



ANNUAL REPORT 2009

# INDUSTRIVÄRDEN

# Long-term industrial developer of listed Nordic companies

Handelsbanken



*SSAB*

ERICSSON 

**VOLVO**

**SKANSKA**

 Indutrade

Höganäs 

 Munters



# Long-term performance

## Net asset value per share



Average annual growth in net asset value during the last ten- and twenty-year periods was 1% and 10%, respectively, including reinvested dividends.

## Dividend per share



During the last twenty-year period a total of SEK 51 per share has been paid out in shareholder dividends.

## Total return



The average annual total return during the last ten- and twenty-year periods was 4% and 10%, respectively.

# Operations

## Mission

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

## Business and goals

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

## Strategy

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

## Investment criteria

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

## Portfolio philosophy

- Fully invested in equities.
- Active ownership with a long-term investment horizon results in lower turnover in the portfolio.
- Borrowing provides leverage in equities portfolio.

## Industrivärden's strengths

- High-quality portfolio of leading companies.
- Value-creating long-term active ownership.
- Dynamic exchange of influence.
- Substantial structural capital.

# Highlights 2009

## Active ownership of portfolio companies

- Major focus on capacity adaptation and cost-cutting.
- Focus on capital structure.
- Maintain long-term growth plans.

## Net asset value

- Net asset value at year-end was SEK 111 (62) per share, an increase of 87% (-55%) for the year including reinvested dividends.
- The long-term development for net asset value has been favorable, but with sharp swings in connection with the IT bubble in the early 2000s and the global credit crisis at the end of the decade.

## Total return

- The total return for Industrivärden's Class A shares was 64%, which was 11 percentage points better than for the return index.
- During the last ten years, the average annual total return for the Class A shares was 4%, which exceeded the return index by 2 percentage points per year.

## Equity transactions

- Stocks were sold during the year for a net amount of SEK 400 M (-330).

## Proposed dividend

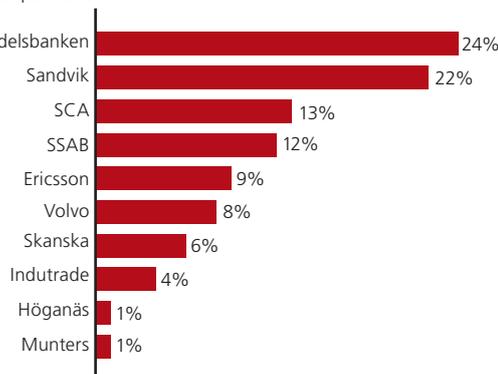
- The Board of Directors proposes a dividend of SEK 3.00 (4.50) per share, which corresponds to a dividend yield of 3.4% (7.9%) for the Class A shares.

## Issue of convertible bonds

- In January 2010 Industrivärden issued five-year convertible bonds worth EUR 500 M in order to obtain low-cost financing with the opportunity to issue new equity.

## Equities portfolio as per December 31, 2009

Share of portfolio



## Industrivärden's performance

	2009	2008
Equities portfolio		
– market value as per December 31, SEK M	<b>53,548</b>	34,744
– total return <sup>1</sup>	<b>63%</b>	-45%
Borrowing		
– interest-bearing net debt as per December 31, SEK M	<b>10,766</b>	10,813
– debt-equity ratio	<b>20.1%</b>	31.1%
– average interest expense	<b>4.4%</b>	4.7%
Net asset value as per December 31, SEK M	<b>42.782</b>	23,931
Net asset value as per December 31, SEK per share	<b>111</b>	62
– change <sup>2</sup>	<b>87%</b>	-55%
Management cost	<b>0.16%</b>	0.23%
Dividend, SEK per share <sup>3</sup>	<b>3.00</b>	4.50
Dividend yield, Class A shares	<b>3.4%</b>	7.9%
Dividend yield, Class C shares	<b>3.6%</b>	9.0%
Total return, Class A shares	<b>64%</b>	-47%
Total return, Class C shares	<b>76%</b>	-50%
Total return index	<b>53%</b>	-39%

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

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

3) Dividend for the respective fiscal years. For 2009 as proposed by the Board of Directors.



## Active ownership strengthens portfolio companies and enables enhanced value creation



The world did not go under this time either! The past year was characterized by gradual stabilization and a subsequent recovery of the global economy. The world managed to avoid a severe depression, but still we experienced one of the sharpest economic declines in modern history, followed by a deep recession. The rapid recovery is without a doubt the result of unique, coordinated action by the governments and central banks of the G20 countries. This “first aid” has consisted of strong stimulus measures and extensive monetary relaxation in the form of interest rate cuts and liquidity injections into the bank systems. The international credit market is now working steadily better, and credit spreads are down to more normal levels. We are now seeing growing signs that the economy is performing better, in the shape of such factors as U.S GDP growth of 5.8% on an annualized basis during the fourth quarter of 2009. As stimulus measures took effect during the year, the IMF and other economic observers successively notched up their growth expectations. The global economy is now expected to grow 3.9% in 2010. However, the fundamental reasons for the crisis remain. Large parts of the international financial system are still too weakly capitalized, and there are major imbalances between important countries' economies. The latter is illustrated by China's massive trade surplus, compared to America's major trade deficit. In the Euro zone, signs of weakness are notable in such regions as Southern Europe. Further, the high level of liquidity in the financial

system, together with extremely low interest rates, has provided the intended stimulus injection into the economy to promote growth, but also an elevated risk for overheated asset prices. Nevertheless, the policies pursued to date have been successful; now it is important to scale back on the support to the banks and the economic stimulus measures at the right point in time and under orderly forms. This is an adaptation that must be handled sensibly and with finesse, so as to not disrupt the current recovery.

### Reversal in value development

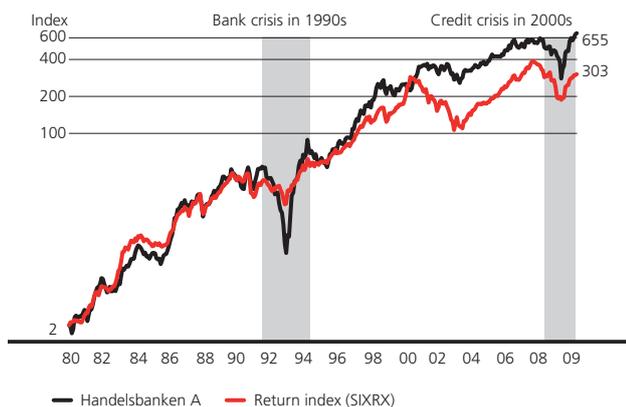
Following a drop in our net asset value in 2008 – when the financial crisis achieved full force – we saw positive development in 2009, when our net asset value rose SEK 19 billion to SEK 43 billion, or by 87% including reinvested dividends, compared with 53% for the return index. The total return was 64% for the Class A shares and 76% for the Class C shares. Since the share price growth was lower than the growth in net asset value, the discount to net asset value widened during the year. Our debt was essentially unchanged at SEK 10.8 billion. The debt-equity ratio decreased gradually during the year in pace with rising share prices. The debt-equity ratio thus decreased from 30% at the preceding year-end to roughly 20% at year-end 2009, which is in line with our target of a maximum of 20% over a business cycle. As a result of this improvement, the rating agency Standard & Poor's raised our rating outlook to Stable, with a rating of A/stable/A-1.

### Long-term involvement yields competitive shareholder value over time

Industrivärden is a long-term active owner in some of the most successful companies on the Stockholm Stock Exchange – most with global operations and strong market positions. Our asset management strategy is built upon a long-term involvement as owners where we actively strive to contribute to the companies' strategic development. The focus on long-term, vital strategy matters enables value creation which over time is higher than what it would have been with a shorter ownership perspective. Our strategy is proven successful and has enabled us to deliver a very competitive total return for our shareholders over time. However, with our long-term owner involvement comes fewer equity transactions and thus apparent low activity. Our evaluation horizon is 5–8 years, while most investors rarely have an investment horizon of over a year. Industrivärden's operations are thus built upon extensive involvement in the portfolio companies, with the aim of maximizing the assets' long-term growth in value over

time. To do this we must gain our own impression of the portfolio companies' value in the longer term, since the stock market normally has a shorter time horizon in its pricing of stocks. Our valuation model emanates from a comprehensive assessment of future cash flows and earnings with relevant adjustments. These assessments form the basis for how we act with respect to up- and downweightings in our portfolio companies, new investments and divestments, and leveraging. The chart below shows the 30-year total return trend for Handelsbanken's Class A shares. From a long-term perspective, Handelsbanken's shareholders have received very good growth in value in both absolute and relative terms. In the long term, this growth in value reflects Handelsbanken's sustained ability to run a profitable banking operation. The chart is also a good illustration of how the difference between the market's margin pricing of a stock and its value development over time can be most significant. During the bank crisis in the 1990s and the credit crisis in the 2000s, Handelsbanken's stock reached historically low levels. At the same time, the bank took advantage of these crises to capture market shares and strengthen its long-term competitiveness. Examples of such far-sighted decisions are the acquisition of Stadshypotek in 1997 and the decision to not establish business in the Baltics before the credit crisis at the end of the decade, in favor of investment in expansion of the branch operations in the UK. The strategic development work that was conducted during these two periods has had major significance for the long-term performance of Handelsbanken's stock – development work that Industrivärden participated in as an active owner.

### Handelsbanken's total return 30 years



### Activities in 2009

The action programs in the portfolio companies have been characterized by efforts to deal with the abrupt, sharp drop in demand that followed in the wake of the financial crisis. Major emphasis was put on securing the companies' financing, such as through confirmed credit lines and corporate bonds. This was a major challenge in early 2009, when the credit markets became virtually stranded. Parallel with this, the companies took strong measures to adapt their cost structures. This resulted in many painful

decisions to cut staff in Sweden and internationally. The unusually strained market situation led to weak earnings, and some of our portfolio companies, including Volvo, Sandvik and SSAB, posted historically large losses. At the same time, the low rate of production – in many cases lower than actual demand – led to major reductions in working capital, resulting in good cash flows. A large share of the cost adaptations have been of a structural character. This means that higher demand will result in improved margins and profitability, all else unchanged.

The result for the year of our short-term trading was SEK 100 M, compared with our management costs of SEK 86 M, corresponding to 0.16% of managed assets. Since starting our short-term trading in 2003, with a limited scope and clear risk mandates, we have generated approximately SEK 800 M in profits, compared with Industrivärden's total management cost of roughly SEK 570 M during the same period.

### Issue of SEK 5 billion strongly oversubscribed

In January 2010 Industrivärden issued a five-year convertible loan worth EUR 500 M, which was oversubscribed many times over. The aim was to take advantage of strong market conditions and Industrivärden's good credit quality to obtain favorable financing with the opportunity to strengthen our capital base. The issue increases our financial flexibility and preparedness to capture attractive investment opportunities – all to the benefit of our shareholders. The conversion price corresponds to net asset value at the issue date, and dilution upon full conversion is limited. The issue was approved by an Extraordinary General Meeting on February 12. The bonds were subscribed primarily by long-term European investors focused on convertible instruments. However, Swedish institutional investors were absent from the subscription lists. This is probably due to the fact that this is a relatively new form of financing in Sweden. In both Finland and Norway there were investors who signed up. Our issue attracted great interest as an alternative, cost-effective source of financing.

The proposed dividend of SEK 3.00 (4.50) per share represents a decrease from last year; this is because we pass on dividends received from our portfolio companies, which on the whole were lower this year due to weaker earnings. The proposal represents a dividend yield of approximately 3.4% for the Class A shares and 3.6% for the Class C shares.

There is reason to take a more confident view of the current situation now that the global economy is normalizing and beginning once again to show growth. With our quality holdings, strong business model and solid financial base, Industrivärden is well positioned to continue delivering long-term competitive shareholder value.

Stockholm, February 2010

Anders Nyrén, President and CEO

## Goal and goal achievement

# Higher long-term total return than return index

Industrivärden's goal is to generate high growth in net asset value over time and to deliver a total return to the Company's shareholders which, over the long term, is higher than the average for the Stockholm Stock Exchange (NASDAQ OMX Nordic, Stockholm). Industrivärden has achieved this goal with a good 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 foundation and with a long-term approach, Industrivärden has generated favorable growth in net asset value in both the short- and long-term perspectives. This favorable performance, combined with the Company's policy of

paying a dividend yield that is higher than the average for the Stockholm Stock Exchange, has enabled Industrivärden to deliver an attractive and competitive total return to its shareholders.

For long periods of time – including the entire time since the Company's stock market introduction in 1945 – Industrivärden's stock has generated a higher total return than the average for the Stockholm Stock Exchange. In 2009 the total return for the Class A shares was 11 percentage points higher than the average for the Stockholm Stock Exchange and 23 percentage points higher for the Class C shares.

## Average growth in net asset value<sup>1</sup>

	2009	Eight years	Ten years	Twelve years	Twenty years
Net asset value, %	79	1	-3	3	6
Net asset value including reinvested dividends, % <sup>2</sup>	87	5	1	7	10

1) Yearly average.

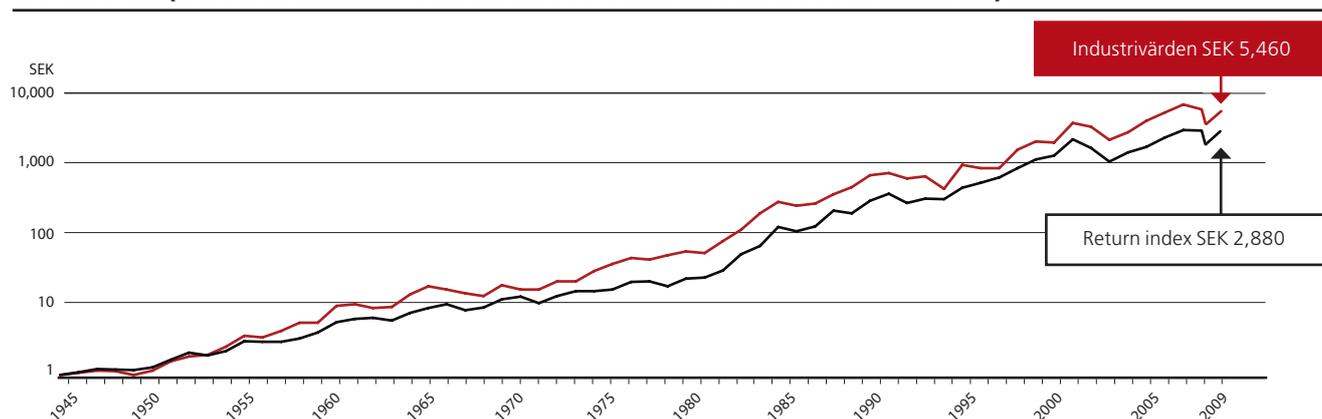
2) Taking into account reinvested dividends, a measure of total value growth is obtained, i.e., how net asset value would have developed if dividends had remained in the Company and grown in pace with the equities portfolio.

## Total return for Industrivärden compared with return index

Annual total return <sup>3</sup>	Industrivärden		Return index, %
	Class A, %	Class C, %	SIXRX
20 years	10	12	10
15 years	14	14	12
10 years	4	4	2
5 years	5	6	10
1 year	64	76	53

3) Growth in value including reinvested dividends.

## Total return (value of SEK 1 investment since stock market introduction in 1945)



## Business model

# Value creation through knowledge, involvement and influence

### Long-term structured value creation

Industrivärden's core business is to invest in listed Nordic companies with good potential for value appreciation, and through active ownership to contribute to growth in value of its portfolio companies. The role as active owner requires that Industrivärden can wield significant influence and entails a long-term investment horizon. An active ownership perspective fosters a good understanding of the portfolio companies' businesses, operating environments and continuing development. Contributing to value creation in the portfolio companies increases asset values while reducing Industrivärden's equities risk. Work is conducted in a structured manner within the framework of three main processes: investments, active ownership and exit evaluation. The market operations support process aims to support the main processes with market information, to maintain a contact network, and to generate excess returns. Most of Industrivärden's resources are geared towards the work of creating value through active ownership. Built-up value is realized in connection with divestments and reallocations within the equities portfolio.

### Competitive platform

Industrivärden has made a determined effort to establish a high-quality platform for long-term value creation. This is based on good financial resources, a long-term investment perspective and a high-

ly refined model for continuously evaluating existing and potential investments. At the core of this business are a structured process for exercising active ownership, experienced directors with ties to Industrivärden on the boards of the portfolio companies, and a professional investment organization that continuously analyzes and evaluates the performance of the portfolio companies. The work is project-oriented and involves personnel from both the investment organization and the staff functions. The business processes are supported by first-rate work methods and information systems.

