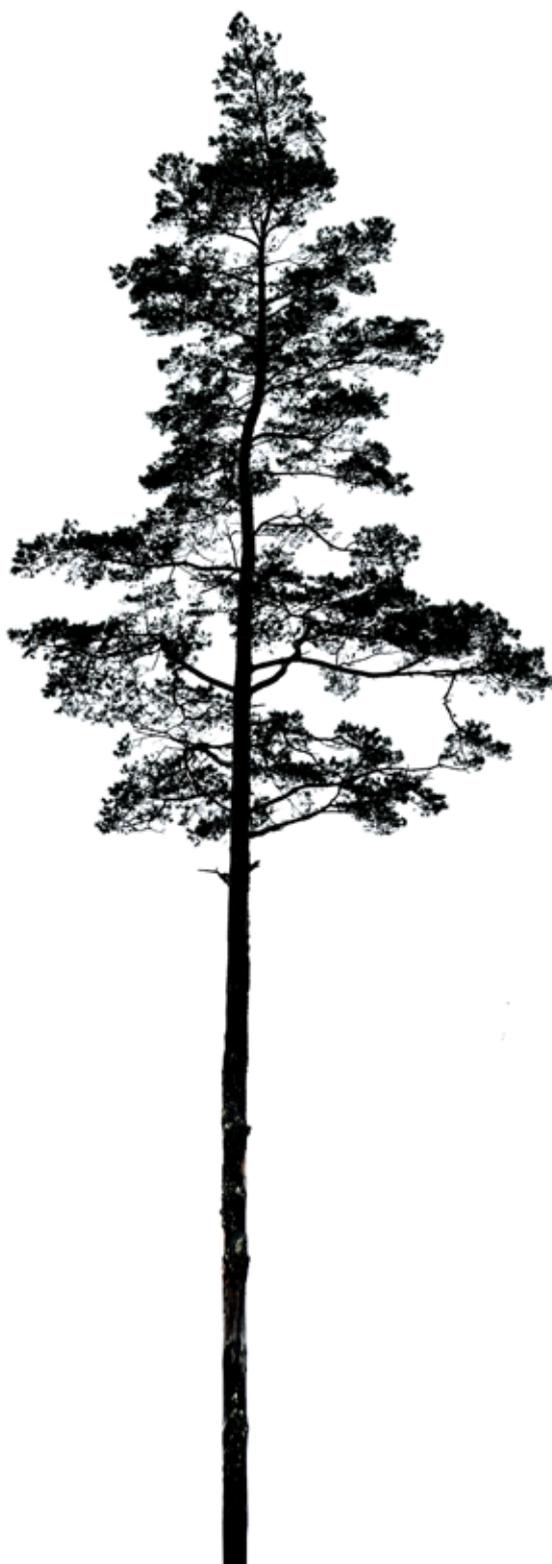




INDUSTRIVÄRDEN

ANNUAL REPORT

2010



CONTENTS

Overview

- 2 Industrivärden at a glance
- 6 CEO's message
- 6 Highlights 2010

Value-creating active ownership

- 9 Goal and goal achievement
- 10 Business model
- 16 Active ownership in practice
- 18 Net asset value
- 20 Industrivärden share data

Equities portfolio

- 22 Sandvik
- 23 Handelsbanken
- 24 Volvo
- 25 SCA
- 26 Ericsson
- 27 SSAB
- 28 Skanska
- 29 Indutrade
- 30 Höganäs

Financial statements

- 31 Board of directors' report incl. corporate governance report
 - 35 Proposed distribution of earnings
 - 36 Income statements and balance sheets
 - 37 Shareholders' equity
 - 38 Statements of cash flows
 - 39 Accounting policies
 - 41 Financial risk management
 - 42 Financing
 - 43 Notes
 - 48 Audit report
-
- 49 Board of directors, executive management and auditor
 - 51 Tax rules for holding companies, glossary and definitions
 - 52 Stock market information
 - 53 2011 Annual General Meeting

FINANCIAL CALENDAR 2011

Interim reports will be released

- on April 5 for the period January–March,
- on July 5 for the period January–June,
- and on October 5 for the period January–September 2011.

All reports will also be published on Industrivärden's website:
www.industrivarden.net.

See also the section Stock market information, page 52.

The Annual Report is distributed to shareholders who have notified the Company that they would like to receive it in printed form. Information on the 2011 Annual General Meeting can be found on page 53.

This Annual Report is a translation of the Swedish original.

GROWTH

Creating long-term growth requires strength, perseverance and favorable conditions. Through a strong commitment backed by deep knowledge and experience, Industrivärden actively contributes to value growth in its portfolio companies.

With more than 60 years of experience in active ownership, Industrivärden has a unique position in creating long-term value in listed Nordic companies. The business is based on extensive experience, knowledgeable employees, a strong business model and a large network. Our portfolio companies are leaders in their respective areas and all have strong global positions. With Industrivärden they have a professional and active owner – to the benefit of their long-term value as well as growth in the value of Industrivärden's stock.

Since its market introduction in 1945, Industrivärden's stock has generated an annual total return of 15%, which is well above the market average 13%. For 2010 the total return was 40% for the Class A shares and 48% for the Class C shares compared with 27% for the market as a whole.



HISTORY

INDUSTRIVÄRDEN WAS ESTABLISHED by Handelsbanken in 1944. The aim was to distribute the shareholdings obtained following the market crash in the 1930s to the bank's shareholders. This business proved to be successful and over time evolved into an effective form of managing pension capital for employees of Handelsbanken and SCA. Owing to Industrivärden's proven ability to create sustained shareholder value, ownership of the Company has broadened over time to include a large number of public and private pension managers. In addition, Industrivärden's stock has become a popular investment for foundations and other long-term investors, as well as for large numbers of private investors.

VISION

TO BE THE preferred choice for investors with a Nordic focus seeking a long-term, competitive return with balanced risk and low costs.

MISSION

TO CREATE SHAREHOLDER value based on active ownership and a professional investment operation.

STRATEGY

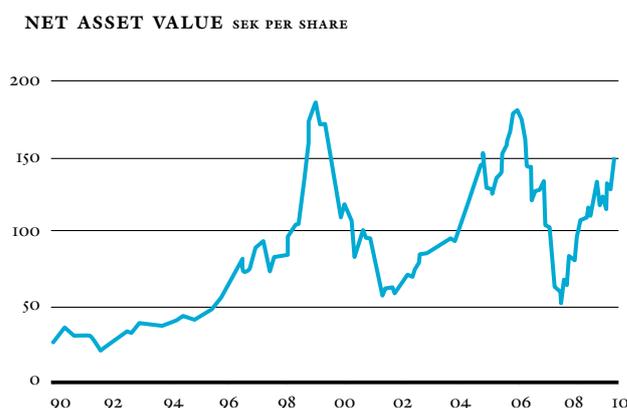
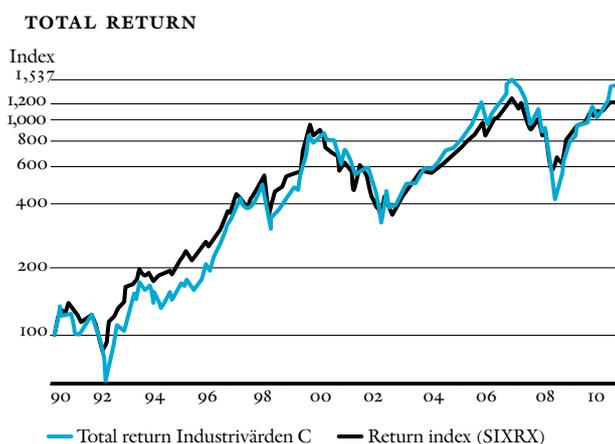
INDUSTRIVÄRDEN CREATES VALUE through active ownership and a professional investment operation. Active ownership is based on Industrivärden's model for value creation in its portfolio companies. The investment operation is built upon a structured process of continuous analysis of existing and potential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

INVESTMENT CRITERIA

- Mid- and large cap listed Nordic companies.
- Companies with business models that can be applied in several markets.
- Companies 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

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*.

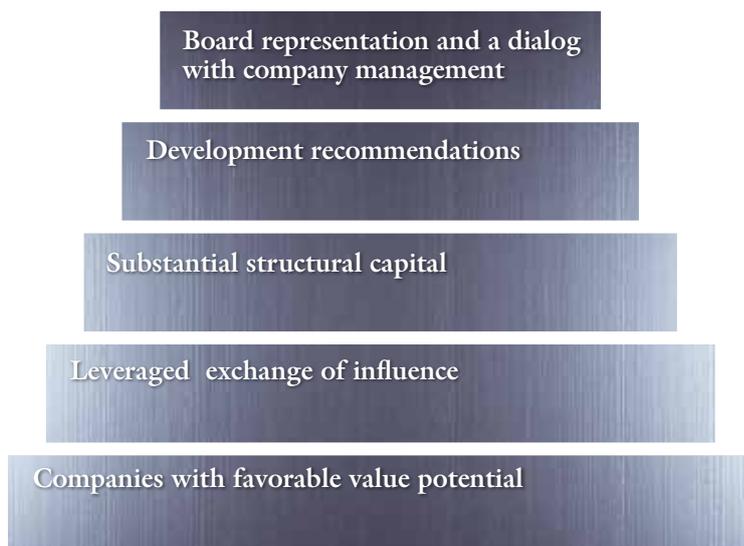




PORTFOLIO PHILOSOPHY

- Fully invested in equities
- Active ownership with a long-term investment horizon
- Borrowing provides leverage in equities portfolio

VALUE CREATION



LOCAL ORIGINS – GLOBAL PRESENCE

- The portfolio companies account for 1/4 of the Stockholm Stock Exchange’s market capitalization
- Combined sales of SEK 870 billion, of which 1/3 in emerging markets
- Operations in more than 180 countries
- About 350,000 employees in all



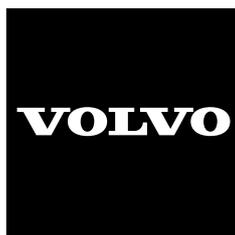
THE INDUSTRIVÄRDEN SPHERE

HANDELSBANKEN is a universal bank with home markets in the Nordic countries and the UK. Its business is characterized by local customer responsibility, high customer satisfaction and good profitability.

Accounts for 20% of the portfolio value, or SEK 14.0 billion. Ownership of 10.6% of the votes and 10.5% of the capital.

SCA is the European leader in hygiene products, packaging and forest products.

Accounts for 11% of the portfolio value, or SEK 7.5 billion. Ownership of 29.5% of the votes and 10.0% of the capital.



SANDVIK is a world leader in materials technology, with products primarily for the manufacturing and mining industries.

Accounts for 25% of the portfolio value, or SEK 18.2 billion. Ownership of 11.7% of the votes and 11.7% of the capital.

VOLVO has a world-leading position in commercial transport solutions.

Accounts for 15% of the portfolio value, or SEK 10.7 billion. Ownership of 10.7% of the votes and 4.4% of the capital.

SSAB has a world-leading position in high-strength steel.

Accounts for 9% of the portfolio value, or SEK 6.3 billion. Ownership of 22.5% of the votes and 17.3% of the capital.

SKANSKA is a leading international construction and project development company. Accounts for 6% of the portfolio value, or SEK 4.3 billion. Ownership of 27.8% of the votes and 7.6% of the capital.

HÖGANÄS has a leading global position in metal powder technology. Accounts for 1% of the portfolio value, or SEK 0.9 billion. Ownership of 8.1% of the votes and 10.1% of the capital.



ERICSSON is the most profitable supplier of mobile infrastructure, with a world-leading position in telecom development. Accounts for 8% of the portfolio value, or SEK 5.7 billion. Ownership of 13.8% of the votes and 2.4% of the capital.

INDUTRADE is a leading Nordic player in industrial technology sales. Accounts for 5% of the portfolio value, or SEK 3.4 billion. Ownership of 36.8% of the votes and 36.8% of the capital.

STRONG POSITION FOR LONG-TERM GROWTH IN VALUE

As 2010 progressed it became increasingly apparent that the world economy was recovering at a pace that few had expected during the turbulent 2009. During the year it also became clear that growth was being driven by the so-called BRIC countries, headed by China. The traditional engines of growth, such as the U.S. and Europe, continue to struggle with large public deficits and unemployment. It now appears that growth is getting under way even in these regions. So there is reason to take a positive view of the current development, despite the lingering effects of the euro crisis caused by problems with weak government finances and a fragile banking system, primarily in southern Europe. The global economy is still being stimulated by historically low interest rates from central banks. This, together with

sharply higher commodities prices, is increasing the risk for inflation. At the same time, unemployment is high in large parts of the Western world, which suggests that we won't be seeing the high level of inflation and interest rates that we experienced during the 1970s. The situation today is different than for two years ago, and there is reason to approach 2011 with optimism, even though e.g. current developments in North Africa are creating uncertainty.

Through hard work, Industrivärden's portfolio companies have attained leading positions in their respective areas. Their operations have wide international coverage, with strong positions in the world's largest economies, such as North America, Europe and Japan – areas that account for more than half of global GDP. Moreover, our portfolio companies have a growing share of their

sales in emerging markets around the world – countries which today account for about a third of their sales. Granted, further developing these positions is a challenge, but also a tremendous opportunity. By looking forward and with a longer time perspective, you can get a feeling for what development and urbanization of the world's growth countries can entail. The United Nations projects that the world's population will grow by 20%, to 8.5 billion people, in the coming 20 years – essentially all in growth countries. During the same period, global GDP is expected to double in real terms. Rising prosperity in countries like China, India, Brazil and Russia is creating opportunities for Industrivärden's portfolio companies that are active primarily in industrial and infrastructure products, which are key areas associated with rapidly growing prosperity in emerging countries.

HIGHLIGHTS 2010

ACTIVE OWNERSHIP IN PORTFOLIO COMPANIES

- Follow through on long-term growth plans.
- Handle more normalized demand.
- Continued focus on capacity adjustment and cost-cutting.

NET ASSET VALUE

- Net asset value at year-end was SEK 149 (III) per share, an increase of 37% (87%) for the year including reinvested dividends.

TOTAL RETURN

- The total return for Industrivärden's Class A shares was 48%, which was 21 percentage points better than for the return index.
- During the last ten years, the average annual total return for the Class C shares was 7%, which exceeded the return index by 1 percentage points per year.

EQUITY TRANSACTIONS DURING THE YEAR

- Stocks were purchased for SEK 5,644 M (1,245) and sold for SEK 3,097 M (1,645).
- Stocks were purchased for a net total of SEK 2,547 M (-400), with growth in value of 41% at year-end.

LARGE PURCHASES OF SHARES IN VOLVO

- Additional purchases of shares in Volvo for SEK 1,770 M, corresponding to 2.2% of the votes, at an average purchase price of SEK 78/share.
- The result of a total return swap for acquisition of shares in Volvo amounted to SEK 257 M.

SALE OF MUNTERS

- The holding in Munters was sold for SEK 843 M; the total return during Industrivärden's ownership was 50%.

SHORT-TERM TRADING

- As in previous years, income from short-term trading covered Industrivärden's management costs.

SUCCESSFUL ISSUES OF CONVERTIBLE BONDS

- In January 2010 Industrivärden issued five-year convertible bonds worth EUR 500 M, and in January 2011 Industrivärden issued additional six-year convertible bonds valued at EUR 550 M in order to obtain low-cost financing with the opportunity to issue new equity.

PROPOSED DIVIDEND

- The Board of Directors proposes a dividend of SEK 4.00 (3.00) per share, which corresponds to a dividend yield of 3.3% (3.4%) for the Class A shares.

I am highly confident that our portfolio companies – through their strong positions – have the conditions and ability to capitalize on these opportunities to the benefit of their shareholders.

NEW CONVERTIBLE LOAN FURTHER INCREASES FINANCIAL STRENGTH

In light of our favorable performance in 2010, we started 2011 in the same way we did a year earlier, by issuing convertible bonds at favorable terms. In so doing we have been able to further build upon our financial strength. The principal amount is approximately SEK 5 billion, or EUR 550 M, and the term is six years with a coupon of 1.875%. The price was set at a premium of 35%, corresponding to a conversion price of SEK 162 per share. With



INDUSTRIVÄRDEN'S PERFORMANCE

	2010	2009
Equities portfolio		
– market capitalization as per December 31, SEK M	71,092	53,548
– total return ¹⁾	31%	63%
Borrowing		
– interest-bearing net debt as per December 31, SEK M	13,401	10,766
– debt-equity ratio	18.9%	20.1%
– average interest expense	3.8%	4.4%
Net asset value as per December 31, SEK M	57,691	42,782
Net asset value as per December 31, SEK/share	149	111
– change ²⁾	37%	87%
Management cost	0.13%	0.16%
Dividend, SEK/share ³⁾	4.00	3.00
Dividend yield, Class A shares	3.3%	3.4%
Dividend yield, Class C shares	3.4%	3.6%
Total return, Class A shares	40%	64%
Total return, Class C shares	48%	76%
Total return index	27%	53%

1) Total return for the equities portfolio including dividends received.
 2) Change in net asset value taking reinvested dividends into account.
 3) Dividend for the respective financial years. For 2010 as proposed by the Board of Directors.

net asset value of SEK 151 per share at the time of the issue, this represents a premium of 7% to underlying net asset value, or 12% after full conversion of the first bond issue.

