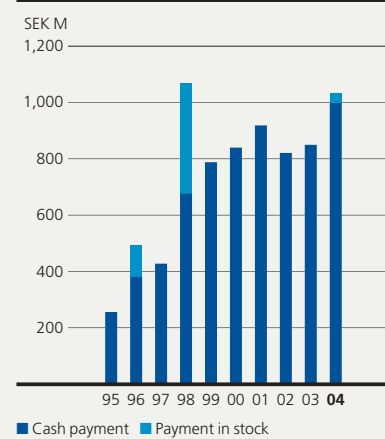
Gross Investments in Equities Portfolio



Dividends Received per Shareholding



Dividend Income



Comment: Extra dividend income in the form of stock was received in 1996, totaling SEK 111 M (Näckebo and Swedish Match), in 1998 totaling SEK 392 M (Balder and Drott), and in 2004 totaling SEK 33 M (Ainax). The Sandvik holding was purchased in 1998. Ericsson has not paid a dividend since 2001.

Handelsbanken



Handelsbanken is a Nordic, universal bank focusing on accessibility and service via 453 Swedish branches and 105 other Nordic branches. Its experience in running a profitable universal banking operation in the Nordic region can also be applied to other markets, which is now being done in the U.K., where Handelsbanken has 15 branches.

Handelsbanken is a Nordic universal bank with a highly decentralized organization. The bank's working methods are based on overall customer responsibility as close to the customer as possible. 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 small, private customers as well as major corporate clients. The branches coordinate the central and regional resources needed to give customers the best possible service. The bank does not make central marketing plans, nor does it control the branches' marketing activities by giving priority at central level to certain customer categories or product areas. Handelsbanken has consistently and successfully applied and developed this basic concept over many years.

Handelsbanken is a universal bank, i.e., it delivers services in the entire banking area, including traditional corporate business, investment banking and trading, retail banking, 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 Pension and Insurance (Handelsbanken Liv and SPP).

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. All of these markets are considered as home markets. Handelsbanken has a strong position in the Swedish market, with 453 branches. In the other Nordic countries the bank has 105 branches, plus 15 branches in the U.K. Handelsbanken also has banking and representative offices in another 15 or so countries, including the U.S., China, Hong Kong and Singapore.

Handelsbanken's overall objective is to have a higher return on equity than a weighted average for comparable listed Nordic and

British banks. The bank seeks to achieve this target by having the most satisfied customers in the Nordic region while keeping its cost efficiency higher than comparable banks. If this target is met, a third of the surplus profit can be allocated to the Oktogonen Foundation, Handelsbanken's employee profit-sharing system. The allocation can amount to a maximum of 15% of the bank's dividend. A significant portion of the foundation's assets are invested in Handelsbanken stock.

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 higher lending volumes.

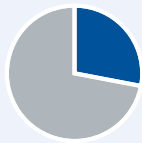
Handelsbanken's dividend policy is that the dividend should increase at a faster pace than the average for the other Nordic banks.

Highlights 2004

- Profit was SEK 13.1 billion (11.6). Net commission income as well as net trading income improved, mainly due to higher activity in the stock market. Net interest income was essentially unchanged, and business volumes increased. Overhead costs were unchanged and loan losses remained very low.
- For the thirty-third year in a row, Handelsbanken reported a better return on equity than a weighted average for comparable listed commercial banks.
- SPP's policyholders voted by an overwhelming majority in favor of a demutualization of the company, which is expected to take place with effect on January 1, 2006.
- Handelsbanken's rating for long-term borrowing was raised during the year. No Nordic bank has a higher rating than Handelsbanken.
- Handelsbanken has the most satisfied customers in Sweden among the banks with a nationwide branch network according to a survey conducted by the Swedish Quality Index.
- A total of 21.4 million shares that were repurchased in 2000 and 2001 were canceled through a reduction of capital stock. An additional 23.7 million shares were repurchased in 2004, which the board has recommended for cancellation in 2005.



Industrivärden's Holding in Handelsbanken as per December 31, 2004



Share of equities portfolio: 28%.

Holding:

Shares: 66,364,100 Class A shares.
Market value: SEK 11,481 M.
Share of votes: 10.1%¹. Share of capital: 9.6%¹.

Assessment of the company from an ownership perspective: Handelsbanken has consistently developed its business concept with a focus on customer satisfaction and cost efficiency, which has resulted in higher profitability than the average for the industry 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.

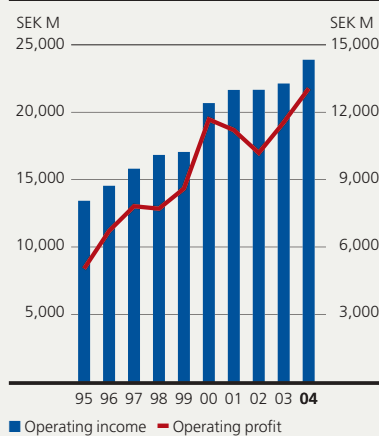
Board members with ties to Industrivärden: Fredrik Lundberg, Sverker Martin-Löf, Arne Mårtensson and Anders Nyrén.

Industrivärden's nominating committee representative: Tom Hedelius.

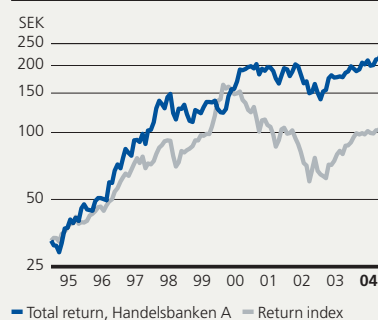
Handelsbanken at a Glance

Chairman: Arne Mårtensson. **CEO:** Lars O. Grönstedt. **Stock:** Handelsbanken's stock is listed on the Stockholm Stock Exchange. The share price rose by 18% in 2004, and trading volume was SEK 102 billion. For more information on Handelsbanken, visit www.handelsbanken.com.

Oper. Income and Oper. Profit

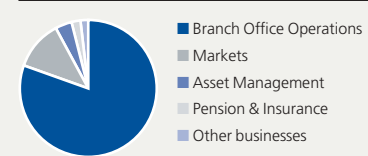


Handelsbanken's Stock



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

Income per Business Unit



Key Data

	2004	2003
Operating income, SEK M	23,981	22,292
Operating profit, SEK M	13,056	11,550
Earnings per share, SEK	13.81	11.70
Dividend per share, SEK	6.00²	5.25
Shareholders' equity per share, SEK	91.91	82.61
Average number of employees	9,150	9,258
Market capitalization as per December 31, SEK M	123,586	104,777

Largest Owners as per December 31, 2004³

	% of votes	% of capital
Industrivärden ⁴	10.1	9.6
Oktogonen Foundation	10.1	9.6
Alecta	4.6	4.3
FöreningsSparbanken mutual funds	3.3	3.2
AMF Pension	2.9	3.1

³) Source: SIS Ägarservice.

⁴) Industrivärden purchased a net total of 13.6 million Class A shares in Handelsbanken in 2004, corresponding to 2.1% of the votes and 2.2% of the capital.

1) Handelsbanken reduced its capital stock in 2004 by 3.0% through the cancellation of shares repurchased in 2000 and 2001. In 2004 Handelsbanken repurchased 3.4% of its shares, but did not reduce its capital stock pertaining to these shares. Industrivärden's share of votes and capital is based on all shares outstanding, including repurchased shares that have not been cancelled.

2) Proposed by the Board of Directors.

Ericsson

Ericsson is the world's largest supplier of mobile telecommunications systems and offers end-to-end solutions for both mobile and fixed line communications. Approximately 40% of all GSM traffic around the world is conducted in systems supplied by Ericsson.

Ericsson is a world-leading supplier of equipment for mobile and fixed line telecommunications networks with accompanying products and services, such as products for such special applications as radar, cables and technology platforms for mobile telephony. Ericsson's wide offering of telecom and datacom equipment includes end-to-end solutions, systems and services that enable mobile and fixed-line networks to transmit voice, data and multimedia effectively, fast and securely.

Ericsson's strategy is to be a market, technology and operational leader, thereby creating economies of scale that can be leveraged to provide superior products and services, offering its customers competitive advantages. Ericsson has a long tradition of developing innovative communication technologies, including technologies that help to establish industry-wide wireless technology standards, such as GSM, GPRS, EDGE, WCDMA and Bluetooth.

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 three segments: systems, telephones 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 the half-owned company Sony Ericsson Mobile Communications, in which Ericsson has contributed its leading mobile phone technology and Sony its know-how in consumer electronics.

The most important markets in 2004 were, ranked by size, the U.S., China, Italy, Sweden, Spain, Brazil, Mexico, Russia, the U.K. and Germany.

The market for mobile and fixed line infrastructure has undergone a number of significant changes in recent years. From the mid-1990s until 2000 the market experienced outstanding growth

through the buildup of mobile infrastructure based on strong growth in the number of subscribers, along with a simultaneous expansion of existing networks for handling the rapid growth of Internet traffic. This culminated in 2000, and in the three years that followed, 2001–2003, the market for network equipment contracted considerably. Telecom companies were forced to cut costs drastically in order to adapt to weak demand. The market stabilized in 2004, and the world market has grown compared with 2003. Added to this underlying growth was an extra effect brought by operators compensating for their restrictive investments in recent years. After three years of high losses, Ericsson returned to profit in 2004.

Ericsson carried out a rights issue in 2002 that raised a net total of SEK 29 billion for the company. This secured Ericsson's financial position and laid the foundation for favorable future development.

Highlights 2004

- Earnings after net financial items improved to SEK 28,398 M (SEK –12,103, including SEK –14,892 M in items affecting comparability) as a result of improved internal efficiency, higher volumes and a favorable product mix.
- An extensive efficiency improvement program has more than halved operating overhead on a yearly basis since the start of 2001 through 2004. The number of employees, which was 105,000 in 2000, had decreased to 50,500 by year-end 2004.
- Cash flow before financing activities was SEK 17,691 M (19,455), entailing a further strengthening of the company's financial position. At year-end, the net of financial assets and liabilities, i.e., net liquid assets, was SEK 43 billion.
- Half-owned Sony Ericsson has achieved profitability and created a well balanced product portfolio for sustained growth.
- The voting power of Ericsson's Class B shares was changed from one-thousandth of a vote to one-tenth of a vote following a resolution by an extraordinary general meeting.



Industrivärden's Holding in Ericsson as per December 31, 2004



Share of equities portfolio: 19%.

Holding:

Shares: 372,000,000 Class A shares¹.
Market value: SEK 8,072 M.
Share of votes: 13.3%¹. Share of capital: 2.3%.

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

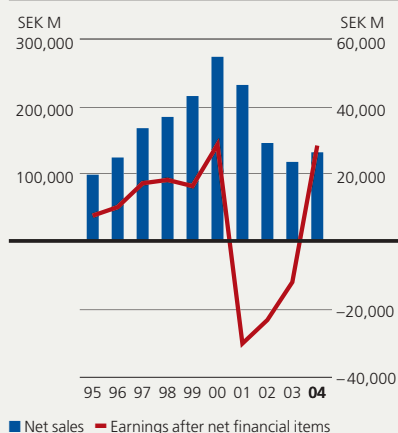
Industrivärden's nominating committee representative: Anders Nyrén.

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. A dramatic earnings improvement was achieved in 2004 following the completion of efficiency-improvement measures. Industrivärden considers Ericsson to be a good long-term investment. Important success factors are capacity expansion in existing telecommunications networks, expanded service business, upgrading of systems with larger bandwidths, and the continued shift from fixed line to mobile communication.

Ericsson at a Glance

Chairman: Michael Treschow. **CEO:** Carl-Henric Svanberg. **Stock:** Ericsson's stock is listed on the Stockholm and New York Stock Exchanges. Ericsson's Class A shares rose by 56% in 2004, and its Class B shares rose by 64%. Trading volume on the Stockholm Stock Exchange was SEK 928 billion. For more information on Ericsson, visit www.ericsson.com.

Net Sales and Earnings

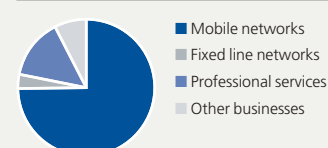


Ericsson's Stock



Comment: During the past ten-year period, Ericsson's stock has performed slightly below the return index.

Net Sales per Business Unit



Comment: The mobile phone business is conducted via the joint-venture company Sony Ericsson Mobile Communications.

Key Data

	2004	2003
Net sales, SEK M	131,972	117,738
Earnings after net financial items, SEK M	28,398	-12,103
Earnings per share, SEK	1.20	-0.69
Dividend per share, SEK	0.25 ²	None
Cash flow per share, SEK	1.12	1.23
Shareholders' equity per share, SEK	4.88	3.82
Average number of employees	50,534	51,583
Market capitalization as per December 31, SEK M	342,611	208,672

2) Proposed by the Board of Directors.
3) Source: SIS Ågarservice.

Largest Owners as per December 31, 2004³

	% of votes	% of capital
Investor	19.5	5.0
Industrivärden ¹	13.3	2.3
Handelsbanken Pension Foundation	3.0	0.5
Fidelity mutual funds, USA	2.9	5.1
Skandia Liv	2.4	0.8

1) An extraordinary general meeting in August 2004 resolved to change the voting rights of Ericsson's Class B shares from one-thousandth of a vote to one-tenth of a vote. The meeting also resolved to issue one conversion right for each Class A share. Each conversion right entitled its holder to convert one Class B share to a Class A share. Following conversion of 186.0 million Class B shares to Class A shares, Industrivärden's holding amounts to 372.0 million Class A shares, corresponding to 13.3% of the votes (2003: 27.7%).

Sandvik



Sandvik is a high technology engineering group with advanced products and unique know-how in material technology. The company has a world-leading position in several areas and conducts business in 130 countries.

Sandvik is a high-technology engineering group with operations in 130 countries. The Group works in three business areas in which Sandvik is a world leader. Tooling specializes in cemented carbide and high-speed steel tools for metalworking. Mining & 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% equity stake), which is active in metalworking.

Sandvik has a strong local presence, its own sales organization and close cooperation with customers, selected agents and distributors. Products are manufactured mainly in Group facilities to achieve the highest possible quality, flexibility and cost-efficiency. The Group's global presence provides economies of scale in production and distribution. It also creates synergies within R&D, administration and logistics.

Sandvik focuses on market segments in which the company is or can become world-leading. Many of these areas have higher-than-average growth or growth potential. The focus on organic growth and company acquisitions in selected key areas makes Sandvik less sensitive to variations in the business climate.

During the last ten-year period Sandvik has acquired 40 companies, mainly in the Tooling and Mining & Construction units, which have added sales of SEK 21 billion at the time of acquisition. The acquired companies are integrated in the Group by Sandvik providing 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 roughly 4% of sales on average for the business areas, which is more than its competitors. These investments create conditions for the Group to retain its leading technological and commercial positions. 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.

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 net debt-equity ratio should be between 0.5 and 0.7.

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.

Highlights 2004

- Earnings after net financial items amounted to a record SEK 6,465 M (4,187). This 54% earnings improvement can be credited to higher sales volumes, higher capacity utilization and the completion of efficiency improvement measures. Activities increased in all major markets, especially North America.
- Operating earnings for the Tooling unit rose 63% to SEK 3,737 M (2,286). High demand and higher market shares contributed to strong volume growth.
- The Materials Technology unit improved its operating earnings by 68%, to SEK 1,259 M (750), and the Mining and Construction unit grew its operating earnings by 18%, to SEK 1,704 M (1,444).
- The board has proposed that approximately SEK 4 billion be distributed to the shareholders through a redemption offer in the aim of streamlining the capital structure. In addition, the board has proposed the cancellation of 16.5 million shares that were previously repurchased.



Industrivärden's Holding in Sandvik as per December 31, 2004



Share of equities portfolio: 17%.

Holding:

Shares: 26,953,500 shares.
Market value: SEK 7,224 M.
Share of votes and capital: 10.2%¹.

Assessment of the company from an ownership perspective: Industrivärden has a positive view of Sandvik's opportunities to advance its position in segments in which it has a world-leading position. The acquisitions and rationalization measures that have been taken in recent years are expected to lead to continued earnings improvements. Strong technological and market positions, coupled with leading R&D activities, create favorable opportunities for sustained high profitability.

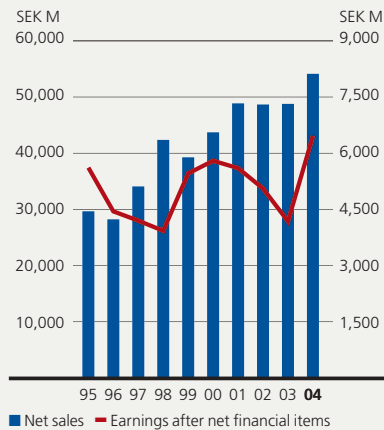
Board members with ties to Industrivärden: Arne Mårtensson and Anders Nyrén.

Industrivärden's nominating committee representative: Carl-Olof By.

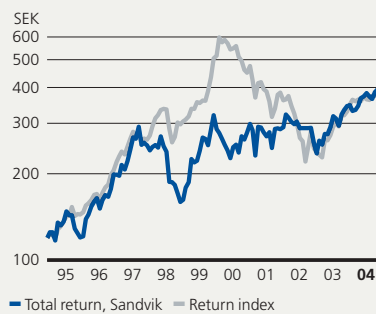
Sandvik at a Glance

Chairman: Clas Åke Hedström. **CEO:** Lars Petterson. **Stock:** Sandvik's stock is listed on the Stockholm Stock Exchange and is also traded in the U.S. through an American Depositary Receipt program. The share price rose by 8% in 2004, and trading volume on the Stockholm Stock Exchange was SEK 101 billion. For more information on Sandvik, visit www.sandvik.com.

Net Sales and Earnings

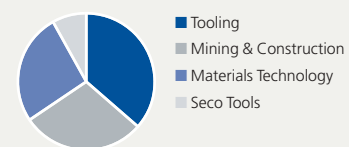


Sandvik's Stock



Comment: During the past ten years Sandvik's stock has performed on a par with the return index.

Net Sales per Business Unit



Key Data

	2004	2003
Net sales, SEK M	54,610	48,810
Earnings after net financial items, SEK M	6,465	4,187
Earnings per share, SEK	17.70	11.20
Dividend per share, SEK	11.00 ²	10.50
Cash flow per share, SEK	10.96	14.62
Shareholders' equity per share, SEK	88.50	85.80
Average number of employees	38,421	36,930
Market capitalization as per December 31, SEK M	70,636	64,160

1) Sandvik repurchased 6.3% of its shares from 2001–2004, but has not reduced its capital stock. Industrivärden's share of the votes and capital is based on all the shares outstanding.

