

ANNUAL REPORT 2008

INDUSTRIVÄRDEN

Long-term industrial  
developer of listed  
Nordic companies

**Handelsbanken**



**ERICSSON** 

**SSAB**

**VOLVO**

**SKANSKA**

 **Indutrade**

 **Munters**

**Höganäs** 

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## **FINANCIAL CALENDAR 2009**

Interim reports will be released

- on May 4 for the period January–March,
- on August 4 for the period January–June,
- and on November 2 for the period January–September 2009.

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

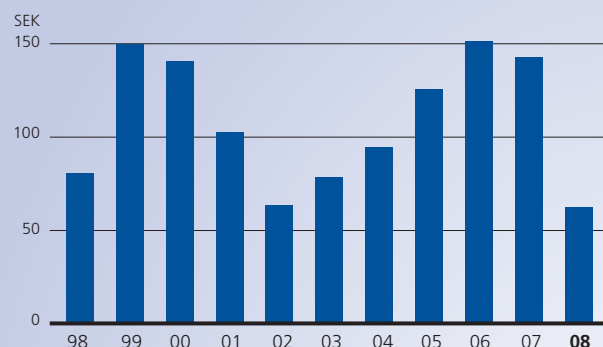
See also the section "Stock market information," page 44.

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 2009 Annual General Meeting and a notification card to attend the AGM can be found on page 45.

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

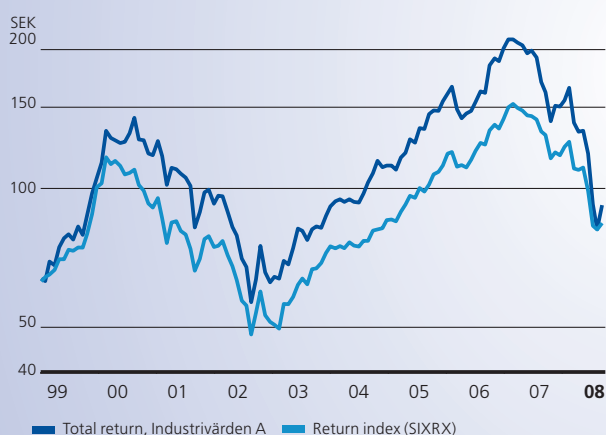
## Long-term performance

### Net asset value per share



Average annual growth in net asset value during the ten-year period 1998–2008 was 1% including reinvested dividends.

### Total return



The average annual total return during the ten-year period 1998–2008 was 5%.

## Operations

### Mission

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

### Business and goals

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

### Strategy

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

### Investment criteria

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

### Industrivärden's strengths

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

# Highlights 2008

## Net asset value

- Net asset value at year-end was SEK 62 (142) per share, a decrease of 55% (–3%) for the year including reinvested dividends.
- During the last ten-year period, average annual growth in net asset value, including reinvested dividends, was 1%.

## Total return

- The total return for Industrivärden's Class A shares was –47%, compared with –39% for the return index.
- During the last ten years, the average annual total return for the Class A shares was 5%, which exceeded the return index by 2 percentage points per year.

## Equity transactions

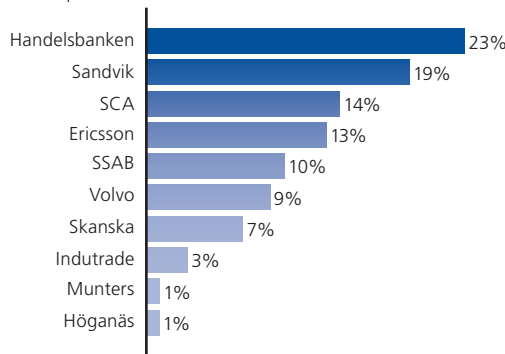
- During the year, Industrivärden purchased Volvo A shares for SEK 1,830 M.
- Total purchases of stock amounted to SEK 4,644 M (8,834).
- Shares in SSAB were sold for SEK 963 M.
- Total sales of stocks amounted to SEK 4,314 M (2,124).

## Proposed dividend

- The Board of Directors proposes a dividend of SEK 4.50 (5.00) per share, which corresponds to a dividend yield of 7.9% (4.4%) for the Class A shares.

## Equities portfolio as per December 31, 2008

Share of portfolio



## Industrivärden's performance

	2008	2007
Equities portfolio		
– market value as per Dec. 31, SEK M	<b>34,744</b>	65,844
– total return <sup>1</sup>	<b>–45%</b>	–2%
Borrowing		
– interest-bearing net debt as per December 31, SEK M	<b>10,813</b>	10,951
– debt-equity ratio	<b>31.1%</b>	16.6%
– average interest expense	<b>4.7%</b>	4.6%
Net asset value as per Dec. 31, SEK M	<b>23,931</b>	54,893
Net asset value as per Dec. 31, SEK per share	<b>62</b>	142
– change <sup>2</sup>	<b>–55%</b>	–3%
Management cost	<b>0.23%</b>	0.13%
Dividend, SEK per share <sup>3</sup>	<b>4.50</b>	5.00
Dividend yield, Class A shares	<b>7.9%</b>	4.4%
Dividend yield, Class C shares	<b>9.0%</b>	4.8%
Total return, Class A shares	<b>–47%</b>	–14%
Total return, Class C shares	<b>–50%</b>	–15%
Total return index	<b>–39%</b>	–3%

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

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

3) Dividend for the respective fiscal years. For 2008 as proposed by the Board of Directors.



## CEO's message

## Long-term owner and developer of companies



Few periods in modern economic history have entailed the level of global drama that we have seen in the final months of 2008. The price decline on the world's stock exchanges that began at mid-year 2007 continued throughout 2008 and accelerated considerably after Lehman Brothers declared bankruptcy on September 15. This sharp decline came mainly against the backdrop of a collapsed global credit system that does not have the ability to provide loans and finance activities, which forms the foundation of a functioning national economy. Unfortunately, as 2009 gets under way there are few clear signs of a return to a more normal function. The global economy is currently in a state of shock and instability. As a result of interest rate cuts that are now being carried out together with powerful stimulus measures in all key economies – along with the strong actions taken by the world's central banks – we should begin to see a turn for the better. In time a more normal situation will emerge, since the economic system, like all other systems, strives for equilibrium and against

imbalances. The question is only how long this normalization process will take and how much damage the credit collapse will have caused.

#### **Investment philosophy requires long-term valuation perspective**

Industrivärden is a long-term owner in some of Sweden's leading listed companies, with competitive positions in the world market. They are largely active in the engineering, construction and process industries and engaged in the manufacture and sale of consumer durables, which is why they have been severely hurt by the lack of normal credits, with poorer sales and profitability as a result. During the year the value of our portfolio fell by SEK 31 billion, or 47%. The decline was dramatic for essentially all of the companies in the portfolio as well as for the stock market as a whole and is a reflection of the major fear and risk aversion to owning stocks that became the distinguishing feature of 2008. Industrivärden is not a short-term investor in the stock market, but a long-term owner and developer of companies. Over time, periods arise in which the market's more short-term pricing of stocks does not reflect the company valuations that are obtained from more long-term valuation models – models that form the basis from which Industrivärden acts. A player with a long-term investment philosophy must therefore be assessed from a long-term perspective. Over long periods of time, Industrivärden's stock has delivered a competitive total return for the shareholders – which is a clear validation of our strategy.

However, for Industrivärden's shareholders, 2008 was a very bad year, with a negative total return of 47%, compared with a negative return of 39% for the total return index.

#### **Contributing to the development of our portfolio companies**

During the year, as in previous years, in our capacity as an active owner we strived to contribute to the favorable development of our portfolio companies. This task requires a long-term, consistent way of working. I am therefore pleased to note that the measures we played a part in initiating have significantly strengthened the positions of several of our portfolio companies under the prevailing conditions. The change in Handelsbanken's business orientation is a prime example: it began with the sale of SPP and a clearer focus on the traditional branch operations rather than on advanced products and trading with risks that are difficult to assess. Another is Handelsbanken's successful growth strategy,



“Well defined and executed strategies,  
good market positions and competent company  
management are the true drivers of growth over time.”

which focuses on mature markets such as the U.K. rather than on undeveloped markets such as those in Eastern Europe. I would also like to mention SSAB's acquisition of IPSCO, which was aimed at strengthening the company's global niche strategy. As part of this transaction, in 2008 SSAB carried out a very successful sale of IPSCO's tubular division before the credit crisis had gained full force. As an active owner, naturally it is important for us to ensure that our respective portfolio companies have the best possible conditions to meet the new environment created by the credit crisis. At the same time, it is important to not lose focus of the daily operations that form the foundation for value growth of companies. Well defined and executed strategies, good market positions and competent company management are the true drivers of growth over time. Today we have a portfolio consisting largely of globally active, quality companies – most of which are leaders in their respective industries. This will enable us also in the future to continue delivering a competitive return.