In January 2010 we issued convertible bonds for approximately SEK 5 billion, or EUR 500 M, with a five-year term and a coupon of 2.5%. The conversion price was set at SEK 115.50 per share, or at a premium of 37.5% to the share price, which was level with net asset value at the time of the issue.

Through the two convertible bond issues we have obtained favorable debt financing at low interest rates. Moreover, if Industrivärden achieves favorable growth in value, the Company will carry out two issues of equity at a par with or above net asset value.

Naturally, this is an attractive opportunity for Industrivärden's shareholders, since our discount to net asset value makes it difficult to raise new capital by issuing new equity. Through these two bond issues we have been able to substantially increase our financial flexibility. The share dilution (number of shares) upon full conversion is 11% and 8%, respectively. The financial dilution is limited, however. Thus far we have invested SEK 3 billion of the SEK 5 billion from the first issue, generating growth in value of about 40%, compared with index growth of 23%. As earlier, we see great opportunities to manage the additional capital in a manner that creates value for the shareholders.

GOOD GROWTH IN VALUE FOR THE SHAREHOLDERS

2010 was a good year for Industrivärden's shareholders. Net asset value including dividends rose 37% to SEK 149 per share. The Class A and Class C shares generated total returns of 40% and 48%, respectively, compared with 27% for the market's return index. This can be credited to the favorable performance of our portfolio companies, good investments during the year and financial leverage.

SHARES IN VOLVO AT FAVORABLE PRICES

In 2010 we purchased additional shares in Volvo for SEK 1.8 billion. This included a purchase of 12.5 million shares for SEK 64 per share through exercise of a total return swap agreement that we entered into in autumn 2009. Today we have an average cost of SEK 89 per share for our holding in Volvo, which translates to growth in value of approximately SEK 1.8 billion. We believe that Volvo has very favorable development prospects. Despite the negative effects of the financial crisis on industrial companies like Volvo, we stuck to our long-term analysis with the clear ambition of being a long-term active owner of Volvo. Our investment in Volvo is a prime example of Industrivärden's business model. We work long-term and we take our ownership responsibility. Through active board work and ownership, we are participating in Volvo's development.

SALE OF MUNTERS AT 47% BID PREMIUM

In November 2010 we sold our holding in Munters for approximately SEK 850 M. Munters had not developed at the pace we had anticipated when we took a position in the company seven years ago. We actively contributed to restructuring measures and the divestment of the Moisture Control Services business, which opened up for a bid for the company. In the end, Nordic Capital acquired Munters for SEK 77 per share, cor-

responding to a premium of 47% above the stock's value before the bid process began in November. The total return from our investment in Munters was 50%.

MORE THAN SEK 900 M IN PROFITS FROM SHORT-TERM TRADING

In 2010 our short-term trading generated a profit of SEK 114 M (100) and again covered our total management costs. We have now earned more than SEK 900 M from this operation since its start in 2003.

PROPOSED DIVIDEND OF SEK 4.00 PER SHARE

With the proposed dividend of SEK 4.00 (3.00) per share, we continue to achieve our goal of paying a higher dividend yield than the average for the Stockholm Stock Exchange. The proposed dividend represents a dividend yield of 3.3% for the Class A shares and 3.4% for the Class C shares, compared with 3.2% for the Stockholm Stock Exchange.

Today Industrivärden is well positioned for the future. Our portfolio companies have leading positions in their respective business areas, global coverage and a growing presence in the world's growth regions. Through influence and active ownership based on knowledge and involvement, we are helping to further strengthen this development. Industrivärden now also has substantial financial strength. Altogether this gives us a good starting point to continue creating competitive value for our shareholders.



Anders Nyrén, President and CEO,
February 2011



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 by a good margin, and Industrivärden's stock stands up well in comparison with similar long-term investment alternatives.

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 2010 the total return for the Class A and Class C shares was 13 and 21 percentage points higher, respectively, than the return index.

AVERAGE GROWTH IN NET ASSET VALUE¹

	2010	Five years	Ten years	Fifteen years	Twenty years
Net asset value, %	34	4	1	9	9
Net asset value including reinvested dividends, % ²	37	7	4	12	12

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.

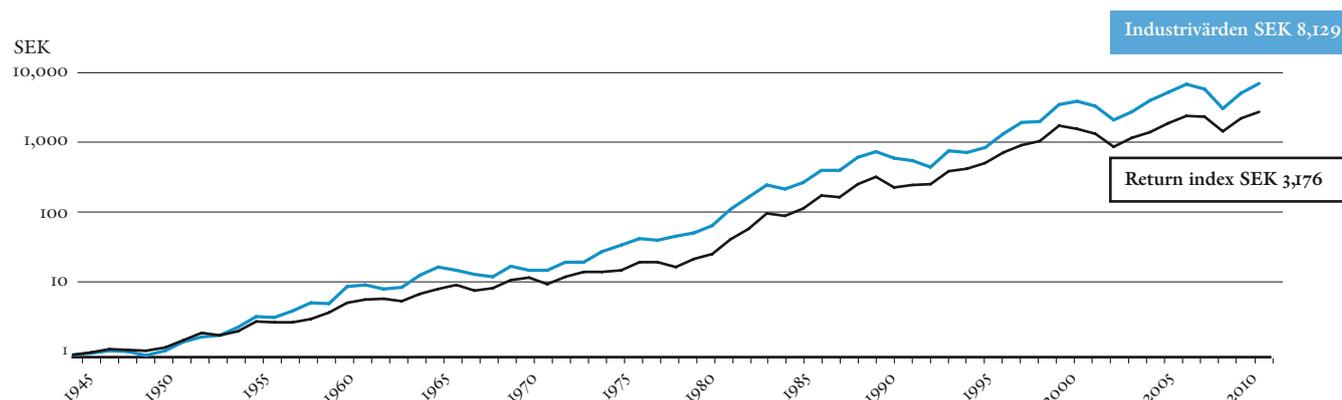
TOTAL RETURN FOR INDUSTRIVÄRDEN COMPARED WITH RETURN INDEX

Annual total return ³	Industrivärden		Return index, %	Industrivärden ⁴		MSCI Total Return Europe, ⁴ %
	Class A, %	Class C, %	SIXRX	Class A, %	Class C, %	
20 years	13	14	13	–	–	–
15 years	15	16	12	–	–	–
10 years	6	7	6	6	7	0
5 years	6	8	8	7	9	1
1 year	40	48	27	61	70	12

3) Growth in value including reinvested dividends.

4) Morgan Stanley Index. All data denominated in EUR.

TOTAL RETURN (VALUE OF SEK ONE INVESTMENT SINCE STOCK MARKET INTRODUCTION IN 1945)



BUSINESS MODEL

STRUCTURED VALUE CREATION

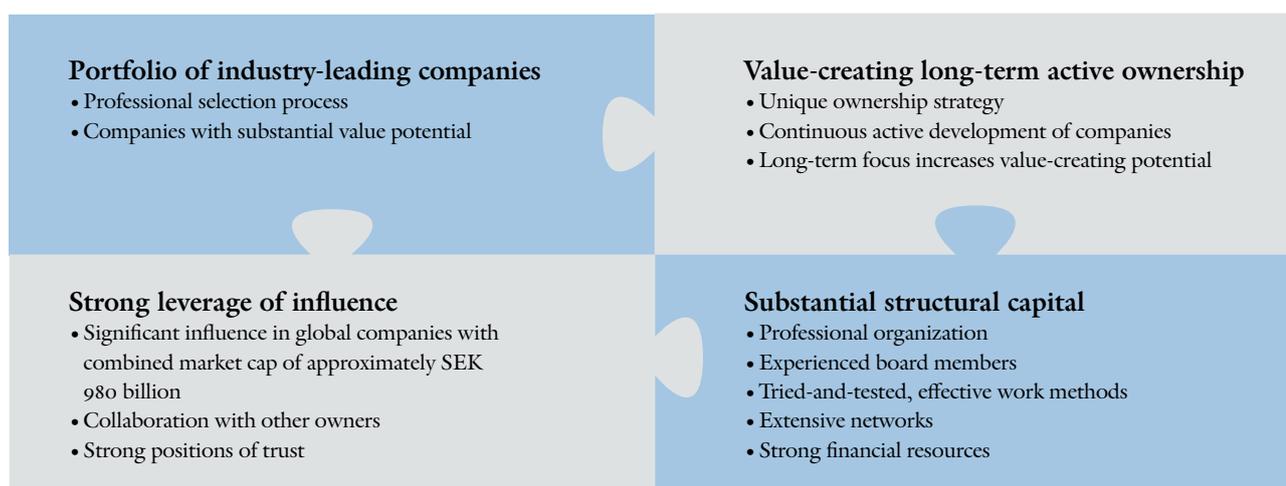
Industrivärden's core business is to invest in listed Nordic companies with good potential for value appreciation, and through active ownership contribute to continuous growth in value of its portfolio companies. The role as active owner requires that Industrivärden can exercise significant ownership influence

and entails a long-term investment horizon.

An active ownership perspective fosters a keen 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.

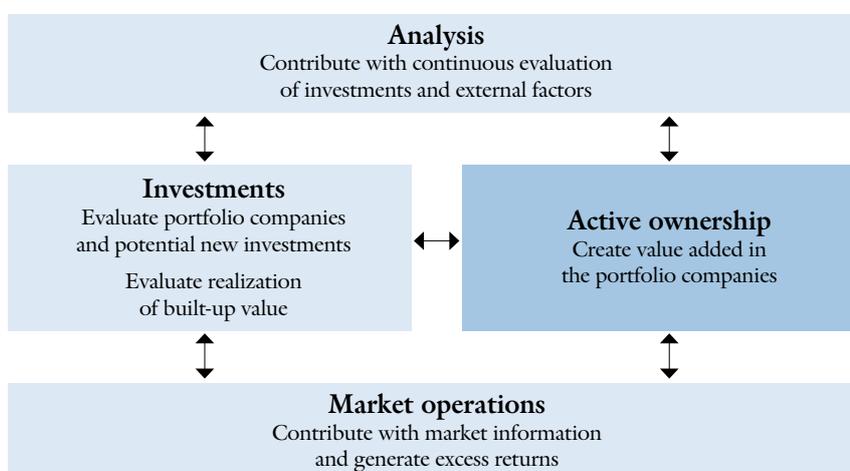
SUCCESSFUL BUSINESS MODEL

Industrivärden has many years of experience in value-creating active ownership and works according to a tried and tested business model. Ultimately Industrivärden's success can be credited to its employees and established work processes.



HIGHLY REFINED WORK PROCESSES

Work is conducted in four processes, where most of Industrivärden's resources are dedicated to value-creating active ownership. Every portfolio company is analyzed with respect to potential growth in value. Quantitative goals are evaluated on a continuous basis, as are various forms for a future exit. Major emphasis is put on continuous comparisons with long-term investments in other listed companies. Investments are evaluated continuously over time with a 5 to 8 years time horizon.



INVESTMENTS

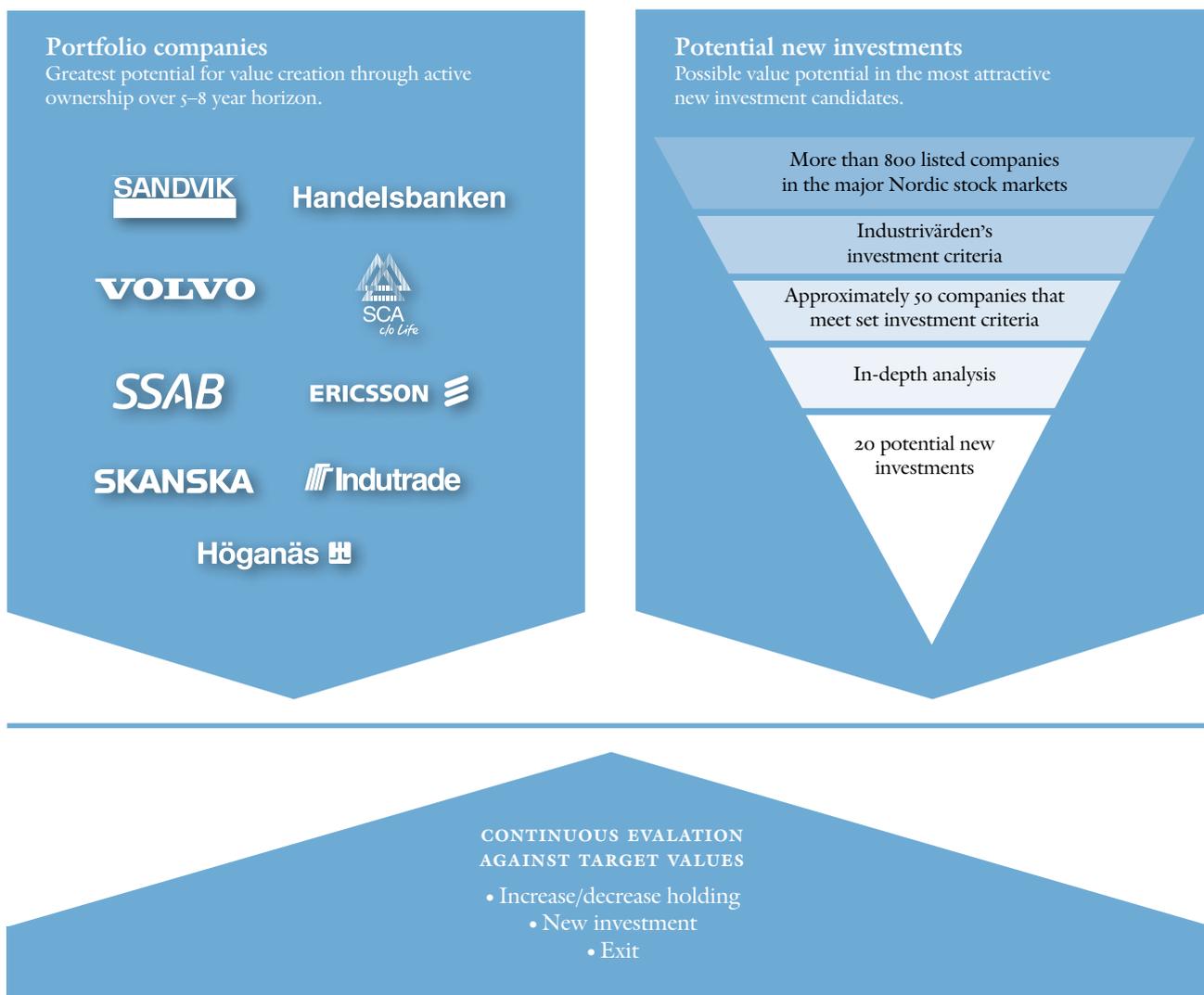
The investment process is designed to evaluate existing investments against set target values and to provide a continuous and current picture of new investments that meet the set investment criteria. The aim is to be able to act quickly when investment opportunities arise.

Clear investment criteria

Investments are made in companies with proven business models and considerable opportunities for future growth in value.

- Investments in mid-sized and large cap listed Nordic companies.
- Focus on business models that can be applied in several markets.

- Good ability to generate growth in cash flow.
- Major potential for value appreciation through active ownership.
- Ownership stakes that enable significant influence.



ACTIVE OWNERSHIP

Industrivärden's influence in its portfolio companies is grounded in significant ownership stakes 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 directors on the boards of the portfolio companies who have ties to Industrivärden, through participation in the respective companies' nominating processes, and through direct dialog between Industrivärden's investment organization and leading representatives of the portfolio companies. Active ownership is conducted from a platform of continuous, fundamental analysis and an action plan for value creation.

The work is conducted from an overarching ownership perspective and focuses on such matters as strategy, company structure, capital structure, corporate governance, and so on. One of the most central matters for the respective companies' boards is to appoint the CEO and continuously evaluate the work of the company's management.

Board representation

Active ownership is ultimately conducted through board representation. The portfolio company's chairman normally has ties to Industrivärden, which as a rule is represented by at least one director on the company's board. Such directors are normally also members of Industrivärden's board. A detailed presentation of the Industrivärden board of directors can be found on page 49.



Sverker Martin-Löf

Doctor of Technology, Honorary Ph.D. Chairman of Industrivärden, SCA, Skanska and SSAB. Vice Chairman of Ericsson. Director of Svenska Handelsbanken. Former CEO of SCA, with experience from several executive positions at SCA.