Largest Owners as per December 31, 2004³

	% of votes and capital
Industrivärden ⁴	10.2
Handelsbanken ⁵	6.4
Capital Group mutual funds	3.9
FöreningsSparbanken mutual funds	2.5
AMF Pension	2.4

2) Proposed by the Board of Directors.

3) Source: SIS Ågarservice.

4) Industrivärden purchased a net total of 5.8 million shares in 2004, corresponding to 2.2% of the capital stock, and thereby strengthened its position as Sandvik's largest owner.

5) Including pension foundations, employee foundations and mutual funds.

SCA



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

SCA is an international paper company that produces absorbent hygiene products (50% of sales), packaging solutions (35% of sales) and forest products (15% of sales). Based on customer needs, new products are developed continuously for consumers, institutions, industry and the retail trade. SCA offers a wide range of products, services and solutions that improve the quality of everyday life for people around the world. The offering consists of consumer products such as toilet paper, paper towels, tissue, incontinence products and diapers, packaging solutions, publication paper, and solid wood products.

SCA strives to increase the share of high value-added products in order to achieve a sustained level of high profitability. The traditional forest industry is highly cyclical. Previously, sharp fluctuations between strong profitability in prosperous times and weak profitability during economic downturns created uncertainty surrounding the development of SCA's future cash flows. Consequently, to increase the stability of its operations, SCA has increased its exposure to less cyclical businesses.

SCA has substantial forest holdings – roughly 2.6 million hectares – and is the largest private forest owner in Sweden. The joint wood fiber base offers control over the cost of raw materials and enables efficient raw material integration. Research and development, central procurement of energy and logistical coordination are further examples of areas in which important synergies are used.

Europe is SCA's main market, with a concentration in Germany, the UK, France and Sweden. More than 90% of sales are outside Sweden.

The Group also has strong positions in certain product segments in North America. Expansion is being pursued through organic growth and selective acquisitions, mainly in the hygiene products and packaging segments. Geographic expansion is also being pursued in Asia, Australia, Eastern Europe and South America. SCA's target is to grow by 8%–10% per year. A third of growth will be organic and two-thirds through acquisitions. Expansion is taking place primarily in the hygiene products and packaging segments.

SCA's overall objective is to provide its shareholders with good growth in value and a rising dividend. This is accomplished based on the principle that a company's value is determined by its future cash

flows and the level of risk in the business. During the ten-year period 1994–2003, the dividend increased by an average of 12.6% per year.

Future cash flows, in turn, are a function of profitability and growth. SCA's cash flow target at the start of 2004 was SEK 8.1 billion, taking into account the strategic investments made in 2003.

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. The profit margin before interest, tax, depreciation and amortization should amount to 18% of sales.

SCA's dividend policy is that approximately a third of operating cash flow should be used for the dividend.

SCA's earnings have worsened in recent years, and structural measures are being taken to improve profitability.

Highlights 2004

- Earnings after financial items amounted to SEK 4,839 M (6,967). Earnings fell as a result of price pressure and currency movements, which was partly compensated by higher volumes and the effect of company acquisitions. Structural costs amounted to SEK 726 M (–).
- Operating profit was SEK 4,321 M (4,820) for hygiene products, SEK 2,268 M (2,482) for packaging, and SEK 1,487 M (1,559) for forest products.
- Efficiency improvement measures in the hygiene products and packaging segments are expected to lead to annual cost savings of more than SEK 1 billion, which will be successively realized in 2005.
- Total company acquisitions during the year amounted to SEK 9.3 billion (4.8). These included, among others, the New Zealand company Carver Hold Harvey's tissue paper and fluff business, for SEK 4.9 billion, and the Mexican company Copamex Tissue's tissue business, for SEK 1.3 billion.
- Operating cash flow, i.e., cash flow before strategic investments and dividends, amounted to SEK 5,435 M (8,134).
- Starting in 2005 the Asian and Australian operations are being coordinated in a newly formed Asia business group. Further, the North American operations are being expanded to also include the South American operations in a joint Americas business group.



Industrivärden's Holding in SCA as per December 31, 2004



Share of equities portfolio: 13%.

Holding:

Shares: 16,982,000 Class A shares and 1,399,960 Class B shares.
Market value: SEK 5,254 M.
Share of votes: 28.5%. Share of capital: 7.8%.

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

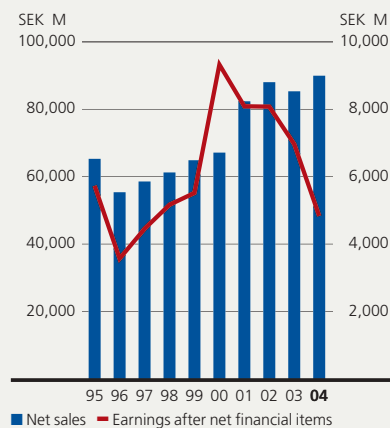
Industrivärden's nominating committee representative: Carl-Olof By.

Assessment of the company from an ownership perspective: SCA is the leading European producer of hygiene products and packaging. Through a selective acquisition strategy the company has also gained a strong foothold in the North American market. The earnings trend in recent years has been a disappointment. The work on gradually increasing the share of high value-added products and rationalization measures are creating conditions for sustained favorable earnings growth. SCA is currently working on integrating recent acquisitions, giving the company good potential for future growth as well as favorable development of earnings and cash flow.

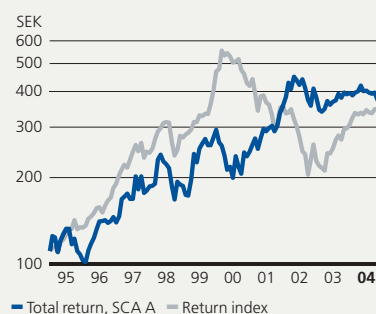
SCA at a Glance

Chairman: Sverker Martin-Löf. **CEO:** Jan Åström. **Stock:** SCA's stock is listed on the Stockholm Stock Exchange and London Stock Exchange. The stock is also traded in the U.S. through an American Depositary Receipt program. The share price fell 3% in 2004, and trading volume on the Stockholm Stock Exchange was SEK 52 billion. For more information on SCA, visit www.sca.com.

Net Sales and Earnings

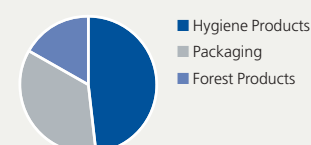


SCA's Stock



Comment: During the past ten years SCA's stock performed somewhat better than the return index.

Net Sales per Business Area



Key Data

	2004	2003
Net sales, SEK M	89,967	85,338
Earnings after net financial items, SEK M	4,839	6,967
Earnings per share, SEK	15.58	21.84
Dividend per share, SEK	10.50¹	10.50
Operating cash flow per share, SEK	23.27	34.98
Shareholders' equity per share, SEK	214	214
Average number of employees	51,718	43,617
Market capitalization as per December 31, SEK M	66,734	69,098

Largest Owners as per December 31, 2004²

	% of votes	% of capital
Industrivärden	28.5	7.8
Handelsbanken ³	11.0	3.3
SEB mutual funds	5.8	3.0
Alecta	2.8	4.4
Skandia Liv	2.6	1.6

1) Proposed by the Board of Directors.

2) Source: SIS Ågarservice.

3) Including pension foundations, employee foundations and mutual funds.

Skanska



Skanska offers competitive solutions in the development, construction and maintenance of physical environments for living, traveling and working. The company is active in nine home markets. Its vision is to be a leader in construction-related services and project development in these markets.

Skanska is one of the world's leading companies in construction-related services and project development. Its mission is to develop, build and maintain the physical environment for living, traveling and working. Its goal is to be number 1 or 2 in terms of size and profitability in all the home markets of its business units. Skanska's goal is also to be the leading project developer in residential, office, retail and selected types of BOT (Build-Operate-Transfer) projects in selected markets.

Skanska's capabilities are best utilized in large, complex projects where quality, comprehensive solutions and life-cycle costs are more important than price. Skanska can offer customers its collective knowledge and services throughout the value chain – from concept and design to construction and services.

Skanska is a global name in construction, with operations in nine 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 33% of sales in 2004.

Operations are conducted in four business units: Construction, Residential Project Development, Commercial Project Development and BOT.

Construction activities involve building and civil construction, as well as service and maintenance. Civil construction consists mainly of infrastructure projects such as rail systems, bridges, tunnels, roads and power plants. Residential Project Development covers the entire value chain, from land acquisition to completion and sale. Commercial Project Development focuses on office buildings, shopping centers and logistics projects, where the objective is to complete the entire development cycle with an aver-

age period that should not exceed three years. BOT refers to privately financed infrastructure projects. Skanska's BOT expertise encompasses the entire chain from financing and construction to operation of the finished facility.

Skanska's financial targets are to have an operating margin of 3.3% for the construction activities and to achieve an average annual return on shareholders' equity after tax of 18%. Based on current operations, shareholders' equity should be approximately SEK 15 billion.

Skanska's dividend policy is based on the goal that future profits are expected to cover development of the Group's business as well as growth in the regular dividend. The dividend is expected to amount to at least 50% of profit after tax.

Highlights 2004

- Operating income amounted to SEK 3,853 M (4,532), including gains of SEK 1,515 M (2,399) on sales of commercial properties.
- Operating income for Construction, the largest business unit, amounted to SEK 1,211 M (1,551). Earnings were charged with project write-downs primarily in the U.S. and the U.K., totaling SEK 650 M.
- Skanska Services was sold for a capital gain of SEK 1,165 M, and Myresjöhus was sold for a capital gain of SEK 298 M. These divestments were made to focus on Skanska's core businesses.
- Good cash generation capacity in the construction operations and divestments of properties held for resale contributed to a positive cash flow and improved financial position. Operating cash flow was SEK 5,786 M (9,970). At year-end Skanska had a net cash position, i.e., greater financial assets than interest-bearing net debt, of SEK 7,499 M (150).



Industrivärden's Holding in Skanska as per December 31, 2004



Share of equities portfolio: 6%.

Holding:

Shares: 17,302,756 Class A shares and 15,000,000 Class B shares.
Market value: SEK 2,576 M.
Share of votes: 28.6%. Share of capital: 7.7%.

Assessment of the company from an ownership perspective: Following a strong phase of expansion, Skanska is carrying out a consolidation and strategic concentration of its operations. The company's financial targets give priority to profitability over growth. Industrivärden is optimistic about Skanska's opportunities to further develop its operations and achieve long-term favorable earnings growth.

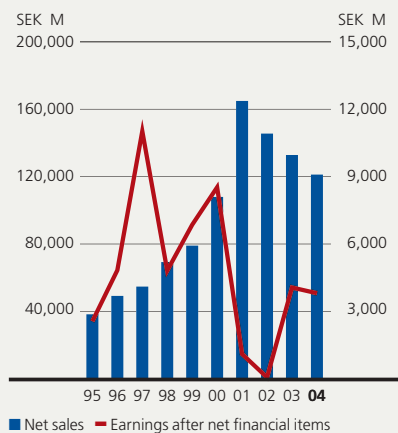
Board members with ties to Industrivärden: Sverker Martin-Löf, Finn Johnsson, Arne Mårtensson and Anders Nyrén.

Industrivärden's nominating committee representative: Carl-Olof By.

Skanska at a Glance

Chairman: Sverker Martin-Löf. **CEO:** Stuart Graham. **Stock:** Skanska's stock is listed on the Stockholm Stock Exchange. The share price rose by 26% in 2004, and trading volume was SEK 29 billion. For more information on Skanska, visit www.skanska.com.

Net Sales and Earnings

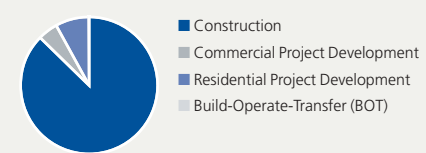


Skanska's Stock



Comment: During the past ten years Skanska's stock performed on a par with the return index.

Net Sales per Business Unit



Key Data

	2004	2003
Net sales, SEK M	121,263	132,879
Earnings after net financial items, SEK M	3,819	4,072
Earnings per share, SEK	6.33	6.60
Dividend per share, SEK	4.00 ¹	3.00
Cash flow per share, SEK	22.05	25.85
Shareholders' equity per share, SEK	38.40	33.85
Average number of employees	53,803	69,669
Market capitalization as per December 31, SEK M	33,219	26,578

Largest Owners as per December 31, 2004²

	% of votes	% of capital
Industrivärden	28.6	7.7
Inter Ikea Investment	8.2	1.4
Handelsbanken ³	6.2	2.3
AMF Pension	3.7	6.0
FöreningsSparbanken mutual funds	1.6	2.6

1) Proposed by the Board of Directors.
2) Source: SIS Ägarservice.
3) Including pension foundations and mutual funds.

SSAB



SSAB is a world-leading producer of quenched steels, i.e., abrasion-resistant plate and high-strength construction steel. In the sheet segment, SSAB specializes in high-strength sheet, where it is one of the leading suppliers in Europe.

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 34% of total net sales, 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 and Tibnor (85% stake).

Plannja is one of Europe's leading building sheet companies. Plannja processes sheet into products such as roofing tiles and rainwater runoff products. Tibnor is the leading com-

mercial steel company in Sweden with a range of commercial steels, special steels, pipes, and stainless steels.

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

SSAB's dividend policy is that the dividend should be adjusted to the average profit level over a business cycle and constitute roughly a third of profit after tax.

Highlights 2004

- Profit after net financial items, which reached an all-time high for SSAB, more than tripled to SEK 4,784 M (1,343), due to improved margins, higher volumes, a higher share of specialty steels and lower processing costs. Rising raw material prices were an offsetting factor.
- Deliveries of the Group's special products, such as quenched steel and ultra high-strength sheet, rose 28%.
- Cash flow increased to SEK 1,992 M (765) as a result of the strong earnings improvement and lower investment.
- The subsidiary SSAB HardTech, which manufactures press-hardened components for the automotive industry, was sold for a capital gain of SEK 825 M.
- During the year the decision was made to invest a total of SEK 485 M to increase capacity for quenched steels in Oxelösund, creating the conditions for volume growth of 35%.
- The board has proposed that approximately SEK 2 billion be distributed to the shareholders through a redemption offer in order to streamline the capital structure.



Industrivärden's Holding in SSAB as per December 31, 2004



Share of equities portfolio: 5%.

Holding:

Shares: 14,113,750 million Class A shares.
Market value: SEK 2,258 M.
Share of votes: 18.3%. Share of capital: 14.0%.

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

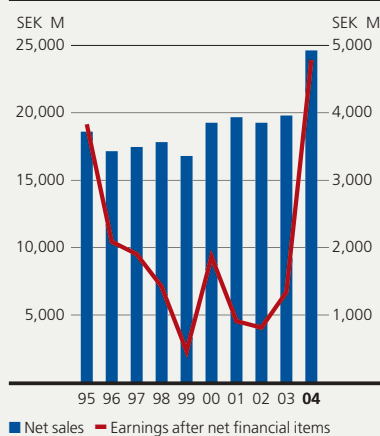
Industrivärden's nominating committee representative: Carl-Olof By.

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 niche. SSAB is thus well equipped in an increasingly competitive global market. The business generates good cash flows. Industrivärden has an optimistic view of SSAB's development opportunities, even though 2004 was an exceptionally good year.

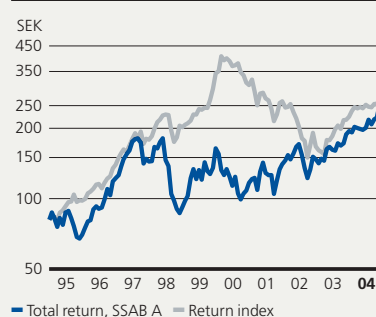
SSAB at a Glance

Chairman: Sverker Martin-Löf. **CEO:** Anders Ullberg. **Stock:** SSAB's stock is listed on the Stockholm Stock Exchange. The share price rose by 25% in 2004, and trading volume was SEK 17 billion. For more information on SSAB, visit www.ssab.com.

Net Sales and Earnings

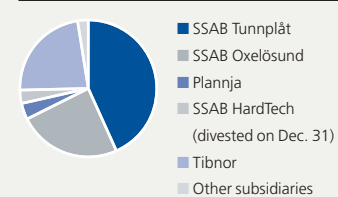


SSAB's Stock



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

Net Sales per Business Segment



Key Data

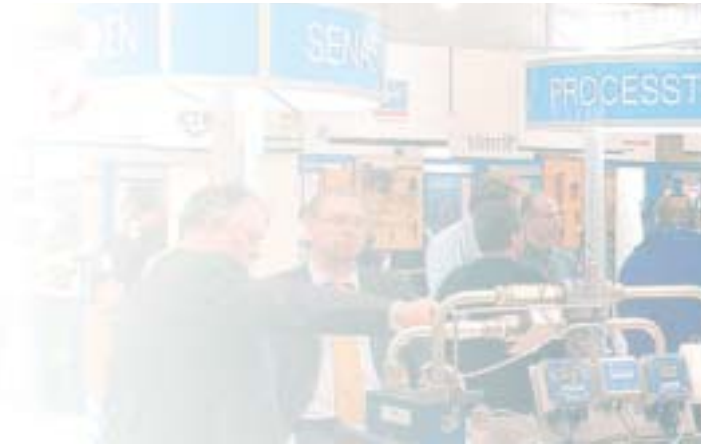
	2004	2003
Net sales, SEK M	24,631	19,806
Earnings after net financial items, SEK M	4,784	1,343
Earnings per share, SEK	35.55	8.90
Dividend per share, SEK	7.50 ¹	6.00
Cash flow per share, SEK	19.03	6.27
Shareholders' equity per share, SEK	128.85	99.40
Average number of employees	9,412	9,570
Market capitalization as per December 31, SEK M	16,052	12,833

Largest Owners as per December 31, 2004²

	% of votes	% of capital
Industrivärden	18.3	14.0
LKAB	6.2	4.8
FöreningsSparbanken mutual funds	4.9	7.3
AMF Pension	4.9	3.7
SEB mutual funds	2.4	1.9

1) Proposed by the Board of Directors.
2) Source: SIS Ägarservice.

