

# I N D U S T R I I

INDUSTRIVÄRDEN ANNUAL REPORT 2006



VÄR D  
E N 06



**"Good Growth in Value  
in 2006 and Long-Term"**

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## Financial Calendar 2007

Interim reports will be released

- on May 3 for the period January–March,
- on August 3 for the period January–June,
- and on October 31 for the period January–September 2007.

All reports will also be published on Industrivärden's website: [www.industrivarden.net](http://www.industrivarden.net)

See also the Market Communication section, page 82.

This Annual Report will be distributed to shareholders who have notified the Company that they would like to receive it in printed form. Information on the 2007 Annual General Meeting and a notification card to attend the AGM can be found on page 85.

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

# Long-term industrial developer of listed Nordic companies

## Industrivärden at a Glance

<b>Business mission</b>	To create shareholder value through active ownership and a professional investment operation.
<b>Business and goal</b>	Industrivärden is one of the Nordic region's leading holding companies. Its goal is to generate high growth in net asset value over time and thereby give its shareholders a total return 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 and has delivered a higher average total return than the stock market in both the short- and long-term perspectives.
<b>Strategy</b>	Industrivärden creates value through active ownership and a professional investment operation. Investment activities are built upon a structured process of continuous analysis of current and potential holdings. Active ownership is based on Industrivärden's model for value creation in its portfolio companies.
<b>Investment criteria</b>	<ul style="list-style-type: none"><li>■ Midcap and large listed Nordic companies</li><li>■ Ownership stakes that enable significant influence</li><li>■ Companies with business models that can be applied in several markets</li><li>■ Strong potential for growth in value through active ownership</li><li>■ Concentration on a limited number of shareholdings</li></ul>

### Net Asset Value per Share



Average annual growth in net asset value during the ten-year period 1997–2006 was 10%.

### Total Return, Industrivärden's Stock



— Total return, Industrivärden A    - - - Return index (SIXRX)



## Highlights 2006

- |   |  |
|---|--|
| <b>Net asset value</b>                      | <ul style="list-style-type: none"> <li>■ Net asset value at year-end was SEK 303 (250) per share, an increase of 21% (32%) for the year.</li> <li>■ During the last ten-year period, average annual growth in net asset value, including reinvested dividends, was 17%.</li> </ul>   |
| <b>Total return</b>                         | <ul style="list-style-type: none"> <li>■ The total return was 29% for Industrivärden Class A shares and 32% for Industrivärden Class C shares, compared with 28% for the return index.</li> <li>■ During the last ten-year period, the total return for both classes of stock averaged 18% per year, which exceeded the return index by 5 percentage points per year.</li> </ul> |
| <b>Purchases of stocks</b>                  | <ul style="list-style-type: none"> <li>■ During the year Industrivärden purchased stock in Tandberg Television ASA for SEK 737 M and in Handelsbanken (A-shares) for SEK 202 M.</li> <li>■ Total purchases of stocks amounted to SEK 3,193 M (3,023).</li> </ul>   |
| <b>Sales of stocks</b>                      | <ul style="list-style-type: none"> <li>■ Total sales of stocks amounted to SEK 2,072 M (3,964).</li> <li>■ Industrivärden's last remaining operating subsidiary, Isaberg Rapid, was sold.</li> </ul>   |
| <b>Short-term trading</b>                   | <ul style="list-style-type: none"> <li>■ Earnings from short-term trading in derivatives and equities totaled SEK 173 M (122).</li> </ul>  |
| <b>Proposed dividend and proposed split</b> | <ul style="list-style-type: none"> <li>■ The Board of Directors proposes a dividend of SEK 9.00 (7.00) per share, an increase of 29%.</li> <li>■ The Board has also proposed a 2:1 stock split.</li> </ul>   |

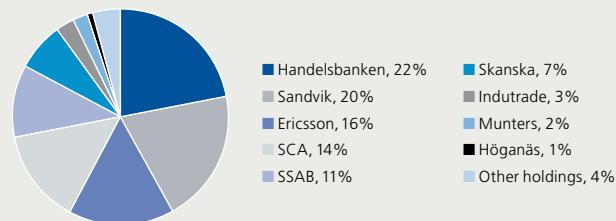
### Composition of Net Asset Value<sup>1</sup>

	SEK billion		SEK per share <sup>2</sup>	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Equities portfolio	<b>63.3</b>	52.3	<b>328</b>	271
Net debt	<b>-4.8</b>	-4.0	<b>-25</b>	-21
<b>Net asset value</b>	<b>58.5</b>	48.3	<b>303</b>	250

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.

### Equities Portfolio as per December 31, 2006



## Good Growth in Value in 2006 and Long-Term

### Favorable Underlying Economy

2006 was yet another year of strong economic growth around the world. Europe's economy is now gaining momentum, with Germany once again playing the role as the engine of growth. In Japan, growth appears to continue, despite a slight downward adjustment of the latest forecasts for 2007. However, Japan has lifted itself from the deep rut, with clear deflationary tendencies, that the country was in for a long period of time. The rapid growth in China and India is expected to continue. Major investments in infrastructure and other projects are helping keep demand for raw materials at continued high levels. The trend looks generally positive in the rest of Asia. The U.S. economy appears to be headed toward a phase of slower growth, which of course is what the Fed was trying to achieve through its successive increases in short-term interest rates.

Both short-term and long-term interest rates have begun to rise, which is natural in this phase of the economic cycle. In summary, there is reason to take a positive view of economic development in 2007 despite the dark clouds presented by the continued turmoil in Iraq and uncertainties over the course of events in the Middle East, Iran and North Korea.

### The Stock Market

2006 was a good year for the stock markets as a whole, although it involved quite a bit of drama along the way. Up until early May, stock markets rose sharply – except for in the U.S. – but then fell even more dramatically for a couple of months. General concerns abounded that growth forecasts were leveling off and that corporate earnings growth would slow. In pace with a changed outlook for 2007, the price decline reversed and gave way to steadily higher gains toward the end of the year. I believe that an important lesson can be learned from this correction. In the future we will have to be prepared for sharp price fluctuations in pace with higher price levels and the growing prevalence of short-term capital that is relentlessly in search of maximum returns. The players behind this capital are constantly poised to jump from bourse to bourse, switching between various asset classes and using all of the instruments and techniques that are at their command in today's modern capital market. We are now living in a truly global market economy, with all the advantages and disadvantages that it entails.

### Development for Industrivärden's Portfolio Companies

The trend was positive for Industrivärden in 2006, even though net asset value and our share price experienced the same volatility that I described above. During the year, our net asset value rose by SEK

10 billion, to SEK 58 billion, which is an increase of 24% assuming reinvestment of our dividend. The total return for the Class A and C shares was 29% and 32%, respectively, compared with 28% for the return index. We thereby once again achieved our goal of generating a higher long-term return than the index. What's important, however, is that we have succeeded in achieving a very competitive return over time.

Our strong performance rests on a foundation of a diversified portfolio of holdings in companies with leading positions in their respective niches. On the whole, our portfolio companies experienced good growth in value, which is a clear reflection of their fine earnings and profitability levels. The importance of diversification is reflected in the fact that neither Handelsbanken's nor Ericsson's stock, which account for 22% and 16% of the portfolio's total value, respectively, performed well during the year. Handelsbanken posted a higher operating profit and showed a continued strong return on equity. We are highly confident about Handelsbanken's ability to continuously develop its operations. Ericsson also had a good year, and its adaptation to the changed market conditions has been very successful.

The holdings that made the largest contribution to our favorable growth in net asset value were primarily Sandvik, which gained 34% for the year, SSAB, which rose by 69%, and SCA, which rose by 23%. Sandvik continues to show strong development in all three of its business areas. Growth was especially high for Mining and Construction, which is catering to an increasingly global mining industry, while Materials Technology and Tooling are also noting good growth. It is against this background that Sandvik's board has now proposed another stock redemption program, worth SEK 3.6 billion.

SSAB continues to prosper from its niche strategy and a good steel market. The company's return on capital employed remained high in 2006, at 36%, and in the aim of maintaining flexibility and adapting the company's capital structure, SSAB's board has proposed a share repurchase program involving a maximum of 10% of the shares.

Skanska has been successful in its construction operations as well as in its value-creating project development activities. On account of its favorable earnings performance and subsequently good cash flow, the company today has a larger capital base than what is deemed necessary. It is against this background that Skanska's board has proposed a total dividend of SEK 3.5 billion.

It is gratifying that SCA is now beginning to see the results of its efforts to boost profitability through internal efficiency improvement measures. Parallel with this, the markets for SCA's



**"Industrivärden's strong performance is built on three main pillars: a quality portfolio, a professional organization and board, and first-rate work methods and models"**

various business areas are showing a better balance between supply and demand, with subsequent price increases as a result. SCA's earnings before financial items increased by 18%.

Munters reported very strong performance in 2006, and we are now getting a glimpse of the potential that we identified in 2003 when we bought a stake in the company at a price of SEK 175 per share. At year-end Munters' stock was trading at SEK 317 per share. Indutrade, which we brought to the stock market in fall 2005 through an IPO, has continued its fine performance, with profitable growth both organically and through acquisitions. Since its stock market debut, Indutrade's stock has risen by 108%.

### **Activities in 2006**

The events that are most important for our net asset value can be broken down into two categories:

- activities that take place at Industrivärden's level, and
- activities that take place in the portfolio companies.

In the latter category a lot happened in 2006, just as in every other year. This is where our active ownership generates results, even if it doesn't attract newspaper headlines every day. What's important is that it leads to favorable growth in value over a longer perspective. With respect to our own activities, I would like to say the following.

In December we announced the sale of our last remaining operating subsidiary, Isaberg Rapid. The sale entails that we have now fully executed our strategy of investing in listed Nordic companies. Industrivärden's organization, experience and culture are well-adapted for this strategy. Given our transparency and strong performance over time, the discount to net asset value should also decrease. This is precisely what has happened, and at year-end 2006 the discount amounted to 10%.

Our short-term trading continued to do well despite the major swings in the stock market in 2006. Earnings for the year from this activity totaled SEK 173 M, an increase of SEK 51 M compared with 2005. Since starting our short-term trading three and a half years ago, we have earned about a half-billion kronor. At the same time, our management costs during this period were SEK 280 M. Our annual management costs, which we have succeeded in maintaining at a level of SEK 80 M for a number of years, are today less than 0.15% of managed assets, compared with an average of 1.5% for traditional equity funds.

### **Industrivärden's Role as Active Owner**

Industrivärden's strong performance is built on three main pillars: a quality portfolio, a professional organization and board, and first-rate work methods and models. In recent years, new types

## Strategy based on three main pillars

### Quality portfolio

- Concentrated portfolio provides focus
- Industry-leading companies provide favorable future opportunities
- Influence enables active value development

### Professional organization

- Proven value creation over many years
- Depth of knowledge about portfolio companies and their business environments
- Major experience in strategic company development
- Lean, efficient organization provides speed and flexibility
- Extensive network provides strength

### First-rate work methods and models

- Own-developed work methods, models and systems vouch for high quality
- Structured processes for evaluating existing and new investments
- Proven model for profitable value creation

of players have shown up in the capital markets, such as hedge funds, private equity investors, activist funds, and so on. Many of these players are relatively short-sighted in their approach. Despite this, they can wield influence by collaborating and using their joint strengths. Usually it is a matter of putting pressure on a company to take swift action on a very specific issue, such as its capital structure, in the aim of achieving a fast rise in the share price. Some have been successful and have given their owners a good return. They see a company's stock as the goal of their endeavors and feel little responsibility for the company's long-term development, with the consequences this has for the company, its employees, customers, suppliers and the community in which it works. This makes it all the more important that there are investors like Industrivärden who, by taking active ownership responsibility based on a position of influence, are prepared to take responsibility for a company's long-term development. Simply put, you could say that we at Industrivärden aspire to be a long-term industrial developer of companies. The stock market is our means of achieving an influential position in a company. Therefore it is important that we are clear about our ownership role. But our role is also to help make sure that our portfolio companies are properly valued on the stock market. From this it follows that we dedicate much time to discussing the companies' strategic positions and to making sure that they have a well-adapted capital structure for their respective operations.

Private equity funds are another market participant. They buy up 100% of a company and invest from a medium-term perspective with a clear exit strategy. Private equity funds make use of aggressive leverage in their activities. I believe that their high level of activity will continue in 2007, which of course is natural given that access to capital is so high due to very liquid credit markets and continued relatively low interest rates, at the same time that companies are

reporting returns on capital employed or equity that far exceed 20%. As an owner Industrivärden will continue to stick to its strategy of being a large, influential owner in listed companies. Consequently, we will not be buying out any companies from the stock market.

### Dividend and Split

For 2006 the Board of Directors has proposed raising the dividend by 29%, to SEK 9.00 per share. This proposal entails that we will have achieved our goal of paying a dividend that exceeds the average for the Stockholm Stock Exchange and of achieving a balance in our operating cash flows. Further, the Board has proposed a 2:1 stock split, whereby each share would be converted to two new shares of the same class. This measure aims to facilitate trading in round lots for our shareholders with small holdings.

### Favorable Outlook for 2007

For Industrivärden, 2006 was a strong year, and we are well poised for the future. Our portfolio of successful companies in a variety of sectors, together with a favorable financial position, lays the foundation for continued fine performance. Our organization and experienced employees have contributed to our success in the highest degree. I therefore want to take this opportunity to thank all of my colleagues for a fine job done in 2006. New challenges await us in 2007!

Stockholm, Sweden, February 2007



Anders Nyrén  
President and CEO

**GOAL AND GOAL ACHIEVEMENT**

## Higher Total Return than Index

Industrivärden's goal is to generate high growth in net asset value over time and to deliver a total return to its shareholders which, over the long term, is higher than the average for the Stockholm Stock Exchange. Industrivärden has achieved this goal by a wide margin.

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 enabled Industrivärden to deliver an attractive and competitive total return to its shareholders. Over the last one-, five-, ten- and twenty-year periods – as well as since the Company's stock listing in 1945 – Industrivärden's stock has delivered a higher average total return than the Stockholm Stock Exchange.

**Average Growth in Net Asset Value**

	<b>2006</b>	<b>Five years (2002–2006)<sup>1</sup></b>	<b>Ten years (1997–2006)<sup>1</sup></b>
Net asset value, %	21	8	10
Net asset value including reinvested dividends, % <sup>2</sup>	24	14	17

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 in pace with the equities portfolio.

**Industrivärden's Stock Compared with Return Index (SIXRX)**

Annual total return <sup>3</sup>	Industrivärden		Return index, %	Excess return (% points)	
	Class A, %	Class C, %		Class A	Class C
62 years (since the stock listing)	15	– <sup>4</sup>	13	2	– <sup>4</sup>
20 years	15	– <sup>4</sup>	14	1	– <sup>4</sup>
15 years	18	19	17	1	2
10 years	18	18	13	5	5
5 years	16	16	13	3	3
1 year	29	32	28	1	4

3) Growth in value including reinvested dividends.

4) The Class C shares were listed in 1988.

**NET ASSET VALUE**

## Net Asset Value Increased by SEK 53, to SEK 303 per Share

Net asset value increased by 24% in 2006, or SEK 61 per Industriärden share, assuming the dividend of SEK 7.00 per share had been reinvested and grown in pace with the equities portfolio.

Net asset value is a measure of the shareholders' total net worth in the Company, defined as the market value of the Parent Company's equities portfolio less net debt. At year-end net asset value was SEK 58.5 billion (48.3), or SEK 303 (250) per share.

### **Measuring the Market Value of the Parent Company's Equities Portfolio**

To show the composition of net asset value, the Parent Company's holdings of listed equities have been stated at their current prices on the stock market on 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. 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 77.

### **Net Debt**

Net debt in the calculation of net asset value includes the Parent Company's interest-bearing net debt as well as the net book value of other assets and liabilities. One rule for Industriärden is that the net debt-equity ratio may not exceed 20% of the portfolio's market value.

### **Borrowings and Risk**

In addition to the change in value of stocks, net asset value is also affected by borrowings on the equities portfolio and its level of risk. During the ten-year period 1997–2006, the net debt-equity ratio ranged from a low of 3% to a high of 17%.

The most significant risk in Industriärden's business consists of fluctuations in the value of the equities portfolio. This risk and other financial risks that affect Industriärden are described in detail on pages 61–63.

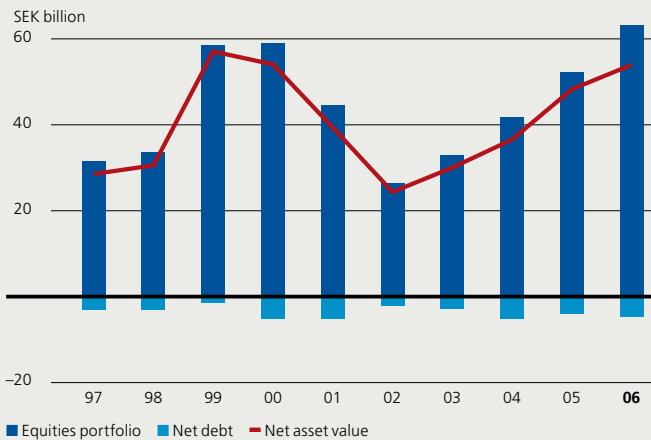
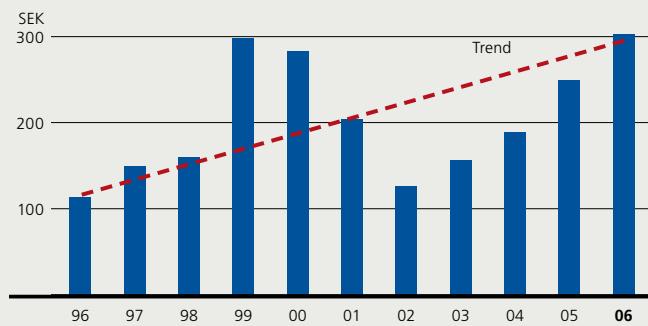
During the ten-year period 1997–2006 the standard deviation in the total return for Industriärden's listed portfolio was 24.3%, compared with 21.8% for the return index (SIXRX). The total variation in the return for Industriärden's listed portfolio is thus higher than a broad market index, which is logical considering the relative concentration of the listed portfolio. During the same ten-year period, net asset value including reinvested dividends rose 17% per year, compared with 13% for the return index (SIXRX).

### **Development of Net Asset Value**

A compilation of the shareholdings' impact on net asset value is shown in the table below.

### **Development of Net Asset Value in 2006 and 2005**

SEK M	December 31, 2005/December 31, 2004	48,252	36,563
Equities portfolio	Opening value	52,265	41,691
	Purchases	3,193	3,023
	Sales	-2,072	1,121
	Change in value of equities portfolio:		
	Sandvik	3,315	2,771
	SSAB	2,775	1,881
	SCA	1,553	426
	Indutrade	684	896
	Handelsbanken	676	1,599
	Skanska	458	1,332
	Munters	342	69
	Ericsson	48	2,158
	Höganäs	25	-24
	Other stocks	63	9,939
	<b>Closing value</b>	<b>63,325</b>	52,265
Net debt	Opening value	-4,013	-5,128
	Dividend paid out	-1,352	-1,159
	Dividends received	1,733	1,572
	Management costs	-81	-78
	Net financial items	-190	-217
	Purchases/sales of stocks, net	-1,121	941
	Other	210	-801
	<b>Closing value</b>	<b>-4,814</b>	-4,013
	<b>December 31, 2006/December 31, 2005</b>	<b>58,511</b>	48,252

**Development of Net Asset Value****Net Asset Value per Share**

Average annual growth in net asset value during the ten-year period 1997–2006 was 10%.

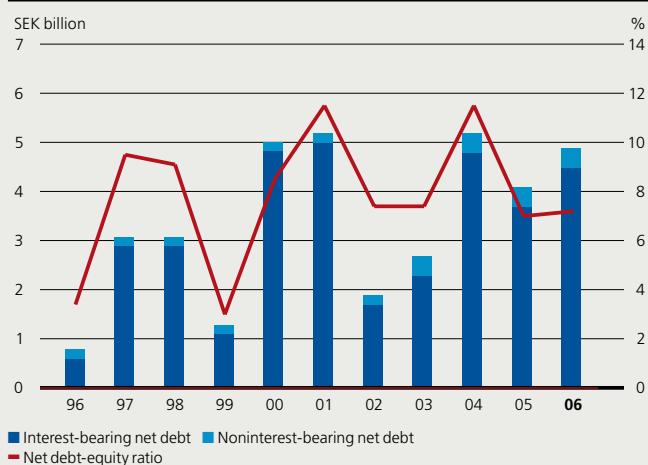
**Composition and Development of Net Asset Value**

SEK/share as per Dec. 31	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<b>Equities portfolio</b>	<b>328</b>	271	216	170	136	231	306	305	176	166	118
<b>Net debt</b>											
Interest-bearing net debt	-23	-19	-25	-12	-9	-26	-25	-6	-15	-15	-3
Other assets and liabilities	-2	-2	-2	-2	-1	-1	-1	-1	-1	-1	-1
<b>Net asset value</b>	<b>303</b>	250	189	156	126	204	280	298	160	150	114
Change in net asset value, %	21	32	22	24	-38	-27	-5	86	7	32	37
Market price of Class A shares	272	217	170	121	100	165	205	185	109	111	78
Market price of Class C shares	256	200	154	109	91	152	193	177	102	109	76
Discount to net asset value, A shares, %	10	13	10	22	21	19	27	38	32	26	32
Discount to net asset value, C shares, %	16	20	19	30	28	25	31	41	36	27	33
Net debt-equity ratio, %	7	7	12	7	7	11	9	3	9	9	3

The discount to net asset value, i.e., the difference between net asset value and the stock price measured as a percentage of net asset value, was at its highest 38% for the Class A shares at year-end 1999 and at its lowest 10% at year-end 2004 and 2006.

**Interest-Bearing Net Debt**

SEK M	Dec. 31, 2006	Dec. 31, 2005
Cash and cash equivalents	738	1,257
Interest-bearing receivables	88	89
Non-current interest-bearing liabilities	2,776	3,870
Current interest-bearing liabilities	2,796	1,350
	4,746	3,874
Less: liabilities to subsidiaries	-214	-202
<b>Interest-bearing net debt</b>	<b>4,532</b>	3,672
Market value of equities portfolio	63,325	52,265
<b>Net debt-equity ratio, %</b>	<b>7.2</b>	7.0

**Net Debt-Equity Ratio**

**INDUSTRIVÄRDEN SHARE DATA**

# Total Return of 29% for Class A Shares and 32% for Class C Shares

Industrivärden's Class A shares rose 25% during the year, and the Class C shares rose 28%. Trading volume was SEK 10 billion. Industrivärden's market capitalization was SEK 52 billion (41) at year-end. The total return was 29% for the Class A shares and 32% for the Class C shares, compared with 28% for the stock market as a whole.

## **Performance of Industrivärden's Stock in 2006**

Industrivärden's stock performed slightly better than the market average in 2006. The market index rose 24% during the year, while Industrivärden's Class A shares rose 25%, from SEK 217 to SEK 272. The Class C shares rose from SEK 200 per share to SEK 256, or by 28%. The highest price paid was SEK 274 for Industrivärden's Class A shares and SEK 258 for the Class C shares. The lowest price paid was SEK 188 for the Class A shares and SEK 178 for the Class C shares. The total return in 2006 (which includes reinvested dividends) was 29% for the Class A shares and 32% for the Class C shares, compared with 28% for the market as a whole.

Trading volume of Industrivärden's stock on the Stockholm Stock Exchange in 2006 was SEK 10 billion (6), corresponding to a turnover rate of 16% (10%) for the Class A shares and 44% (33%) for the Class C shares. Average daily trading volume was 82,000 Class A shares, for a value of SEK 19 M, and 102,000 Class C shares, for a value of SEK 22 M.

## **Industrivärden's Stock**

Industrivärden's Class A and Class C shares are quoted on the Stockholm Stock Exchange and have been included on the Nordic list since October 2, 2006, which includes all stocks that were previously listed on the Stockholm Stock Exchange, the Helsinki Stock Exchange and the Copenhagen Stock Exchange. Industrivärden's stock is included in the large cap segment, consisting of listed companies with a market capitalization in excess of EUR 1 billion. 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. A round lot consists of 100 shares.

## **Dividend**

Industrivärden's dividend policy is to offer the shareholders a dividend yield that is higher than the average for listed Swedish stocks. This goal has been achieved every year during the past ten-

year period. The dividend should be well-balanced with respect to the goals, scope and risk of operations.

The Board of Directors has proposed that the 2006 Annual General Meeting declare a dividend of SEK 9.00 (7.00) per share, an increase of 29%. This would correspond to a dividend yield of 3.3% (3.2%) for the Class A shares, and of 3.5% (3.5%) for the Class C shares, which is higher than the average dividend yield of 3.0% (3.0%) for listed Swedish stocks. If the Annual General Meeting votes in favor of the Board's proposal, average annual dividend growth during the past ten years will amount to 11%.

## **Stock Split**

In addition, the Board of Directors has proposed a 2:1 stock split to the Annual General Meeting in order to increase the liquidity of Industrivärden's stock and to facilitate trading for small shareholders. If approved, shareholders will receive two new shares of the same class for each share held.

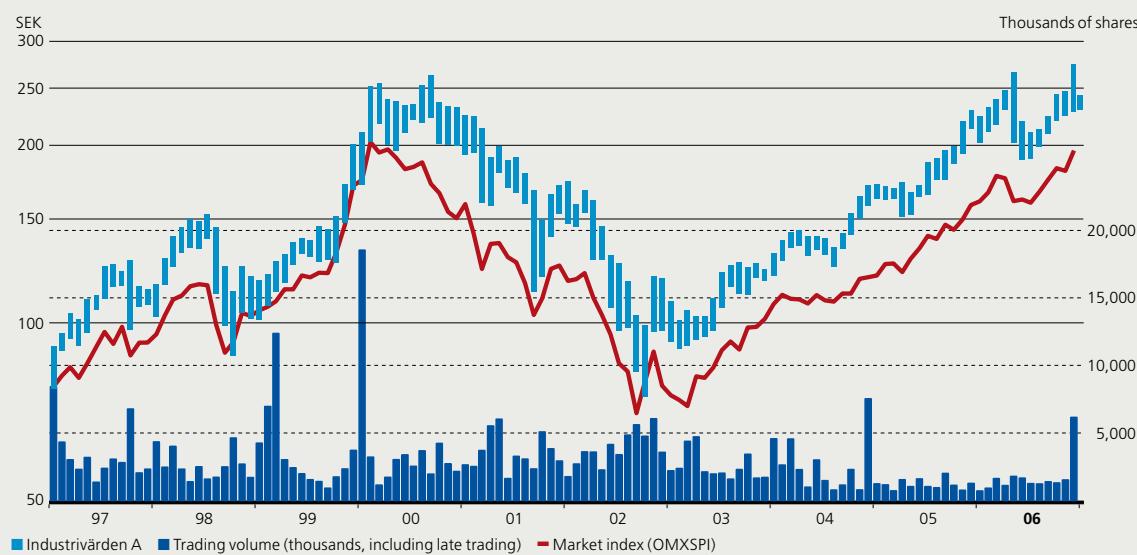
## **Largest Shareholders**

Industrivärden has approximately 39,000 (37,900) shareholders. Institutional investors, such as pension foundations, insurance companies and mutual funds, own approximately 82% (82%) of the shares. Foreign ownership in the Company is approximately 9% (9%). The ownership structure is shown in the tables on page 10.

## **Employee Shareholdings**

Information on holdings of stock by Company directors, members of the executive management and senior executives is provided on pages 80–81. Industrivärden's employees were included in an employee stock option program that was set up in 2002 and which expired on February 28, 2007. More detailed terms of the option program are described in Note 7 on page 66.

### Price Trend, IndustriVärden's Stock



**Comment:** During the ten-year period from year-end 1996 to year-end 2006, IndustriVärden's stock rose by an average of 13% per year, compared with an average of 10% for the market index.

### Total Return for IndustriVärden's Stock



**Comment:** During the ten-year period from year-end 1996 to year-end 2006, the total return for IndustriVärden's stock averaged 18% per year, which was 5 percentage points higher than the return index.

**Industrivärden's Stock as per December 31, 2006**

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

**Capital Stock Development**

SEK M	Capital Stock	Number of shares
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 <sup>1</sup>	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
2005 No change during the year	965.7	193,135,612
2006 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**

	2006	2005	2004	2003	2002
Total return for Class A shares, %	29	33	46	28	-36
Index (base: Dec. 31, 2001)	205	159	120	82	64
Total return for Class C shares, %	32	36	48	27	-36
Index (base: Dec. 31, 2001)	216	164	120	81	64
Return index (SIXRX), %	28	36	21	34	-36
Index (base: Dec. 31, 2001)	181	141	105	86	64
Beta coefficient <sup>1</sup>	1.11	1.10	1.07	1.00	1.00

1) If a stock has a beta coefficient 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. In the table above, the beta coefficient is compared with the stock market index (OMXSPI).

**Dividend**

SEK	2006	2005	2004	2003	2002
Dividend	9.00 <sup>1</sup>	7.00	6.00	5.50	5.80
Annual growth in dividend, % <sup>2</sup>	29	17	9	-5	-31
Dividend yield, Class A shares, %	3.3	3.2	3.5	4.5	5.8
Dividend yield, Class C shares, %	3.5	3.5	3.9	5.0	6.4
Dividend yield for Stockholm Stock Exchange, % <sup>3</sup>	3.0	3.0	2.9	2.5	2.8

1) Proposed by the Board of Directors.

2) Average annual dividend growth during the past five years was 12% for the ordinary dividend.

3) Source: SIX Findata. Preliminary figures for 2006.

**Ownership Structure at December 31, 2006<sup>1</sup>**

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
Jan Wallander and Tom Hedelius Foundation	11,400,000	8.1	5.9
SCA Pension Foundation	8,450,540	6.0	4.4
Oktogonen	6,500,000	4.6	3.4
AMF Pension	19,174,700	3.3	9.9
SCA Vorsorge-Treuhand	4,307,315	3.1	2.2
SCA Group Holding	4,122,642	2.9	2.1
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.