In 2008 we continued to build up a sizable ownership position in Volvo. In essence this investment is based on Volvo's leading position in the heavy trucks and construction machinery niches. We believe that this position has major potential against the background of the rising global need for transport, extensive infrastructure development in major growth countries, and growing environmental concerns. At year-end we had an ownership stake corresponding to 8.5% of the votes in Volvo.

#### **Well equipped for our role as active owner**

We have always been clear about the fundamental principles for our borrowing. Industrivärden's aim is to maintain a debt-equity ratio of less than 20% over the long term. In an extreme situation of the kind we are now experiencing, with dramatically diminished stock market values, our debt-equity ratio is higher than our long-term target. Our credit undertakings are not contingent on our debt-equity ratio, and with an equity ratio of approximately 70%, committed credit facilities and income that far exceeds our expenses, we are well equipped for our role as an active long-term owner in our portfolio companies.

Industrivärden has an entirely transparent balance sheet with market-valued assets in liquid stocks. We have no hidden contingent liabilities or financial obligations entailing high risk. We have also refrained from making private equity investments, which are difficult to analyze and which usually entail a high level of gearing and thus high financial risk.

Our debt of SEK 10.8 billion remained virtually unchanged since the start of the year, entailing that our purchase of SEK 1.8 billion in stock in Volvo was accomplished with internal financing. About SEK 1.0 billion came from the sale of stock in SSAB at a favorable price at the start of the year and about SEK 0.3 billion from other sales of stocks, while SEK 0.5 billion was derived from our cash surplus. Industrivärden's strategy of long-term active ownership in a limited number of listed Nordic companies normally entails that we are fully invested and have our focus on developing our existing assets. From this it follows that our transaction focus is on relative changes within the portfolio and reallocations between the holdings.

With the proposed dividend of SEK 4.50 per share, we continue to fulfill our goal of paying a higher dividend yield than the average for the Stockholm Stock Exchange, at the same time that this is the lowest dividend level in order to not have to pay any income tax.

Industrivärden is well positioned to continue being an active and responsible owner – a well proven work model that has created shareholder value over time.

Stockholm, February 2009



Anders Nyrén  
President and CEO

## Goal and goal achievement

# Higher long-term total return than return index

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

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

In 2008 the total return was lower than the return index, mainly due to the large exposure of the equities portfolio to the engineering and banking sectors, which performed below the market average on account of the global credit crisis and the dramatic economic slowdown.

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.

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

	2008	Ten years (1999–2008)	Twenty years (1989–2008)
Net asset value, %	–57	–3	4
Net asset value including reinvested dividends, % <sup>2</sup>	–55	1	8

1) Average per year.

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

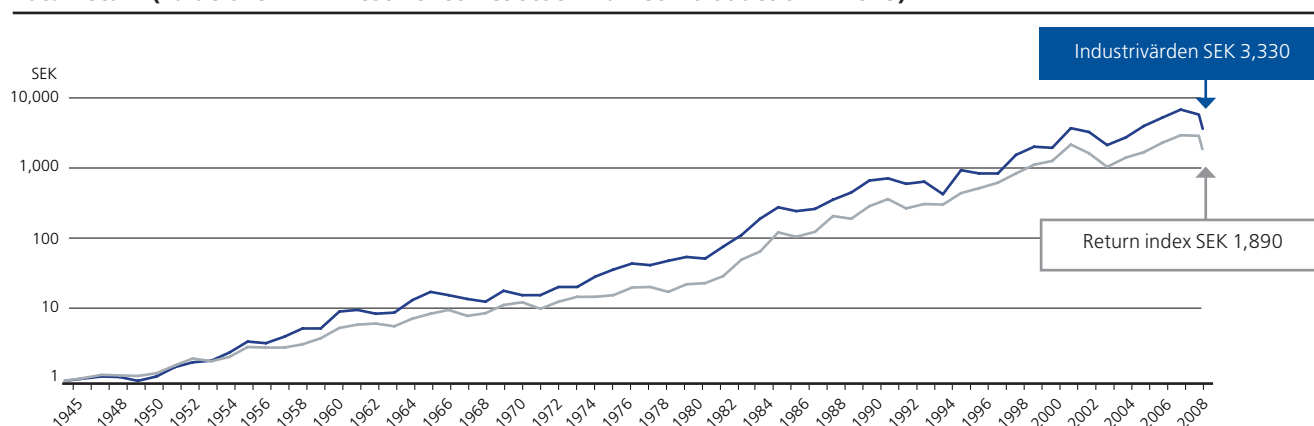
### Industrivärden compared with return index (SIXRX)

Annual total return <sup>3</sup>	Industrivärden		Return index, %
	Class A, %	Class C, %	
64 years (since stock market listing)	14	– <sup>4</sup>	13
20 years	8	9	9
15 years	10	9	9
10 years	5	4	3
5 years	3	2	5
1 year	–47	–50	–39

3) Growth in value including reinvested dividends.

4) The Class C shares were listed in 1988.

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





## Business model

# Creating value through knowledge and ability to influence

### Long-term value creation

Industrivärden's core business is to invest in listed Nordic companies with good potential for value appreciation, to create value through active ownership, and to realize this value in connection with an exit. An active ownership role requires that Industrivärden can exert significant influence and entails a long-term investment horizon. An active ownership perspective also fosters a good understanding of the portfolio companies' businesses, operating environments and continuing development. Contributing to value creation in the portfolio companies increases asset values while reducing Industrivärden's equities risk.

Work is conducted in a structured manner and involves three main processes: investment, active ownership and exit evaluation. The market operations support function aims to support the main processes with market information, to maintain a contact network, and to generate excess returns. Most of Industrivärden's resources are dedicated to its active ownership role.

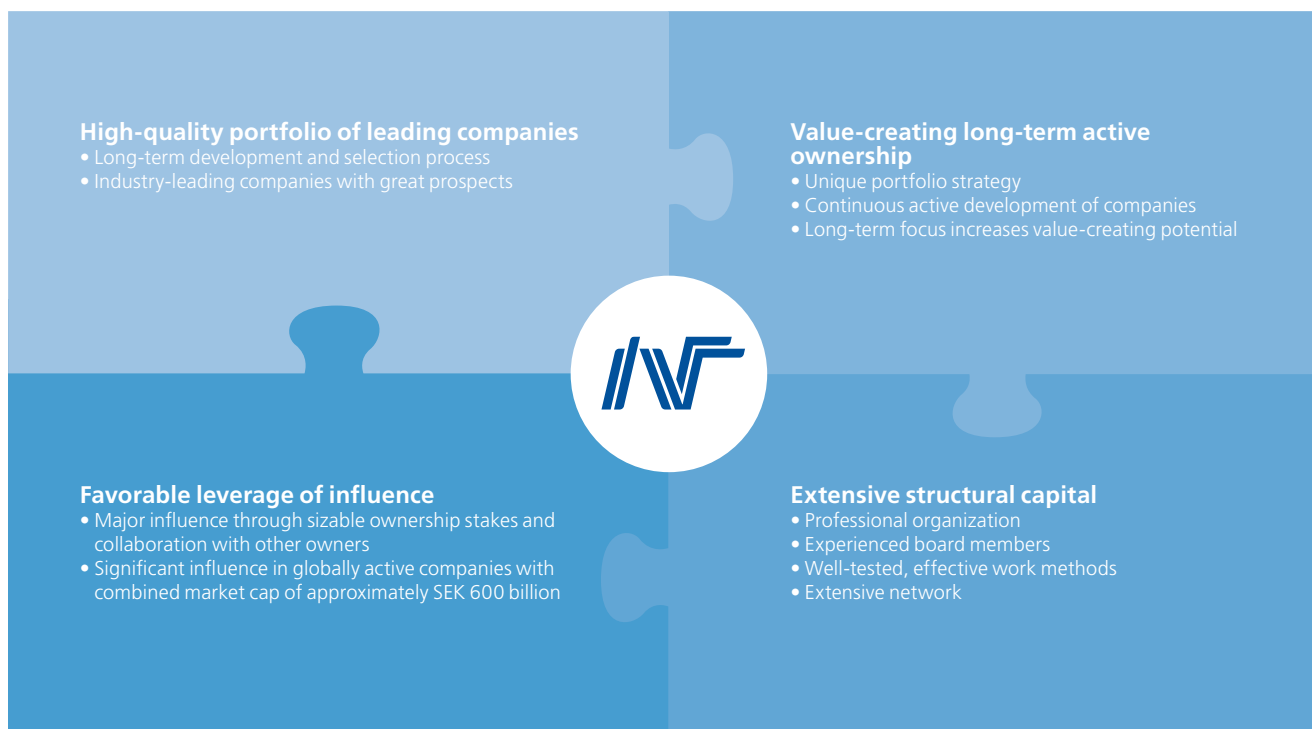
### Competitive platform

Industrivärden has made a determined effort to establish a high-quality platform for long-term value creation. This is based on

good financial resources, a long-term investment perspective and a highly refined model for continuously evaluating existing and potential investments. At the core of this business are an established process for exercising active ownership, experienced directors with ties to Industrivärden on the boards of the portfolio companies, and a professional investment organization that continuously analyzes and evaluates the development of the portfolio companies. These analyses are presented on a regular basis for Industrivärden's board as documentation for the board members' assignments on the portfolio companies' boards. The work is project-oriented and involves personnel from both the investment organization and the staff functions. The business processes are supported by first-rate work methods and information systems.