Olof Faxander

M.Sc. Materials Science, B.Sc. Business Administration. President and CEO of Sandvik. Former CEO of SSAB, with experience from several executive positions at Outokumpu and Avesta, among other companies.

Boel Flodgren

J.S.D., Honorary Doctor of Economics and Business Administration, Professor. Professor of Business Law and former President of Lund University.

Finn Johnsson

MBA, Honorary Doctor of Economics. Director of Skanska. Former CEO of Mölnlycke Healthcare, United Distillers and Euroc.

Hans Larsson

BA Chairman of Handelsbanken. Former CEO of Nordstjernen, Esselte and Swedish Match.

Fredrik Lundberg,

M.Sc. Eng., MBA, Honorary Doctor of Economics, Honorary Doctor of Engineering. President and CEO of L E Lundbergföretagen. Vice Chairman of Svenska Handelsbanken. Director of Sandvik. Active in L E Lundbergföretagen since 1977.

Lennart Nilsson

M.Sc., Honorary Doctor of Economics. President of the Crafoord Foundation. Former CEO of Cardo, with experience from executive positions at Wilhelm Sonesson and other companies.

Anders Nyren

MBA, U.S. MBA. President and CEO of Industrivärden. Chairman of Sandvik. Vice Chairman of Svenska Handelsbanken. Director of Ericsson, SCA, SSAB and Volvo. Former Executive Vice President of Skanska, Nordbanken and Securum. Former CEO of OM International and other companies.

Also pictured above is Sven Unger, Company Secretary.

Nominating committee work

The composition of the boards of the portfolio companies is of central importance, which is why Industrivärden participates actively in the preparation work behind recommendations of directors for company boards. Normally, the nominating committee chair for a portfolio company has ties to Industrivärden, which as a rule is represented by at least one director. Industrivärden's Executive Vice President, Carl-Olof By, is responsible for corporate governance and represents Industrivärden on the portfolio companies' nominating committees.

ANALYSIS

Industrivärden has a lean organization that is distinguished by high flexibility and short decision-making channels. The Company has 20 employees, eight board members and an extensive contact network with specialist know-how. Operations are project-oriented and involve personnel from both the investment organization and staff functions.

Each portfolio company and potential new investment candidate is monitored by an investment team. The investment team performs a company analysis that culminates in a so-called fundamental analysis. Based on this analysis, the team continuously updates an action plan, which serves as a platform for the design, implementation and evaluation of

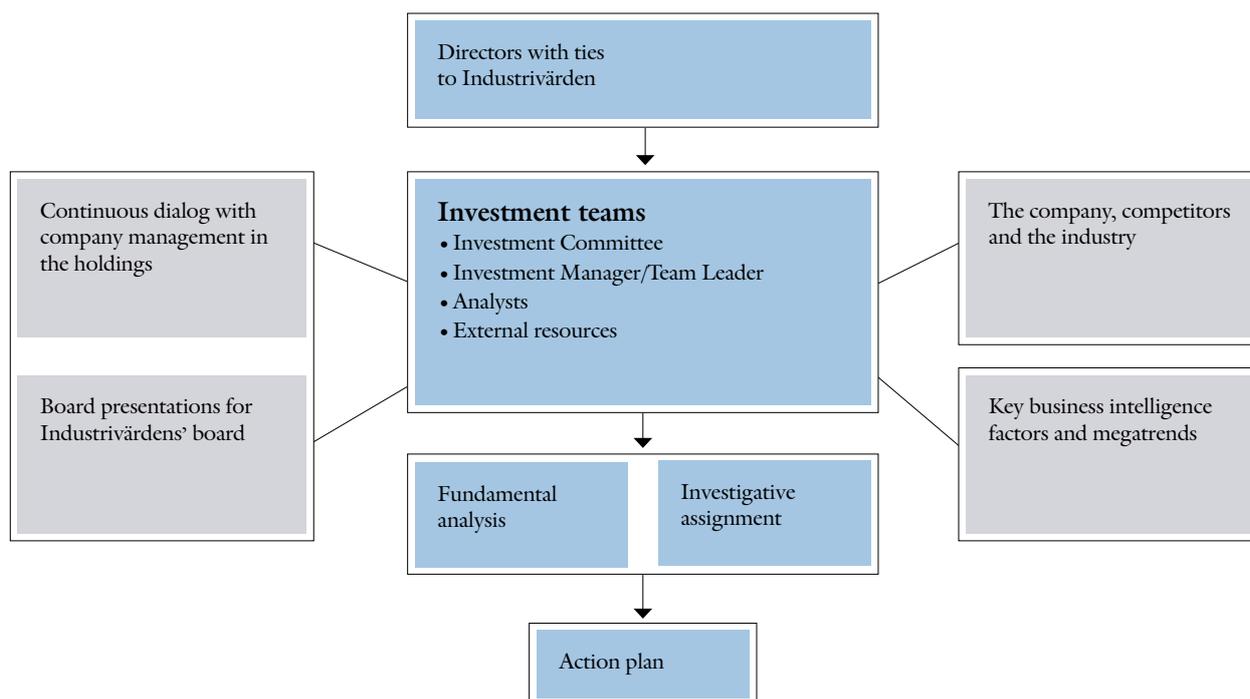


Industrivärden's active ownership. The aim is primarily to identify and describe various opportunities for value growth as well as strategic measures for achieving this value.

All analysis is based on external information material. Each investment team presents its action plan on a continuous basis to the director or directors with ties to Industrivärden serving on the board of the portfolio compa-

ny. 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 company for future value creation.

WORK MODEL





Members of the Executive Management during a visit to Ericsson's operations in San José, California.

Carl-Olof By
Executive Vice President, BA, M. Pol. Sc.

Fredric Calles
Head of Market Operations, MBA

Anders Nyrén
President and CEO,
MBA, U.S. MBA

Sverker Sivall
Communications Manager and IR Officer,
MBA

Martin Hamner
Chief Financial Officer, MBA

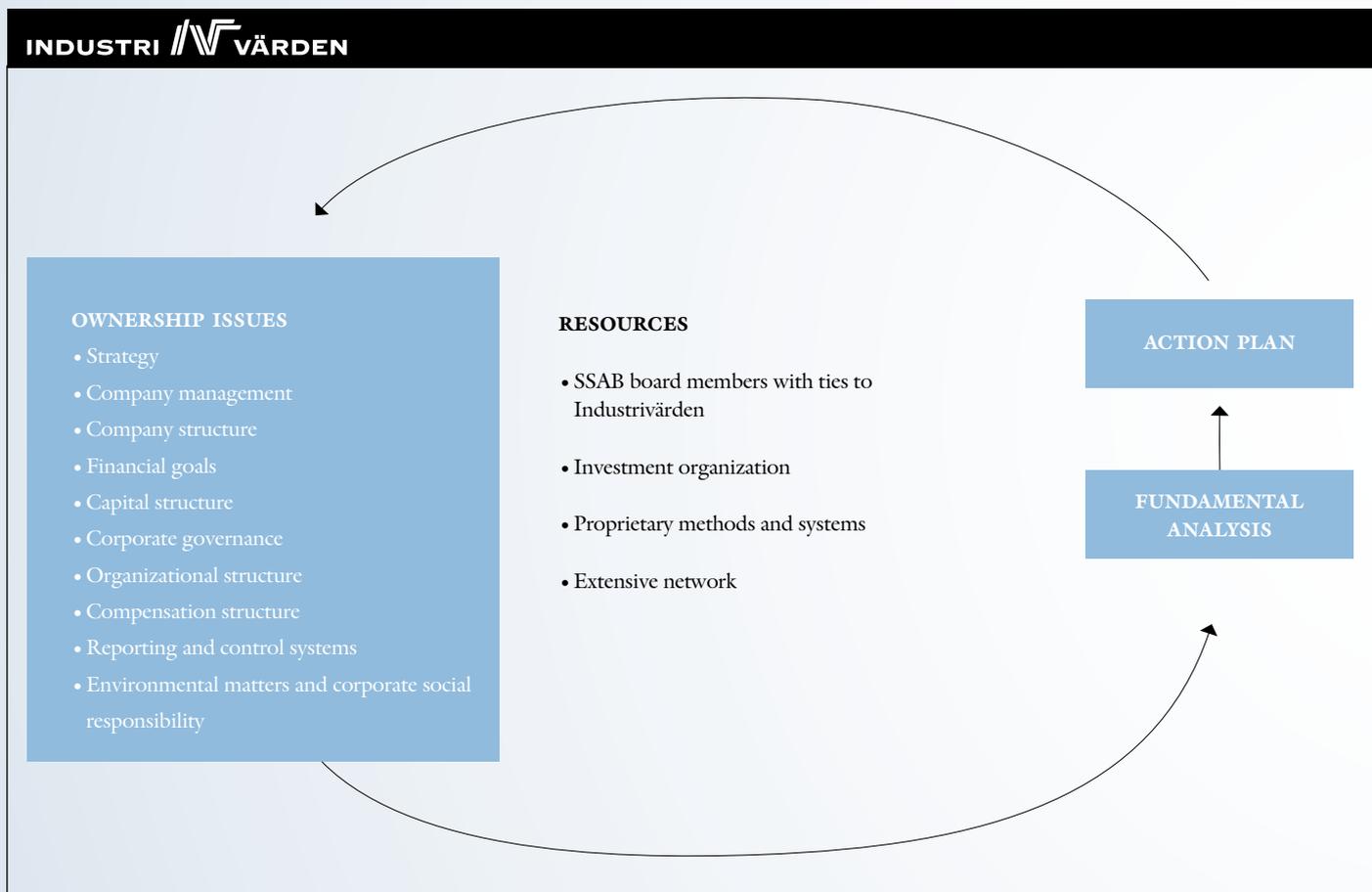
Executive Management and Investment Committee

The CEO is responsible for Industrivärden's day-to-day administration, which is handled by the Company's Executive Management. This work involves strategic, organizational and financing matters as well as controls and follow-up, among other things. Industrivärden's Executive Management also serves as the Investment Committee, which adopts action plans and makes investment decisions within set mandates. Representatives of the Executive Management participate on the investment teams as investment heads. A detailed presentation of the members of the Executive Management can be found on page 50.

Corporate social responsibility

Industrivärden has a long tradition of corporate responsibility, both in its role as an active owner and as a listed company. A fundamental value held by Industrivärden is that social

VALUE CREATION THROUGH INFLUENCE, KNOWLEDGE AND INVOLVEMENT – CASE STUDY



and environmental responsibility create business opportunities that contribute to sustained shareholder value. All companies shall conform to laws and generally accepted regulations, and are responsible for drawing up relevant guidelines with quantifiable goals.

MARKET OPERATIONS AND SHORT-TERM TRADING

Industrivärden has a separate function that conducts various market operations in the aim of supporting the investment activities with market information and executing investment decisions. In addition, in an effort to generate excess returns, short-term trading is conducted in equities and equity-related instruments. Value is created primarily through derivative transactions in the shares of existing portfolio companies.



Meeting with representatives of SCA's company management.

SSAB

BOARD WORK

Sverker Martin-Löf, Chairman of the Board, and Anders Nyrén, director, have ties to Industrivärden. Nine board meetings were held in 2010. Following were some of the more important matters of business:

- Appointment of Martin Lindqvist as CEO.
- Counteracting the effects of the credit crisis on operations and the financial situation.
- Focus on cash flow matters and the ongoing cost-cutting program.
- Strategy and organization.

CONTINUOUS DIALOG AND COMPANY VISITS

In 2010, Industrivärden's company team held seven meetings with senior executives of SSAB. The team participated in several capital market days held by the major steel companies and paid a number of company visits to various players in the industry around the world.

COLLABORATION WITH OTHER MAJOR SHAREHOLDERS

In 2010, continuous, customary dialog was held with other major shareholders of SSAB.

RECOMMENDATION FOR BOARD MEMBERS

Carl-Olof By, Nominating Committee chair, represents the shareholder Industrivärden. In 2009 three Nominating Committee meetings were held, and the Nominating Committee's recommendation for election of board members was presented in February 2010. At the Annual General Meeting in March 2010, the directors were elected in accordance with the Nominating Committee's recommendation.

AGM PARTICIPATION

The 2010 Annual General Meeting was held on March 26, whereby the following resolutions were made:

- Dividend set at SEK 1 per share.
- No change in directors' fees.
- Election of proposed directors.
- Amend Articles of Association in accordance with the Board's recommendation.
- Set guidelines for executive compensation.



ACTIVE OWNERSHIP IN PRACTICE

Investment case

Strategic decisions



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.

- Olof Faxander new CEO.
- Acquisition-driven growth in selected areas.
- Powerful adaptation of costs and production capacity as a result of the financial crisis.
- Strengthened positions in emerging markets.



HANDELSBANKEN

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

- Consistently applied business model.
- Higher profitability than the average for peer competitors.
- Higher market shares, improved productivity and strengthened positions in a tough market.
- Organic growth in priority markets in the Nordic countries and the UK.



VOLVO

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

- Acquisition-driven expansion and broadened product programs in Asia.
- Development of new, own platform of medium-duty engines.
- Continued work on lowering costs and increased productivity.



SCA

Europe's leading producer of hygiene products, with a fast-growing range of personal care products, and of packaging. Europe's largest private forest owner.

- Restructured product portfolio with focus on growth in the hygiene segment.
- Strengthened global and regional brands.
- Accelerated pace of innovation.



SSAB

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

- Martin Lindqvist new CEO.
- Acquisition in North America has increased capacity and enables continued international expansion.
- Greater focus on growth markets for specialty products.



ERICSSON

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

- Strong global position in mobile broadband and the next generation of telecom systems.
- Goal-oriented acquisitions and contracts make the company North America's leading supplier of network systems.
- Good growth and profitability in services and multimedia solutions.



SKANSKA

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.
- Successful model for value-creating project development.
- Strategic focus on environmentally adapted, energy-efficient solutions.



INDUTRADE

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

- Flexibility through a decentralized business model.
- Continued value-creating acquisitions.
- Greater share of proprietary brands is strengthening profitability.



HÖGANÄS

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

- Industry leader in cost- and production efficiency.
- Increased activity in geographic growth regions.
- Focus on development of new components in collaboration with customers.

Ownership focus	Board member(s) with ties to Industrivärden	Nominating committee representative/Responsible on investment team
Earnings improvement through organic growth combined with continuous acquisitions and efficiency-improvement measures.	Anders Nyrén (Chairman) and Fredrik Lundberg	Carl-Olof By (nominating committee chair) Jens Melander (Investment Manager)
Good profitability and organic growth with broadened geographic base.	Hans Larson (Chairman), Sverker Martin-Löf, Anders Nyrén (Vice Chairman) and Fredrik Lundberg (Vice Chairman)	Carl-Olof By (nominating committee chair) Erik Røjvall (Investment Manager)
Profitability through consolidation of acquired units and adaptation to stronger business climate.	Anders Nyrén	Carl-Olof By (nominating committee member) Jens Melander (Investment Manager)
Profitability through greater share of Personal Care products and efficiency-improvement measures in Packaging and Forest Products.	Sverker Martin-Löf (Chairman) and Anders Nyrén	Carl-Olof By (nominating committee chair) Erik Røjvall (Investment Manager)
Profitability restored through continued expansion in the niche high-strength steel segment.	Sverker Martin-Löf (Chairman) and Anders Nyrén	Carl-Olof By (nominating committee chair) Jens Melander (Investment Manager)
Growth and improved profitability based on the company's leading position in end-to-end telecommunications solutions.	Sverker Martin-Löf (Vice Chairman) and Anders Nyrén	Carl-Olof By (nominating committee member) Peter Nyström (Team Manager)
Continued favorable profitability for the construction operations combined with selective expansion in value-creating projects.	Sverker Martin-Löf (Chairman) and Finn Johnsson	Carl-Olof By (nominating committee chair) Erik Røjvall (Investment Manager)
Favorable profitability growth through continuous development of the company's unique business model.	Bengt Kjell (Chairman)	Carl-Olof By (nominating committee chair) Madeleine Wallmark (Team Manager)
Broadened product offering generating growth and improved profitability.	Bengt Kjell	Carl-Olof By (nominating committee chair) Jens Melander (Investment Manager)

37% INCREASE IN NET ASSET VALUE TO SEK 149 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 57.7 billion (42.8), or SEK 149 (111) per share. Net asset value including reinvested dividends grew 12% annually, compared with 13% for the return index during the twenty-year period 1991–2010.

The long-term development of net asset value can be seen in the chart on page 19.

EQUITIES PORTFOLIO

Industrivärden's equities portfolio comprises large shareholdings in Sandvik, Handelsbanken, Volvo, SCA, SSAB, Ericsson, Skanska, Indutrade and Höganäs, all of in which Industrivärden serves as a long-term active owner. The companies are characterized by industry-leading positions and a high level of international business.