Indutrade



Indutrade conducts trade in imported industrial components for customers with a recurring need. The products are offered together with qualified system solutions. The company's customers consist primarily of industrial companies in northern Europe and Benelux.

Indutrade is a technical trading company whose overriding business concept is to provide imported components to industrial companies with a recurring need. In connection with this Indutrade offers training, consulting services and 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. Suppliers are situated mainly in Western Europe, the U.S. and Japan. As a rule, Indutrade's companies have exclusive agency agreements in their respective geographic markets.

Indutrade's principal markets are Sweden, Finland, Benelux 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. Customers are primarily in the paper and pulp industry, the chemical industry, the engineering industry, and in the pharmaceutical and food industries.

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 analysis

and risk assessment of acquisition targets, as well as for integrating new companies into the group.

In 2004 Indutrade acquired Landis & Gyr, a Finnish process automation business with annual sales of approximately SEK 40 M. During the last ten-year period Indutrade has acquired some 30 companies with combined sales of approximately SEK 1.9 billion in 2004. The largest acquisition was made in 2001 and pertained to the Fagerberg Group, EIE Maskin and the Finnish company Tecalemit.

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 2004

- Net sales amounted to SEK 3,486 M (3,197), an increase of 7% for comparable units. Volume growth was favorable for most of the Swedish and Finnish companies.
- Indutrade's earnings after net financial items increased by 19% to SEK 216 M (182). Earnings improved in all markets. The return on capital employed was 24% (19%). Operating cash flow was SEK 245 M (176).
- Johnny Alvarsson took office as CEO in late 2004. He succeeded Gunnar Tindberg, who was active at Indutrade since the 1970s, including 26 years as CEO.



Industrivärden's Holding in Indutrade as per December 31, 2004



Share of equities portfolio: 5%.

Holding:

Estimated market value: SEK 2,022 M.
Share of votes and capital: 100%.

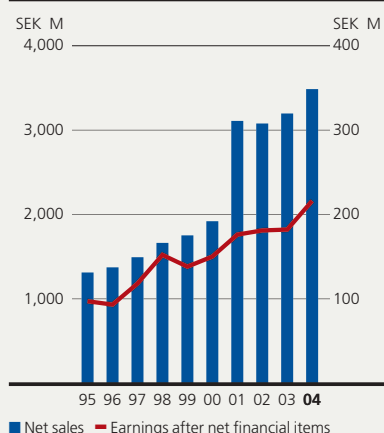
Board members with ties to Industrivärden: Anders Nyrén and Bengt Kjell.

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.

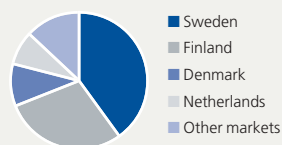
Indutrade at a Glance

Chairman: Anders Nyrén. **CEO:** Johnny Alvarsson. For more information on Indutrade, visit www.indutrade.com.

Net Sales and Earnings



Net Sales per Market



Key Data

	2004	2003
Net sales, SEK M	3,486	3,197
Earnings after net financial items, SEK M	216	182
Return on capital employed, %	24	19
Operating cash flow, SEK M	245	176
Average number of employees	1,415	1,377
Estimated market value, SEK M	2,022	1,704

Ownership as per December 31, 2004

	% of votes and capital
Industrivärden	100

Munters



Munters is the world leader in humidity control, with products and services for water damage restoration, dehumidification, humidification and air cooling.

Munters is a global player in humidity control, with products and services for water and fire damage restoration, dehumidification, humidification and air cooling. Munters has global market shares of approximately 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.

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 the renting of dehumidifiers for industrial applications.

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.

HumiCool offers products and services that create a controlled indoor climate. Evaporative cooling is in demand in countries with

a warm climate, while in countries with cold, dry climates, humidification is preferred to improve indoor environments. Munters' 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 an ideal artificial 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 include annual sales growth in excess of 10% over a business cycle, an EBIT margin of 10%, and a capital turnover rate of 3.

Munters' dividend policy is that the dividend should correspond to a third of average net earnings, measured over a several-year period.

Highlights 2004

- Earnings after financial items amounted to SEK 283 M (280).
- Demand for Munters' products was favorable and increased during the year. Demand from the European insurance industry for damage restoration was low, however, due to fewer water and fire-related claims. This was partly offset by strong demand in the U.S.



Industrivärden's Holding in Munters as per December 31, 2004



Share of equities portfolio: 2 %.

Holding:

Shares: 3,219,350 shares.
Market value: SEK 644 M.
Share of votes and capital: 12.9%.

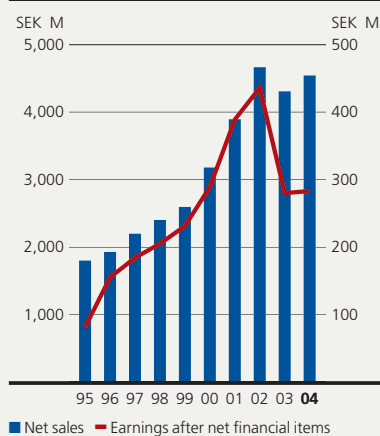
Assessment of the company from an ownership perspective: Munters has a very strong market position in humidity control and has had good growth and a high rate of return on capital during the last five years. Although earnings weakened in 2003 and 2004, Munters has shown favorable growth in sales and earnings over the long term. Industrivärden believes that Munters has good future opportunities in interesting and growing product segments.

Board member with ties to Industrivärden: Bengt Kjell.
Industrivärden's nominating committee representative: Carl-Olof By.

Munters at a Glance

Chairman: Berthold Lindqvist. **CEO:** Lennar Evrell. **Stock:** Munters' stock is listed on the Stockholm Stock Exchange. The share price rose by 15% in 2004, and trading volume was SEK 2 billion. For more information on Munters, visit www.munters.com.

Net Sales and Earnings

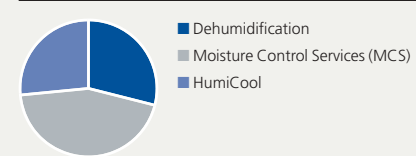


Munters' Stock



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

Net Sales per Product Segment



Key Data

	2004	2003
Net sales, SEK M	4,543	4,308
Earnings after net financial items, SEK M	283	280
Earnings per share, SEK	6.84	7.04
Dividend per share, SEK	4.00 ¹	3.50
Cash flow per share, SEK	3.32	4.06
Shareholders' equity per share, SEK	45.60	44.53
Average number of employees	3,207	3,162
Market capitalization as per December 31, SEK M	5,000	4,350

Largest Owners as per December 31, 2004²

	% of votes and capital
Industrivärden	12.9
Latour	12.8
Third National Swedish Pension Fund	7.7
FöreningsSparbanken mutual funds	7.6
Nordea mutual funds	6.8

1) Proposed by the Board of Directors.
2) Source: SIS Ägarservice.

Ossur



Ossur is an international medical technology company and a leading innovator of high-quality prosthetics and orthopedic products. The company has operations in Europe and North America, and an extensive distribution network in other markets.

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 (leg braces, etc.). Ossur's high-tech prosthetic legs enable users to live an active life. The company's original product consisted of silicone liners that are rolled on the residual limb to fasten the prosthetic and protect the skin from friction sores. Ossur has expanded its operations through company acquisitions in the U.S. and Sweden to include a complete offering of market-leading prosthetic and orthotic products. In 2003 Ossur acquired Generation II Group, a U.S.-based orthotics company with a first-rate product portfolio and focus on product development. Through this acquisition Ossur established a strong market position in North America while expanding its product offering. Parallel with its acquisitions, Ossur has built up own marketing organizations in Europe and the U.S.

Vascular diseases and diabetes are the leading causes of amputations, accounting for 40% and 35%, respectively. Accidental injuries are responsible for only 5% of all amputations.

Ossur has a wide range of prosthetic and orthotic products, and new products are being innovated on a continuous basis. The company's expertise in the development and production of prosthetic legs and orthotics is based on extensive technical know-how in the areas of silicone, carbon fiber, metalworking and mechanics/electronics. Ossur's technology has been developed in Iceland, Sweden and the U.S.

Opportunities for expansion can be found through establishment in new geographic markets outside Europe and the U.S., and through expansion in the orthotics segment. Ossur works in a strongly growing market with major medical needs. The company is research-intensive and holds a large number of patents, and is a world-leader in its field.

Ossur's financial target is to grow earnings per share by an average of 15% per year. Another goal is to increase sales to USD 180 M by 2006, with a profit margin of 20% before interest, tax, depreciation and amortization.

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 local headquarters in Uppsala, Sweden.

Highlights 2004

- Sales rose 32%, mainly through organic growth in the Nordic countries and the rest of Europe. Ossur continues to capture market shares in Europe.
- Earnings after net financial items more than tripled to USD 19.1 M (5.7) as a result of strong volume growth, an improved product mix, stricter cost control and efficiency improvements in Generation II Group, an American orthotics company acquired in 2003.
- A number of innovative products that are expected to provide further volume growth were launched during the year.



Industrivärden's Holding in Ossur as per December 31, 2004



Share of equities portfolio: 1%.

Holding:

Shares: 65,118,000 shares. Market value: SEK 537 M.
Share of votes and capital: 20.4%.

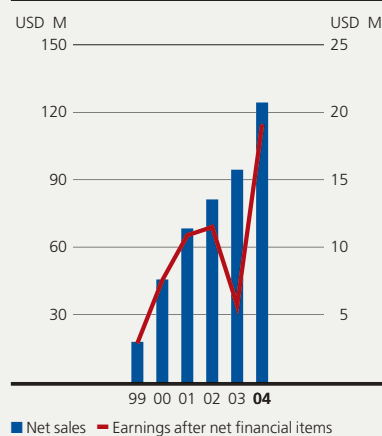
Assessment of the company from an ownership perspective: Through innovative entrepreneurship and extensive technical know-how Ossur has established a strong position in the development, production and sale of prosthetic legs and orthotic devices. Industrivärden believes Ossur has good future prospects in an interesting field of medical technology.

Board member with ties to Industrivärden: Bengt Kjell.

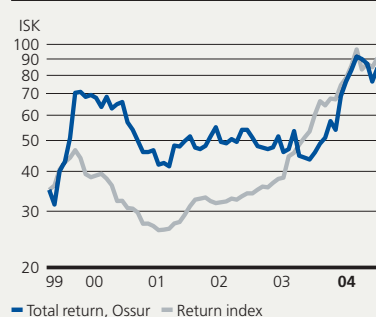
Ossur at a Glance

Chairman: Pétur Guðmundarson. **CEO:** Jón Sigurðsson. **Stock:** Ossur's stock is listed on the Reykjavik Stock Exchange. The share price rose by 75% in 2004, and trading volume was SEK 1.4 billion. For more information on Ossur, visit www.ossur.com.

Net Sales and Earnings



Ossur's Stock



Comment: Ossur's stock was listed on the Reykjavik Stock Exchange in 1999. The share price has varied between ISK 30 and ISK 104. Industrivärden's share purchases in 2002–2004 were made at an average price of ISK 52.

Net Sales per Market



Key Data

	2004	2003
Net sales, USD M	124.4	94.5
Earnings after net financial items, USD M	19.1	5.7
Earnings per share, USD	0.05	0.01
Dividend per share, USD	None ¹	None
Cash flow per share, USD	0.04	-0.06
Shareholders' equity per share, USD	0.17	0.13
Average number of employees	568	480
Market capitalization as per December 31, SEK M	2,626	1,451

Largest Owners as per December 31, 2004

	% of votes and capital
Industrivärden	20.4
Mallard Holding S.A. ²	18.7
William Demant Invest A/S	16.1
Eyrir fjárfestingafélag	9.9
Arion hf	3.1

1) Proposed by the Board of Directors.
2) Owned by the founder, Óssur Kristjánsson.

Isaberg Rapid



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

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 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 activities. 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, 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 key end customers. Isaberg

Rapid has been designated as a preferred supplier of staplers and staples by most of the major office supply chains.

A line of low- and medium-price products made by a subsidiary in China is enabling penetration of new market segments.

Product development is a cornerstone of 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 connection with the successful introduction of photocopier staplers in the mid-1990s, Isaberg Rapid's return on capital employed rose sharply. This has subsequently fallen as a result of lower delivery volumes of photocopier staplers, fierce price competition brought by globalization in both the office stapler and tools markets, and insufficient manufacturing efficiency. An extensive restructuring program has been initiated in the aim of improving operating efficiency and restoring profitability. Actions are being focused on cost-cutting, a leaner product line, and manufacturing and distribution efficiency.

Highlights 2004

- Net sales amounted to SEK 861 M (877).
- Operating earnings totaled SEK 31 M (49). After SEK 39 M in costs for ongoing action programs, a loss of SEK -8 M was reported after net financial items. The return on capital employed, based on operating earnings, was 7% (13%).
- Ingemar Broström took office as CEO on 1 February 2005.



Industrivärden's Holding in Isaberg Rapid as per December 31, 2004



Share of equities portfolio: 1%.

Holding:

Estimated market value: SEK 290 M.
Share of votes and capital: 100%.

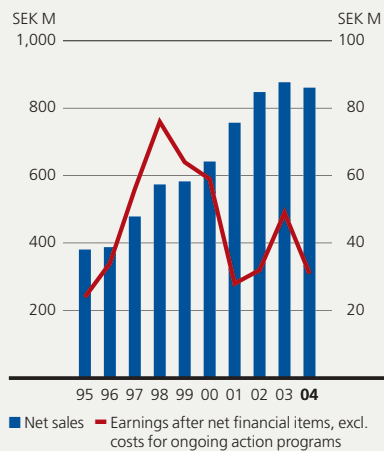
Assessment of the company from an ownership perspective: As a result of the concentration on major customers in recent years, Isaberg Rapid is being forced to adapt its product supply to meet the customers' needs for efficient manufacture and competitive prices. An action program is in progress aimed at cost-cutting, a leaner product line, and manufacturing and distribution efficiency.

Board members with ties to Industrivärden: Anders Nyrén, Carl-Olof By and Bengt Kjell.

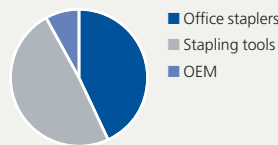
Isaberg Rapid at a Glance

Chairman: Bengt Kjell. **CEO:** Ingemar Broström. For more information on Isaberg Rapid, visit www.isaberg-rapid.com.

Net Sales and Earnings



Net Sales per Business Segment



Key Data

	2004	2003
Net sales, SEK M	861	877
Earnings after net financial items, excl. costs for ongoing action programs, SEK M	31	49
Earnings after net financial items, SEK M	-8 ¹	49
Return on capital employed, %	7 ²	13
Operating cash flow, SEK M	46	20
Average number of employees	1,193	1,187
Estimated market value, SEK M	290	459
1) Of which, costs for ongoing action programs	39	-
2) Excluding costs for ongoing action programs.		

Ownership as per December 31, 2004

	% of votes and capital
Industrivärden	100



FINANCIAL STATEMENTS

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 2004 fiscal year.

Composition and Work of the Board of Directors

The Board of Directors consisted of eight members in 2004. A presentation of the Board can be found on page 84.

In 2004 the Board held six meetings, 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 section "Governing Bodies and Corporate Governance" on pages 16–19.

Net Asset Value

During the year, net asset value increased from SEK 30.1 billion, or SEK 156 per share, to SEK 36.6 billion, or SEK 189 per share, an increase of 22%. The components making up net asset value are shown below:

	SEK billion		SEK per share	
	12/31/2004	12/31/2003	12/31/2004	12/31/2003
Equities portfolio	41.7	32.9	216	170
Net debt	-5.1	-2.8	-27	-14
Net asset value	36.6	30.1	189	156

Parent Company

The Parent Company *AB Industrivärden* manages the long-term equities portfolio.

The Parent Company's dividend income amounted to SEK 1,033 M (849). Including the earnings from equity transactions, totaling SEK 390 M (2003: SEK -1,511 M of which the sale of the entire holding of Skandia accounted for SEK -1,510 M), derivative transactions totaling SEK 69 M (101), and other income and expense for SEK 47 M (-2), earnings from portfolio management were SEK 1,539 M (-563). After management costs of SEK -80 M (-80), operating earnings were SEK 1,459 M (-643).

After net financial items of SEK -179 M (2003: SEK -244 M, of which SEK -54 M pertained to back interest for additional tax) and tax of SEK - M (additional tax SEK -165 M), net earnings for the year were SEK 1,280 M (-1,052).

The market value of the equities portfolio at year-end was SEK 41,691 M (32,890), an increase of 27% (25%). The surplus value was SEK 21,660 M (15,414). Purchases of stocks during the year totaled SEK 5,203 M (2,012) and sales totaled

SEK 2,956 M (1,933). Stocks were thus purchased for a net total of SEK 2,247 M (79).

Taking into account purchases and sales, the value of the portfolio increased by 21% (24%) during the year. The General Index rose by 18% (30%) during the same period. The total return was 24% (29%), compared with 21% (34%) for the return index (SIXRX).

An extraordinary general meeting of Ericsson resolved to change the voting rights of Ericsson's Class B shares from one-thousandth of a vote to one-tenth of a vote. The meeting also resolved to issue one conversion right for each Class A share. Each conversion right entitled its holder to convert one Class B share to a Class A share. Following conversion of 186,000,000 Class B shares to Class A shares, Industrivärden's holding amounts to 372,000,000 Class A shares, corresponding to 13.3% of the votes (2003: 27.7%).

Major Purchases and Sales by the Parent Company, And Earnings from Equity and Derivative Transactions

	No. of shares	SEK M
Purchases		
Handelsbanken A	14,412,200	2,109
Sandvik	6,386,000	1,613
Ericsson B	22,960,724	511
Scania B	900,000	223
Volvo A	561,700	140
SSAB A	1,006,400	129
Munters	513,600	91
Ossur hf	13,118,000	89
Other		298
Total		5,203
Sales		
SCA B	2,980,640	854
Scania A ¹	2,286,600	556
Scania B ¹	1,950,200	473
Pfizer Inc.	1,017,500	263
Ericsson B	15,000,000	256
Sandvik	600,000	161
Handelsbanken A	800,000	129
Other		264
Total		2,956
Earnings from equity and derivative transactions		
SCA B		316
Ericsson B		156
Handelsbanken A		76
Derivative transactions		69
Scania A ¹		-110
Scania B ¹		-73
Other		25
Total		459

¹) The entire shareholding.