**Ownership Structure at December 31, 2006<sup>1</sup>**

Size class, no. of shares	Number of share-holders as % of total	Total holding as % of capital
1–500	68.4	2.3
501–1,000	14.5	2.3
1,001–10,000	15.4	8.5
10,001–	1.7	86.9
	100.0	100.0

1) Source: VPC.

**Codes Assigned to Industrivärden's Stock**

	Class A shares	Class C shares
ISIN code	SE0000190126	SE0000107203
Reuters	INDUA.ST	INDUC.ST
Bloomberg	INDUA SS	INDUC SS
Ecovision	INDUA A	INDUC C

**BUSINESS MODEL**

# Value Creation Through Structured Processes

Industrivärden's business revolves around 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, to create value through active ownership, and to realize this value in connection with an exit. By virtue of this active ownership role, operations are long-term in their nature, which requires that Industrivärden can exert significant influence. 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 horizon are conducted to a limited extent. The aim of these activities is to support Industrivärden's main processes with market information and to generate excess returns. 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 com-

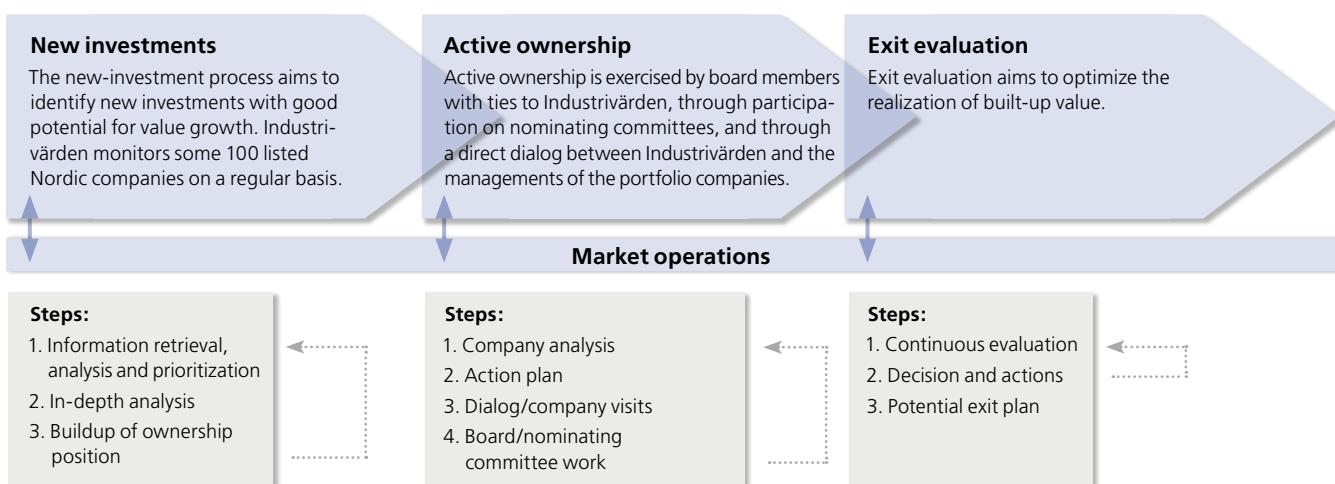
petitive platform for long-term value creation. This is based primarily on:

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

Over short as well as long periods of time, 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, Indus-

## Industrivärden's Main Processes

Industrivärden's business model revolves around three main processes in which work is performed according to uniform methods. The aim is to achieve a high degree of efficiency and high standards of quality. Industrivärden's market operations support the other processes by providing market information and use their knowledge of the markets to generate excess returns. Industrivärden has a cost-effective organization that is characterized by flexibility and short decision-making channels. Apart from its own organization and the Board of Directors, Industrivärden's network is an important source of information and support in the investment and ownership processes.



trivärden's total return has been higher than the average for the Stockholm Stock Exchange over both the last five- and ten-year periods.

### **Investment Criteria**

Industrivärden conducts its work according to the following investment criteria, revolving around the business mission of creating shareholder value through active ownership and a professional investment operation:

- Investments in midcap and large listed Nordic companies
- Ownership stakes that enable significant ownership influence
- Strong potential for value growth through active ownership
- Investment in companies with business models that can be applied in several markets
- Concentration on a limited number of shareholdings

Every new investment is analyzed with respect to its 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 a 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 current picture of attractive investment candidates in the aim of quickly being able to act when business opportunities arise. Through a systematic work process, well-grounded decisions can be made with a high degree of efficiency and low cost.

More than 1,000 companies are listed in the Nordic stock markets. The 100 or so most interesting listed companies are monitored on a continuous basis and more in-depth. Following information-gathering, external contacts, analysis and prioritization, presentations of the most interesting companies are made to Industrivärden's investment committee, which is made up of the executive management team and representatives of the investment operation. Any decisions are made thereafter on whether to proceed with a more in-depth analysis and 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 for consideration are the company's board and management as well as, among other things, value potential, market potential, strategic positioning, capital efficiency and operational improvements. 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**

Industrivärden has a separate function that conducts various market operations in the aim of supporting its investment activities. This function executes investment decisions and provides daily market information. In an effort to generate excess returns, short-term trading is also conducted in the form of derivative transactions based on the holdings in the equities portfolio and equity trading by the subsidiary Nordinvest. Risk is limited by strict risk mandates and by conducting transactions only in stocks that fall within the framework of Industrivärden's analysis model.

### **Active Ownership**

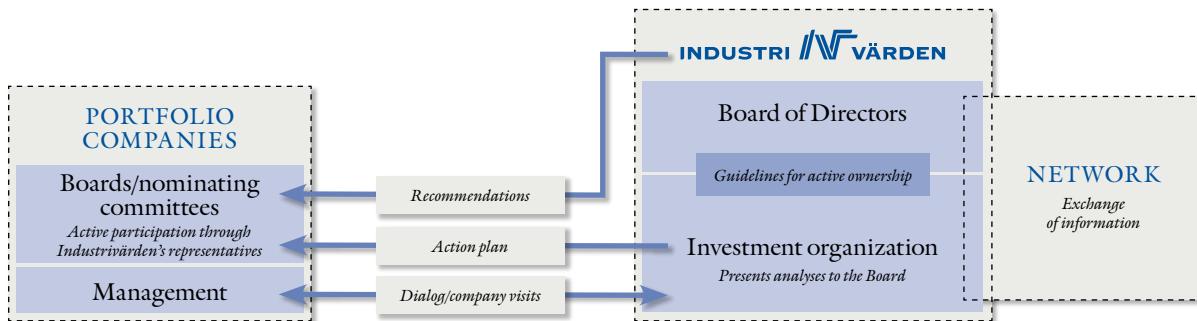
Industrivärden's influence in its portfolio companies is grounded in significant ownership stakes and a strong position of trust. From this platform, an active ownership role is exercised through interaction with other major owners in the aim of finding ways to build value in the shareholdings. Active 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 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 previously drafted 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, implementation 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 monitors and updates the action plan on a regular basis. This work is conducted according to a structured work method and consists of continuous, fundamental analysis of the company, its competitors, and other central factors in the business environment. Information is obtained with the help of suitable system support, through company visits, through ongoing dialog with the management of the respective companies and through contacts with the company's customers and other stakeholders. As help in this work, Industrivärden makes use of an extensive network.

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.

## Industrivärden's Active Ownership



When Industrivärden takes an active role in a new portfolio company, the value creation action plan takes on a more concrete design. From having been a decision-making document in the investment process, the action plan now forms the base of the design, implementation and evaluation of Industrivärden's active ownership.

### Board members of portfolio companies with ties to Industrivärden

**Handelsbanken** Lars O Grönstedt (Chairman), Anders Nyrén (Vice Chairman), Fredrik Lundberg and Sverker Martin-Löf

**Sandvik** Anders Nyrén (Vice Chairman) and Fredrik Lundberg

**Ericsson** Sverker Martin-Löf (Vice Chairman) and Anders Nyrén

**SCA** Sverker Martin-Löf (Chairman), Tom Hedelius and Anders Nyrén

**SSAB** Sverker Martin-Löf (Chairman) and Anders Nyrén

**Skanska** Sverker Martin-Löf (Chairman), Finn Johnsson, Curt Källströmer and Anders Nyrén

**Industrade** Bengt Kjell (Chairman) and Curt Källströmer

**Munters** Bengt Kjell

**Höganäs** Bengt Kjell

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

### Exit Evaluation

Exit evaluation aims to optimize the realization of built-up value. The action plan prepared during the new-investment process includes goals and options for a future exit, among other things. It is important at an early stage to evaluate the value growth targets and the forms of a conceivable future exit in step with 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 company as well as in its active holdings. Industrivärden puts particular emphasis on the following principles in its active ownership of its portfolio companies:

- 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 is an active owner adopt environmental policies – based on their respective business conditions – that put special emphasis on their markets, environmental impact, legislation and environmental management.

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

**CORPORATE GOVERNANCE REPORT**

# Corporate Governance at Industrivärden

Industrivärden's governing bodies are general shareholders' meetings, the Board of Directors, the President and CEO, and the auditors. At general shareholders' meetings, the shareholders elect a board and, where applicable, the auditors. The Board has ultimate responsibility for Industrivärden's organization and administration. The Board has a compensation committee and an audit committee. The Board appoints the President and CEO as well as executive vice presidents. The auditors shall, on behalf of the general meeting, review the financial statements and the Board's and CEO's management during the year. Industrivärden's nominating committee is tasked with recommending directors for election by a general shareholders' meeting, among other things.

**Swedish Code of Corporate Governance and Content of Corporate Governance Report**

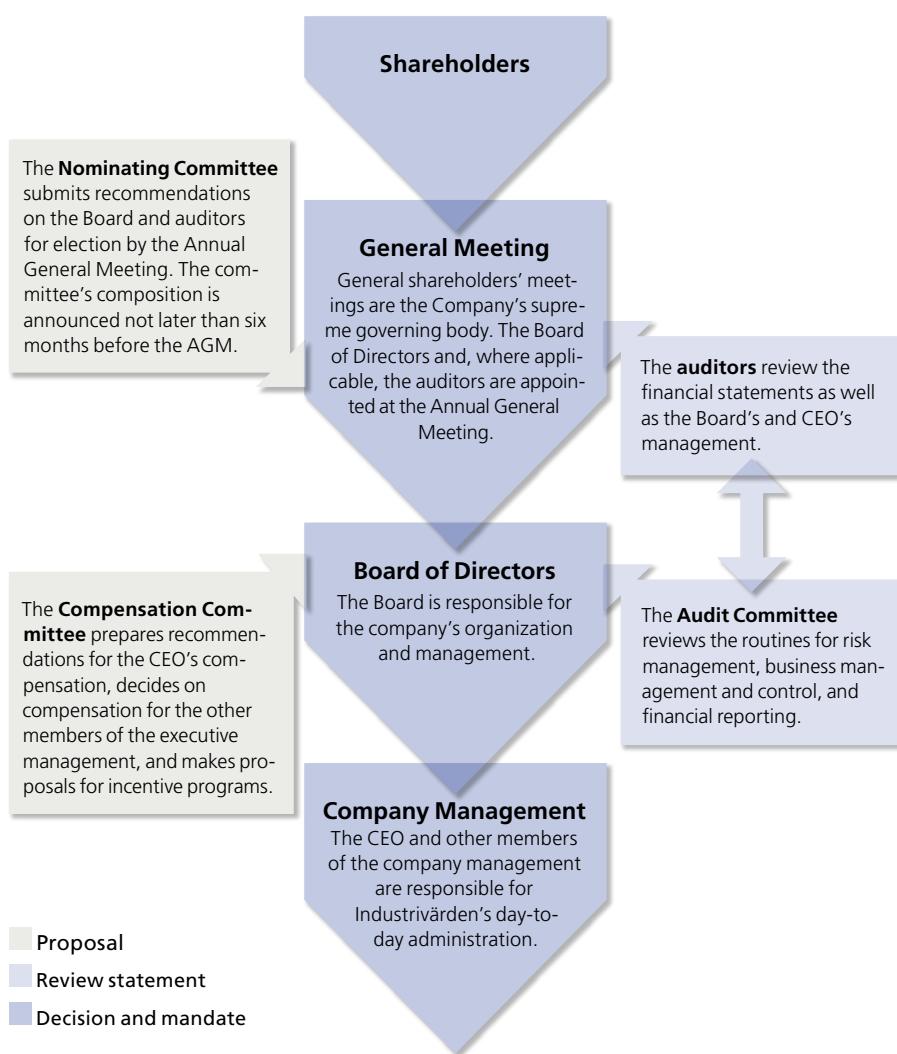
Industrivärden adheres to the Swedish Code of Corporate Governance. A deviation is reported on page 18 with respect to executive compensation in 2006. This corporate governance report pertains to the 2006 fiscal year and also includes a report on the Nominating Committee's work ahead of the 2007 Annual General Meeting. The corporate governance report is not a part of the formal annual report and has not been reviewed by the Company's auditor.

**Shareholders**

At year-end 2006 Industrivärden had approximately 39,000 (37,900) shareholders. The percentage of shares owned by institutional shareholders, such as pension funds, insurance companies and mutual funds, was 82% (82%). Foreign investors owned approximately 9% (9%) of the shares. The ten largest shareholders had combined shareholdings corresponding to 63% (65%) of the votes and 54% (56%) of the capital stock. A specification of the largest shareholders can be found in the Industrivärden Share Data section on page 10.

**The Corporate Governance Process**

A description of the Swedish corporate governance process can be found in the document "Special Features of Swedish Corporate Governance," written by attorney Sven Unger and published by the Swedish Corporate Governance Board. See [www.bolagsstyrningskollegiet.se](http://www.bolagsstyrningskollegiet.se).



## 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 of shareholders, Class A shares carry entitlement to one vote and Class C shares one-tenth of a vote. Both classes carry entitlement to an equal share of the Company's assets and earnings.

The Board shall consist of at least three and not more than nine members, who are appointed yearly at the Annual General Meeting. Notices of the Annual General Meeting shall be issued not earlier than six weeks and not later than four weeks prior to the meeting. Notices of 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.

## General Shareholders' Meetings

General shareholders' meetings are Industrivärden's supreme governing body. At the Annual General Meeting (AGM), which is held within six months after the end of the fiscal year, the income statement and balance sheet are adopted, the dividend is decided on, the Board of Directors and auditors are elected (where applicable), their fees are determined, other items of legally ordained business are conducted, and decisions are made on proposals submitted by the Board and shareholders.

All shareholders who are registered in the shareholder register on a specified record date and who have notified the Company in due time of their intent to participate at the general meeting have the right to attend the meeting and vote for the total number of shares they have. Shareholders can be represented by proxy. More detailed information on the 2007 Annual General Meeting is provided on page 85.

The notice of the Annual General Meeting on March 27, 2007, was published in Swedish daily newspapers and on Industrivärden's website on February 20, 2007. This notice presented a detailed agenda, including proposals for the dividend, the election of directors, directors' fees (broken down by the Chairman, Vice Chairman and other board members), and auditors' fees.

## 2006 Annual General Meeting

At the Annual General Meeting on May 8, 2006, attorney Sven Unger presided as chairman. All directors and auditors were present at the Meeting.

At the meeting, the annual report and audit report were presented. In addition, CEO Anders Nyrén gave an address on

Industrivärden's activities in 2005. In connection with this, Chairman of the Board Tom Hedelius presented information on the Board's work and reported on the principles for executive compensation and on the work of the Audit Committee.

The auditors reported to the Annual General Meeting on their review in a separate audit report and, in connection with this, reported on their work during the 2005 fiscal year.

The 2006 AGM resolved, among other things:

- to set the dividend at SEK 7.00 per share;
- to elect as directors Boel Flodgren, Lars O Grönstedt, Tom Hedelius, Finn Johnsson, Fredrik Lundberg, Sverker Martin-Löf, Lennart Nilsson and Anders Nyrén;
- to appoint Tom Hedelius as Chairman of the Board;
- to elect Öhrlings PricewaterhouseCoopers AB as auditor for the period extending through the end of the 2010 Annual General Meeting;
- to authorize the Chairman of the Board to contact the four largest registered shareholders in terms of votes in VPC's printout of the shareholder register on August 31, 2006, who each appoint one representative who is not a director on the Company's board, to form together with the Chairman of the Board a nominating committee for the time until a new nominating committee has been appointed based on the mandate from the next year's Annual General Meeting. The composition of the Nominating Committee shall be made public not later than six months before the 2007 Annual General Meeting;
- to approve the Board's proposed amendments to the Articles of Association in order to adapt them to the 2006 Swedish Companies Act.

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

## Nominating Committee

The composition of the Nominating Committee was published in September 2006. The members of the Nominating Committee are Tom Hedelius (Chairman of the Board), Christer Elmehagen (AMF Pension), Curt Källströmer (Handelsbanken, Nominating Committee chairman), Ulf Lundahl (L E Lundbergföretagen) and Anders Nyberg (SCA). The Nominating Committee is tasked with recommending directors for election by the Annual General Meeting, among other things.

The Nominating Committee has seen the evaluation of the Board's work. The Committee, which had two meetings, recommended the reelection of board members Tom Hedelius, Boel Flodgren, Lars O Grönstedt, Finn Johnsson, Fredrik Lundberg, Sverker Martin-Löf, Lennart Nilsson and Anders Nyrén.

The Nominating Committee also makes recommendations for the appointment of the Company's auditors. Öhrlings PricewaterhouseCoopers AB was appointed by the 2006 Annual General Meeting, after a structured evaluation process, to serve as auditor through the end of the 2010 Annual General Meeting.

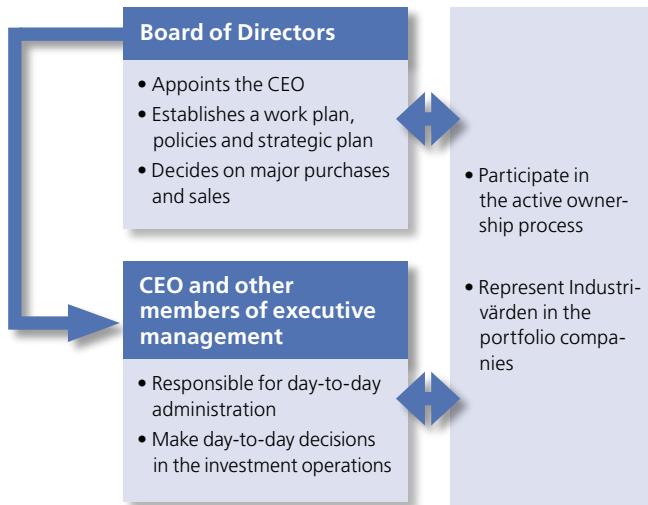
### **Members of the Board of Directors**

Industrivärden's board of directors, which is elected by the Annual General Meeting, currently consists of eight members, including the CEO. Industrivärden has not set any specific age limit for board members, nor any term limit for how long a director can serve on the Board. At the 2005 Annual General Meeting, all of the board members were reelected. Lars O Grönstedt was elected as a director at the 2006 Annual General Meeting. Arne Mårtensson had declined reelection. The other directors were reelected.

Industrivärden's chairman, Tom Hedelius, is a former CEO and chairman of Handelsbanken. Vice Chairman Sverker Martin-Löf is a former CEO of SCA and is Chairman of SCA, Skanska and SSAB. Boel Flodgren is a professor of commercial law and a former president of Lund University. Lars O Grönstedt is a former CEO of Handelsbanken and is currently Chairman of Handelsbanken. Finn Johnsson is a former CEO of Mölnlycke Health Care, United Distillers and Euroc, and is currently Chairman of Volvo. Fredrik Lundberg is CEO of L E Lundbergföretagen and Chairman of Cardo, Holmen and Hufvudstaden. Lennart Nilsson is a former CEO of Cardo.

A presentation of the current directorships held by the members of the Board can be found on page 80. The board members' professional biographies are presented on Industrivärden's website. Where necessary, other Industrivärden executives participate at board meetings.

### **Roles in Continuing Corporate Governance**



### **Independence Conditions**

All directors except for Chairman Tom Hedelius, who has been a member of the Board for more than 12 years, and CEO Anders Nyrén are independent in relation to Industrivärden. Of the board members who are independent in relation to Industrivärden Boel Flodgren, Lars O Grönstedt, Finn Johnson, Sverker Martin-Löf and Lennart Nilsson are also independent in relation to Industrivärden's major shareholders. Only one board member is a member of the executive management, namely, CEO Anders Nyrén.

### **The Duties and Work of the Board of Directors**

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

The Board's work is conducted according to a yearly plan. Each meeting follows an agenda, which together with the underlying documentation is distributed to the directors well in advance of each board meeting.

In general, the Board deals with matters of material importance, such as:

- setting the Board's work plan, including instructions for the CEO. These instructions cover, among other things, investment rules for stocks and derivative instruments which indicate the maximum amounts for the CEO's right between board meetings to decide on purchases and sales of stocks and derivative instruments;
- strategic plan;
- acquisitions and sales of companies or businesses; and
- 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.

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

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 reports on the auditors' observations and remarks from their audit. A similar report is also presented in connection with the nine-month interim report.

At regular meetings, the CEO is delegated with the task of issuing the Company's interim reports, while the Board issues the year-end report.

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

## Attendance, fees and independence conditions

Name	Year elected	Position <sup>1</sup>	Audit Committee	Compensation Committee	Attendance at board meetings	Attendance at committee meetings	Fee, SEK 000 <sup>2</sup>	Non-independence in relation to Industri-värden <sup>3</sup>	Non independence in relation to major shareholders <sup>3</sup>
Tom Hedelius	1991	Chairman	Director	Chairman	All	All	990	X	X
Sverker Martin-Löf	2002	Vice Chairman	Chairman	Director	All	All	660		
Boel Flodgren	2002	Director	Director	—	All	All	330		
Lars O Grönstedt	2006	Director	Director	—	All	All	330		
Finn Johnsson	2000	Director	Director	—	All	All	330		
Fredrik Lundberg	2004	Director	Director	—	All	All	330		X
Arne Mårtensson (through 2006 AGM)		Director	Director	—	1 of 2	1 of 2	—		X
Lennart Nilsson	1997	Director	Director	—	All	All	330		
Anders Nyrén	2001	Director	—	—	All	—	—	X	
<b>Total</b>							<b>3,300</b>		

1) In 2002 Tom Hedelius and Sverker Martin-Löf were named Chairman and Vice Chairman of Industri-värden's board, respectively, for the first time.

2) No fee is payable for committee work.

3) Independence conditions according to the Swedish Code of Corporate Governance and the Stockholm Stock Exchange Listing Agreement.

4) Tom Hedelius has been a member of the Board for more than 12 years. Industri-värden's President and CEO, Anders Nyrén, is the only executive director of the Company.

the performance of the equities portfolio, including detailed information on stock transactions that have been carried out. Reports are also made on the share price development and earnings trends. In addition, a special review is normally conducted of one or more of the portfolio companies and of potential new investments. As a rule, each year a meeting is held at one of the major portfolio companies, with a company visit in conjunction therewith.

Committees appointed by the Board are tasked with preparing matters ahead of board decisions.

Each year the Board evaluates the financial reporting it receives from the Company and makes demands on its content and design in order to ensure its quality as follows from the heading Internal Control on page 19.

The Board's work is evaluated each year under the direction of the Chairman of the Board.

Decisions are made by the Board after an open discussion that is monitored by the Chairman. The Company Secretary is attorney Sven Unger, from the law firm Mannheimer Swartling.

### Important Matters for the Board during the 2006

#### Fiscal Year

In 2006 the Board had a total of four meetings in addition to the statutory meeting. The most important task of the Board concerns matters related to the active holdings in the equities portfolio. In addition to strategic planning, the most important single matters in 2006 involved sales and purchases of stocks in listed and unlisted companies. See further the Board of Directors' Report on page 47.

### The Chairman's Role

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

### Compensation Committee

The Board has appointed a compensation committee, which had two meetings. The Compensation Committee has drafted a proposal for the salary and remuneration of the President and CEO and has set the salary and remuneration of the other members of the executive management. The compensation principles were presented at the 2006 Annual General Meeting. The members of the Compensation Committee are Tom Hedelius (Chairman of the Board and committee chairman) and Sverker Martin-Löf (Vice Chairman of the Board). No compensation has been paid for their work on the committee.

### Audit Committee

The Board has also appointed an audit committee. In view of the importance of accounting and auditing issues for a holding company, this committee includes all the Company's directors except for the CEO. Sverker Martin-Löf chairs the Audit Committee. The Audit Committee is tasked with examining the routines for the Company's risk management, business management and control, and financial reporting. The Company's investment instructions and finance policy are adopted each year by the Board. The Chairman of the Board maintains regular contact with the

Company's auditors to ensure that internal and external reporting meet established requirements and to discuss the scope and focus of audit work. The auditors normally report their observations to the Audit Committee in connection with their review of the nine-month interim report and in connection with their audit of the year-end book-closing. No compensation has been paid to the members for their work on the committee.

### **Executive Management**

The members of the executive management are presented in the Organization and Employees section on page 20.

The CEO is responsible for Industrivärden's continuing management, which is administrated by the Company's Executive Management Team. The CEO's decision-making right regarding investments, purchases and sales of stocks, and with respect to financing matters, is subject to rules laid down by the Board of Directors.

Industrivärden's President and CEO, Anders Nyrén, joined the Company in 2001. From 1997 to 2001 he was employed by Skanska as Executive Vice President and CFO. From 1996 to 1997 he served as an executive vice president and member of the executive management of 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.

Anders Nyrén is Vice Chairman of Handelsbanken and Sandvik, and a director on the boards of Ericsson, SCA, Skanska and SSAB. Anders Nyrén owns 26,675 shares of Industrivärden stock.

Bengt Kjell, Executive Vice President and Chief Investment Officer, joined Industrivärden in 2002. He was a Senior Partner of Navet from 1987 to 2002. From 1995 to 1997 he worked for Securum as head of Corporate Finance and was a member of the executive management. From 1992 to 1995 he worked for Independent in charge of winding up the company, and from 1984 to 1987 he served as executive vice president and CFO of K.G. Knutsson. Bengt Kjell is Chairman of Indutrade and Kungsleden, and is a director on the boards of Handelsbanken (Central Sweden Region), Munters and Höganäs. Bengt Kjell owns 10,000 shares of Industrivärden stock.

Carl-Olof By, Executive Vice President and Chief Financial Officer with responsibility also for Corporate Communications and IT, joined Industrivärden in 1990. From 1980 to 1990 he served as CFO of Investment AB Bahco. Carl-Olof By is a director on the board of Handelsbanken (Region Stockholm City), KnowIT and OMX Exchanges. Carl-Olof By owns 15,000 shares of Industrivärden stock.

### **Executive Compensation**

The members of the executive management receive a base salary and standard employment benefits, to which is added pension benefits and incentive programs that include employee stock options issued in 2002 (which matured in 2007) and a variable salary component. The principles regarding compensation for the

Board and members of the executive management in 2006, as well as a description of the incentive programs, are described in Note 7 on page 66. The directors' fees payable to the CEO and other members of the Executive Management that are directly related to their service have been paid to the Company.

Ahead of the 2006 AGM, the Board departed from rule 4.2.2 of the Swedish Code of Corporate Governance. The Chairman of the Board presented the principles for compensation of members of the executive management, but the Board did not present a proposed set of principles for a decision by the AGM. The reason for this departure is that since the Board is responsible for the executive management, the Board should also be responsible for the compensation of the executive management.

In view of new, compelling legal rules, at the 2007 AGM the Board will submit proposed guidelines for compensation of the CEO and other members of the executive management, for approval by the AGM.

### **Active Ownership**

Industrivärden's Chairman, CEO, four other board members and the Executive Vice President and Chief Investment Officer 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 11–13.

Participation on the portfolio companies' nominating committees is a vital aspect of Industrivärden's active ownership. Industrivärden's CFO chairs the nominating committees of Ericsson, Handelsbanken, Indutrade, Munters, Sandvik, SCA, Skanska and SSAB, and is a member of the nominating committee of Höganäs.

### **Auditor**

At the 2006 Annual General Meeting, Öhrlings PricewaterhouseCoopers AB was elected as the Company's auditor for a term through the 2010 Annual General Meeting.

The auditors are in regular contact with the Chairman of the Board, the Audit Committee and executive management. See also page 17.

Anders Lundin, Authorized Public Accountant, has been Chief Auditor since August 2005. During 2006 Anders Lundin was also Chief Auditor for the listed companies AarhusKarlshamn, Axis, Bong Ljungdal, Husqvarna, Melker Schörling and SäkI.

In 2006 Öhrlings PricewaterhouseCoopers had a total of 87 auditing assignments for companies listed on the Stockholm Stock Exchange, of which six were in cooperation with other auditing firms. Auditors' fees are disclosed in Note 8 on page 67.

### **Ethical Guidelines**

Industrivärden strives to ensure that its business activities are conducted according to high standards of integrity and ethics

within Industrivärden itself as well as in the companies that make up Industrivärden's portfolio of active holdings. See also the section Industrivärden's Role in Society, on page 13.

### **Internal Control**

The most important control process in Industrivärden's business consists of the continuing follow-up of its value exposure in the equities portfolio. Industrivärden's internal control is therefore primarily focused on ensuring the reliability of valuations of outstanding equity and derivative positions and of the reporting of purchases and sales of stocks and other securities.

According to the Swedish Companies Act, the Board is responsible for internal control. This responsibility includes conducting a yearly evaluation of the financial reporting that the Board receives and making demands on its content and design in order to ensure the quality of reporting. These demands entail that the financial reporting must be suitable and apply the applicable accounting rules and other requirements of listed companies. The following description is limited to Industrivärden's internal control of the financial reporting and has not been reviewed by the Company's auditors.

#### *Control Environment*

The control environment forms the basis of internal control. Decision-making channels, authority and responsibility are defined in a financial manual which covers – among other things – accounting principles, finance policy and finance instructions, banking policy, payment authorization instructions, routines for transactions in listed stocks and therewith related instruments, investment rules for stocks and derivative instruments, and the work plan for the Board's work.