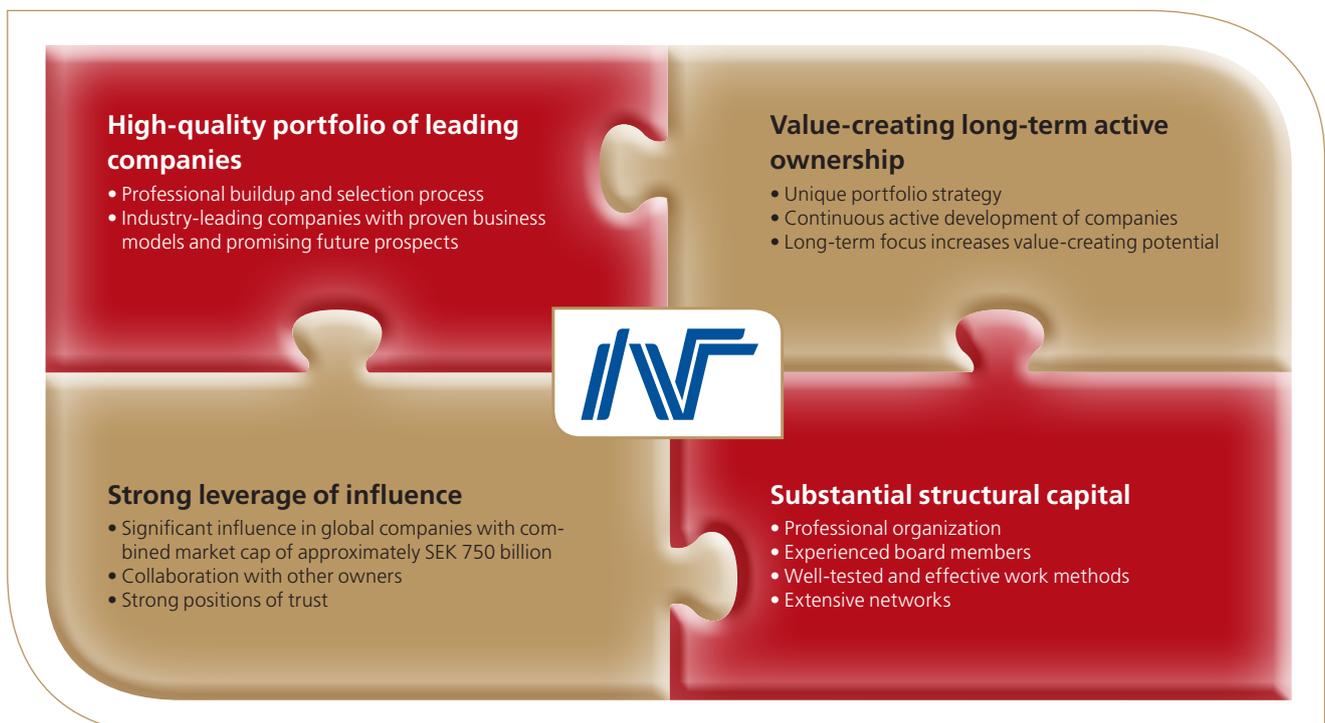
### Professional organization

Industrivärden has the internal and external resources needed to conduct a professional investment operation and maintain high-quality active ownership. At the same time, Industrivärden has a lean organization that is distinguished by flexibility and short decision-making channels. In all, Industrivärden has 20 employees. Industrivärden's extensive contact network has strong Nordic ties and makes up a pivotal asset in the Company's active ownership and investment process.

### Clear investment criteria

Adhering to the business mission of creating shareholder value based on a professional investment operation and active ownership, Industrivärden works according to the following investment criteria:

## INDUSTRIVÄRDEN'S STRENGTHS



- Investments in mid- and large cap listed Nordic companies.
- Focus on business models that can be applied in several markets and with a good ability to generate growth in cash flow.
- Major potential for value appreciation through active ownership.
- Ownership interests that enable significant influence.
- Concentration on a limited number of holdings.

Every investment is analyzed with respect to its potential for value appreciation. Quantitative goals are evaluated on a continuous basis, as are possible forms of a future exit. Major emphasis is put on making continuous comparisons against long-term investments in other listed companies. Investments are made within the framework of Industrivärden's overall portfolio strategy, they are not dependent on any particular sector, and they are evaluated continuously with a 5–8 year time horizon.

### Evaluation of investments

The investment process has two main purposes – to evaluate existing investments against set target values and alternative investment candidates, and to provide a continuous and up-to-date picture of attractive new 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.

Based on Industrivärden's investment criteria and investment horizon, the equities portfolio consists of the listed Nordic companies that are judged to have the greatest potential for value creation through active ownership in 5–8 years' time. A key activity in the investment process is thus to continuously evaluate the

existing holdings against set targets and alternative holdings. A decision to hold or increase ownership in a portfolio company is equally important as a decision to decrease the position or sell. Industrivärden has a high-quality portfolio of actively owned companies, so for natural reasons, the turnover rate in the portfolio is relatively low.

This ongoing analysis of potential new investment candidates is based on the more than 800 companies that are listed on the Nordic stock markets. The 50 or so most interesting listed companies are monitored on a regular basis. The companies in Industrivärden's portfolio are analyzed in parallel with and on the same premises as the most interesting potential new investment candidates. Following information-gathering, external contacts, analysis and prioritization, presentations of the most interesting companies are made to Industrivärden's investment committee, which consists of the members of the executive management. 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 draw up a preliminary action plan outlining how Industrivärden would be able to actively contribute to value creation in the company. 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 and short-term trading

Industrivärden has a separate function that conducts various

## Investment case and active ownership in practice

# Good profitability through leading positions in selected market segments

### Handelsbanken

A well developed universal banking business and decentralized branch network with local customer responsibility contribute to high customer satisfaction and good profitability.

- Consistently applied business model.
- Rising market shares and stronger positions in a very tough market.
- Organic growth in priority markets in the Nordic countries and the UK.

**Ownership focus:** Continued good profitability and organic growth, with broadened geographic base.

**SEK 12.9 billion 24%**

### Sandvik

Through a niche focus and strong R&D position, Sandvik has established a world-leading position in materials technology with products primarily for the manufacturing and mining industries.

- Acquisition-driven growth.
- Restructuring program designed to adapt costs and production capacity to market situation.

**Ownership focus:** Earnings improvement through organic growth combined with continued acquisitions and efficiency-improvement measures.

**SEK 11.7 billion 22%**

### SCA

Europe's leading producer of hygiene products, with fast-growing personal care products, and of packaging.

- Acquisitions in the European tissue operations strengthen the brand portfolio.
- Sale of conventional corrugated business in the UK.
- Extensive cost and efficiency improvement measures in packaging operations.
- Focus on growth in the hygiene segment.

**Ownership focus:** Improved profitability through greater share of Personal Care products along with efficiency improvement measures in Packaging and Forest Products.

**SEK 6.8 billion 13%**

Market values for the respective companies and share of portfolio as per December 31, 2009.



**SSAB**

World-leading position in niche quenched steels and advanced high-strength sheet segments creates solid foundation for growth and sustained high profitability.

- Acquisition of IPSCO's North American steel business strengthens SSAB's position and enables continued international expansion.
- New market-oriented organization.
- The cost-cutting program designed to lower annual operating expenses by at least SEK 1 billion has had a faster impact than planned.

**Ownership focus:** Maintain position with leading profitability through continued expansion in the niche high-strength sheet segment.

**SEK 6.3 billion 12%**

**Ericsson**

The market's largest and most profitable supplier of mobile telephony infrastructure, with a leading position in telecom development.

- Strong position ahead of operators' investments in the next generation of telecom systems (LTE).
- Acquisition of Nortel's U.S. mobile systems business strengthens Ericsson's position in North America.
- Good growth and profitability in the Services segment.
- Restructuring program to lower costs by SEK 15–16 billion starting in second half of 2010.

**Ownership focus:** Continued growth based on the company's leading position in end-to-end telecommunications solutions.

**SEK 5.0 billion 9%**

**Volvo**

Through innovative customer-adapted product development and high quality, Volvo has attained a world-leading position in commercial transport solutions.

- Acquisition-driven expansion in Asia.
- Strong adaptation of costs to market trend.

**Ownership focus:** Improved profitability through consolidation of acquired businesses.

**SEK 4.3 billion 8%**

market operations in the aim of supporting the 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 equities and equity-related instruments. Value is created primarily through option transactions in the shares of existing portfolio companies.

### Active ownership

Industrivärden's influence in its portfolio companies emanates from significant ownership interests and a strong position of trust. From this foundation, 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. At least one director with ties to Industrivärden should sit on the board of a portfolio company. Normally the chairman of the board as well as chairman of the nominating committee are persons with ties to Industrivärden.

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 foundation for the design, implementation and evaluation of Industrivärden's active ownership. The chief aim is to identify and describe various opportunities for value appreciation and strategic actions for creating this value. The team that is responsible for a particular holding monitors and updates the action plan on a continuous basis. This work is conducted according to a structured work method and consists of – among other

things – continuous analysis of the portfolio company's business, competitors and other central factors in the external environment, as well as company valuations. All analysis is based on external information material. 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 companies' customers and other stakeholders. As help in this work, Industrivärden makes use of an extensive network. Industrivärden's ambition is to be the owner that has the most qualified view of its portfolio companies, their competitors, and the environment they work in.

Each investment team presents its action plan to the director or directors with ties to Industrivärden serving on the boards of the portfolio companies. In this way, Industrivärden's representatives are provided with a current picture of identified opportunities and measures.

By working with sound, well-researched ideas, Industrivärden can exert influence on the respective portfolio companies' boards. In this way, over time parts of the action plans can be put to concrete work in the portfolio companies for future value creation.

### Industrivärden and society

Industrivärden has a long tradition of corporate responsibility, both in its role as an active owner and as a listed company. A fundamental tenet held by Industrivärden is that social and environmental responsibility create business opportunities that contribute to sustained shareholder value. All business activities shall conform to laws and generally accepted regulations, and they should draw up relevant guidelines with quantifiable goals.

Efforts are made in Industrivärden's portfolio companies to ensure that their business is conducted according to good business ethics, respect for the individual, health, equal opportunity and community involvement. Generally accepted codes of con-

#### Skanska

Unique, comprehensive know-how in construction combined with a process focus has created a leading construction services company with world-class value-creating project development.

- Efficient construction operation generates good cash flows.
- Proven model for value-creating project development.
- Strategic focus on environmentally adapted, energy-efficient solutions.

**Ownership focus:** Profitability focus combined with selective expansion.

**SEK 3.5 billion 6%**

#### Indutrade

The combination of sales of industrial consumables, good organic growth and a highly refined model for acquisition-based growth has resulted in impressive profitability growth.

- Continued company acquisitions.
- Establishment in new geographic markets.
- Strengthened position in energy segment.

**Ownership focus:** Continued favorable profitability growth through continuous development of the company's unique business model.

**SEK 2.0 billion 4%**

#### Höganäs

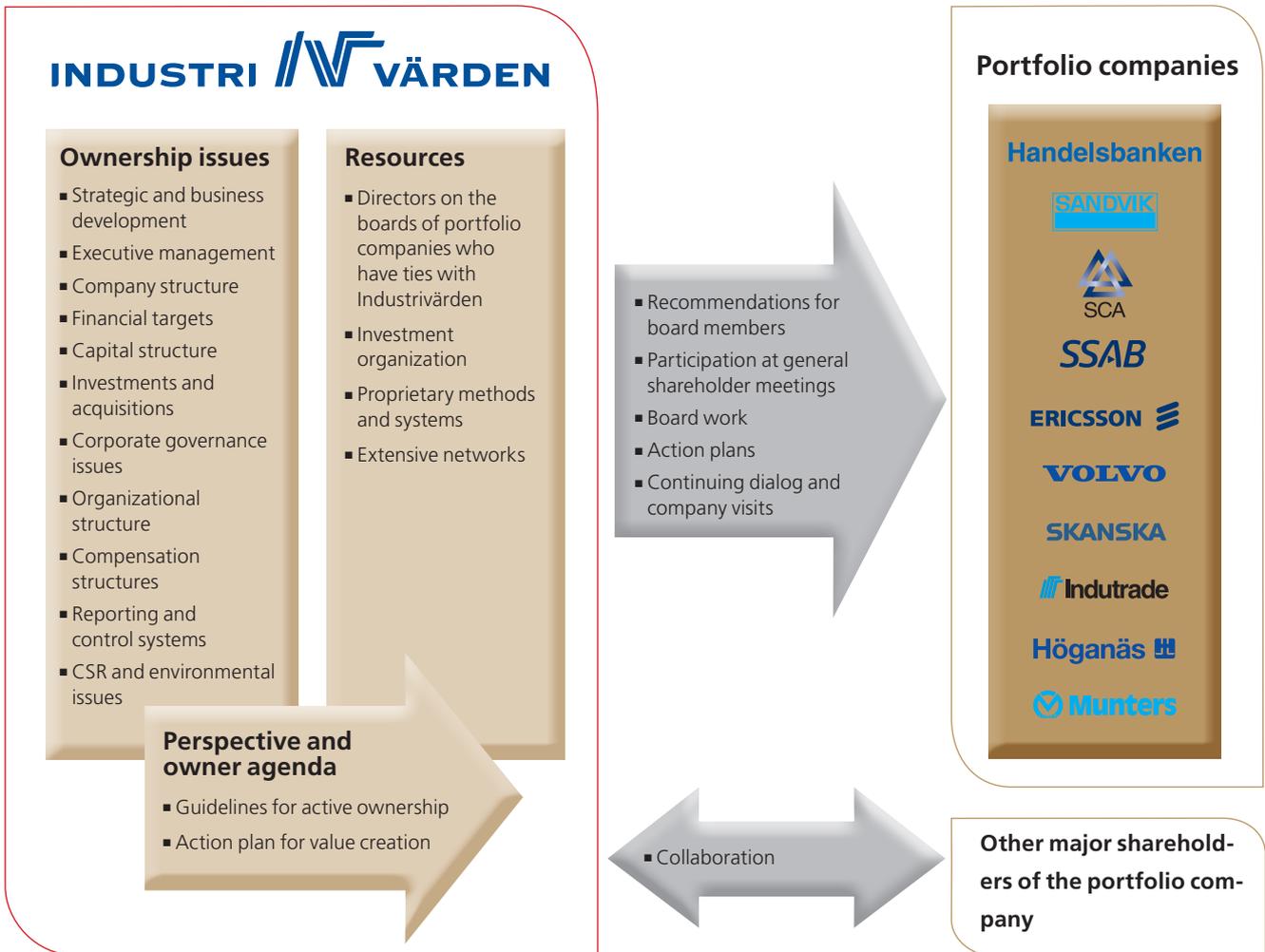
Market leader in growing metal powders niche, primarily for component manufacturing in the automotive industry.

- Focus on development of new components in collaboration with customers.
- Reduced working capital through strong measures.

**Ownership focus:** Broadened product offering generating growth and improved profitability.

**SEK 0.6 billion 1%**

ACTIVE OWNERSHIP



**Munters**

Strong global position in selected segments for air treatment, with major growth opportunities.

- Leading position in dehumidification creates opportunities for good profitability.
- Growth through product development and new geographic markets.

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**Ownership focus:** Profitable growth through further development of the company's product and service portfolio.

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**SEK 0.5 billion 1%**

duct, such as those stipulated in UN and OECD guidelines, shall be respected. Environmental responsibility should emanate from an environmental policy that gives special consideration to the market, environmental impact and environmental management. The companies shall also be aware of their environmental impact and work actively to reduce this impact and their use of resources. The portfolio companies' overall role in society is a strategic ownership issue that is handled within the framework of Industrivärden's active ownership processes.

Industrivärden itself shall comply with the social and environmental demands placed upon its portfolio companies.

**Exit evaluation**

Exit evaluation aims to optimize the realization of built-up value. It is important at an early stage to evaluate value growth targets and the forms of a conceivable future exit in step with the practice of active ownership. The action plan prepared during the new-investment process includes goals and options for a future exit, among other things. 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 external business environment.

## Net asset value

# Net asset value up 87% SEK to 111 per share

Net asset value is a measure of the shareholders' total net worth in the Company, defined as the market value of the equities portfolio less interest-bearing net debt. At year-end net asset value was SEK 42.8 billion (23.9), or SEK 111 per share (62).

Net asset value including reinvested dividends grew 1% during the ten-year period 2000–2009, compared with 2% for the return index, and during the twenty-year period 1990–2009, net asset value grew 10%, compared with 10% for the return index.

The lower growth in value during the last five- and ten-year periods is mainly due to the fact that the comparison as per December 31, 2009 was made with the brief peaks in the stock market – before the IT bubble in the early 2000s and before the global credit crisis at the end of the decade. Taking this into account, the long-term development of net asset value has been favorable, which can be seen in the chart on page 11.

## Equities portfolio

Industrivärden's equities portfolio is made up of large shareholdings in Handelsbanken, Sandvik, SCA, SSAB, Ericsson, Volvo, Skanska, Indutrade, Höganäs and Munters, all of in which Industrivärden serves as a long-term active owner. The companies are characterized by leading positions in selected market segments, industry-leading positions and a substantial share of international business.

The equities portfolio, which is valued at the market price as per December 31, 2009, had a market value of SEK 53.5 billion (34.7), corresponding to SEK 139 (90) per Industrivärden share.

## Investment activities 2009

Stocks were sold during the year for SEK 400 M (–330) net.

The largest stock purchase was Ericsson, for SEK 156 M. Major sales of stocks consisted of Handelsbanken, for SEK 261 M.

## Performance of the equities portfolio in 2009

At year-end 2009 the market value of the equities portfolio was SEK 53,548 M (34,744), which exceeded cost by SEK 23,161 M

(3,579). Taking purchases and sales into account, the value of the equities portfolio increased by 56% during the year (decrease of 48%), which was better than the Stockholm Stock Exchange's market index (OMXSPI), which gained 47% for the year (–42%).