The equities portfolio, valued at the market price as per December 31, 2010, had a market value of SEK 71.1 billion (53.5), corresponding to SEK 184 (139) per Industrivärden share.

INVESTMENT ACTIVITIES 2010

During the year, stocks were purchased for SEK 2,547 M (–400) net. The largest stock purchases pertained to Volvo, for SEK 1,770 M, SSAB, for SEK 540 M, and Handelsbanken, for SEK 428 M. Major sales of stocks pertained to Munters, for SEK 843 M.

The shares in Volvo that were purchased in 2010, corresponding to 2.2% of the votes, were bought at an average purchase price of

SEK 78/share. On December 31, 2010, Volvo Class A shares were quoted at SEK 115/share.

Industrivärden's holding in Munters was sold to Nordic Capital through an all cash offer of SEK 843 M. The holding generated a total return of 50% during Industrivärden's ownership.

PERFORMANCE OF THE EQUITIES PORTFOLIO IN 2010

At year-end 2010 the market value of the equities portfolio was SEK 71,092 M (53,548), which exceeded cost by SEK 37,743 M (23,161). Taking purchases and sales into account, the value of the equities portfolio increased by 28% (56%) during the year, which was better than the Stockholm Stock Exchange's market index (OMXSPI), which gained 23% (47%) for the year.

Dividends received during the year totaled SEK 1,379 M (1,871). The total return for the portfolio, i.e., the change in value including reinvested dividends, was 31% (63%), which was 4 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 114 M (100).

INTEREST-BEARING NET DEBT

Interest-bearing net debt amounted to SEK 13.4 billion (10.8) at year-end 2010, corresponding to SEK 35 (28) per Industrivärden share. Of total net debt, SEK 4.2 billion

consists of the loan portion of the convertible bonds that were issued in January 2010. Upon conversion, the debt is transformed to equity. 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 2001–2010, the debt-equity ratio ranged from a low of 6% in June 2002 to a high of 36% in March 2009. The net debt-equity ratio at year-end 2010 was 19%, or 13% after full conversion of the convertible loan.

ISSUE OF CONVERTIBLE LOANS

In January 2010 Industrivärden issued a five-year convertible loan worth EUR 500 M, which was oversubscribed. The aim was to take advantage of strong market conditions and good credit quality to obtain attractive financing with the opportunity to issue new equity. The convertible loan issue has increased Industrivärden's financial flexibility and preparedness to act on attractive investment opportunities.

In order to maintain good accessibility and a steady return, for the time being the proceeds from the loan have been invested in equities and used to pay down loans. The capital has been used for investments in portfolio companies offering favorable dividend yields and potential for growth in value – mainly Handelsbanken, SSAB and Volvo. The rest has been used to pay off loans that carried a higher interest rate than the convertible loan.

In January 2011 Industrivärden issued a six-year convertible loan worth EUR 550 M in order to further increase its financial flexibility.

NET ASSET VALUE

SEK billion	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Equities portfolio	71.1	53.5	34.7	65.8	63.3
Interest-bearing net debt	–13.4	–10.8	–10.8	–11.0	–4.8
Net asset value	57.7	42.8	23.9	54.8	58.5
Net asset value per share, SEK	149	111	62	142	151
Debt-equity ratio, %	18.9	20.1	31.1	16.6	7.2
Net asset value per share, SEK after full conversion	144	–	–	–	–
Debt-equity ratio, % after full conversion	13.0	–	–	–	–

EQUITIES PORTFOLIO AS PER DECEMBER 31, 2010

Breakdown, SEK M

	No. of shares	Market value	Cost	Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
Sandvik	138,443,752	18,150	6,553	25	11.7	11.7
Handelsbanken	65,217,930	14,015	5,700	20	10.5	10.6
Volvo	92,991,812	10,713	8,284	15	4.4	10.7
SCA	70,800,000	7,487	2,578	11	10.0	29.5
SSAB	56,179,470	6,347	4,117	9	17.3	22.5
Ericsson	77,680,600	5,748	3,353	8	2.4	13.8
Skanska ¹	32,111,326	4,280	2,025	6	7.6	27.8
Indutrade	14,727,800	3,417	102	5	36.8	36.8
Höganäs	3,550,000	934	637	1	10.1	8.1
Total		71,092	33,349	100		

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

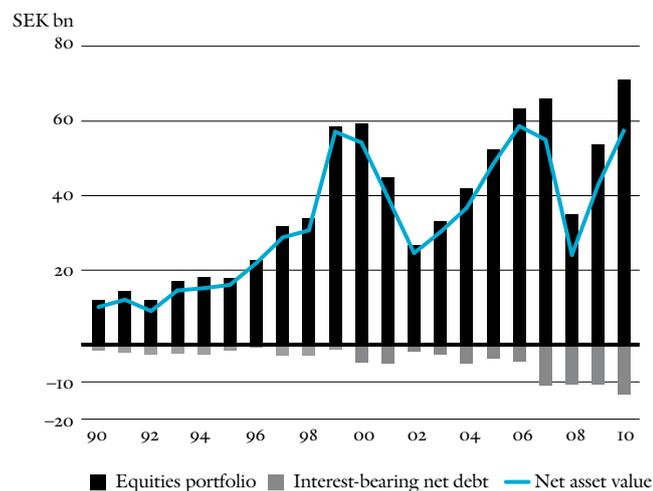
PERFORMANCE OF HOLDINGS IN THE EQUITIES PORTFOLIO 2010

	Price change, %	Total return, %	Total return ¹		
			5 years, %	10 years, %	20 years, %
Sandvik	52	53	16	16	18
Handelsbanken	5	9	7	7	15
Volvo	89	89	15	19	18
SCA	11	15	5	8	11
SSAB	-7	-7	8	20	20
Ericsson	14	17	-9	-14	7
Skanska	10	15	8	8	13
Indutrade ²	72	77	25	-	-
Höganäs	60	63	15	11	-
Equities portfolio	28	31			
	Index (OMXSPI): 23	Index (SIXRX): 27			

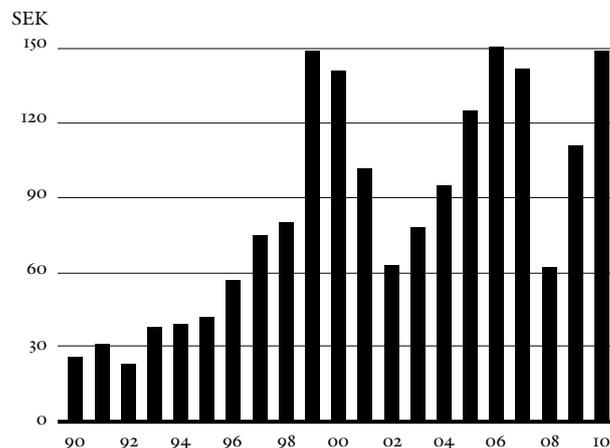
¹) Average annual total return.

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 4% and 12%, respectively, including reinvested dividends.

TOTAL RETURN FOR CLASS C SHARES OUTPERFORMED INDEX BY 21 PERCENTAGE POINTS

Industrivärden's stock outperformed the market average in 2010. The total return for the year including reinvested dividends was 40% for Industrivärden's Class A shares and 48% for the Class C shares, compared with 27% for the market as a whole.

Trading volume of Industrivärden shares on the Stockholm Stock Exchange in 2010 was SEK 16 billion (12), corresponding to a turnover rate of 25% (18%) for the Class A shares and 91% (113%) for the Class C shares. Average daily trading volume was 252,000 Class A shares and 426,000 Class C shares.

CLASS C SHARES ADDED TO MSCI GS INDEX

In November 2010 Industrivärden's Class C shares were included on the Morgan Stanley Global Standard Index, large cap. This has given rise to greater demand for Industrivärden's Class C shares as a result of extensive global index investments.

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 2011 Annual General Meeting declare a dividend of SEK 4.00 (3.00) per share, corresponding to a dividend yield of 3.3% and 3.4%, respectively for the Class A and Class C shares.

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 49,000 shareholders (48,000). Foreign ownership in the Company is 10% (10%).

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 earnings.

EMPLOYEE SHAREHOLDINGS IN INDUSTRIVÄRDEN

Information on shareholdings of Company directors, members of the executive management and senior executives is provided on pages 49–50.

INDUSTRIVÄRDEN'S STOCK AS PER DECEMBER 31, 2010

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 issues of convertible bonds that were decided on in 2010 and 2011 may increase the number of underlying shares by 74 million new Class C shares upon full conversion at the original conversion prices.

INDUSTRIVÄRDEN CONVERTIBLE LOANS

	Nominal value, EUR M	Conversion price, SEK	Fixed exchange rate, SEK	Maximum number of additional Class C shares, millions
Convertible loan 2010–2015	500	115.5	10.2258	44.3
Convertible loan 2011–2017	550	162	8.8803	30.1

DIVIDEND

SEK	2010	2009	2008	2007	2006
Dividend	4.00 ¹	3.00	4.50	5.00	4.50
Annual growth in dividend, %	33	-33	-10	11	29
Dividend yield, Class A shares, %	3.3	3.4	7.9	4.4	3.3
Dividend yield, Class C shares, %	3.4	3.6	9.0	4.8	3.5
Dividend yield for Stockholm Stock Exchange, % ²	3.2	2.8	4.5	4.0	3.0

¹) Proposed by the Board of Directors.

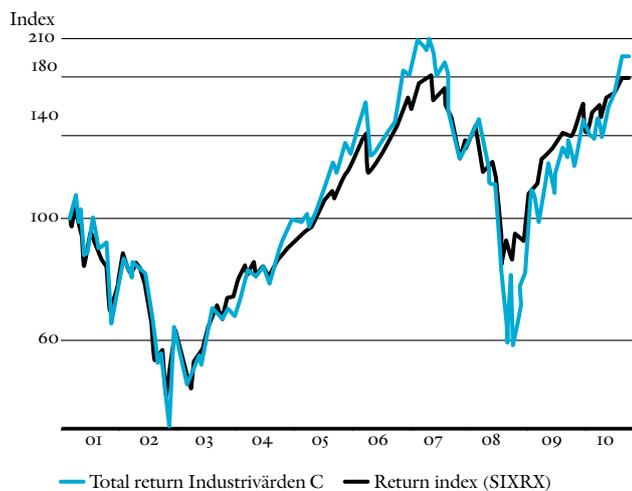
²) Source: NASDAQ OMX. Preliminary figures for 2010 as per February 14, 2011.

OWNERSHIP STRUCTURE AT DECEMBER 31, 2010¹

Largest shareholders	Number of shares	Percentage of	
		capital stock	votes
L.E. Lundbergföretagen	46,900,000	12.1	16.7
Handelsbankens Pension Foundation	29,800,000	7.7	10.6
Handelsbankens Pension Fund	29,350,000	7.6	10.5
Jan Wallanders and Tom Hedelius Foundation	25,800,000	6.7	9.2
Swedbank Robur Mutual Funds	23,186,667	6.0	1.0
SCA Pension Foundation	18,824,080	4.9	6.7
SCA Group Holding	10,525,655	2.7	3.8
SCA Vorsorge-Treuhand	9,514,630	2.5	3.4
Skandia Liv	7,725,416	2.0	0.3
SCA Pension Foundation for salaried employees and foremen	7,063,790	1.8	2.5
Government of Norway	5,595,620	1.5	1.7
Fredrik Lundberg	5,140,000	1.3	1.8
Svenska Handelsbanken	4,966,000	1.3	1.8
Second Swedish Public Pension Fund	4,560,359	1.2	0.3
Third Swedish Public Pension Fund	3,520,022	0.9	0.8
Tore Browaldh Foundation	3,410,000	0.9	1.2
State Street Bank, Pension Fund	3,225,097	0.8	0.4
Oktogonen	2,600,000	0.7	0.9
AFA sjukförsäkring	2,424,065	0.6	0.1
Total above	244,131,401	63.2	73.8
Other Shareholders	142,139,823	36.8	26.2
Total Industrivärden	386,271,224	100.0	100.0

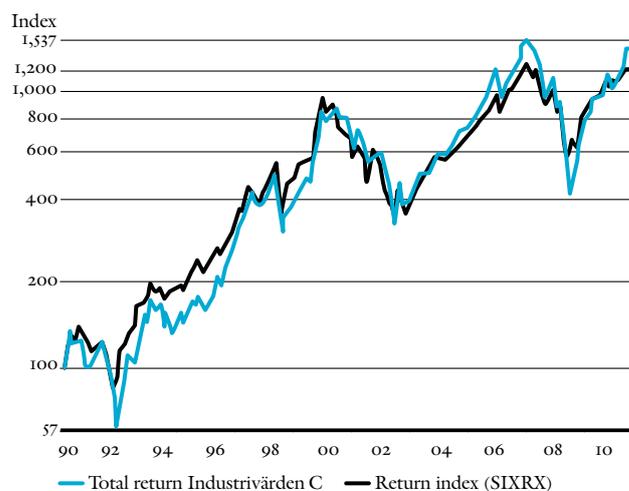
1) Source: Euroclear.

TOTAL RETURN FOR INDUSTRIVÄRDEN'S STOCK, 10 YEARS

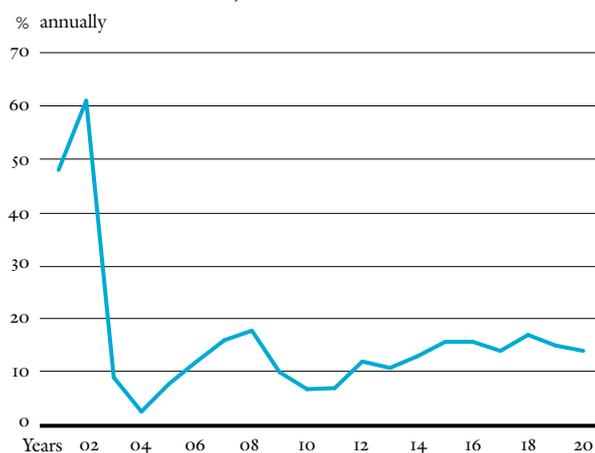


The average annual total return during the last ten and twenty year periods was 7% and 14%, respectively.

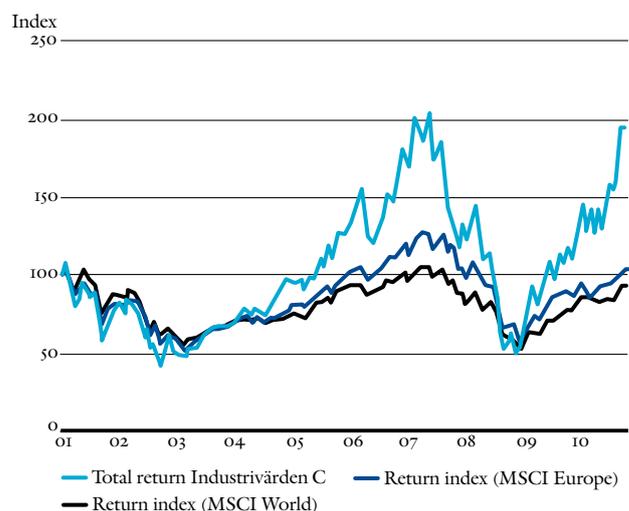
TOTAL RETURN FOR INDUSTRIVÄRDEN'S STOCK, 20 YEARS



INDUSTRIVÄRDEN C, ANNUAL TOTAL RETURN



TOTAL RETURN FOR INDUSTRIVÄRDEN'S STOCK OVER TIME



Morgan Stanley index. All data denominated in EUR.

GROWTH THROUGH LEADING PRODUCT DEVELOPMENT AND CUSTOMER ORIENTATION



SANDVIK

HOLDING

Shares: 138,443,752

Market value: SEK 18,150 M

Share of votes: 11.7% Share of capital: 11.7%

Share of equities portfolio: 25%

OPERATIONS

Sandvik is a global high-technology industrial group with advanced products and operations in 130 countries. The Group works in three business areas in which Sandvik has a world leading position. Tooling specializes in cemented carbide tools and high-speed steel for metal cutting. Mining and Construction specializes in machines and tools for the service, 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% of the capital and 89% of the votes), which is active in metal cutting tools.

Sandvik's strategy is based on a number of strength factors: unique know-how in materials technology and about customers' processes, 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 improvements in customers' productivity and profitability. Sandvik is a global company, but works as a local partner.

PERFORMANCE 2010

- Net sales rose 17% to SEK 82.7 billion.
- Income after net financial items rose sharply to SEK 9.4 billion (-3.5).
- Operating income was SEK 4.3 billion (-0.5) for Tooling, SEK 4.7 billion (0.5) for Mining and Construction, and SEK 1.5 billion (-1.1) for Materials Technology.
- Consolidation and completion of future-oriented investments in higher sales, productivity and profitability.
- Acquisition of Shanghai Jianshe Luqiao Machinery strengthens Sandvik's position in China.