Industrivärden has the internal and external resources that are needed to conduct a professional investment operation and maintain high-quality active ownership. At the same time, Industrivärden has a lean organization that is distinguished by flexibility and short decision-making channels. In all Industrivärden has slightly more than 20 employees, plus a valuable contact network with Nordic ties.

### Industrivärden's strengths



### Clear investment criteria

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

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

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

### Evaluation of investments

The investment process has two main purposes – to evaluate existing holdings against set target values and alternative investment candidates, and to provide a continuous and up-to-date picture of attractive new investment candidates in the aim of quickly being able to act when business opportunities arise. Through a systematic work process, well-grounded decisions can be made with a high degree of efficiency and low cost.

Based on Industrivärden's investment criteria and investment horizon, the equities portfolio consists of the listed Nordic companies that are judged to have the greatest potential for value creation through active ownership in 5–8 years' time. A key activity in the investment process is thus to continuously evaluate the existing holdings against set targets and alternative holdings. A decision to hold or increase ownership in a portfolio company is equally important as a decision to decrease the position or sell. Thus if Industrivärden succeeds over time at optimizing the value of its portfolio companies and continues to be successful in its active ownership, the turnover rate in the portfolio will be relatively low.

This ongoing analysis of potential new investment candidates is based on the more than 800 companies that are listed on the Nordic stock markets. The 50 or so most interesting listed companies are monitored on a regular basis. The companies in Indus-

### Investment case and active ownership in practice

## Long-term ownership focus on good profitability

#### Handelsbanken

SEK 8.2 bn  
23%

Decentralized branch operation with local customer responsibility contributes to high customer satisfaction and good profitability.

- Greater focus on organic growth outside Sweden.
- Acquisition of Danish banking operation.

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

#### Sandvik

SEK 6.7 bn  
19%

Through 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.

- Several strategic acquisitions.
- Restructuring program launched to adapt costs and production capacity to lower demand.

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

#### SCA

SEK 4.7 bn  
14%

Europe's leading producer of hygiene products and packaging, with a range of high-growth niche products.

- Acquisition of Procter & Gamble's European tissue operation strengthens brand portfolio.
- Sale of conventional corrugated business in the UK.
- New organization with focus on growth in the hygiene segment.

**Ownership focus:** Improved profitability through greater share of products with high level of value-added.

#### Ericsson

SEK 4.4 bn  
13%

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

- Cooperation agreement with ST Microelectronics.
- Several acquisitions in Multimedia business area.
- Restructuring program designed to lower costs by SEK 10 billion as from 2010.

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

Industrivärden's portfolio are analyzed in parallel with and on the same premises as the most interesting potential new investment candidates. Following information-gathering, external contacts, analysis and prioritization, presentations of the most interesting companies are made to Industrivärden's investment committee, which is made up of the executive management team and representatives of the investment operation. Any decisions are made thereafter on whether to proceed with a more in-depth analysis and to form an investment team for further consideration. One of the duties of this team is to draw up a preliminary action plan outlining how Industrivärden would be able to actively contribute to value creation in the company. Such a plan also covers goals and forms of future exit. Following this in-depth analysis, if the investment candidate is still judged to be interesting, the forms of stock purchases are established – following a decision by the Board – and an ownership position is gradually built up in the company.

### Market operations and short-term trading

Industrivärden has a separate function that conducts various market operations in the aim of supporting the investment activities. This function executes investment decisions and provides daily market information. In an effort to generate excess returns, short-term trading is also conducted in equities and equity-related instruments.

### Active ownership

Industrivärden's influence in its portfolio companies emanates from significant ownership stakes and a strong position of trust. From this platform, an active ownership role is exercised through interaction with other major owners in the aim of finding ways to build value in the shareholdings. Active ownership is exercised by the directors on the boards of the portfolio companies who have ties to Industrivärden, through participation on the respective companies' nominating committees, and through direct dialog between Industrivärden's investment organization and leading representatives of the portfolio companies. At least one director with ties to Industrivärden normally sits on the board of a portfolio company. Normally the preference is for Industrivärden to have the role as chairman of the board as well as chairman of the nominating committee.

Once Industrivärden has taken an active ownership role in a new portfolio company, the previously drafted action plan for value creation takes on a more concrete design. From having been a decision-making document in the investment process, it now forms the foundation for the design, implementation and evaluation of Industrivärden's active ownership. The chief aim is to identify and describe opportunities for value appreciation and strategic actions for creating this value. The team that is responsible for a particular holding monitors and updates the action plan on a continuous basis. This work is conducted according to a

#### SSAB

SEK 3.6 bn  
10%

World-leading position in quenched steels and advanced high strength sheet creates solid platform for growth and high profitability.

- Increased capacity for niche products through SEK 50 billion acquisition of IPSCO.
- Sale of IPSCO's tubular business for SEK 25 billion.
- Cost-cutting program will lower annual operating expenses by at least SEK 1 billion.

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

#### Volvo

SEK 3.1 bn  
9%

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

- Expansion in Asia through acquisitions of Nissan Diesel and Lingong, among other things.
- New joint venture company for trucks and buses formed with Eicher Motors in India.
- Extensive capacity adaptation program launched.

**Ownership focus:** Growth with improved profitability through innovative product development and broadened geographic presence.

#### Skanska

SEK 2.4 bn  
7%

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

- Long-term business plan focused on improved operating margins.
- Adaptation of work force to volume decline primarily in Nordic region.

**Ownership focus:** Strengthened profitability through strategic concentration and improved coordination of the company's strengths.