Dividends received during the year totaled SEK 1,871 M (2,918). The total return of the portfolio, i.e., the change in value including reinvested dividends, was 63% (–45%), which was 10 percentage points higher than for the return index (SIXRX).

## Short-term trading

Short-term derivative transactions and short-term equity trading are conducted on a regular basis to enhance the return of the equities portfolio. Combined income from Industrivärden's short-term derivative transactions and equity trading amounted to SEK 100 M (68).

## Interest-bearing net debt

Interest-bearing net debt amounted to SEK 10.8 billion (10.8) at year-end 2009, corresponding to SEK 28 (28) per Industrivärden share. A guideline for Industrivärden is that interest-bearing net debt should not exceed 20% of the market value of the equities portfolio over the long term. During the ten-year period 2000–2009, the debt-equity ratio ranged from a low of 6% in June 2002 to a high of 36% in March 2009. Interest-bearing net debt decreased slightly in 2009 in tandem with a sharp decrease in the debt-equity ratio, mainly due to the increase in the value of the equities portfolio.

## Issue of convertible bonds

In January 2010 Industrivärden issued five-year convertible bonds worth EUR 500 M, which were oversubscribed. The aim is to take advantage of strong market conditions and good credit quality to obtain attractive financing with the opportunity to issue new equity. The convertible bond issue increases Industrivärden's financial flexibility and preparedness to capture attractive investment opportunities.

## Net asset value

SEK billion	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Equities portfolio	53.5	34.7	65.8	63.3	52.3
Interest-bearing net debt	–10.8	–10.8	–11.0	–4.8	–4.0
Net asset value	42.8	23.9	54.8	58.5	48.3
Net asset value per share, SEK	111	62	142	151	125
Debt-equity ratio, %	20.1	31.1	16.6	7.2	7.0

## Equities portfolio as per December 31, 2009

	Breakdown, SEK M				Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
	No. of shares	Market value	Cost	Change in value			
Handelsbanken	63,154,709	12,896	5,272	7,624	24	10.1	10.3
Sandvik	135,431,200	11,701	6,220	5,481	22	11.4	11.4
SCA	70,800,000	6,754	2,578	4,175	13	10.0	29.2
SSAB	51,711,440	6,313	3,527	2,786	12	16.0	20.7
Ericsson	76,680,600	4,984	3,280	1,704	9	2.3	13.6
Volvo	70,218,284	4,283	6,518	-2,235	8	3.3	8.5
Skanska <sup>1</sup>	29,049,600	3,533	1,569	1,964	6	6.9	27.3
Indutrade	14,757,800	1,992	102	1,890	4	36.9	36.9
Höganäs	3,550,000	582	637	-55	1	10.1	8.1
Munters	10,950,000	510	684	-173	1	14.6	14.6
<b>Total</b>		<b>53,548</b>	<b>30,387</b>	<b>23,161</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.

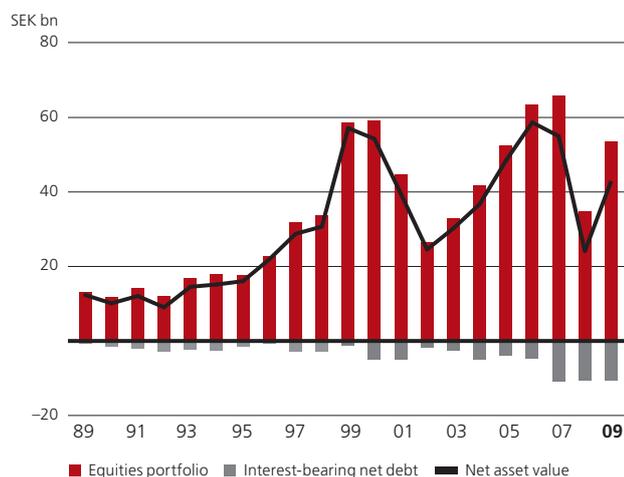
## Performance of holdings in the equities portfolio 2009

	Price change, %	Total return, %	Total return <sup>1</sup>		
			5 years, %	10 years, %	20 years, %
Handelsbanken	62	70	8	11	15
Sandvik	76	87	15	9	14
SCA	42	50	4	5	8
SSAB	80	91	25	17	17
Ericsson	10	12	-8	-17	7
Volvo	40	45	10	9	10
Skanska	57	68	15	10	8
Indutrade <sup>2</sup>	104	116	-	-	-
Höganäs	134	142	4	3	-
Munters	21	21	-4	6	-
<b>Equities portfolio</b>	<b>56</b>	<b>63</b>			
	<b>Index (OMXSPI): 47</b>	<b>Index (SIXRX): 53</b>	<b>10</b>	<b>2</b>	<b>10</b>

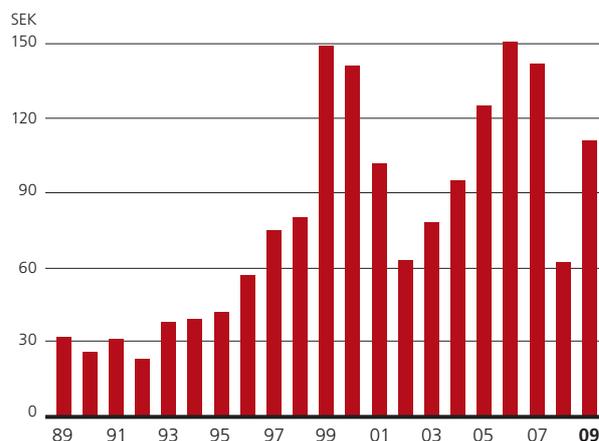
1) Average annual total return.

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

## Development of net asset value



## Net asset value per share



Average annual growth in net asset value during the last ten- and twenty-year periods was 1% and 10%, respectively, including reinvested dividends.

## Industrivärden share data

# Total return of 64% for the Class A shares, compared with 53% for the index

### Performance of Industrivärden's stock in 2009

Industrivärden's stock outperformed the market average in 2009. The total return for the year including reinvested dividends was 64% for Industrivärden's Class A shares and 76% for the Class C shares, compared with 53% for the market as a whole.

Trading volume of Industrivärden shares on the Stockholm Stock Exchange in 2009 was SEK 12 billion (13), corresponding to a turnover rate of 18% (19%) for the Class A shares and 113% (91%) for the Class C shares. Average daily trading volume was 208,000 Class A shares and 570,000 Class C shares.

### Dividend

Industrivärden's dividend policy is to pay the shareholders a dividend yield that is higher than the average for listed Swedish stocks. This goal has been achieved every year during the last ten-year period. The dividend should be well-balanced with respect to the goals, scope and risk of operations. The Board of Directors has proposed that the 2010 Annual General Meeting declare a dividend of SEK 3.00 (4.50) per share, corresponding to a dividend yield of 3.4% and 3.6% respectively.

### Industrivärden's stock and shareholders

Industrivärden's Class A and Class C shares are listed on the Stockholm Stock Exchange (NASDAQ OMX Nordic, Stockholm). Industrivärden's stock is listed in the large cap segment,

consisting of companies with a market capitalization in excess of EUR 1 billion. Industrivärden has 48,000 shareholders (40,000). Foreign ownership in the Company is 10% (9%).

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.

### Employee shareholdings in Industrivärden

Information on shareholdings of Company directors, members of the executive management and senior executives is provided on pages 41–42.

### Industrivärden's stock as per December 31, 2009

Number of shares	Capital stock, SEK M	Percentage of	
		votes	shares
268,547,404 Class A shares	671.4	96	70
117,723,820 Class C shares	294.3	4	30
386,271,224 shares	965.7	100	100

The issue of convertible bonds that was approved in February 2010 may increase the number of underlying shares by 4.4.3 million new Class C shares upon full conversion at the original conversion price.

### Dividend

SEK	2009	2008	2007	2006	2005
Dividend	3.00 <sup>1</sup>	4.50	5.00	4.50	3.50
Annual growth in dividend, %	-33	-10	11	29	17
Dividend yield, Class A shares, %	3.4	7.9	4.4	3.3	3.2
Dividend yield, Class C shares, %	3.6	9.0	4.8	3.5	3.5
Dividend yield for Stockholm Stock Exchange, % <sup>2</sup>	2.8	4.5	4.0	3.0	3.0

1) Proposed by the Board of Directors.

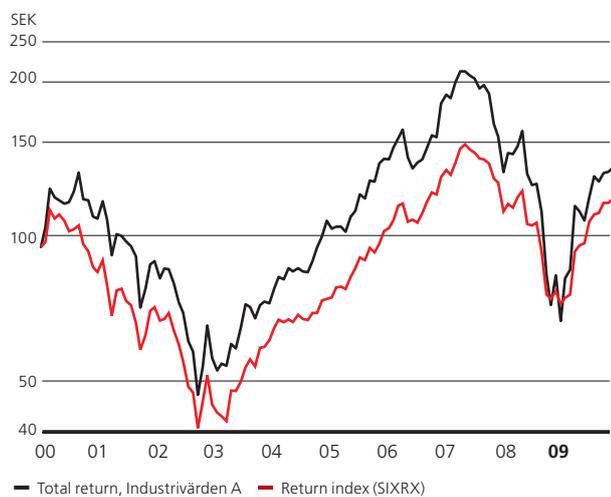
2) Source: NASDAQ OMX. Preliminary figures for 2009 as per February 17, 2010.

## Ownership structure at December 31, 2009<sup>1</sup>

Largest shareholders	Number of shares	Percentage of	
		votes	capital stock
L E Lundbergföretagen	43,400,000	15.5	11.2
Handelsbanken Pension Foundation	27,800,000	9.9	7.2
Handelsbanken Pension Fund	27,350,000	9.8	7.1
Jan Wallander & Tom Hedelius Foundation	23,760,000	8.5	6.2
SCA Pension Foundation	16,986,080	6.1	4.4
AB Landå	12,000,000	4.3	3.1
SCA Group Holding	10,525,655	3.8	2.7
SCA Vorsorge-Treuhand	8,614,630	3.1	2.2
SCA Pension Foundation for salaried employees and foremen	6,570,290	2.3	1.7
Handelsbanken	5,566,000	2.0	1.4
	<b>182,572,655</b>	<b>65.3</b>	<b>47.2</b>

1) Source: Euroclear.

## Total return for Industrivärden's stock



During the last ten- and twenty-year periods, the total return for Industrivärden's stock averaged 4% and 10% per year, respectively.

## Handelsbanken

### Good profitability through a consistent business model with local customer responsibility



**Holding:** 63,082,564 Class A shares and 72,145 Class B shares

Market value: SEK 12,896 M

Share of votes: 10.3% Share of capital: 10.1%

**Board members with ties to Industrivärden:**

Fredrik Lundberg (Vice Chairman), Sverker Martin-Löf and Anders Nyrén (Vice Chairman)

**Industrivärden's nominating committee representative:**

Carl-Olof By (Committee Chairman)

**Share of equities portfolio: 24%**

#### Operations

Handelsbanken is a universal bank whose business concept is to offer a comprehensive range of financial services to private and corporate customers in the Nordic region and the U.K. A fundamental tenet of this concept is that overall customer responsibility rests with the local branch that serves the customer.

The branches conduct their marketing activities by assigning local priorities to customer categories or product areas. Through consistent application of this highly effective business model, Handelsbanken has strengthened its position in a tough market. Handelsbanken has a strong position in the Swedish market, with 461 branches. In the other Nordic countries the bank has a total of 146 branches, plus 62 branches in the U.K. and 36 in the rest of the world. In all, Handelsbanken is active in 23 countries. Operations

are geared for continued growth, mainly organically, in selected markets.

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

#### Performance 2009

- Total income amounted to SEK 32.3 M, an increase of 8%. Net interest income rose 14% to SEK 22.0 billion, and net commissions rose 9% to SEK 7.4 billion. Loan losses totaled SEK 3.4 billion (1.6). Operating income was SEK 13.7 billion (15.3).
- The average loan volume increased by 8%.

#### Handelsbanken at a glance

**Chairman:** Hans Larsson

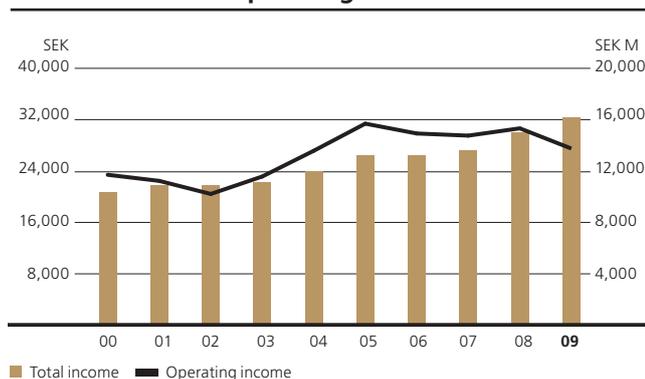
**CEO:** Pär Boman

For more information on Handelsbanken, visit [www.handelsbanken.com](http://www.handelsbanken.com).

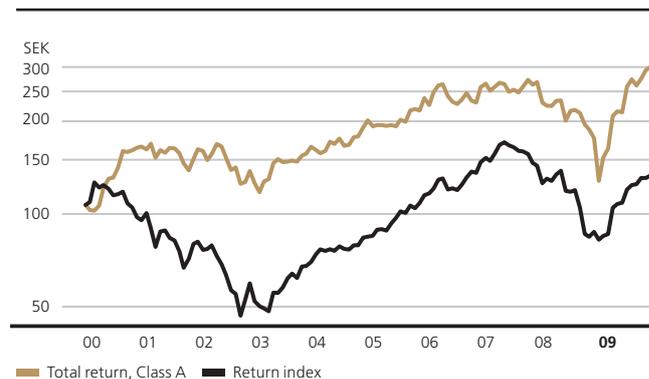
Key data	2009	2008
Earnings per share, SEK	16.44	19.46
Dividend per share, SEK	8.00 <sup>1</sup>	7.00
Share price on December 31		
Class A	204.20	126.00
Class B	202.20	123.00

1) Proposed by the board of directors.

#### Total income and operating income



#### Handelsbanken's stock



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



## Growth through niche focus and leading product development



**Holding:** 135,431,200 shares  
Market value: SEK 11,701 M  
Share of votes and capital: 11.4%

**Board members with ties to Industrivärden:**  
Fredrik Lundberg and Anders Nyrén (Vice Chairman)

**Industrivärden's nominating committee representative:**  
Carl-Olof By (Committee Chairman)

**Share of equities portfolio: 22%**

### Operations

Sandvik is a global high-technology engineering group with advanced products and representation in 130 countries. The Group works in three business areas in which Sandvik has world leading positions. Tooling specializes in cemented carbide tools and high-speed steel for metal cutting. Mining and Construction specializes in machines and tools 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 interest), which is active in metal cutting tools. Sandvik's strategy is based on a number of strength factors: advanced

R&D, high value-added products, in-house manufacturing, direct sales to end customers, efficient logistics systems and a strong corporate culture. Sandvik's products and services are designed to contribute to customers' productivity and profitability. Sandvik is a global company, but works as a local partner.

### Performance 2009

- Net sales fell 30% to SEK 71.9 billion.
- Income after net financial items amounted to SEK -3.5 billion (10.6).
- Operating income was SEK -0.5 billion (5.5) for Tooling, SEK 0.5 billion (5.0) for Mining and Construction, and SEK -1.1 billion (1.2) for Materials Technology.
- Restructuring measures has been carried through to adapt costs and production capacity to the prevailing market conditions.
- Working capital was lowered by more than 30%, and operating cash flow was slightly more than SEK 12 billion.

### Sandvik at a glance

**Chairman:** Clas Åke Hedström

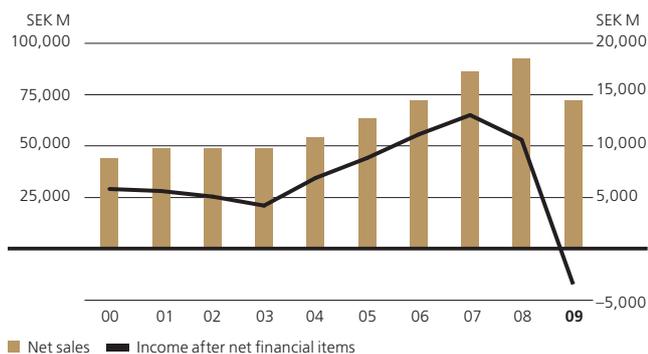
**CEO:** Lars Pettersson

For more information on Sandvik, visit [www.sandvik.com](http://www.sandvik.com).

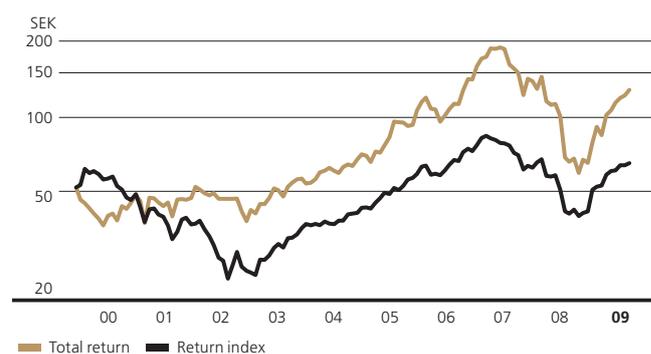
Key data	2009	2008
Earnings per share, SEK	-2.24	6.30
Dividend per share, SEK	1.00 <sup>1</sup>	3.15
Share price on December 31, SEK	86.40	49.00

1) Proposed by the board of directors.