#### *Risk Assessment*

Industrivärden's greatest risk consists of value exposure in the equities portfolio. The chief risk in the work processes pertains to possible defects in the accounting and reporting of equity transactions. Each year Industrivärden assesses the risks associated with the handling of equity transactions. This results in a risk analysis which is discussed with the auditors.

#### *Control Activities*

Control activities pertaining to the equities portfolio include approval of all business transactions, registration in business systems not later than the day after the transaction date, follow-up to ensure that equity transactions are in agreement with decisions made by the Investment Committee, and checks to make sure that the value of purchases and sales of stocks and of underlying stocks in derivative transactions are within the scope of the CEO's mandate. All equity positions are followed up on a continuous basis in real time. Short-term transactions conducted by the sub-

sidiary Nordinvest are subject to strict rules which limit the risks that may be taken and which limit the potential loss in the event of a drop in stock prices.

The performance of the equities portfolio is monitored in real time for the Parent Company and Nordinvest with respect to both equities and derivative instruments. Net debt is also calculated on a regular basis and takes into account purchases and sales of equities and derivatives, paid and received dividends, management costs and net financial items. This enables net asset value and the net debt-equity ratio to be monitored in real time, which minimizes the risk for inaccurate decision-making documentation.

#### *Information and Communication*

Through the financial manual and other instructions, all employees who are involved in equity transactions have access to the rules that apply for the Parent Company and Nordinvest. Through various forms of system support, the Company's management can monitor transactions that are conducted and the outcome of the various equity positions.

At the end of each month and in connection with reporting to the stock market, not later than the day after the settlement day, exhaustive statistics are prepared of equity transactions that have been carried out as well as a calculation of net asset value per share. Industrivärden publishes current net asset value data per share at the end of every month. In connection with board meetings, a report is prepared of the current financial outcome of operations and of the trend in net asset value and the equities portfolio, including detailed information about the equity transactions that have been carried out. This reporting also includes a description of the share price trend and earnings performance, with comparisons made against other holding company peers to Industrivärden and with competitor-companies for the active holdings.

To ensure Industrivärden's external information to the stock market and the media, rules have been established by the Board and CEO which stipulate what is to be communicated, by whom, and in which manner.

#### *Follow-Up*

The Investment Committee continuously follows up investment decisions that have been made and obtains assurances that they have been executed properly.

In connection with each quarterly book-closing, the external auditors examine accounting and reporting matters pertaining to business transactions that have been carried out, as well as the financial reports in general that are issued to the stock market. Review reports are published in the quarterly reports. Against this background and in light of how the financial reporting is organized in general, the Board does not see any need for a special review function in the form of an internal audit unit.

## ORGANIZATION AND EMPLOYEES

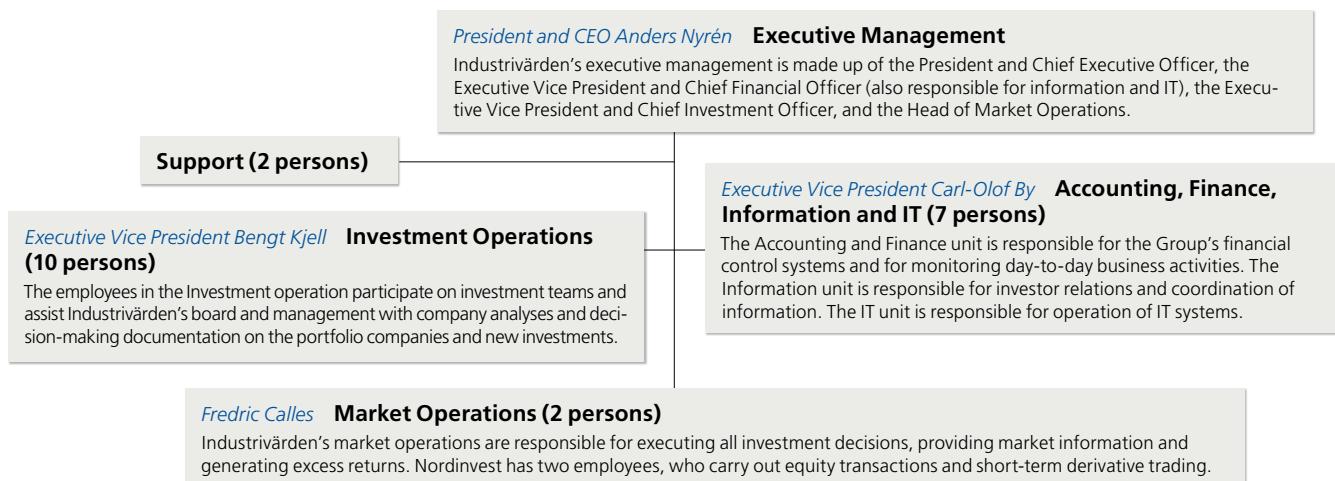
# Efficient Organization with Short Decision-Making Channels

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.

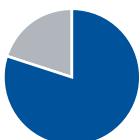
Industrivärden's organization is characterized by flexibility and short decision-making channels. Work is project-oriented and involves employees from both the Investment operations and staff functions. Active ownership as well as new-investment activities are based on analyses conducted from both company-specific 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 board members 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.

Together Industrivärden and Nordinvest have 22 employees.

## Organization

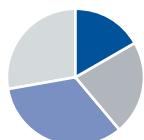


## Education



Employees with academic degrees: 80%.

## Years of Service



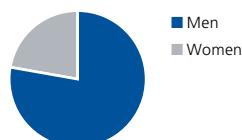
Average years of service: 8.

## Age Breakdown



Average age: 47 years.

## Gender Breakdown



Women employees: 22%.

# EQUITIES PORTFOLIO

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Industrivärden's equities portfolio consists mainly of large shareholdings in Handelsbanken, Sandvik, Ericsson, SCA, SSAB, Skanska, Indutrade, Munters and Höganäs, all of which Industrivärden serves as a long-term active owner.

## COMPOSITION AND PERFORMANCE OF THE EQUITIES PORTFOLIO

## A Well-Composed Equities Portfolio

Industrivärden's equities portfolio consists of large shareholdings in Handelsbanken, Sandvik, Ericsson, SCA, SSAB, Skanska, Indutrade, Munters and Höganäs, all of which Industrivärden serves as a long-term active owner. The portfolio companies are distinguished by industry-leading positions and a significant level of international activity.

The equities portfolio was worth SEK 63.3 billion (52.3) on December 31, 2006, corresponding to SEK 328 (271) per Industrivärden share. The listed holdings are stated at their year-end market value. The composition of net asset value is shown on pages 6–7.

### Composition of the Equities Portfolio

The total market value of shareholdings in companies in which Industrivärden serves as a long-term active owner was SEK 61.0 billion (50.3) on December 31, 2006, corresponding to 96% (96%) of Industrivärden's equities portfolio. Other shareholdings had a value of SEK 2.3 billion (2.0).

### Stock Market 2006

The upturn in the world's stock markets that began in spring 2003 continued in 2006, following a drop in prices during the second quarter. Factors that affected the price trend included improved profitability, optimism about future earnings growth and falling energy prices, which were countered by interest rate hikes designed to keep inflation in check. Measured in U.S. dollars, the leading

bourses in Europe (Eurotop 300) rose by 31%. The Stockholm Stock Exchange rose by 24%, measured in Swedish kronor, and by 45% in U.S. dollars due to the stronger Swedish krona during the year. The high for the year was noted in December, when the Stockholm Stock Exchange index (OMXSPI) was up 24%. The New York Stock Exchange (S&P 500) gained 17% in 2006 and reached its all-time high in December. The world index (MSCI) – which is measured in dollars – gained 18% for the year.

Economic growth remained strong in Japan, India and China, while it improved in Europe and slowed in the U.S. Corporate earnings continued to rise. Swedish short-term interest rates rose during the year from a record low of 1.5%, to 3.0%.

### Investment Activities in 2006

The combined value of stock purchases was SEK 3.2 billion (3.0), and the combined value of sales was SEK 2.1 billion (4.0). Together, total purchases and sales corresponded to 9% (15%) of the average portfolio value during the year. The turnover rate for the equities portfolio since 1997 is shown in the chart on page 25.

HÖGANÄS

The largest net stock purchase was for SEK 737 M in Tandberg Television ASA. This holding represents an investment in a world-leading supplier of digital television equipment. In early 2007 several bids were made for Tandberg Television.

Industrivärden took an ownership position in **Höganäs** in 2005. Höganäs has cutting edge expertise in metal powder technology and the production of sintered components, which are common in the manufacture of vehicle engines, among other things.



### Short-Term Trading

Short-term derivative transactions are conducted on a regular basis to enhance the return of the equities portfolio. Earnings from these activities totaled SEK 109 M (89). In addition, short-term equity trading by the subsidiary Nordinvest made an additional

## Equities Portfolio as per December 31, 2006

	Breakdown, SEK M				Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
	No. of shares	Market value	Cost	Surplus value			
Handelsbanken	68,108,900	14,099	4,748	9,351	22	10.5	10.7
Sandvik	130,000,000	12,935	5,379	7,556	20	11.0	11.0
Ericsson	377,000,000	10,405	3,256	7,149	16	2.3	13.3
SCA	23,600,000	8,557	2,546	6,011	14	10.0	29.2
SSAB	41,903,218	6,809	916	5,893	11	16.2	21.0
Skanska <sup>1</sup>	32,315,000	4,362	1,641	2,721	7	7.6	26.9
Indutrade	14,857,800	2,006	248	1,758	3	37.1	37.1
Volvo	2,481,000	1,205	674	531	2	0.6	1.5
Munters	3,638,000	1,153	680	473	2	14.6	14.6
Höganäs	3,550,000	637	637	0	1	10.1	8.1
Other		1,157	1,230	-73	2		
<b>Total</b>		<b>63,325</b>	<b>21,955</b>	<b>41,370</b>	<b>100</b>		

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 Stocks<sup>1</sup>

Net purchases	000s	SEK M	Net sales	000s	SEK M
Tandberg			Volvo B	448	190
Television ASA	5,794	737	SSAB A	743	72
Volvo A	529	225	Other		81
Handelsbanken A	1,000	202	<b>Total</b>	<b>343</b>	
Other		300			
<b>Total</b>		<b>1,464</b>			

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

## Change in Value of Major Holdings, 2006<sup>1</sup>

SEK M	Value at Dec. 31, 2006	Value at Dec. 31, 2005	Purchase (-)/sale 2006	Change in value, 2006
Handelsbanken	14,099	13,199	-224	676
Sandvik	12,935	9,620	-	3,315
Ericsson	10,405	10,367	10	48
SCA	8,557	7,009	5	1,553
SSAB	6,809	4,104	70	2,775
Skanska	4,362	3,908	4	458
Indutrade	2,006	1,322	-	684
Volvo	1,205	880	-35	290
Munters	1,153	745	-66	342
Höganäs	637	585	-27	25
Other	1,157	526	-858	-227
<b>Total</b>	<b>63,325</b>	<b>52,265</b>	<b>-1,121</b>	<b>9,939</b>

1) Pertains to change in net asset value.

## Price Trend for Major Holdings in the Equities Portfolio, 2006

	Price change, %	Total return, %	Total return <sup>1</sup>	
			5 years, %	10 years, %
Handelsbanken	5	9	10	16
Sandvik	34	38	22	15
Ericsson	0	2	-7	5
SCA	23	27	9	15
SSAB	69	73	43	21
Skanska	12	17	20	13
Indutrade <sup>2</sup>	52	55	-	-
Volvo	33	38	17	16
Munters	45	48	15	-
Höganäs	4	7	4	4
<b>Total Equities Portfolio</b>	<b>19</b>	<b>23</b>		

1) Average annual total return.

2) Indutrade became a listed company on October 5, 2005.

## Performance of Equities Portfolio<sup>1</sup>

	2006	2005	2004	2003	2002
Price trend for portfolio, %	<b>19</b>	28	21	24	-31
Index (2001 as base)	<b>158</b>	133	104	86	69
Market index (OMXSPI), %	<b>24</b>	33	18	30	-37
Index (2001 as base)	<b>160</b>	129	97	82	63

1) Excluding reinvested dividends.



**Sandvik** is a world leader in metal cutting tools.

SANDVIK

earnings contribution of SEK 64 M (33). The combined result of Industriwärdens short-term derivative transactions and equity trading thus amounted to SEK 173 M (122).

#### **Divestment of Isaberg Rapid**

In December an agreement was made to divest Industrivärdens last remaining operating subsidiary, Isaberg Rapid. The buyer took possession of the company in January 2007. Through the sale, Industrivärdens has achieved its goal of working exclusively as an active owner with a portfolio of large and midcap listed Nordic companies. The sale will generate a capital gain of approximately SEK 100 M.

#### **Performance of the Equities Portfolio in 2006**

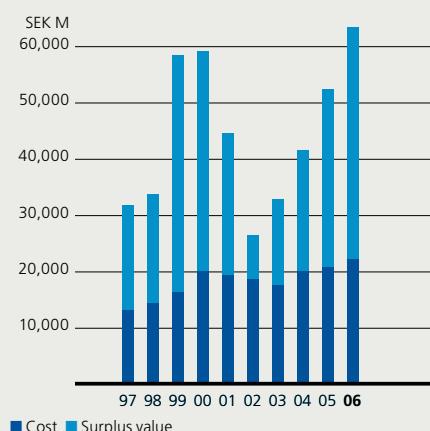
At year-end 2006 the market value of the holdings in the equities portfolio was SEK 63,325 M (52,265), which exceeded cost by SEK 41,370 M (31,592). The value of the equities portfolio, taking into

account purchases and sales, increased by 19% during the year, which was less than the Stockholm Stock Exchange Market Index (OMXSPI), which rose 24%. The change in value of the major shareholdings is shown in a table on page 23.

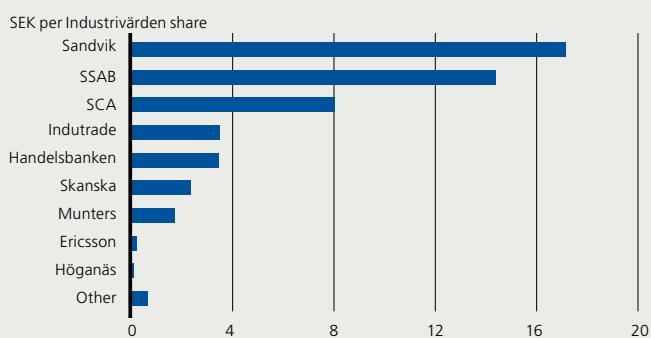
Dividends received during the year totaled SEK 1,733 M (1,325). The total return of the portfolio, i.e., growth in value plus reinvested dividends, was 23% (32%), compared with 28% (36%) for the return index (SIXRX).

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

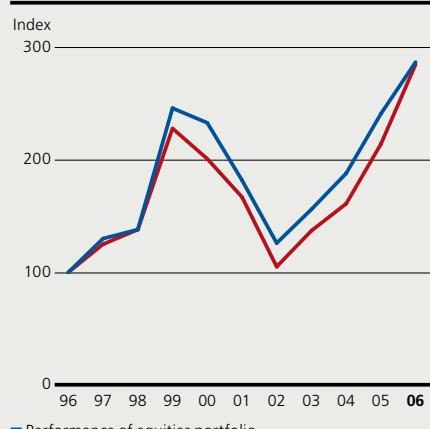
From year-end 2006 through February 13, 2007, the value of the equities portfolio, taking into account purchases and sales, increased by 6%, compared with an increase of 4% for the stock market index (OMXSPI) during the same period.

**Market Value of Equities Portfolio**

■ Cost ■ Surplus value

**Development of Net Asset Value per Shareholding**

Comment: The development of net asset value per holding refers to the change in value adjusted for purchases and sales.

**Performance of Equities Portfolio**

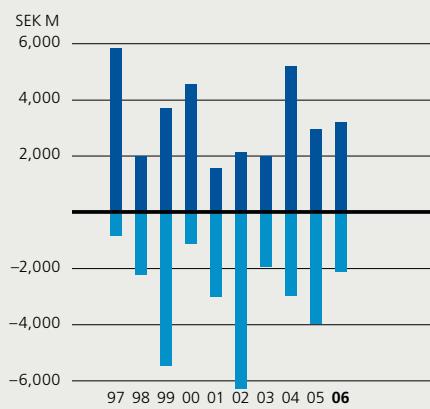
■ Performance of equities portfolio  
■ Market Index (OMXSPI)

**Index Trend**

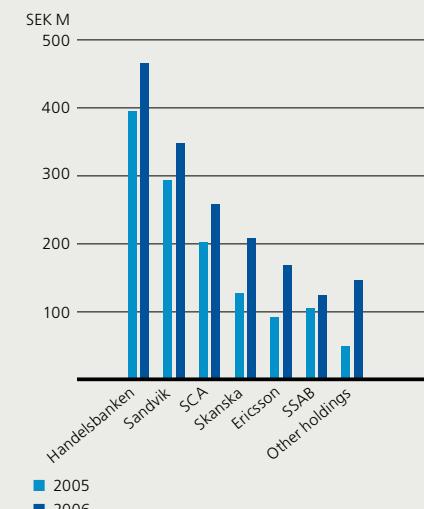
■ Market index (OMXSPI)  
■ Market index in USD  
■ Morgan Stanley World Index (MSCI)

**Equities Portfolio – Turnover**

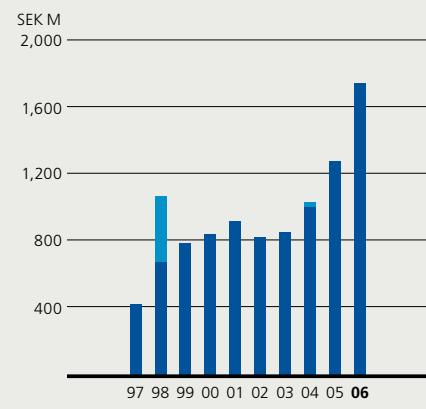
■ Total purchases and sales as % of average value of equities portfolio  
■ Average

**Gross Investments in Equities Portfolio**

■ Purchases  
■ Sales

**Dividend Income Received per Shareholding**

■ 2005  
■ 2006

**Total Dividend Income**

■ Cash payment ■ Payment in stock

Comment: Extra dividend income in the form of stock was received in 1998 (Balder and Drott), totaling SEK 392 M, and in 2004 (Ainax), totaling SEK 33 M. The Sandvik holding was purchased in 1998. Ericsson did not pay any dividends for the years 2001–2003.

## A Portfolio of Industry-Leading Companies

Share of portfolio, %	Holding	Industrivärden's		Total return	
		share of capital, %	share of votes, %	2006, %	per year, % 1997–2006
22	<b>Handelsbanken</b> Handelsbanken is a successful Nordic universal bank	10.5	10.7	9	16
20	<b>SANDVIK</b> Sandvik is a global high-tech industrial group with unique know-how in materials technology	11.0	11.0	38	15
16	<b>ERICSSON</b> Ericsson is the world's largest supplier of mobile telecommunications systems	2.3	13.3	2	5
14	<b>SCA</b> SCA sells personal care products, tissue, packaging solutions and publication papers in all of the world's markets	10.0	29.2	27	15
11	<b>SSAB</b> SSAB is a world-leading producer of high-strength sheet steel and quenched steel	16.2	21.0	73	21
7	<b>SKANSKA</b> Skanska is one of the leading companies in construction and project development	7.6	26.9	17	13
3	<b>Indutrade</b> Indutrade is a technology trading company offering components, systems and services to industries in northern Europe	37.1	37.1	55	51 <sup>3</sup>
2	<b>Munters</b> Munters is a world leader in humidity control	14.6	14.6	48	18 <sup>3</sup>
1	<b>Höganäs</b> Höganäs is the world's largest supplier of metal powder to primarily the automotive industry	10.1	8.1	7	4

1) Market cap as per December 31, 2006. 2) Figures for Handelsbanken pertain to operating income and operating profit. 3) Indutrade was listed in 2005 and Munters in 1997. Annual total returns in the table above

Company's market cap, SEK M <sup>1</sup>	Industrivärden's holding, SEK M <sup>1</sup>	Net sales, SEK M	Earnings after net financial items, SEK M	Change in earnings 2006, %	Directors with ties to Industrivärden	Industrivärden's nominating committee representative
134,386	14,099	29,559 <sup>2</sup>	17,164 <sup>2</sup>	10	Lars O Grönstedt (Chairman), Anders Nyrén (Vice Chairman), Fredrik Lundberg and Sverker Martin-Löf	Carl-Olof By (Committee chairman)
118,036	12,935	77,289	11,113	26	Anders Nyrén (Vice Chairman) and Fredrik Lundberg	Carl-Olof By (Committee chairman)
445,992	10,405	177,783	35,993	8	Sverker Martin-Löf (Vice Chairman) and Anders Nyrén	Carl-Olof By (Committee chairman)
84,308	8,557	101,439	6,833	18 <sup>4</sup>	Sverker Martin-Löf (Chairman), Tom Hedelius and Anders Nyrén	Carl-Olof By (Committee chairman)
41,579	6,809	31,054	6,052	7	Sverker Martin-Löf (Chairman) and Anders Nyrén	Carl-Olof By (Committee chairman)
56,505	4,362	125,603	4,985	-3	Sverker Martin-Löf (Chairman), Finn Johnsson, Curt Källströmer and Anders Nyrén	Carl-Olof By (Committee chairman)
5,400	2,006	4,516	416	35	Bengt Kjell (Chairman) and Curt Källströmer	Carl-Olof By (Committee chairman)
7,925	1,153	5,712	514	31	Bengt Kjell	Carl-Olof By (Committee chairman)
6,300	637	5,123	525	29	Bengt Kjell	Carl-Olof By

<sup>1</sup>we are based on performance since the stock market introductions. <sup>2</sup> Excluding items affecting comparability.

## Handelsbanken

Handelsbanken is a Nordic universal bank focusing on accessibility and service via 457 Swedish branches and a total of 115 branches in the other Nordic countries. Since 2002 the bank has been conducting branch activities in the UK and several other countries according to the same principles as in the Nordic countries.

# Local Customer Responsibility Yields Cost-Effective Operation

Handelsbanken is a Nordic universal bank with a highly decentralized organization. Its work method is based on overall customer responsibility as close to the customer as possible. Accordingly, the local branches coordinate the central and regional resources needed to give customers individually adapted service. The branches are responsible for ensuring that customers obtain qualified service, for coordinating customers' loans with the bank and for taking responsibility for the profitability of the overall business relationship with customers. Consequently, the bank has no central marketing department, nor does it control the branches' marketing activities at the central level by giving priority to certain customer categories or product areas. Handelsbanken has consistently and successfully applied and refined this basic concept for many years.

Handelsbanken provides a comprehensive range of banking services, comprising 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), Capital Markets (which conducts trading in the money and foreign exchange markets, corporate finance and equity trading), Markets International (which conducts trade financing and banking outside the Nordic region and the U.K.), Asset Management, and Pension and Insurance.

Handelsbanken runs 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 Denmark, Finland, Norway and the U.K. All of these markets are considered as home markets. Handelsbanken has a strong position in the Swedish market, with 457 branches. In the other Nordic countries the bank has a total of 115 branches, plus 26 branches in the U.K. and 17 branches in other countries. Handelsbanken also has banking and representative offices in another 15 or so countries.

## Industrivärden's Holding in Handelsbanken as per December 31, 2006



**Share of equities portfolio:** 22%.

**Holding:** Shares: 68,000,000 Class A shares and 108,900 Class B shares. Market value: SEK 14,099 M.  
Share of votes: 10.7%. Share of capital: 10.5%<sup>1</sup>.

### Board members with ties to Industrivärden:

Lars O Grönstedt, Fredrik Lundberg, Sverker Martin-Löf and Anders Nyrén.

### Industrivärden's nominating committee representative:

Carl-Olof By.  
1) Handelsbanken reduced its capital stock by 3.1% through the cancellation of 20.6 million previously repurchased shares, whereby Industrivärden's share of the votes and capital increased marginally.

Handelsbanken's overall financial goal is to have a higher return on equity than a weighted average of comparable listed Nordic and British banks. The bank seeks to achieve this goal by having the most satisfied customers in the Nordic region while maintaining higher cost effectiveness than peer banks. If this target is met, a third of 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 faster than the average for the other listed Nordic banks.

### Highlights 2006

- Operating profit improved to SEK 17.2 billion (15.7) as a result of an improvement in net commission income and an increase in net financial items stated at fair value. Net interest income was essentially unchanged. Net commission income improved through higher brokerage and commission revenue. Loan losses were lower than recoveries.
- The Pension and Insurance business unit performed well and posted an earnings improvement, to SEK 2,578 M (565). Changes in the value of SPP's insurance portfolio had a positive impact on net financial items stated at fair value.
- During the year, 21 new branches were opened, including 3 in Sweden, 2 in Denmark, 5 in Norway, 1 in Finland, 6 in the U.K., 2 in Poland and representative offices in Spain and India.
- Pär Boman took office as new Group Chief Executive.

### Assessment of the company from an ownership perspective:

Handelsbanken has consistently developed its business concept with a focus on customer satisfaction through local customer responsibility and cost effectiveness, which has resulted in higher average profitability than the industry for many years running. The bank is extending its geographic reach through branch activities in the other Nordic countries, the Baltic countries, the U.K. and other countries, where operations are conducted according to the same principles as for the Swedish operations. Industrivärden expects continued favorable development for Handelsbanken.



<< Handelsbanken opened a total of 21 new branches in 2006.

< Sales of products to private customers rose 12% in 2006.

## Handelsbanken at a Glance

**Chairman:** Lars O Grönstedt. **CEO:** Pär Boman. **Stock:** Handelsbanken's stock is listed on the Stockholm Stock Exchange. The share price rose by 5% in 2006, and trading volume was SEK 159 billion. For more information on Handelsbanken, visit [www.handelsbanken.com](http://www.handelsbanken.com)

### Operating Income and Operating Profit



### Handelsbanken's Stock



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

### Income per Business Unit



1) Activities in the Markets unit were split up into Capital Markets and Markets International in fall 2006.

### Key Data

	2006	2005
Operating income, SEK M	<b>29,559</b>	26,323
Operating profit, SEK M	<b>17,164</b>	15,650
Earnings per share, SEK	<b>20.41</b>	16.98
Dividend per share, SEK	<b>8.00<sup>1</sup></b>	7.00
Shareholders' equity per share, SEK	<b>104.27</b>	100.23
Average number of employees	<b>10,163</b>	9,395
Market capitalization as per December 31, SEK M	<b>134,386</b>	131,910

1) Proposed by the board of directors.

### Largest Owners as per December 31, 2006<sup>2</sup>

	% of votes	% of capital
Industrivärden	10.7	10.5
Oktogonen Foundation	10.4	10.2
Alecta	5.3	5.2
Franklin-Templeton mutual funds	3.4	3.3
Swedbank Robur mutual funds	2.6	2.5
Share of foreign ownership	27.8	27.5

2) Source: SIS Ägarservice.



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

## Leading Global Market Positions

Sandvik is a global high-technology industrial group that conducts business in 130 countries. The Group works in three business areas in which Sandvik is a world leader. Tooling specializes in metal cutting tools. Mining and Construction specializes in machines, tools and service for the mining and construction industries. Materials Technology manufactures high-value-added steel products based on advanced metals and ceramic materials. The Sandvik Group also includes the partly owned, listed company Seco Tools (60% equity stake), which is active in metalworking.

Sandvik's business mission is to be perceived as a natural productivity partner by enhancing its customers' productivity and profitability. Sandvik's strategy is based on five strength factors which together form a platform for profitable growth: global leadership, goal-oriented R&D, niche focus, partnership with customers and strong brands.

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 ensure 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 is a global company, but works as a local partner.

Sandvik focuses on market segments in which the company is or can become world-leading. Many of these areas have above-average growth. The focus on organic growth and company acquisitions in selected key areas makes Sandvik less sensitive to business cycles. Approximately two-thirds of sales consist of products for industrial consumption including service, and about one-third of capital investment goods.

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.

New financial targets have been adopted. One of Sandvik's financial targets is to achieve average annual organic sales growth of 8%, 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 25%. 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 0.7 and 1.0.

The dividend should amount to at least 50% of earnings per share over a period of a few years. Sandvik aspires to deliver a total return in excess of the industry average.

### Highlights 2006

- Earnings after net financial items amounted to a record SEK 11,113 M (8,819). The 26% earnings improvement can be credited to higher sales volumes, a better product mix, a favorable price trend, improved efficiency and successful product introductions.
- Operating profit for the Tooling unit improved by 17% to SEK 5,191 M (4,420). The Materials Technology unit improved its operating profit by 34%, to SEK 2,324 M (1,729), and the Mining and Construction unit grew its operating profit by 38%, to SEK 3,672 M (2,654).
- The board has proposed a share redemption program worth SEK 3.6 billion.

### Industrivärden's Holding in Sandvik as per December 31, 2006



**Share of equities portfolio:** 20%.

**Holding:**

Shares: 130,000,000 shares.<sup>1</sup> Market value: SEK 12,935 M.  
Share of votes and capital: 11.0%.

**Board members with ties to Industrivärden:**

Fredrik Lundberg and Anders Nyrén.

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

**Assessment of the company from an ownership perspective:**

Industrivärden is optimistic about Sandvik's opportunities to develop its world-leading position. Continuous acquisitions and efficiency improvement measures 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.

<sup>1)</sup> Sandvik carried out a 5:1 stock split in 2006. All comparison figures per share have been recalculated to take into account the split.



<< Sandvik is a technological leader in underground mine automation.

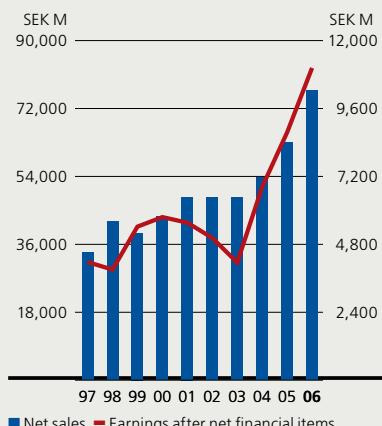
< Sandvik is also a leader in so-called umbilicals for the oil and gas industry. Umbilicals are stainless steel coil tubes used for conveying control lines in oil wells down to a depth of more than 2.5 km.