Short-Term Equity Trading

Nordinvest AB conducts short-term equity trading. During the year purchases of listed stocks totaled SEK 1,350 M (549) and sales totaled SEK 1,168 M (574). Stocks were thus purchased for a net total of SEK 182 M (-25). Earnings after net financial items were SEK 34 M (-1). Including earnings from the Parent Company's derivative transactions, totaling SEK 69 M (101), total earnings from short-term equity trading and derivative transactions amounted to SEK 103 M (100), which more than amply covered the Parent Company's management costs.

The Parent Company's Financing And Interest-Bearing Net Debt

The Parent Company's cash and cash equivalents amounted to SEK 453 M (410), and interest-bearing receivables amounted to SEK 288 M (78). Interest-bearing liabilities and provisions increased by SEK 2,692 M to SEK 5,682 M (2,990), including SEK 46 M (49) in pension provisions. Of total interest-bearing liabilities, SEK 4,056 M (2,215) consisted of long-term loans. Interest-bearing net debt increased from SEK 2,452 M to SEK 4,798 M.

The net debt-equity ratio was 11.5% (7.4%), as shown in the specification on page 59.

Operating Companies

Net sales of the operating companies amounted to SEK 4,348 M (4,075). Earnings after financial items totaled SEK 209 M (226).

Indutrade's net sales amounted to SEK 3,486 M (3,197). Earnings after financial items totaled SEK 216 M (182).

Isaberg Rapid's net sales totaled SEK 861 M (877). Earnings after financial items totaled SEK -8 M (49), including SEK 39 M (-) in costs for ongoing action programs. The previously announced sales process was broken off during the second quarter.

Consolidated Net Sales and Earnings

Consolidated net sales amounted to SEK 4,348 M (4,075), an increase of 7% compared with the preceding year for comparable units. Sales outside Sweden accounted for 68% (67%) of total.

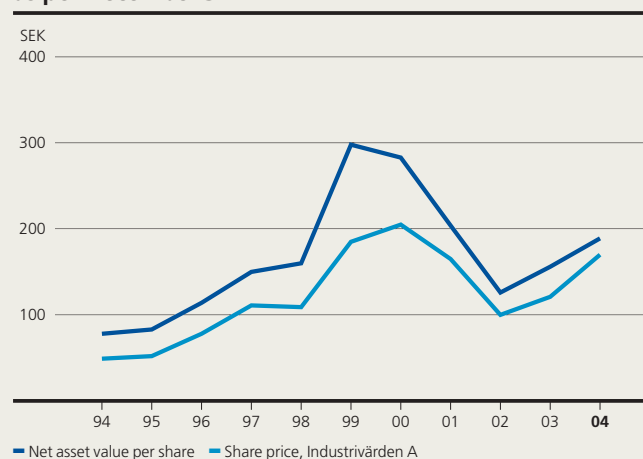
Operating earnings were SEK 1,639 M (-374), of which SEK 1,488 M (-538) pertained to earnings from portfolio management, SEK 231 M (244) to earnings from operating companies, and SEK -80 M (-80) to management costs.

Net financial items amounted to SEK -201 M (-249). Earnings after financial items totaled SEK 1,438 M (-623).

The result of associate accounting amounted to SEK 203 M (9). After tax of SEK -84 M (-253), net earnings for the year were SEK 1,557 M (-867).

A breakdown of the Group's net sales and earnings after finan-

Net Asset Value per Share, and Share Price as per December 31



Comment: At year-end 2004 the discount to net asset value, i.e., the difference between net asset value and the share price, was the lowest that has been measured from year-end 1994 until year-end 2004.

cial items by business unit is provided in a table on page 54 under the Income Statement and in the segment reporting section, Note 4, on page 66.

Capital Expenditures

The Group's capital expenditures in tangible fixed assets amounted to SEK 54 M (86) during the year, and scheduled depreciation totaled SEK 83 M (88).

The Group's Interest-Bearing Net Debt

The Group's net debt increased by SEK 2,520 M to SEK 5,362 M.

Employees

The average number of employees in the Group was 2,632 (2,581), of whom 1,592 (1,556) 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 20.

Proposed Dividend

The Board of Directors proposes a dividend of SEK 6.00 per share (5.50). The proposal entails that no tax will be paid by the Parent Company.

Environmental Impact

AB Industrivärden does not conduct any operations requiring a permit according to the environmental code. A discussion of

Industrivärden's environmental and corporate responsibility initiatives is provided on page 15.

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 their consolidated results in accordance with IFRS (International Financial Reporting Standards), which are issued by an independent expert body and apply throughout the EU.

The transition to IFRS affects the Company's accounting as well as its financial reporting. The Industrivärden Group will be reporting according to IFRS starting in 2005, with adjusted comparison figures for 2004. The Parent Company must continue to prepare its annual reports in accordance with the Swedish Annual Accounts Act, which entails certain deviations compared with IFRS. The IFRSs that have the greatest impact on Industrivärden's accounting and reporting are IAS 28 Investments in Associates, IAS 32 Financial Instruments: Disclosure and Presentation, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 3 Business Combinations.

IAS 32 is compatible – with certain exceptions – with recommendation RR 27: Financial Instruments: Disclosure and Measurement, which was adopted as from January 1, 2003. IAS 32 con-

cerns how financial instruments are to be classified in the balance sheet and which disclosures are to be made to make it 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 62–64.

IAS 39 entails, among other things, that the major part of financial instruments are to be measured in the consolidated financial statements at fair value. Remeasurement of Industrivärden's listed equities portfolio from cost to fair (market) value as per December 31, 2004 – and taking into account special rules in IAS 28, point 1 – would entail an increase in the Group's shareholders' equity of SEK 18 billion. Remeasurement of other financial instruments to fair value has a very small impact on the Group's earnings and financial position.

IFRS 3 prescribes, among other things, that goodwill may no longer be amortized. Instead, impairment shall be recognized if the reported value exceeds the higher of the net sales value and a present value calculation of future cash flows and estimated residual value. Goodwill shall be tested for impairment on a regular basis. For the Industrivärden Group, IFRS 3 entails that earnings from operating companies are improved by approximately SEK 37 M for 2004, provided there is no need to recognize impairment.

A detailed discussion of the effects for the Group of the transition to IFRS is provided in the section "Annual Financial Statements 2004 Restated in According to IFRS" on pages 80–81.

Proposed Distribution of Earnings

According to the Consolidated Balance Sheet, the Group's unrestricted shareholders' equity amounts to SEK 11,521 M, of which SEK 1,557 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 10,840 M	To shareholders, a dividend of SEK 6.00 per share totaling	SEK 1,159 M
Net earnings for the year	SEK 1,280 M	To be carried forward	SEK 10,961 M
	SEK 12,120 M		SEK 12,120 M

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

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 17, 2005

Tom Hedelius
Chairman

Sverker Martin-Löf
Vice Chairman

Boel Flodgren

Finn Johnsson

Fredrik Lundberg

Arne Mårtensson

Lennart Nilsson

Anders Nyrén
President and CEO

Our Audit Report was submitted on February 24, 2005

Öhrlings PricewaterhouseCoopers AB

Ingvar Pranhäll
Authorized Public Accountant

Parent Company Income Statement

SEK M	Note	2004	2003
PORTFOLIO MANAGEMENT			
Dividend income from stocks	1	1,033	849
Earnings from equity transactions	2	390	-1,511
Earnings from derivative transactions	2	69	101
Other income and expenses	3	47	-2
Earnings from portfolio management		1,539	-563
Management costs	5-7	-80	-80
Operating earnings		1,459	-643
Interest income			
Subsidiaries		2	9
Other		5	23
Interest expenses			
Subsidiaries		-2	-4
Other		-183	-262
Other financial income	10	0	4
Other financial expenses	11	-1	-14
Earnings after financial items		1,280	-887
Tax	13	-	-165
Net earnings for the year		1,280	-1,052

Comments on the Parent Company Income Statement

Portfolio Management

Dividend income from stocks totaled SEK 1,033 M (849), an increase of 22%. Handelsbanken, Sandvik, SCA, Skanska and SSAB raised their dividends. Ericsson did not pay any dividend.

Earnings from equity transactions totaled SEK 390 M (2003: loss of SEK -1,511 M, mainly attributable to the sale of the entire holding in Skandia). The largest individual capital gains were SEK 316 M from the sale of 3.0 million Class B shares in SCA and SEK 156 M from the sale of 15.0 million Class B shares in Ericsson. Derivative transactions generated a profit of SEK 69 M (101). The sale of the entire holding of Class A and B shares in Scania gave rise to a capital loss of SEK -183 M. The sales of Scania A and B, SCA B and Pfizer, for a combined total of SEK 2,146 M, was part of the financing for the purchase of Handelsbanken Class A shares and Sandvik for a total of SEK 3,722 M.

Earnings from portfolio management were SEK 1,539 M (-563).

Management Costs

Management costs totaled SEK -80 M (-80), corresponding to 0.2% (0.2%) of the market value of the equities portfolio. Management pertains to the investment activities as well as active ownership.

Net Financial Items and Tax

Net financial items amounted to SEK -179 M (2003: SEK -244 M, of which SEK -54 M pertained to back interest for additional tax).

Interest-bearing net debt increased by SEK 2,346 M, to SEK 4,798 M, mainly as a result of net stock purchases of SEK 2,247 M (79).

Earnings after financial items totaled SEK 1,280 M (-887). Excluding equity and derivative transactions, earnings after net financial items were SEK 821 M (523).

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 6.00 (5.50) per share gives rise to a deficit in the Parent Company for tax purposes. In the preceding year a provision of SEK 165 M was made for a supplementary tax charge as a result of a ruling by the Administrative Court of Appeal. The court ruled that deduction is not allowed for interest expenses, that had reduced the tax in holding companies owned by and subsequently merged with Industrivärden by a total of SEK 165 M. The ruling, which was not unanimous, has been appealed to the Supreme Administrative Court. See also Note 13, page 70.

Net earnings for the year thereby amounted to SEK 1,280 M (-1,052).

Parent Company Balance Sheet

SEK M	Note	Dec. 31, 2004	Dec. 31, 2003	SEK M	Note	Dec. 31, 2004	Dec. 31, 2003
ASSETS				SHAREHOLDERS' EQUITY AND LIABILITIES			
Fixed assets				Shareholders' equity (see page 56)			
Financial fixed assets				Restricted shareholders' equity			
Equities	17, 20	18,914	16,292	Capital stock		966	966
Shares in subsidiaries	18, 20	507	507	Share premium reserve		342	342
Long-term receivables	20	–	3	Statutory reserve		720	720
Total financial fixed assets		19,421	16,802			2,028	2,028
Total fixed assets		19,421	16,802	Unrestricted shareholders' equity			
Current assets				Retained earnings		10,840	12,954
Current receivables				Net earnings for the year		1,280	–1,052
Receivables from subsidiaries		184	76			12,120	11,902
Other receivables		102	3	Total shareholders' equity		14,148	13,930
Prepaid expenses and accrued income	22	11	8	Provisions			
Total current receivables		297	87	Provision for pensions	24, 26	46	49
Short-term investments	23	400	310	Total provisions		46	49
Cash and bank balances		53	100	Long-term liabilities			
Total cash and cash equivalents		453	410	Long-term interest-bearing liabilities	27	4,056	2,215
Total current assets		750	497	Total long-term liabilities		4,056	2,215
TOTAL ASSETS		20,171	17,299	Current liabilities			
				Liabilities to subsidiaries		1	1
				Tax liability		165	165
				Accrued expenses and deferred income	28	169	130
				Other noninterest-bearing liabilities		6	83
				Total current noninterest-bearing liabilities		341	379
				Liabilities to subsidiaries		148	148
				Other interest-bearing liabilities	29	1,432	578
				Total current interest-bearing liabilities		1,580	726
				Total current liabilities		1,921	1,105
				TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		20,171	17,299
				Pledged assets	30	15	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 listed stocks, totaling SEK 18,914 M (16,292). The surplus value was SEK 20,233 M (14,165).

Stocks were purchased for a net total of SEK 2,247 M (79). Stock purchases totaled SEK 5,203 M (2,012), of which Handelsbanken A accounted for SEK 2,109 M and Sandvik for SEK 1,613 M. Complementary stock purchases were made in SSAB, Munters and Ossur, totaling SEK 309 M. Sales of stock totaled SEK 2,956 M (1,933), of which SCA B accounted for SEK 854 M, Scania A and B (the entire holdings) for SEK 1,029 M, and Pfizer Inc. for SEK 263 M.

The market value of the equities portfolio, taking purchases and sales into account, increased by 21% (24%), compared with 18% (30%) for the General Index.

Shareholders' equity increased by SEK 218 M, to SEK 14,148 M (13,930). The change pertains to net earnings for the year, totaling SEK 1,280 M and the dividend payment for 2003, totaling SEK -1,062 M, corresponding to SEK 5.50 per share.

Interest-bearing liabilities, including interest-bearing pension provisions, increased by SEK 2,692 M, to SEK 5,682 M (2,990). Cash and cash equivalents increased by SEK 43 M, and interest-bearing receivables by SEK 210 M. Interest-bearing net debt, less a liability of SEK 143 M (50) to subsidiaries, amounted to SEK 4,798 M (2,452). The net debt-equity ratio was 11.5% (7.4%), as shown in the specification on page 59.

Consolidated Income Statement

SEK M	Note	2004	2003
PORTFOLIO MANAGEMENT			
Dividend income from stocks	1	1,036	850
Earnings from equity transactions	2	395	-1,486
Earnings from derivative transactions	2	69	101
Other income and expenses	3	-12	-3
Earnings from portfolio management		1,488	-538
OPERATING COMPANIES			
Net sales	4	4,348	4,075
Cost of goods sold		-2,940	-2,695
Development costs		-42	-33
Selling costs		-870	-856
Administrative costs		-263	-246
Other operating income and expenses		-2	-1
Earnings from operating companies	5-9	231	244
Management costs	5-7	-80	-80
Operating earnings		1,639	-374
Interest income		11	33
Interest expenses		-211	-286
Other financial income	10	1	20
Other financial expenses	11	-2	-16
Earnings after financial items		1,438	-623
Result of associate accounting*		203	9
Tax	13	-84	-253
Net earnings for the year		1,557	-867
*) Adjustments pertaining to the equity method			
Dividend income pertaining to associated companies	1	-323	-249
Share in associated company earnings	12	930	497
Adjustment of cost pertaining to divested associated companies	2	-85	0
Tax attributable to associated companies	13	-319	-239
Result of associate accounting		203	9
Depreciation included in operating earnings	8	132	135
Earnings per share, SEK ¹		8.06	-4.49
BREAKDOWN BY BUSINESS UNIT			
Net sales			
Indutrade		3,486	3,197
Isaberg Rapid		861	877
Other, net		1	1
Total, operating companies		4,348	4,075
Earnings after financial items			
Portfolio management²		1,229	-849
Indutrade		216	182
Isaberg Rapid ³		-8	49
Other, net		1	-5
Total, operating companies		209	226
Group		1,438	-623

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

2) Parent Company and other portfolio management subsidiaries.

3) Including SEK 39 M in costs for ongoing action programs.

Consolidated Balance Sheet

SEK M	Note	Dec. 31, 2004	Dec. 31, 2003	SEK M	Note	Dec. 31, 2004	Dec. 31, 2003
ASSETS				SHAREHOLDERS' EQUITY AND LIABILITIES			
Fixed assets				Shareholders' equity (see page 56)			
Intangible fixed assets				Restricted shareholders' equity			
Goodwill	14	187	236	Capital stock		966	966
Intangible rights	14	34	23	Restricted reserves		4,226	4,384
Total intangible fixed assets		221	259			5,192	5,350
Tangible fixed assets				Unrestricted shareholders' equity			
Land and buildings	15, 16	291	291	Unrestricted reserves		9,964	11,930
Plant	15, 16	128	142	Net earnings for the year		1,557	-867
Equipment	15	70	84			11,521	11,063
Construction in progress	15	2	15	Total shareholders' equity		16,713	16,413
Total tangible fixed assets		491	532	Provisions			
Financial fixed assets				Provision for pensions	24, 26	180	165
Equities	17, 20	14,989	10,403	Deferred taxes	13	33	37
Shares in associated companies	19, 20	5,777	7,720	Other provisions	25	48	42
Long-term receivables	13, 20	18	13	Total provisions		261	244
Total financial fixed assets		20,784	18,136	Long-term liabilities			
Total fixed assets		21,496	18,927	Long-term interest-bearing liabilities	16, 27	4,283	2,632
Current assets				Total long-term liabilities		4,283	2,632
Inventories	21	747	734	Current liabilities			
Current receivables				Accounts payable, trade		345	291
Accounts receivable, trade		667	627	Accrued expenses and deferred income	28	388	345
Other receivables		147	60	Other noninterest-bearing liabilities		354	422
Prepaid expenses and accrued income	22	40	44	Total current noninterest-bearing liabilities		1,087	1,058
Total current receivables		854	731	Current interest-bearing liabilities			
Short-term equity investments	23	252	-	Current interest-bearing liabilities	16, 29	1,630	728
Short-term investments	23	401	397	Total current liabilities		2,717	1,786
Cash and bank balances		224	286	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			
Total cash and cash equivalents		625	683			23,974	21,075
Total current assets		2,478	2,148	Pledged assets	30	17	52
TOTAL ASSETS		23,974	21,075	Contingent liabilities	31	6	6

Parent Company and Group Shareholders' Equity

Changes in shareholders' equity

SEK M Parent Company	Capital stock ¹	Share premium reserve	Statutory reserve	Unrestricted shareholders' equity	Total shareholders' equity
Amount as per December 31, 2003	966	342	720	11,902	13,930
Dividend to shareholders	–	–	–	–1,062	–1,062
Net earnings for the year	–	–	–	1,280	1,280
Amount as per December 31, 2004	966	342	720	12,120	14,148

Amount as per 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 as per December 31, 2003	966	342	720	11,902	13,930

1) The capital stock as per December 31, 2004, 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 Share Data," pages 10–12.