### Net sales and income



### Sandvik's stock



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



## World's third-largest producer of hygiene products



**Holding:** 45,100,000 Class A shares and 25,700,000 Class B shares  
Market value: SEK 6,754 M  
Share of votes: 29.2% Share of capital: 10.0%

**Board members with ties to Industrivärden:** Tom Hedelius, Sverker Martin-Löf (Chairman) and Anders Nyrén

**Industrivärden's nominating committee representative:** Carl-Olof By (Committee Chairman)

**Share of equities portfolio: 13%**

### Operations

SCA is a global hygiene products and paper company that develops, produces and markets personal care products, tissue, packaging solutions and forest products. Operations are global, with sales in more than 90 countries and manufacturing in approximately 40 countries. More than half of sales are hygiene products such as toilet paper, kitchen rolls, facial tissue, incontinence care products, feminine care products and diapers. SCA is the global market leader in incontinence care products. The Group's sales are based on a portfolio of strong brands. SCA has two global brands – Tena for incontinence care products and Tork for tissue for the away-from-home (AFH) market – both generating in

excess of EUR 1 bn in annual sales. SCA's hygiene products are experiencing strong growth in sales in prioritized growth markets. The company's packaging solutions are used primarily for food products, industrial products and consumer durables. SCA is Europe's largest private forest owner.

### Performance 2009

- Net sales rose somewhat to SEK 110.9 billion. Hygiene products account for a growing share of sales.
- Profit after financial items amounted to SEK 8.0 billion (6.2), excluding SEK 1.5 billion in restructuring costs within Packaging.
- Operating income amounted to SEK 3.2 billion (2.9) for Personal Care, SEK 3.9 billion (2.4) for Tissue, SEK -1.1 billion (1.5) for Packaging, and SEK 2.5 billion (2.2) for Forest Products.
- Operating cash flow was SEK 11.5 billion (3.8).

### SCA at a glance

**Chairman:** Sverker Martin-Löf

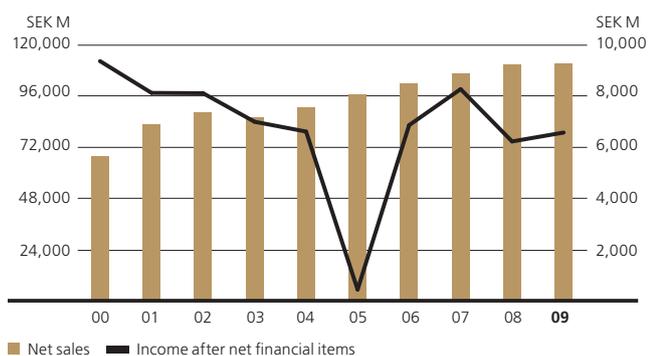
**CEO:** Jan Johansson

For more information on SCA, visit [www.sca.com](http://www.sca.com).

Key data	2009	2008
Earnings per share, SEK	6.78	7.94
Dividend per share, SEK	3.70 <sup>1</sup>	3.50
Share price, December 31, SEK		
Class A shares	95.35	67.00
Class B shares	95.45	66.75

1) Proposed by the board of directors.

### Net sales and income



### SCA's stock



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



## Strong position in high-strength steel



**Holding:** 51,589,646 Class A shares and 121,794 Class B shares  
 Market value: SEK 6,313 M  
 Share of votes: 20.7% Share of capital: 16.0%

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

**Industrivärden's nominating committee representative:**  
 Carl-Olof By (Committee Chairman)

**Share of equities portfolio: 12%**

### Operations

SSAB is a niche steel company with a base in Western Europe and North America. The steel operations have been successfully developed through a conscious specialization strategy aimed at consolidating the company's position as a leading producer of high-strength steel. SSAB's products make customers' products lighter, stronger and more durable. In the selected product segments, SSAB has achieved a strong market position and high profitability. In the sheet segment, SSAB specializes in advanced high-strength sheet, which is used in the engineering industry and by container manufacturers, for example. In the plate segment, SSAB is the world's leading producer of quenched steels,

i.e., plate with extra high strength and good weldability combined with high abrasion-resistance and good formability. Quenched steels are used in construction machinery, mining equipment and cranes, among other things. SSAB works according to a goal-oriented strategy aimed at accelerating growth for its niche products and enhancing the profitability of existing plants. To more clearly convey the customer offering, a new organizational structure was adopted as from January 2010, consisting of three geographic business areas.

### Performance 2009

- Net sales amounted to SEK 29.8 billion (54.3).
- Income after net financial items totaled SEK -2.1 billion (9.0).
- Demand fell sharply, but stabilized during the fourth quarter.
- The cost-cutting program that was launched in 2008 in an effort to lower fixed costs by at least SEK 1 billion per year from 2010 had a faster outcome than planned.

### SSAB at a glance

**Chairman:** Sverker Martin-Löf

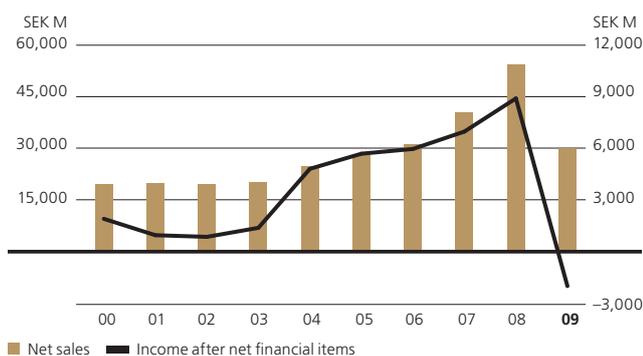
**CEO:** Olof Faxander

For more information on SSAB, visit [www.ssab.com](http://www.ssab.com).

Key data	2009	2008
Earnings per share, SEK	-2.69	19.90
Dividend per share, SEK	1.00 <sup>1</sup>	4.00
Share price on December 31, SEK		
Class A shares	112.10	68.00
Class B shares	111.50	63.50

1) Proposed by the board of directors.

### Net sales and income



### SSAB's stock



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



## Leading provider of mobile telecom infrastructure



**Holding:** 76,680,600 Class A shares  
Market value: SEK 4,984 M  
Share of votes: 13.6% Share of capital: 2.3%

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

**Industrivärden's nominating committee representative:**  
Carl-Olof By (Committee Chairman)

**Share of equities portfolio: 9%**

### Operations

As the world's largest supplier of network equipment and related services to telecom operators, Ericsson is a global player with customers in more than 175 countries and one of the few companies that can offer end-to-end solutions for all major mobile communication standards. Ericsson is the world leader in 2G (GSM) and 3G (WCDMA/HSPA) mobile networks. The company also has a leading position in LTE, the emerging global mobile broadband standard. Long-term relationships with all major operators result in Ericsson serving well over 40% of all mobile subscribers. Today Ericsson has a strong product portfolio in mobile as well as fixed line networks and systems for distribution of digital services via the Internet. The fast-growing service segment, in which the company has a leading position, makes up an increas-

ingly important part of the business. Today Ericsson's services business – which shows good margins – accounts for 40% of consolidated sales. Ericsson also conducts own mobile phone business through half-owned Sony Ericsson Mobile Communications and ST-Ericsson.

### Performance 2009

- Net sales were level with a year ago and amounted to SEK 206.5 billion.
- Income after net financial items fell 24% to SEK 18.8 billion (24.8), excluding SEK 11.3 billion in restructuring costs.
- Ericsson acquired Nortel's North American mobile systems business and the European company STElectronics, a manufacturer of semiconductor components for mobile applications.
- In all, the cost-cutting program is expected to generate annual cost reductions of SEK 15–16 billion starting with the second half of 2010.
- Hans Vesterberg took office as new President and CEO on January 1, 2010.

### Ericsson at a glance

**Chairman:** Michael Treschow

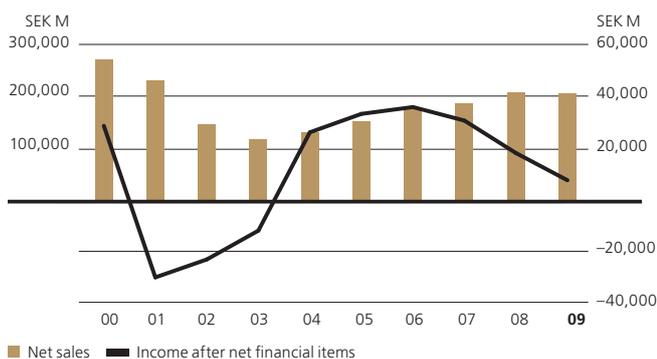
**CEO:** Hans Vestberg

For more information on Ericsson, visit [www.ericsson.com](http://www.ericsson.com).

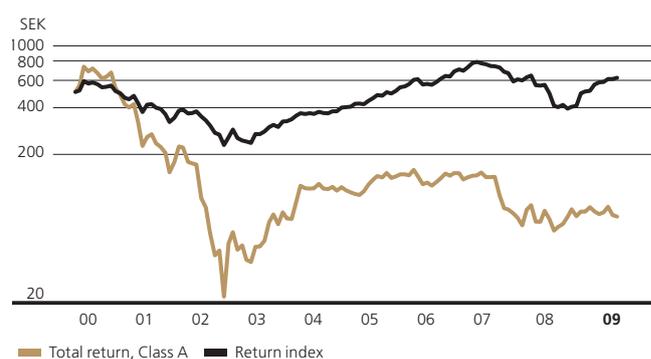
Key data	2009	2008
Earnings per share, SEK	1.14	3.52
Dividend per share, SEK	2.00 <sup>1</sup>	1.85
Share price on December 31, SEK		
Class A shares	65.00	59.30
Class B shares	65.90	58.80

1) Proposed by the board of directors.

### Net sales and income



### Ericsson's stock



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



## World leader in commercial transport solutions



**Holding:** 70,218,284 Class A shares  
Market value: SEK 4,283 M  
Share of votes: 8.5% Share of capital: 3.3%

**Board member with ties to Industrivärden:**  
Anders Nyrén

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

**Share of equities portfolio: 8%**

### Operations

Volvo Group is one of the world's leading suppliers of commercial transport solutions. Business is conducted through six business areas: Trucks, Construction Equipment, Buses, Volvo Penta, Volvo Aero and Financial Services. The company aims to create transport-related products and services of superior quality and safety for demanding customers in selected segments. Concern for the environment and energy efficiency permeates the company's products. As a whole Volvo is the world's second largest manufacturer of heavy trucks. Trucks are sold under the Volvo, Renault, Mack and Nissan Diesel brands, and by the Indian joint-

venture company under the Eicher brand. Construction Equipment manufactures a range of equipment for construction and other applications. Volvo Buses' product range includes city buses, intercity buses and coaches. Volvo Penta makes engines for boats and industrial applications. Volvo Aero manufactures components for aircraft engines.

### Performance 2009

- Net sales amounted to SEK 218.4 billion (304.6).
- Income after financial items totaled SEK -20.6 billion (14.0).
- Continuous work on adapting capacity and reducing overheads.
- Operating cash flow strengthened to SEK 10.7 billion (-2.7).

### Volvo at a glance

**Chairman:** Louis Schweitzer

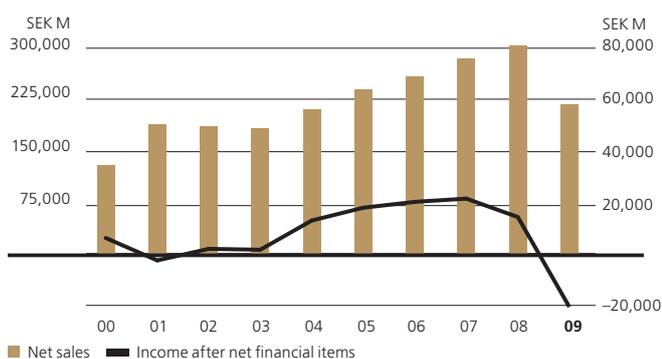
**CEO:** Leif Johansson

For more information on Volvo Group, visit [www.volvogroup.com](http://www.volvogroup.com).

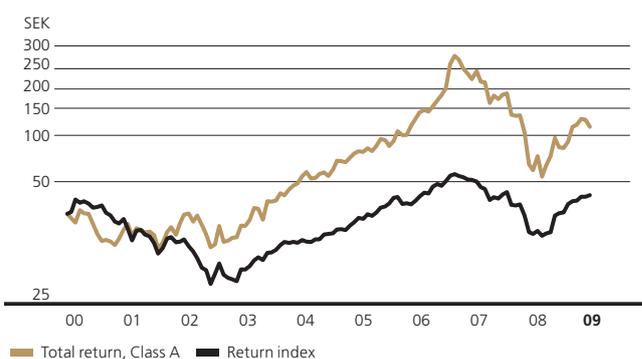
Key data	2009	2008
Earnings per share, SEK	-7.26	4.90
Dividend per share, SEK	0.00 <sup>1</sup>	2.00
Share price on December 31, SEK		
Class A shares	61.00	43.70
Class B shares	61.45	42.90

1) Proposed by the board of directors.

### Net sales and income



### Volvo's stock



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

# SKANSKA

## Leading construction and project development company with green profile



**Holding:** 15,091,940 Class A shares and 13,957,660 Class B shares  
Market value: SEK 3,533 M  
Share of votes: 27.3% Share of capital: 6.9%

**Board members with ties to Industrivärden:**  
Sverker Martin-Löf (Chairman), Finn Johnsson and Bengt Kjell

**Industrivärden's nominating committee representative:**  
Carl-Olof By (Committee Chairman)

**Share of equities portfolio: 6%**

immediate sale. Commercial Development initiates, develops, leases and sells commercial real estate projects, with a focus on offices, shopping centers and logistics properties. Infrastructure Development develops and invests in privately financed infrastructure projects, such as roads, hospitals, schools and power plants. Skanska strives to be the leading builder and project developer in its markets as well as in environmentally adapted and energy-efficient solutions.

### Performance 2009

- Net sales totaled SEK 136.8 billion (143.7).
- Income after financial items amounted to SEK 5.0 billion (4.4).
- Operating income for Construction, the largest business stream, rose to SEK 5.0 billion (3.8).
- Contracts awarded for highway projects in England and Poland will generate more than SEK 12 billion in future construction projects.

### Operations

Skanska is one of the largest construction companies in the world, with leading positions in its multiple home markets of Europe, the U.S. and Latin America. Its mission is to develop, build and maintain the physical environment for living, traveling and working. Skanska's overall goal is to generate customer and shareholder value, which is created in well-implemented and profitable projects. Operations are conducted in four so-called business streams: Construction, Residential Development, Commercial Development and Infrastructure Development. Construction involves buildings and civil construction projects as well as residential construction and is Skanska's largest business stream. The other business streams work with value-creating product development. Residential Development develops housing projects for

### Skanska at a glance

**Chairman:** Sverker Martin-Löf

**CEO:** Johan Karlström

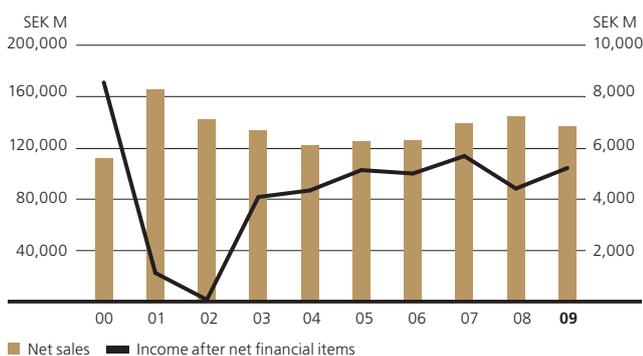
For more information on Skanska, visit [www.skanska.com](http://www.skanska.com).

Key data	2009	2008
Earnings per share, SEK	<b>8.73</b>	7.44
Dividend per share, SEK	<b>6.25<sup>1</sup></b>	5.25
Share price on December 31, SEK <sup>2</sup>		
Class B shares	<b>121.60</b>	77.50

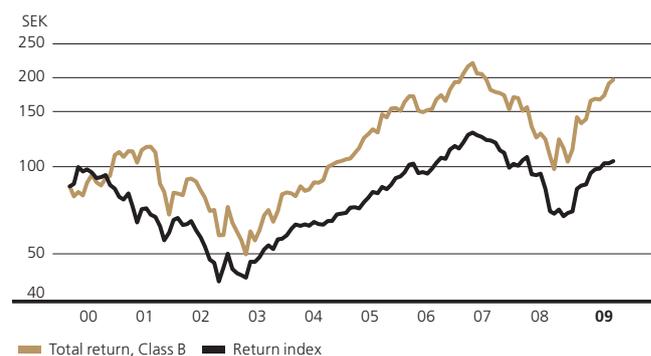
1) Proposed by the board of directors.