SANDVIK AT A GLANCE

Chairman: Anders Nyren

CEO: Lars Petterson; from February 1, 2011, Olof Faxander

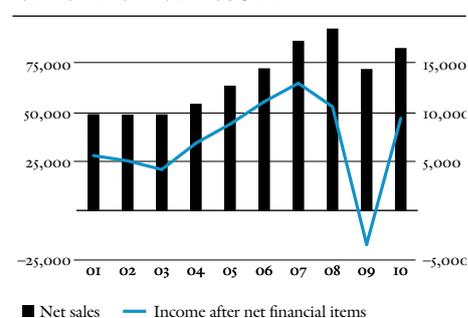
For more information on Sandvik, visit www.sandvik.com.

KEY DATA

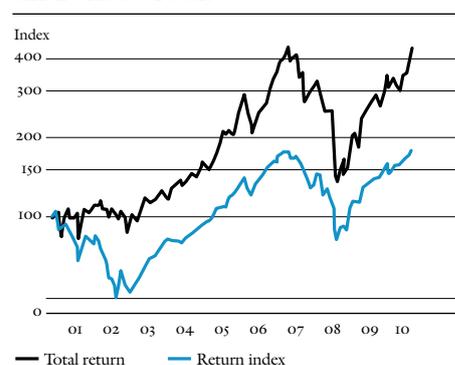
	2010	2009
Earnings per share, SEK	5.59	-2.24
Dividend per share, SEK	3.00 ¹⁾	1.00
Share price on December 31, SEK	131.10	86.40

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.

PROFITABLE GROWTH THROUGH A CONSISTENTLY APPLIED BUSINESS MODEL WITH LOCAL CUSTOMER RESPONSIBILITY

Photo: Pär Olsson



Handelsbanken

HOLDING

Shares: 65,217,930 Class A shares

Market value: SEK 14,015 M

Share of votes: 10.6% Share of capital: 10.5%

Share of equities portfolio: 20%

OPERATIONS

Handelsbanken is a universal bank with the business concept of offering a comprehensive range of high quality 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. This enables deep and enduring customer relationships that are characterized by availability, simplicity and a high degree of service. 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 despite 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 83 branches in the U.K. and 32 in the rest of the world. In all, Handelsbanken is active in 22 countries. Operations are geared for continued growth, mainly organic, in selected markets.

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

PERFORMANCE 2010

- Operating income rose 8% to SEK 14.8 billion (13.7) Total income amounted to SEK 31.3 billion (32.3). Net interest fell 3% to SEK 21.3 billion and net commissions rose 9% to SEK 8.0 billion.
- Loan losses fell to SEK 1.5 billion (3.4).
- Return on equity increased to 12.9% (12.6%).

HANDELSBANKEN AT A GLANCE

Chairman: Hans Larsson

CEO: Pär Boman

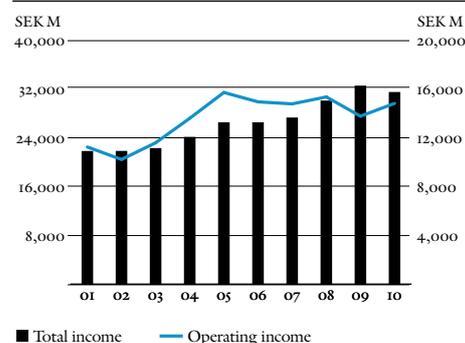
For more information on Handelsbanken, visit www.handelsbanken.com.

KEY DATA

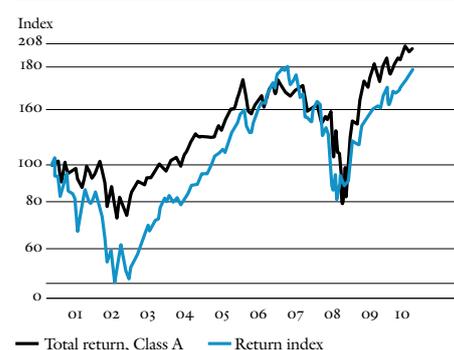
	2010	2009
Earnings per share, SEK	17.72	16.44
Dividend per share, SEK	9.00 ¹	8.00
Share price on December 31		
Class A	214.90	204.20
Class B	211.50	202.20

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.

WORLD LEADER IN COMMERCIAL TRANSPORT SOLUTIONS



VOLVO

HOLDING

Shares: 87,646,151 Class A shares and
5,345,661 Class B shares

Market value: SEK 10,713 M

Share of votes: 10.7% Share of capital: 4.4%

Share of equities portfolio: 15%

OPERATIONS

Volvo Group is a world-leading supplier of commercial transport solutions, with sales in roughly 180 countries. Operations are conducted through six business areas: Trucks, Construction Equipment, Buses, Volvo Penta, Volvo Aero and Financial Services. The company strives to offer transport-related products and services with high quality and safety for demanding customers in selected segments. Concern for the environment and energy efficiency permeate the company's products. The business is based on depth of knowledge about advanced diesel engines, where the Group can coordinate its R&D based on a joint architecture and shared technology. Volvo Group is the world's second largest manufacturer of Western trucks in the heavy segment. Trucks are sold under the Volvo, Renault, Mack and UD Trucks 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 2010

- Net sales rose 21% to SEK 264.7 billion (218.4).
- Income after financial items rose substantially to SEK 15.5 billion (-20.6).
- Recovery in demand in most markets, with improved profitability.
- New, medium-duty engine platform launched, with manufacturing in India.
- Operating cash flow strengthened to SEK 20.6 billion (4.0).

VOLVO AT A GLANCE

Chairman: Louis Schweitzer

CEO: Leif Johansson (until June 30, 2011)

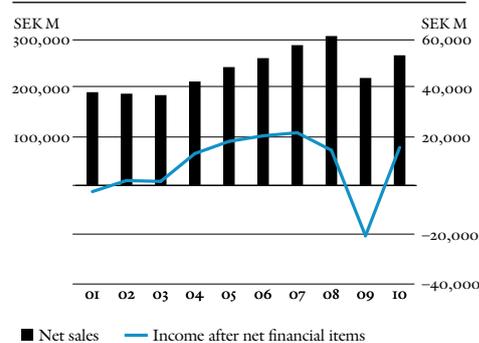
For more information on Volvo Group, visit www.volvogroup.com.

KEY DATA

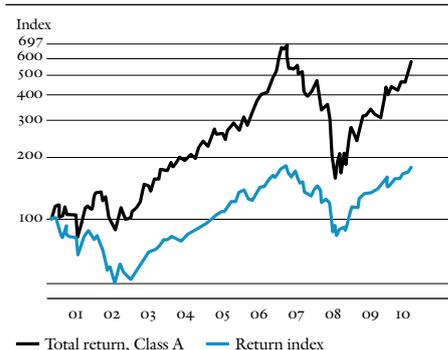
	2010	2009
Earnings per share, SEK	5.36	-7.26
Dividend per share, SEK	2.50 ¹⁾	0.00
Share price on December 31, SEK		
Class A shares	114.50	61.00
Class B shares	117.00	61.45

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.

LEADING GLOBAL HYGIENE PRODUCTS COMPANY



HOLDING

Shares: 45,100,000 Class A shares and
25,700,000 Class B shares

Market value: SEK 7,487 M

Share of votes: 29.5% *Share of capital:* 10.0%

Share of equities portfolio: 11%

OPERATIONS

SCA is a global hygiene products and paper company that develops, produces and markets personal care products, tissue, packaging solutions and forest products. SCA is Europe's largest private forest owner. Operations are global, with sales in more than 100 countries and manufacturing in approximately 40 countries. The company produces innovative and highly refined products and services. More than half of sales are hygiene products such as toilet paper, kitchen rolls, facial tissue, incontinence products, feminine care products and diapers. SCA is the global market leader in incontinence products. The Group's sales are based on a portfolio of strong brands along with products sold under retailers' private labels. SCA has two global brands – Tena for incontinence products and Tork for tissue for the away-from-home (ATH) market – both generating in excess of EUR 1 billion in annual sales. A growing share of sales of SCA's hygiene products is derived from emerging markets. The company's packaging solutions are used primarily for food products, industrial products and consumer durables.

PERFORMANCE 2010

- Net sales totaled SEK 109 billion (111).
- Volumes increased in all business areas.
- Profit after financial items rose 16% to SEK 7.5 billion.
- Operating cash flow was SEK 7.4 billion (11.5).

SCA AT A GLANCE

Chairman: Sverker Martin-Löf

CEO: Jan Johansson

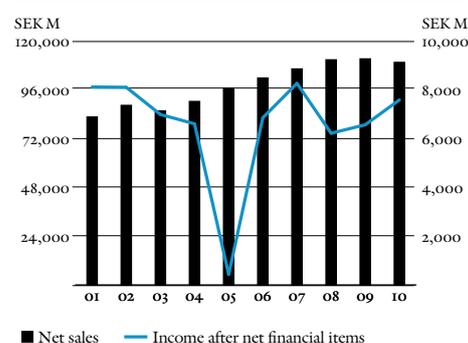
For more information on SCA, visit
www.sca.com.

KEY DATA

	2010	2009
Earnings per share, SEK	7.90	6.78
Dividend per share, SEK	4.00 ¹	3.70
Share price on December 31, SEK		
Class A shares	105.50	95.35
Class B shares	106.20	95.45

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.

GLOBAL LEADER IN HIGH-STRENGTH STEEL

Photo: Arne Forsberg, SSAB



SSAB

HOLDING

Shares: 56,105,972 Class A shares and
73,498 Class B shares

Market value: SEK 6,347 M

Share of votes: 22.5% Share of capital: 17.3%

Share of equities portfolio: 9%

OPERATIONS

SSAB is an internationally leading supplier of high-strength steel with a base in Western Europe and North America. The steel operations have been successfully developed through a conscious specialization strategy aimed at strengthening the company's position as a leading producer of high-strength steel. SSAB's steel makes 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. The company has several well known brands, including Hardox, Domex, Weldox, Docol, ArmoX, PreLaq and Toolox. SSAB works according to a goal-oriented strategy aimed at accelerating growth for its niche products and enhancing the profitability of existing plants. The company is also striving to strengthen its positions in the Asian market, particularly in China.

PERFORMANCE 2010

- Normalization of demand during the year.
- Net sales rose 34% to SEK 39.9 billion (29.8).
- Income after net financial items rose to SEK 0.7 billion (-2.1).
- Share of niche products rose to 37% (35%).
- The establishment of an R&D facility in China strengthens the company's position in Asia.

SSAB AT A GLANCE

Chairman: Sverker Martin-Löf

CEO: Olof Faxander; from February 1, 2011,
Martin Lindqvist

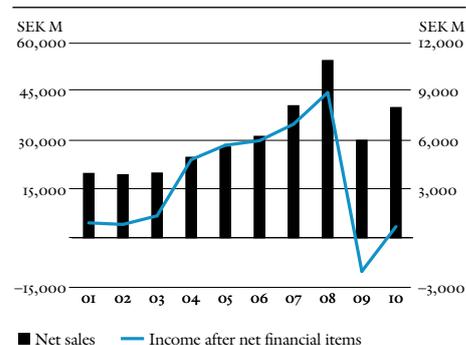
For more information on SSAB, visit
www.ssab.com.

KEY DATA

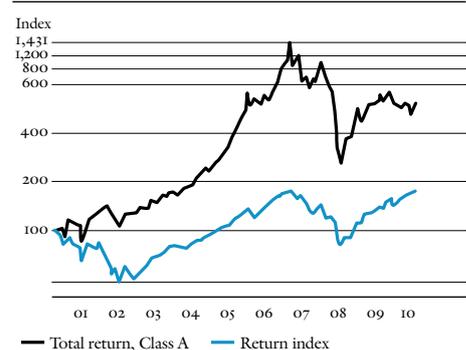
	2010	2009
Earnings per share, SEK	2.21	-2.69
Dividend per share, SEK	2.00 ¹⁾	1.00
Share price on December 31, SEK		
Class A shares	113.00	112.10
Class B shares	99.15	111.50

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 PLAYER IN TELECOM INDUSTRY



ERICSSON 

HOLDING

Shares: 77,680,600 Class A shares

Market value: SEK 5,748 M

Share of votes: 13.8% *Share of capital:* 2.4%

Share of equities portfolio: 8%

OPERATIONS

Ericsson is the world's leading supplier of communication networks and related services for telecom operators. The company 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 the 4G global mobile broadband standard. Through long-term relationships with all major operators, Ericsson delivers the networks for more than 40% of all mobile subscribers. Today Ericsson has a strong product portfolio in mobile systems as well as fixed line networks and business support systems. The fast-growing services segment, in which the company has a leading position, accounts for 40% of consolidated sales. Ericsson also conducts own operations through the half-owned companies Sony Ericsson Mobile Communications (mobile phones), ST-Ericsson (mobile telecom platforms) and LG-Ericsson (business communications).

PERFORMANCE 2010

- Net sales totaled SEK 203.3 billion (206.5).
- Income after net financial items rose 255% to SEK 15.8 billion (6.2), including SEK 6.8 billion in restructuring costs.
- Strengthened position in North America through integration of previously acquired mobile systems businesses (CDMA/GSM).
- The cost-cutting program that was concluded during the year reached its target of annual cost reductions of SEK 16 billion.
- Acquisition of Nortel's majority stake in LG-Nortel (now LG-Ericsson), a joint venture in network business.

ERICSSON AT A GLANCE

Chairman: Michael Treschow

CEO: Hans Vesterberg

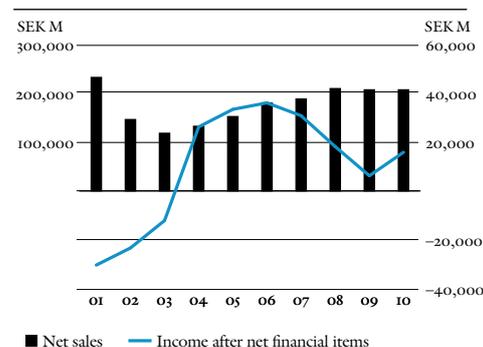
For more information on Ericsson, visit www.ericsson.com.

KEY DATA

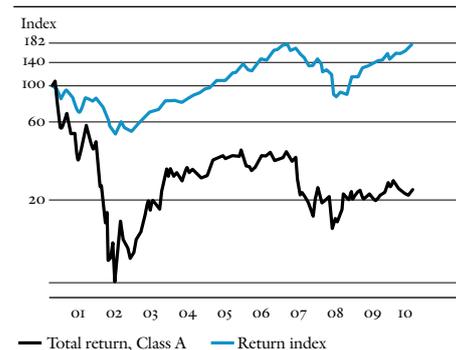
	2010	2009
Earnings per share, SEK	3.46	1.14
Dividend per share, SEK	2.25 ¹⁾	2.00
Share price on December 31, SEK		
Class A shares	74.00	65.00
Class B shares	78.15	65.90

¹⁾ Proposed by the board of directors.

NET SALES AND INCOME



ERICSSON'S STOCK



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

LEADING CONSTRUCTION AND PROJECT DEVELOPMENT COMPANY



SKANSKA

HOLDING

Shares: 15,091,940 Class A shares and
17,019,386 Class B shares

Market value: SEK 4,280 M

Share of votes: 27.8% Share of capital: 7.6%

Share of equities portfolio: 6%

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. The company's global presence creates operational synergies with respect to know-how, purchasing and product development. Financial synergies are created by investing cash flow from the construction operations in the company's project development business, with favorable return on capital. 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 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 2010

- Net sales amounted to SEK 121.7 billion (135.8).
- Income after financial items rose 6% to SEK 5.3 billion (5.0).
- Operating income for Construction, the largest business stream, amounted to SEK 4.4 billion (4.9) and the operating margin rose to 3.9% (3.7).
- Skanska's ownership stake in the Chilean Autopista Central Highway was sold for approximately SEK 6 billion, generating a capital gain of approximately SEK 5 billion.

SKANSKA AT A GLANCE

Chairman: Sverker Martin-Löf

CEO: Johan Karlström

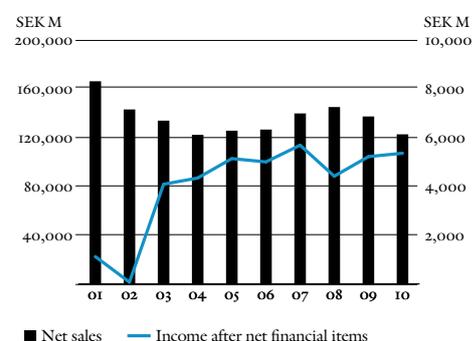
For more information on Skanska, visit www.skanska.com.

KEY DATA	2010	2009
Earnings per share, SEK	9.54	8.65
Dividend per share, SEK	12.00 ¹⁾	6.25
Share price on December 31, SEK ²⁾		
Class B shares	133.30	121.60

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.