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 as per adopted balance sheet at December 31, 2003	966	1,275	3,109	11,063	16,413
Effect of new accounting principles ³	–	–	–	–17	–17
Opening shareholders' equity according to adjusted balance sheet	966	1,275	3,109	11,046	16,396
Dividend to shareholders	–	–	–	–1,062	–1,062
Transfers between unrestricted and restricted shareholders' equity	–	–14	–	14	–
Translation differences ⁴	–	–1	–	–7	–8
Effect of associated companies on earnings for the year	–	–	–	–203	–203
Provision to equity method reserve ⁵	–	–	–143	176	33
Net earnings for the year	–	–	–	1,557	1,557
Amount as per December 31, 2004	966	1,260	2,966	11,521	16,713

Shareholders' equity as per adopted balance sheet at December 31, 2002	966	1,265	–	14,408	16,639
Effect of new accounting principles ⁶	–	–	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 as per December 31, 2003	966	1,275	3,109	11,063	16,413

3) Increase in pension liability as result of changeover to RR 29 Employee Benefits.

4) The accumulated translation difference in shareholders' equity is SEK –22 M (–14), of which SEK 2 M (3) pertains to restricted shareholders' equity and SEK –24 M (–17) to unrestricted shareholders' equity. This change is attributable to currency movements in the foreign subsidiaries.

5) Including share of change of equity in associated companies, annual amortization of goodwill incurred in connection with acquisitions of associated companies and adjustment of cost regarding divested associated companies.

6) The effect of the transition from the cost method to the equity method in associate accounting.

Parent Company and Group, Statements of Cash Flows

SEK M	Parent Company		Group	
	2004	2003	2004	2003
OPERATING ACTIVITIES				
Portfolio management				
Dividend income from stocks	1,000	849	1,003	850
Cash flow from changes in working capital	-3	-7	-14	-18
Operating cash flow from portfolio management	997	842	989	832
Operating companies				
Earnings from operating companies			231	244
Adjustment for non-cash items:				
Depreciation			132	135
Other non-cash items			25	-4
Tax paid			-77	-94
Cash flow from changes in working capital			-16	-66
Operating cash flow from operating activities			295	215
Management costs paid	-76	-75	-76	-75
Interest received	7	63	13	72
Interest paid	-154	-256	-181	-275
Other financial items	-9	-15	-11	-2
CASH FLOW FROM OPERATING ACTIVITIES	765	559	1,029	767
INVESTING ACTIVITIES				
Portfolio management				
Purchase of listed stocks	-5,203	-2,012	-6,553	-2,561
Sale of listed stocks	2,956	1,933	4,124	2,507
Purchase of equity derivatives	-23	-146	-23	-147
Sale of equity derivatives	99	214	99	214
Net purchase/sale of subsidiaries	-30	563 ¹	-30	-
Net purchase/sale of other stocks	6	13	-13	12
Cash flow from investments in portfolio management	-2,195	565	-2,396	25
Operating companies				
Net purchase/sale of stocks in sub-subsidiaries			-14	-56
Net purchase/sale of other fixed assets			-61	-62
Cash flow from investments in operating companies			-75	-118
CASH FLOW FROM INVESTING ACTIVITIES	-2,195	565	-2,471	-93
FINANCING ACTIVITIES				
Loans raised and amortization of debt	2,594	-1,493	2,447	-995
Change in financing of subsidiaries	-109	177	-	-
Dividends paid	-1,062	-1,120	-1,062	-1,120
Payment of shareholder contribution	50	-103	-	-
CASH FLOW FROM FINANCING ACTIVITIES	1,473	-2,539	1,385	-2,115
NET CASH FLOW FOR THE YEAR	43	-1,415	-57	-1,441
Cash and cash equivalents at beginning of year	410	1,825	683	2,127
Exchange rate difference in cash and cash equivalents	-	-	-1	-3
CASH AND CASH EQUIVALENTS AT END OF YEAR	453	410	625	683

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

Comments on the Statements 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.

Parent Company

Operating Activities

Operating cash flow from portfolio management pertains primarily to dividends received, totaling SEK 1,000 M (849), and also includes changes in working capital totaling SEK -3 M (-7). Operating cash flow from portfolio management was thus SEK 997 M (842).

Added to cash flow from portfolio management computed in this manner are management costs paid out, totaling SEK -76 M (-75), interest received, totaling SEK 7 M (63), interest paid out, totaling SEK -154 M (-256), and payment of other financial items, totaling SEK -9 M (-15). After factoring in these figures, total cash flow from operating activities is obtained, which amounted to SEK 765 M (559).

Investing Activities

Cash flow from investments in portfolio management pertains to purchases of listed stocks, totaling SEK -5,203 M (-2,102), sales of listed stocks, totaling SEK 2,956 M (1,933), purchases of stock options, totaling SEK -23 M (-146), sales of stock options, totaling SEK 99 M (214), sales of subsidiaries, totaling SEK -30 M (563), and of other stocks, totaling SEK 6 M (13). Cash flow from investing activities was thus SEK -2,195 M (565).

Financing Activities

Financing activities involve an increase in receivables, totaling SEK -101 M (7); raised loans, totaling SEK 3,200 M (200); and amortization of debt, totaling SEK -505 M (-1,700), entailing net borrowings of SEK 2,594 M (-1,493); and dividends paid, totaling SEK -1,062 M (-1,120). In addition, financing activities include financing of subsidiaries, etc., totaling SEK -59 M (74). Cash flow from financing activities was thus SEK 1,473 M (-2,539).

Cash Flow, Cash and Cash Equivalents

The net of the various cash flow items was SEK 43 M (-1,415). Cash and cash equivalents thereby increased during the year to SEK 453 M (410).

Group

Operating Activities

Operating cash flow from portfolio management pertains primarily to dividends received, totaling SEK 1,003 M (850), and also includes changes in working capitals, totaling SEK -14 M (-18). Operating cash flow from portfolio management was thus SEK 989 M (832).

Operating cash flow from operating companies is based on operating earnings of SEK 231 M (244), which are adjusted for non-cash items, such as depreciation, totaling SEK 132 M (135) and other, totaling SEK 25 M (-4). It also takes into account paid tax, totaling SEK -77 M (-94) and cash flow from changes in working capital - mainly inventories, accounts receivable and accounts payable - totaling SEK -16 M (-66).

Added to cash flow from portfolio management computed in this manner, totaling SEK 989 M (832), and from operating companies, totaling SEK 295 M (215), are management costs paid out, totaling SEK -76 M (-75), interest received, totaling SEK 13 M (72), interest paid out, totaling SEK -181 M (-275), and payment of other financial items, totaling SEK -11 M (-2). After factoring in these figures, total cash flow from operating activities is obtained, which amounted to SEK 1,029 M (767).

Investing Activities

Cash flow from investments in portfolio management pertains to purchases of listed stocks by the Parent Company and Nordinvest, totaling SEK -6,553 M (-2,561), sales of listed stocks, totaling SEK 4,124 M (2,507), purchases of stock options, totaling SEK -23 M (-147), sales of stock options, totaling SEK 99 M (214), sales of subsidiaries, totaling SEK -30 (-) M, and net purchases of other stocks, totaling SEK -13 M (net sales of SEK 12 M).

Cash flow from operating companies includes purchases of sub-subsidiaries, totaling SEK -14 M (-56), and of other fixed assets, mainly plant and equipment, totaling SEK -61 M (-62).

Total cash flow from investing activities was thus SEK -2,471 M (-93).

Financing Activities

Financing activities involve an increase in receivables, totaling SEK -106 M (-); loans raised, totaling SEK 3,231 M (705); and amortization of debt, totaling SEK -678 M (-1,700), entailing net borrowings of SEK 2,447 M (-995); and dividends paid, totaling SEK -1,062 M (-1,120).

Cash Flow, Cash and Cash Equivalents

The net of the various cash flow items was SEK -57 M (-1,441). Cash and cash equivalents were also affected by an exchange rate difference of SEK -1 M (-3), and thus cash and cash equivalents decreased during the year by SEK 58 M to SEK 625 M (683).

Change in Parent Company's Interest-Bearing Net Debt

SEK M	Dec. 31, 2004	Cash flow	Change in borrowings	Other changes	Dec. 31, 2003
Cash and cash equivalents	453	43	–	–	410
Interest-bearing receivables	288	–	210	–	78
Long-term interest-bearing liabilities	4,056	–	1,841	–	2,215
Current interest-bearing liabilities	1,580	–	854	–	726
Interest-bearing pension provisions	46	–	–	–3	49
	4,941	–43	2,485	–3	2,502
Less: liabilities to subsidiaries	–143	–	–93	–	–50
Interest-bearing net debt	4,798	–43	2,392	–3	2,452
Market value of equities portfolio	41,691				32,890
Net debt-equity ratio, %	11.5				7.4

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

SEK M	2004	2004	2003
	Portfolio management	Operating companies	Operating companies
Fixed assets	–	–6	–78
Current assets	–	–4	–43
Long-term liabilities and provisions	–	1	3
Current liabilities	–	2	32
Total purchase price	–	–7	–86
Unsettled portion of purchase price	–	–	15
Settlement of liability pertaining to purchased/sold subsidiaries in previous years	–30	–7	–
Cash and cash equivalents in affected companies	–	–	6
Change of receivable pertaining to sold companies	–	–	9
Cash flow pertaining to purchase/sale of subsidiaries	–30	–14	–56

Change in Group's Interest-Bearing Net Debt

SEK M	Dec. 31, 2004	Cash flow	Change in borrowings	Other changes	Dec. 31, 2003
Cash and cash equivalents	625	–57	–	–1	683
Interest-bearing receivables	106	–	106	–	–
Long-term interest-bearing liabilities	4,283	–	1,651	–	2,632
Current interest-bearing liabilities	1,630	–	902	–	728
Interest-bearing pension provisions	180	–	–	15	165
Interest-bearing net debt	5,362	57	2,447	16	2,842

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 and changed accounting principles

Starting in 2004 Industrivärden applies SFASC recommendation RR 29 Employee Benefits. Application of this new recommendation has affected shareholders' equity in the amount of SEK -17 M. In other respects, the same accounting principles and calculation methods have been used as those used in the 2003 Annual Report.

Accounting for investments in associates

Industrivärden applies the equity method for its accounting of investments in associates in the consolidated financial statements. By an associate is meant a company in which the owning company has a holding that corresponds to at least 20% of the votes. Industrivärden's voting rights correspond to at least 20% in SCA and Skanska, and as from August 2004, also in Ossur. Starting in October 2004 Ericsson is no longer an associate as a result of a change in the voting power of its Class B shares, which is described in the Board of Directors' Report on page 47.

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 shares 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 the cost of divested participations in associated companies, and tax attributable to associated companies.

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. 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. The amortization schedule for goodwill was 5–10 years through 2004. Goodwill values and their amortization periods have been tested for impairment 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 it is 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.

Recognition of dividend income from associated companies and capital gains on sales of shares in associated companies is done in the way described above under the section "Accounting for investments in associates."

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

The cost of machinery and equipment is depreciated 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.

Employee options

The cost of the employee stock option program has been continuously charged against earnings.

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.

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 12, "Reporting of shares and participations."

Listed shares in Nordinvest are reported at market value as from 2004. The result effect is SEK 26 M.

By market value of listed equities is meant the current share price.

Other shares and participations are stated at cost. Any write-down to fair 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 in its equities portfolio. Option premiums received are booked as a debt and deducted from premiums paid upon repur-

chase. 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.

Leases

Leases 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.

Pensions

Pension liability pertains to Industrivärden's defined benefit pension obligations – both FPG/PRI obligations and individual pension obligations – all calculated in accordance with RR 29. With respect to defined benefit pension plans insured with Alecta, these are reported as defined contribution plans since Alecta has not been able to provide necessary information. The pension cost for Industrivärden, including defined benefit as well as defined contribution pension plans, has been charged against earnings in the amount of SEK 96 M for 2004. See also Note 24, Provision for pensions, on pages 75–76.

Provisions

Provisions pertain to subsidiaries' obligations with respect to guarantees and product liability, reserves for supplemental purchase prices for company acquisitions, and reserves for costs for ongoing action programs.

Related party transactions

No related party transactions have taken place.

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 investment of 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 long-term borrowing. Short-term borrowing consists of confirmed (committed) and unconfirmed credit lines with banks, commercial paper programs, and a Euro Commercial Paper (ECP) program. Long-term borrowing consists primarily of a Medium-Term Note (MTN) program and a five-year syndicated loan with a remaining term of four years.

At the end of 2004 AB Industrivärden had confirmed limits corresponding to SEK 5.0 billion (5.0), of which SEK 0.9 billion (0.9) was utilized, and unconfirmed limits and market programs totaling SEK 13.3 billion (14.4), of which SEK 4.6 billion (1.9) was utilized. Borrowing increased in 2004 partly as a result of net purchases of stocks totaling SEK 2.2 billion.

At the same point in time, the Industrivärden Group had total confirmed limits of SEK 5.4 billion (5.4) and unconfirmed limits and market programs totaling SEK 13.3 billion (14.4).

A specification of long-term and short-term interest-bearing liabilities is shown in Notes 27 and 29 on page 77.

Compilation of confirmed and unconfirmed limits and market programs

SEK billion	Parent Company		Group	
	12/31/04	12/31/03	12/31/04	12/31/03
Bank overdraft facilities	2.5	2.5	2.7	2.7
Syndicated loan (in euros) ¹	2.5	2.5	2.5	2.5
Other confirmed credits	–	–	0.2	0.2
Total confirmed credits	5.0	5.0	5.4	5.4
Unconfirmed credits	1.8	2.8	1.8	2.8
ECP program (EUR 500 M)	4.5	4.6	4.5	4.6
Commercial paper programs	2.0	2.0	2.0	2.0
MTN program	5.0	5.0	5.0	5.0
Total market programs	11.5	11.6	11.5	11.6
Total limits	18.3	19.4	18.7	19.8

1) A five-year EUR 275 M international syndicated loan with a term lasting through November 2008.

Average interest rate

The average interest rate for AB Industrivärden's debt portfolio as per December 31, 2004, was 4.0% (5.1%).

Ratings

Industrivärden has been assigned international corporate credit ratings 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 currency risk, interest rate risk and refinancing risk.

Industrivärden's operational risk is minimized by well developed internal routines for effective risk management designed to enable Industrivärden to conduct its operations with limited and controlled risk.

Equities risk

Equities risk pertains to share price risk, 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 identifying value-enhancing measures in the portfolio companies. 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 balanced 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. AB Industrivärden's equity investments are made within the parameters of the investment rules set by the Board of Directors. New investments, sales and reallocations are tested on a regular basis by a special investment committee that includes the executive management and representatives from the investment organization.

In addition to investments in listed stocks, Industrivärden also conducts transactions in standardized and non-standardized stock options. As per December 31, 2004, the Company had outstanding market-quoted stock options with a fair value of SEK 12 M and a cost of SEK 9 M. Derivative transactions are 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 by a special set of investment rules with strict risk mandates and stop-loss rules.

Share price risk can be illustrated as such that a 1% change in the price of all listed shareholdings in Industrivärden's equities portfolio as per December 31, 2004, would have impacted net asset value by SEK +/-400 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, 2004, investments in foreign, listed equities totaling SEK 715 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 8.

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 Group's 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, 32% (33%) are derived from Sweden, 63% (62%) from other Europe, and 5% (5%) 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 2004 were affected in the amount of SEK -1 M by currency effects, which includes the effect of forward exchange contracts, totaling SEK -2 M.

Translation exposure arises in foreign subsidiaries' shareholders' equity, since currency hedging is not conducted. The effect on equity was SEK -8 M.

As a rule, loans taken out in foreign currency are converted to Swedish kronor through swap agreements that match in terms of maturity and amount in order to avoid currency exposure. In total, loans amounting to EUR 125 M were swapped to SEK 1,058 M as per December 31, 2004.

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

Book-closing exchange rates

	Year-end rate		Average rate	
	2004	2003	2004	2003
EUR	9.00	9.08	9.13	9.13
GBP	12.70	12.88	13.46	13.27
USD	6.61	7.26	7.35	8.14

Interest rate risk

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

The financial instruments that are exposed to interest rate risk consist of loans and, where applicable, their accompanying swap agreements. Swap agreements are used to limit interest expenses and to adjust maturities, under the condition that the risk in the instrument can be calculated in monetary terms.

Industrivärden measures interest rate swap agreements at cost. All swaps are matched exactly with their underlying loans with respect to amount, maturity, interest payments, margins, etc. At year-end 2004 Industrivärden had swap agreements which, stated at fair value, would have affected the result in the amount of SEK 28 M.

Assuming a hypothetical one percentage point increase in market interest rates, the effect – based on AB Industrivärden's debt portfolio as per December 31, 2004 – would be that the average interest rate in the debt portfolio would increase from approximately 4.0% to 4.3%, entailing an annual cost increase of roughly SEK 15 M. The reasons why a one percentage point increase does not have a full impact on Industrivärden's interest expense are that the Group's loans carry fixed rates of interest and that some loans are swapped from variable to fixed interest rates.

According to the Group's 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 16 months. Industrivärden had no financial instruments with maturities in excess of five years as per December 31, 2004.

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 obligations associated with financial instruments.

Industrivärden's liquidity risk is limited, since its assets consist mainly of liquid, listed equities. Moreover, in accordance with Industrivärden's finance policy, at any given time the Group 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 at 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, 2004, was 25 (21) months. A breakdown of maturities per year is shown in Note 27 on page 77.

Industrivärden's liquidity risk and refinancing risk are judged to be low. Taking into account the market value of AB Industrivärden's equities portfolio, which entails an adjusted equity ratio of 86%, 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 Industrivärden's finance policy, which prescribes that surplus liquidity is to be invested 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 and specially selected 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 667 M as per December 31, 2004. Combined bad debts for the 2004 fiscal year amounted to SEK 3 M.

Routines set by Industrivärden ensure 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 a large number of customers.

Operational risks

Operational risk is the risk of incurring a loss due to deficiencies in internal routines and systems. AB Industrivärden's risk management rests on a foundation of investment rules, the 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.

To strengthen internal control, the auditors perform a limited review of all three interim reports.

The Group's insurance risks are managed in accordance with 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 issued 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

	2004	2003
Parent Company		
Eniro	2	6
Handelsbanken	294	243
Munters	11	9
Nokia	4	4
Pfizer Inc.	8	9
Sandvik	243	210
SCA	223	182
Scania	18	17
Skanska	100	67
Skandia	-	15
SSAB	77	72
Volvo ¹	51	14
Other	2	1
Parent Company	1,033	849
Other	3	1
Group	1,036	850
Of which, dividend income from associated companies		
SCA	223	182
Skanska	100	67
Total	323	249

1) Of which, SEK 33 M pertains to dividend from Volvo in the form of Ainax shares.