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

### Net sales and income



### Skanska's stock



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



## Leading Nordic player in industrial technology sales



**Holding:** 14,757,800 shares  
Market value: SEK 1,992 M  
Share of votes and capital: 36.9%

**Board member with ties to Industrivärden:**  
Bengt Kjell (Chairman)

**Industrivärden's nominating committee representative:**  
Carl-Olof By (Committee Chairman)

**Share of equities portfolio: 4%**

### Operations

Indutrade is a technology sales group that sells components, systems and services with a high-tech content to industrial customers in selected niches. In addition to the technology sales business is a growing share of own manufacturing companies with proprietary brands. The focus is on products and services for customers with a repetitive need, which provides stability to the business and its flow of revenues. The organization is decentralized, and the individual companies create value for their customers by structuring the value chain and enhancing the efficiency of their customers' use of technological components and systems. For Indutrade's suppliers, value is created through access to an effective sales organization with high technical expertise

and established customer relations. The aim is to make cooperation with Indutrade the most profitable way for suppliers to sell their products in the geographic markets in which Indutrade is active. Indutrade's most important products include valves, measuring and analysis instruments, industrial equipment, automation, pumps, filters and process technology, hydraulics and pneumatics, adhesives and chemical-technical products, cutting tools and pipe systems. The Group's various product areas are coordinated and controlled through four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products.

### Performance 2009

- Net sales totaled SEK 6.3 billion (6.8).
- Income after net financial items totaled SEK 0.5 billion (0.7).
- The operating margin (EBITA) was 9.5% (12.1%) and was level with the long-term target of at least 10% over a business cycle, despite the economic recession.

### Indutrade at a glance

**Chairman:** Bengt Kjell

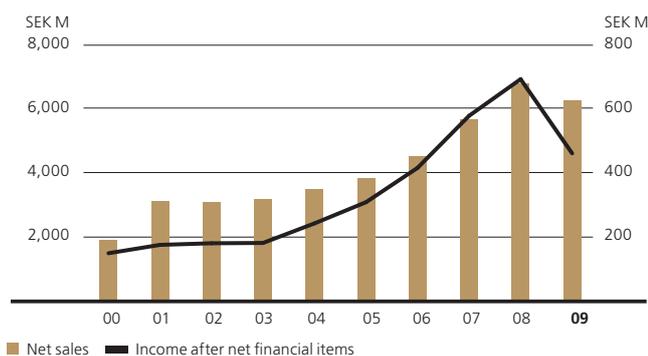
**CEO:** Johnny Alvarsson

For more information on Indutrade, visit [www.indutrade.com](http://www.indutrade.com).

Key data	2009	2008
Earnings per share, SEK	<b>8.53</b>	12.75
Dividend per share, SEK	<b>4.30<sup>1</sup></b>	6.40
Share price on December 31, SEK	<b>135.00</b>	66.25

1) Proposed by the board of directors.

### Net sales and income



### Indutrade's stock



**Comment:** Since its stock market introduction in 2005, Indutrade's stock has outperformed the return index.

## Leading supplier of metal powder technology



**Holding:** 3,550,000 Class B shares  
Market value: SEK 582 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

**Share of portfolio: 1%**

– such as brazing, welding and surface coating – and for water and air treatment. At its core, Höganäs's potential is built on the fact that metal powder creates major opportunities to develop better or entirely new products in many areas.

### Performance 2009

- Net sales totaled SEK 4.6 billion (6.1).
- Income after financial items amounted to SEK 0.3 billion (0.5).
- Operating cash flow strengthened to SEK 0.9 billion, mainly due to capacity adjustments.
- The launch of the Power of Powder product development center supports customers in their product development by providing relevant durability data.
- Anders G. Carlberg appointed as new Chairman of the Board.

### Höganäs at a glance

**Chairman:** Anders G. Carlberg

**CEO:** Alrik Danielson

For more information on Höganäs, visit [www.hoganas.com](http://www.hoganas.com).

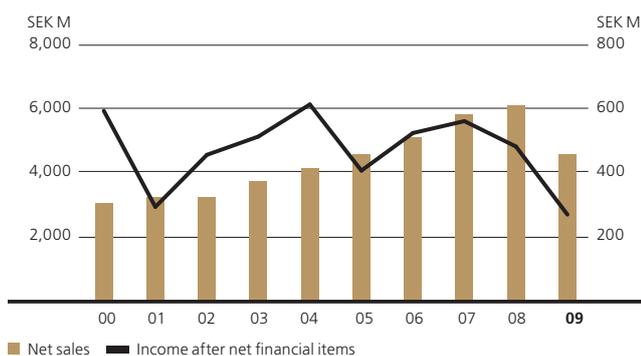
### Operations

Höganäs is the world's leading supplier of metal powder technology. The Components business area (70% of sales) produces press powder for component manufacturing, mainly in the automotive industry, but also in the consumer products industry. Metal powder is used in the manufacture of engines, gearboxes, electric tools, household appliances and locks, among other things. Press powder increases flexibility and makes components cheaper, more lightweight and more energy-efficient. The Consumables business area (30% of sales) covers metal powder used in processes, such as in producing metals, as additives in chemical processes

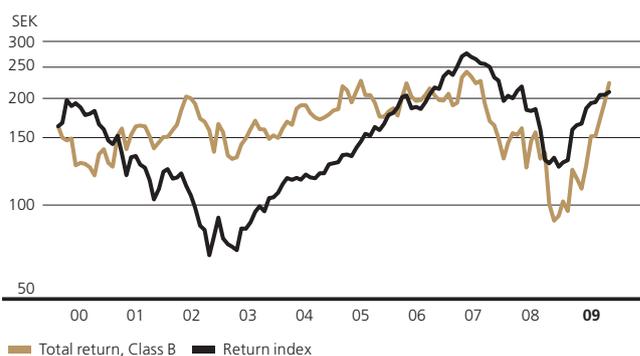
Key data	2009	2008
Earnings per share, SEK	<b>5.92</b>	11.31
Dividend per share, SEK	<b>3.00<sup>1</sup></b>	3.00
Share price on December 31, SEK		
Class B shares	<b>164.00</b>	70.00

1) Proposed by the board of directors.

### Net sales and income



### Höganäs's stock



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



## Strong global position in energy-efficient air treatment



**Holding:** 10,950,000 shares  
Market value: SEK 510 M  
Share of votes and capital: 14.6%

**Board member with ties to Industrivärden:** Bengt Kjell  
**Industrivärden's nominating committee representative:**  
Carl-Olof By (Committee Chairman)  
**Share of equities portfolio: 1%**

### Operations

Munters is a global leader in energy-efficient, customer application-driven moisture control solutions, with products for water and fire damage restoration as well as dehumidification, humidification, and air cooling and heating. The company also provides services for water and fire damage restoration. Munters conducts own operations in 30 countries, with high market shares in certain global market segments. With a platform resting on strong market positions, the company strives to broaden its product and service portfolio and pursue forward integration in the value chain in selected niches. The largest customers are in the insur-

ance, food and pharmaceutical industries. Munters' operations are divided into three divisions: Dehumidification, HumiCool and Moisture Control Services (MCS). The Dehumidification division offers products and total solutions for controlling humidity and improving the quality of indoor climates. HumiCool offers products and systems that create a controlled indoor climate. MCS offers services for water and fire damage restoration and for temporary climate control.

### Performance 2009

- Net income fell 1% to SEK 6.5 billion (6.6).
- Income after financial items fell 14% to SEK 0.2 billion (0.3).
- Efficiency-improvement programs that have been carried out since 2007 have moderated the effect of the market downturn.

### Munters at a glance

**Chairman:** Anders Ilstam

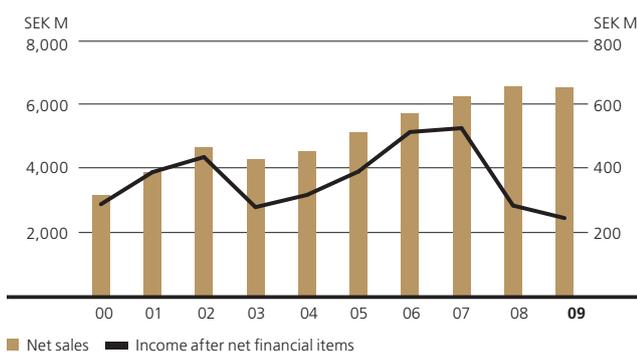
**CEO:** Lars Engström

For more information on Munters, visit [www.munters.com](http://www.munters.com).

Key data	2009	2008
Earnings per share, SEK	1.81	2.21
Dividend per share, SEK	1.00 <sup>1</sup>	0.00
Share price on December 31, SEK	46.60	38.40

1) Proposed by the board of directors.

### Net sales and income



### Munters' stock



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

# Board of Directors' Report including Corporate Governance Report

Registered number SE 556043-4200

The Board of Directors and President of AB Industrivärden (publ) herewith submit their annual report and consolidated financial statements for the 2009 fiscal year, the company's sixty-fifth year of operation. The following income statements, balance sheets, statements of changes in shareholders' equity, statements of cash flows and notes to the financial statements form an integral part of this annual report and have been audited by the Company's auditors.

## Operations

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

## CORPORATE GOVERNANCE REPORT

Industrivärden's governing bodies consist of the general shareholders' meetings, the Board of Directors, the President and CEO, and the auditors. At the Annual General Meeting, the shareholders elect a board and auditors. The Board appoints the President and CEO as well as executive vice presidents. The auditors audit the financial statements as well as the Board's and CEO's administration. The Nominating Committee is tasked with recommending directors and auditors for election by the Annual General Meeting.

Industrivärden adheres to the Swedish Code of Corporate Governance. The Corporate Governance Report pertains to the 2009 fiscal year and includes a report on the Nominating Committee's proposal ahead of the 2010 Annual General Meeting. The Corporate Governance Report has been audited by the Company's auditor.

## Shares and shareholders

Information on Industrivärden's stock and shareholders is provided in the Industrivärden share data section on pages 12–13.

## General shareholders' meetings

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

## Nominating Committee

The members of the Nominating Committee are Tom Hedelius (Chairman of the Board), Bo Damberg (appointed by the Jan Wallander and Tom Hedelius Foundation), Håkan Sandberg (Committee Chairman – appointed by the Handelsbanken Pension Foundation, Handelsbanken Pension Fund and others), Ulf Lundahl (appointed by L E Lundbergföretagen) and Anders Nyberg (appointed by the SCA Pension Foundations and others).

The Nominating Committee has proposed to the 2010 AGM that Olof Faxander, Boel Flodgren, Finn Johnsson, Fredrik Lundberg, Sverker Martin-Löf, Lennart Nilsson and Anders Nyrén be re-elected as directors on the Board. Tom Hedelius, who has been a director since 1991 and Chairman of the Board since 2002, has decided to leave the Board. In addition, the Committee has proposed the new election of Hans Larsson (B.A. – born 1942), Chairman of Handelsbanken, Nobia and Attendo, among others. Hans Larsson is a former CEO of Nordstjernen, Esselte and Swedish Match. The Nominating Committee proposes that Sverker Martin-Löf be appointed as Chairman of the Board.

## 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. The Chairman of the Board, Tom Hedelius, is a former CEO and subsequently former chairman of Handelsbanken. The Vice Chairman, Sverker Martin-Löf, is a former CEO of SCA and is currently Chairman of SCA, Skanska and SSAB. Olof Faxander is President and CEO of SSAB. Boel Flodgren is a professor of commercial law and a former president of Lund University. Finn Johnsson is a former CEO of Mölnlycke Health Care, United Distillers and Euroc. Fredrik Lundberg is CEO of L E Lundbergföretagen and Chairman of Cardo, Holmen and Hufvudstaden. Lennart Nilsson is a former CEO of Cardo. Industrivärden's CEO Anders Nyrén is a former executive vice president and CFO of Skanska and former executive vice president and CFO of Securum, among other positions.

A presentation of other significant assignments held by the members of the Board can be found on page 41. A more detailed description of the board members' professional experience can be found on Industrivärden's website.

## Independence conditions

Independence conditions concerning the members of the Board of Directors are shown in the table on page 25.

## 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

## 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, 2009 SEK 000 <sup>2</sup>	Non-independence in relation to Industrivärden <sup>3</sup>	Non-independence in relation to major shareholders
Tom Hedelius	1991	Chairman	Member	Chairman	All	All	1,200		X
Sverker Martin-Löf	2002	Vice Chairman	Chairman	Member	All	All	800		
Olof Faxander	2009	Director	Member	–	All <sup>4</sup>	All	400	X	
Boel Flodgren	2002	Director	Member	–	All	All	400		
Finn Johnsson	2000	Director	Member	–	All	All	400		
Fredrik Lundberg	2004	Director	Member	–	All	All	400		X
Lennart Nilsson	1997	Director	Member	–	All	All	400		
Anders Nyrén	2001	Director	–	–	All	–	–	X	
<b>Total</b>							<b>4,000</b>		

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

2) No fee is payable for committee work.

3) Anders Nyrén is President and CEO of Industrivärden and the only executive director of the Company. Olof Faxander is President and CEO of SSAB, in which Industrivärden is a major shareholder.

4) Olof Faxander was elected to the Board at the Annual General Meeting on May 8, 2009.

according to a yearly plan. Each meeting follows an agenda, which together with the underlying documentation is distributed to the directors in advance of each board meeting. In general, the Board deals with matters of material importance, such as:

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

The Board's role in Industrivärden's business model for active ownership is described at length on pages 5–9.

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

The statutory meeting deals with adoption of the Board's work plan, 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 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.

The regular meetings cover a number of set agenda items. These include, among other things, a report on the current financial result of operations and on the development of net asset value and the performance of the equities portfolio, including detailed information on equity transactions that have been carried out. Reports are also made on trends in share prices and earnings. In addition, a special review is normally conducted of one or more

of the portfolio companies and of potential investments. At one or more board meetings during the year, the management of one of the portfolio companies presents a report on their company's performance.

Committees appointed by the Board are tasked with conducting drafting work on matters ahead of board decisions.

Each year the Board evaluates the financial reporting it receives from the Company and makes demands on its content and design in order to ensure the quality of the financial reporting.

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

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

### Important matters for the Board during 2009

In 2009 the Board had a total of five meetings. The most important task of the Board concerned matters related to the active holdings in the equities portfolio and strategic planning. In addition, the Board dealt with preparations for the convertible bond issue that was decided on in January 2010.

### Compensation Committee

The Board has appointed a compensation committee, which held one meeting. The guidelines for compensation of senior executives were adopted by the 2009 Annual General Meeting. The Compensation Committee draws up recommendations for the CEO's compensation and decides on compensation for the other members of the executive management. The members of the Compensation Committee are Tom Hedelius (Chairman of the Board and Committee Chairman) and Sverker Martin-Löf (Vice Chairman of the Board). No compensation has been paid for directors' work on the committee.

### Proposed guidelines for executive compensation

As in the preceding year, 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 shall be commensurate with the executive's responsibilities and authority. The variable salary component consists of a short-term variable salary (yearly) and a long-term variable salary. The short-term variable salary component is based on outcome in relation to set targets and on individual performance, and shall have a cap and never exceed the base salary. The long-term variable salary is based on incentive programs that are linked to the long-term performance of the Company's stock. None of the variable components shall be pensionable. Upon termination 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 or 65 years of age, depending on their position. The Board may depart from these guidelines if there are special reasons for doing so in individual cases.

### Audit Committee

The Audit Committee, which held two meetings during the year, includes all of the members of the Board 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, governance 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 the 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 financial statements. No compensation has been paid to the members for their work on the committee.

### Auditors

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

In connection with each quarterly book-closing, the auditors review the business transactions that have been conducted with respect to accounting and reporting as well as the financial reports in general that are provided to the stock market. Against this background and in view of how the financial reporting has been organized in general, the Board finds no need for a dedicated review function in the form of an internal audit unit.

### Risks and uncertainties

The dominant risk in Industrivärden's business is share price risk,

i.e., the risk of a decrease in value caused by changes in share prices. A 1% change in the share price of the holdings in the equities portfolio as per December 31, 2009, would have affected the market value by approximately +/- SEK 500 M. A detailed description of the risks associated with Industrivärden's business is provided on page 33.

### Internal control of financial reporting

In view of the share price risk described above, the most important control process in Industrivärden's business consists of the continuous monitoring of its value exposure in the equities portfolio. Industrivärden's internal control is therefore primarily focused on ensuring the reliability of valuations of outstanding equity and derivative positions and of the reporting of purchases and sales of stocks and other securities.

According to the Swedish Companies Act, the Board is responsible for internal control. The Board's work plan lays out investment rules for equities and derivative instruments as well as a finance policy. Decision-making channels, authority and responsibility are defined by a set of investment rules as well as finance instructions. Industrivärden has an investment committee that has been set up specifically to make regular decisions on investment matters within the framework of the CEO's mandate.

Other processes with a bearing on the financial reporting are regulated by Industrivärden's insider rules, information policy, confidentiality policy and other policies.

Industrivärden's greatest risk consists of value exposure in the equities portfolio. The predominant risk in work processes pertains to potential errors in the accounting and reporting of equity transactions. Industrivärden continuously assesses the risks in the handling of equity transactions, which are discussed with the auditors and affect the structure of internal risk control.