#### Indutrade

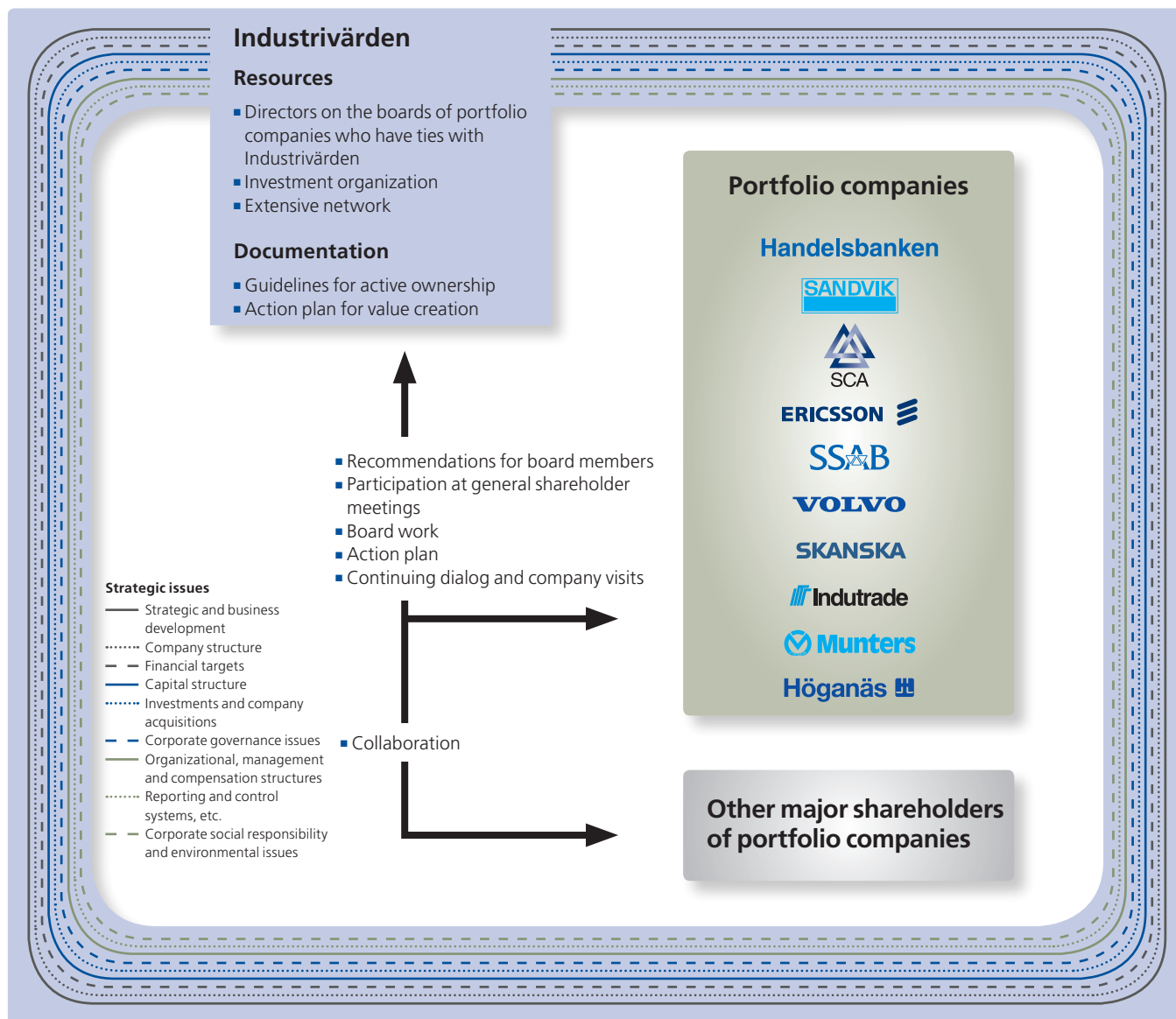
SEK 1.0 bn  
3%

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

- Continuous company acquisitions.
- Establishment in the U.K. through two acquisitions.
- Measurement technology company marks largest acquisition since stock market introduction in 2005.

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

## Active ownership

**Munters**SEK 0.4 bn  
1%

Strong global position in a business area with major potential for expansion through organic growth as well as through further development of products, services and application areas.

- Existing product areas expanded through company acquisitions.
- Extensive efficiency improvement program in progress.

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

**Höganäs**SEK 0.2 bn  
1%

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

- Acquisition of powder business in the U.S.
- Projects for improved profitability.
- Development of new components in collaboration with customers.

**Ownership focus:** Improved profitability development through lower costs and reduction of tied-up capital.

Market values for the respective companies in SEK billion; share of portfolio as per December 31, 2008.





structured work method and consists of – among other things – continuous analysis of the portfolio companies' operations, competitors and other central factors in the external environment, as well as company valuations. All analysis is based on external information material. Information is obtained with the help of suitable system support, through company visits, through an ongoing dialog with the management of the respective companies and through contacts with the companies' customers and other stakeholders. As help in this work, Industrivärden makes use of an extensive network.

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

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

#### **Industrivärden and society**

A fundamental tenet held by Industrivärden is that creation of shareholder value should be pursued hand-in-hand with social and environmental responsibility. It is only in harmony with

society and the overall environment we live in that sustainable growth in value can be created. Key aspects of corporate social responsibility include sound business ethics, respect for the individual, health, equal opportunity and community involvement. Commonly accepted codes of conduct, such as those stipulated in UN and OECD guidelines, must be respected. Environmental responsibility should emanate from an environmental policy that is based on the companies' respective conditions and give special consideration to the market, environmental impact, legislation and environmental management. The companies shall also be aware of their environmental impact and work actively to reduce this impact and their use of resources. Targets must be quantifiable and followed up on a regular basis.

#### **Exit evaluation**

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

## Net asset value

# Net asset value was SEK 62 per share (142)

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 23.9 billion (54.8), or SEK 62 per share (142).

Net asset value including reinvested dividends increased by 1% per year during the period 1999–2008, compared with a 3% rise for the return index.

## Net asset value

SEK billion	Dec. 31, 2008	Dec. 31, 2007
Equities portfolio	34.7	65.8
Interest-bearing net debt	-10.8	-11.0
Net asset value	23.9	54.8
Net asset value per share, SEK	62	142
Debt-equity ratio, %	31.1	16.6

## Equities portfolio

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

The equities portfolio, which is valued at the market price as per December 31, 2008, had a market value of SEK 34.7 billion (65.8), corresponding to SEK 90 (170) per Industrivärden share.

## Investment activities 2008

The combined value of stock purchases was SEK 4.6 billion (8.8), and the combined value of sales was SEK 4.3 billion (2.1). Together, total purchases and sales corresponded to 18% (17%) of the average portfolio value during the year.

The largest stock purchase was in Volvo A shares, for SEK 1,830 M. Through this purchase, Industrivärden increased the investment it first made in 2004 in this world-leading manufacturer of heavy trucks. Major sales of stocks consisted of SSAB A shares, for SEK 963 M.

## Performance of the equities portfolio in 2008

At year-end 2008 the market value of the equities portfolio was SEK 34,744 M (65,844), which exceeded cost by SEK 3,579 M (36,260). Taking purchases and sales into account, the value of the equities portfolio decreased by 48% during the year. This was a greater decline than the Stockholm Stock Exchange's market index (OMXSPI), which fell by 42% for the year.

Dividends received during the year totaled SEK 2,918 M (2,107), and share redemptions totaled SEK 53 M (571). The total return of the portfolio, i.e., the change in value including reinvested dividends, was -45% (-2%), compared with -39% (-3%) for the return index (SIXRX).

## Short-term trading

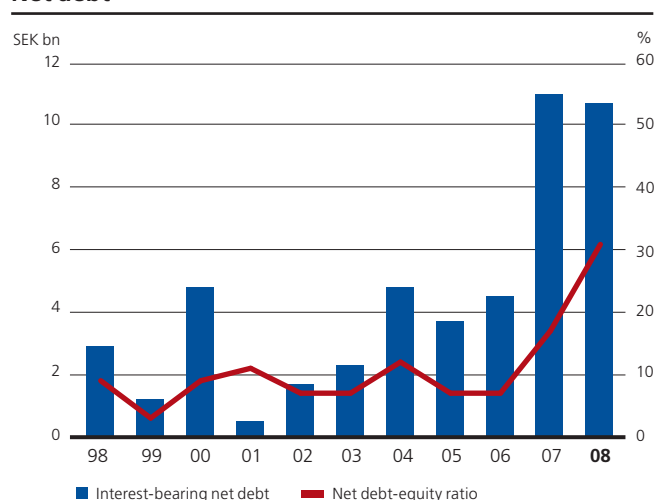
Short-term derivative transactions are conducted on a regular basis to enhance the return of the equities portfolio. Profit from these transactions totaled SEK 61 M (126) during the year. Total profit from Industrivärden's short-term derivative transactions and equity trading amounted to SEK 68 M (142).

## Interest-bearing net debt

Interest-bearing net debt amounted to SEK 10.8 billion (11.0) at year-end 2008, corresponding to SEK 28 (28) per Industrivärden share.

A guiding principle 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 1999–2008, the debt-equity ratio ranged from a low of 3% to a high of 31%. Interest-bearing net debt decreased in 2008, however, the debt-equity ratio rose due to the drop in value of the equities portfolio.

## Net debt





## Equities portfolio as per December 31, 2008

	No. of shares <sup>1</sup>	Breakdown, SEK M			Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
		Market value	Cost	Difference			
Handelsbanken	65,114,464	8,204	5,440	2,764	23	10.4	10.6
Sandvik	136,431,200	6,685	6,266	419	19	11.5	11.5
SCA	70,800,000	4,738	2,578	2,160	14	10.0	29.8
Ericsson	74,400,000	4,412	3,125	1,287	13	2.3	13.3
SSAB	52,911,440	3,597	3,609	-12	10	16.3	21.2
Volvo	69,949,995	3,057	6,702	-3,645	9	3.3	8.5
Skanska <sup>2</sup>	30,325,500	2,350	1,647	703	7	7.2	26.7
Indutrade	14,757,800	978	102	876	3	36.9	36.9
Munters	10,950,000	420	684	-264	1	14.6	14.6
Höganäs	3,550,000	249	637	-388	1	10.1	8.1
Hemtex	3,700,000	54	375	-321	0	12.6	12.6
<b>Total</b>		<b>34,744</b>	<b>31,165</b>	<b>3,579</b>	<b>100</b>		

1) In 2008, Ericsson carried out a 1:5 reverse split, whereby each five shares held were combined to form one new share.

Höganäs issued redemption shares with automatic redemption.