Note 2 Earnings from equity and derivative transactions

	Parent Company		Group	
	2004	2003	2004	2003
Eniro (entire holding)	-48	-100	-48	-100
Ericsson B	156	129	156	129
Handelsbanken A	76	-	76	-
Pfizer Inc.	-42	-	-42	-
SCA B	316	-	316	-
Scania A (entire holding)	-110	-	-110	-
Scania B (entire holding)	-73	-	-73	-
Skandia (entire holding)	-	-1,510	-	-1,508
Other equity transactions ¹	115	-1	150	-5
Write-downs of unlisted holdings	-	-29	-30	-2
Equity transactions	390	-1,511	395	-1,486
Derivative transactions	69	101	69	101
Total	459	-1,410	464	-1,385
Divested shares in associated companies:				
Ericsson			30	13
SCA			-126	-
Other equity transactions			11	-13
Adjustment of consolidated earnings as a result of the sale of shares in associated companies			-85	0
			35	-2

Note 3 Other income and expenses

	Parent Company		Group	
	2004	2003	2004	2003
Repayment of shareholders' contribution	50	-	-	-
Costs pertaining to Indus Innovation	-	-	-5	-
Other	-3	-2	-7	-3
Total	47	-2	-12	-3

Note 4 Segment reporting**Primary segments – business units**

	2004				2003			
	Portfolio management	Operating companies	Group adjustments	Total, Group	Portfolio management	Operating companies	Group adjustments	Total, Group
INCOME STATEMENTS								
Dividend income from stocks	1,036	–	–	1,036	850	–	–	850
Earnings from equity- and derivative transactions	464	–	–	464	–1,385	–	–	–1,385
Other income and expenses	–12	–	–	–12	–3	–	–	–3
Earnings from portfolio management	1,488	–	–	1,488	–538	–	–	–538
Net sales	–	4,350	–2	4,348	–	4,078	–3	4,075
Cost of goods sold	–	–2,940	0	–2,940	–	–2,702	7	–2,695
Business overheads, etc.	–	–1,177	–	–1,177	–	–1,130	–6	–1,136
Earnings from operating companies	–	233	–2	231	–	246	–2	244
Management costs	–80	–	–	–80	–80	–	–	–80
Financial income and expenses	–179	–22	0	–201	–231	–28	10	–249
Earnings after financial items	1,229	211	–2	1,438	–849	218	8	–623
Result of associate accounting	–	–	203	203	–	–	9	9
Tax	–6	–78	–	–84	–165	–88	–	–253
Net earnings for the year	1,223	133	201	1,557	–1,014	130	17	–867
BALANCE SHEETS								
Assets								
Equities	19,462	2	–4,475	14,989	16,851	–	–6,448	10,403
Shares in associated companies	–	–	5,777	5,777	–	–	7,720	7,720
Other fixed assets	–	679	51	730	3	750	51	804
Total fixed assets	19,462	681	1,353	21,496	16,854	750	1,323	18,927
Current assets	875	1,841	–238	2,478	487	1,742	–81	2,148
Total assets	20,337	2,522	1,115	23,974	17,341	2,492	1,242	21,075
Shareholders' equity and liabilities								
Shareholders' equity	14,263	1,111	1,339	16,713	14,051	1,058	1,304	16,413
Provisions	46	201	14	261	49	181	14	244
Long-term liabilities	4,056	227	0	4,283	2,215	417	0	2,632
Current liabilities	1,972	983	–238	2,717	1,026	836	–76	1,786
Total shareholders' equity and liabilities	20,337	2,522	1,115	23,974	17,341	2,492	1,242	21,075
Capital expenditures for the year¹	–	73	–	73	–	95	–	95
Depreciation for the year	–	132	0	132	–	135	0	135
Operating cash flow²	–1,641	199	–	–1,442	588	86	–	674

1) Investments in intangible and tangible fixed assets.

2) Cash flow from operating activities and investing activities.

Note 4 Segment reporting, cont.**Secondary segments – geographic¹**

	2004			2003		
	Net sales	Portfolio management ²	Total	Net sales	Portfolio management ²	Total
Sweden	1,379	1,500	2,879	1,332	-535	797
Other Nordic countries	1,512	-	1,512	1,327	-	1,327
Europe, excl. Nordic countries	1,234	-	1,234	1,193	-	1,193
North America	97	-	97	92	-	92
Other markets	126	-	126	131	-	131
Total, Group	4,348	1,500	5,848	4,075	-535	3,540

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

2) Pertains to dividend income from stocks and earnings from equity- and derivative transactions.

Note 5 Average number of employees

	2004		2003	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	22	7	22	6
Subsidiaries in Sweden	1,018	318	1,003	305
Total, Sweden	1,040	325	1,025	311
Subsidiaries outside Sweden				
Baltic countries	79	19	68	15
China	404	255	381	240
Denmark	122	15	127	18
Finland	435	90	412	82
France	307	154	314	159
Germany	103	36	116	41
Netherlands	89	24	91	25
Other	53	13	47	14
Total	1,592	606	1,556	594
Total, Group	2,632	931	2,581	905

Reporting of sickness-related absence

Combined sickness-related absence in the Parent Company during the year was 512 hours out of a total of 40,227 hours, i.e., 1.3% (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 0.3% 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 stated in the specification of Note 6. 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

	2004			2003		
	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	17	8	27	19	10
Subsidiaries in Sweden	336	166	46	300	141	35
Total, Sweden	363	183	54	327	160	45
Subsidiaries outside Sweden						
Baltic countries	10	3	0	8	3	0
China	6	4	0	6	2	0
Denmark	63	4	4	73	4	3
Finland	156	38	30	142	36	27
France	70	25	0	67	22	1
Germany	42	7	0	49	8	0
Netherlands	35	10	6	35	13	9
Other	19	5	2	16	4	2
Total	401	96	42	396	92	42
Total, Group	764	279	96	723	252	87

Of the Parent Company's pension cost, SEK 5 M (5) pertains to the Board of Directors and the CEO. The corresponding amount for the Group was SEK 20 M (17).

Wages, salaries and other remuneration, broken down by country and between board members, presidents, vice presidents and other employees

	2004			2003		
	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	13	1	14	12	0	15
Subsidiaries in Sweden	27	2	309	25	2	275
Total, Sweden	40	3	323	37	2	290
Subsidiaries outside Sweden						
Baltic countries	2	0	8	1	0	7
China	0	–	6	0	–	6
Denmark	5	0	58	5	0	68
Finland	12	1	144	11	1	131
France	1	–	69	1	–	66
Germany	2	1	40	2	1	47
Netherlands	2	0	33	2	0	33
Other	4	–	15	3	–	13
Total	28	2	373	25	2	371
Total, Group	68	5	696	62	4	661

1) 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. Directors' fees are payable in accordance with a resolution of the Annual General Meeting and are apportioned among the directors at the Board's discretion.
- Compensation of the CEO and the other three members of the executive management, of whom one is an employee of Nordinvest, is prepared for a decision of the Board by a compensation committee, whose members are listed on page 85. Base salary and standard employment benefits are paid to members of the 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 84 and 85.

The Board was paid a fee of SEK 2.5 M in 2004 (2.5), in accordance with a resolution by the Annual General Meeting. Of this amount, the Chairman received SEK 0.75 M (0.75) and the Vice Chairman SEK 0.5 M (0.5). Other directors, except for the CEO, each received SEK 0.25 M (0.25). Of the Board's members, seven are men and one a woman.

The CEO received a fixed salary and standard employment benefits valued at a total of SEK 5.0 M (4.7). Added to this is a variable salary component of SEK 0.3 M (–) for the 2004 fiscal year, which will be paid out in 2005. 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 between 60 and 65 years of age equivalent to 70% of his average base salary during the

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

three years prior to retirement, and to lifetime retirement pension benefits after 65 years of age equivalent to 50% of his average base salary during the three years prior to retirement, indexed from the date of retirement in the same manner that would apply for a pension from Alecta. Pension benefits are earned in a linear manner up until the age of retirement and are a vested pension obligation, i.e., not subject to future employment. The cost of defined benefit pension obligations in 2004 was SEK 2.8 M (3.1). In addition, the CEO is entitled to disability pension equivalent to 50% of his base salary the year before such pension occasion, and his survivors are entitled to survivorship benefits equivalent to 35% of his base salary and addendum for children under the age of 20. The Company must give two years' notice if it cancels the CEO's employment contract.

The other three members of the executive management together received fixed salary and standard employment benefits worth SEK 6.3 M (6.2). Added to this is a variable salary portion for the 2004 fiscal year totaling SEK 1.3 M (0.6), which will be paid out in 2005. One of these executives is entitled to pension benefits equivalent to 70% of his base salary between 60 and 65 years of age. Pension benefits are essentially earned in a linear manner up until the age of retirement. All three of these 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 obligation in 2004 for these three executives was SEK 1.8 M (2.9). In the event the Company serves notice, all three executives are entitled to two years' notice. All four members of the executive management are men.

In 2002 an incentive program was established for the employees of the Parent Company, including employee stock options and a variable salary portion. Of the 157,500 stock options allocated to 18 employees, the CEO was granted 30,000 options and the other three members of the executive management were granted a total of 40,000 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 share 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. The stock options can only be exercised if the employee remains employed with the Company or after retirement. Industrivärden has entered into a swap agree-

ment with a financial institution which, through a loan-financed purchase of Industrivärden shares, has ensured that the employee stock option obligation (incl. social security charges) is hedged in the event of a price rise. In total, the financial institution has purchased 248,700 shares, which are intended to cover outstanding options and social security charges, as well as an extra amount pertaining to reversed options. The employee stock option program will not entail any dilution of the number of shares. In the event of a price decline, Industrivärden bears the risk. In 2004, the remaining SEK 8 M (2003: SEK 5 M) of a reserve provision of SEK 13 M made in 2002 for the employee stock option obligation was taken to earnings. This pertained to the price decline that took place in 2002, when the price of the Class A shares was SEK 100 as per December 31, 2002. The price of Industrivärden's Class A shares was SEK 154 at the time of the option program's start on February 15, 2002, and SEK 169.50 at year-end 2004 (SEK 121 at year-end 2003). The exercise price of SEK 177 is calculated as 115% of the price of SEK 154 at the start of the program. Under the terms of the swap agreement, the difference between the price of SEK 154 at the start of the option program and the exercise price of SEK 177 accrues to Industrivärden in the event of a price rise. However, the price rise from SEK 154 to SEK 169.50 at year-end 2004 has not been recognized in Industrivärden's earnings. The interest expense of SEK 1.2 M pertaining to loans from the financial institution has been expensed but was covered by the dividend of SEK 1.4 M from Industrivärden shares under the terms of the swap agreement, which has been taken to earnings. 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, 2004, the theoretical value was SEK 14.70 per option (7.80). The valuations, which were performed by an independent financial institution, do not take into account the fact that the options cannot be transferred before the start of the exercise periods stated above.

All employees are entitled to a variable salary portion which can normally amount to a maximum of 25% of their fixed salary, provided that they have achieved certain individually set targets. A provision of SEK 3.1 M (1.8) has been reserved for the accrued cost of the variable salary portion for the 2004 fiscal year. Variable salary portions will be paid out in 2005.

Compensation payable upon receipt of the variable salary portion and exercise of stock options is not pensionable.

Compilation of executive management's compensation and pension costs for 2004 and employee stock options received in 2002.

SEK M	Fixed salary	Variable salary portion ¹	Other benefits	Total compensation	Pension costs	No. employee stock options, 2002/2007
CEO	4.9	0.3	0.1	5.3	2.8	30,000
Other members of executive management	6.1	1.3	0.2	7.6	1.8	40,000
Total	11.0	1.6	0.3	12.9	4.6	70,000

1) Pertains to the 2004 fiscal year and will be paid out in 2005.

Note 7 Auditors' fees

	Parent Company ¹		Group	
	2004	2003	2004	2003
Auditing fees				
Öhrlings PricewaterhouseCoopers	1.2	1.2	8.5	8.9
Other auditing firms	–	–	0.3	0.4
Total auditing fees	1.2	1.2	8.8	9.3
Consulting fees				
Öhrlings PriceWaterhouseCoopers	1.4	0.9	2.8	2.0
Other auditing firms	–	–	0.7	0.9
Total consulting fees	1.4	0.9	3.5	2.9
Total	2.6	2.1	12.3	12.2

1) Including value added tax, since holding companies are not subject to 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	
	2004	2003
Cost of goods sold	66	66
Development costs	4	3
Selling costs	44	47
Administrative costs	18	19
Total	132	135

Note 9 Operating leases

	Group	
	2004	2003
Leasing fees paid during the year	53	41
Future, contracted leasing fees:		
Expiration in 1 year	48	39
Expiration in 2 years	29	23
Expiration in 3 years	16	15
Expiration in 4 years	6	9
Expiration in 5 years	4	5
Expiration in 6 years or later	–	5
Total future leasing fees	103	96

Operating leases pertain primarily to premises.

Note 10 Other financial income

	Parent Company		Group	
	2004	2003	2004	2003
Exchange rate differences	0	2	2	18
Other	0	2	–1	2
Total	0	4	1	20

Note 11 Other financial expenses

	Parent Company		Group	
	2004	2003	2004	2003
Exchange rate differences	0	–	–1	–1
Bank charges ^{1, 2}	–10	–21	–11	–22
Other ³	9	7	10	7
Total	–1	–14	–2	–16

1) Of which, arrangement fee for syndicated loan

2) Of which, fees for credit limits and market programs

3) Of which, reversal of reserve provision for hedging of employee stock option commitment (see Note 6)

	–	–6	–	–6
	–6	–9	–6	–9
	8	5	8	5

Note 12 Share in associated company earnings

	Group	
	2004	2003
Ericsson ¹	346	–366
Establish ¹	–	–10
Interpeak ¹	–1	–6
Ossur ²	–2	–
SCA	354	618
Skanska	233	261

Total share in associated companies' earnings before taxes and after goodwill amortization of investments in associated companies

930 **497**

1) Ericsson was an associated company through September 2004,

Establish through May 2004, and Interpeak through February 2004.

2) Ossur is an associated company as from August 2004.

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

	Parent Company		Group	
	2004	2003	2004	2003
Current tax	–	–165	–88	–251
Deferred tax	–	–	4	–2
Total	–	–165	–84	–253
Tax attributable to associated companies	–	–	–319	–239

The taxed loss-carryforward for the Parent Company amounted to SEK 103 M for the 2003 fiscal year. Including an estimated loss-carryforward of SEK 143 M for the 2004 fiscal year, the accumulated loss-carryforward amounts to SEK 246 M. Industrivärden cannot determine at present if the loss-carryforwards can be utilized, which is why no deferred tax asset has been reported.

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 fiscal 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 had previously turned down the tax authority's request in a ruling in 2002. Industrivärden has filed an appeal of the Administrative Court of Appeal's ruling with the Supreme Administrative Court. A tax liability of SEK 165 M along with back interest of SEK 54 M has been booked.

Specification of the Group's tax rate

Special tax rules apply for holding companies. The most important of these rules 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 79. As a result of the dividends paid by the Parent Company in 2003 and 2004, no tax charge has been incurred for these years.

Note 13 Tax and specification of deferred tax assets and deferred tax liabilities, cont.

	Group			Group	
	2004	2003		2004	2003
Earnings after financial items	1,438	-623	Specification of deferred tax assets		
Tax according to Swedish tax rate of 28%	-403	174	Internal profit and provision for obsolescence in inventories	7	4
Difference in tax rates in various operating countries	-12	-8	Reserve for doubtful debts	1	0
Tax pertaining to previous years	-	-165	Provision for guarantees	6	6
Effect on Group's tax rate of the Parent Company's non-payment of tax	344	-248	Provision for pensions and similar obligations	10	4
Amortization of goodwill	-10	-11	Other deductible temporary differences	6	6
Other, net	-3	5	Total deferred tax assets	30	20
Total tax	-84	-253	Specification of deferred tax liabilities		
			Real estate, machinery and equipment	42	41
			Untaxed reserves	11	13
			Other taxable temporary differences	1	2
			Total deferred tax liabilities	54	56
			Total deferred tax assets/liabilities, net	-24	-36
			Of which, deferred tax assets as per balance sheet	9	1
			Of which, deferred tax liabilities as per balance sheet	-33	-37

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

Note 14 Intangible fixed assets

	Group		
	Goodwill	Intangible rights	Total intangible fixed assets
Opening cost	495	58	553
Transferred from goodwill ¹	-27	27	-
Investments during the year	-	19	19
Sales and disposals	-	-19	-19
Translation differences	-3	3	0
Closing accumulated cost	465	88	553
Opening amortization	-259	-35	-294
Transferred from goodwill ¹	18	-18	-
Amortization for the year	-37	-12	-49
Sales and disposals	-	13	13
Translation differences	0	-2	-2
Closing accumulated amortization	-278	-54	-332
Planned residual value, 12/31/2004	187	34^{2,3}	221
Planned residual value, 12/31/2003	236	23	259

1) Transfer from goodwill to intangible rights after reclassification.

2) Of which, SEK 4 M (7) in expenses carried forward for research and development, SEK 29 M (16) for patents and licenses, and SEK 1 M (0) for leaseholds.

3) Of which, SEK 30 M (16) in acquired intangible rights.

Note 15 Tangible fixed assets

	Group				Total tangible fixed assets
	Land and buildings	Plant	Equipment	Construction in progress	
Opening cost	474	482	350	15	1,321
Investments during the year	1	23	26	4	54
Company acquisitions	–	4	0	–	4
Transfers from construction in progress	13	4	–	–17	–
Sales and disposals	0	–19	–39	–	–58
Translation differences	–1	1	–6	0	–6
Closing accumulated cost	487	495	331	2	1,315
Opening depreciation	–183	–340	–266	–	–789
Depreciation for the year	–13	–39	–31	–	–83
Company acquisitions	–	–2	0	–	–2
Sales and disposals	0	14	31	–	45
Translation differences	0	0	5	–	5
Closing accumulated depreciation	–196	–367	–261	–	–824
Planned residual value, 12/31/2004	291¹	128	70	2	491
Planned residual value, 12/31/2003	291 ¹	142	84	15	532

The tax assessment value of Swedish real estate was SEK 165 M (207).

1) Of which, land SEK 56 M (48).

Note 16 Finance leases

	Group	
	2004	2003
Cost	34	26
Accumulated planned depreciation	–25	–22
Remaining liability	9	4
Of which, current liability (year 1)	6	2
Of which, long-term liability (years 2–5)	3	2

Finance leases pertain to machinery and real estate.