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

### Insider rules

Industrivärden adheres to applicable insider rules and stipulations on public disclosure regarding transactions in shares of the portfolio companies. In addition, Industrivärden has internal rules that prohibit employees from trading in shares in the companies in which Industrivärden has major shareholdings for 30 days prior

*The holdings 2009*

SEK M	Dividend received 2009	Change in value	Net purchases and sales (-) per holding	Market value 12/31/2009	Total return, %
Handelsbanken	442	4,953	-261	12,896	70
Sandvik	430	5,092	-76	11,701	87
SCA	248	2,016	-	6,754	50
SSAB	212	2,832	-116	6,313	91
Ericsson	138	416	156	4,984	12
Volvo	140	1,209	17	4,283	45
Skanska	156	1,303	-120	3,533	68
Indutrade	94	1,014	-	1,992	116
Höganäs	11	333	-	582	142
Munters	0	90	-	510	21
<b>Total Equities Portfolio SIXRX</b>	<b>1,871</b>	<b>19,258</b>	<b>-400</b>	<b>53,548</b>	<b>63 53</b>

to publication of interim reports and the year-end report, including the day of reporting. All employees of Industrivärden are required to report their total holdings of financial instruments in the portfolio companies in an internal register.

**OPERATIONS****Net asset value**

During the year, net asset value increased from SEK 23.9 billion, or SEK 62 per share, to SEK 42.8 billion, or SEK 111 per share, a rise of 79%. The components making up net asset value are shown in the following table:

	SEK billion		SEK per share	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Equities portfolio	53.5	34.7	139	90
Interest-bearing net debt	-10.8	-10.8	-28	-28
<b>Net asset value</b>	<b>42.8</b>	23.9	<b>111</b>	62

*Equities portfolio*

The market value of the equities portfolio at year-end was SEK 53,548 M (34,744). The market value exceeded cost by SEK 23,161 M (3,579). Stocks were sold for a net amount of SEK 400 M (-330).

Taking into account purchases and sales, the value of the portfolio increased by 56% (-48%) during the year. The stock market index (OMXSPI) rose 47% (-42%) during the same period. The total return of the equities portfolio was 63% (-45%), compared with 53% (-39%) for the return index (SIXRX).

*Short-term derivative transactions and equity trading*

Group Company Nordinvest AB conducts short-term equity trading. During the year purchases of listed stocks totaled SEK 5,833 M (4,093) and sales totaled SEK 5,867 M (4,136). Profit from these activities was SEK 7 (7). Industrivärden's total income from short-term derivative transactions and equity trading amounted to SEK 100 M (68).

*Interest-bearing net debt*

At year-end 2009, interest-bearing net debt amounted to SEK 10,766 M (10,813), corresponding to a net debt-equity ratio of 20.1% (31.1%). Interest-bearing net debt decreased slightly. The net debt-equity ratio decreased as a result of the rise in value of the equities portfolio. Of interest-bearing net debt, SEK 2,100 M falls due for payment in 2010 and SEK 655 M in 2011. To meet these obligations, Industrivärden has, among other things, unutilized committed credit facilities with banks amounting to SEK 2,500 M.

**Proposed dividend**

The Board of Directors proposes a dividend of SEK 3.00 (4.50) 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 15.4%, or SEK 4.5 billion in the Parent Company, and 54%, or SEK 22.9 billion in the Group, is attributable to the fair valuation of assets and liabilities. Industrivärden's dividend policy is to pay the shareholders a dividend yield that is higher than the average for the Stockholm Stock Exchange. The Board finds that the proposed dividend is well balanced in view of the objectives, scope and risk of operations, as well as with respect to the Company's ability to meet its future obligations. According to the proposal, the total dividend payout amounts to SEK 1,159 M (1,738).

**Important events 2010**

In January the Board of Directors decided to make an offering of convertible bonds to European institutions. The bonds have a principal amount of EUR 500 M due 2015 and carry a coupon of 2.5% per annum.

The conversion price is SEK 115.50, which corresponded to net asset value on the issue date. The issue was approved by an Extraordinary General Meeting on February 12.

## Proposed distribution of earnings

According to the Consolidated Balance Sheet, retained earnings for the year including net income for the year amount to SEK 40,687 M, of which SEK 20,669 M consists of net income for the year.

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

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

Retained earnings according to decision by the 2009 AGM	18,155 SEK M	To the shareholders, a dividend of SEK 3.00 per share, totaling	1,159 SEK M
Net income for the year	8,970 SEK M	To be carried forward	25,966 SEK M
	<u>27,125 SEK M</u>		<u>27,125 SEK M</u>

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

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

Adoption of the Consolidated and Parent Company Income Statements and Balance Sheets will take place at the Annual General Meeting on May 5, 2010.

Stockholm, February 12, 2010

Tom Hedelius  
*Chairman*

Sverker Martin-Löf  
*Vice Chairman*

Olof Faxander  
*Director*

Boel Flodgren  
*Director*

Finn Johnsson  
*Director*

Fredrik Lundberg  
*Director*

Lennart Nilsson  
*Director*

Anders Nyrén  
*President and CEO, Director*

Our Audit Report was submitted on February 12, 2010

PricewaterhouseCoopers AB

Anders Lundin  
*Authorized Public Accountant*

## Group and Parent Company income statements

SEK M	Note	Group		Parent Company	
		2009	2008	2009	2008
Dividend income from stocks	1	1,871	2,918	1,095	2,841
Change in value of stocks	2	19,307	-31,505	8,328	-18,532
Short-term derivative transactions and equity trading	4	100	68	108	61
Management costs	5, 8, 9	-86	-81	-89	-81
Other income and expenses		0	1	0	-2
<b>Operating income</b>		<b>21,192</b>	<b>-28,599</b>	<b>9,442</b>	<b>-15,713</b>
Financial income	6	19	21	19	27
Financial expenses	6	-542	-536	-491	-537
<b>Income after financial items</b>		<b>20,669</b>	<b>-29,114</b>	<b>8,970</b>	<b>-16,223</b>
<b>Tax</b>	10	-	-	-	-
<b>Net income for the year</b>		<b>20,669</b>	<b>-29,114</b>	<b>8,970</b>	<b>-16,223</b>
<b>Earnings per share, SEK<sup>1</sup></b>		<b>53.51</b>	<b>-75.37</b>	<b>23.22</b>	<b>-42.00</b>
Net income for the year		20,669	-29,114	8,970	-16,223
Change in hedging reserve		30	-209	30	-209
<b>Comprehensive income for the year</b>		<b>20,699</b>	<b>-29,323</b>	<b>9,000</b>	<b>-16,432</b>

1) Net income for the year divided by 386,271,224 shares. There is no dilutive effect.

## Group and Parent Company balance sheets

SEK M	Note	Group		Parent Company	
		Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
<b>ASSETS</b>					
Property, plant and equipment	11	25	25	-	-
Equities	12	53,548	34,744	22,094	23,081
Shares in associated companies	12, 13, 15	-	-	5,252	7,833
Shares in subsidiaries	14, 15	-	-	11,948	2,145
Non-current receivables		-	69	-	69
<b>Total non-current assets</b>		<b>53,573</b>	<b>34,838</b>	<b>39,294</b>	<b>33,128</b>
Other current receivables	16	89	26	88	82
Short-term equity investments		128	15	135	-
Cash and cash equivalents		0	1,096	-	1,096
<b>Total current assets</b>		<b>217</b>	<b>1,137</b>	<b>223</b>	<b>1,178</b>
<b>TOTAL ASSETS</b>		<b>53,790</b>	<b>35,975</b>	<b>39,517</b>	<b>34,306</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Capital stock		966	966	966	966
Other capital contribution/Statutory reserve		1,062	1,062	1,062	1,062
Reserves/Fair value reserve		-171	-201	-171	-201
Retained earnings		20,018	50,870	18,155	36,116
Net income for the year		20,669	-29,114	8,970	-16,223
<b>Total shareholders' equity</b>		<b>42,544</b>	<b>23,583</b>	<b>28,982</b>	<b>21,720</b>
Non-current interest-bearing liabilities	17, 18	8,513	9,749	7,513	8,746
Non-current noninterest-bearing liabilities		13	15	-	-
<b>Total non-current liabilities</b>		<b>8,526</b>	<b>9,764</b>	<b>7,513</b>	<b>8,746</b>
Current interest-bearing liabilities		2,330	2,229	2,603	2,229
Other current liabilities	19	390	399	419	1,611
<b>Total current liabilities</b>		<b>2,720</b>	<b>2,628</b>	<b>3,022</b>	<b>3,840</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>53,790</b>	<b>35,975</b>	<b>39,517</b>	<b>34,306</b>
Contingent liabilities		0	0	1,000	1,003

## Group and Parent Company shareholders' equity

Changes in shareholders' equity, SEK M

Group	Capital stock <sup>1</sup>	Other capital contribution	Reserves <sup>2</sup>	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2007	966	1,062	8	54,743	-1,942	54,837
Change in hedging reserve	-	-	-209	-	-	-209
<b>Total transactions reported in shareholders' equity</b>	-	-	-209	-	-	-209
Transfer of previous year's net income	-	-	-	-1,942	1,942	-
Net income for the year	-	-	-	-	-29,114	-29,114
<b>Total reported income and expenses</b>	-	-	-	-1,942	-27,172	-29,114
Dividend to shareholders	-	-	-	-1,931	-	-1,931
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2008</b>	<b>966</b>	<b>1,062</b>	<b>-201</b>	<b>50,870</b>	<b>-29,114</b>	<b>23,583</b>
Change in hedging reserve	-	-	30	-	-	30
<b>Total transactions reported in shareholders' equity</b>	-	-	30	-	-	30
Transfer of previous year's net income	-	-	-	-29,114	29,114	-
Net income for the year	-	-	-	-	20,669	20,669
<b>Total reported income and expenses</b>	-	-	-	-29,114	49,783	20,669
Dividend to shareholders	-	-	-	-1,738	-	-1,738
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2009</b>	<b>966</b>	<b>1,062</b>	<b>-171</b>	<b>20,018</b>	<b>20,669</b>	<b>42,544</b>

Parent Company	Capital stock	Statutory reserve	Fair value reserve	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2007	966	1,062	8	39,430	-1,383	40,083
Change in hedging reserve	-	-	-209	-	-	-209
Transfer of previous year's net income	-	-	-	-1,383	1,383	-
Net income for the year	-	-	-	-	-16,223	-16,223
Dividend to shareholders	-	-	-	-1,931	-	-1,931
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2008</b>	<b>966</b>	<b>1,062</b>	<b>-201</b>	<b>36,116</b>	<b>-16,223</b>	<b>21,720</b>
Change in hedging reserve	-	-	30	-	-	30
Transfer of previous year's net income	-	-	-	-16,223	16,223	-
Net income for the year	-	-	-	-	8,970	8,970
Dividend to shareholders	-	-	-	-1,738	-	-1,738
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2009</b>	<b>966</b>	<b>1,062</b>	<b>-171</b>	<b>18,155</b>	<b>8,970</b>	<b>28,982</b>

1) After the 2:1 split in 2007, the capital stock as per December 31, 2008, consisted of 386,271,224 shares, of which 268,547,404 were Class A shares and 117,723,820 were Class C shares.

The share quota value is SEK 2.50. See also the Industrivärden share data section, pages 12–13.

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

## Group and Parent Company statements of cash flows

SEK M	Note	Group		Parent Company	
		2009	2008	2009	2008
<b>OPERATING ACTIVITIES</b>					
Dividend income from stocks	1	1,871	2,918	1,095	2,841
Cash flow from short-term derivate transactions and equity trading		91	87	78	54
Management costs paid		-87	-79	-87	-79
Other items affecting cash flow		15	-	0	-
<b>Cash flow from operating activities before financial items</b>		<b>1,890</b>	<b>2,926</b>	<b>1,086</b>	<b>2,816</b>
Interest received		22	23	22	23
Interest paid		-559	-539	-508	-536
Other financial items		-12	-8	-12	-8
Tax paid		0	-1	-	-
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>1,341</b>	<b>2,401</b>	<b>588</b>	<b>2,295</b>
<b>INVESTING ACTIVITIES</b>					
Net purchases/sales of listed stocks	3	400	-330	11,793	-330
Sale of subsidiaries/listed shares to subsidiaries		40	-	40	2,438
Shareholder contribution and other items		-	-2	-9,790	-2,143
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>440</b>	<b>-332</b>	<b>2,043</b>	<b>-35</b>
<b>FINANCING ACTIVITIES</b>					
Loans raised and amortization of debt		-1,139	701	-863	-305
Change in financing of subsidiaries		-	-	-1,126	818
Dividend paid		-1,738	-1,931	-1,738	-1,931
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-2,877</b>	<b>-1,230</b>	<b>-3,727</b>	<b>-1,418</b>
<b>NET CASH FLOW FOR THE YEAR</b>		<b>-1,096</b>	<b>839</b>	<b>-1,096</b>	<b>842</b>
<b>Cash and cash equivalents at start of year</b>		<b>1,096</b>	<b>257</b>	<b>1,096</b>	<b>254</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>0</b>	<b>1,096</b>	<b>0</b>	<b>1,096</b>

# Accounting policies

## Applied rules

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as adopted by the EU and with application of RFR 1.2. The Annual Report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and with application of RFR 2.2. Starting on January 1, 2009, the Group applies the revised IAS 1 Presentation of Financial Statements. This change has affected Industrivärden's accounting retrospectively and entails that income and expenses that were previously reported directly against shareholders' equity are now reported in a separate statement directly after the income statement. The Group also applies IFRS 7, which entails additional supplementary disclosures. The most important accounting policies applied are specified below. Unless otherwise stated, these are unchanged compared with preceding years. The continuing amendments and interpretations of accounting recommendations that have been made as from January 1, 2009, have not had any effect on the Group's result of operations or position.

## Basis of presentation

Industrivärden applies the cost method except for equity investments and derivative instruments, which are mainly stated at fair value through profit or loss. In the consolidated accounting, Industrivärden has elected to report continuing changes in the market value of all holdings of listed shares and equity derivatives through profit or loss. In accordance with IAS 28, point 1, holdings in listed associated companies are also reported in the same way, which is judged to provide a more accurate picture of the Group's result of operations and position. Reporting of changes in the market value of listed equities through profit or loss 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 in agreement with total reported net asset value.

## Principles of consolidation

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

## Associate accounting

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

## Recognition of income

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

## Reporting of financial assets and liabilities

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

## Issued stock options

Option premiums received are booked as a liability and are deducted from premiums paid upon repurchase. If an issued option expires without being exercised, the premium is recognized as income. Upon exercise of an issued option, the premium increases the exercise price upon the sale of 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.

## Hedging of fixed interest rates

The interest coupon portion is reported as a current interest expense, while other market value changes of the swap are reported directly against the hedging reserve in shareholders' equity.

## Non-current assets

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

## Cash and cash equivalents

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

## Borrowings

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

## Pensions

Pension liability refers to defined benefit individual pension obligations – all calculated annually 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. Industrivärden has elected at the Group level to utilize the so-called corridor in reporting actuarial gains and losses.

## Parent Company

Listed shares in 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 Annual Accounts Act. In its reporting of pensions, the Parent Company complies

with the Pension Obligations Vesting Act (*Tryggandelagen*) and FAR accounting recommendation no. 4, Reporting of pension liabilities and pension costs.

# Financial risk management

## General

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

## Equities risk

Equities risk pertains mainly to share price risk, which is the entirely dominant risk in Industrivärden's business. By share price risk is meant the risk of a decline in value caused by changes in prices in the stock market. Industrivärden's active ownership should reduce the relative equities risk in the portfolio companies and thus also in Industrivärden's portfolio. Moreover, the active ownership role provides good insight into the portfolio companies' operations, 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 made up of the members of the executive management. Decisions are based on analyses that are presented by the investment organization. In addition to investments in listed stocks, Industrivärden also conducts transactions in standardized and non-standardized stock options. The subsidiary Nordinvest conducts short-term equity trading within the framework of Industrivärden's strategy. Equities risk in this respect is mitigated 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, 2009, would have impacted net asset value by SEK +/-500 M. Equities risk also includes liquidity risk, which can arise, for example, for a stock that is difficult to sell. Industrivärden's equities portfolio consists of listed stocks with good liquidity, and thus the liquidity risk is limited.

## Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will vary due to changes in market interest rates. The financial instruments that are exposed to interest rate risk consist of loans

with variable interest rates and swap agreements with variable rates. Swap agreements may be used to limit interest expenses and to adjust maturities. Industrivärden's interest rate risk and its effect on earnings are judged to be low. At year-end 2009, three interest rate swap agreements were in effect under which variable interest rates had been swapped against fixed interest rates. The agreements pertain to borrowings totaling SEK 2,500 M with terms of 1–4 years. At year-end 2009 the market value of the interest rate swap agreements was SEK –171 M, which is reported directly against shareholders' equity.

## Liquidity risk and refinancing risk

Liquidity risk is the risk of encountering difficulties in accessing liquid assets in order to meet obligations associated with financial instruments. In accordance with Industrivärden's finance policy, at any given time the Group has a minimum of SEK 2 billion in 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 considerably higher cost. In the aim of minimizing refinancing risk, the loans' maturities are distributed evenly over time to lower the likelihood of a large portion of loans being refinanced at the same date. Industrivärden's liquidity risk and refinancing risk are judged to be low. With an equity ratio of 79% (66%), 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 obligations and thereby causing loss to the other party. Internal rules set by Industrivärden prescribe high creditworthiness of counterparties with respect to investments, derivative transactions, etc., which is why counterparty risk is considered to be low.