2) 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 for holdings in the equities portfolio 2008

	Price change, % <sup>1</sup>	Total return, %	Total return <sup>2</sup>	
			5 years, %	10 years, %
Handelsbanken	-39	-34	1	5
Sandvik	-56	-54	4	10
SCA	-43	-41	-4	5
Ericsson	-23	-20	0	-10
SSAB	-61	-60	16	16
Volvo	-60	-57	6	7
Skanska	-36	-32	10	8
Indutrade <sup>3</sup>	-46	-42	-	-
Munters	-50	-48	-4	8
Höganäs	-43	-40	-10	2
Hemtex <sup>4</sup>	-80	-77	-	-
<b>Equities portfolio</b>	<b>-48</b>	<b>-45</b>	<b>Index (SIXRX)</b>	<b>5</b>

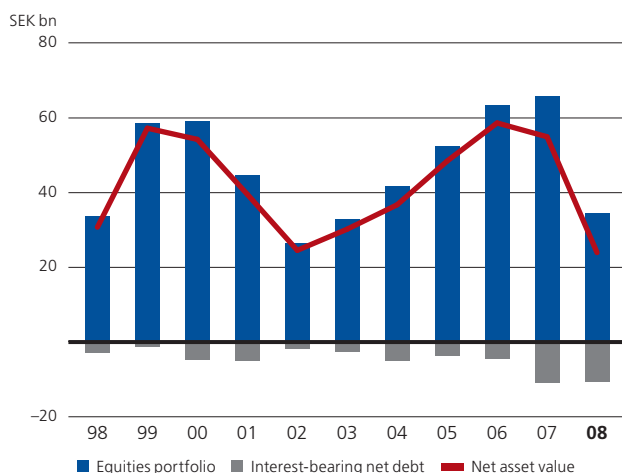
1) The price change takes into account the reverse split carried out by Ericsson and the share redemption carried out by Höganäs.

2) Average annual total return.

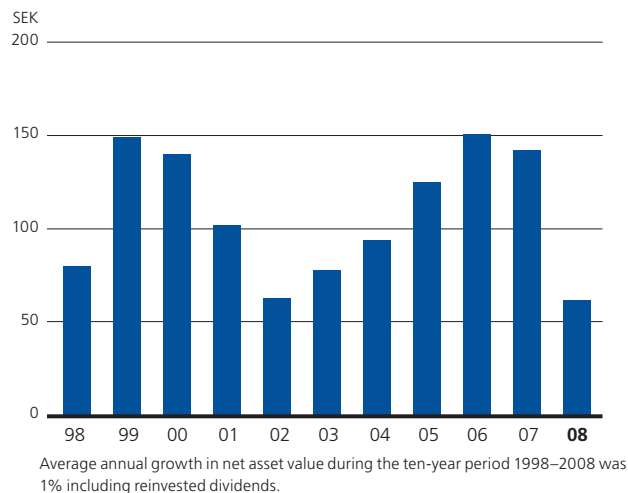
3) Indutrade was listed on the stock market on October 5, 2005.

4) Hemtex was listed on the stock market on October 6, 2005.

## Development of net asset value



## Net asset value per share



## Industrivärden share data

# Total return of –47% for the Class A shares

### Performance of Industrivärden's stock in 2008

Industrivärden's stock performed below the market average in 2008. The market index fell by 42% during the year, while Industrivärden's Class A shares fell by 49%, from SEK 113 to SEK 57. The Class C shares fell from SEK 105 per share to SEK 50, or by 52%. The highest price paid was SEK 114 for Industrivärden's Class A shares and SEK 105 for the Class C shares. The lowest price paid was SEK 44 for the Class A shares and SEK 38 for the Class C shares. The total return in 2008 (which includes reinvested dividends) was –47% for the Class A shares and –50% for the Class C shares, compared with –39% for the market as a whole.

Trading volume of Industrivärden's stock on the Stockholm Stock Exchange in 2008 was SEK 13 billion (16), corresponding to a turnover rate of 19% (24%) for the Class A shares and 91% (45%) for the Class C shares. Average daily trading volume was 210,000 Class A shares, for a value of SEK 18 M, and 443,000 Class C shares, for a value of SEK 34 M.

### 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 2009 Annual General Meeting declare a dividend of SEK 4.50 (5.00) per share, a decrease of 10%.

This would correspond to a dividend yield of 7.9% (4.4%), for the Class A shares and 9.0% (4.8%) for the Class C shares, which is higher than the average dividend yield of 4.5% (4.0%) for listed Swedish stocks. If the Annual General Meeting votes in favor of the Board's proposal, average annual dividend growth during the past five years will amount to 10%.

### Dividend

SEK	2008	2007	2006	2005	2004
Dividend	4.50 <sup>1</sup>	5.00	4.50	3.50	3.00
Annual growth in dividend, %	–10	11	29	17	9
Dividend yield, Class A shares, %	7.9	4.4	3.3	3.2	3.5
Dividend yield, Class C shares, %	9.0	4.8	3.5	3.5	3.9
Dividend yield for Stockholm Stock Exchange, % <sup>2</sup>	4.5	4.0	3.0	3.0	2.9

1) Proposed by the Board of Directors.

2) Source: SIX Findata. Preliminary figures for 2008.

### Industrivärden's stock

Industrivärden's Class A and Class C shares are quoted on NASDAQ OMX Stockholm (the Stockholm Stock Exchange) and are presented on the Nordic list. Industrivärden's stock is listed in the large cap segment, consisting of companies with a market capitalization in excess of EUR 1 billion.

Each A-share carries entitlement to one vote, and each C-share carries entitlement to one-tenth of a vote. All shares carry equal entitlement to a share of the Company's assets and profits.

### Ownership structure

Industrivärden has approximately 48,000 (40,000) shareholders. The fifty largest shareholders own 68% of Industrivärden's shares. Institutional investors, such as pension foundations, insurance companies and mutual funds, own approximately 82% (81%) of the shares. Foreign ownership in the Company is approximately 10% (9%).

### Employee shareholdings

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

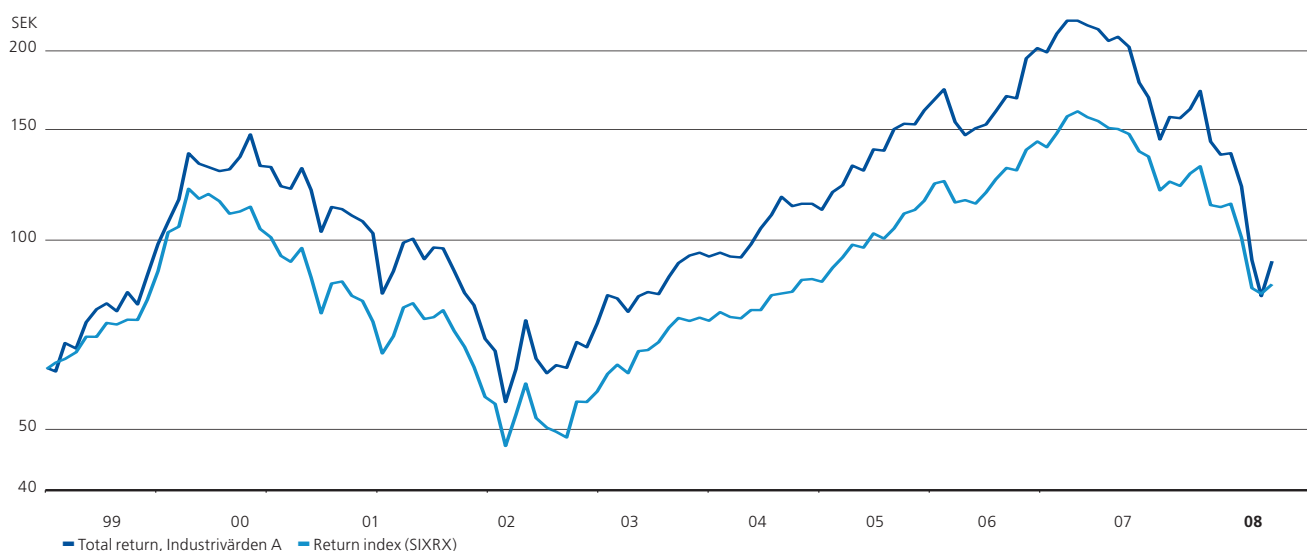
### Industrivärden's stock as per December 31, 2008

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

**Ownership structure at December 31, 2008<sup>1</sup>**

Shareholders	Number of shares	Percentage of	
		votes	shares
L E Lundbergföretagen	42,000,000	15.0	10.9
Handelsbanken Pension Foundation	27,800,000	9.9	7.2
Handelsbanken Pension Fund	27,350,000	9.8	7.1
Jan Wallander & Tom Hedelius foundation	23,760,000	8.5	6.2
SCA Pension Foundation	16,986,060	6.1	4.4
AB Landå	12,000,000	4.3	3.1
SCA Group Holding	10,525,655	3.8	2.7
SCA Vorsorge-Treuhand	8,614,630	3.1	2.2
SCA Pension Foundation for salaried employees and foremen	6,570,290	2.3	1.7
Handelsbanken	5,566,008	2.0	1.4
Fredrik Lundberg and family	4,570,000	1.6	1.2
Oktogonen	4,000,000	1.4	1.0
Tore Browaldh foundation	3,250,000	1.2	0.8
Second Swedish National Pension Fund	4,609,968	1.1	1.2

1) Source: SIS Ägarservice.