NORDIC PLAYER IN INDUSTRIAL TECHNOLOGY SALES



Indutrade

HOLDING

Shares: 14,727,800

Market value: SEK 3,417 M

Share of votes: 36.8% Share of capital: 36.8%

Share of equities portfolio: 5%

OPERATIONS

Indutrade is a technology sales company 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 niche-oriented 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 140 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 aim is to grow the business organically as well as through a tried-and-tested acquisition strategy involving continuous acquisitions of profitable companies.

PERFORMANCE 2010

- Net sales increased to SEK 6.7 billion (6.3).
- Indutrade's profit after net financial items amounted to SEK 0.6 billion (0.5).
- In 2010 nine companies were acquired with combined net sales of approximately SEK 1 billion.
- Through the acquisitions of Abima and the Meson Group, the company has gained exposure to new geographic markets.
- The operating margin (EBITA) was 10.4% (9.5%), which exceeded the long-term target of at least 10% over a business cycle.

INDUTRADE AT A GLANCE

Chairman: Bengt Kjell

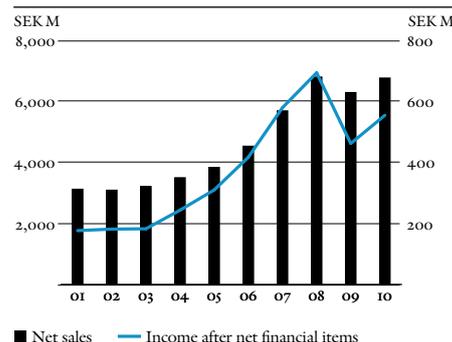
CEO: Johnny Alvarsson

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

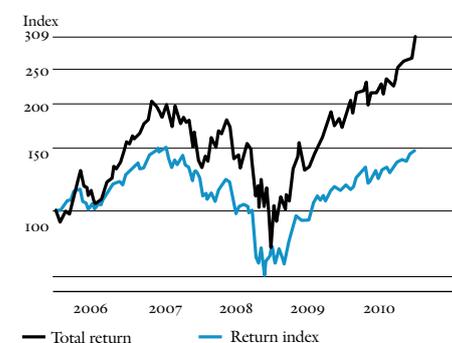
KEY DATA	2010	2009
Earnings per share, SEK	10.18	8.53
Dividend per share, SEK	5.10 ¹	4.30
Share price on December 31, SEK	232.00	135.00

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.

WORLD LEADER IN METAL POWDER TECHNOLOGY



Höganäs 

HOLDING

Shares: 3,550,000 Class B shares

Market value: SEK 934 M

Share of votes: 8.1% Share of capital: 10.1%

Share of equities portfolio: 1%

OPERATIONS

Höganäs is the world's leading supplier of metal powder, with customers in 75 countries. The Components business area (slightly more than 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 (just under 30% of sales) covers metal powder used in processes, such as in producing metals, as additives in chemical processes – such as brazing, welding and surface coating – and for water and air treatment. At its core, Höganäs's potential lies in the major opportunities presented by metal powder to develop better, less costly or entirely new products in many areas. Through its new prototype center, Höganäs is driving development towards greater use of metal powder. At the center, Höganäs's metal powder experts work closely with customers and end users to concretize new business opportunities.

PERFORMANCE 2010

- Sales recovered during the year, and net sales rose 46% to SEK 6.7 billion (4.6).
- Income after financial items rose 400% to SEK 1.1 billion (0.3).
- Net debt-equity ratio fell to 24% (43%).
- Strong development in growth markets.
- Continued strategic investments in R&D.

HÖGANÄS AT A GLANCE

Chairman: Anders G. Carlberg

CEO: Alrik Danielson

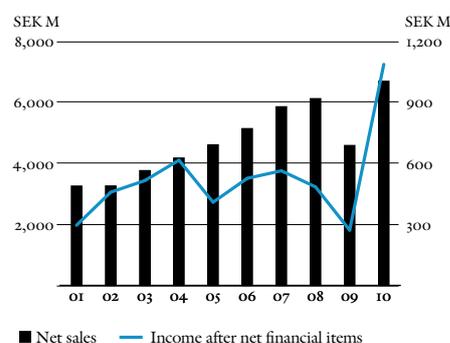
For more information on Höganäs, visit www.hoganas.com.

KEY DATA

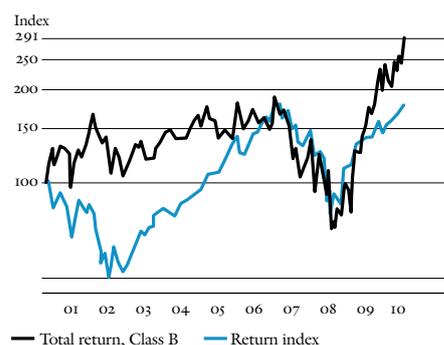
	2010	2009
Earnings per share, SEK	23.11	5.92
Dividend per share, SEK	10.00 ¹⁾	3.00
Share price on December 31, SEK		
Class B shares	263.00	164.00

1) Proposed by the board of directors.

NET SALES AND INCOME



HÖGANÄS'S STOCK



Comment: During the last ten years, Höganäs's stock has 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 2010 fiscal year, the company's sixty-sixth year of operation. The following corporate governance report, 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 high growth in net asset value over time and thereby enable a competitive total return to the shareholders.

Corporate governance report

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

Industrivärden adheres to the Swedish Code of Corporate Governance. The Corporate Governance Report pertains to the 2010 fiscal year and 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 20–21.

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 auditor is elected and their fees are determined, and other items of legally ordained business are conducted.

NOMINATING COMMITTEE

The members of the Nominating Committee are Bo Damberg (the Jan Wallander and Tom Hedelius Foundation, and others), Ulf

Lundahl (L E Lundbergföretagen), Sverker Martin-Löf (Chairman of Industrivärden), Anders Nyberg (SCA Pension Foundations and others), and Håkan Sandberg (committee chair – Handelsbanken Pension Foundation and Handelsbanken Pension Fund).

MEMBERS OF THE BOARD OF DIRECTORS

Industrivärden's board of directors, which was elected by the 2010 Annual General Meeting, has eight members. The Chairman of the Board, Sverker Martin-Löf, is a former CEO of SCA and is the Chairman of SCA, Skanska and SSAB, among other positions. Olof Faxander is President and CEO of Sandvik (former CEO of SSAB). Boel Flodgren is a Professor of Business Law and former President of Lund University. Finn Johnsson is a board member of Skanska and is a former CEO of Mölnlycke Health Care, United Distillers and Euroc. Hans Larsson is Chairman of Handelsbanken, Nobia and Attendo. 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 49. 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 table on page 32.

DUTIES AND WORK OF THE BOARD OF DIRECTORS

The Board has ultimate responsibility for the Company's organization and administration, and is also responsible for making decisions on strategic matters. The Board's work is conducted according to a yearly plan. Each meeting follows an agenda, which together with the underlying documentation is distributed to the directors 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 the forms and application of active ownership; and
- major purchases and sales of listed stocks.

ATTENDANCE, FEES AND INDEPENDENCE CONDITIONS

Name	Year elected	Board	Audit Committee	Compensation Committee	Attendance at board meetings	Attendance at committee meetings	Fee, 2010 SEK 000 ³	Non-independence in relation to Industrivärden ⁴	Non-independence in relation to major shareholders ⁵
Sverker Martin-Löf ¹	2002	Chairman	Member	Chairman	All	All	1,200		
Olof Faxander	2009	Director	Member	–	All	All	400	X	
Boel Flodgren	2002	Director	Member	–	All	All	400		
Finn Johnsson	2000	Director	Member	–	All	All	400		
Hans Larsson	2010	Director	Chairman	Member	All ²	All	400		X
Fredrik Lundberg	2004	Director	Member	–	All	All	400		X
Lennart Nilsson	1997	Director	Member	–	All	All	400		
Anders Nyrén	2001	Director	–	–	All	–	–	X	
Total							3,600		

¹ Sverker Martin-Löf was appointed as Vice Chairman in 2002 and as Chairman in 2010.

² Hans Larsson was elected as a director on the Board at the Annual General Meeting on May 5, 2010.

³ No fee is paid for committee work.

⁴ Olof Faxander was President and CEO of SSAB and is now President and CEO of Sandvik – companies in which Industrivärden is a major shareholder.

⁵ Anders Nyrén is President and CEO of Industrivärden and the only executive director of the Company.

⁵ Fredrik Lundberg is President and CEO of L E Lundbergföretagen, which is a major shareholder of Industrivärden. Hans Larsson serves as Chairman of foundations that are major shareholders of Industrivärden.

The Board has a central role in Industrivärden's business model for active ownership, which is described at length on pages 10–17.

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, decisions on the Company's signatories, appointment of persons to check the minutes of board meetings, and appointment of committee members.

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 submits a report to the Audit Committee on the auditors' observations and remarks from their audit.

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 the share price development and earnings performance. 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 development.

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 structure 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 IN 2010

The Board held a total of eight meetings in 2010. The most important duties of the Board concerned matters related to the holdings in the equities portfolio and strategic planning. In addition, the Board decided to carry out an issue of convertible bonds, to carry out large purchases of stocks, and to divest the holding in Munters.

COMPENSATION COMMITTEE

The Board has appointed a compensation committee, which held one meeting. The guidelines for compensation of senior executives were adopted by the 2010 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 Chairman of the Board Sverker Martin-Löf (committee chair) and director Hans Larsson. No compensation was paid for the 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 coupled 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 notice period 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 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. Hans Larsson chairs the Audit Committee. The Audit Committee is tasked with reviewing 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 Audit Committee maintains regular contact with the Company's auditor to ensure that internal and external reporting meet established requirements and to discuss the scope and focus of the audit work. The auditor reports his observations to the Audit Committee in connection with the audit of the year-end financial statements. No compensation was paid to the Audit Committee members for their work on the committee.

AUDITOR

At the 2010 Annual General Meeting, PricewaterhouseCoopers AB was elected as the Company's auditor for a term through the 2014 Annual General Meeting. The chief auditor is Anders Lundin, Authorized Public Accountant.

In 2010 all interim reports were reviewed by the Company's auditor. 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, 2010, would have affected the market value by approximately +/- SEK 700 M. A detailed description of the risks associated with Industrivärden's business is provided on page 42.

INTERNAL CONTROL OF FINANCIAL REPORTING

Against the background 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 auditor 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 is made up 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 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

SIGNIFICANT EVENTS

In January the Board of Directors decided to issue convertible bonds directed at European institutions. The loan is worth EUR 500 M, has a term until 2015 and carries a coupon of 2.5%. The conversion price is SEK 115.50, which corresponded to net asset value at the time of the issue.

Part of the proceeds from the convertible issue have been used for investments in the equities portfolio. Net purchases amounted to a total to SEK 2.5 billion. A major purchase was made of Volvo Class A shares by exercising a total return swap that was built up in 2009. Industrivärden purchased 12.5 million Class A shares at a price of SEK 64 per share. Net purchases for the year had an accumulated growth in value of 41%, compared with a 23% gain for the market index.

In October the Board decided to sell the shareholding in Munters to Nordic Capital for SEK 843 M; the holding generated a total return of 50% during Industrivärden's ownership.

NET ASSET VALUE

During the year, net asset value increased from SEK 42.8 billion, or SEK 111 per share, to SEK 57.7 billion, or SEK 149 per share, a rise of 37%. The components making up net asset value are shown in the following table:

	SEK billion		SEK per share	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Equities portfolio	71.1	53.5	184	139
Interest-bearing net debt	-13.4	-10.8	-35	-28
Net asset value	57.7	42.8	149	111
Net asset value after full conversion	61.8		144	

Equities portfolio

The market value of the equities portfolio at year-end was SEK 71,092 M (53,548). The market value exceeded cost by SEK 37,743 M (23,161). During the year, stocks were bought for a net amount of SEK 2,547 M (-400).

Taking into account purchases and sales, the value of the portfolio increased by 28% (56%) during the year. The stock market index (OMXSPI) rose 23% (47%). The total return of the equities portfolio was 31% (63%), compared with 27% (53%) for the return index (SIXRX).

Short-term derivative transactions and equity trading

The Group company Nordinvest AB conducts short-term equity

trading. Income totaled SEK 17 M (7). Industrivärden's total income from short-term derivative transactions and equity trading amounted to SEK 114 M (100).

Interest-bearing net debt

At year-end 2010, interest-bearing net debt amounted to SEK 13,401 M (10,766), corresponding to a net debt-equity ratio of 18.9% (20.1%). After full conversion of convertible loans, interest-bearing net debt at the same point in time was SEK 9,246 M, corresponding to a net debt-equity ratio of 13.0%.

Parent Company

The Parent Company reports income after financial items of SEK 11,141 M (10,901). Shareholders' equity amounted to SEK 43,919 M (33,766) at year-end.

During the year, the the subsidiaries Industrivärden Invest AB and Industrivärden Förvaltning AB repaid conditional shareholder contributions of SEK 7,410 M to the Parent Company in connection with the refinancing of subsidiaries.

Proposed dividend

The Board of Directors proposes a dividend of SEK 4.00 (3.00) per share. The proposed dividend corresponds to 3.5% of the Parent Company's shareholders' equity and 2.7% of the Group's shareholders' equity. Of shareholders' equity 46%, or SEK 20.3 billion in the Parent Company, and 57%, or SEK 32.0 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 1,545 M (1,159).

Important events in 2011

In January 2011, the Board decided to issue six-year convertible bonds for EUR 550 M, which were oversubscribed. The Board's decision was formally approved at an Extraordinary General Meeting on February 9, 2011. The conversion price is SEK 162.00/share at a fixed euro exchange rate of SEK 8.8803, corresponding to a premium to net asset value and an annual coupon of 1.875%. The share dilution is limited and corresponds upon full conversion to approximately 8% of the capital and 1% of the number of votes.

SHARE HOLDINGS 2010

SEK M	Dividend received 2010	Change in value	Net purchase/ sale (-) per holding	Market value, 12/31/2010	Total return, %
Sandvik	138	6,217	232	18,150	53
Handelsbanken	505	691	428	14,015	9
Volvo	-	4,660	1,770	10,713	89
SCA	262	733	-	7,487	15
SSAB	53	-505	540	6,347	-7
Ericsson	153	703	61	5,748	17
Skanska	182	385	363	4,280	15
Indutrade	63	1,429	-4	3,417	77
Höganäs	11	351	-	934	63
Munters	11	333	-843	-	69
Total, equities portfolio	1,379	14,997	2,547	71,092	31
SIXRX					27

PROPOSED DISTRIBUTION OF EARNINGS

According to the Consolidated Balance Sheet, retained earnings for the year amount to SEK 54,398 M, of which SEK 14,870 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 2010 AGM	SEK 30,750 M	To the shareholders, a dividend of SEK 4.00 per share, totaling	SEK 1,545 M
Net income for the year	SEK 11,141 M	To be carried forward	SEK 40,346 M
	SEK 41,891 M		SEK 41,891 M

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, 2011.

Stockholm, February 9, 2011

Sverker Martin-Löf
Chairman

Olof Faxander
Director

Boel Flodgren
Director

Finn Johnsson
Director

Hans Larsson
Director

Fredrik Lundberg
Director

Lennart Nilsson
Director

Anders Nyren
President and CEO, Director

Our Audit Report was submitted on February 9, 2011

PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant

GROUP AND PARENT COMPANY

INCOME STATEMENTS

SEK M	Note	Group		Parent Company	
		2010	2009	2010	2009
Dividend income from stocks	1	1,379	1,871	567	1,095
Change in value of stocks, etc.	2	13,991	19,307	11,072	10,259
Short-term derivative transactions and equity trading	4	114	100	79	108
Management costs	5, 8, 9	-94	-86	-94	-89
Other income and expenses		2	0	-10	0
Operating income		15,392	21,192	11,614	11,373
Financial income	6	19	19	19	19
Financial expenses	6	-541	-542	-492	-491
Income after financial items		14,870	20,669	11,141	10,901
Tax	10	-	-	-	-
Net income for the year		14,870	20,669	11,141	10,901
Earnings per share, SEK ¹		38.50	53.51	28.84	28.22
Earnings per share after full conversion, SEK ²		37.11	-	28.45	-

1) 386,271,224 shares outstanding.

2) Shares outstanding after full conversion: 430,538,533.