## Operational risks

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

# Financing

## Organization

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

## Financing

Industrivärden's financing is arranged through both short- and long-term borrowing. The financing facilities give Industrivärden the ability to act on attractive investment opportunities at short notice.

### Credit facilities as per December 31, 2009

	Amount, SEK M	Utilized amount, SEK M	Term
Bank loans	7,200	7,200	2010–2017
MTN program	8,000	1,255	2010–2012
<b>Total long-term borrowing</b>		<b>8,455</b>	
MTN program	–	1,200	
Commercial paper	2,000	900	
Bank overdraft facility	500	230	
<b>Total short-term borrowing</b>		<b>2,330</b>	

Industrivärden has unutilized credit commitments for bank loans totaling SEK 2,500 M.

### Average interest rate and terms of fixed interest

The average interest rate for Industrivärden's debt portfolio as per December 31, 2009, was 4.4% (4.7%). The average term of fixed interest was 47 months (56).

### Change in Group's interest-bearing net debt

SEK M	Dec. 31, 2009	Cash flow	Change in bor- rowing	Other changes	Dec. 31, 2008
Cash and cash equivalents	0	-1,096	–	–	1,096
Interest-bearing receivables	77	–	–	8	69
Non-current interest-bearing receivables	8,513	–	-1,236	–	9,749
Current interest-bearing receivables	2,330	–	101	–	2,229
<b>Interest-bearing net debt</b>	<b>10,766</b>	1,096	-1,135	-8	10,813

## Liquidity analysis

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

SEK M	2010	2011–2014	After 2014	Total
Interest-bearing receivables	77	–	–	77
Interest-bearing liabilities	-2,765	-6,217	-3,937	-12,919
Derivative instruments	-87	-10	–	-97
<b>Total as per December 31, 2009</b>	<b>-2,775</b>	<b>-6,227</b>	<b>-3,937</b>	<b>-12,939</b>

SEK M	2009	2010–2013	After 2013	Total
Interest-bearing receivables	1,096	73	–	1,169
Interest-bearing liabilities	-2,635	-6,700	-5,087	-14,422
Derivative instruments	–	-42	–	-42
<b>Total as per December 31, 2008</b>	<b>-1,539</b>	<b>-6,669</b>	<b>-5,087</b>	<b>-13,295</b>

## Ratings

Industrivärden has been assigned international corporate credit ratings of A/Stable/A–1 by Standard & Poor's, which has also assigned the commercial paper programs credit ratings of K1 and A–1, respectively.

### Fair valuation of financial instruments

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	53,548	–	–	53,548
<b>Total assets</b>	<b>53,548</b>	<b>–</b>	<b>–</b>	<b>53,548</b>
<b>Liabilities</b>				
Other current liabilities				
– Equity derivatives	–	97	–	97
– Derivative instruments used for hedging purposes	–	171	–	171
<b>Total liabilities</b>	<b>–</b>	<b>268</b>	<b>–</b>	<b>268</b>

According to IFRS 7, financial instruments are carried at fair value based on a hierarchy of 3 different levels. The classification is based on the input data used in the valuation of the instruments.

For level 1, listed prices in an active market are used, e.g., stocks quoted on the Stockholm Stock Exchange. For level 2, other observable market data than quoted prices for the asset or liability is used.

For level 3, fair value is determined using a valuation technique that is based on assumptions that are not supported by prices in observable data nor by available, observable market information.

## Notes

Amounts in millions of Swedish kronor (SEK M) unless stated otherwise.

### Note 1 Dividend income from stocks

	2009	2008
Ericsson	138	190
Handelsbanken	442	923
Höganäs	11	22
Indutrade	94	77
Munters	–	27
Sandvik	430	546
SCA	248	312
Skanska	156	267
SSAB	212	283
Volvo	140	261
Other	–	10
<b>Group</b>	<b>1,871</b>	<b>2,918</b>

### Note 2 Change in value of stocks

	2009	2008
Ericsson	417	–1,305
Handelsbanken	4,953	–5,514
Höganäs	333	–183
Indutrade	1,014	–841
Munters	90	–420
Sandvik	5,092	–8,564
SCA	2,015	–3,567
Skanska	1,303	–1,480
SSAB	2,832	–5,723
Volvo	1,209	–3,612
Other	–	–304
	<b>19,258</b>	<b>–31,513</b>

Long-term derivative transactions	2009	2008
<b>Group<sup>1</sup></b>	<b>48</b>	<b>8</b>
	<b>19,307</b>	<b>–31,505</b>

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.

### Note 3 Net purchases and sales (–) per holding

	2009	2008
Ericsson	156	–149
Handelsbanken	–261	–441
Höganäs	–	–53
Indutrade	–	–
Munters	–	–
Sandvik	–76	71
SCA	–	16
Skanska	–120	–236
SSAB	–116	–631
Volvo	17	1,753
<b>Group</b>	<b>–400</b>	<b>330</b>

### Note 4 Short-term derivative transactions and equity trading

	Group		Parent Company	
	2009	2008	2009	2008
Short-term equity and derivative transactions	93	61	108	61
Short-term equity trading by Nordinvest	7	7	–	–
<b>Total</b>	<b>100</b>	<b>68</b>	<b>108</b>	<b>61</b>

Short-term equity derivative transactions pertain to issued call and put options based on the holdings in the portfolio companies.

### Note 5 Management costs

	2009	2008
Payroll costs	–45	–41
Directors' fees including social security costs	–5	–5
Other <sup>1</sup>	–36	–35
<b>Group</b>	<b>–86</b>	<b>–81</b>

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

### Note 6 Financial income and expenses

	Group		Parent Company	
	2009	2008	2009	2008
<b>Financial income</b>				
Interest income – subsidiaries	–	–	–	6
Interest income – other	19	21	19	21
<b>Total</b>	<b>19</b>	<b>21</b>	<b>19</b>	<b>27</b>

	Group		Parent Company	
	2009	2008	2009	2008
<b>Financial expenses</b>				
Interest expenses – subsidiaries	–	–	–1	–5
Interest expenses – other	–530	–527	–478	–524
Bank charges	–12	–7	–12	–7
Other	–	–1	–	–1
<b>Total</b>	<b>–542</b>	<b>–535</b>	<b>–491</b>	<b>–537</b>

### Note 7 Average number of employees

	2009		2008	
	Number of employees	Of whom, women	Number of employees	Of whom, women
<b>Parent Company</b>	<b>19</b>	<b>6</b>	19	5
<b>Subsidiaries</b>	<b>2</b>	<b>–</b>	2	–
<b>Total</b>	<b>21</b>	<b>6</b>	21	5

**Note 8 Wages, salaries and other remuneration; social security costs**

	2009			2008		
	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</b> <sup>1,2</sup>	<b>25</b>	<b>20</b>	<b>12</b>	24	22	15
<b>Subsidiaries</b>	<b>6</b>	<b>3</b>	<b>1</b>	6	3	1
<b>Total Sweden</b>	<b>31</b>	<b>23</b>	<b>13</b>	30	25	16

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

	2009				2008			
	Board of directors, CEOs and executive vice presidents	Of which, variable salary portion	Directors' fees paid to the Company <sup>2</sup>	Other employees	Board of directors, CEOs and executive vice presidents	Of which, variable salary portion	Directors' fees paid to the Company <sup>2</sup>	Other employees
<b>Parent Company</b> <sup>1</sup>	<b>10</b>	–	<b>–5</b>	<b>20</b>	10	–	<b>–6</b>	20
<b>Subsidiaries</b>	<b>4</b>	<b>2</b>	–	<b>2</b>	4	2	–	2
<b>Total Sweden</b>	<b>14</b>	<b>2</b>	<b>–5</b>	<b>22</b>	14	2	<b>–6</b>	22

1) See below.

2) Directors' fees payable to the CEO and an Executive Vice President, totaling SEK 6 M (5), which were associated with their duties, have been paid to the Parent Company and thereby reduced the payroll cost.

**Compilation of executive management's compensation and pension costs for 2009**

	Base salary	Variable salary portion	Other benefits	Pension cost
CEO	6.1	–	0.1	6.2
Other members of executive management (4 persons) <sup>1</sup>	8.7	4.0	0.3	2.3
<b>Total Sweden</b>	<b>14.8</b>	<b>4.0</b>	<b>0.4</b>	<b>8.5</b>

1) Bengt Kjell was on leave of absence from September 1, 2009, and decided to leave the company in January 2010.

**Directors' fees and executive compensation**

- The Nominating Committee, which has been appointed in the manner decided by the Annual General Meeting, submits recommendations on directors' fees to the Annual General Meeting. 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. The Board was paid a fee of SEK 4.0 M (3.6), in accordance with a resolution by the Annual General Meeting in 2009. Of this amount, the Chairman received SEK 1.2 M (1.2) and the Vice Chairman SEK 0.8 M (0.8). Other directors, except for the CEO, each received SEK 0.4 M (0.4). No fee is paid for committee work.
- Compensation of the CEO and other members of the executive management, of whom one is an employee of Nordinvest, is based on guidelines adopted by the 2009 Annual General Meeting. The Compensation Committee submits a recommendation to the Board on the CEO's compensation and decides on the compensation of other members of the executive management. The members of the executive management receive a base salary, a variable salary component, standard employment benefits, and pension benefits. The CEO received a base salary of SEK 6.1 M (6.1). The CEO has the right to a discretionary, variable salary component for 2009 amounting to a maximum of 50% of his base salary. Variable salary for 2009 amounted to SEK 0.0 M (0.0). The CEO is entitled to pension benefits between 60 and 65 years of age equivalent to 70% of his average base salary during the three years prior to his sixtieth birthday, and to lifetime retirement pension benefits after 65 years of age equivalent to 60% of his average base salary during the three years prior to retirement, indexed from the date of retirement in the same manner that would apply for a pension from Alecta. Pension benefits are earned on a linear basis up until retirement and are vested, i.e., they are not conditional with respect to future employment. In addition, the CEO is entitled to disability pension equivalent to 50% of his base salary the year before such pension occasion, and his survivors are entitled to survivorship benefits equivalent to 35% of his base salary plus a supplement for children under the age of 20. The cost of defined benefit pension obligations in 2009

was SEK 6.2 M (5.5). The Company must give two years' notice if it cancels the CEO's employment contract.

The other members of the executive management together received base salary of SEK 8.7 M (9.2). The variable salary portion pertaining to the 2009 fiscal year amounted to SEK 4.0 M (1.5), which will be paid out in 2010. The other members of the executive management 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 2009 for these executives was SEK 2.3 M (2.1). In the event the Company serves notice, these executives are entitled to two years' notice.

Other members of the executive management are entitled to a performance-based variable salary component, which for 2009 could amount to a maximum of 50% – and in one case 100% – of their respective base salaries. The outcome is based on the achievement of individually set goals as well as on joint targets regarding growth in net asset value.

**Share-based incentive programs**

The 2008 Annual General Meeting of AB Industrivärden resolved that all employees of the Group would be offered stock options in Industrivärden at market terms and in other respects in accordance with the Board's complete proposal to the Annual General Meeting. The program involved the issuance of a maximum of 1,000,000 stock options for 1,000,000 Class C shares and has been secured through a share swap. The offer was fully subscribed. In accordance with the terms of the offer, the exercise price per share was set at SEK 106.80. The options can be exercised to purchase Class C shares in the Company during the period July 1, 2008, through May 31, 2013. Under the condition that the respective employees remain employed by Industrivärden three years after purchasing their options, the Company will pay a subsidy for their option purchase corresponding to 75% of the option premium paid (gross, before tax). The Company's costs for the subsidy will be covered by revenue from the sale of the options.

**Note 9 Auditors' fees**

	Group <sup>1</sup>		Parent Company <sup>1</sup>	
	2009	2008	2009	2008
Auditing fees				
PricewaterhouseCoopers	1.2	1.6	0.9	1.4
Consulting fees				
PricewaterhouseCoopers	0.3	0.7	0.3	0.7
<b>Total</b>	<b>1.5</b>	<b>2.3</b>	<b>1.2</b>	<b>2.1</b>

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

**Note 10 Tax Condensed tax computation for the Parent Company (see page 43)**

	2009	2008
Market value of equities portfolio on January 1	34,744	65,844
Less: business-related shares	-31,439	-56,699
Basis for standard income	3,305	9,145
Standard earnings 1.5%	50	137
Dividends received during each year	1,095	2,841
Management costs, net financial items, etc.	-544	-589
Dividend paid out <sup>2</sup>	-1,159 <sup>1</sup>	-1,738
Taxable income	-558	651
Tax-loss carryforward from previous years	-4	-655
Accumulated tax-loss carryforward	-562	-4

1) Proposed by the Board of Directors.

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

**Note 11 Property, plant and equipment**

	Group		Total property, plant and equipment
	Land and buildings	Equipment	
Opening cost	25	17	42
Investments during the year	1	0	1
Sales and disposals	-	0	0
Closing accumulated cost	26	17	43
Opening amortization	-7	-10	-17
Amortization for the year	0	-1	-1
Sales and disposals	-	0	0
Closing accumulated amortization	-7	-11	-18
<b>Residual value, 12/31/2009</b>	<b>19<sup>1</sup></b>	<b>6</b>	<b>25</b>
Residual value, 12/31/2008	18 <sup>1</sup>	7	25

The tax assessment value of Swedish properties was SEK 40 M (40).

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

**Note 12 Equities**

	Number of shares	Share of capital, %	Share of votes, %	2009			2008
				Cost	Market value <sup>1</sup>	Market value <sup>1</sup>	
Ericsson A	76,680,600	2.3	13.6	3,281	4,984	4,412	
Handelsbanken A	63,082,564	10.1	10.3	5,257	12,881	8,189	
Handelsbanken B	72,145			15	15	15	
Höganäs B	3,550,000	10.1	8.1	637	582	249	
Indutrade <sup>2</sup>	14,757,800	36.9	36.9	102	1,992	978	
Munters	10,950,000	14.6	14.6	684	510	420	
Sandvik	135,431,200	11.4	11.4	6,220	11,701	6,685	
SCA A	45,100,000	10.0	29.2	821	4,301	3,256	
SCA B	25,700,000			1,757	2,453	1,482	
Skanska A	15,091,940	6.9	27.3	714	1,835	1,163	
Skanska B	13,957,660			854	1,698	1,187	
SSAB A	51,589,646	16.0	20.7	3,509	6,299	3,589	
SSAB B	121,794			18	14	8	
Volvo A	70,218,284	3.3	8.5	6,518	4,283	3,057	
Other						54	
<b>Group's holdings of equities</b>				<b>30,387</b>	<b>53,548</b>	34,744	
<b>Less: associated companies</b>					-10,036	-10,685	
<b>Less holdings owned by subsidiaries</b>					-21,418	-978	
<b>Parent Company's holdings of equities, excluding shares in associated companies and subsidiaries</b>					<b>22,094</b>	23,081	

1) The market value corresponds to the book value.

2) In 2005 and 2006 Indutrade 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.

**Note 13 Shares in associated companies**

	Reg. no.	Domicile	Shareholders' equity	Earnings after tax	Parent Company			Book value
					Share of capital, %	Share of votes, %	No. shares, 000s	
SCA <sup>1</sup>	556012-6293	Stockholm	67,906	4,830	0	0	2,000	156
Skanska	556000-4615	Stockholm	20,457	3,628	6.9	27.3	29,050	1,569
SSAB	556016-3429	Stockholm	31,002	-879	16.0	20.7	51,711	3,527
<b>Total</b>								<b>5,252</b>

1) In 2009 the Parent Company AB Industrivärden sold the majority of its shareholding in SCA to the wholly owned subsidiary Industrivärden Förvaltnings AB. The Parent Company's remaining shareholding in SCA continues to be defined as an associate company.

**Note 14 Shares in subsidiaries**

	Reg. no.	Domicile	Share of capital, %	No. shares	Shareholders' equity	Parent Company	
						Book value	
Industrivärden Invest AB	556775-6126	Stockholm	100	1,000	12,363	6,150	
Industrivärden Förvaltning AB	556777-8260	Stockholm	100	1,000	4,340	4,100	
Industrivärden Holding AB	556260-3067	Stockholm	100	10,000	640	1,500	
Indus Innovation AB	556364-7758	Stockholm	100	100,000	1	42	
Industrivärden Service AB	556289-9160	Stockholm	100	10,000	12	1	
Floras Kulle AB	556364-8137	Stockholm	100	10,000	195	155	
<b>Total</b>							<b>11,948</b>

**Note 15 Change in equities**

	Group	
	Equities	
	2009	2008
Opening value	34,744	65,844
Reclassification to short-term investment	-54	-
Disposals at sales value	-1,645	-4,314
Purchases	1,245	4,644
Change in value	19,258	-31,430
<b>Closing value</b>	<b>53,548</b>	<b>34,744</b>

	Parent Company							
	Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Opening value	23,081	41,719	7,833	9,695	2,145	97	33,059	51,511
Reclassification to short-term investment	-54	-	-	-	-	-	-54	-
Disposals at sales value	-8,475	-2,894	-4,564	-3,427	-	-429	-13,039	-6,750
Purchases	1,240	4,075	5	569	9,803	2,141	11,048	6,785
Change in value	6,302	-19,819	1,978	996	-	283	8,280	-18,540
Other	-	-	-	-	-	53	-	53
<b>Closing value</b>	<b>22,094</b>	<b>23,081</b>	<b>5,252</b>	<b>7,833</b>	<b>11,948</b>	<b>2,145</b>	<b>39,294</b>	<b>33,059</b>

**Note 16 Other current receivables**

	Group		Parent Company	
	2009	2008	2009	2008
Interest-bearing receivables	77	–	77	–
Receivables from subsidiaries	–	–	0	58
Prepaid expenses and accrued income	12	24	11	24
Other current receivables	0	2	0	–
<b>Total</b>	<b>89</b>	<b>26</b>	<b>88</b>	<b>82</b>

**Note 17 Pensions***Defined contribution plans*

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

*Defined benefit plans*

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

The pension liability as per December 31, 2009, amounted to SEK 58 M (50) for the Group and SEK 58 M (47) for the Parent Company. The value of plan assets was SEK 3 M (5) for the Group and Parent Company.