SANDVIK

## Sandvik at a Glance

**Chairman:** Clas Åke Hedström. **CEO:** Lars Pettersson. **Stock:** Sandvik's stock is listed on the Stockholm Stock Exchange and is also traded in the U.S. through an American Depository Receipt program. The share price rose 34% in 2006, and trading volume on the Stockholm Stock Exchange was SEK 185 billion. For more information on Sandvik, visit [www.sandvik.com](http://www.sandvik.com)

### Net Sales and Earnings



### Sandvik's Stock



### Net Sales per Business Area



**Comment:** During the last ten years, Sandvik's stock has outperformed the return index.

### Key Data

	2006	2005
Net sales, SEK M	<b>77,289</b>	63,370
Earnings after net financial items, SEK M	<b>11,113</b>	8,819
Earnings per share, SEK	<b>6.45</b>	4.95
Dividend per share, SEK	<b>3.25<sup>1</sup></b>	2.70
Cash flow per share, SEK	<b>2.40</b>	3.02
Shareholders' equity per share, SEK	<b>22.00</b>	19.80
Average number of employees	<b>41,743</b>	39,613
Market capitalization as per December 31, SEK M	<b>118,036</b>	87,785

1) Proposed by the board of directors.

### Largest Owners as per December 31, 2006<sup>2</sup>

	% of votes and capital
Industrivärden	11.0
Handelsbanken <sup>3</sup>	6.9
Capital Group mutual funds	4.6
Alecta	2.9
Göransson Foundations	2.4
Share of foreign ownership	37.0

2) Source: SIS Ägarservice.

3) Including pension foundations and employee foundations.



Ericsson is the world's largest supplier of mobile telecommunications systems and offers end-to-end solutions for both mobile and fixed line communications. The company is a world leader in technologies used by 80% of all mobile phone subscribers.

## Leading Player in a Communication-Intensive World

Ericsson is a world-leading supplier of equipment for mobile and fixed line telecommunications networks with accompanying products and services, as well as products for special applications such as 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. Nearly a third of the company's employees work with research and development. Ericsson is one of the few companies that can offer end-to-end solutions for all major mobile communication standards. All of the world's ten leading telecom operators are Ericsson customers.

Ericsson's goal is to be the preferred choice for its customers. To achieve this, Ericsson strives to be a market and technological leader by offering end-to-end solutions in infrastructure and network operation. Ericsson is the pre-eminent supplier of equipment and services for technologies that are used by 80% of all mobile subscribers, such as GSM, GPRS, EDGE, WCDMA, HSPA and Bluetooth.

With operations in more than 140 countries, Ericsson is a leading global player in the telecom industry. Effective in 2007, Ericsson is organized in three business areas: Networks (mobile and fixed line access, core networks and transmission, and the next-generation IP networks), Global Services (professional services and installation of network equipment), and Multimedia. Today Ericsson has a strong position in fixed line networks and systems for distribution of digital services via the Internet. Ericsson's mobile phone business is conducted through half-owned Sony Ericsson Mobile Communications, in which Ericsson has contributed its leading mobile phone technology and SONY its know-how in consumer electronics. The multimedia business includes Ericsson Mobile Platforms, which is a supplier to the world's largest mobile phone manufacturers and is a market leader in the WCDMA standard.

The most important markets in 2006 were, ranked by size, the U.S., China, Italy, the U.K., Spain, Australia, India, Sweden, Brazil and Indonesia.

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 rapid growth through the buildup of mobile infrastructure based on strong growth in the number of subscribers, along with a simultaneous expansion of existing fixed line 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 grew again in 2005 and 2006.

### Highlights 2006

- Earnings after net financial items amounted to SEK 35,993 M (33,335). Good volume growth was counterbalanced partly by a lower gross margin resulting from a greater share of service invoicing and costs for integrating the Marconi operations, which were acquired as per January 1, 2006. Half-owned Sony Ericsson reported a record profit.
- The integration of Marconi is proceeding according to plan, and the estimated cost savings are expected to be fully achieved by year-end 2007.
- The defense business was sold for a capital gain of SEK 3.0 billion.
- In December, Ericsson made a bid for all of the shares in the U.S. company Redback Networks worth approximately SEK 13 billion. The bid was accepted in January by owners of more than 90% of the shares. Redback manufactures IP routers.

### Industrivärden's Holding in Ericsson as per December 31, 2006



**Share of equities portfolio:** 16%.

**Holding:**

Shares: 372,000,000 Class A shares and 5,000,000 Class B shares. Market value: SEK 10,405 M.

Share of votes: 13.3%. Share of capital: 2.3%.

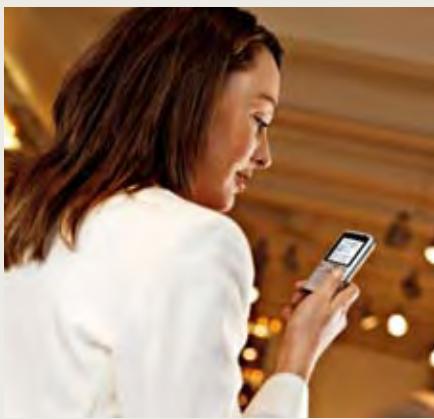
**Board members with ties to Industrivärden:**

Sverker Martin-Löf and Anders Nyrén.

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

**Assessment of the company from an ownership perspective:**

Ericsson has consciously established itself as the pre-eminent supplier of end-to-end telecom solutions. Development is taking place in both the systems and service areas. Industrivärden considers Ericsson to be a good long-term investment. Key success factors for Ericsson are its market-leading position, its ability to adapt to market conditions, its high level of research and development, and its wide offering of products and services.



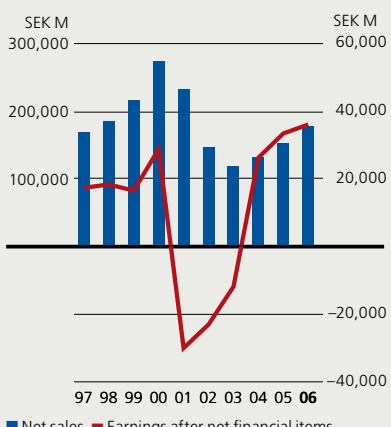
<< Through its Networks business unit, Ericsson is entirely dominant in the market, serving the world's leading telecom operators.

< Ericsson conducts mobile phone business through half-owned Sony Ericsson Mobile Communications.

## Ericsson at a Glance

**Chairman:** Michael Treschow. **CEO:** Carl-Henric Svanberg. **Stock:** Ericsson's stock is listed on the Stockholm Stock Exchange, the London Stock Exchange and on Nasdaq in New York. The price of Ericsson's Class A shares was unchanged in 2006, while its Class B shares rose 1%. Trading volume on the Stockholm Stock Exchange was SEK 924 billion. For more information on Ericsson, visit [www.ericsson.com](http://www.ericsson.com)

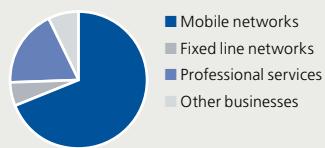
### Net Sales and Earnings



### Ericsson's Stock



### Net Sales per Business Unit



### Key Data

	2006	2005
Net sales, SEK M	<b>177,783</b>	151,821
Earnings after net financial items, SEK M	<b>35,993</b>	33,335
Earnings per share, SEK	<b>1.65</b>	1.53
Dividend per share, SEK	<b>0.50<sup>1</sup></b>	0.45
Cash flow per share, SEK	<b>-0.16</b>	1.15 <sup>2</sup>
Shareholders' equity per share, SEK	<b>7.50</b>	6.35
Average number of employees	<b>63,781</b>	56,055
Market capitalization as per December 31, SEK M	<b>445,992</b>	440,672

1) Proposed by the board of directors.

2) Before pension trust funding of SEK 8.3 billion.

### Largest Owners as per December 31, 2006<sup>3</sup>

	% of votes	% of capital
Investor	19.5	5.0
Industrivärden	13.3	2.3
Handelsbanken <sup>4</sup>	6.5	1.1
Skandia Liv	2.5	0.8
Swedbank Robur mutual funds	1.7	2.5
Share of foreign ownership	29.5	50.0

3) Source: SIS Ågarservice.

4) Including pension foundations and employee foundations.



SCA sells personal care products, tissue, packaging solutions and publication papers in markets worldwide. Europe and North America are the main markets, while expansion is also taking place in Latin America, Asia and Eastern Europe.

## European Leader in Personal Care Products and Packaging

SCA is a global consumer products and paper company that develops, markets and produces personal care products (20% of sales), tissue (30% of sales), packaging solutions (35% of sales) and forest products (15% of sales). Operations are global, with sales in over 90 countries and manufacturing in approximately 40 countries. The product portfolio includes consumer products such as toilet paper, kitchen rolls, tissue, incontinence products, menstruation products and diapers sold under the TENA, Tork, Edet, Zewa, Libero and Libresse brands. SCA's packaging solutions are used primarily for transporting food products, industrial products and durable consumer goods. Forest products include newsprint and magazine paper as well as 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 cyclical. Previously, sharp fluctuations between strong profitability in prosperous times and weak profitability during economic downturns created uncertainty about SCA's future cash flows. Consequently, to increase the stability of its operations, SCA has increased its exposure to more stable businesses.

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 primarily through organic growth, however, the long-term ambition is to also grow through acquisitions.

SCA's overall objective is to provide its shareholders with good growth in value and a rising dividend. During the ten-year period 1997–2006, the dividend increased by an average of 9% per year.

SCA's cash flow requirement at the start of 2006 was SEK 5.2 billion, taking into account the strategic investments made in 2005.

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

In 2004 and 2005 SCA's market conditions changed, with strong price pressure in several business areas. SCA addressed this by launching two efficiency improvement programs with combined annual savings of SEK 2.8 billion, with full effect from 2008. Restructuring costs amounted to SEK 6.1 billion, including SEK 2.4 billion in write-downs.

### Highlights 2006

- Earnings after financial items (before items affecting comparability) amounted to SEK 6,833 M (5,798). Earnings rose as a result of volume growth, higher prices, an improved product mix and the effects of cost-cutting programs. The positive effects were partly countered by higher energy and raw material costs. After items affecting comparability in connection with efficiency improvement programs, earnings amounted to SEK 6,833 M (433).
- Ongoing efficiency improvement measures lowered costs by SEK 1,100 M on an annualized basis.
- Operating profit before items affecting comparability was SEK 2,799 M (2,474) for personal care products, SEK 1,490 M (1,577) for tissue, SEK 2,072 M (1,775) for packaging solutions, and SEK 2,475 M (1,886) for forest products.
- Operating cash flow, i.e., cash flow before strategic investments and the dividend, was SEK 2,772 M (4,362).
- In January the North American packaging operation was sold for SEK 2.8 billion.
- The board of directors has proposed a 31 stock split.

### Industrivärden's Holding in SCA as per December 31, 2006



**Share of equities portfolio:** 14%.

**Holding:**

Shares: 16,000,000 Class A shares and 7,600,000 Class B shares. Market value: SEK 8,557 M. Share of votes: 29.2%. Share of capital: 10.0%.

**Board members with ties to Industrivärden:**

Tom Hedelius, Sverker Martin-Löf and Anders Nyren.

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

**Assessment of the company from an ownership perspective:**

SCA is the leading European producer of personal care products and packaging, and has strong positions on other continents. Through a selective acquisition strategy, the company has also gained a strong foothold in the North American market. The work on gradually increasing the share of high value-added products and ongoing structural programs are creating conditions for long-term favorable earnings growth.



<< Products in the Personal Care business unit include toilet paper, tissue, incontinence products and diapers.

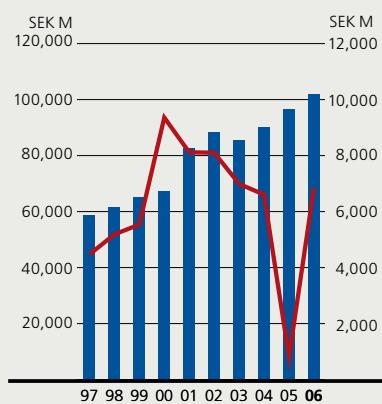
< The Packaging Solutions business unit produces packaging for food products, industrial products and capital goods.

SCA

## SCA at a Glance

**Chairman:** Sverker Martin-Löf. **CEO:** Jan Åström. **Stock:** SCA's stock is listed on the Stockholm Stock Exchange and the London Stock Exchange. The stock is also traded in the U.S. through an American Depository Receipt program. The share price rose 23% in 2006, and trading volume on the Stockholm Stock Exchange was SEK 100 billion. For more information on SCA, visit [www.sca.com](http://www.sca.com)

### Net Sales and Earnings



■ Net sales ■ Earnings after net financial items

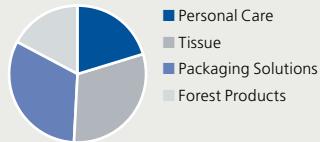
2005 earnings were affected by efficiency-improvement costs and write-downs totaling SEK 5,365 M.

### SCA's Stock



**Comment:** During the last ten years, SCA's stock has outperformed the return index.

### Net Sales per Business Unit



### Key Data

	2006	2005
Net sales, SEK M	<b>101,439</b>	96,385
Earnings after net financial items, SEK M	<b>6,833</b>	433
Earnings per share, SEK	<b>23.25</b>	1.84
Dividend per share, SEK	<b>12.00<sup>1</sup></b>	11.00
Operating cash flow per share, SEK	<b>11.79</b>	18.67
Shareholders' equity per share, SEK	<b>251</b>	243
Average number of employees	<b>51,022</b>	50,408
Market capitalization as per December 31, SEK M	<b>84,308</b>	69,806

1) Proposed by the board of directors.

### Largest Owners as per December 31, 2006<sup>2</sup>

	% of votes	% of capital
Industrivärden	29.2	10.0
Handelsbanken <sup>3</sup>	11.5	3.6
SEB mutual funds	5.6	2.1
Skandia Liv	3.0	1.4
Alecta	1.9	1.5
Share of foreign ownership	19.6	43.0

2) Source: SIS Ägarservice.

3) Including pension foundations and employee foundations.



SSAB is a world-leading producer of high-strength sheet and quenched steels.

## Continued Expansion in Highly Profitable Specialty Products

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 a leading producer of high-strength sheet and quenched steels. In these selected product segments, SSAB has achieved a strong market position and high profitability.

Growth in the high-strength sheet and quenched steel segments has been higher than for the steel market in general, and deliveries of these products, which accounted for 39% of total deliveries by the steel operations in 2006, have increased strongly during the past five years. The investments made in the steel operations in recent years are enabling continued strong growth in SSAB's niche markets. The use of high-strength sheet and quenched steels enables customers to improve their products and thus their profitability. The value-added created by this benefits customers as well as SSAB, ensuring continued good profitability for the SSAB Group.

In the sheet segment, SSAB specializes in extra and ultra high-strength sheet, where the Group is the largest manufacturer in the Nordic region and 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 container manufacturers, among others. Ordinary sheet steel is used primarily in the engineering, construction and automotive industries.

In the plate segment, SSAB is the world's leading producer of quenched steels, i.e., plate with extra high strength and good weldability combined with high abrasion-resistance and good formability. Quenched steels are used in construction machinery, mining equipment and cranes, among other things. Ordinary plate is used in shipbuilding, engineering and in wind power plants.

In addition to the steel operations, which are conducted by the Sheet and Plate divisions, the SSAB Group includes the subsidiaries Tibnor (85% stake) and Plannja. Tibnor is the leading

commercial steel company in Sweden with a range of commercial steels, special steels, pipes, and stainless steels. Metals and building-related products complement Tibnor's product range. Plannja is one of Europe's leading building sheet companies. Plannja processes sheet into products such as profiled building sheet, sheet roofing tiles and rainwater runoff products.

SSAB's financial targets are to have an average return on capital employed over a business cycle in excess of 15%, a net debt-equity ratio of 30% and an equity ratio in the range of 50%.

SSAB's dividend policy is that the dividend should be adjusted to the average profit level over a business cycle and constitute roughly 50% of net profit. It should also be possible to use the dividend to adjust the capital structure.

### Highlights 2006

- Earnings after net financial items reached a record SEK 6,052 M (5,671). Global steel consumption rose to a new record level during the year, with growth concentrated in China.
- Deliveries of the Group's specialty products, quenched steel and ultra high-strength sheet, rose 24% and accounted for 39% of total deliveries from the steel operations.
- Cash flow amounted to SEK 3,546 M (2,805 excluding the proceeds of SEK 1,425 M from the sale of SSAB HardTech).
- A total of SEK 2,205 M was distributed to the shareholders through a redemption offer carried out to adjust the company's capital structure.
- Olof Faxander took office as new CEO.
- A three-year action plan was adopted to accelerate growth in current niches, boost profitability and improve efficiency throughout the organization.
- A proposal has been made to authorize the Board to repurchase a maximum of 10% of the company's stock.

### Industrivärden's Holding in SSAB as per December 31, 2006



**Share of equities portfolio:** 11%.

**Holding:** Shares: 41,833,218 Class A shares and 70,000 Class B shares. Market value: SEK 6,809 M. Share of votes: 21.0%.<sup>1</sup> Share of capital: 16.2%.<sup>1</sup>

**Board members with ties to Industrivärden:**

Sverker Martin-Löf and Anders Nyrén.

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

<sup>1)</sup> SSAB carried out a share redemption in 2006, entailing the redemption of one in every twenty shares. Industrivärden sold all its redemption rights whereby the share of the votes increased to 21.0% (20.3%) and the share of the capital to 16.2% (15.6%).

### 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 has been designed to secure the company's profitability position in the industry through continued expansion in high-strength niche products. SSAB is well-poised in an increasingly fierce global competitive climate. The business is generating good cash flows, and Industrivärden is optimistic about SSAB's development opportunities, even though the last three years have been exceptionally favorable.



<< SSAB Oxelösund has presented a pioneering innovation for welding high-strength plate. Through research focusing on developing and evaluating new welding processes, the company has come up with the world's strongest weld.

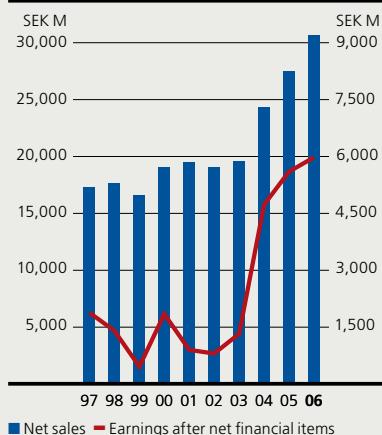
< Finished coils of steel sheet, packaged and ready for delivery to customers.

SSAB

## SSAB at a Glance

**Chairman:** Sverker Martin-Löf. **CEO:** Olof Faxander. **Stock:** SSAB's stock is listed on the Stockholm Stock Exchange. The share price rose 69% in 2006, and trading volume was SEK 62 billion. For more information on SSAB, visit [www.ssab.com](http://www.ssab.com)

### Net Sales and Earnings

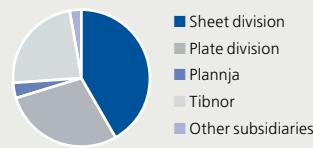


### SSAB's Stock



**Comment:** During the last ten years, SSAB's stock has clearly outperformed the return index.

### Net Sales per Business Segment



Niche products such as high-strength sheet and quenched steel accounted for 39% (33%) of the steel operation's deliveries in 2006.

### Key Data

	2006	2005 <sup>1</sup>
Net sales, SEK M	<b>31,054</b>	27,804
Earnings after net financial items, SEK M	<b>6,052</b>	5,671
Earnings per share, SEK	<b>16.02</b>	14.07
Dividend per share, SEK	<b>4.50<sup>2</sup></b>	3.00
Cash flow per share, SEK	<b>14.29</b>	14.81
Shareholders' equity per share, SEK	<b>59.18</b>	51.82
Average number of employees	<b>8,737</b>	8,832
Market capitalization as per December 31, SEK M	<b>41,579</b>	25,805

### Largest Owners as per December 31, 2006<sup>3</sup>

	% of votes	% of capital
Industrivärden	21.0	16.2
LKAB	6.2	4.8
Barclays Global Investors	5.0	3.9
Nordea mutual funds	2.4	1.8
SEB mutual funds	1.9	1.4
Share of foreign ownership	34.6	33.9

1) SSAB carried out a 3:1 stock split in 2006. All comparison figures per share have been recalculated to take into account the stock split.

2) Proposed by the Board of Directors.

3) Source: SIS Ågarservice.



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

## Construction Operations the Base for Value-Creating Project Development

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. Skanska's overall goal is to generate customer and shareholder value. Construction is the core of the Group's operations, and value is created in well-implemented and profitable projects. Skanska strives to be the leading project developer in selected markets and product areas such as residential, office, retail and selected types of infrastructure projects. Skanska's capabilities are best utilized in large, complex projects.

Skanska is a global name in construction, with operations in nine home markets in which the company has a strong position. 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.

Operations are conducted in four so-called business streams: Construction, Residential Development, Commercial Development and Infrastructure Development.

Construction handles the construction of non-residential and residential buildings as well as civil construction projects and is Skanska's largest business stream. Civil construction consists mainly of infrastructure projects such as rail systems, bridges, tunnels, roads and power plants.

Project development, whose operations are designed to create value, comprises the Residential Development, Commercial Development and Infrastructure Development business streams. Residential Development develops residential projects for immediate sale. Commercial Development initiates, develops, leases and divests commercial real estate projects, with a focus on office space and shopping centers. Infrastructure Development develops and invests in privately financed infrastructure projects, such as roads, hospitals, schools and power generation plants. Activities in this stream are focused on creating new project opportunities in the markets in which Skanska is active.

Skanska's financial target is to have an operating margin of 3.3% for the Construction business stream. The Group's average annual return on equity after tax should be 18%. Based on the current operations and required rate of return, it is the board's judgment that shareholders' equity in 2006 should amount to SEK 16 billion.

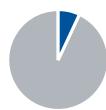
Skanska's dividend policy is based on the goal that future profits will cover development of the Group's business as well as growth in the regular dividend. The dividend is expected to amount to at least 50% of net profit.

Skanska's strategy for achieving its operative and financial targets is to focus on the core business carried out by its four business streams. The company seeks to maintain an international presence with local businesses, take advantage of the collective knowledge, resources and strengths of the Group, foresee and manage risks in its construction business with the help of well-functioning risk management systems, be an industry leader in technology as well as safety, ethics and the environment, and utilize the potential that exists in coordinating the Group's purchases.

### Highlights 2006

- Earnings after financial items amounted to SEK 4,985 M (5,120), including project development gains of SEK 1,300 M (1,626) on sales of commercial properties.
- Operating income for Construction, the largest business stream, amounted to SEK 3,336 M (2,860). The earnings improvement is attributable primarily to the U.S.
- The Infrastructure Development business stream performed well, and during the year a contract was signed for a British hospital project worth SEK 13.6 billion.
- Cash flow from operating activities before changes in interest-bearing receivables and liabilities was SEK -855 M (4,122). At year-end Skanska had a net cash position, i.e., greater financial assets than interest-bearing net debt, of SEK 10,377 M (11,111).

### Industrivärden's Holding in Skanska as per December 31, 2006



**Share of equities portfolio:** 7%.

**Holding:**

Shares: 15,010,000 Class A shares and 17,305,000 Class B shares. Market value: SEK 4,362 M.

Share of votes: 26.9%. Share of capital: 7.6%.

**Board members with ties to Industrivärden:**

Sverker Martin-Löf, Finn Johnsson, Curt Källströmer and Anders Nyrén.

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

**Assessment of the company from an ownership perspective:**

Skanska is conducting a consolidation and strategic concentration of its operations and coordinating its strength factors. 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.



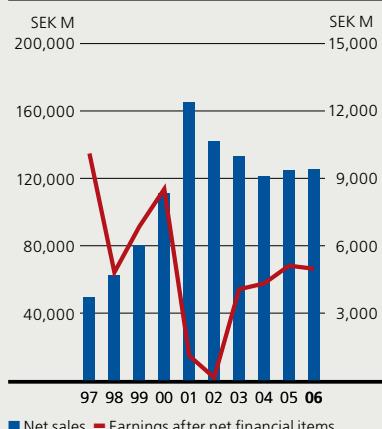
<< Rebuilding has now begun at Ground Zero in New York. Skanska's involvement includes a new PATH commuter train station and renovation of the Dey Street subway station, for a total contract value of SEK 5.6 billion.

< At Norra Bantorget in central Stockholm, Skanska is currently engaged in three extensive projects comprising offices, residential property and construction of the Clarion Hotel, which upon completion will be Stockholm's largest hotel.

## Skanska at a Glance

**Chairman:** Sverker Martin-Löf. **CEO:** Stuart E. Graham. **Stock:** Skanska's stock is listed on the Stockholm Stock Exchange. The share price rose 12% in 2006, and trading volume was SEK 66 billion. For more information on Skanska, visit [www.skanska.com](http://www.skanska.com)

### Net Sales and Earnings



■ Net sales ■ Earnings after net financial items

### Skanska's Stock



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

### Operating Income per Business Stream



Comment: Market valuations as per December 31, 2006, show a surplus value of SEK 2.0 billion (1.9) in Commercial Development and SEK 3.7 billion (2.7) in Infrastructure Development.

### Key Data

	2006	2005
Net sales, SEK M	<b>125,603</b>	124,667
Earnings after net financial items, SEK M	<b>4,985</b>	5,120
Earnings per share, SEK	<b>8.68</b>	9.27
Dividend per share, SEK	<b>8.25<sup>1</sup></b>	6.50
Cash flow per share, SEK	<b>6.80</b>	17.60
Shareholders' equity per share, SEK	<b>46.20</b>	44.40
Average number of employees	<b>56,085</b>	53,806
Market capitalization as per December 31, SEK M	<b>56,505<sup>2</sup></b>	50,645

1) Proposed by the board of directors, of which SEK 3.50 (2.00) consists of an extra dividend.  
2) Skanska's Class A shares, which are unlisted, have been assigned the same value as the Class B shares.

### Largest Owners as per December 31, 2006<sup>3</sup>

	% of votes	% of capital
Industrivärden	26.9	7.6
Handelsbanken <sup>4</sup>	6.5	1.9
Citigroup Global Markets	3.7	0.6
AMF Pension	3.4	5.0
Swedbank Robur mutual funds	2.4	3.6
Share of foreign ownership	24.1	30.5

3) Source: SIS Ägarservice.

4) Including pension foundations.



Indutrade is a technology trading company that sells components, systems and services primarily to industrial customers with a recurring need. The company's customers work primarily in the process industries in northern Europe and Benelux.

## Expansive Technology Trading Company

Indutrade is a technology trading company that markets and sells components, systems and services with a high-tech content to industrial customers in selected niches. The Group creates value for its customers by structuring the value chain and enhancing the efficiency of its customers' use of technological components and systems. For Indutrade's suppliers, value is created through access to an effective sales organization with high technical expertise and solidly developed customer relations.

Indutrade's main products include flow products, valves, filters and process technology, industrial equipment, transmissions, cutting tools and fasteners. The Group's various product areas are coordinated and controlled through four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products.

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 pulp & paper and engineering industries. The pharmaceutical, food, petrochemical and automotive industries are other key customer groups.

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. Suppliers are situated mainly in Germany, the U.K., Japan and Italy. As a rule, Indutrade's companies have exclusive agency agreements in their respective geographic markets. Indutrade's principal markets are Sweden, Finland, Benelux, Germany and Denmark. The company is also active in Norway, the Baltic countries and Russia.

Indutrade's expansion has taken place through organic growth as well as through yearly acquisitions of small and medium-sized technology sales companies, often privately held. Average annual sales growth during the last ten years has been 13%.

### Industrivärden's Holding in Indutrade as per December 31, 2006



**Share of equities portfolio:** 3%.

**Holding:**

Shares: 14,857,800. Market value: SEK 2,006 M.  
Share of votes and capital: 37.1%.

**Board members with ties to Industrivärden:**

Bengt Kjell and Curt Källströmer.

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

Indutrade's financial targets are to have an average of 10% annual sales growth over a business cycle, an average annual operating margin before amortization of intangible assets in excess of 8% over a business cycle, a return on operating capital in excess of 25%, and a net debt-equity ratio that normally does not exceed 100%. The dividend over time shall amount to at least 50% of net profit.

### Highlights 2006

- Invoiced sales amounted to SEK 4,516 M (3,822), an increase of 8% for comparable units and adjusted for currency effects.
- Operating income before amortization of intangible assets amounted to SEK 146 M (133) for Engineering & Equipment, SEK 93 M (67) for Flow Technology, to SEK 78 M (50) for Industrial Components, and to SEK 179 M (108) for Special Products. The operating margin was 10.2% (8.7%).
- Earnings after net financial items increased by 35% to SEK 416 M (309). The return on operating capital was 37% (32%). Cash flow from operating activities was SEK 265 M (322).
- Indutrade carried out eight company acquisitions in 2006 with combined annual sales of approximately SEK 370 M and approximately 180 employees.

### Successful stock market introduction

- Indutrade was introduced on the Stockholm Stock Exchange on October 5, 2005, through an initial public offering in which Industrivärden sold 62.5% of its shareholding to the general public and institutional investors.
- The offering price was SEK 65 per share.
- The offering was oversubscribed more than 12 times.
- The share price of SEK 135 at year-end 2006 exceeded the offering price by 108%.



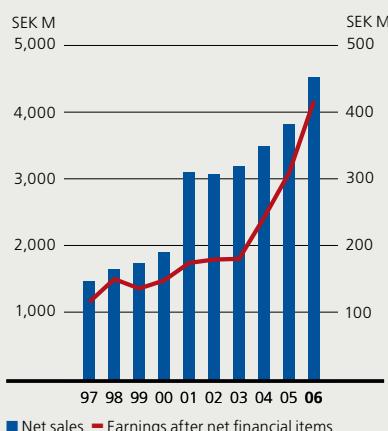
<< Flow and process products are a key part of Indutrade's product offering.