**Total return for Industrivärden's stock**

**Comment:** During the ten-year period from year-end 1998 to year-end 2008, the total return for Industrivärden's stock averaged 5% per year, which was 2 percentage points higher than the return index.

# Handelsbanken

**Holding:** 64,995,564 Class A shares  
and 118,900 Class B shares  
Market value: SEK 8,204 M  
Share of votes: 10.6% Share of capital: 10.4%

**Board members with ties to Industrivärden:** Fredrik Lundberg, Sverker Martin-Löf and Anders Nyren

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



**Share of equities portfolio: 23%**

Handelsbanken has the most satisfied banking customers in the Nordic region according to a study conducted by the Swedish Quality Index.

## Good profitability through local customer responsibility

### Operations

Handelsbanken is a universal bank whose business concept is to offer a comprehensive range of financial services to private and corporate customers in the Nordic region and the U.K. A fundamental tenet of this concept is that customer responsibility rests with the local branch that serves the customer. The branches conduct their marketing activities by assigning local priorities to customer categories or product areas.

Handelsbanken has a strong position in the Swedish market, with 461 branches. In the other Nordic countries the bank has a total of 147 branches, plus 56 branches in the U.K. and 38 in the rest of the world. In all, Handelsbanken is active in 22 countries. Operations shall continue to grow, mainly organically, in selected markets.

### Financial targets

Handelsbanken's overall financial goal is to have a higher return on equity than a weighted average of comparable listed Nordic and British banks. The bank works toward this goal by having the most satisfied customers while maintaining higher cost effectiveness than its peer banks.

Priority is always given to profitability over volume. In the bank's lending activities this means that credit quality may never be overlooked to achieve higher volumes. Handelsbanken's dividend policy is that the dividend should be competitive in relation to other listed Nordic bank stocks.

### Performance 2008

- Net interest income rose 23% to SEK 19.2 billion, while net commissions decreased by 12% to SEK 6.8 billion. Loan losses amounted to SEK 1.6 billion (0.0). Operating income rose 4% to SEK 15.3 billion.
- During the year, 28 new branches were opened outside Sweden, while 14 branches in Denmark were added through the acquisition of Lokalbanken.

### Handelsbanken at a glance

**Chairman:** Hans Larsson

**CEO:** Pär Boman

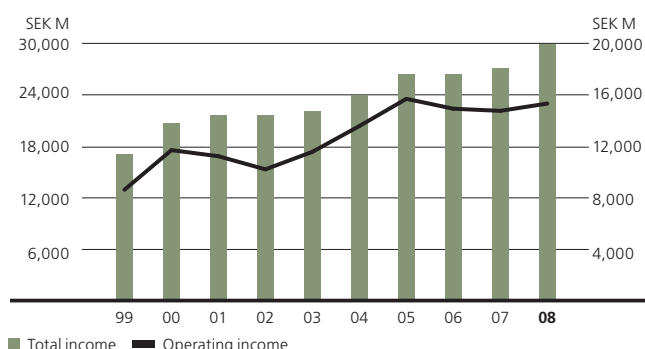
For more information on Handelsbanken, visit [www.handelsbanken.com](http://www.handelsbanken.com)

Key data	2008	2007
Earnings per share, SEK <sup>1</sup>	19.16	17.39
Dividend per share, SEK <sup>2</sup>	7.00	13.50
Share price on December 31		
Class A	126.00	207.00
Class B	123.00	204.50

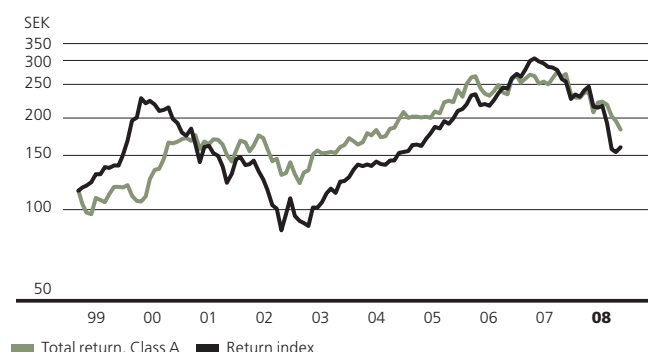
1) Continuing operation.

2) Proposed by the board of directors, of which SEK – (5.00) consists of an extra dividend.

### Total income and operating income



### Handelsbanken's stock



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



**Holding:** 136,431,200 shares  
**Market value:** SEK 6,685 M  
**Share of votes and capital:** 11.5%

**Board members with ties to Industrivärden:** Fredrik Lundberg and Anders Nyrén

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



**Share of equities portfolio: 19%**

Sandvik is a globally leading manufacturer of metal cutting tools. Pictured here is the Coro-Mill 490, which enables greater precision and surface smoothness in milling operations.

## Growth through niche focus and goal-oriented R&D

### Operations

Sandvik is a global high-technology engineering group that conducts business in 130 countries. The Group works in three business areas in which Sandvik has world leading positions. Tooling specializes in cemented carbide tools and high-speed steel for metal cutting. Mining and Construction specializes in machines and tools for the mining and construction industries. Materials Technology manufactures high value-added steel products based on advanced metals and ceramic materials.

Sandvik's strategy is based on five strength factors: global leadership, goal-oriented R&D, niche focus, partnership with customers and strong brands. Sandvik has a strong local presence, its own sales organization and close cooperation with customers, selected agents and distributors. Sandvik is a global company, but works as a local partner.

### Financial targets

Sandvik's target is to achieve average annual organic growth of 8%, which is higher than the underlying average annual growth rate of 4%–6% for the market. This higher rate of growth will be achieved through increased market shares and new products and applications. The aim is to generate an average annual return on capital employed of 25%. The net debt-equity ratio should be between 0.7 and 1.0. The dividend should amount to at least 50% of earnings

per share over a period of a few years. Sandvik aspires to deliver a higher total return than the industry average.

### Performance 2008

- Net sales rose 7% to SEK 92,610 M.
- Income after net financial items amounted to SEK 10,557 M (12,997).
- Operating income for the Tooling unit fell 9% to SEK 5,461 M (5,989). The Mining and Construction unit's operating income was unchanged at SEK 4,996 M (4,979), and the Materials Technology unit posted a 51% drop in operating income, to SEK 1,187 M (2,435), mainly due to negative metal price effects.
- A restructuring program is currently in progress to adapt costs and production capacity to lower demand.

### Sandvik at a glance

**Chairman:** Clas Åke Hedström

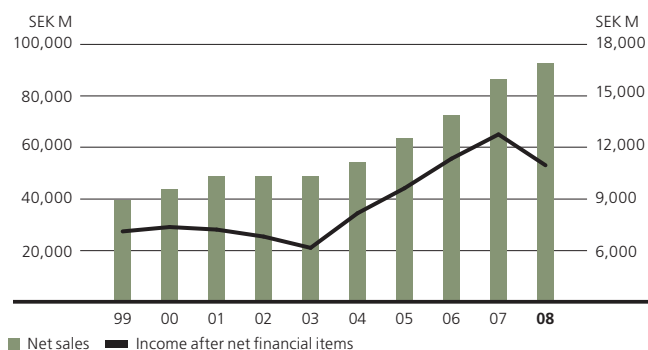
**CEO:** Lars Pettersson

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

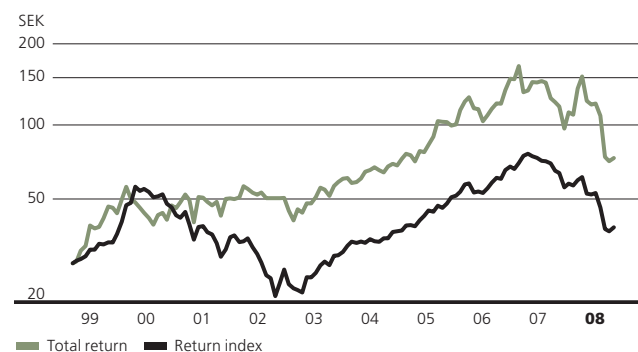
Key data	2008	2007
Earnings per share, SEK	<b>6.30</b>	7.65
Dividend per share, SEK	<b>3.15<sup>1</sup></b>	4.00
Share price on December 31, SEK	<b>49.00</b>	111.25

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.



**Holding:** 48,600,000 Class A shares  
and 22,200,000 Class B shares  
Market value: SEK 4,738 M  
Share of votes: 29.8% Share of capital: 10.0%

**Board members with ties**

**to Industrivärden:** Tom Hedelius, Sverker Martin-Löf  
and Anders Nyrén

**Industrivärden's nominating**

**committee representative:** Carl-Olof By (chairman)



**Share of  
equities portfolio: 14%**

SCA is the world's third-largest and Europe's largest manufacturer of tissue for consumers and the away-from-home market. In 2008 SCA launched Tork Elevation – a new line of dispensers featuring improved design and function.