Unreported actuarial losses amounted to SEK 4 M (7) for the Group and Parent Company.

The Group's total reported pension costs amount to SEK 13 M (16), of which SEK 12 M (15) pertains to the Parent Company. Interest on pension obligations and the return on plan assets are reported in the Income Statement as Financial items. For 2010, the Parent Company's pension costs are estimated to amount to approximately SEK 12 M.

Actuarial assumptions	Group	
	2009	2008
Discount rate, %	3.8	3.5
Anticipated return on plan assets, %	5.00	5.00
Future salary increases, %	4.0	4.0
Anticipated inflation, %	1.5	1.5

**Note 18 Non-current interest-bearing liabilities**

	Group		Parent Company	
	2009	2008	2009	2008
Bond issues	1,255	2,499	1,255	2,499
Promissory note	7,200	7,200	6,200	6,200
Pension liability (see Note 17)	58	50	58	47
<b>Total</b>	<b>8,513</b>	<b>9,749</b>	<b>7,513</b>	<b>8,746</b>

Maturity dates of loans	Group		Parent Company	
	2009	2008	2009	2008
–2010	–	1,199	–	1,199
–2011	655	700	655	700
–2012	1,300	1,300	1,300	1,300
–2013 or later <sup>1</sup>	6,558	6,550	5,558	5,547
<b>Total</b>	<b>8,513</b>	<b>9,749</b>	<b>7,513</b>	<b>8,746</b>

1) Of which, pension liability 58 50 58 47

Market valuation of current and long-term interest-bearing liabilities as per 12/31/2009 would increase the interest-bearing liabilities by SEK 393 M (–364).

**Note 19 Other current liabilities**

	Group		Parent Company	
	2009	2008	2009	2008
Interest rate swaps	171	201	171	201
Other current liabilities	113	82	113	70
Accrued interest	57	86	57	86
Other accrued expenses	46	28	36	28
Liabilities to subsidiaries	–	–	40	1,224
Accounts payable, trade	3	2	2	2
<b>Total</b>	<b>390</b>	<b>399</b>	<b>419</b>	<b>1,611</b>

**Note 20 Obligations to Company directors and CEOs**

The Group's non-current interest-bearing liabilities include SEK 58 M (50) for pension obligations and similar benefits for current and former Company directors and CEOs. The corresponding amount for the Parent Company is SEK 58 M (47), as shown in the item Pension liability in Notes 17 and 18.

**Note 21 Related-party transactions***Transactions with subsidiaries*

Certain transactions have been made with wholly owned subsidiaries, such as rents for premises at market terms.

*Transactions with associated companies*

Stock dividends have been received from certain, listed associated companies. Members of the executive management have received directors' fees from listed associated companies, which were paid to Industrivården.

# 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 2009. The company's annual report is included on pages 24–39 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 policies 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.

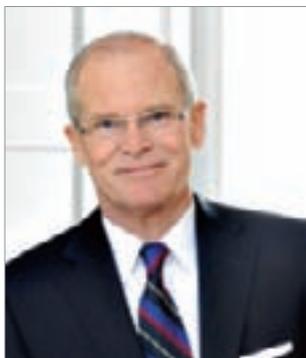
The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting standards in Sweden. The consolidated accounts have been prepared in accordance 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 12, 2010  
PricewaterhouseCoopers AB

Anders Lundin  
*Authorized Public Accountant*

## Board of Directors



**Tom Hedelius**  
MBA, Honorary Doctor of Economics.  
Born 1939, Stockholm.

Chairman of the Board since 2002.  
Director since 1991.  
Chairman of BB Tools, the Anders Sandrew Foundation, and the Jan Wallander and Tom Hedelius Foundation.  
Vice Chairman of Addtech and Lagercrantz Group.  
Director of L E Lundbergföretagen and SCA, among other companies.  
Honorary Chairman of Svenska Handelsbanken.  
Shareholding: 20,000.



**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 and the Confederation of Swedish Enterprise.  
Director of Svenska Handelsbanken.  
Shareholding: 14,000.



**Olof Faxander**  
M.Sc. Materials Science, B.Sc. Business Administration.  
Born 1970, Saltsjö Duvnäs.

Director since 2009.  
President and CEO of SSAB.  
Chairman of Jernkontoret.  
Shareholding: 4,000.



**Boel Flodgren**  
LL.D., Honorary Doctor of Economics, Professor.  
Born 1942, Lund.

Director since 2002.  
Director of Brinova and the University of Copenhagen.  
Shareholding: 1,400.



**Finn Johnsson**  
MBA, Honorary Doctor of Economics.  
Born 1946, Gothenburg.

Director since 2000.  
Chairman of KappAhl, City Airline, Thomas Concrete Group, Luvata Oy, EFG and West Sweden Chamber of Commerce and Industry.  
Director of Skanska.  
Shareholding: 20,300.



**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.  
Vice Chairman of Svenska Handelsbanken and NCC.  
Director of L E Lundbergföretagen and Sandvik.  
Shareholding: 4,750,000.



**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 Tacticus.  
Vice Chairman of Cardo.  
Director of the Albert Pålsson Foundation for Research and Charity, Kalmar Läns Kapitalförvaltning and Malmöhus Invest, among other companies.  
Shareholding: 6,000.



**Anders Nyström**  
MBA, U.S. MBA.  
Born 1954, Bromma.

President and Chief Executive Officer of Industrivärden.  
Director since 2001.  
Vice Chairman of Svenska Handelsbanken and Sandvik.  
Director of Ericsson, SCA, SSAB, Volvo and Ernströmgruppen.  
Chairman of the Association of Exchange-Listed Companies and the Association for Generally Accepted Principles in the Securities Market.  
Shareholding: 61,550.  
Stock options: 125,000.

## Executive management



Carl-Olof By, Martin Hamner, Fredric Calles and Anders Nyrén.

### Anders Nyrén

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

Shareholding: 61,550.

Stock options: 125,000.

Anders Nyrén is Vice Chairman of Svenska Handelsbanken and Sandvik, and a director of Ericsson, SCA, SSAB, Volvo and Ernströmgruppen. From 1997 to 2001 he served as Executive Vice President and CFO of Skanska; from 1996 to 1997 he was an executive of Nordbanken and member of the executive management; from 1992 to 1996 he served as Executive Vice President and CFO of Securum; and from 1987 to 1992 he served as CEO of OM International.

### Carl-Olof By

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

Shareholding: 34,000.

Stock options: 85,000.

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

### Martin Hamner

MBA, born 1964, Chief Financial Officer, Industrivärden employee since 2008.

Shareholding: 5,000.

Stock options: 65,000.

From 1999 to 2007 Martin Hamner served as Group Controller and Head of Investor Relations for ASSA ABLOY, and from 1987 to 1999 he served as an Authorized Public Accountant for PricewaterhouseCoopers.

### Fredric Calles

MBA, born 1966, Head of Market Operations, Industrivärden employee since 2003.

Stock options: 85,000.

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

## Committees

Compensation Committee to make recommendations to the Board on the CEO's compensation and to set the compensation for the other members of the Executive Management: 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), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation), Håkan Sandberg (Handelsbanken Pension Foundation and Handelsbanken Pension Fund – committee chairman), Ulf Lundahl (L E Lundbergföretagen), and Anders Nyberg (SCA pension foundations and others).

The committees' work are handled in the Corporate Governance Report on pages 24–26.

## Unit Managers

**Sverker Sivall**, MBA, born 1970, Communication Manager/IRO, Industrivärden employee since 1997.

Shareholding: 5,000.

Stock options: 65,000.

**Jens Melander**, MBA, born 1976, Investment Manager, Industrivärden employee since 2002.

Stock options: 65,000.

**Erik Röjvall**, MBA, born 1973, Investment Manager, Industrivärden employee since 2000.

Shareholding: 4,000.

## Auditor

PricewaterhouseCoopers AB.

Chief Auditor: **Anders Lundin**, Authorized Public Accountant, born 1956, Stockholm. In 2009 Anders Lundin was Chief Auditor of the listed companies Industrivärden, AarhusKarlshamn, Electrolux, Husqvarna, Loomis, Melker Schörling and SCA.

In 2009 PricewaterhouseCoopers had a total of 102 auditing assignments for companies listed on OMX NASDAQ Nordic, Stockholm or the MGN exchange, of which one was in cooperation with another auditing firm.

## Tax rules for holding companies

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

### Intermediaries

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

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

### Tax rules

The main principles concerning taxation of holding companies are:

- that interest income is taxable, while interest expenses and management costs are tax deductible,
- that dividends received are taxable, while dividends rendered are tax deductible, and
- that capital gains on sales of stocks are tax exempt, but in return, a 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.

### Calculation of taxes

See note 10.

## Glossary and definitions

### Change in value of stocks

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

### Discount to net asset value

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

### Dividend yield

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

### Earnings per share

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

### Interest-bearing net debt

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

### Market value of equities portfolio

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

### Net asset value

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

### Net asset value including reinvested dividends

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

### Net debt-equity ratio

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

### Total return

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

## Stock market information

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

### Reporting dates 2010

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

- April 8 for the period January–March
- July 5 for the period January–June
- October 5 for the period January–September

### 2010 Annual General Meeting

- Wednesday, May 5, in Stockholm

### Information channels

#### *Publications*

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

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

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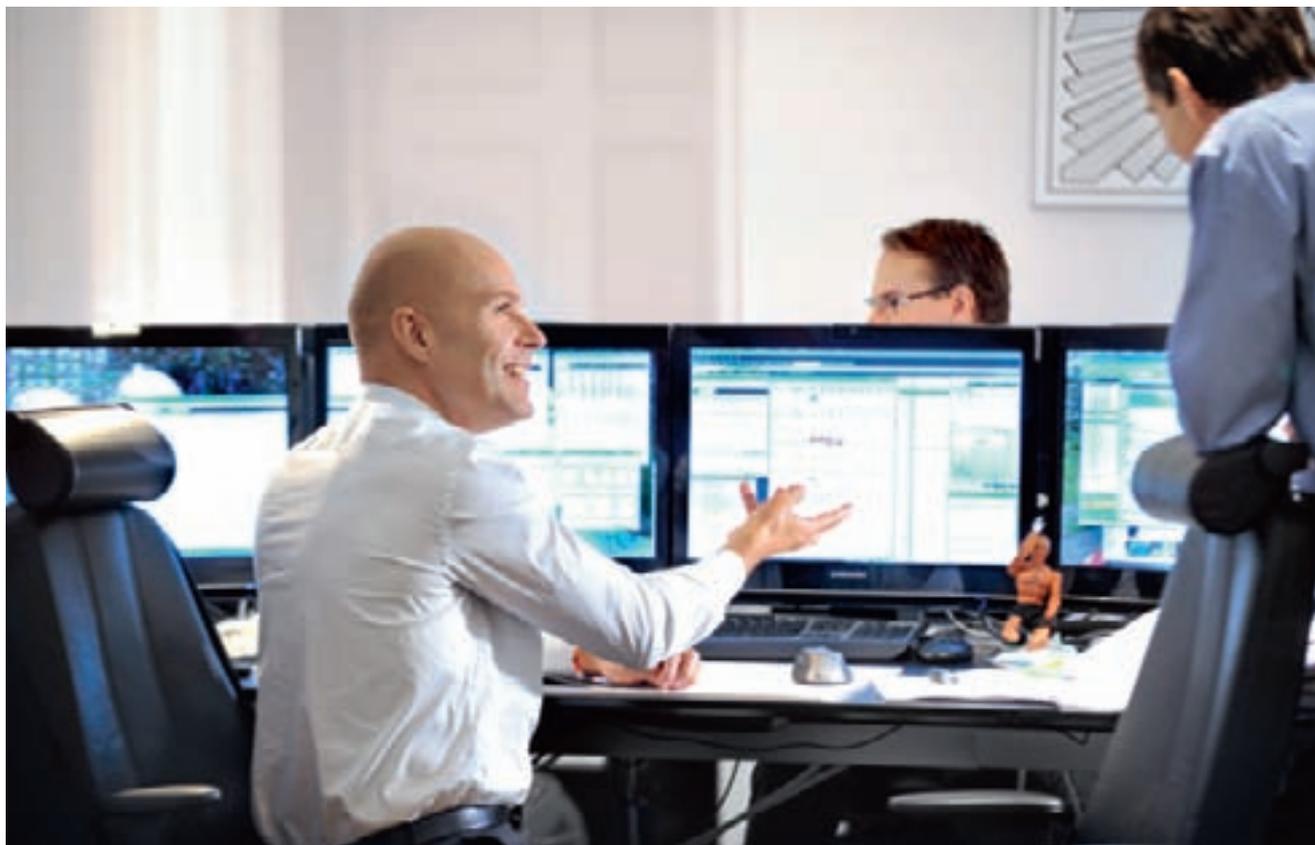
Subscriptions for Industrivärden's press releases, interim reports and year-end reports can be arranged through registration of an e-mail address on Industrivärden's website.

#### *Industrivärden online*

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

#### *Investor contact*

Head of Investor Relations: Sverker Sivall, tel. +46-8-666 64 19, e-mail: [info@industrivarden.se](mailto:info@industrivarden.se)



# 2010 Annual General Meeting



## Time and place

The Annual General Meeting will be held at 2 p.m. on Wednesday, May 5, 2010, at the Grand Hotel, Vinterträdgården room (entrance at the corner of Stallgatan/Blasieholmsgatan), in Stockholm, Sweden. The doors will open at 1 p.m., and registration will take place until 2 p.m., at which time the doors will be closed. Coffee will be served before the Meeting.

## Who is entitled to participate?

To be entitled to participate at the Annual General Meeting, shareholders must be listed on the shareholder register printed out by Euroclear Sweden AB (formerly VPC) on April 28, 2010, and give notice of their intention to participate in the Meeting no later than April 28, 2010.

## How to become registered in the shareholder register

Shares are registered in the shareholder register maintained by Euroclear Sweden in the name of either the owner or the owner's nominee. Shareholders who have not arranged to have their shares registered in the nominee's name are registered in their own names. Shareholders whose shares are managed by a third party may have chosen to have their shares registered in the nominee's name. In order to be able to participate in the Meeting, such shareholders who own nominee-registered shares must request in advance that their shares be temporarily registered in their own names as per April 28, 2010. Shareholders are advised to contact their nominee well in advance before April 28, 2010.

## Notice of attendance

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

- by post to AB Industrivärden (publ), Box 5403, SE-114 84 Stockholm, Sweden (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 must indicate their:

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

Notifications must be received by the Company no later than April 28, 2010.

## Proxies

Shareholders may exercise their right to participate at the Meeting by proxy. Please use the proxy statement provided on the notification form. For representation of legal persons by proxy, the proxy must be signed by an authorized signatory of the company/organization, and a copy of the registration certificate, which indicates the company's/organization's authorized signatories, must be attached. Proxies may not be older than one year. Proxy statements must be sent in or shown in original.

## Dividend

The dividend for 2009 will be paid to shareholders who are recorded in the shareholder register on the record date. The Board of Directors proposes May 10, 2010, as the record date. Taking into account the banks' so-called three-day payment schedule (three business days), and under the condition that the AGM approves the Board's proposal, purchases of Industrivärden shares on the day of the AGM, May 5, 2010, will normally carry rights to the dividend for 2009. If the AGM resolves in accordance with the Board's proposal, payment of dividends is expected to take place via Euroclear Sweden on May 14, 2010.

Affix  
stamp  
here

Svarspost  
110 595 100

Industrivärden  
SE-110 05 Stockholm  
Sweden

# Notification

**Notification to attend the Annual General Meeting of AB Industrivärden (publ) on May 5, 2010 at 2 p.m. at the Grand Hotel in Stockholm, Sweden (Vinterträdgården room). This application form must be received by AB Industrivärden (publ) not later than April 28, 2010.**

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Shareholder's name (block letters)

---

National ID number/corp.reg.no.

---

Street address

---

Postal code and city/town/country

---

Phone (daytime)

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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*

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# 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 May 5, 2010

---

Location

Date

---

Shareholder's signature

Name (block letters)

*Tape here*



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PHONE +46-8-666 64 00 • FAX +46-8-661 46 28 • WWW.INDUSTRIVARDEN.NET • INFO@INDUSTRIVARDEN.SE