< Customers receive value-added through qualified know-how. Safety measurement on location at a customer.

## Indutrade at a Glance

**Chairman:** Bengt Kjell. **CEO:** Johnny Alvarsson. **Stock:** Indutrade's stock is listed on the Stockholm Stock Exchange. The share price rose 52% in 2006, and trading volume was SEK 2.0 billion. For more information on Indutrade, visit [www.indutrade.com](http://www.indutrade.com)

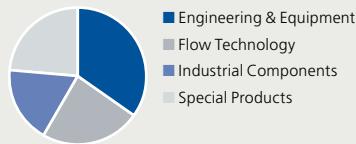
### Net Sales and Earnings



### Indutrade's Stock



### Net Sales per Business Area



### Key Data

	2006	2005 <sup>2</sup>
Net sales, SEK M	<b>4,516</b>	3,822
Earnings after net financial items, SEK M	<b>416</b>	309
Earnings per share, SEK	<b>7.50</b>	5.55
Dividend per share, SEK	<b>3.75<sup>1</sup></b>	2.75
Cash flow per share, SEK	<b>6.63</b>	8.05
Shareholder's equity per share, SEK	<b>22.30</b>	17.85
Average number of employees	<b>1,673</b>	1,510
Market capitalization as per December 31, SEK M	<b>5,400</b>	3,560

### Largest Owners as per December 31, 2006<sup>2</sup>

	% of votes and capital
Industrivärden	37.1
Handelsbanken <sup>3</sup>	10.1
L E Lundbergföretagen	10.0
AFA Insurance	5.5
Threadneedle Investments	3.4
Share of foreign ownership	10.0

1) Proposed by the board of directors.

2) Source: SIS Ägarservice.

3) Including pension foundations and employee foundations.



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

## Strong Global Position in Humidity Control

Munters is a world leader in humidity control, with services and products for water and fire damage restoration and dehumidification, humidification and cooling of air. Munters' business concept is to be a global service and application-oriented niche company for air conditioning from a base in dehumidification and humidification. Munters conducts own operations in 30 countries and has global market positions of more than 50% in certain market segments. Growth is primarily created through a broad service offering and by selling products with several functions. The largest customers are in the insurance, food and pharmaceutical industries.

Munters' operations are divided into three product divisions: Moisture Control Services (MCS), Dehumidification 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. Insurance companies can save time and money by resorting to drying and renovation instead of rebuilding after fire and water damage.

The Dehumidification division offers products and total 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. Customers' manufacturing and storage processes become more effective, and product life, quality and hygiene are improved. Dehumidification combined with air cooling creates ideal indoor climates. Customers are offered a controlled indoor climate, regardless of whether their facility is in a warm and humid or cold and dry climate. Priority market segments for the Dehumidification division are the food and pharmaceutical industries.

HumiCool offers products and systems 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 used to improve indoor environments. Munters' technology is used in a variety of different applications. For example, Munters' systems make it possible to grow vegetables and flowers indoors or raise chickens in an ideal artificial climate. A stable and controlled indoor climate contributes to higher productivity in customers' business operations.

Munters' strategy, in brief, is to focus on customers with underlying growth and moderate sensitivity to business cycles, to increase distribution to end customers through forward integration, to repeat successful installations, to increase service sales, and to open new geographic markets.

The financial targets include annual sales growth of 10% over a business cycle, an operating margin of 10%, and a capital turnover rate of 3. Each of the divisions has individual targets that have been adapted to their respective conditions.

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

### Highlights 2006

- Earnings after financial items rose 31% to SEK 514 M (391). Volume growth was strong, and all three divisions posted improved earnings. The margin improvement was greatest in the HumiCool division as a result of improved productivity and more efficient material purchasing.
- Lars Engström took office as new CEO.
- The board of directors has proposed a share redemption program worth approximately SEK 500 million and a 4:1 stock split in connection therewith.

### Industrivärden's Holding in Munters as per December 31, 2006



**Share of equities portfolio:** 2%.

**Holding:**

Shares: 3,638,000 shares. Market value: SEK 1,153 M.  
Share of votes and capital: 14.6%.

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

**Assessment of the company from an ownership perspective:**

Munters has a very strong market position in the attractive growth area of humidity control. The company has shown solid growth in volume and earnings over a long-term perspective. Industrivärden believes that Munters has favorable future opportunities by developing existing as well as new products, services and application areas.



<< Operations in the Moisture Control Services division are based on the concept of drying instead of rebuilding following water or fire damage.

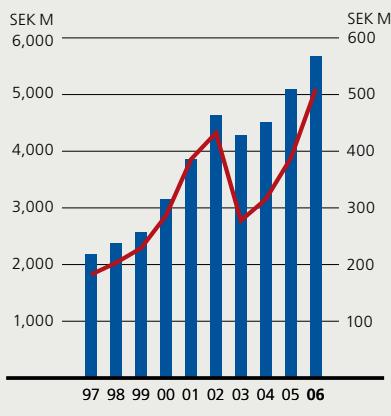
< Manufacture of dehumidification equipment at Munters plant in Töbo, Sweden.

MUNTERS

## Munters at a Glance

**Chairman:** Berthold Lindqvist. **CEO:** Lars Engström. **Stock:** Munters' stock is listed on the Stockholm Stock Exchange. The share price rose 45% in 2006, and trading volume was SEK 3.6 billion. For more information on Munters, visit [www.munters.com](http://www.munters.com)

### Net Sales and Earnings

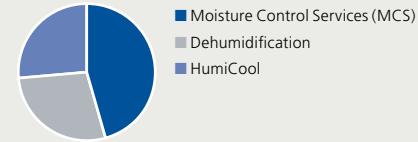


### Munters' Stock



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

### Net Sales per Division



### Key Data

	2006	2005
Net sales, SEK M	<b>5,712</b>	5,130
Earnings after net financial items, SEK M	<b>514</b>	391
Earnings per share, SEK	<b>13.21</b>	10.17
Dividend per share, SEK	<b>6.75<sup>1</sup></b>	5.50
Cash flow per share, SEK	<b>9.96</b>	5.74
Shareholders' equity per share, SEK	<b>60.24</b>	57.48
Average number of employees	<b>3,552</b>	3,303
Market capitalization as per December 31, SEK M	<b>7,925</b>	5,475

1) Proposed by the board of directors.

### Largest Owners as per December 31, 2006<sup>2</sup>

	% of votes and capital
Latour	14.6
Industrivärden	14.6
AFA Insurance	6.6
Swedbank Robur mutual funds	5.5
State of New Jersey Pension	4.8
Share of foreign ownership	28.1

2) Source: SIS Ägarservice.



Höganäs is the world's leading supplier of metal powders. Its end products are used in automotive industry components and power generation components, such as electrical tools and household appliances.

## Leading Producer of Metal Powders

Höganäs was established in 1797 and is the world's leading supplier of metal powders. Its business concept is to develop, produce and market metal powders that contribute to the lowest total cost of end products. The company's principal customers are in powder metallurgy, welding, and the chemical and metallurgical industries.

The Components business area (70% of sales) produces press powder for component manufacturing, mainly in the automotive industry. Press powder makes components cheaper and production more energy-efficient than competing technologies. The Consumables business area (30% of sales) covers metal powders used in processes, such as in producing metals, as additives in chemical processes, as surface coatings and for fortifying food.

Approximately 80% of Höganäs's production is processed into mechanical or electrical components for vehicles or home appliances. In automotive component manufacturing, Höganäs's powders are used in mechanical transmission components, such as gearwheels, steering systems, shock absorbers and brakes, components exposed to corrosion in exhaust systems, soft-magnetic components in electric motors for power windows, power locks, air conditioning, and more. On average, modern cars include roughly 10 kg. of components produced from metal powder. The amount varies, however, depending on where the car was made and what kind of car it is.

The other major application area for powder components is in the home. Höganäs's powders are used in the manufacture of components for transmissions in electrical products, such as power tools and lawnmowers, compressors for air conditioning systems and refrigerator/freezers, washing machines, VCR and DVD players, and computer printers.

Although North America is the dominant geographic market in the world for iron powder, Europe is the most important market

for Höganäs. Five producers account for the majority of the world's production of iron powder, and Höganäs is the leading producer. Höganäs is also a leading producer of high-alloy metal powders.

The company is leading development in the iron and metal powder industry and has the goal of always being first to launch new products. R&D spending corresponds to approximately 3% of sales.

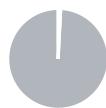
Höganäs's long-term financial targets are to maintain annual growth of 6%-8% over a business cycle, to have an operating margin of 15%, and to maintain a return on capital employed of 20%. The dividend policy is that the dividend should amount to 30%-50% of net income.

Weak development for the auto industry, primarily in North America, as a result of a global trend towards smaller and more fuel-efficient cars, has necessitated an overview of the product range and production structure. Greater cost control in the auto industry requires more cost-efficient manufacturing, which has led to higher demand for metal powder components. The measures carried by Höganäs are aimed to promote continued growth, improved margins and good cash flows.

### Highlights 2006

- Earnings after financial items amounted to SEK 525 M (408). Excluding non-recurring items and currency effects, operating income improved by 13%.
- Operating income totaled SEK 332 M (223) for the Components business area and SEK 197 M (109) for the Consumables business area.
- Cash flow from operating activities, i.e., cash flow before capital expenditures and the dividend, was SEK 626 M (423).

### Industrivärden's Holding in Höganäs as per December 31, 2006



**Share of equities portfolio:** 1%.

**Holding:**

Shares: 3,550,000 Class B shares. Market value: SEK 637 M.  
Share of votes: 8.1%. Share of capital: 10.1%.

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

**Assessment of the company from an ownership perspective:**

Höganäs works according to a global niche strategy with a focus on metal powders and is a world-leading producer of iron powder. Earnings in recent years have been disappointing, however. The ongoing work on overhauling the product range and production structure combined with good market potential is expected to create conditions for long-term favorable earnings development.



<< Höganäs is a world leader in metal powder technology. Powders are produced for various applications, primarily in manufacturing.

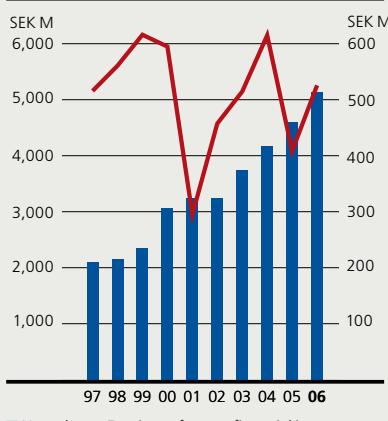
< Sintered components are used primarily in the automotive industry. However, applications for metal powder are now widening to include the manufacture of such products as lawnmowers, tools and air conditioners.

HÖGANÄS

## Höganäs at a Glance

**Chairman:** Per Molin. **CEO:** Alrik Danielsson. **Stock:** Höganäs's stock is listed on the Stockholm Stock Exchange. The share price rose 4% in 2006, and trading volume was SEK 3.4 billion. For more information on Höganäs, visit [www.hoganas.com](http://www.hoganas.com)

### Net Sales and Earnings

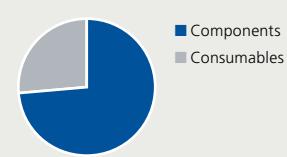


### Höganäs's Stock



**Comment:** During the last ten years, Höganäs's stock has performed considerably below the return index.

### Net Sales per Business Area



### Key Data

	2006	2005
Net sales, SEK M	<b>5,123</b>	4,594
Earnings after net financial items, SEK M	<b>525</b>	408
Earnings per share, SEK	<b>11.54</b>	8.39
Dividend per share, SEK	<b>6.25<sup>1</sup></b>	5.75
Cash flow per share, SEK	<b>12.33</b>	5.43
Shareholder's equity per share, SEK	<b>75.40</b>	73.30
Average number of employees	<b>1,557</b>	1,572
Market capitalization as per December 31, SEK M <sup>2</sup>	<b>6,300</b>	6,037

1) Proposed by the board of directors.

2) Höganäs's Class A shares, which are not listed, have been assigned the same value as the Class B shares.

### Largest Owners as per December 31, 2006<sup>3</sup>

	% of votes	% of capital
Lindéngruppen	37.5	21.8
Industrivärden	8.1	10.1
If P&C Insurance	7.2	9.1
Alecta	6.3	7.9
Marathon Asset Management	5.4	6.7
Share of foreign ownership	17.1	21.3

3) Source: SIS Ägarservice.

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# FINANCIAL STATEMENTS

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The Board of Directors and President of AB Industriwärdens  
(publ) herewith submit their annual report and consolidated  
financial statements for the 2006 fiscal year.

# Board of Directors' Report

Registered number SE 556043–4200

The Board of Directors and President of AB Industriwärd (publ) herewith submit their annual report and consolidated financial statements for the 2006 fiscal year, the company's sixty-second year of operation. The following income statements, balance sheets, statement of changes in shareholders' equity, statements of cash flows and notes to the financial statements form an integral part of this annual report.

## Operations

Industrivärd is one of the Nordic region's leading holding companies, taking an active ownership role in a concentrated selection of listed Nordic companies with good development potential. The goal is to generate high growth in net asset value over time.

## Net Asset Value

During the year, net asset value increased from SEK 48.3 billion, or SEK 250 per share, to SEK 58.5 billion, or SEK 303 per share, an increase of 21%. The components making up net asset value are shown below:

Parent Company	SEK billion		SEK per share	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Equities portfolio	<b>63.3</b>	52.3	<b>328</b>	271
Net debt	<b>-4.8</b>	-4.0	<b>-25</b>	-21
<b>Net asset value</b>	<b>58.5</b>	48.3	<b>303</b>	250

## Equities Portfolio

The market value of the equities portfolio at year-end was SEK 63,325 M (52,265), an increase of 21% (25%). The market value exceeded cost by SEK 41,370 M (31,592). Purchases of stocks during the year totaled SEK 3,193 M (3,023), and sales totaled SEK 2,072 M (3,964). Thus stocks were bought for a net amount of SEK 1,121 M (net sale of SEK 941 M).

Taking into account purchases and sales, the value of the portfolio increased by 19% (28%) during the year. The stock market index (OMXSPI) rose by 24% (33%) during the same period. The total return for the equities portfolio was 23% (32%), compared with 28% (36%) for the return index (SIXRX).

During the year, SSAB made a share redemption offer. In connection with this, Industrivärd sold all of its redemption rights in SSAB.

Also during the year, Sandvik carried out a 5:1 stock split, and SSAB carried out a 3:1 stock split. Industrivärd's shareholding in

Sandvik thereby increased by 104,000,000 shares to 130,000,000 shares, while its shareholding in SSAB increased by 27,896,618 shares to 41,844,927 shares. SSAB's split was conducted in direct connection with the redemption offer.

## Equity Transactions During the Year

	No. of shares	SEK M
<b>Purchases</b>		
Tandberg Television ASA	5,793,550	737
Ericsson B	20,000,000	516
Schibsted ASA	1,802,550	404
SCA B	1,000,000	313
Volvo B	906,000	311
Volvo A	529,000	225
Handelsbanken A	1,000,000	202
Other		485
<b>Total</b>		<b>3,193</b>
<b>Sales</b>		
Ericsson B	20,000,000	525
Volvo B	1,354,000	501
Schibsted ASA <sup>1</sup>	1,802,550	382
SCA B	1,000,000	318
Other		346
<b>Total</b>		<b>2,072</b>

1) The entire shareholding.

## Short-Term Derivative Transactions and Equity Trading

Nordinvest AB conducts short-term equity trading. During the year purchases of listed stocks totaled SEK 1,725 M (1,291) and sales totaled SEK 1,817 M (1,444). Stocks were thus sold for a net total of SEK 92 M (153). Earnings after net financial items were SEK 64 M (33). Including earnings from the Parent Company's short-term derivative transactions, totaling SEK 109 M (89), total earnings from short-term derivative transactions and equity trading amounted to SEK 173 M (122).

## Net Debt

At year-end 2006 the Parent Company's net debt amounted to SEK 4,814 M (4,013), including SEK 4,532 M (3,672) in interest-bearing net debt, corresponding to a net debt-equity ratio of 7.2% (7.0%). Interest-bearing net debt increased by SEK 860 M (decrease of SEK 1,126 M) as a result of net purchases (net sales) of stocks.

## Group

Consolidated operating earnings amounted to SEK 11,858 M (14,258), including SEK 1,733 M (1,275) in dividend income,

SEK 10,037 M (12,937) in change in value of stocks, SEK 173 M (122) from short-term derivative transactions and equity trading, SEK -81 M (-78) in management costs, and SEK -4 M (2) in other income and expenses. After SEK -187 M (-216) in net financial items, earnings after financial items were SEK 11,671 M (14,042). After tax of SEK -73 M (-2) and earnings after tax from discontinued operations, totaling SEK 23 M (162) (pertaining to Isaberg Rapid, which the buyer took possession of in January 2007, and in 2005 also Indutrade, which was listed on the stock market in October 2005), net earnings for the year were SEK 11,621 M (14,202).

The tax amount includes, as a result of a ruling by the Administrative Court of Appeal, additional tax of SEK 51 M stemming from the 1998–2002 tax years, pertaining to legislation on standard taxation of shares in subsidiaries, which is no longer applicable. Similarly, net financial items include additional interest of SEK 9 M.

The Group's capital expenditures in tangible assets, excluding discontinued operations, amounted to SEK 3 M (2), and scheduled depreciation totaled SEK 4 M (4).

The Group's interest-bearing net debt increased by SEK 573 M, to SEK 4,543 M (3,970).

### **Parent Company**

The Parent Company's operating earnings totaled SEK 6,533 M (10,584), including SEK 1,733 M (1,275) in external dividends received, SEK -M (50) in internal dividends received, SEK 4,667 M (9,081) in change in the value of stocks, SEK 109 M (89) from short-term derivative transactions, management costs of SEK -81 M (-78) and SEK 105 M (167) in other income and expenses. In calculating Change in value of stocks for the Parent Company, the associated companies Indutrade, SCA, Skanska and SSAB are carried at cost, while in the Group they are stated at market value, in accordance with International Financial Reporting Standards (IFRS). After net financial items of SEK -190 M (-217) and taxes totaling SEK -51 M (-), net earnings for the year were SEK 6,292 M (10,367).

### **Financial Risks**

A description of financial instruments and risk management is presented on pages 61–63.

### **Employees**

The average number of employees in the Group was 1,128 (1,177). The average number of employees in the Parent Company was 20 (22). A breakdown of the number of employees, and information on wages, salaries, other remuneration and social security costs for the Board, the CEO, and other employees, is provided in Notes 6 and 7. A description of Industrivärden's organization and employee structure is provided on page 20.

### **Significant Post-Balance Sheet Events**

In December an agreement was reached on the sale of the subsidiary Isaberg Rapid, which the buyer took possession of in January 2007. The sale will generate a capital gain of approximately SEK 100 M.

### **Proposed Guidelines for the Compensation of Executive Management**

Compensation paid to the CEO and other members of the executive management shall consist of base salary, a variable salary component, other benefits and pension. The total compensation should be in line with the going rate in the market and competitive, and should be commensurate with executive's responsibilities and authority. The variable, yearly component shall be maximized to and never exceed the base salary. Further, the variable salary component shall be based on the outcome in relation to set targets and to individual performance. None of the variable components are pensionable. Upon cancellation of an executive's employment contract by the Company, a two-year term of notice applies. There should not be any severance pay. Pension benefits shall be either defined-benefit or defined-contribution, or a combination of both, and give the members of the executive management the right to retire from 60 years of age, depending on their position. The Board may depart from these guidelines if there are special reasons for doing so in individual cases.

### **Proposed Dividend**

The Board of Directors proposes a dividend of SEK 9.00 (7.00) per share. The proposed dividend corresponds to 4% of the Parent Company's shareholders' equity and 3% of the Group's shareholders' equity. Of shareholders' equity, 58%, or SEK 24.9 billion in the Parent Company, and 71%, or SEK 41.4 billion in the Group, is attributable to the fair valuation of assets and liabilities. Industrivärden's dividend policy is to offer the shareholders a dividend yield that is higher than the average for the Stockholm Stock Exchange. In the Board's judgment, the proposed dividend is well balanced in view of the objectives, scope and risk of operations, as well as with respect to the Company's ability to meet its future obligations. According to the proposal, the total dividend payout amounts to SEK 1,738 M, entailing that the Group equity ratio as per December 31, 2006, all else unchanged, would decrease by 2 percentage points, to 88% (87%). Industrivärden has substantial liquidity scope in the form of market-listed equities.

### **Stock Split**

Further, the Board proposes a 2:1 stock split in order to facilitate trading in round lots for shareholders with small holdings.

# Proposed Distribution of Earnings

According to the Consolidated Balance Sheet, retained earnings for the year amount to SEK 56,481 M, of which SEK 11,621 M pertains to net earnings for the year.

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

Retained earnings according to decision by 2006 AGM	SEK 34,876 M
Net earnings for the year	SEK 6,292 M
	SEK 41,168 M

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

To shareholders, a dividend of SEK 9.00 per share totaling	SEK 1,738 M
To be carried forward	SEK 39,430 M
	SEK 41,168 M

The Board of Directors and President herewith certify that, to the best of our knowledge, the Annual Report has been prepared in accordance with generally accepted accounting principles for listed companies in Sweden, that disclosures herein provide a true and fair view of the state of affairs of the Company, and that nothing of material importance has been excluded that could affect the representation presented by the Annual Report.

The Group's and Parent Company's earnings and financial position are shown in the following income statements, balance sheets, statement of changes in shareholders' equity, statements of cash flows and notes to the financial statements. Final adoption of the Annual Report will take place at the Annual General Meeting on March 27, 2007.

Stockholm, February 15, 2007

Tom Hedelius  
*Chairman*

Sverker Martin-Löf  
*Vice Chairman*

Boel Flodgren

Lars O Grönstedt

Finn Johnsson

Fredrik Lundberg

Lennart Nilsson

Anders Nyrén  
*President and CEO*

Our Audit Report was submitted on February 22, 2007

Öhrlings PricewaterhouseCoopers AB

Anders Lundin  
*Authorized Public Accountant*

# Consolidated and Parent Company Income Statements

SEK M	Note	Group		Parent Company	
		2006	2005	2006	2005
Dividend income from stocks	1	<b>1,733</b>	1,275	<b>1,733</b>	1,325
Change in value of stocks	2	<b>10,037</b>	12,937	<b>4,667</b>	9,081
Short-term derivative transactions and equity trading	3	<b>173</b>	122	<b>109</b>	89
Management costs		<b>-81</b>	-78	<b>-81</b>	-78
Other income and expenses	4	<b>-4</b>	2	<b>105</b>	167
<b>Operating earnings</b>	6-8	<b>11,858</b>	14,258	<b>6,533</b>	10,584
Interest income	5	<b>17</b>	12	<b>18</b>	13
Interest expenses	5	<b>-198</b>	-220	<b>-202</b>	-222
Other financial income		<b>0</b>	0	<b>0</b>	0
Other financial expenses	9	<b>-6</b>	-8	<b>-6</b>	-8
<b>Earnings after financial items</b>		<b>11,671</b>	14,042	<b>6,343</b>	10,367
<b>Tax</b>	10	<b>-73</b>	-2	<b>-51</b>	-
<b>Earnings for the year for continuing operations</b>		<b>11,598</b>	14,040	<b>6,292</b>	10,367
<b>Earnings for the year from discontinued operations</b>	11	<b>23</b>	162	<b>-</b>	-
<b>Net earnings for the year</b>		<b>11,621</b>	14,202	<b>6,292</b>	10,367
<b>Depreciation included in operating earnings</b>	13	<b>4</b>	4	<b>0</b>	0
<b>Earnings per share, SEK<sup>1</sup></b>		<b>60.17</b>	73.54	<b>32.58</b>	53.68

1) Net earnings for the year divided by 193,135,612 shares. There is no dilutive effect.

## Comments on the Consolidated Income Statement

### *Operating Earnings*

Dividend income from stocks totaled SEK 1,733 M (1,275), an increase of 36% (24%). All of the portfolio companies raised their dividends. In SSAB's redemption program, all redemption rights were sold for SEK 8 M.

The change in the value of stocks, which includes the change in value since the start of the year of stocks held for the entire year as well as stocks purchased or sold during the year, amounted to SEK 10,037 M (12,937). The largest changes in value pertained to Sandvik, by SEK 3,315 M (2,771), SSAB, by SEK 2,775 M (1,881), SCA, by SEK 1,553 M (426), and Indutrade, by SEK 684 M (896).

Short-term derivative transactions by the Parent Company amounted to SEK 109 M (89), and short-term equity trading by Nordinvest amounted to SEK 64 M (33), for a combined total of SEK 173 M (122), which amply covered the Company's management costs of SEK -81 M (-78), corresponding to 0.13% (0.15%) of the market value of the equities portfolio. Management costs consist of personnel costs, totaling SEK 51 M (50) and other costs of SEK 30 M (28), mainly costs for being listed on the stock market, costs for production of the Annual Report and interim reports, costs for computer and system support, and consulting fees.

Operating earnings, including SEK -4 M (2) in other income and expenses, thus totaled SEK 11,858 M (14,258).

### *Net Financial Items and Tax*

Net financial items amounted to SEK -187 M (-216) and include additional interest of SEK -9 M resulting from a tax ruling. Net financial items in the preceding year were also affected by additional costs for the premature redemption of loans, totaling SEK -23 M. Interest-bearing net debt increased by SEK 573 M, to SEK 4,543 M, mainly as a result of net purchases of stocks, totaling SEK 1,121 M (net sales of 941).

Earnings after financial items totaled SEK 11,671 M (14,042).

The Group's tax was SEK -73 M (-2), of which SEK -51 M pertained to a ruling by the Administrative Court of Appeal with respect to standard income for subsidiaries stemming from the 1998–2002 tax years. According to current legislation, no standard tax is payable for shares in subsidiaries. As in the preceding year, no tax is paid on the Parent Company's earnings for the year. Dividends rendered are deductible for holding companies. After deducting the proposed dividend of SEK 9.00 (7.00) per share, a tax loss of SEK -206 M (-4) arose in the Parent Company. The accumulated tax loss carryforward thereby amounts to SEK -458 M (-252).

### *Earnings From Discontinued Operations*

An agreement on the sale of the subsidiary Isaberg Rapid was signed in December 2006, with transfer of possession to the buyer in January 2007. A majority shareholding in Indutrade was sold in October 2005 in connection with that company's stock market introduction. Isaberg Rapid's earnings from discontinued operations for the year amounted to SEK 23 M (0), and for Indutrade totaled SEK -M (162). See also Note 11.

Net earnings for the year, including SEK 23 M (162) in earnings from discontinued operations, thereby amounted to SEK 11,621 M (14,202).

## Comments on the Parent Company Income Statement

The Parent Company's dividend income amounted to SEK 1,733 M (1,325), including SEK -M (50) in dividends from subsidiaries.

The change in the value of stocks amounted to SEK 4,667 M (9,081). In calculating the change in the value of stocks for the Parent Company, the associated companies Indutrade, SCA, Skanska and SSAB are carried at cost, while in the Group they are stated at market value, in accordance with International Financial Reporting Standards (IFRS).

Other income and expenses pertain to the repayment of shareholders' contributions, totaling SEK 110 M (167), and other expenses, totaling SEK -5 M (-).

# Consolidated and Parent Company Balance Sheets

SEK M	Note	Group		Parent Company		
		Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	
<b>ASSETS</b>						
<b>Non-current assets</b>						
<b>Intangible assets</b>						
Goodwill	12	–	68	–	–	
Intangible rights	12	–	15	–	–	
<b>Total intangible assets</b>		–	83	–	–	
<b>Tangible assets</b>						
Land and buildings	13	<b>80</b>	117	–	–	
Plant	13	–	92	–	–	
Equipment	13, 14	<b>7</b>	10	–	–	
Construction in progress	13	–	9	–	–	
<b>Total tangible assets</b>		<b>87</b>	228	–	–	
<b>Financial assets</b>						
Equities	15, 18	<b>63,030</b>	51,910	<b>41,244</b>	35,515	
Shares in associated companies	16, 18	–	–	<b>6,843</b>	6,731	
Shares in subsidiaries	17, 18	–	–	<b>140</b>	230	
Non-current receivables	10, 18	<b>1</b>	12	–	–	
<b>Total financial assets</b>		<b>63,031</b>	51,922	<b>48,227</b>	42,476	
<b>Total non-current assets</b>		<b>63,118</b>	52,233	<b>48,227</b>	42,476	
<b>Current assets</b>						
<b>Inventories</b>	19	–	197	–	–	
<b>Current receivables</b>						
Receivables from subsidiaries		–	–	<b>175</b>	83	
Accounts receivable, trade		–	239	–	–	
Other receivables		<b>23</b>	35	<b>14</b>	12	
Prepaid expenses and accrued income	20	<b>10</b>	14	<b>10</b>	5	
<b>Total current receivables</b>		<b>33</b>	288	<b>199</b>	100	
<b>Short-term equity investments</b>	21	<b>114</b>	136	–	–	
Short-term investments	21	<b>700</b>	1,229	<b>700</b>	1,229	
Cash and bank balances		<b>38</b>	78	<b>38</b>	28	
<b>Total cash and cash equivalents</b>		<b>738</b>	1,307	<b>738</b>	1,257	
<b>Assets in discontinued operations</b>	11	<b>708</b>	–	–	–	
<b>Total current assets</b>		<b>1,593</b>	1,928	<b>937</b>	1,357	
<b>TOTAL ASSETS</b>		<b>64,711</b>	54,161	<b>49,164</b>	43,833	

## Comments on the Consolidated Balance Sheet

Financial assets pertain primarily to the market value of the Group's holdings of listed stocks, totaling SEK 62,978 M (51,858), and other stocks, totaling SEK 52 M (52). The market value exceeded cost by SEK 41,370 M (31,592). During the year, stocks were purchased for a net total of SEK 1,121 M (net sale of 941). Stock purchases

totaled SEK 3,193 M (3,023), of which Tandberg Television ASA accounted for SEK 737 M and Handelsbanken A for SEK 202 M. Sales of stocks totaled SEK 2,072 M (3,964).