## European leader in hygiene products and packaging

### Operations

SCA is a global consumer products and paper company that develops, produces and markets personal hygiene products, tissue, packaging solutions and forest products. Operations are global, with sales in more than 90 countries and manufacturing in approximately 40 countries. More than half of sales are consumer products such as toilet paper, kitchen rolls, facial tissue, incontinence products, feminine care products and diapers. SCA's packaging solutions are used primarily for food products, industrial products and consumer durables.

The concentration on growth in the Personal Care and Tissue units has gradually shifted the balance towards consumer products. Focus for the other business areas is on cash flow.

### Financial targets

SCA's overall objective is to provide its shareholders with good growth in value and a rising dividend. During the ten-year period 1999–2008, the dividend increased by an average of 6% per year.

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

### Performance 2008

- Net sales rose 4% to SEK 110,449 M. Hygiene products account for a growing share of sales.
- Income after financial items amounted to SEK 6,237 M (8,237).
- Operating income before items affecting comparability amounted to SEK 2,912 M (2,960) for Personal Care, SEK 2,375 M (1,724) for Tissue, SEK 1,493 M (2,651) for Packaging, and SEK 2,207 M (2,870) for Forest Products.
- The sale of the corrugated business in the U.K. has increased the Group's focus on products with higher value-added.

### SCA at a glance

**Chairman:** Sverker Martin-Löf

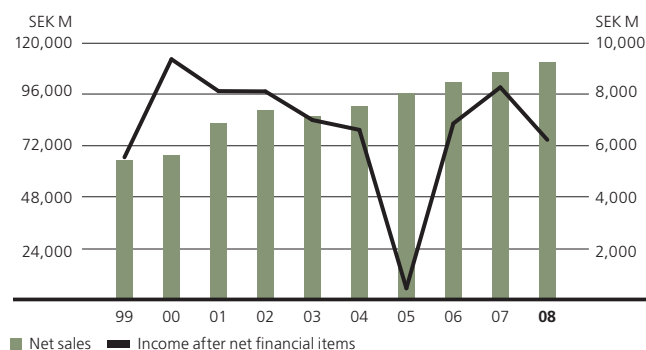
**CEO:** Jan Johansson

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

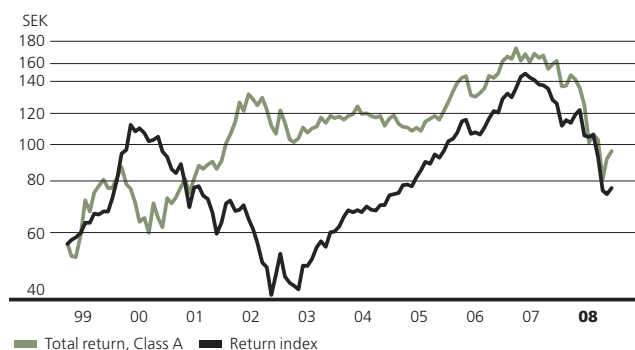
Key data	2008	2007
Earnings per share, SEK	<b>7.94</b>	10.16
Dividend per share, SEK	<b>3.50<sup>1</sup></b>	4.40
Share price, December 31, SEK		
Class A shares	<b>67.00</b>	118.25
Class B shares	<b>66.75</b>	114.50

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.





**Holding:** 74,400,000 Class A shares<sup>1</sup>  
**Market value:** SEK 4,412 M  
**Share of votes:** 13.3% **Share of capital:** 2.3%

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

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



**Share of equities portfolio: 13%**

The Ericsson Tower Tube, pictured here with a wind turbine, is an innovative construction that houses radio base stations and antennas.

## Leader in telecom development

### Operations

Ericsson is a world-leading supplier of equipment for mobile and fixed line telecommunications networks with accompanying products and services, as well as products for special applications, such as technology platforms for mobile telephony. Ericsson is one of the few companies that can offer end-to-end solutions for all major mobile communication standards. All of the world's ten leading telecom operators are Ericsson customers. Together they represent more than 50% of all mobile subscriptions around the world. Ericsson is the world leader in 2G (GSM) and 3G (WCDMA/HSPA) mobile networks.

Ericsson is a leading global player, offering telecommunications solutions in more than 140 countries. Today Ericsson has a strong position in mobile as well as fixed line networks and systems for distribution of digital services via the Internet. Ericsson's mobile phone business is conducted through half-owned Sony Ericsson Mobile Communications.

### Financial targets

Ericsson's financial goal is to grow faster than the market and to lead the industry in profitability.

<sup>1</sup> In 2008 Ericsson carried out a 1:5 reverse split, whereby each five shares held were combined to form one new share.

### Performance 2008

- Net sales rose 11% to SEK 208,930 M.
- Income after net financial items decreased by 19% to SEK 24,832 M (30,729), excluding SEK 7,606 M in restructuring costs. The earnings decline is mainly attributable to a changed product mix in the Networks business area and poorer profitability for Sony Ericsson.
- During the year Ericsson and ST Microelectronics formed a joint-venture company with a world-leading position in semi-conductors and mobile application platforms.
- A restructuring program will lower costs by SEK 10 billion as from 2010.

### Ericsson at a glance

**Chairman:** Michael Treschow

**CEO:** Carl-Henric Svanberg

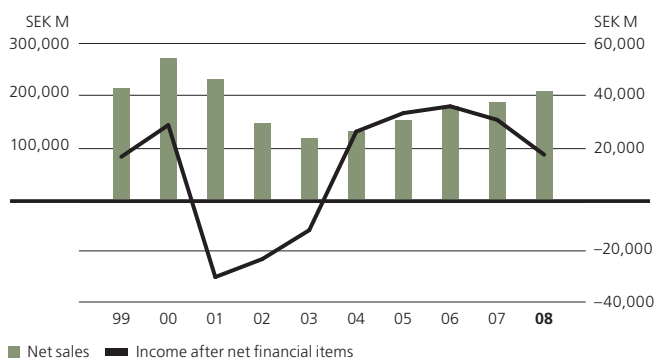
For more information on Ericsson, visit [www.ericsson.com](http://www.ericsson.com)

Key data	2008	2007 <sup>2</sup>
Earnings per share, SEK	3.52	6.84
Dividend per share, SEK	1.85 <sup>3</sup>	2.50
Share price on December 31, SEK		
Class A shares	59.30	76.80
Class B shares	58.80	75.90

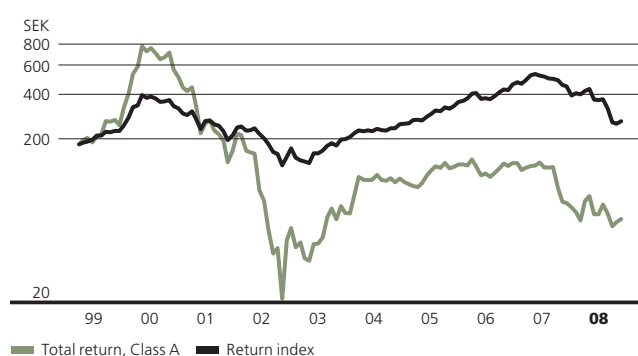
<sup>2</sup> All comparison data has been recalculated to take the reverse split into account.

<sup>3</sup> Proposed by the board of directors.

### Net sales and income



### Ericsson's stock



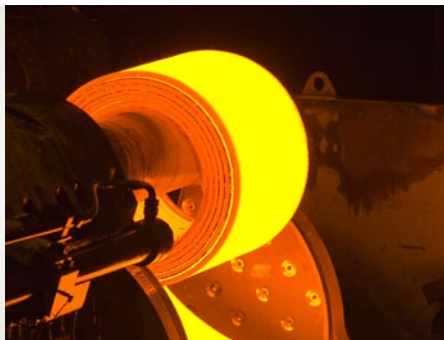
**Comments:** During the last ten years, Ericsson's stock has performed below the return index.



**Holding:** 52,789,646 Class A shares  
and 121,794 Class B shares  
Market value: SEK 3,597 M  
Share of votes: 21.2% Share of capital: 16.3%

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

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



**Share of  
equities portfolio: 10%**

A red-hot band of steel is rolled  
in a coil box at SSAB's hot-rolling  
mill in Borlänge, Sweden.

## Strong position in specialized steel with high global growth

### Operations

SSAB is a medium-sized steel company with a base in Western Europe and North America. Its steel operations have been successfully developed through a distinct niche strategy aimed at consolidating the company's position as a leading producer of high-strength sheet and quenched steels. In these selected product segments, SSAB has achieved a strong market position and high profitability.