Note 17 Equities

	Number of shares	Share of capital, %	Share of votes, %	Market value	Book value
Biacore	134,900	1.4	1.4	18	23
Ericsson A	372,000,000	2.3	13.3	8,072	3,125
Handelsbanken A	66,364,100	9.6	10.1	11,481	4,405
Höganäs B	789,963	2.2	1.8	141	138
Munters	3,219,350	12.9	12.9	644	581
Nokia	1,588,000	0.0	0.0	166	387
Ossur hf	65,118,000	20.4	20.4	537	363
Pfizer Inc.	1,000,000	0.0	0.0	178	300
Readsoft B	1,345,000	4.1	3.0	19	65
Sandvik	26,953,500	10.2	10.2	7,224	5,468
SCA A	16,982,000	7.8	28.5	4,857	829
SCA B	1,399,960			397	259
Skanska A	17,302,756	7.7	28.6	1,380	817
Skanska B	15,000,000			1,196	763
SSAB A ¹⁻⁴	14,113,750	14.0	18.3	2,258	885
Volvo A	1,821,700	0.5	1.1	462	407
Volvo B	444,120			117	99
Parent Company's holdings of equities⁵				39,147	18,914
Other equities ⁶					43
Group's holdings of equities					18,957
Less adjustment pertaining to former associated company Ericsson⁷					-937
Less shares in associated companies:					
Ossur hf					-363
SCA					-1,088
Skanska					-1,580
Group's holdings of equities, excluding holdings of shares in associated companies					14,989

1) In 2000 Industrivärden issued a total of 28,950 call options to members of SSAB's executive management, of which 23,700 options are outstanding. 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 1,486,000. The total value of the exercise price and expensed premium is SEK 3,821,000.

2) 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 3,487,000. The total value of the exercise price and expensed premium is SEK 8,524,000.

3) 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 2,041,000. The total value of the exercise price and expensed premium is SEK 6,218,000.

4) 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 1,615,000. The total value of the exercise price and expensed premium is SEK 4,671,000.

5) At year-end 2004, no stocks were out on loan.

6) Of which, SEK 41 M pertains to investments made by Indus Innovation.

7) Ericsson was reported as an associated company through September 2004, at which time Industrivärden's voting shares decreased to 13.3%. The adjustment item pertains to the difference between the cost of the shares, SEK 3,125 M, and the book value of SEK 2,188 M as per September 2004, in accordance with associate accounting.

Note 18 Shares in subsidiaries

	Reg. no.	Domicile	Share of capital, %	Number	Shareholders' equity	Book value
Handus AB	556384-5428	Stockholm	100	10,000	248	0
Indus Innovation AB	556364-7758	Stockholm	100	100,000	7	1
Industrivärden Service AB	556289-9160	Stockholm	100	10,000	9	1
Indutrade AB	556017-9367	Stockholm	100	25,000	694	277
Isaberg Rapid AB	556035-6684	Hestra	100	400,000	193	133
Nordinvest AB	556287-8826	Stockholm	100	42	108	94
Other			100		2	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
Ossur hf	560271-0189	Reykjavik	362	112	20.45	20.45	65,118	233
SCA	556012-6293	Stockholm	50,037	3,639	7.78	28.53	18,382	4,055
Skanska	556000-4615	Stockholm	16,066	2,648	7.72	28.60	32,303	1,489
Total								5,777

Note 20 Financial fixed assets

	Parent Company				Group	
	Shares in subsidiaries		Equities		Equities excl. associated companies	
	2004	2003	2004	2003	2004	2003
Opening cost	507	475	16,292	17,710	10,403	12,292
Sales	–	–56	–2,581	–3,430	–1,877	–3,184
Purchases	–	–	5,203	2,012	4,668	1,307
Transfer to shares in associated companies ¹	–	–	–	–	–363	–
Transfer from shares in associated companies ²	–	–	–	–	2,188	–
Write-downs	–	–15	–	–	–30	–12
Shareholder contribution	–	103	–	–	–	–
Closing cost	507	507	18,914	16,292	14,989	10,403

1) Pertains to Ossur, which has been an associated company since August 2004.

2) Pertains to Ericsson, which ceased to be an associated company in September 2004.

	Group	
	Shares in associated companies	
	2004	2003
Opening value according to associate accounting	7,720	7,573
Sales	–790	–233
Purchases	554	706
Transfer from equities ¹	363	–
Transfer to equities ²	–2,188	–
Write-downs	–	–13
Change in share of capital	118	–313
Closing value according to associate accounting	5,777	7,720

	Long-term receivables			
	Parent Company		Group ³	
	2004	2003	2004	2003
Opening value	3	10	13	30
Purchases	–	–	–	3
Sales	–	–	–	–3
Increases for the year	–	–	13	0
Decreases for the year	–3	–7	–8	–17
Translation differences	–	–	0	0
Closing value	–	3	18	13

3) Long-term receivables in the Group include SEK 9 M (1) in deferred tax assets.

Note 21 Inventories

	Group	
	2004	2003
Raw materials and supplies	98	96
Goods in process	46	50
Finished products and goods for resale	602	586
Work in process on behalf of others	1	2
Advances to suppliers	0	0
Total	747	734
Percentage of inventory that is expected to be turned over within 12 months, %	99	99

Note 22 Prepaid expenses and accrued income

	Parent Company		Group	
	2004	2003	2004	2003
Prepaid rents	1	0	4	5
Accrued interest income	0	0	0	0
Prepaid service and maintenance charges	1	2	10	10
Other items	9	6	26	29
Total	11	8	40	44

Note 23 Short-term investments

	Parent Company		Group	
	2004	2003	2004	2003
Short-term equity investments ¹	–	–	252	–
Total	–	–	252	–
Short-term equity investments ²	–	–	–	36
Short-term investments	400	310	401	361
Total	400	310	401	397

1) Equity investments in Nordinvest with investment horizon of six months.

2) Equity investments in Nordinvest with investment horizon of three months.

Note 24 Provision for pensions

Starting on January 1, 2004, Industrivärden applies recommendation RR 29 Employee Benefits, which is based on IAS 19 Employee Benefits. In accordance with this recommendation, actuaries working under assignment from Industrivärden have calculated the Group's pension liability and the amounts that are to be regularly reserved as provisions for the Group's employees. In the future these actuarial computations will be made at least on an annual basis. The initial effect of the transition to RR 29 as per January 1, 2004, is SEK –17 M for the Industrivärden Group. No adjustment of comparison figures for previous years has been made. The calculation of Industrivärden's pension liability takes into account such actuarial assumptions as the anticipated discount rate, future salary increases, anticipated inflation, etc., as shown in the table below.

The pension plans in the Industrivärden Group are both defined benefit and defined contribution plans.

Defined benefit plans

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

Defined contribution plans

The defined contribution plans involve retirement pensions, disability pensions and family pensions and entail that premiums are paid on a regular basis during the year to independent legal entities. The size of the pension premium is based on the employee's salary, and the cost for the premiums is reported on a continuous basis in the income statement.

The Industrivärden Group's pensions for its Swedish operations pertain primarily to traditional ITP insurance with Alecta or "high earner" solutions (for employees earning over ten times the Base Amount), or pensions provisioned for in the FPG/PRI system. According to a pronouncement from the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, the obligation secured through insurance with Alecta pertaining to retirement pension and family pension benefits for employees in Sweden is classified as a multi-employer defined benefit plan. For the 2004 fiscal year, Industrivärden did not have access to such information that would make it possible to report this plan as a defined benefit plan, and thus the plan is reported as a defined contribution plan. The year's pension contributions to Alecta amounted to SEK 16 M. Alecta's surplus is distributed among the policyholders and/or the insureds. Alecta's collective funding ratio was 128.0% at year-end 2004 (2003: 119.9%). In addition, AB Industrivärden's and Isaberg Rapid's Swedish operations have individually designed pension plans, which are defined benefit plans. Indutrade's subsidiaries in the Netherlands, and Isaberg Rapid's subsidiaries in France, have defined benefit pension plans, while the operations in other countries almost exclusively have defined contribution plans.

The pension liability amounted to SEK 180 M for the Group and SEK 46 M for the Parent Company as per December 31, 2004. After taking into account the changed accounting principle related to the adoption of RR 29, this entails an increase of SEK 15 M for the Group, while the Parent Company's pension liability decreased by SEK 3 M during the year. The value of the plan assets was SEK 123 M for the Group, of which SEK 4 M pertained to the Parent Company. The Group's combined plan assets consist primarily of investments with insurance companies.

Actuarial gains and losses are recognized in the income statement as income or expense if the net amount of the accumulated, unreported actuarial gains and losses exceeds the higher of 10% of the present value of the defined benefit pension obligation or 10% of the fair value of the plan assets. For 2004, the actuarial loss was SEK 20 M in the Group, of which SEK 1 M pertained to the Parent Company, corresponding to approximately 6% of the present value of the pension obligations in the Group. The actuarial loss is due partly to a downward adjustment of the discount rate, which resulted in a higher pension liability.

The Group's total reported pension cost amounted to SEK 96 M, of which SEK 8 M pertained to the Parent Company. Interest on pension obligations and the return on plan assets are reported in the income statement as financial items. Other costs for subsidiaries' pensions are reported in the income statement as administrative costs or selling costs, while the Parent Company's pension cost is reported as management costs.

Note 24 Provision for pensions, cont.

Pension Liability	Parent Company		Group		Reconciliation of pension liability	2004	2003	2004
	2004	2003	2004	2003				
Pensions	46	49	180	165	Net liability according to balance sheet at start of year	49	46	165
Total	46	49	180	165	Change in accounting principles	-3	-	17
					Net cost recognized in income statement	5	6	19
					Pension payments	-3	-3	-8
Actuarial assumptions			2004	2003	Contribution from the employer	0	0	-11
Discount rate, %			5.0	5.5	Settlements	-2	-	-2
Anticipated return on plan assets, %			5.5	5.5	Exchange rate differences on foreign plans	-	-	0
Future salary increases, %			3.0	3.0	Net liability according to balance sheet at year-end	46	49	180
Anticipated inflation, %			2.0	2.0				
Obligations pertaining to compensation to employees, defined benefit plans	Parent Company		Group					
	2004	2003	2004					
Present value of funded obligations	4	3	154		Defined benefit pension plans	Group		Total
Fair value of funded plan assets	-4	-3	-123					
Total funded obligations	0	0	31		2004	2004	2004	
Present value of unfunded obligations	47	49	169		11	77	88	
Total	47	49	200		14	-	14	
Unrecognized actuarial gains/losses	-1	-	-20		-6	-	-6	
Net liability on balance sheet	46	49	180		0	-	0	
					Net cost in income statement	19	77	96
					- of which, included in management costs	3	3	6
					- of which, included in selling costs	3	51	54
					- of which, included in administrative costs	5	23	28
					- of which, included in financial items	8	-	8

Note 25 Other provisions

	Group	
	2004	2003
Guarantees	2	2
Restructuring measures decided on	8	1
Product liability	20	23
Other items	18	16
Total	48	42

Other items consist of supplementary purchase prices in connection with company acquisitions.

Note 26 Obligations to company directors and CEOs

The Parent Company's provisions include SEK 32 M (31) for pensions and similar benefits for current and former company directors and CEOs. The corresponding amount for the Group is SEK 51 M (52), as shown in "Pension liability" in Note 24.

Note 27 Long-term interest-bearing liabilities

	Parent Company		Group	
	2004	2003	2004	2003
Bond issues	4,056	1,157	4,056	1,157
Other interest-bearing liabilities	–	1,058	227	1,475
Total	4,056	2,215	4,283	2,632

Maturity dates:

	Parent Company		Group	
	2004	2003	2004	2003
–2005	–	1,358	–	1,690
–2006	1,100	600	1,248	635
–2007	1,800	–	1,830	–
–2008	856	257	905	307
–2009 or later	300	–	300	–
Total	4,056	2,215	4,283	2,632

Market valuation of short-term and long-term interest-bearing liabilities as per 12/31/2004, after market valuation of existing interest swaps, has been taken into consideration, would increase the interest-bearing liabilities by SEK 73 M.

Note 28 Accrued expenses and deferred income

	Parent Company		Group	
	2004	2003	2004	2003
Accrued interest expenses	133	102	133	102
Accrued staff-related expenses	20	18	167	146
Other	16	10	88	97
Total	169	130	388	345

Note 29 Current interest-bearing liabilities

	Parent Company		Group	
	2004	2003	2004	2003
Utilized bank overdraft facility	–	–	93	58
Bond issues	300	200	300	200
Current portion of long-term liabilities	–	–	1	8
Other interest-bearing liabilities	1,132	378	1,236	462
Total	1,432	578	1,630	728

The amount of the bank overdraft facility granted is SEK 2,500 M (2,500) in the Parent Company and SEK 2,698 M (2,724) in the Group.

Note 30 Pledged assets

	Parent Company		Group	
	2004	2003	2004	2003
General bank guarantee				
Chattel mortgages	–	–	–	14
Property mortgages	–	–	1	9
Total pertaining to general bank guarantee	–	–	1	23
Other				
Cash and cash equivalents	15	20	15	28
Chattel mortgages	–	–	1	1
Total other	15	20	16	29
Total pledged assets	15	20	17	52

Note 31 Contingent liabilities

	Parent Company		Group	
	2004	2003	2004	2003
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.

Audit Report

To the 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 2004. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts 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 and significant estimates made by the board of directors and the president when preparing the annual accounts and consolidated accounts 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. We also examined whether any board member or the president has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that 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. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual 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 24, 2005

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 shall enable reinvestment of the shareholding by the intermediary.

Tax Rules

The main principles concerning taxation of holding companies are:

- that interest income is taxable, while interest expenses and management costs are tax deductible,
- that dividends received are taxable, while dividends rendered are tax deductible, and
- that capital gains on sales of stocks are tax exempt, but in return, a 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. However, the basis for calculating the standard level of income does not include business-related shares, by which is meant unlisted shares as well as listed shares in which the holding corresponds to at least 10% of the number of votes. In order for listed business-related shares to be excluded from the standard income calculation, they must have been held for at least one year. The rules for calculating the standard level of income for business-related shares apply starting with the 2004 fiscal year.

Tax Deficits

As from 2002, tax-loss carryforwards are deductible and can be accumulated in order to be deducted from future taxable surpluses. See also Note 13 on page 70.

Industrivärden's Equities Portfolio from a Tax Perspective

At year-end 2004, business-related shares accounted for 97% of the equities portfolio, including shares purchased in Handelsbanken and Sandvik in 2004, whereby the shareholding in these companies exceeded 10% of the votes. Of the business-related shares, shareholdings corresponding to 47% of the equities portfolio had been held for less than a year. Added to these are non-business-related shares, which amounted to 3% of the equities portfolio.

This means that the calculation of the standard level of income for 2005 will be based on 50% of the market value of the equities portfolio at year-end 2004. In 2006, the standard level of income will only be calculated on the non-business-related shares, which at year-end 2004 corresponded to 3% of the equities portfolio.

2004 Annual Financial Statements Restated According to IFRS

Starting on January 1, 2005, the new International Financial Reporting Standards (IFRS) take effect. Swedish companies are required to apply the new standards in their consolidated accounting.

To clarify the effects of the new accounting standards, Industrivärden has also prepared its 2004 consolidated financial statements in accordance with IFRS (see page 81) and thereby adjusted the official financial statements for 2004 for significant accounting effects. Industrivärden will be reporting according to IFRS starting with the interim report for the first quarter of 2005, with adjusted comparison figures for the corresponding period in 2004. This will be done to achieve full comparability between accounting periods. The transition to IFRS is being done in accordance with IFRS 1.

The reporting standards that have the greatest impact on Industrivärden's accounting are IAS 39, pertaining to the market (fair) valuation of financial instruments, and IAS 28, pertaining to the reporting of holdings in associated companies. These standards govern the valuation principles for the equities portfolio. IFRS 3, which treats measurement of goodwill, among other things, also has some impact on Industrivärden's accounting. The other new standards have no or a very limited effect on Industrivärden's earnings and financial position. The initial effect on shareholders' equity that arises in the transition to IFRS as per January 1, 2004, is reported as an adjustment directly against shareholders' equity, taking into account deferred tax, if any.

Valuation of the Equities Portfolio

IAS 39 Financial Instruments: Recognition and Measurement stipulates – among other things – that in the consolidated financial statements, most financial instruments are to be measured at fair value as per the balance sheet date. Listed equities are carried at the current share price on the balance sheet date.

At the Group level, Industrivärden will be reporting changes in the market value of all listed shareholdings over the income statement. In accordance with IAS 28 point 1, holdings in listed associated companies will also be reported in the same way, which means that in the future, associated companies will not be reported in accordance with the equity method.

According to IAS 39, shares in subsidiaries are not to be measured at fair value. These will continue to be consolidated in the consolidated financial statements according to the purchase method.

Reporting of changes in the market value of listed equities through the income statement will entail that compatibility is achieved in large part in the financial statements with continuing changes in net asset value at the same time that shareholders' equity in the consolidated financial statements is largely in agreement with the total reported net asset value. The balance sheet item that deviates the most from net asset value is shares in subsidiaries, which may not be carried at fair value in the consolidated financial statements. As a result, reported shareholders' equity at December 31, 2004, is less than net asset value in the amount of approximately SEK 1.4 billion.

For the Parent Company, AB Industrivärden, special rules apply for fair value measurement, since the Swedish Annual Accounts Act does not allow fair (market) value measurement of associated companies and subsidiaries. This means that only listed holdings that are not associated companies will be measured at market value, and their change in value will be reported on a continuing basis through the income statement. Listed associated companies and subsidiaries will thereby continue to be valued on an unchanged basis at cost.

Measurement of Goodwill

According to IFRS 3, goodwill may not be amortized. Instead, impairment shall be recognized if the reported value is higher than the greater amount of the net sales value and a present value calculation of future cash flows and calculated residual value. Goodwill shall be tested for impairment continuously. For the Industrivärden Group, IFRS 3 entails that earnings from operating companies improve by approximately SEK 37 M for 2004.