STATEMENT OF COMPREHENSIVE INCOME

Net income for the year	14,870	20,669	11,141	10,901
Change in hedging reserve	72	30	171	30
Comprehensive income for the year	14,942	20,699	11,312	10,931

BALANCE SHEETS

SEK M	Note	Group		Parent Company	
		2010	2009	2010	2009
ASSETS					
Property, plant and equipment	11	27	25	-	-
Equities	12	71,092	53,548	36,138	22,094
Shares in associated companies	12, 13, 15	-	-	11,159	10,036
Shares in subsidiaries	14, 15	-	-	4,545	11,948
Non-current receivables		180	-	180	-
Total non-current assets		71,299	53,573	52,022	44,078
Other current receivables	16	72	89	972	88
Short-term equity investments		176	128	-	135
Cash and cash equivalents		0	0	0	0
Total current assets		248	217	972	223
TOTAL ASSETS		71,547	53,790	52,994	44,301
SHAREHOLDERS' EQUITY AND LIABILITIES					
Capital stock		966	966	966	966
Other capital contribution/Statutory reserve		1,062	1,062	1,062	1,062
Reserves/Fair value reserve		-99	-171	-	-171
Retained earnings		39,528	20,018	30,750	21,008
Net income for the year		14,870	20,669	11,141	10,901
Total shareholders' equity		56,327	42,544	43,919	33,766
Convertible loan	17, 19	4,155	-	4,155	-
Other non-current interest-bearing liabilities	18, 19	6,968	8,513	868	7,513
Non-current noninterest-bearing liabilities	20	1,344	13	1,344	-
Total non-current liabilities		12,467	8,526	6,367	7,513
Current interest-bearing liabilities	21	2,458	2,330	2,426	2,603
Other current liabilities	22	295	390	282	419
Total current liabilities		2,753	2,720	2,708	3,022
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		71,547	53,790	52,994	44,301
Contingent liabilities		0	0	6,396	1,000

GROUP AND PARENT COMPANY

SHAREHOLDERS' EQUITY

Group	Capital stock ¹	Other capital contribution	Reserves ²	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2008	966	1,062	-201	50,870	-29,114	23,583
Change in hedging reserve, fair value gains	-	-	30	-	-	30
Transfer of previous year's net income	-	-	-	-29,114	29,114	-
Net income for the year	-	-	-	-	20,669	20,669
Total comprehensive income	-	-	30	-	20,669	20,699
Dividend to shareholders	-	-	-	-1,738	-	-1,738
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2009	966	1,062	-171	20,018	20,669	42,544
Change in hedging reserve, fair value gains	-	-	72	-	-	72
Transfer of previous year's net income	-	-	-	20,669	-20,669	-
Net income for the year	-	-	-	-	14,870	14,870
Total comprehensive income	-	-	72	20,669	-5,799	14,942
Dividend to shareholders ³	-	-	-	-1,159	-	-1,159
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2010	966	1,062	-99	39,528	14,870	56,327

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, 2008	966	1,062	-201	36,116	-16,223	21,720
Change in accounting policies ⁴	-	-	-	2,853	-	2,853
ADJUSTED OPENING SHAREHOLDERS' EQUITY	966	1,062	-201	38,969	-16,223	24,573
Change in hedging reserve, fair value gains	-	-	30	-	-	30
Transfer of previous year's net income	-	-	-	-16,223	16,223	-
Net income for the year	-	-	-	-	10,901	8,970
Total comprehensive income	-	-	30	-	10,901	10,931
Dividend to shareholders	-	-	-	-1,738	-	-1,738
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2009	966	1,062	-171	21,008	10,901	33,766
Change in hedging reserve, fair value gains	-	-	72	-	-	72
Change in hedging reserve, transfer to income statement – expense	-	-	99	-	-	99
Transfer of previous year's net income	-	-	-	10,901	-10,901	-
Net income for the year	-	-	-	-	11,141	11,141
Total comprehensive income	-	-	171	-	11,141	11,312
Dividend to shareholders	-	-	-	-1,159	-	-1,159
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2010	966	1,062	0	30,750	11,141	43,919

1 The capital stock as per December 31, 2010, 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 20–21.

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

3) The dividend in 2010 was SEK 3.00 per share.

4) See accounting policies, pages 39–40.

GROUP AND PARENT COMPANY

STATEMENTS OF CASH FLOWS

SEK M	Note	Group		Parent Company	
		2010	2009	2010	2009
OPERATING ACTIVITIES					
Dividend income from stocks	I	1,379	1,871	567	1,095
Cash flow from short-term derivate transactions and equity trading		78	91	139	78
Management costs paid		-103	-87	-101	-87
Other items affecting cash flow		24	15	28	0
Cash flow from operating activities before financial items		1,378	1,890	633	1,086
Interest received		26	22	23	22
Interest paid		-576	-559	-526	-508
Other financial items		-1	-12	-1	-12
Tax paid		0	0	-	-
CASH FLOW FROM OPERATING ACTIVITIES		827	1,341	129	588
INVESTING ACTIVITIES					
Purchases/sales of listed stocks	3, 15	-2,547	400	-2,990	11,793
Other		-	40	-8	40
CASH FLOW FROM INVESTING ACTIVITIES		-2,547	440	-2,998	11,833
FINANCING ACTIVITIES					
Loans raised and amortization of debt		-1,787	-1,139	-7,987	-863
Issue of convertible debentures		5,026	-	5,026	-
Investments		-271	-	-271	-
Change in financing of subsidiaries		-	-	-21	-1,126
Shareholder contributions and other items		-	-	7,370	-9,790
Dividend paid		-1,159	-1,738	-1,158	-1,738
CASH FLOW FROM FINANCING ACTIVITIES		1,810	-2,877	2,959	-13,517
NET CASH FLOW FOR THE YEAR		90	-1,096	90	-1,096
Cash and cash equivalents at start of year		0	1,096	0	1,096
Exchange rate difference in cash and cash equivalents		-90	-	-90	-
CASH AND CASH EQUIVALENTS AT END OF YEAR		0	0	0	0

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. The annual report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and with application of RFR 2. The most important accounting policies applied are specified below. Unless otherwise stated, these are unchanged compared with preceding years. New or revised IFRSs and IFRIC interpretations have not had any effect on the Group's or Parent Company'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. Industrivärden has elected to report continuing changes in the market value of all holdings of listed shares and equity derivatives through profit or loss.

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. 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, etc.

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.

REPORTING OF CONVERTIBLE LOANS

The convertible loans, which are issued in euros, consists of two components: a debt component and an option component. The debt component is initially measured at fair value, and thereafter at amortized cost using the effective interest method. This entails that the loan is revalued over its term at nominal value. This revaluation is

reported as a change in value in the income statement, while the coupon interest is reported as an interest expense. The option component is reported as a liability, since the currency is different from the functional currency. In accordance with IAS 39, the option is measured on a continuous basis at fair value through profit or loss in the item Change in value of stocks, etc. Transaction costs are allocated over the term of the loan and are included in the change in value reported in the income statement.

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Transactions, assets and liabilities in foreign currency are translated to the functional currency using the exchange rates in effect on the transaction date or on the day the items were restated. The Parent Company's functional currency is SEK.

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 recognized in income. The outstanding options are carried on the balance sheet as accrued income and accrued expenses, respectively.

HEDGING OF FIXED INTEREST RATES THROUGH EFFECTIVE CASH FLOW HEDGES

The interest coupon portion is reported as a continuing interest expense, while other market value changes of the hedge (swap) are reported directly against the hedging reserve in shareholders' equity, under the condition that the hedge is effective.

NON-CURRENT ASSETS

Property, plant and equipment are carried at cost less accumulated 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. In accordance with UFR 6, defined benefit pension plans insured with Alecta are reported as defined contribution plans, since Alecta has not been able to provide adequate information. Industrivärden has elected at the Group level to utilize the so-called corridor in reporting actuarial gains and losses.

SHORT-TERM DERIVATIVE AND EQUITY TRADING

Industrivärden's short-term trading consists of trading in stock options, short-term equity investments and financial instruments coupled to short-term equity investments.

SHARE-BASED INCENTIVE PROGRAM

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 total return 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. No options were exercised during the year.

PARENT COMPANY

As in the Group, listed shares in the Parent Company are carried at market value. 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.

Changed accounting policies for the Parent Company

Effective January 1, 2010, the Parent Company also applies the revised IAS 1 Presentation of Financial Statements. This change has affected the Parent Company's reporting 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 Parent Company also applies a new accounting policy concerning the reporting of associated companies following an amendment to the Annual Accounts Act, Ch. 4, Section 14b. Associated companies are now reported at fair value also in the Parent Company. This has affected the comparison year 2009 in the balance sheet and income statement as follows: Change in value of stocks, etc., by SEK +1,931 M; shares in associated companies by SEK +4,784 M; and retained earnings by SEK +2,853 M.

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. Having a mix of varied 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 decided 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 equity derivatives. The subsidiary Nordinvest conducts short-term equity trading within the framework of Industrivärden's strategy. 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, 2010, would have affected the market value by SEK +/- 700 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.

The option portion of issued convertible loans is reported as a liability and is stated at market value during the term of the loans. If the price of Industrivärden Class C shares rises, so does the carrying amount of the liability. A share price increase of 10% would increase the liability by SEK 405 M and the value of the equities portfolio by SEK 7,000 M. Upon conversion, the liability is transferred from both the loan and option portions to shareholders' equity.

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 2010, one interest rate swap

agreement was in effect under which a variable interest rate had been swapped against a fixed interest rate. The agreement pertains to borrowings totaling SEK 2,000 M with a term of 3 years. At year-end 2010 the market value of the interest rate swap agreement was SEK -99 M, which is reported directly against shareholders' equity in the consolidated financial statements.

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 committed credit facilities at its disposal. Refinancing risk is the risk of the Company being unable to 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% (79%) and an A rating, Industrivärden has considerable financial flexibility.

CURRENCY RISK

Currency risk is the risk that the value of assets and liabilities will vary due to changes in exchange rates. Industrivärden's currency risk is mainly coupled to the outstanding convertible loan of EUR 500 M. The loan was hedged for the most part during the year, but hedge accounting has not been applied.

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 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 credit facilities give Industrivärden the ability to act on attractive investment opportunities at short notice.

CREDIT FACILITIES AS PER DECEMBER 31, 2010

	Amount, SEK M	Utilized amount, SEK M	Term
Convertible loans	4,155	4,155	2015
Bank loans	6,300	6,100	2012–2017
MTN program	8,000	800	2012
Total long-term borrowing		11,055	
Bank loans	–	200	
MTN program	–	455	
Commercial paper	2,000	1,200	
Bank overdraft facility	750	429	
Total short-term borrowing		2,284	

In addition, Industrivärden has unutilized committed bank loans totaling SEK 2,000 M.

AVERAGE INTEREST RATE AND TERMS OF FIXED INTEREST

The average interest rate for Industrivärden's debt portfolio as per December 31, 2010, was 3.8% (4.4%). The average interest duration was 43 months (47).

LIQUIDITY ANALYSIS

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

SEK M	2011	2012–2015	After 2015	Total
Interest-bearing receivables	14	210	–	224
Interest-bearing liabilities	–2,774	–9,356	–3,279	–15,409
Derivative instruments	–13	–4	–	–17
Total as per December 31, 2010	–2,773	–9,150	–3,279	–15,202
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
Total as per December 31, 2009	–2,775	–6,227	–3,937	–12,939

CHANGE IN THE GROUP'S INTEREST-BEARING NET DEBT

SEK M	Dec. 31, 2010	Change in borrowing	Other changes	Dec. 31, 2009
Cash and cash equivalents	0	–	–	0
Interest-bearing receivables	180	–	103	77
Non-current interest-bearing liabilities	11,123	2,610	–	8,513
Current interest-bearing liabilities	2,458	128	–	2,330
Interest-bearing net debt	13,401	2,738	103	10,766

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

December 31, 2010	Level 1	Level 2	Level 3	Total
Assets				
– Equities	71,261	5	–	71,266
– Equity derivatives	–	15	–	15
– Other derivatives	–	5	–	5
Total assets	71,261	25	–	71,286

Liabilities

Other non-current liabilities				
– Option portion of convertible loan	–	1,319	–	1,319
Other current liabilities				
– Equity derivatives	13	20	–	33
– Derivative instruments used for hedging	–	99	–	99
– Other derivatives	21	–	–	21
Total liabilities	34	1,438	–	1,472

December 31, 2009	Level 1	Level 2	Level 3	Total
Assets				
Equities	53,548	–	–	53,548
Total assets	53,548	–	–	53,548
Liabilities				
Other current liabilities				
– Equity derivatives	–	97	–	97
– Derivative instruments used for hedging	–	171	–	171
Total liabilities	–	268	–	268

In accordance with IFRS 7, financial instruments are carried at fair value based on a 3-level hierarchy. The classification is based on the input data used in the valuation of the instruments.

For level 1, quoted prices on an active market are used, e.g., stocks listed 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.

NOTES

AMOUNTS IN MILLIONS OF SWEDISH KRONOR (SEK M) UNLESS STATED OTHERWISE.

NOTE 1 Dividend income from stocks

	2010	2009
Ericsson	153	138
Handelsbanken	505	442
Höganäs	11	11
Indutrade	63	94
Munters	11	–
Sandvik	138	430
SCA	262	248
Skanska	182	156
SSAB	53	212
Volvo	–	140
Other	–	–
Group	1,379	1,871

NOTE 2 Change in value of stocks, etc.

	2010	2009
Ericsson	703	417
Handelsbanken	691	4,953
Höganäs	351	333
Indutrade	1,429	1,014
Munters	333	90
Sandvik	6,217	5,092
SCA	733	2,015
Skanska	385	1,303
SSAB	–505	2,832
Volvo	4,660	1,209
	14,997	19,258
Option portion's change in value, convertible loan	–936	–
Revaluation of convertible loan	–77	–
Other	7	49
Group¹	13,991	19,307

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

	2010	2009
Ericsson	61	156
Handelsbanken	428	–261
Höganäs	–	–
Indutrade	–4	–
Munters	–843	–
Sandvik	232	–76
SCA	–	–
Skanska	363	–120
SSAB	540	–116
Volvo	1,770	17
Group	2,547	–400

NOTE 4 Short-term derivative transactions and equity trading

	Group		Parent Company	
	2010	2009	2010	2009
Short-term equity and derivative transactions	97	93	79	108
Short-term equity trading by Nordinvest	17	7	–	–
Total	114	100	79	108

NOTE 5 Management costs

	2010	2009
Payroll costs, incl. directors' fees	–57	–50
Other ¹	–37	–36
Group	–94	–86

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	
	2010	2009	2010	2009
Financial income				
Interest income	19	19	19	19
Total	19	19	19	19
	Group		Parent Company	
	2010	2009	2010	2009
Financial expenses				
Interest expenses – subsidiaries	–	–	–3	–1
Interest expenses – other	–534	–530	–482	–478
Bank charges	–7	–12	–7	–12
Total	–541	–542	–492	–491

NOTE 7 Average number of employees

	2010		2009	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	18	7	19	6
Subsidiaries	3	–	2	–
Total	21	7	21	6

NOTE 8 Salaries and other remuneration; social security costs

	2010				2009			
	Directors' fees	Salaries and other remuneration	Social security costs	Of which, pension costs	Directors' fees	Salaries and other remuneration	Social security costs	Of which, pension costs
Parent Company	4	27	26	17	4	25	21	12
Subsidiaries	–	9	4	1	–	6	3	1
Total, Group	4	36	30	18	4	31	24	13

COMPILATION OF EXECUTIVE MANAGEMENT'S COMPENSATION AND PENSION COSTS FOR 2010

	Base salary	Variable salary	Other benefits	Pension costs
CEO ¹	7.2 ¹	–	0.1	12.4
Other members of executive management (4 persons) ¹	8.8	5.4	0.3	2.0
Total, Group	16.0	5.4	0.4	14.4

1) The Company's cost amounts to SEK 2.8 M after deducting directors' fees from portfolio companies that were paid in to the Company.

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. In accordance with a resolution by the Annual General Meeting in 2010, the Board was paid a fee of SEK 3.6 M (4.0). Of this amount, the Chairman received SEK 1.2 M (1.2). 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 2010 Annual General Meeting. The Compensation Committee submits a recommendation to the Board on the CEO's compensation and decides on the compensation for the 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 7.2 M (6.1). 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 2010 was SEK 12.4 M (6.2). 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 8.8 M (8.7). The other members of the executive management are entitled to a performance-based variable salary portion which for 2010 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.

The variable salary portion pertaining to the 2010 fiscal year amounted to SEK 5.4 M (4.0), which will be paid out in 2011. The other members of the executive management are covered from 65 years 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 2010 for these executives was SEK 2.0 M (2.3). In the event the Company cancels their employment contracts, these executives are entitled to two years' notice.

SHARE-BASED INCENTIVE PROGRAM

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 total return 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. No options were exercised during the year.