The market value of the equities portfolio, taking purchases and sales into account, increased by 19% (28%), compared with 24% (33%) for the market index.

SEK M	Note	Group		Parent Company		
		Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>						
<b>Shareholders' equity</b> (see page 54)						
Capital stock		<b>966</b>	966	<b>966</b>	966	
Other capital contribution/						
Statutory reserve		<b>1,062</b>	1,062	<b>1,062</b>	1,062	
Reserves		<b>-18</b>	-13	<b>-</b>	-	
Retained earnings		<b>44,860</b>	32,010	<b>34,876</b>	25,861	
Net earnings for the year		<b>11,621</b>	14,202	<b>6,292</b>	10,367	
<b>Total shareholders' equity</b>		<b>58,491</b>	48,227	<b>43,196</b>	38,256	
<b>Non-current liabilities</b>						
Liabilities to subsidiaries		-	-	<b>1</b>	1	
Non-current interest-bearing liabilities	14, 22-24	<b>2,778</b>	4,037	<b>2,775</b>	3,869	
Non-current noninterest-bearing liabilities	10, 25	<b>32</b>	43	<b>-</b>	-	
<b>Total non-current liabilities</b>		<b>2,810</b>	4,080	<b>2,776</b>	3,870	
<b>Current liabilities</b>						
Accounts payable, trade		<b>5</b>	103	<b>4</b>	4	
Tax liabilities	10	<b>193</b>	165	<b>174</b>	165	
Accrued expenses and deferred income	26	<b>204</b>	280	<b>195</b>	177	
Other noninterest-bearing liabilities		<b>23</b>	60	<b>23</b>	11	
<b>Total current noninterest-bearing liabilities</b>		<b>425</b>	608	<b>396</b>	357	
Liabilities to subsidiaries		-	-	<b>292</b>	240	
Other interest-bearing liabilities	14, 27	<b>2,505</b>	1,246	<b>2,504</b>	1,110	
<b>Current interest-bearing liabilities</b>		<b>2,505</b>	1,246	<b>2,796</b>	1,350	
<b>Liabilities in discontinued operations</b>	11	<b>480</b>	-	<b>-</b>	-	
<b>Total current liabilities</b>		<b>3,410</b>	1,854	<b>3,192</b>	1,707	
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>						
		<b>64,711</b>	54,161	<b>49,164</b>	43,833	
Pledged assets	28	<b>12</b>	1	<b>12</b>	1	
Contingent liabilities	29	<b>0</b>	1	<b>3</b>	4	

Assets and liabilities in discontinued operations pertain to the subsidiary Isaberg Rapid, which the buyer gained possession of in January 2007.

Shareholders' equity increased by SEK 10,264 M, to SEK 58,491 M (48,227), and thereby amounted to SEK 303 per share (250), which corresponds to net asset value. The change pertains primarily to net earnings for the year, totaling SEK 11,621 M

(14,202) and the dividend payment for 2006, totaling SEK -1,352 M (-1,159), corresponding to SEK 7.00 per share (6.00).

Interest-bearing liabilities, including interest-bearing pension provisions, were unchanged at SEK 5,283 M. Cash and cash equivalents amounted to SEK 738 M (1,307), and interest-bearing receivables totaled SEK 2 M (6), for a total of SEK 740 M (1,313). Interest-bearing net debt was thus SEK 4,543 M (3,970).

# Group and Parent Company Shareholders' Equity

Changes in shareholders' equity, SEK M

<b>Group</b>	Capital stock <sup>1</sup>	Other capital contribution	Reserves <sup>2</sup>	Retained earnings	Net earnings for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2004	966	1,062	-22	25,711	7,458	35,175
Dividend to shareholders	-	-	-	-1,159	-	-1,159
Transfer of previous year's net earnings	-	-	-	7,458	-7,458	-
Translation differences	-	-	9	-	-	9
Net earnings for the year	-	-	-	-	14,202	14,202
Amount as per December 31, 2005	966	1,062	-13	32,010	14,202	48,227
Dividend to shareholders	-	-	-	-1,352	-	-1,352
Transfer of previous year's net earnings	-	-	-	14,202	-14,202	-
Translation differences	-	-	-5	-	-	-5
Net earnings for the year	-	-	-	-	11,621	11,621
<b>Amount as per December 31, 2006</b>	<b>966</b>	<b>1,062</b>	<b>-18</b>	<b>44,860</b>	<b>11,621</b>	<b>58,491</b>

<b>Parent Company</b>	Capital stock <sup>1</sup>	Statutory reserve	Retained earnings	Net earnings for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2004	966	1,062	17,702	9,318	29,048
Dividend to shareholders	-	-	-1,159	-	-1,159
Transfer of previous year's net earnings	-	-	9,318	-9,318	-
Net earnings for the year	-	-	-	10,367	10,367
Amount as per December 31, 2005	966	1,062	25,861	10,367	38,256
Dividend to shareholders	-	-	-1,352	-	-1,352
Transfer of previous year's net earnings	-	-	10,367	-10,367	-
Net earnings for the year	-	-	-	6,292	6,292
<b>Amount as per December 31, 2006</b>	<b>966</b>	<b>1,062</b>	<b>34,876</b>	<b>6,292</b>	<b>43,196</b>

1) The capital stock as per December 31, 2005, and December 31, 2006, consisted of 193,135,612 shares, 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 8–10.

2) The accumulated translation difference in shareholders' equity is SEK -18 M (-13). The change is attributable to currency movements in Isaberg Rapid's foreign subsidiaries.

# Group and Parent Company Statements of Cash Flows

SEK M	Group		Parent Company	
	2006	2005	2006	2005
<b>OPERATING ACTIVITIES</b>				
Dividend income from stocks	1,733	1,275	1,733	1,325
Cash flow from short-term equity trading	78	144	–	–
Cash flow from derivative transactions	160	108	160	108
Management costs paid	-80	-79	-80	-79
Tax paid	-56	-26	-42	–
Other items affecting cash flow	6	35	0	3
<b>Cash flow from operating activities before financial items</b>	<b>1,841</b>	<b>1,457</b>	<b>1,771</b>	<b>1,357</b>
Interest received	18	11	20	12
Interest paid	-195	-235	-199	-227
Other financial items	-7	-11	-6	-9
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1,657</b>	<b>1,222</b>	<b>1,586</b>	<b>1,133</b>
<b>INVESTING ACTIVITIES</b>				
Purchases of listed stocks	-3,193	-3,023	-3,193	-3,023
Sales of listed stocks	2,072	2,379	2,072	2,379
Sale of subsidiaries	–	1,585	–	1,585
Net purchase/sale of other non-current assets	-2	-49	–	–
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-1,123</b>	<b>892</b>	<b>-1,121</b>	<b>941</b>
<b>FINANCING ACTIVITIES</b>				
Loans raised and amortization of debt	299	-478	299	-465
Change in financing of subsidiaries	–	–	49	187
Dividends paid	-1,352	-1,159	-1,352	-1,159
Payment of shareholder contribution	–	–	20	167
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-1,053</b>	<b>-1,637</b>	<b>-984</b>	<b>-1,270</b>
<b>CASH FLOW FROM DISCONTINUED OPERATIONS</b>	<b>5</b>	<b>283</b>	<b>–</b>	<b>–</b>
<b>NET CASH FLOW FOR THE YEAR</b>	<b>-514</b>	<b>760</b>	<b>-519</b>	<b>804</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,307</b>	<b>625</b>	<b>1,257</b>	<b>453</b>
<b>Less: Cash and cash equivalents in discontinued operations</b>	<b>-54</b>	<b>-83</b>	<b>–</b>	<b>–</b>
<b>Exchange rate difference in cash and cash equivalents</b>	<b>-1</b>	<b>5</b>	<b>–</b>	<b>–</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>738</b>	<b>1,307</b>	<b>738</b>	<b>1,257</b>

## 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.

### Group

#### *Operating Activities*

Cash flow from operating activities pertains to dividends received, totaling SEK 1,733 M (1,275), to which is added cash flow from short-term equity trading by Nordinvest and derivative transactions conducted by the Parent Company, together totaling SEK 238 M (252). Added to this are SEK -80 M (-79) in management costs paid, SEK -56 M (-26) in tax paid, and other items affecting cash flow totaling SEK 6 M (35). Cash flow from operating activities before financial items was thus SEK 1,841 M (1,457).

Added to cash flow computed in this manner is interest received, totaling SEK 18 M (11), interest paid out, totaling SEK -195 M (-235), and payment of other financial items, totaling SEK -7 M (-11). After factoring in these figures, total cash flow from operating activities was SEK 1,657 M (1,222).

#### *Investing Activities*

Cash flow from investing activities pertains to purchases of listed stocks by the Parent Company, totaling SEK -3,193 M (-3,023), sales of listed stocks, totaling SEK 2,072 M (2,379), and sales of subsidiaries, totaling SEK - M (1,585).

The net amount of purchases and sales of other non-current assets pertains mainly to plant and equipment, totaling SEK -2 M (-49).

Total cash flow from investing activities was thus SEK -1,123 M (892).

#### *Financing Activities*

Financing activities pertain to changes in receivables, totaling SEK 4 M (170), loans raised, totaling SEK 1,404 M (1,124) and amortization of debt, totaling SEK -1,109 M (-1,772), for a net total of SEK 299 M (-478), and dividends paid, totaling SEK -1,352 M (-1,159). Cash flow from financing activities was thus SEK -1,053 M (-1,637).

#### *Discontinued Operations*

Cash flow from discontinued operations, which amounted to SEK 5 M (-18), pertains to Isaberg Rapid in 2006, which the buyer took possession of in January 2007, and Indutrade in 2005, which was introduced on the stock market in October 2005. Adjusted for the

repayment of shareholders' contribution, totaling SEK - M (301), cash flow was SEK 5 M (283). This is broken down into SEK 55 M (147) in cash flow from operating activities, SEK -32 M (-184) from investing activities and SEK -18 M (320) from financing activities.

#### *Cash Flow, Cash and Cash Equivalents*

The net of the various cash flow items was SEK -514 M (760). Cash and cash equivalents were also affected by cash and cash equivalents in discontinued operations, totaling SEK -54 M (-83) and by an exchange rate difference of SEK -1 M (5), and thus cash and cash equivalents decreased during the year by SEK 569 M to SEK 738 M (1,307).

### Parent Company

#### *Operating Activities*

Cash flow from operating activities pertains primarily to dividends received, totaling SEK 1,733 M (1,325), and also includes cash flow from derivative transactions, other items affecting cash flow and tax paid, together totaling SEK 118 M (111), and management costs paid, totaling SEK -80 M (-79). Cash flow from operating activities before financial items was thus SEK 1,771 M (1,357). Added to this cash flow is interest received, totaling SEK 20 M (12), interest paid out, totaling SEK -199 M (-227), and payment of other financial items, totaling SEK -6 M (-9). After factoring in these figures, total cash flow from operating activities is obtained, which amounted to SEK 1,586 M (1,133).

#### *Investing Activities*

Cash flow from investing activities pertains to purchases of listed stocks, totaling SEK -3,193 M (-3,023), sales of listed stocks, totaling SEK 2,072 M (2,379), and sales of stocks in subsidiaries, totaling SEK - M (1,585). Cash flow from investing activities was thus SEK -1,121 M (941).

#### *Financing Activities*

Financing activities pertain to a change in receivables, totaling SEK 4 M (170), an increase in raised loans, totaling SEK 1,404 M (1,100), and amortization of debt, totaling SEK -1,109 M (-1,735), amounting to a net total of SEK 299 M (-465), and dividends paid, totaling SEK -1,352 M (-1,159). Financing activities also take into account financing for subsidiaries, etc., totaling SEK 69 M (354). Cash flow from financing activities was thus SEK -984 M (-1,270).

#### *Cash Flow, Cash and Cash Equivalents*

The net of the various cash flow items was SEK -519 M (804). Cash and cash equivalents thereby decreased during the year to SEK 738 M (1,257).

**Change in Group's Interest-Bearing Net Debt**

SEK M	Dec. 31, 2006	Cash flow	Change in borrowings	Other changes <sup>1</sup>	Dec. 31, 2005
Cash and cash equivalents	<b>738</b>	-514	-	-55	1,307
Interest-bearing receivables	<b>2</b>	-	-4	-	6
Non-current interest-bearing liabilities	<b>2,778</b>	-	-1,099	-160	4,037
Current interest-bearing liabilities	<b>2,505</b>	-	1,394	-135	1,246
<b>Interest-bearing net debt</b>	<b>4,543</b>	514	299	-240	3,970

1) Of which, SEK -245 M pertaining to Isaberg Rapid, which is reported as a discontinued operation as per December 31, 2006.

**Value of Divested Assets and Liabilities in Sold Subsidiary**

SEK M	2006	2005
Non-current assets	-	621
Current assets	-	1,353
Non-current liabilities	-	-450
Current liabilities	-	-861
Capital gains	-	1,170
Consolidated value of remaining portion of sold subsidiary	-	-248
<b>Total purchase price</b>	-	1,585
Cash and cash equivalents in affected company	-	-83
<b>Cash flow pertaining to sale of subsidiary</b>	-	1,502

**Change in Parent Company's Interest-Bearing Net Debt**

SEK M	Dec. 31, 2006	Cash flow	Change in borrowings	Other changes	Dec. 31, 2005
Cash and cash equivalents	<b>738</b>	-519	-	-	1,257
Interest-bearing receivables	<b>88</b>	-	-1	-	89
Non-current interest-bearing liabilities	<b>2,776</b>	-	-1,099	5	3,870
Current interest-bearing liabilities	<b>2,796</b>	-	1,446	-	1,350
	<b>4,746</b>	519	348	5	3,874
Less: liabilities to subsidiaries	<b>-214</b>	-	-12	-	-202
<b>Interest-bearing net debt</b>	<b>4,532</b>	519	336	5	3,672
Market value of equities portfolio	<b>63,325</b>				52,265
<b>Net debt-equity ratio, %</b>	<b>7.2</b>				7.0

# Accounting Principles

The consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the Swedish Annual Accounts Act. However, the Annual Accounts Act requires certain complementary disclosures regarding the consolidated financial statements which are regulated by recommendation RR 30:05 Complementary Accounting Rules for Groups.

The Annual Report for the Parent Company, AB Industrivärden, has been prepared in conformity with the Swedish Annual Accounts Act and takes into account the pronouncements issued by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council (SFASC) and conforms to SFASC recommendation RR 32:05 Accounting for Legal Entities. This means that as a main rule, International Financial Reporting Standards (IFRS/IAS – see below) are used for the Parent Company as far as possible, but that certain exceptions are made which stem primarily from the Annual Accounts Act.

## Reporting in accordance with IFRS

### *Principles of consolidation*

The new IFRSs took effect on January 1, 2005. Listed Swedish companies are required to apply these new standards in their consolidated accounting. Preparing the financial statements in accordance with IFRS entails measurement of assets and liabilities at market value and is not dependent on the judgments of company management.

The reporting standards that have had 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 and liabilities, and are described below. IAS 19 Employee Benefits and IFRS 3, which concerns reporting of goodwill, among other things, have also had a certain impact on the accounting. The sale of Isaberg Rapid in 2006 and of the majority shareholding in Indutrade in 2005 has entailed application of IFRS 5. Following the sale of these companies, the operation has been refined to involve exclusively equities management, which is why no other operations are reported by the Group as from 2006.

Other new IFRS recommendations have no or only a marginal impact on the Industrivärden Group's earnings and financial position. The amendments and interpretations of reporting recommendations that have been adopted as from January 1, 2006, have not had any impact on the Group's earnings and financial position.

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 their current share price as per the balance sheet date, and equity derivatives are stated at their current market value.

### *Significant estimations in application of IFRS*

At the Group level, Industrivärden has elected to report changes in the market value of all listed shareholdings and equity derivatives in the income statement. In accordance with IAS 28 point 1, holdings in listed associated companies are also reported in the same way. Consequently, associated companies are not reported in accordance with the equity method, but in a manner that is more fair for a holding company.

In accordance with IAS 39, shares in subsidiaries are not measured at fair value. As previously, subsidiaries are consolidated in the consolidated financial statements according to the purchase method.

Reporting of changes in the market value of listed equities in the income statement entails 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 total reported net asset value.

### *Parent Company*

Special rules for market (fair) valuation apply for the Parent Company, AB Industrivärden, since the Annual Accounts Act does not allow market valuation of associated companies and subsidiaries. This means that only listed holdings that are not associated companies will be measured at market value, and that their change in value will be reported on a continuing basis in the income statement. Listed associated companies and subsidiaries will thus be carried at historical cost, which thus deviates from consolidated accounting according to IFRS, which is done at market value.

### **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 controlling influence. The consolidated balance sheet has been prepared according to the purchase method. This entails that the Parent Company's cost of shares in subsidiaries – by which is meant companies in which Industrivärden owns more than 50% of the votes – 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. Goodwill values are tested for impairment yearly.

Subsidiaries that have been sold during the year are included in the consolidated financial statements up until the point at which the controlling influence ceases and are reported in accordance with IFRS 5. Companies that have been acquired during the year are included in the consolidated financial statements starting on the date of acquisition.

Intra-Group transactions have been eliminated.

#### *Translation of foreign subsidiaries' financial statements*

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 the heading Reserves in shareholders' equity and do not affect earnings for the year.

#### *Translation of receivables and liabilities in foreign currency*

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

#### *Recognition of income*

Dividend income from stocks is recognized when it is received.

For stocks held at both the start and end of the year, the change in value consists of the difference in the market value between these dates. For stocks acquired during the year, the change in value consists of the difference between cost and the market value at the end of the year. For stocks sold during the year, the change in value consists of the difference between the sales price received and the value of the stocks at the start of the year. All changes in value are reported in the income statement under the heading Change in value of stocks.

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 balance sheet date.

#### *Associate accounting*

Associated companies are companies in which Industrivärden has a significant but not controlling influence, which as a rule concerns shareholdings in which the number of votes amounts to

between 20% and 50%. Industrivärden's share of votes exceeds 20% in Indutrade, SCA, Skanska and SSAB. In the Group, shares in associated companies are carried at market value and in the Parent Company at cost. The capital gain or loss generated upon the sale of shares in associated companies is calculated accordingly.

#### *Non-current assets*

Non-current assets are initially carried at cost. Depreciation of the historical cost of machinery and equipment is done on a linear basis according to a 5-year plan. The depreciation rates are based on estimated useful life. As a rule, investment properties are depreciated by the maximum amount allowed by tax rules. The estimated useful life for investment properties is in agreement with the stipulations of the tax laws, normally 50 years.

#### *Employee stock options*

A description of Industrivärden's employee stock option program, which expired in February 2007, is provided in Note 7 on page 66. This description shows that expenses and income stemming from the employee stock option program have affected earnings on a continuing basis.

#### *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.

#### *Valuation of goodwill*

The need for any goodwill impairment is tested yearly, whereby a recoverable value is determined for the acquired net assets. An impairment charge is recognized if the reported value exceeds the recoverable value.

#### *Valuation of financial assets and liabilities*

Financial assets and liabilities are valued in different categories, namely, financial assets carried at fair value in the income statement, and loan receivables and liabilities. The classification depends on the purpose for which the financial asset was acquired.

#### *Valuation of equities*

Purchases and sales of stocks are reported as per the trade date.

Listed stocks are carried in the consolidated financial statements at market value. By market value for listed stocks is meant the current market price.

Listed stocks held by the Parent Company are carried at market value, except for shares in associated companies, which are carried at cost in accordance with the stipulations of the Swedish Annual Accounts Act (see Associate accounting above).

Other stocks are reported in the Group at an estimated value, and in the Parent Company at cost for the respective companies. Any adjustment in the value is done item by item to the extent it is believed that a change in value 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 are deducted from premiums paid upon repurchase. If an issued option expires without being exercised, the premium is recognized as income. Upon exercise of an issued option, the premium increases the exercise price upon the sale of the shares or reduces the exercise price upon the purchase of shares. On the balance sheet date, the market value of issued options is determined, and the difference between it and provisioned premiums is taken up in the income statement. The options are carried on the balance sheet as accrued income and accrued expenses, respectively.

#### *Measurement of fair value of financial instruments*

The fair value of Industrivärden's financial instruments is normally based on the market price on the balance sheet 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.

#### *Hedging of equity investments in foreign currency*

Industrivärden hedges exchange rate movements for investments in foreign, listed stocks by taking out loans in the same currency corresponding to the invested amount. Changes in the exchange rate when translating the liability to Swedish kronor are reported in the income statement as Change in value of stocks.

#### *Borrowings*

Borrowings are carried initially at fair value and thereafter at amortized cost.

#### *Inventories*

The Group's inventories are carried at the lower of their cost or sales value, according to the first-in first-out (FIFO) method.

#### *Trade accounts receivable*

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

#### *Leases*

Finance leases are reported by the Group as tangible assets and as current and non-current interest-bearing liabilities. Operating leases are expensed in their entirety.

#### *Pensions*

Pension liability refers to Industrivärden's defined benefit pension obligations – both FPG/PRI obligations and individual pension obligations – all calculated for the Group in accordance with IAS 19 with the assistance of an external actuary. Defined benefit pension plans insured with Alecta 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 14 M (13) for 2006. Industrivärden has elected at the Group level to utilize the so-called corridor in reporting actuarial gains and losses. The Parent Company conforms to the rules of the Pension obligations vesting act ("Lagen (1967:531) om tryggande av pensionsutfästelse"), which reflect FAR recommendation no. 4, Reporting of pension liabilities and pension costs. The main difference compared with IAS 19 is that Swedish practice disregards future increases in salaries and pensions when calculating the present value of pension obligations. See also Note 22, Pensions, on pages 73–74.

#### *Related party transactions*

No transactions between AB Industrivärden and the wholly owned subsidiary Isaberg Rapid have taken place, except for the repayment of a conditional shareholder's contribution of SEK 90 M. Some transactions have been conducted with other wholly owned subsidiaries, such as rents for premises at going rates in the market.

Compensation has been paid to Industrivärden's board and senior executives at going rate terms in the market, as shown in Note 7 on pages 65–67.

Apart from stock dividends received, no transactions with listed associated companies have been conducted, with the exception of Indutrade, which rents premises at going-rate terms in the market from a property company that is wholly owned by Industrivärden. CEO Anders Nyrén and Executive Vice President Bengt Kjell have received directors' fees from listed associated companies; these sums have been paid to Industrivärden.

#### *Segment reporting*

No segment reporting has been prepared, since the operations in 2006 have been refined to entail exclusively equities management.

# 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 finance function works primarily with financing and investment of surplus liquidity.

## Financing

The Parent Company's financing is arranged through both short- and long-term borrowing. The financing facilities give Industrivärden the ability to act on attractive investment opportunities at short notice. 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 syndicated loan with an original term extending through August 2010, which has been extended until August 2011.

At the end of 2006 AB Industrivärden had confirmed credits corresponding to SEK 4.6 billion (4.6), of which SEK 0.0 billion (0.0) were utilized, and unconfirmed credits and market programs totaling SEK 17.4 billion (16.3), of which SEK 5.2 billion (4.9) were utilized. Borrowing increased in 2006 as a result among other things of net purchases of stocks totaling SEK 1.1 billion.

At the same point in time, the Industrivärden Group had total confirmed credits of SEK 4.6 billion (4.9) and unconfirmed credits and market programs totaling SEK 17.4 billion (16.3).

A specification of non-current and current interest-bearing liabilities is shown in Notes 23 and 27 on pages 74 and 75.

## Compilation of confirmed and unconfirmed credits and market programs

SEK billion	Group		Parent Company	
	12/31/06 <sup>1</sup>	12/31/05	12/31/06	12/31/05
Bank overdraft facilities	<b>2.8</b>	2.8	<b>2.8</b>	2.7
Syndicated loan (in euros) <sup>2</sup>	<b>1.8</b>	1.9	<b>1.8</b>	1.9
Other confirmed credits	–	0.2	–	–
<b>Total confirmed credits</b>	<b>4.6</b>	4.9	<b>4.6</b>	4.6
<b>Unconfirmed credits</b>	<b>1.8</b>	1.6	<b>1.8</b>	1.6
ECP program (EUR 500 M)	<b>4.5</b>	4.7	<b>4.5</b>	4.7
Commercial paper programs	<b>3.1<sup>3</sup></b>	2.0	<b>3.1<sup>3</sup></b>	2.0
MTN program	<b>8.0</b>	8.0	<b>8.0</b>	8.0
<b>Total market programs</b>	<b>15.6</b>	14.7	<b>15.6</b>	14.7
<b>Total credits</b>	<b>22.0</b>	21.2	<b>22.0</b>	20.9

1) Excluding credit lines pertaining to discontinued operation.

2) A EUR 200 M international syndicated loan with a term extending through August 2011.

3) Including NCP program totaling NOK 1,000 M.

## Average interest rate

The average interest rate for AB Industrivärden's debt portfolio as per December 31, 2006, was 3.5% (3.3%).

## 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 liquidity risk.

Industrivärden's operational risk is minimized by the use of highly refined internal routines for effective risk management that are 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 working in concert with other owners to identify 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 has been higher than the average for the Stockholm Stock Exchange for long periods of time. 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 a good understanding of 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. 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 separate 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. 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 short-term equity trading within the framework of Industrivärden's strategy. The equities risk in this respect 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, 2006, would have impacted net asset value by SEK +/-600 M.

Industrivärden's strategy of investing in large and midcap listed Nordic companies can involve holdings of foreign equities, which are affected by currency movements (currency risk). For investments in foreign, listed equities, hedges are taken out through lending in the foreign currency corresponding to the invested amount. As per December 31, 2006, investments in foreign, listed equities totaled NOK 644 M, which were 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 Borrowings and risk section on page 6.

### Currency risk

Currency risk is the risk that the value of a financial instrument will vary due to changes in exchange rates. The currency risk that can arise pertains to equities denominated in foreign currency (see above).

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	
	2006	2005	2006	2005
EUR	<b>9.05</b>	9.42	<b>9.27</b>	9.31
GBP	<b>13.48</b>	13.73	<b>13.61</b>	13.66
USD	<b>6.87</b>	7.96	<b>7.41</b>	7.57
NOK	<b>1.09</b>	1.18	<b>1.15</b>	1.17
DKK	<b>1.21</b>	1.26	<b>1.24</b>	1.25

### Interest rate risk

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

The financial instruments that are exposed to interest rate risk consist of loans with variable interest rates and any swap agreements with variable rates. Swap agreements may be used to limit interest expenses and to adjust maturities, under the condition that the risk in the instrument can be calculated in monetary terms. At year-end 2006 there were no interest rate swap agreements in effect.

Assuming a hypothetical one percentage point increase in market interest rates, the effect – based on AB Industrivärden's debt portfolio as per December 31, 2006 – would be that the average interest rate in the debt portfolio would increase from approximately 3.5% (3.3%) to approximately 3.7% (3.5%), entailing an annual cost increase of roughly SEK 8 M. The reason why a one percentage point increase would not have a full impact on Industrivärden's interest expense is that most of the loans carry fixed rates of interest. At year-end 2006, approximately 70% of Industrivärden's loans carried fixed rates of interest.

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 (20). Industrivärden had no financial instruments with maturities in excess of five years as per December 31, 2006.

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 term of maturity in the loan portfolio on December 31, 2006, was 20 (26) months. A breakdown of maturities per year is shown in Note 23 on page 74.

Industrivärden's liquidity risk and refinancing risk are judged to be low. With an equity ratio of 90% (89%), Industrivärden has considerable 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. 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 on amount as well as maturity.

Industrivärden's financial agreements concerning transactions in equities, equity-related derivatives and other derivatives are evaluated quarterly and are made with several different credit-worthy and specially selected financial institutions with which Industrivärden has wide-ranging and long-term cooperation arrangements. The credit institutions shall have high ratings.

Routines set by Industrivärden prescribe high creditworthiness of counterparties with respect to investments, derivative transactions, etc., which is why counterparty risk is considered to be low.

### **Operational risks**

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

and of policies adopted by the Board of Directors. Important rules include investment rules, the finance policy, authorization instructions and other instructions. Legal reviews of contracts and commitments are performed 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, Industrivärden's external 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 and are regulated by internal guidelines. An information policy issued by Industrivärden governs actions related to communication matters and ensures compliance with applicable rules. With respect to IT security, systems and routines are under continuous development.

An external review of IT security was performed in 2006, and security was judged to be good.

### **Insider rules**

Industrivärden adheres to applicable insider rules and stipulations on public disclosure regarding shareholding transactions. In addition, Industrivärden has internal rules in place which prohibit employees from trading in shares in the companies in which Industrivärden has a dominant position for 29 days prior to publication of interim reports and the year-end report, as well as on the entire day of reporting.

# Notes

(Amounts in SEK M unless stated otherwise)

## Note 1 Dividend income from stocks

	2006	2005
Ericsson	<b>170</b>	93
Handelsbanken	<b>469</b>	398
Höganäs	<b>20</b>	6
Indutrade	<b>41</b>	50
Munters	<b>19</b>	13
Sandvik	<b>351</b>	296
SCA	<b>260</b>	204
Skanska	<b>210</b>	129
SSAB	<b>126</b>	106
Volvo	<b>56</b>	29
Other	<b>11</b>	1
<b>Parent Company</b>	<b>1,733</b>	1,325
Elimination: Indutrade <sup>1</sup>	–	-50
<b>Group</b>	<b>1,733</b>	1,275

1) Indutrade was a wholly owned subsidiary when the dividend was received.