SEK M	Note	According to official accounting in 2004	Adjustment items according to IFRS	Adjusted financial statements according to IFRS
CONSOLIDATED INCOME STATEMENT				
Dividend income from stocks		1,036	–	1,036
Earnings from equity transactions	1	395	–395	–
Change in value of equities	2	–	6,461	6,461
Earnings from derivative transactions	3	69	3	72
Other income and expenses		–12	–	–12
Earnings from portfolio management		1,488	6,069	7,557
Earnings from operating companies	4	231	37	268
Management costs		–80	–	–80
Operating earnings		1,639	6,106	7,745
Financial income and expenses	5	–201	28	–173
Earnings after financial items		1,438	6,134	7,572
Result of associate accounting	6	203	–203	–
Tax		–84	–	–84
Net earnings for the year		1,557	5,931	7,488
CONSOLIDATED BALANCE SHEET				
Assets				
Equities	7	14,989	24,201	39,190
Shares in associated companies	6	5,777	–5,777	–
Other fixed assets	4	730	37	767
Total fixed assets		21,496	18,461	39,957
Current assets	3, 5	2,478	93	2,571
Total assets		23,974	18,554	42,528
Shareholders' equity and liabilities				
Shareholders' equity	6, 8	16,713	18,484	35,197
Provisions and liabilities	5	7,261	70	7,331
Total shareholders' equity and liabilities		23,974	18,554	42,528

Note 1

According to the previous reporting rules, earnings from equity transactions were calculated as the difference between the sales price and the historical cost of the shares. According to IFRS, the gain or loss from a sold listed stock is considered to correspond to the change in market value from the most recent accounting period until the date of sale. The change in the income statement is reported under the heading "Change in value of equities," which means that no distinction is made between the change in the value of sold listed stocks and the change in value of the remaining portfolio of listed stocks (see note 2 below).

Note 2

The change in the market value of listed stocks is reported together with the change in the value of sold stocks as a separate item in the income statement.

Note 3

According to IFRS, derivative positions are to be measured at market value.

Note 4

According to IFRS, goodwill is to be tested annually for impairment. Provided that there is no need to recognize impairment, the value of goodwill remains unchanged, which for 2004 entails an improvement in earnings from operating companies by SEK 37 M.

Note 5

According to IFRS, derivatives used to control exposure in the debt portfolio shall be measured at fair value in certain cases.

Note 6

In reference to IAS 28 point 1, accounting for investments in associates does not need to be prepared; this was required under the previous rules.

Note 7

The item "Equities" includes listed stocks which, according to IFRS, are to be measured at market value. According to previous rules, listed stocks which were not associated companies were reported collectively as a portfolio at the lower of cost or market.

Note 8

Reported shareholders' equity under IFRS is affected mainly by the market valuation of all listed stocks, while shares in subsidiaries may not be measured at fair value. This means that total shareholders' equity does not agree entirely with net asset value, which also includes an estimated fair value of subsidiaries.

Change in shareholders' equity:

Reported shareholders' equity according to official financial statements as per December 31, 2003	16,413
Initial adjustment/change in fair value according to IAS as per January 1, 2004*	14,160
Change in shareholders' equity according to official financial statements in 2004	300
Adjustment items in 2004 income statement according to IFRS (see above)*	5,931
Adjustment for ending of associate accounting (IAS 28)*	–1,607

Adjusted shareholders' equity according to IFRS as per December 31, 2004 **35,197**

*) of which adjustment of shareholders' equity according to IFRS 18,484

Industrivärden in Summary¹

SEK

	2004	2004 IAS-adjusted	2003	2002	2001	2000
Key ratios (SEK per share)						
Net asset value	189	189	156	126	204	280
Visible shareholders' equity	87	182	85	97	71	72
Earnings per share	8.06	38.77	-4.49	20.20	7.17	6.32
Cash flow per share	-0.30	-0.30	-7.46	5.67	2.84	-3.55
Stock price, December 31						
Class A shares	170	170	121	100	165	205
Class C shares	154	154	109	91	152	193
Dividend	6.00 ²	6.00 ²	5.50	5.80	8.35	8.40
Dividend growth, % per year	9	9	-5	-31	-1	35
Dividend yield, %	3.5	3.5	4.5	5.8	5.1	4.1
Total return, %	46	46	28	-36	-16	14
Key ratios (SEK M)						
Net asset value	36,563	36,563	30,070	24,415	39,413	54,081
Change in net asset value, %	22	22	24	-38	-27	-5
Visible shareholders' equity	16,713	35,197	16,413	18,730	13,753	13,951
Visible equity ratio, %	70	83	78	77	62	65
Net debt-equity ratio, %	12	12	7	7	11	9
Capital expenditures	54	54	86	128	130	130
Income statements (SEK M)						
Dividend income from stocks	1,036	1,036	850	820	918	839
Earnings from equity and derivative transactions	464	6,533 ³	-1,385	3,750	644	366
Earnings from portfolio management	1,488	7,557	-538	4,497	1,549	1,219
Earnings from operating companies	231	268	244	300	485	499
Operating earnings	1,639	7,745	-374	4,712	1,919	1,623
Earnings after financial items	1,438	7,572	-623	4,476	1,510	1,364
Net earnings for the year	1,557	7,488	-867	3,901	1,223	1,029
Balance sheets (SEK M)						
Fixed assets	21,496	39,957	18,927	20,682	18,733	19,166
Current assets	2,478	2,571	2,148	3,583	3,375	2,308
Total assets	23,974	42,528	21,075	24,265	22,108	21,474
Shareholders' equity	16,713	35,197	16,413	18,730	13,355	13,502
CPN loan	-	-	-	-	398	447
Provision for pensions	180	180	165	149	204	172
Interest-bearing liabilities	5,913	5,983	3,360	4,355	6,566	6,064
Noninterest-bearing liabilities	1,168	1,168	1,137	1,031	1,585	1,289

1) The consolidated financial statements for the years 2002–2004 are prepared in accordance with the equity method.

For the years 2000–2001, the cost method was used. See also the Accounting Principles section, page 60.

2) Proposed by the Board of Directors.

3) Change in value of equities and derivative transactions. Please refer to page 81.

Euros^{1,2}

	2004	2004 IAS-adjusted	2003	2002	2001	2000
Key ratios (EUR per share)						
Net asset value	21.00	21.00	17.15	13.80	21.77	31.64
Visible shareholders' equity	9.67	20.22	9.36	10.59	7.58	8.14
Earnings per share	0.90	4.31	-0.49	2.21	0.77	0.71
Cash flow per share	-0.03	-0.03	-0.82	0.62	0.30	-0.40
Stock price, December 31						
Class A shares	18.89	18.89	13.32	10.92	17.61	23.16
Class C shares	17.11	17.11	12.00	9.93	16.22	21.81
Dividend	0.67 ³	0.67 ³	0.61	0.63	0.89	0.95
Dividend growth, % per year	9	9	-5	-31	-1	35
Dividend yield, %	3.5	3.5	4.5	5.8	5.1	4.1
Total return, %	46	46	28	-36	-16	14
Key ratios (EUR M)						
Net asset value	4,063	4,063	3,312	2,665	4,206	6,111
Change in net asset value, %	22	22	24	-38	-27	-5
Visible shareholders' equity	1,857	3,911	1,808	2,045	1,468	1,577
Visible equity ratio, %	70	83	78	77	62	65
Net debt-equity ratio, %	12	12	7	7	11	9
Capital expenditures	6	6	10	14	14	15
Income statements (EUR M)						
Dividend income from stocks	115	115	94	90	98	95
Earnings from equity and derivative transactions	52	726 ⁴	-153	410	69	43
Earnings from portfolio management	165	840	-59	491	165	138
Earnings from operating companies	26	30	27	33	52	56
Operating earnings	182	861	-41	514	205	183
Earnings after financial items	160	841	-69	489	161	154
Net earnings for the year	173	832	-95	426	131	116
Balance sheets (EUR M)						
Fixed assets	2,389	4,440	2,084	2,258	1,999	2,165
Current assets	275	285	237	391	360	261
Total assets	2,664	4,725	2,321	2,649	2,359	2,426
Shareholders' equity	1,857	3,911	1,808	2,045	1,425	1,526
CPN loan	-	-	-	-	42	50
Provision for pensions	20	20	17	16	22	19
Interest-bearing liabilities	657	664	370	475	701	685
Noninterest-bearing liabilities	130	130	126	113	169	146

1) For 2000 a year-end rate of 8.85 has been used, for 2001 a year-end rate of 9.37 has been used, for 2002 a year-end rate of 9.16 has been used, for 2003 a year-end rate of SEK 9.08 has been used, and for 2004 a year-end rate of 9.00 has been used.

2) The consolidated financial statements for the years 2002-2004 are prepared in accordance with the equity method. For the years 2000 and 2001, the cost method was used. See also the Accounting Principles section, page 60.

3) Proposed by the Board of Directors.

4) Change in value of equities and derivative transactions. Please refer to page 81.

Board of Directors



Tom Hedelius, MBA, Honorary Doctor of Economics. Born 1939, Stockholm. Chairman of the Board since 2002. Director since 1991. Chairman of Bergman & Beving. Vice Chairman of Addtech and Lagercrantz Group. Director of L E Lundbergföretagen, SCA and Volvo, among other companies. Honorary Chairman of Svenska Handelsbanken. Shareholding: 10,000.



Boel Flodgren, LL.D. Honorary Doctor of Economics. Professor. Born 1942, Lund. Director since 2002. Director of Brinova, the University of Oslo, the University of Copenhagen, and various research foundations.



Finn Johnsson, MBA. Born 1946, Gothenburg. Director since 2000. President and CEO of Mölnlycke Health Care. Chairman of Volvo, KappAhl, Thomas Concrete Group and Unomedical A/S. Director of Skanska. Shareholding: 2,000.



Fredrik Lundberg, M.Sc. Eng., MBA, Honorary Doctor of Economics. Born 1951, Danderyd. Director since 2004. President and CEO of L E Lundbergföretagen. Chairman of Cardo, Holmen and Hufvudstaden. Director of Svenska Handelsbanken, L E Lundbergföretagen and NCC. Shareholding: 2,160,000.



Sverker Martin-Löf, Doctor of Technology, Honorary Ph.D. Born 1943, Stockholm. Vice Chairman of the Board since 2002. 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. Born 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. Sc. Eng., Honorary Doctor of Economics. Born 1941, Lund. Director since 1997. President of the Crafoord Foundation. Chairman of the Association of Swedish Engineering Industries, Erik Philip Sörensen Foundation and Malmöhus Invest. Vice Chairman of Cardo. Director of AFA, AMF Pension, the Confederation of Swedish Enterprise and the Albert Pålsson Foundation for Research and Charity. Shareholding: 3,000.



Anders Nyrén, MBA, U.S. MBA. Born 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, Isaberg Rapid, Ernströmgruppen, SNS (the Center for Business and Policy Studies) and the Industry and Commerce Stock Exchange Committee. Chairman of the Association of Exchange-Listed Companies. Shareholding: 23,275. Employee stock options: 30,000.

All of the board members, except for Anders Nyrén, are independent in relation to the Company and the Company management. In addition, Boel Flodgren, Finn Johnsson and Sverker Martin-Löf are independent in relation to Industrivärden's major shareholders.

Photographer: Sverker Sivall, Industrivärden.

Executive Management



Anders Nyrén, born 1954. President and Chief Executive Officer. Employee since 2001. Shareholding: 23,275. Employee stock options: 30,000. Directorships: see page 84.



Carl-Olof By, born 1945. Executive Vice President and Chief Financial Officer. Employee since 1990. Shareholding: 15,000. Employee stock options: 20,000. Director of Svenska Handelsbanken (Stockholm City Region), Isaberg Rapid and OMX Exchanges.



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



Fredric Calles, born 1966. Head of Portfolio Management and Market Operations. Employee since 2003.

Committees

Compensation committee to set 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 of the Board, Christer Elmehagen (AMF Pension), Curt Källströmer, committee chairman (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: Industrivärden's Board of Directors excluding the CEO.

A presentation of the committees' work can be found in the "Governing Bodies and Corporate Governance" section, page 16.

Senior Executives

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

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

Erik Röjvall, born 1973, Investment Manager. Employee since 2000. Shareholding: 15,100. Employee stock options, 8,000.

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

Industrivärden's organizational structure is presented on page 20.

Auditor

Öhrlings PricewaterhouseCoopers AB.

Chief Auditor: **Ingvar Pramhäll**, Authorized Public Accountant, born 1942, Stockholm. In addition to Industrivärden, in 2004 Ingvar Pramhäll was chief auditor for Gunnebo, Opcon, Rottneros and Tornet.

In 2004 Öhrlings PricewaterhouseCoopers had a total of 91 auditing assignments for companies listed on the Stockholm Stock Exchange, of which 8 were in cooperation with other auditing firms.

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 our information channels:

- *Swedish Shareholders' Association's assessment of annual reports of listed Swedish companies in 2004 (2003)*: Ranked 1 (1) of 20 (19) holding companies.
- *Dagens Industri's competition of the best information practices of listed companies in 2004 (2003)*: Ranked 2 (12) of 300 (300) participating companies, and ranked 1 (1) of 14 (14) holding companies.
- *Hallvarsson & Halvarsson's assessment of listed companies' websites in 2004 (2003)*: Ranked 7 (7) of 152 (112) participating Swedish companies.

Reporting Dates 2005

Interim reports will be published on the following dates:

- May 3 for the period January–March
- August 4 for the period January–June
- October 31 for the period January–September

2005 Annual General Meeting

- Wednesday, April 20 (see page 89)

Information Channels

Publications

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

- by post from AB Industrivärden (publ),
Box 5403, SE-114 84 Stockholm, Sweden
- by phone, at +46-8-666 64 00
- by 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 other information channels. It presents current information about the Company and the major shareholdings, including the latest stock prices, press releases, and a database of current

press clippings about Industrivärden. 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 active 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 interim 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 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 Who Monitor Industrivärden

ABG Sundal Collier	Jacob Wall	+46-8-56 62 86 00
Alfred Berg		
Fondkommission	John Hernander	+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	David Halldén	+46-8-796 69 00
Danske Equities	Fasial Kalim Ahmad	+45-33-44 04 26
Enskilda Securities	Andreas Joellsson	+46-8-52 22 95 00
Evli Bank	Anders Berg	+46-8-407 80 00
Hagströmer & Qviberg		
Fondkommission	Peter Tideström	+46-8-696 18 00
Handelsbanken Markets	Jonas Eixmann	+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

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.

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 per share 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. See also page 61.

Goodwill If the cost of shares in a subsidiary exceeds the value of the acquired shareholders' equity, the difference is reported as goodwill in the consolidated balance sheet. Through 2004 goodwill was amortized over a period of five to ten years. Starting in 2005, goodwill is to be tested for impairment annually.

Interest-bearing net debt Interest-bearing liabilities and pensions less cash and cash equivalents and interest-bearing receivables, and for the Parent Company, also adjusted for liabilities to subsidiaries.

Market operations Market operations refer to derivative transactions by the Parent Company and short-term equity trading by the subsidiary Nordinvest.

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 value (based on a P/E multiple of 13 and actual earnings for the year excluding costs for ongoing action programs) of the operating subsidiaries Indutrade and Isaberg Rapid, and shareholders' equity in other shareholdings.

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

Net asset value including reinvested dividends To calculate the development of net asset value before dividends rendered, the dividends paid out by the Company after tax are reversed and recalculated in view of the trend for the listed portfolio. This gives rise to a measure of how net asset value would have developed if Industrivärden had not paid any dividends and thereby had taxable income, since dividends rendered are tax-deductible.

Net debt The Parent Company's interest-bearing and noninterest-bearing net debt.

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

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

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's History – Sixty Years in Brief



Industrivärden was established in 1944 after Handelsbanken took over majority equity stakes in several Swedish industrial companies to protect its credits in connection with financial crises during the 1920s and '30s.

1944: Industrivärden established

During the financial crises of the 1920s and '30s, Handelsbanken took over majority equity stakes 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. This company was given the name Industrivärden ("Industrial value") to symbolize its stewardship of this industrial value. Industrivärden was sold to Handelsbanken's owners in 1945 and has been a publicly listed company ever since.

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

Ericsson has been included in Industrivärden's equities portfolio since the start. During the 1950s Industrivärden acquired major 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 own stock.

1980s: Concentration of listed portfolio

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

1990s: An industrial operation is acquired and divested

Through the acquisition of PLM and the investment companies Dacke and Bahco around 1990, Industrivärden created a substantial wholly owned operation which was subsequently divested in

stages, generating favorable capital gains. Today Indutrade and Isaberg Rapid are the only remaining wholly owned subsidiaries.

Major transactions during the 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 its subsidiaries Besam and Thorsman, were sold.

2000s: Shifts as result of adapted strategy

As part of its strategy of investing in listed Nordic companies in which it can take an active ownership role, Industrivärden sold its shareholding in the pharmaceutical company Lundbeck in 2002, in Skandia 2003 and in Scania in 2004. New, promising holdings include the Icelandic medical technology company Ossur, which was acquired in 2002, and the moisture control company Munters, which was acquired in 2003. Sizable complementary purchases of stock were made in Handelsbanken and Sandvik in 2004.

Industrivärden today

Today operations are focused on a concentrated portfolio of long-term holdings in listed Nordic companies with good potential for value growth in which Industrivärden can take an active ownership role and add value.

At year-end 2004 Industrivärden's equities portfolio consisted of ten active holdings in which Industrivärden controls at least 10% of the votes, and a few smaller holdings in which Industrivärden does not have an active ownership position.

2005 Annual General Meeting

Time and place

The Annual General Meeting will be held at 2 p.m. on Wednesday, April 20, 2005, at the Grand Hotel, Vinterträdgården room (entrance at the corner of Stallgatan/Blasieholmsgatan), in Stockholm, Sweden. The doors will open at 1 p.m., and registration will take place until 2 p.m., at which time the doors will be closed. Coffee will be served before the Meeting.

Who is entitled to participate?

To be entitled to participate in the Annual General Meeting, shareholders must be listed on the shareholder register printed out by VPC (Swedish Depository and Clearing House) on April 10, 2005, and give notice of their intention to participate in the Meeting no later than 3 p.m. on Friday, April 15, 2005.

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, such shareholders who own nominee-registered shares must request in advance that their shares be temporarily registered in their own names as per April 10, 2005. Since April 10 is a Sunday shareholders are advised to contact their nominee well in advance before Friday, April 8, 2005.

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 indicate their:

- full 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 Friday, April 15, 2005.

Proxies

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

Dividend

The dividend for 2004 will be paid to shareholders who are recorded in the shareholder register on the record date. The Board of Directors proposes April 25, 2005, 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 28, 2005.

INDUSTRI  VÄRDEN

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