NOTE 9 Auditors' fees

	Group ¹		Parent Company ¹	
	2010	2009	2010	2009
PWC				
Audit assignment	1.0	1.0	0.7	0.7
Auditing activities in addition to audit assignment	0.3	0.2	0.3	0.2
Tax consulting	0.1	0.2	0.1	0.2
Other services	0.7	0.1	0.7	0.1
Total	2.1	1.5	1.8	1.2

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

NOTE 10 Condensed tax computation for the Parent Company (see page 51)

	2010	2009
Market value of equities portfolio on January 1	32,265	34,744
Less: business-related shares	–27,204	–31,439
Basis for standard income	5,061	3,305
Standard earnings 1.5%	76	50
Dividends received during each year	567	1,095
Management costs, net financial items, etc.	–563	–544
Dividend paid out ²	–1,545 ¹	–1,159
Taxable income	–1,466	–558
Tax-loss carryforward from previous years	–562	–4
Accumulated tax-loss carryforward	–2,028	–562

1) Proposed by the Board of Directors.

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

NOTE II Property, plant and equipment

	Group		Total property, plant and equipment
	Land and buildings	Equipment	
Opening cost	26	17	43
Investments during the year	3	1	4
Sales and disposals	–	–10	–10
Closing accumulated cost	29	8	37
Opening depreciation	–7	–11	–18
Depreciation for the year	–1	0	–1
Sales and disposals	–	9	9
Closing accumulated depreciation	–8	–2	–10
Book value, 12/31/2010	21¹	6	27
Book value, 12/31/2009	19 ¹	6	25

The tax assessment value of Swedish properties was SEK 43 M (40).

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

NOTE 12 Equities

	Number of shares	Share of capital, %	Share of votes, %	Cost	2010	2009
					Market value ¹	Market value ¹
Ericsson A	77,680,600	2.4	13.8	3,353	5,748	4,984
Handelsbanken A	65,217,930	10.5	10.6	5,700	14,015	12,881
Handelsbanken B	–	–	–	–	–	15
Höganäs B	3,550,000	10.1	8.1	637	934	582
Indutrade ²	14,727,800	36.8	36.8	102	3,417	1,992
Munters	–	–	–	–	–	510
Sandvik	138,443,752	11.7	11.7	6,553	18,150	11,701
SCA A	45,100,000	10.0	29.5	821	4,758	4,301
SCA B	25,700,000	–	–	1,757	2,729	2,453
Skanska A	15,091,940	7.6	27.8	714	2,012	1,835
Skanska B	17,019,386	–	–	1,310	2,269	1,698
SSAB A	56,105,972	17.3	22.5	4,107	6,340	6,299
SSAB B	73,498	–	–	11	7	14
Volvo A	87,646,151	4.4	10.7	7,730	10,079	4,283
Volvo B	5,345,661	–	–	554	633	–
Group's holdings of equities				33,349	71,092	53,548
Less: associated companies					–11,159	–10,036
Less holdings owned via subsidiaries					–23,795	–21,418
Parent Company's holdings of equities, excluding shares in associated companies and subsidiaries					36,138	22,094

1) The market value corresponds to the book value.

2) In 2010 Industrivärden issued a total of 358,000 call options to senior executives of Indutrade. Each option entitles the bearer to purchase one share of Indutrade stock for SEK 191.44 during the period May 1–October 31, 2013. The total cost of the underlying shares is SEK 2,481 thousand. The total value of the exercise price and expensed premium is SEK 74,697 thousand.

NOTE 13 Shares in associated companies

	Reg. no.	Domicile	Shareholders' equity	Earnings after tax	Parent Company			
					Share of capital, %	Share of votes, %	No. shares, 000s	Book value
SCA ¹	556012-6293	Stockholm	67,821	5,592	0.7	0.3	5,000	531
Skanska	556000-4615	Stockholm	20,792	3,940	7.6	27.8	32,111	4,280
SSAB	556016-3429	Stockholm	30,076	764	17.3	22.5	56,179	6,348
Total								11,159

1) In 2009 the Parent Company AB Industrivärden sold the majority of its shareholding in SCA to the wholly owned subsidiary Industrivärden Förvaltning 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,		Shareholders' equity	Parent Company Book value
			%	No. shares		
Industrivärden Invest AB	556775-6126	Stockholm	100	1,000	8,722	1,330 ¹
Industrivärden Förvaltning AB	556777-8260	Stockholm	100	1,000	4,957	1,510 ¹
Industrivärden Holding AB	556260-3067	Stockholm	100	10,000	3,124	1,500
Industrivärden Service AB	556364-7758	Stockholm	100	100,000	25	42
Forma 5373 u.ä.t. AB Nils Dacke	556833-0558	Stockholm	100	500	0	0
Forma 5374 u.ä.t. Investment AB Bahco	556833-0533	Stockholm	100	500	0	0
Forma 5375 u.ä.t. Floras Kulle AB	556833-0525	Stockholm	80	400	200	8
Investment AB Promotion	556364-8137	Stockholm	100	10,000	149	155
Total						4,545

1) Conditional shareholder contributions totaling SEK 7,410 M were repaid in 2010.

NOTE 15 Change in equities

	Group Equities	
	2010	2009
Opening value	53,548	34,744
Reclassification to short-term investment	-	-54
Disposals at sales value	-3,097	-1,645
Purchases	5,644	1,245
Change in value	14,997	19,258
Closing value	71,092	53,548

	Parent Company							
	Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Opening value	22,094	23,081	10,036	7,833	11,948	2,145	44,078	33,059
Reclassification to short-term investment	-	-54	-	-	-	-	-	-54
Disposals at sales value	-2,241	-8,475	-435	-4,564	-1	-	-2,677	-13,039
Purchases	4,011	1,240	1,655	5	8	9,803	5,674	11,048
Change in value	12,274	6,302	-97	6,762	-	-	12,177	13,064
Other	-	-	-	-	-7,410	-	-7,410	-
Closing value	36,138	22,094	11,159	10,036	4,545	11,948	51,842	44,078

NOTE 16 Other current receivables

	Group		Parent Company	
	2010	2009	2010	2009
Interest-bearing receivables	-	77	-	77
Receivables from subsidiaries	-	-	901	0
Prepaid expenses and accrued income	47	12	47	11
Other current receivables	25	0	24	0
Total	72	89	972	88

NOTE 17 Convertible loan

In January 2010, Industrivärden issued five-year convertible bonds for EUR 500 M. The conversion price is SEK 115.50 per share at a fixed euro exchange rate of 10.2258. The conversion price was set at a premium of 37.5% compared with the share price and exceeded net asset value at the time of issue. The annual coupon is 2.5% and is paid half-yearly, on June 1 and December 1. Upon full conversion, 44.3 million Class C shares will be issued.

If the dividend yield for Industrivärden's Class C shares exceeds 3.5%, the conversion price will be adjusted using a standard formula. Industrivärden has the right to demand conversion after approximately 3.5 year term, provided that the value of the convertible exceeds the nominal value by 30% for a certain period of time. Upon maturity, Industrivärden has an opportunity to convert part or all of the loan even if the current share price has not reached the conversion price. In such case, the convertible investors would be guaranteed to receive cash corresponding to the nominal amount of the loan. The loan matures on February 27, 2015.

NOTE 18 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

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

The pension liability as per December 31, 2010, was SEK 68 M (58) for the Group and Parent Company. The value of plan assets was SEK 3 M (3).

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

The Group's total reported pension costs amount to SEK 18 M (13), of which SEK 17 M (12) 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 2011, the Parent Company's pension costs are estimated to amount to approximately SEK 17 M.

Actuarial assumptions	Group	
	2010	2009
Discount rate, %	4.5	3.8
Anticipated return on plan assets, %	5.0	5.0
Future salary increases, %	4.0	4.0
Anticipated inflation, %	2.0	1.5

NOTE 19 Non-current interest-bearing liabilities

	Group		Parent Company	
	2010	2009	2010	2009
Convertible loans	4,155	–	4,155	–
MTN program	800	1,255	800	1,255
Bank loan	6,100	7,200	–	6,200
Pension liability (see Note 18)	68	58	68	58
Total	11,123	8,513	5,023	7,513

Maturity dates of loans	Group		Parent Company	
	2010	2009	2010	2009
–2011	–	655	–	655
–2012	1,300	1,300	800	1,300
–2013	2,000	2,000	–	2,000
–2014 or later ¹	7,823	4,558	4,223	3,558
Total	11,123	8,513	5,023	7,513

1) Of which, pension liability

	68	58	68	58
--	----	----	----	----

Market valuation of current and long-term interest-bearing liabilities as per 12/31/2010 would increase interest-bearing liabilities by SEK 383 M (393).

NOTE 20 Non-current noninterest-bearing liabilities

	2010	2009
Option portion of convertible loans	1,319	–
Other	25	13
Group	1,344	13

NOTE 21 Current interest-bearing liabilities

	Group		Parent Company	
	2010	2009	2010	2009
Commercial paper	1,196	900	1,196	900
MTN program	455	1,200	455	1,200
Bank loan	200	–	–	–
Bank overdraft facility	429	230	682	503
Interim payments	178	–	93	–
Total	2,458	2,330	2,426	2,603

NOTE 22 Other current liabilities

	Group		Parent Company	
	2010	2009	2010	2009
Interest rate swaps	99	171	99	171
Other current liabilities	96	113	93	113
Accrued interest	43	57	41	57
Other accrued expenses	55	46	46	36
Liabilities to subsidiaries	–	–	1	40
Accounts payable, trade	2	3	2	2
Total	295	390	282	419

NOTE 23 Obligations to company directors and CEOs

The Group's non-current interest-bearing liabilities include SEK 68 M (58) for pension obligations and similar benefits for current and former company directors and CEOs. The corresponding amount for the Parent Company is SEK 68 M (58), as shown in the item Pension liability in Notes 18 and 19.

NOTE 24 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 Industrivärden.

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 2010. The company's annual report is on pages 31–47 and 51 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 the application of international financial reporting standards (IFRSs) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards (IFRSs) 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. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the board of directors and the president be discharged from liability for the financial year.

Stockholm, February 9, 2011
PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant

BOARD OF DIRECTORS



SVERKER MARTIN-LÖF
 Doctor of Technology,
 Honorary Ph.D.
 Born 1943, Stockholm.
 Chairman of the Board since 2010.
 Vice Chairman of the Board
 2002–2010.
 Director since 2002.
 Chairman of SCA, Skanska
 and SSAB.
 Vice Chairman of Ericsson.
 Director of Svenska Handels-
 banken.
 Shareholding: 14,000.



OLOF FAXANDER
 M.Sc. Materials Science, B.Sc.
 Business Administration.
 Born 1970, Saltsjö Duvnäs.
 Director since 2009.
 President and CEO of Sandvik.
 Chairman of Jernkontoret.
 Shareholding: 4,000.



BOEL FLODGREN
 J.S.D., Honorary Doctor of
 Economics and Business
 Administration, Professor.
 Born 1942, Lund.
 Director since 2002.
 Director of Brinova and the
 University of Copenhagen.
 Shareholding: 1,900.



FINN JOHNSSON
 MBA, Honorary Doctor of
 Economics.
 Born 1946, Gothenburg.
 Director since 2000.
 Chairman of Ovako, KappAhl,
 City Airline, Thomas Concrete
 Group, Luvata Oy and EFG.
 Director of Skanska.
 Shareholding: 20,300.



HANS LARSSON
 BA.
 Born 1942, Stockholm.
 Director since 2010.
 Chairman of Handelsbanken,
 Nobia, Attendo and others.
 Shareholding: 0.



FREDRIK LUNDBERG
 M.Sc. Eng., MBA, Honorary
 Doctor of Economics, Honorary
 Doctor of Engineering.
 Born 1951, Djursholm.
 Director since 2004.
 President and CEO of LE
 Lundbergföretagen. Chairman
 of Cardo, Holmen and Hufvud-
 staden. Vice Chairman of Svenska
 Handelsbanken. Director of LE
 Lundbergföretagen and Sandvik.
 Shareholding: 5,196,000.



LENNART NILSSON
 M. Sc., Eng., Honorary Doctor
 of Economics.
 Born 1941, Lund.
 Director since 1997.
 President of the Crafoord Foun-
 dation. Chairman of the Erik
 Philip Sörensen Foundation and
 Tacticus.
 Vice Chairman of Cardo. Direc-
 tor of the Albert Pålsson Founda-
 tion for Research and Charity,
 Kalmar Läns Kapitalförvaltning,
 Fastighets AB Malmö City and
 Malmöhus Invest.
 Shareholding: 6,000.



ANDERS NYSTRÖM
 MBA, U.S. MBA.
 Born 1954, Bromma.
 President and Chief Executive
 Officer of Industrivärden.
 Director since 2001.
 Chairman of Sandvik. Vice Chair-
 man of Svenska Handelsbanken.
 Director of Ericsson, SCA, SSAB,
 Volvo and Ernströmgruppen.
 Shareholding: 61,550.
 Stock options: 125,000.

EXECUTIVE MANAGEMENT



Martin Hamner, Carl-Olof By, Anders Nyström, Sverker Sivall and Fredrik Calles.

ANDERS NYSTRÖM

MBA, U.S. MBA, born 1954, President and Chief Executive Officer, Industrivärden employee since 2001. Shareholding: 61,550. Stock options: 125,000. Anders Nyström is Chairman of Sandvik, Vice Chairman of Svenska Handelsbanken, 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.

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: Sverker Martin-Löf (committee chair) and Hans Larsson.

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 Nyström. Committee chair: Hans Larsson.

Nominating Committee for election of the Board of Directors: Sverker Martin-Löf (Chairman of the Board), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation), Håkan Sandberg – committee chair (Handelsbanken Pension Foundation and Handelsbanken Pension Fund), Ulf Lundahl (L E Lundbergföretagen), and Anders Nyberg (SCA pension foundations and others).

A presentation of the committees' work can be found in the Corporate Governance Report on pages 31–33.

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.

SVERKER SIVALL

MBA, born 1970, Head of Communication/IRO, Industrivärden employee since 1997. Shareholding: 5,000. Stock options: 65,000. From 1994 to 1997 Sverker Sivall served as Investment Controller for AstraZeneca.

Investment/Team Managers

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.

PETER NYSTRÖM, M.Sc. Eng., born 1960, Team Manager, Industrivärden employee since 2002. Stock options: 40,000.

MADELEINE WALLMARK, MBA, born 1982, Team Manager, Industrivärden employee since 2006. Stock options: 25,000.

Auditor

PricewaterhouseCoopers AB.

Chief Auditor: **ANDERS LUNDIN**, Authorized Public Accountant, born 1956, Stockholm. In 2010 Anders Lundin was Chief Auditor of the listed companies Industrivärden, AarhusKarlshamn, Electrolux, Husqvarna, Loomis, Melker Schörling and SCA.

In 2010 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 on page 44.

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 ASSETS 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, the stock market, and all stakeholders in general. Information provided to the market shall maintain a high standard of quality and be made quickly available to all recipients. Through a close dialog with market participants, Industrivärden strives to continuously develop and improve its communication.

REPORTING DATES 2011

Interim reports will be published on the following dates:

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

2011 Annual General Meeting

- Thursday, 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, or
- by e-mail at: info@industrivarden.se

Subscribing for publications

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, is a central information 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

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



2011 ANNUAL GENERAL MEETING



TIME AND PLACE

The Annual General Meeting will be held at 2 p.m. on Thursday, May 5, 2011, 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 29, 2011, and give notice of their intention to participate in the Meeting no later than April 29, 2011.

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 29, 2011. Shareholders are advised to contact their nominee well in advance before April 29, 2011.

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
- by phone at +46-8-666 64 00
- by fax at +46-8-661 46 28
- by e-mail at 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)
- complete postal address and phone number
- where applicable: the number of assistants (max. two)

Notifications must be received by the Company no later than April 29, 2011.

PROXIES

Shareholders may exercise their right to participate at the Meeting by proxy. Please use the proxy statement provided on the notification form, which is available on Industrivärden's website. Proxy can also be arranged by providing the application information above for the shareholder as well as his/her representative. The proxy statement must also include the date and location for signature as well as the shareholder's signature and name printed out. 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 2010 will be paid to shareholders who are recorded in the shareholder register on the record date. The Board of Directors proposes May 10, 2011, as the record date. Provided that the Annual General Meeting approves the Board's proposal, taking into account the so-called three-day payment schedule (three business days), this entails that purchases of Industrivärden shares on the day of the AGM, May 5, 2011, will carry rights to the dividend for 2010 (provided that the purchase was recorded in the shareholder register on May 10, 2011), and that payment of the dividend is expected to take place via Euroclear Sweden on May 13, 2011.

INDUSTRI VÄRDEN

AB INDUSTRIVÄRDEN (PUBL) | REG. NO. 556043-4200 | BOX 5403 | SE-114 84 STOCKHOLM
PHONE +46-8-666 64 00 | FAX +46-8-661 46 28 | WWW.INDUSTRIVARDEN.NET | INFO@INDUSTRIVARDEN.SE