## Note 2 Change in value of stocks

	Group <sup>1</sup>		Parent Company <sup>2</sup>	
	2006	2005	2006	2005
Ericsson	<b>48</b>	2,158	<b>48</b>	2,158
Handelsbanken	<b>676</b>	1,599	<b>676</b>	1,599
Höganäs	<b>25</b>	-27	<b>25</b>	-27
Indutrade	<b>684</b>	2,253	–	1,417
Munters	<b>342</b>	69	<b>342</b>	69
Ossur hf	–	225	–	398
Sandvik	<b>3,315</b>	2,771	<b>3,315</b>	2,771
SCA	<b>1,553</b>	426	<b>86</b>	49
Skanska	<b>458</b>	1,332	<b>67</b>	–
SSAB	<b>2,775</b>	1,881	<b>37</b>	350
Tandberg Television ASA <sup>3</sup>	<b>-195</b>	–	<b>-195</b>	–
Volvo	<b>290</b>	258	<b>290</b>	258
Other <sup>4</sup>	<b>63</b>	5	<b>-27</b>	52
	<b>10,034</b>	12,950	<b>4,664</b>	9,094
Long-term derivative transactions <sup>4</sup>	<b>3</b>	-13	<b>3</b>	-13
<b>Total</b>	<b>10,037</b>	12,937	<b>4,667</b>	9,081

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

2) The Swedish Annual Accounts Act applies for the Parent Company, which entails that associated companies are stated at cost. Capital gains/losses on sales of shares in associated companies are reported accordingly.

3) Including SEK 35 M in currency hedging for foreign shareholdings.

4) Incentive programs pertaining to call options issued to members of the executive management of Indutrade and SSAB, with remaining terms of up to four years.

## Note 3 Short-term derivative transactions and equity trading

	Group		Parent Company	
	2006	2005	2006	2005
Short-term equity derivative transactions	<b>109</b>	89	<b>109</b>	89
Short-term equity trading by Nordinvest	<b>64</b>	33	–	–
<b>Total</b>	<b>173</b>	122	<b>109</b>	89

Short-term equity derivative transactions pertain to issued call and put options based on the active holdings. The term is six months at the most.

## Note 4 Other income and expenses

	Group		Parent Company	
	2006	2005	2006	2005
Repayment of shareholders' contribution	–	–	<b>110<sup>1</sup></b>	167
Other	<b>-4</b>	2	<b>-5</b>	–
<b>Total</b>	<b>-4</b>	2	<b>105</b>	167

1) Of which, SEK 90 M for Isaberg Rapid and SEK 20 M for Indus Innovation.

## Note 5 Interest income and interest expenses

	Group		Parent Company	
	2006	2005	2006	2005
<b>Interest income</b>				
Subsidiaries	–	–	<b>2</b>	2
Other	<b>17</b>	12	<b>16</b>	11
<b>Total</b>	<b>17</b>	12	<b>18</b>	13
<b>Interest expenses</b>				
Subsidiaries	–	–	<b>-4</b>	-3
Other	<b>-198</b>	-220	<b>-198</b>	-219
<b>Total</b>	<b>-198</b>	-220	<b>-202</b>	-222

**Note 6 Average number of employees**

	2006		2005	
	Number of employees	Of whom, women	Number of employees	Of whom, women
<b>Parent Company</b>	<b>20</b>	<b>5</b>	22	6
<b>Subsidiaries in Sweden</b>	<b>2</b>	<b>–</b>	2	–
Total, Sweden	22	5	24	6
<b>Discontinued operations</b>				
Isaberg Rapid	1,106	517	1,153	586
<b>Total, Group</b>	<b>1,128</b>	<b>522</b>	1,177	592

**Reporting of sickness-related absence**

Combined sickness-related absence in the Parent Company during the year was 128 hours out of a total of 38,710 hours, or 0.3% (0.3%) of total working hours. Of the total sickness-related absence rate, no part (–) pertained to long-term absence, i.e., uninterrupted absence of more than 60 days, and 0.3 percentage points (0.3) 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 on pages 80–81. All persons on the subsidiaries' boards and management are men.

**Note 7 Wages, salaries and other remuneration; social security costs**

	2006			2005		
	Wages, salaries and other remuneration	Social security costs	Of which, pension costs	Wages, salaries and other remuneration	Social security costs	Of which, pension costs
<b>Parent Company<sup>1</sup></b>	<b>34<sup>2,3</sup></b>	<b>25<sup>3</sup></b>	<b>13</b>	28 <sup>2</sup>	21	12
<b>Subsidiaries in Sweden</b>	<b>5</b>	<b>2</b>	<b>1</b>	3	2	1
Total, Sweden	39	27	14	31	23	13
<b>Discontinued operations</b>						
Isaberg Rapid	215	80	12	214	84	9
<b>Total, Group</b>	<b>254</b>	<b>107</b>	<b>26</b>	245	107	22

Of the Parent Company's pension cost, SEK 9 M (9) pertains to the Board of Directors and the CEO. The corresponding amount for the Group was SEK 10 M (10), excluding discontinued operations.

**Wages, salaries and other remuneration, broken down between board members, CEOs, vice presidents and other employees**

	2006				2005			
	Board of directors, CEO and executive vice presidents	Of which, bonuses and similar	Directors' fees paid to the Company <sup>2</sup>	Other employees	Board of directors, CEO and executive vice presidents	Of which, bonuses and similar	Directors' fees paid to the Company <sup>2</sup>	Other employees
<b>Parent Company<sup>1</sup></b>	<b>19<sup>3</sup></b>	<b>5<sup>3</sup></b>	<b>–4</b>	<b>19</b>	15	2	–3	16
<b>Subsidiaries in Sweden</b>	<b>3</b>	<b>1</b>	<b>–</b>	<b>2</b>	2	0	–	1
Total, Sweden	22	6	–4	21	17	2	–3	17
<b>Discontinued operations</b>								
Isaberg Rapid	3	1	–	212	6	–	–	208
<b>Total, Group</b>	<b>25</b>	<b>7</b>	<b>–4</b>	<b>233</b>	23	2	–3	225

1) See page 66.

2) Directors' fees payable to the CEO and Executive Vice Presidents, totaling SEK 4 M (3), which were associated with their duties have been paid to the Parent Company and thereby reduced Industriärden's salaries.

3) Including salaries pertaining to exercised employee stock options, totaling SEK 5.5 M, of which SEK 2.2 M pertains to the CEO and executive vice presidents, and social security costs of SEK 1.8 M. Taking into account the swap agreement that Industriärden entered into with a financial institution, the compensation under this agreement could be netted against salaries stemming from the exercised stock options and have therefore not had any net effect on Industriärden's management costs. See also page 66.

**Note 7 (cont.)****1) Specification of Note 7: Wages, salaries, other remuneration and 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, submits recommendations on directors' fees to the Annual General Meeting. Fees were paid to the Chairman of the Board, the Vice Chairman and other directors in accordance with a resolution of the Annual General Meeting.
- Compensation of the CEO is prepared for a decision by the Board by a compensation committee, whose members are listed on page 17. Compensation of the other three members of the executive management – of whom one is an employee of Nordinvest – is set by the Compensation Committee, based on a recommendation by the CEO. 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. In view of new, compelling legal rules, at the 2007 Annual General Meeting the Board will be presenting proposed guidelines on compensation of the CEO and other members of the executive management, for approval by the Annual General Meeting.

Disclosure of holdings of stock in Industrivärden by directors and members of executive management is provided on pages 80 and 81.

The Board was paid a fee of SEK 3.3 M (3.0) in 2006, in accordance with a resolution by the Annual General Meeting. Of this amount, the Chairman received SEK 0.99 M (0.90) and the Vice Chairman SEK 0.66 M (0.60). Other directors, except for the CEO, each received SEK 0.33 M (0.30). A specification per board member is provided on page 17. No fee is paid for committee work. Of the Board's members, seven are men and one is a woman.

The CEO received a base salary and standard employment benefits valued at a total of SEK 5.7 M (5.4). Added to this is a variable salary component of SEK 1.3 M (0.5) for the 2006 fiscal year, which will be paid out in 2007. The CEO also exercised all of his 50,000 employee stock options in December 2006, of which SEK 0.7 M was paid out in 2006 and the remaining SEK 3.4 M, corresponding to 40,000 options, was paid out in January 2007. The principles for determining the variable salary component are described in the second from last paragraph below. The fees from directorships paid to the CEO that have been directly linked to his position have been paid to the Company (totaling SEK 3.6 M for 2006). The CEO is entitled to pension benefits between 60 and 65 years of age equivalent to 70% of his average base salary during the three years prior to his sixtieth birthday, and to lifetime retirement pension benefits after 65 years of age equivalent to 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., they are not conditional on future employment. In addition, the CEO is entitled to disability pension equivalent to 50% of his base salary the year before such pension occasion, and his survivors are entitled to survivorship benefits equivalent to 35% of his base salary plus a supplement for children under the age of 20. The cost of defined benefit pension obligations in 2006 was SEK 4.5 M (4.0). 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 base salary and standard employment benefits worth SEK 7.5 M (7.0). Added to this is a variable salary portion for the 2006 fiscal year totaling SEK 2.6 M (2.0), which will be paid out in 2007. The other members of the executive management also exercised all 70,000 stock options that they held in 2006, of which SEK 1.5 M was paid out in 2006 and SEK 2.8 M, corresponding to 35,000 options, was paid out in January 2007. The fees from directorships paid to the other members of the executive management, that have been directly linked to their positions, have been paid to the Company (totaling SEK 0.9 M for 2006). One of these executives is entitled to pension

benefits equivalent to 70% of his base salary between 60 and 65 years of age, which is essentially earned in a linear manner. Since his employment did not end at 60 years of age, the pension obligation has been deferred until retirement, after which it will apply for five years. 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 2006 for these three executives was SEK 1.8 M (1.7). In the event the Company serves notice, all three executives are entitled to two years' notice. Reserved provisions (see Note 22) for the defined benefit pensions pertaining to the CEO and other senior executives as above are invested in the Parent Company's equities portfolio along with the returns it generates. All four members of the executive management are men.

In 2002 an incentive program was established for the employees of the Parent Company, which had a term until February 28, 2007. The employee stock option program gave 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 could be exercised after March 1, 2005, and the rest after March 1, 2006. Industrivärden had entered into a swap agreement with a financial institution which, through a loan-financed purchase of Industrivärden shares, ensured that the employee stock option obligation (incl. social security charges) was hedged in the event of a price rise. The financial institution originally purchased 248,700 shares, which were intended to cover outstanding options and social security charges. In 2006, 179,869 (8,831) shares were sold to cover 181,167 (6,667) employee options that were exercised, along with the associated social security charges. Thus after this sale, 60,000 shares remained, which were to cover employee options exercised in late December 2006 and their associated social security charges and which were sold in early January 2007. The employee stock option program did not entail any dilution of the number of shares.

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 272 at year-end 2006. 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 was to accrue to Industrivärden in the event of a price rise. At year-end 2006, the share price was SEK 272, and thus earnings were credited with SEK 5.7 M during the term of the program. The interest expense of SEK 0.8 M for 2006 pertaining to loans from the financial institution has been expensed but was covered by the dividend of SEK 1.3 M from Industrivärden shares under the terms of the swap agreement, which has been taken to earnings. Added to this are price gains of SEK 0.9 M in connection with the sale of the Industrivärden shares under the swap agreement. In total, the employee stock option program entailed income of SEK 8.1 M for Industrivärden during the term of the option program.

Employees of the Parent Company are entitled to a variable salary component which for 2006 could normally amount to a maximum of 30% of their base salary, provided that they had achieved certain individually set targets. In addition, a joint target has been set regarding an increase in net asset value, with unchanged net asset value as a minimum, which entails that the variable salary portion will be reduced by 10 percentage points if net asset value decreases during the year. A provision of SEK 5.4 M (4.0) has been reserved for the accrued cost of the variable salary portion for the 2006 fiscal year. Variable salary components will be paid out in 2007.

Compensation consisting of the variable salary component and exercise of stock options is not pensionable.

**Note 7 (cont.)****Compilation of executive management's compensation, pension costs and employee stock options for 2006**

	Base salary	Variable salary portion <sup>1</sup>	Cash settlement of employee stock options <sup>2</sup>	Other benefits	Total compensation	Pension cost	No. employee stock options 2002/2007 <sup>3</sup>
CEO	5.6	1.3	0.7	0.1	7.7	4.5	–
Other members of executive management (3 persons) <sup>4</sup>	7.1	2.6	1.5	0.4	11.6	1.8	–
<b>Total</b>	<b>12.7</b>	<b>3.9</b>	<b>2.2</b>	<b>0.5</b>	<b>19.3</b>	<b>6.3</b>	–

1) Pertains to the 2006 fiscal year and will be paid out in 2007.

2) Pertains to cash settlement of 10,000 options for the CEO and 35,000 options for other members of the executive management.

3) All employee stock options had been exercised by year-end 2006, of which compensation stemming from a total of 75,000 options was paid out in January 2007.

4) Including one employee of Nordinvest.

**Note 8 Auditors' fees**

	Group <sup>1</sup>			Parent Company <sup>2</sup>		
	2006	2005	2004	2006	2005	2004
<b>Auditing fees</b>						
Öhrlings PricewaterhouseCoopers	<b>1.4</b>	1.3	1.2	<b>1.2</b>	1.2	1.2
Other auditing firms	–	–	–	–	–	–
<b>Total auditing fees</b>	<b>1.4</b>	1.3	1.2	<b>1.2</b>	1.2	1.2
<b>Consulting fees</b>						
Öhrlings PricewaterhouseCoopers	<b>0.9</b>	0.6	1.4	<b>0.7</b>	0.6	1.4
Other auditing firms	–	–	–	–	–	–
<b>Total consulting fees</b>	<b>0.9</b>	0.6	1.4	<b>0.7</b>	0.6	1.4
<b>Total</b>	<b>2.3</b>	1.9	2.6	<b>1.9</b>	1.8	2.6

1) Excluding the sold operations Isaberg Rapid and Indutrade.

2) Including value-added tax (since holding companies cannot deduct value-added tax).

**Note 9 Other financial expenses**

	Group		Parent Company	
	2006	2005	2006	2005
Bank charges <sup>1,2</sup>	<b>–7</b>	–15	<b>–7</b>	–15
Other <sup>3</sup>	<b>1</b>	7	<b>1</b>	7
<b>Total</b>	<b>–6</b>	–8	<b>–6</b>	–8
1) Of which, continuing fees for credit limits and market programs	<b>–7</b>	–7	<b>–7</b>	–7
2) Of which, arrangement fee for syndicated loan	–	–3	–	–3
3) Of which, effect of swap agreement pertaining to employee stock option obligation (see Note 7)	<b>1</b>	7	<b>1</b>	7

**Note 10 Tax and specification of deferred tax assets and deferred tax liabilities**

	Group		Parent Company	
	2006	2005	2006	2005
Current tax	<b>–22</b>	–2	–	–
Deferred tax	<b>0</b>	0	–	–
Additional tax	<b>–51</b>	–	<b>–51</b>	–
<b>Total tax</b>	<b>–73</b>	–2	<b>–51</b>	–
<b>Tax attributable to discontinued operations</b>	<b>–5</b>	–68	–	–

The tax-loss carryforward of the Parent Company amounted to SEK 252 M for the 2006 tax year. After considering SEK 206 M for an estimated loss carryforward for the 2006 fiscal year, the accumulated loss carryforward amounts to SEK 458 M. Industriärden 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 Industriärden's taxation for the fiscal years 1997–2000 with respect to the standard income reported for shares in subsidiaries. In total this ruling entailed tax of SEK 66 M

plus SEK 9 M for the 2001 fiscal year in accordance with the decision by the tax authority. Industriärden had followed instructions issued by the National Tax Board in 1991 for valuation of a holding company's shares in subsidiaries and therefore appealed the ruling by the County Administrative Court as well as the tax authority's decision. In a ruling that took effect in 2006, the Administrative Court of Appeal ruled partly in favor of Industriärden's appeal by accepting the deduction of holding company liabilities. The additional tax was thereby reduced by SEK 24 M to SEK 51 M.

In a ruling handed down in 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 Industriärden. The ruling entailed that deduction was not granted for interest expenses that 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. In March 2004 Industriärden filed an appeal of the Administrative Court of Appeal's ruling with the Supreme Administrative Court, which issued a writ of certiorari in December 2006. A tax liability of SEK 165 M along with back interest of SEK 54 M has been booked.

**Note 10 (cont.)****Tax calculation in summary**

	2006	2005
Market value of equities portfolio on January 1	<b>52,265</b>	41,691
Less: business-related shares (see page 77)	<b>-48,219</b>	-20,983
Basis for standard income	<b>4,046</b>	20,708
Standard income 1.5%	61	311
Dividends received	<b>1,733</b>	1,325
Management costs, net financial items, etc.	<b>-262</b>	-288
Dividend rendered	<b>-1,738<sup>1</sup></b>	-1,352
Taxable earnings	<b>-206</b>	-4
Accumulated tax-loss carryforward	<b>-458</b>	-252
1) Proposed by the Board of Directors.		

**Specification of the Group's tax rate**

	Group	
	2006	2005
Earnings after financial items	<b>11,671</b>	14,042
Tax according to Swedish tax rate of 28%	<b>-3,268</b>	-3,932
Difference between Change in value of stocks in Parent Company and Group	<b>1,478</b>	1,080
Effect on Group's tax rate of the Parent Company's non-payment of tax	<b>1,770</b>	2,856
Other, net	<b>-2</b>	-6
<b>Total current tax</b>	<b>-22</b>	-2

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, as below.

	Group	
	2006	2005

**Specification of deferred tax assets**

Internal profit and provision for obsolescence in inventories	-	2
Provisions for guarantees	<b>6</b>	6
Provisions for pensions	<b>1</b>	5
Other deductible temporary differences	-	7

**Total deferred tax assets**

	<b>7</b>	20
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**Specification of deferred tax liabilities**

Real estate, machinery and equipment	<b>16</b>	16
Untaxed reserves	-	6

**Total deferred tax liabilities**

	<b>16</b>	22
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**Total deferred tax assets/liabilities, net**

	<b>-9</b>	-2
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Of which, deferred tax assets as per balance sheet (see Note 18)	1	8
Of which, deferred tax liabilities as per balance sheet (see Note 25)	-10	-10

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 77.

As a result of the dividend paid by the Parent Company in 2005 and 2006, no tax charge was incurred.

**Note 11 Discontinued operations**

Discontinued operations are reported in accordance with IFRS 5, which also pertains to operations being discontinued. At year-end 2006 the wholly owned subsidiary Isaberg Rapid was under discontinuation following a sale agreement signed in December 2006, with transfer of possession in January 2007. The wholly owned subsidiary Indutrade was divested in October 2005 after Industrivärden had sold 62.5% of its shareholding in connection with the stock market introduction of Indutrade.

Income statement	Isaberg Rapid 2006	Isaberg Rapid 2005	Indutrade 9 months 2005	Total 2005
Net sales	<b>900</b>	891	2,763	3,654
Expenses	<b>-872</b>	-886	-2,538	-3,424
Earnings after financial items	<b>28</b>	5	225	230
Tax	<b>-5</b>	-5	-63	-68
<b>Earnings for the year from discontinued operations</b>	<b>23</b>	0	162	162
Depreciation	<b>40</b>	38	42	80
Corresponds to earnings per share of SEK	<b>0.12</b>	0.00	0.84	0.84

Balance sheet	Isaberg Rapid	Balance sheet	Isaberg Rapid		
Assets in discontinued operations	Dec. 31, 2006	Liabilities in discontinued operations	Dec. 31, 2006		
Intangible assets	<b>78</b>	82	Non-current interest-bearing liabilities	<b>85</b>	109
Tangible assets	<b>133</b>	140	Pensions	<b>60</b>	56
Non-current receivables	<b>11</b>	12	Non-current noninterest-bearing liabilities	<b>13</b>	26
Inventories	<b>179</b>	197	Accounts payable, trade	<b>54</b>	99
Accounts receivable, trade	<b>222</b>	239	Accrued expenses and deferred income	<b>108</b>	95
Other current receivables	<b>31</b>	33	Other current noninterest-bearing liabilities	<b>22</b>	23
Cash and bank balances	<b>54</b>	50	Current interest-bearing liabilities	<b>138</b>	135
<b>Total</b>	<b>708</b>	753	<b>Total</b>	<b>480</b>	543

**Note 12 Intangible assets**

	Group		
	Goodwill	Intangible rights	Total intangible assets
Opening cost	68	30	98
Investments during the year	–	–	–
Sales and disposals	–1	–	–1
Transferred to discontinued operation	–67	–30	–97
Closing accumulated cost	–	–	–
Opening amortization	–	–15	–15
Amortization for the year <sup>1</sup>	–	–	–
Sales and disposals	–	–	–
Transferred to discontinued operation	–	15	15
Closing accumulated amortization	–	–	–
<b>Residual value, 12/31/2006</b>	<b>–<sup>2</sup></b>	<b>–<sup>3,4</sup></b>	<b>–</b>
Residual value, 12/31/2005	68	15	83

1) Pertains to continuing operations.

2) Of which, Isaberg Rapid SEK – M (67).

3) Of which, balanced outlays for research and development, totaling SEK – M (3), and for patents and licenses, totaling SEK – M (12).

4) Of which, SEK – M (12) in acquired intangible rights.

**Note 13 Tangible assets**

	Group				
	Land and buildings	Plant	Equipment	Construction in progress	Total tangible assets
Opening cost	240	419	37	9	705
Investments during the year	0	–	3	–	3
Transferred from construction in progress	–	–	–	–	–
Sales and disposals	–	–	–3	–	–3
Transferred to discontinued operation	–116	–419	–21	–9	–565
Closing accumulated cost	124	–	16	–	140
Opening depreciation	–123	–327	–27	–	–477
Depreciation for the year <sup>1</sup>	–3	–	–1	–	–4
Sales and disposals	–	–	3	–	3
Transferred to discontinued operation	82	327	16	–	425
Closing accumulated depreciation	–44	–	–9	–	–53
<b>Residual value 12/31/2006</b>	<b>80<sup>2</sup></b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>87</b>
Residual value 12/31/2005	117 <sup>2</sup>	92	10	9	228

Depreciation for the year amounted to SEK 4 M (4) and is reported in the income statement under Management costs in the amount of SEK 0 M (0) and under Other income and expenses in the amount of SEK 4 M (4).

The tax assessment value of Swedish real estate was SEK 80 M (101).

1) Pertains to continuing operations.

2) Of which, land SEK 5 M (11).

**Note 14 Finance leases**

	Group	
	2006	2005
Cost	<b>3</b>	25
Accumulated planned depreciation	<b>-2</b>	-17
<b>Remaining liability</b>	<b>1</b>	8
Of which, current liability (year 1)	<b>1</b>	5
Of which, non-current liability (years 2–5)	<b>0</b>	3

For 2006, finance leases pertain to vehicles.

The present value corresponds to the remaining liability.

**Note 15 Equities**

	Number of shares	Share of capital, % <sup>1</sup>	Share of votes, % <sup>1</sup>	Cost	Market value <sup>2</sup>
Ericsson A	372,000,000	2.3	13.3	3,125	10,267
Ericsson B	5,000,000			131	138
Handelsbanken A	68,000,000	10.5	10.7	4,726	14,076
Handelsbanken B	108,900			22	23
Hemtex	2,130,600	7.6	7.6	200	300
Höganäs B	3,550,000	10.1	8.1	637	637
Indutrade <sup>3</sup>	14,857,800	37.1	37.1	248	2,006
Munters	3,638,000	14.6	14.6	680	1,153
Sandvik	130,000,000	11.0	11.0	5,379	12,935
SCA A	16,000,000	10.0	29.2	781	5,840
SCA B	7,600,000			1,765	2,717
Skanska A	15,010,000	7.6	26.9	709	2,026
Skanska B	17,305,000			933	2,336
SSAB A <sup>4-5</sup>	41,833,218	16.2	21.0	906	6,798
SSAB B	70,000			10	11
Tandberg Television ASA	5,963,150	7.4	7.4	705	510
Volvo A	2,429,000	0.6	1.5	658	1,180
Volvo B	52,000			16	25
Other equities <sup>6</sup>				52	52
<b>Group's holdings of equities<sup>7</sup></b>				<b>21,683</b>	<b>63,030</b>
<b>Less: Other equities</b>					-52
<b>Less: Associated companies</b>					
Indutrade					-2,006
SCA					-8,557
Skanska					-4,362
SSAB					-6,809
<b>Parent Company's holdings of equities<sup>7</sup></b>					<b>41,244</b>

1) Excluding outstanding OTC options.

2) The market value corresponds to the book value.

3) In 2005 and 2006 Industriärden issued a total of 284,800 call options to senior executives of Indutrade. Each option entitles the bearer to purchase one share of Indutrade stock for SEK 107.30 during the period May 1–June 30, 2010. The total cost of the underlying shares is SEK 1,974 thousand. The total value of the exercise price and expensed premium is SEK 32,403 thousand.

4) In 2002 Industriärden issued a total of 32,590 call options to members of SSAB's executive management. Each option entitled the bearer to purchase one share of SSAB Class A stock for SEK 175 during the period May 25, 2002–May 31, 2007. Following exercise of the options and recalculation with respect to the share redemptions in 2005 and 2006 and the stock split in 2006, 32,408 call options remain with a recalculated exercise price of SEK 56.03. The total cost of the underlying shares is SEK 702 thousand. The total value of the exercise price and expensed premium is SEK 1,980 thousand.

5) In 2003 Industriärden 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. Following exercise of the options and recalculation with respect to the share redemptions in 2005 and 2006 and the stock split in 2006, 22,400 call options remain with a recalculated exercise price of SEK 54.40. The total cost of the underlying shares is SEK 485 thousand. The total value of the exercise price and expensed premium is SEK 1,298 thousand.

6) Pertains to investments made by Indus Innovation.

7) At year-end 2006, 2,000,000 shares of Volvo A were out on loan.

**Note 16 Shares in associated companies**

	Reg. no	Domicile	Shareholders' equity	Earnings after tax	Share of capital, %	Share of votes, %	No. shares, 000s	Parent Company Book value
Indutrade	556017-9367	Stockholm	892	300	37.1	37.1	14,858	104
SCA	556012-6293	Stockholm	58,963	5,467	10.0	29.2	23,600	2,546
Skanska	556000-4615	Stockholm	19,337	3,655	7.6	26.9	32,315	1,642
SSAB	556016-3429	Stockholm	15,551	4,341	16.2	21.0	41,903	2,551
<b>Total</b>								<b>6,843</b>

**Note 17 Shares in subsidiaries**

	Reg. no	Domicile	Share of capital, %	No. shares	Shareholders' equity	Parent Company Book value
Handus AB	556384-5428	Stockholm	100	10,000	268	0
Indus Innovation AB	556364-7758	Stockholm	100	100,000	1	1
Industrivärden Service AB	556289-9160	Stockholm	100	10,000	10	1
Isaberg Rapid AB <sup>1</sup>	556035-6684	Hestra	100	400,000	138	43
Nordinvest AB	556287-8826	Stockholm	100	42	146	94
Other			100			1
<b>Total</b>						<b>140</b>

1) An agreement was signed in December 2006 on the sale of all of the shares in Isaberg Rapid AB, with transfer of possession to the buyer in January 2007.

**Note 18 Financial assets**

	Group	
	Equities	
	2006	2005
Opening value	<b>51,910</b>	39,190
Sales at sales value	<b>-2,072</b>	-3,964
Purchases	<b>3,193</b>	3,023
Change in value	<b>9,999<sup>1</sup></b>	12,950
Other	–	711 <sup>2</sup>
<b>Closing value</b>	<b>63,030</b>	51,910

1) Excluding SEK 35 M in currency hedging of foreign stocks.

2) Of which, consolidated value of SEK 668 M for Indutrade at the time of the stock market introduction.

	Group	
	Non-current receivables <sup>1</sup>	
	2006	2005
Opening value	<b>12</b>	18
Transferred to discontinued operations (see Note 11)	<b>-11</b>	–
Sales	–	-10
Increases for the year	–	4
Decreases for the year	<b>0</b>	0
Translation differences	–	0
<b>Closing value</b>	<b>1</b>	12

1) Non-current receivables in the Group include SEK 1 M (8) in deferred tax assets. See Note 10.

**Note 18 (cont.)**

	Parent Company							
	Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Opening value	<b>35,515</b>	30,780	<b>6,731</b>	3,031	<b>230</b>	507	<b>42,476</b>	34,318
Sales at sales value	<b>-1,544</b>	-1,014	<b>-528</b>	-1,365	-	-1,585	<b>-2,072</b>	-3,964
Purchases	<b>2,743</b>	1,084	<b>450</b>	1,939	-	-	<b>3,193</b>	3,023
Transfer from equities to shares in associated companies	-	-2,563	-	2,563	-	-	-	-
Transfer from shares in subsidiaries to shares in associated companies	-	-	-	104	-	-104	-	-
Change in value	<b>4,530</b>	7,228	<b>190</b>	459	<b>-90<sup>1</sup></b>	1,407	<b>4,630<sup>2</sup></b>	9,094
Other	-	-	-	-	-	5	-	5
<b>Closing value</b>	<b>41,244</b>	35,515	<b>6,843</b>	6,731	<b>140</b>	230	<b>48,227</b>	42,476

1) Pertains to write-down in connection with the repayment of shareholder contribution. See Note 4.

2) Excluding SEK 35 M in currency hedging of foreign stocks.

**Note 19 Inventories**

	Group	
	2006	2005
Raw materials and supplies	-	57
Goods in process	-	16
Finished products and goods for resale	-	124
Work in process on behalf of others	-	0
<b>Total</b>	-	197

**Note 21 Short-term investments**

	Group		Parent Company	
	2006	2005	2006	2005
Short-term equity investments <sup>1</sup>	<b>114</b>	136	-	-
<b>Total</b>	<b>114</b>	136	-	-
Other short-term investments <sup>2</sup>	<b>700</b>	1,229	<b>700</b>	1,229
<b>Total</b>	<b>700</b>	1,229	<b>700</b>	1,229

1) Pertains to equity investments in Nordinvest with an investment horizon of six months.

2) Pertains to financial investments with durations of less than three months at the time of purchase.

**Note 20 Prepaid expenses and accrued income**

	Group		Parent Company	
	2006	2005	2006	2005
Prepaid rents	<b>1</b>	1	<b>1</b>	1
Accrued interest income	<b>1</b>	1	<b>1</b>	1
Prepaid service and maintenance charges	<b>3</b>	3	<b>3</b>	1
Other items	<b>5</b>	9	<b>5</b>	2
<b>Total</b>	<b>10</b>	14	<b>10</b>	5

## Note 22 Pensions

Industrivärden applies IAS 19 Employee Benefits. This standard is complemented with rules according to RR 30:05 Complementary Accounting Rules for Groups, and for the Parent Company with RR 32:05 Accounting for Legal Entities. In accordance with IAS 19, an actuary working under assignment from Industrivärden has calculated the Group's pension liability and the amounts that are to be regularly reserved as pension provisions for the Group's employees. These actuarial computations are done at least on an annual basis. Calculation of Industrivärden's pension liability takes into account such actuarial assumptions as the anticipated discount rate, employees' future salary increases, anticipated inflation, etc., as shown in the table at right.

The pension plans 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 on a continuing basis 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 of the premiums is reported on a continuing basis in the income statement.

The pensions for Industrivärden pertain primarily to traditional ITP, "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 2005 and 2006 fiscal years, Industrivärden has not had 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 (excluding discontinued operations) amounted to SEK 1 M (1). Alecta's surplus is distributed among the policyholders and/or the insureds. Alecta's collective funding ratio was 143.1% at year-end 2006 (2005: 128.5%).

The pension liability excluding discontinued operations amounted to SEK 59 M (110) for the Group and SEK 56 M (51) for the Parent Company as per December 31, 2006. The value of the plan assets was SEK 4 M (4) for the Group, of which SEK 4 M (4) 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 revenue or booked as an expense if the net amount of accumulated, unrealized 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 2006, the total actuarial loss was SEK 2 M for the Group, of which SEK 2 M pertained to the Parent Company, which corresponds to approximately 3% of the present value of the Group's pension obligations.

The Group's total reported pension cost excluding discontinued operations amounted to SEK 14 M (13), of which SEK 13 M (12) pertained to the Parent Company. Interest on pension obligations and the return on plan assets are reported among financial items in the income statement. For 2007, the Parent Company's pension cost is expected to amount to approximately SEK 15 M.

The Parent Company's reserved provisions for defined benefit pensions have been continuously invested in the Parent Company's equities portfolio, with the return generated by the equities portfolio.

<b>Pension liability</b>	Group		Parent Company	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Pensions	<b>59</b>	110	<b>56</b>	51
<b>Total</b>	<b>59</b>	110	<b>56</b>	51

<b>Actuarial assumptions</b>	Group	
	<b>2006</b>	<b>2005</b>
Discount rate, %	<b>3.9</b>	3.9–4.0
Anticipated return on plan assets, %	<b>5.0</b>	5.5
Future salary increases, %	<b>3.5</b>	2.0–3.0
Anticipated inflation, %	<b>2.0</b>	1.75

<b>Obligations pertaining to compensation to employees, defined benefit plans</b>	Group		Parent Company	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Present value of funded obligations	<b>4</b>	4	<b>4</b>	4
Fair value of funded plan assets	<b>-4</b>	-4	<b>-4</b>	-4
<b>Total funded obligations</b>	<b>0</b>	0	<b>0</b>	0
<b>Present value of unfunded obligations</b>	<b>61</b>	115	<b>58</b>	56
<b>Total</b>	<b>61</b>	115	<b>58</b>	56
Unrecognized actuarial losses	<b>-2</b>	-5	<b>-2</b>	-5
<b>Net liability on balance sheet</b>	<b>59</b>	110	<b>56</b>	51

<b>Reconciliation of pension liability</b>	Group		Parent Company	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Net liability according to balance sheet at start of year	<b>110</b>	180	<b>51</b>	46
Transferred to discontinued operations (Note 11)	<b>-56</b>	–	–	–
Net cost recognized in income statement	<b>8</b>	12	<b>8</b>	8
Pension payments	<b>-3</b>	-6	<b>-3</b>	-3
Transferred net liability upon sale of subsidiary	–	-76	–	–
Contribution from employer	<b>0</b>	0	<b>0</b>	0
Exchange rate differences in foreign plans	–	0	–	–
<b>Net liability according to balance sheet at December 31</b>	<b>59</b>	110	<b>56</b>	51

**Note 22 (cont.)**

	Group					
	Defined benefit pension plans		Defined contribution pension plans		Total	
	2006	2005 <sup>1</sup>	2006	2005 <sup>1</sup>	2006	2005 <sup>1</sup>
<b>Pension cost</b>						
Current service cost	<b>4</b>	4	<b>6</b>	5	<b>10</b>	9
Interest on obligation	<b>2</b>	2	—	—	<b>2</b>	2
Anticipated return on plan assets	<b>0</b>	0	—	—	<b>0</b>	0
Actuarial gains and losses, net, during the year	—	—	—	—	—	—
Past service cost	<b>2</b>	2	—	—	<b>2</b>	2
<b>Net cost in income statement</b>	<b>8</b>	8	<b>6</b>	5	<b>14</b>	13
<b>-of which, included in operating earnings</b>	<b>6</b>	6	<b>6</b>	5	<b>12</b>	11
<b>-of which, included in financial items</b>	<b>2</b>	2	—	—	<b>2</b>	2

1) Excluding discontinued operations.

**Note 23 Non-current interest-bearing liabilities**

	Group		Parent Company		<b>Maturity dates</b>	Group		Parent Company	
	2006	2005	2006	2005		2006	2005	2006	2005
Bond issues	<b>2,519</b>	3,819	<b>2,519</b>	3,819	—2007	—	1,894	—	1,800
Promissory note	<b>200</b>	—	<b>200</b>	—	—2008	<b>720</b>	734	<b>720</b>	720
Pension liability (see Note 22)	<b>59</b>	110	<b>56</b>	51	—2009	<b>900</b>	700	<b>900</b>	700
Other interest-bearing liabilities	<b>0</b>	108	—	—	—2010	<b>699</b>	599	<b>699</b>	599
<b>Total</b>	<b>2,778</b>	4,037	<b>2,775</b>	3,870	—2011 or later <sup>1</sup>	<b>459</b>	110	<b>456</b>	51
					<b>Total</b>			<b>2,778</b>	4,037
								<b>2,775</b>	3,870

1) Of which, pension liability

Market valuation of current and non-current interest-bearing liabilities as per 12/31/2006 would decrease the interest-bearing liabilities by SEK 29 M (increase of SEK 28 M).

#### Note 24 Obligations to Company directors, CEOs and executive vice presidents

The Group's non-current interest-bearing liabilities include SEK 45 M (48) for pension obligations and similar benefits for current and former company directors, CEOs and executive vice presidents. The corresponding amount for the Parent Company is SEK 42 M (37), as included in the item Pension liability in Notes 22 and 23.

#### Note 25 Non-current noninterest-bearing liabilities

	Group		Parent Company	
	2006	2005	2006	2005
Deferred taxes (see Note 10)	10	10	—	—
Product liability	22	23	—	—
Other	—	10	—	—
<b>Total</b>	<b>32</b>	<b>43</b>	—	—

#### Note 26 Accrued expenses and deferred income

	Group		Parent Company	
	2006	2005	2006	2005
Accrued interest expenses	132	128	132	128
Accrued staff-related expenses	26	63	23	20
Option premiums received	34	24	34	24
Other	12	65	6	5
<b>Total</b>	<b>204</b>	<b>280</b>	<b>195</b>	<b>177</b>

#### Note 27 Current interest-bearing liabilities

	Group		Parent Company	
	2006	2005	2006	2005
Utilized bank overdraft facility	—	62	—	—
Bond issues	1,800	1,100	1,800	1,100
Other interest-bearing liabilities	705	84	704	10
<b>Total</b>	<b>2,505<sup>1</sup></b>	<b>1,246</b>	<b>2,504<sup>1</sup></b>	<b>1,110</b>

The amount of the bank overdraft facility granted for continuing operations is SEK 2,826 M (2,798) for the Group and SEK 2,826 M (2,672) for the Parent Company.

1) Of which, NOK 644 M (—).

#### Note 28 Pledged assets

	Group		Parent Company	
	2006	2005	2006	2005
Cash and cash equivalents	12	1	12	1
<b>Total</b>	<b>12</b>	<b>1</b>	<b>12</b>	<b>1</b>

#### Note 29 Contingent liabilities

	Group		Parent Company	
	2006	2005	2006	2005
Contingent liabilities on behalf of other Group companies	—	—	3	4
Other contingent liabilities	0	1	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>4</b>

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president of AB Industrivärden (publ) for the year 2006. The company's annual report is included on pages 47–75 in the printed version of this document. The board of directors and the president are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and application of International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. 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 have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. 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 22, 2007

Öhrlings PricewaterhouseCoopers AB

Anders Lundin  
*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. 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.

## Tax Deficits

Tax-loss carryforwards are deductible and can be accumulated in order to be deducted from future taxable surpluses. See also Note 10 on page 67.

## Industrivärden's Equities Portfolio from a Tax Perspective

At year-end 2005, business-related shares accounted for 97% of the total value of the equities portfolio. Of the business-related shares, shareholdings corresponding to 5% of the equities portfolio had been held for less than a year. Added to these are nonbusiness-related shares, which amounted to 3% of the equities portfolio. This means that the calculation of the standard level of income for 2006 is based on 8% of the market value of the equities portfolio at year-end 2005.

At the end of 2006, business-related shares accounted for 96% of the equities portfolio, of which shareholdings corresponding to 1% of the equities portfolio had been held for less than a year. Added to these are nonbusiness-related shares, which amounted to 4% of the equities portfolio. This means that the calculation of the standard level of income for 2007 is based on 5% of the market value of the equities portfolio at year-end 2006.

# Industrivärden in Summary

**SEK**

	2006	2005	2004	According to previous accounting principles <sup>1</sup>	
				2003	2002
<b>Key ratios, SEK per share</b>					
Net asset value	<b>303</b>	250	189	156	126
Shareholders' equity	<b>303</b>	250	182	85	97
Earnings per share	<b>60.17</b>	73.54	38.62	-4.49	20.20
Cash flow per share	<b>-2.66</b>	3.94	-0.30	-7.46	5.67
Stock price, December 31					
Class A shares	<b>272</b>	217	170	121	100
Class C shares	<b>256</b>	200	154	109	91
Dividend	<b>9.00<sup>2</sup></b>	7.00	6.00	5.50	5.80
Dividend growth, % per year	<b>29</b>	17	9	-5	-31
Dividend yield, Class A shares, %	<b>3.3</b>	3.2	3.5	4.5	5.8
Total return, Class A shares, %	<b>29</b>	33	46	28	-36
Dividend yield, Class C shares, %	<b>3.5</b>	3.5	3.9	5.0	6.4
Total return, Class C shares, %	<b>32</b>	36	48	27	-36
<b>Key ratios, SEK M</b>					
Net asset value	<b>58,511</b>	48,252	36,563	30,070	24,415
Change in net asset value, %	<b>21</b>	32	22	24	-38
Equity ratio, %	<b>90</b>	89	83	78	77
Net debt-equity ratio, %	<b>7</b>	7	12	7	7
<b>Income statements, SEK M</b>					
Dividend income from stocks	<b>1,733</b>	1,275	1,032	850	820
Earnings from equity and derivative transactions <sup>3</sup>	<b>10,210</b>	13,059	6,533	-1,385	3,750
Management costs	<b>-81</b>	-78	-80	-80	-85
Operating earnings	<b>11,858</b>	14,258	7,487	-374	4,712
Earnings after financial items	<b>11,671</b>	14,042	7,299	-623	4,476
Earnings from discontinued operations	<b>23</b>	162	168	-	-
Net earnings for the year	<b>11,621</b>	14,202	7,458	-867	3,901
<b>Balance sheets, SEK M</b>					
Equities	<b>63,030</b>	51,910	39,190	18,123	19,865
Other non-current assets	<b>88</b>	323	795	804	817
Current assets	<b>1,593<sup>4</sup></b>	1,928	2,548	2,148	3,583
Total assets	<b>64,711</b>	54,161	42,533	21,075	24,265
Shareholders' equity	<b>58,491</b>	48,227	35,175	16,413	18,730
Interest-bearing liabilities incl. pensions	<b>5,283</b>	5,283	6,193	3,525	4,504
Noninterest-bearing liabilities	<b>937<sup>4</sup></b>	651	1,165	1,137	1,031

1) Comparison figures for 2002 and 2003 are not IFRS-adjusted.

2) Proposed by the Board of Directors.

3) Change in value of stocks and short-term derivative transactions and equity trading for 2004–2006.

4) Including assets and liabilities in discontinued operations.

**Euros<sup>1</sup>**

	2006	2005	2004	According to previous accounting principles <sup>2</sup>	
				2003	2002
<b>Key ratios, EUR per share</b>					
Net asset value	<b>33.48</b>	26.54	21.00	17.15	13.80
Shareholders' equity	<b>33.48</b>	26.54	20.22	9.36	10.59
Earnings per share	<b>6.65</b>	7.81	4.29	-0.49	2.21
Cash flow per share	<b>-0.29</b>	0.42	-0.03	-0.82	0.62
Stock price, December 31					
Class A shares	<b>30.06</b>	23.04	18.89	13.32	10.92
Class C shares	<b>28.29</b>	21.23	17.11	12.00	9.93
Dividend	<b>0.99<sup>3</sup></b>	0.74	0.67	0.61	0.63
Dividend growth, % per year	<b>29</b>	17	9	-5	-31
Dividend yield, Class A shares, %	<b>3.3</b>	3.2	3.5	4.5	5.8
Total return, Class A shares, %	<b>29</b>	33	46	28	-36
Dividend yield, Class C shares, %	<b>3.5</b>	3.5	3.9	5.0	6.4
Total return, Class C shares, %	<b>32</b>	36	48	27	-36
<b>Key ratios, EUR M</b>					
Net asset value	<b>6,465</b>	5,122	4,063	3,312	2,665
Change in net asset value, %	<b>21</b>	32	22	24	-38
Equity ratio, %	<b>90</b>	89	83	78	77
Net debt-equity ratio, %	<b>7</b>	7	12	7	7
<b>Income statements, EUR M</b>					
Dividend income from stocks	<b>191</b>	135	115	94	90
Earnings from equity and derivative transactions <sup>4</sup>	<b>1,128</b>	1,387	726	-153	410
Management costs	<b>-9</b>	-8	-9	-9	-9
Operating earnings	<b>1,310</b>	1,514	832	-41	514
Earnings after financial items	<b>1,290</b>	1,491	811	-69	489
Earnings from discontinued operations	<b>3</b>	17	19	-	-
Net earnings for the year	<b>1,284</b>	1,508	829	-95	426
<b>Balance sheets, EUR M</b>					
Equities	<b>6,965</b>	5,511	4,354	1,996	2,169
Other non-current assets	<b>10</b>	34	90	88	89
Current assets	<b>176<sup>5</sup></b>	205	283	237	391
Total assets	<b>7,151</b>	5,750	4,727	2,321	2,649
Shareholders' equity	<b>6,463</b>	5,120	3,907	1,808	2,045
Interest-bearing liabilities incl. pensions	<b>584</b>	561	690	387	491
Noninterest-bearing liabilities	<b>104<sup>5</sup></b>	69	130	126	113

1) For 2002 a year-end rate of SEK 9.16 has been used, for 2003 a year-end rate of SEK 9.08 has been used, for 2004 a year-end rate of SEK 9.00 has been used, for 2005 a year-end rate of SEK 9.42 has been used, and for 2006 a year-end rate of SEK 9.05 has been used.

2) Comparison figures for 2002 and 2003 are not IFRS-adjusted.

3) Proposed by the Board of Directors.

4) Change in value of stocks and short-term derivative transactions and equity trading for 2004–2006.

5) Including assets and liabilities in discontinued operations.

## 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 and Anders Sandrews Foundation. Vice Chairman of Addtech, Lagercrantz Group and the Jan Wallander and Tom Hedelius Foundation.  
Director of L E Lundbergföretagen, SCA and Volvo, among other companies.  
Honorary Chairman of Svenska Handelsbanken.  
Shareholding: 10,000.



**Lennart Nilsson**, M. Sc. Eng., Honorary Doctor of Economics.  
Born 1941, Lund.  
Director since 1997.  
President of the Crafoord Foundation.  
Chairman of the Erik Philip Sörensen Foundation, the University of Kalmar and Malmöhus Invest. Vice Chairman of Cardo.  
Director of AMF Pension, the Albert Pålsson Foundation for Research and Charity and Kalmar Läns Kapitalförvaltning AB, among other companies.  
Shareholding: 3,000.



**Fredrik Lundberg**, M.Sc. Eng., MBA, Honorary Doctor of Economics, Honorary Doctor of Engineering.  
Born 1951, Djursholm.  
Director since 2004.  
President and CEO of L E Lundbergföretagen.  
Chairman of Cardo, Holmen and Hufvudstaden.  
Director of Svenska Handelsbanken, L E Lundbergföretagen, NCC and Sandvik.  
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.  
Vice Chairman of Ericsson.  
Director of Svenska Handelsbanken.  
Shareholding: 7,000.



**Finn Johnsson**, MBA., Honorary Doctor of Economics.  
Born 1946, Gothenburg.  
Director since 2000.  
Chairman of Volvo, KappAhl, City Airline, Thomas Concrete Group, Unomedical A/S and Luvata Oy.  
Director of Skanska.  
Shareholding: 5,000.



**Anders Nyrén**, MBA, U.S. MBA.  
Born 1954, Bromma.  
President and Chief Executive Officer of Industriärden.  
Director since 2001.  
Vice Chairman of Svenska Handelsbanken and Sandvik.  
Director of Ericsson, SCA, Skanska, SSAB and Ernströmgruppen.  
Chairman of the Association of Exchange-Listed Companies and the Association for Generally Accepted Principles in the Securities Market.  
Shareholding: 26,675.



**Lars O Grönstedt**, BA, MBA.  
Born 1954, Stockholm.  
Director since 2006.  
Chairman of Svenska Handelsbanken.  
Vice Chairman of the Stockholm Chamber of Commerce.  
Director of the Swedish Free Enterprise Foundation, the Tore Browaldh Foundation and the Jan Wallander and Tom Hedelius Foundation.  
Shareholding: 100.



**Boel Flodgren**, LL.D. Honorary Doctor of Economics, Professor.  
Born 1942, Lund.  
Director since 2002.  
Chairman of the Research Council of E.ON Sweden.  
Director of Brinova, the University of Oslo and the University of Copenhagen.  
Shareholding: 200.

# Executive Management



Anders Nyrén, Bengt Kjell, Fredric Calles and Carl-Olof By.

**Anders Nyrén** MBA, U.S. MBA, born 1954. President and Chief Executive Officer. Industrivärden employee since 2001.  
Shareholding: 26,675.  
Directorships: see page 80.

**Bengt Kjell** MBA, born 1954. Executive Vice President and Chief Investment Officer. Industrivärden employee since 2002.  
Shareholding: 10,000.  
Chairman of Indutrade and Kungsleden.  
Director of Svenska Handelsbanken (Central Sweden Region), Munters and Höganäs.

**Fredric Calles** MBA, born 1966. Head of Market Operations. Industrivärden employee since 2003.  
Shareholding: 1,000.

**Carl-Olof By** BA, M. Pol. Sc., born 1945. Executive Vice President and Chief Financial Officer. Industrivärden employee since 1990.  
Shareholding: 15,000.  
Director of Svenska Handelsbanken (Stockholm City Region), KnowIT and OMX Exchanges.

## Committees

Compensation Committee to make recommendations to the Board on the CEO's compensation and to set the salaries, benefits and pensions for the other members of the Executive Management: Tom Hedelius (committee chairman) and Sverker Martin-Löf.

Audit Committee for oversight of the Company's risk management, business management and control, and financial reporting: Industrivärden's Board of Directors excluding CEO Anders Nyrén. Committee chairman: Sverker Martin-Löf.

Nominating Committee for election of the Board of Directors: Tom Hedelius (Chairman of the Board), Christer Elmehagen (AMF Pension), Curt Källströmer (Handelsbanken – committee chairman), Ulf Lundahl (L E Lundbergföretagen), and Anders Nyberg (SCA).

A presentation of the committees' work can be found in the Corporate Governance Report on pages 14–19.

## Senior Executives

**Claes-Göran Pettersson**, MBA, born 1956, Head of Group Accounting, Control and Finance. Industrivärden employee since 2000.  
Shareholding: 3,000.

**Jacob Röjdmark**, MBA, born 1965. Investment Manager. Industrivärden employee since 1996.  
Shareholding: 3,000.

**Erik Röjvall**, MBA, born 1973, Investment Manager. Industrivärden employee since 2000.  
Shareholding: 20,000.

**Sverker Sivall**, MBA, born 1970. Head of Investor Relations. Industrivärden employee since 1997.  
Shareholding: 2,000.

*Industrivärden's organizational structure is presented on page 20.*

## Auditor

Öhrlings PricewaterhouseCoopers AB.  
Chief Auditor: **Anders Lundin**, Authorized Public Accountant, born 1956, Stockholm. In 2006 Anders Lundin was Chief Auditor of the listed companies Industrivärden, AarhusKarlshamn, Axis, Bong Ljungdahl, Husqvarna, Melker Schörling and Säkl, among other companies.

In 2006 Öhrlings PricewaterhouseCoopers had a total of 87 auditing assignments for companies listed on the Stockholm Stock Exchange, of which six were in cooperation with other auditing firms.

## Independence Conditions according to the Swedish Code of Corporate Governance and the Stockholm Stock Exchange Listing Agreement

All of the board members, except for Chairman of the Board Tom Hedelius, who has been a member of the Board for more than 12 years, and CEO Anders Nyrén are independent in relation to the Company and the Company management. Of the board members who are independent in relation to Industrivärden Boel Flodgren, Lars O Grönstedt, Finn Johnsson, Lennart Nilsson and Sverker Martin Löf are also independent in relation to Industrivärden's major shareholders. See also pages 16–17 in the Corporate Governance Report.

# Market Communication

Industrivärden has high aspirations 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 2006 (2005):* Ranked 3 (1) of 19 (18) holding companies.
- *Webranking's evaluation of listed companies' websites in 2006 (2005):* Ranked 14 (4) of 300 (132) participating Swedish companies.

## Reporting Dates 2007

*Interim reports will be published on the following dates:*

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

## 2007 Annual General Meeting

- Tuesday, March 27, in Stockholm (see page 85)

## 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](http://www.industrivarden.net), is a central communication channel for contact with parties interested in the Company. It presents current information about the Company and the major shareholdings, including the most recently published net asset value, 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, as well as a separate Corporate Governance section.

### 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](http://www.industrivarden.net) or [www.observer.se](http://www.observer.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 Investor Relations: Sverker Sivall, tel. +46-8-666 64 19, e-mail: [info@industrivarden.se](mailto: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	Patrik Clase	+46-8-56 62 86 00
ABN Amro Bank	Rickard Henze	+46-8-723 58 00
C A I Cheuvreux Nordic	David Halldén	+46-8-723 51 00
Carnegie Fondkommission	Frida Willmansson	+46-8-676 88 00
Cazenove Equities	Christopher Brown	+44-20-7588 2828
Danske Equities	Fasial Kalim Ahmad	+45-33-44 04 26
SEB Enskilda	Andreas Joelsson	+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	Magnus Dalhammar	+46-8-701 10 00
Kaupthing Bank	Paul Hansson	+46-8-791 48 00
Standard & Poor's		
Equity Research	Joakim Ström	+46-8-440 59 00
Swedbank Fondkommission	Nicklas Höglund	+46-8-58 59 20 00
UBS Nordic Research	Olof Cederholm	+46-8-453 73 00
Öhman Fondkommission	Katarina Åselius	+46-8-402 50 00

### International Corporate Credit Rating

Standard & Poor's	Andreas Kindahl	+46-8-440 59 00
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# Glossary and Definitions

*Capital expenditures in tangible assets* Investments in buildings, land, plant and equipment.

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

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

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

*Earnings per share* Earnings after tax divided by the total 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 taxable standard earnings that apply at any given time in accordance with the tax rules for holding companies. Full tax is equal to reported tax. See also pages 67–68.

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

*Market value of equities portfolio* The market value of the equities portfolio is defined as the market value of the listed portfolio, based on market prices on the balance sheet date.

*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.

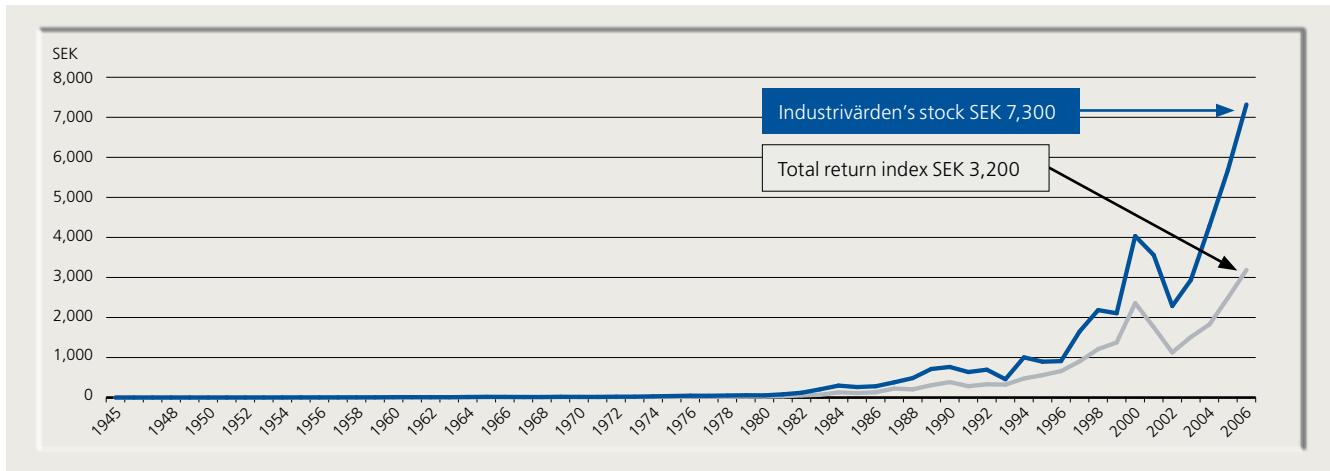
*Net debt-equity ratio* The Parent Company's interest-bearing net debt in relation to the market value of the Parent Company's equities portfolio.

*Short-term derivative transactions and equity trading* Short-term equity derivative transactions in the Parent Company and short-term equity trading in the subsidiary Nordinvest.

*Surplus value* The difference between the market value and cost of listed stocks.

*Total return* 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.

# Industrivärden's History – Sixty Years in Brief



An investment of SEK 1 in Industrivärden at its stock market introduction in 1945 would have been worth SEK 7,300 in 2006, compared with SEK 3,200 for the return index.

## 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 holding companies Dacke and Bahco around 1990, Industrivärden created a substantial wholly owned operation which was subsequently divested in stages, generating substantial capital gains.

## 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 a 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 in 2003 and in Scania in 2004. Stock in the humidity control company Munters was purchased in 2003. Stock in the Icelandic med-tech company Ossur was purchased in 2002 and sold in 2005 at a good profit. Sizable complementary purchases of stock were made in Handelsbanken and Sandvik in 2004, and in SCA in 2005. A majority shareholding in the wholly owned technology trading company Indutrade was divested in 2005 in connection with that company's introduction on the stock market. A substantial shareholding in Höganäs was purchased in 2005. Industrivärden's last remaining operating subsidiary, Isaberg Rapid, was sold in 2006.

## 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 2006 Industrivärden's equities portfolio consisted of nine listed companies in which Industrivärden controls at least 10% of the votes or capital, plus a few smaller holdings in which Industrivärden does not have an active ownership position.



Industrivärden's 2006 Annual General Meeting

## 2007 Annual General Meeting

### Time and place

The Annual General Meeting will be held at 2 p.m. on Tuesday, March 27, 2007, 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 in the shareholder register printed out by VPC (Swedish Depository and Clearing House) on Wednesday, March 21, 2007, and give notice of their intention to participate in the Meeting no later than 3 p.m. on Wednesday, March 21, 2007.

### 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 March 21, 2007. Shareholders are advised to contact their nominee well in advance before March 21, 2007.

### 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](mailto:agm@industrivarden.se), which requires the Company's confirmation by e-mail (within 24 hours) that notification has been registered
- by filling in the form on Industrivärden's website

### Upon notification, shareholders should indicate their:

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

Notice of attendance must be received by the Company not later than 3 p.m. on Wednesday, March 21, 2007.

### Proxies

Shareholders may exercise their entitlement to participate in the Meeting by proxy. Please use the proxy statement provided on the notification form. Proxies for legal entities 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. Proxies may not be older than one year. Proxy statements must be sent in or shown in original.

### Dividend

The dividend for 2006 will be paid to shareholders who are recorded in the shareholder register on the record date. The Board of Directors proposes March 30, 2007, 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 4, 2007.



AB INDUSTRIVÄRDEN (PUBL) • REG. NO. 556043-4200, BOX 5403 • SE-114 84 STOCKHOLM, SWEDEN  
PHONE +46-8-666 64 00 • FAX +46-8-661 46 28 • [WWW.INDUSTRIVARDEN.NET](http://WWW.INDUSTRIVARDEN.NET) • [INFO@INDUSTRIVARDEN.SE](mailto:INFO@INDUSTRIVARDEN.SE)

# Notification

**Notification to attend the Annual General Meeting of AB Industrivärden (publ) on March 27, 2007 at 2 p.m., at the Grand Hotel in Stockholm, Sweden. This application form must be received by AB Industrivärden (publ) not later than 3 p.m. on March 21, 2007.**

Affix  
stamp  
here

Shareholder's name (block letters)

National ID number/corp.reg.no.

Street address

Postal code and city/town/country

Phone (daytime)

Assistants, if any (names only)

- Attending meeting in person.  
 Represented by proxy as per below.

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

*Fold here*

## Proxy for

Proxy's name (block letters)

National ID number/corp.reg.no.

Street address

Postal code and city/town/country

Phone (daytime)

to represent all my shares in the Company at the Annual General Meeting of AB Industrivärden (publ) on March 27, 2007.

Location Date

Shareholder's signature

Name (block letters)

Svarspost  
110 595 100

Industrivärden  
SE-110 05 Stockholm  
Sweden

*Tape here*