In the sheet segment, SSAB specializes in advanced high-strength sheet, which is used in the automotive 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.

In 2007 SSAB acquired the American steel manufacturer IPSCO, specializing in plate and tubular products. The purchase price was SEK 50 billion. The aim of the acquisition was to increase plate production capacity and to use SSAB's know-how in quenched steels and advanced high-strength sheet to strengthen the company's global positions.

### Financial targets

SSAB's financial targets are to maintain an average return on capital employed of more than 15% over a business cycle, a long-term net debt-equity ratio of 30%, and a long-term equity ratio

in the range of 50%. The dividend should be adapted to the average profit level over a business cycle and should constitute roughly 50% of profit after tax over the long term.

### Performance 2008

- Net sales rose 34% to SEK 54,329 M.
- Income after net financial items rose 29% to a record SEK 8,953 M (6,964), which was the best ever.
- IPSCO's tubular business was sold for SEK 25 billion.
- Substantial investments in capacity will be made in the U.S. to increase the share of specialized products.
- A cost-cutting program has been launched in an effort to lower operating expenses by at least SEK 1 billion per year as from 2010.

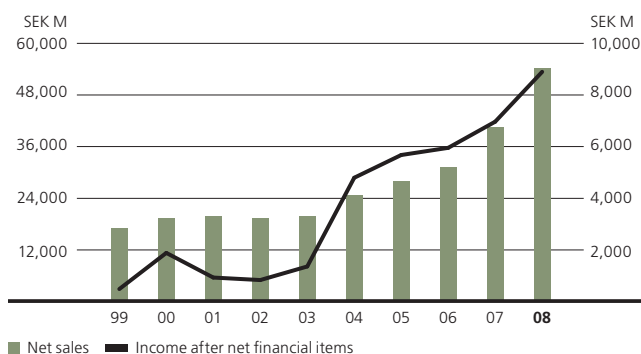
### SSAB at a glance

**Chairman:** Sverker Martin-Löf **CEO:** Olof Faxander  
For more information on SSAB, visit [www.ssab.com](http://www.ssab.com)

Key data	2008	2007
Earnings per share, SEK	19.90	16.63
Dividend per share, SEK	4.00 <sup>1</sup>	5.00
Share price on December 31, SEK		
Class A shares	68.00	176.00
Class B shares	63.50	159.00

1) Proposed by the board of directors.

### Net sales and income



### SSAB's stock



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

# VOLVO

**Holding:** Shares: 69,949,995 Class A shares  
Market value: SEK 3,057 M  
Share of votes: 8.5%  
Share of capital: 3.3%

**Board members with ties to Industrivärden:** Finn Johnsson and Tom Hedelius<sup>1</sup>

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

<sup>1</sup>) Tom Hedelius has declined re-election at the 2009 AGM. The nominating committee has proposed Anders Nyren as a new director.



**Share of equities portfolio: 9%**

In June 2008 Volvo Trucks unveiled the new Volvo FH and FH16 models, which have been engineered to incorporate new safety and driver comfort features.

## World leader in commercial transport solutions

### Operations

Volvo Group is one of the world's leading providers of commercial transport solutions. Operations are conducted through six business areas: Trucks, Construction Equipment, Buses, Volvo Penta, Volvo Aero and Financial Services.

Volvo's products are a key link in the global transport network. Overall Volvo is Europe's largest and the world's second largest manufacturer of heavy trucks. The Trucks business area encompasses the Volvo, Renault, Mack and Nissan Diesel brands. 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.

### Financial targets

Volvo's financial targets are to achieve annual sales growth of at least 10% – of which about half through acquisitions – with an operating margin in excess of 7% over a business cycle for the industrial operations. Net debt should be a maximum of 40% of shareholders' equity.

Volvo's long-term dividend policy is to pay a competitive dividend with growth over time.

### Performance 2008

- Net sales rose 6% to SEK 303,667 M.
- Income after financial items fell 35% to SEK 14,010 M (21,557). The European market weakened dramatically during the second half of the year at the same time that the markets in North America and Japan remained weak.
- A major capacity adaptation program is currently being conducted.
- A joint-risk company was established for trucks and buses with the Indian company Eicher Motors.

### Volvo at a glance

**Chairman:** Finn Johnsson

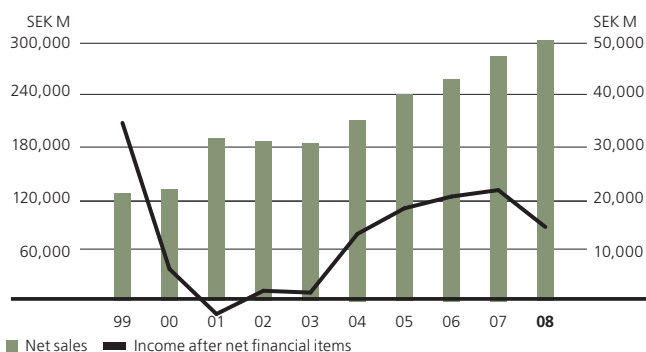
**CEO:** Leif Johanson

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

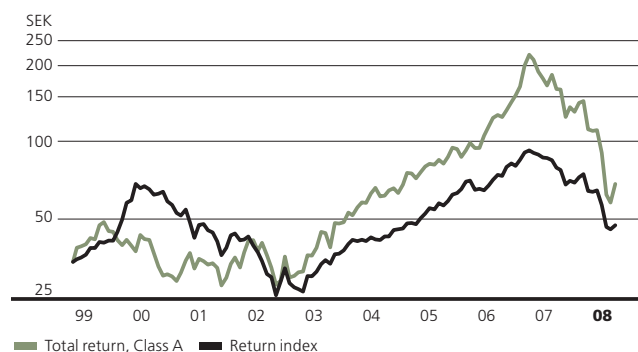
Key data	2008	2007
Earnings per share, SEK	4.90	7.37
Dividend per share, SEK	2.00 <sup>1</sup>	5.50
Share price on December 31, SEK		
Class A shares	43.70	108.00
Class B shares	42.90	108.50

<sup>1</sup>) Proposed by the board of directors.

### Net sales and income



### Volvo's stock



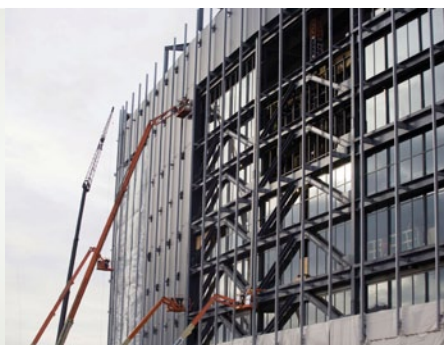
**Comments:** During the last ten years, Volvo's stock has outperformed the return index.

# SKANSKA

**Holding:** 15,010,700 Class A shares  
and 15,314,800 Class B shares  
Market value: SEK 2,350 M  
Share of votes: 26.7% Share of capital: 7.2%

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

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



**Share of  
equities portfolio: 7%**

Meadowlands Stadium is one of Skanska's largest contracts ever in the U.S. With seating capacity of 82,000, it will be home turf for the NFL's New York Jets and New York Giants.

## Leading construction company in value-creating projects

### Operations

Skanska is one of the largest construction companies in the world, with leading positions in a number of home markets in Europe, the U.S. and Latin America. Its mission is to develop, build and maintain the physical environment for living, traveling and working. Skanska's overall goal is to generate customer and shareholder value, which is created in well-implemented and profitable projects.

Operations are conducted in four so-called business streams: Construction, Residential Development, Commercial Development and Infrastructure Development. Construction involves buildings and civil construction projects as well as home construction and is Skanska's largest business stream. Residential Development develops residential projects for immediate sale. Commercial Development initiates, develops, leases and sells commercial real estate projects, with a focus on office space and shopping centers. Infrastructure Development develops and invests in privately financed infrastructure projects, such as roads, hospitals, schools and power generation plants.

### Financial targets

Skanska's financial target in a normalized economic climate is to achieve an operating margin of 4.0% for the Construction business stream. The Group's average annual return on equity after tax should then be 20%. Skanska's dividend policy is based on the goal that future profits should cover growth of the Group's

business as well as in the regular dividend. The dividend is expected to amount to 50%–80% of net profit.

### Performance 2008

- Net sales rose 4% to SEK 143,674 M.
- Income after financial items amounted to SEK 4,410 M (5,667), including project development gains of SEK 1,238 M (1,080) on sales of commercial properties.
- Operating income for Construction, the largest business stream, decreased to SEK 3,761 M (4,445), mainly due to project write-downs.
- The work force is being adjusted to the drop in volume in the Nordic markets.

### Skanska at a glance

**Chairman:** Sverker Martin-Löf

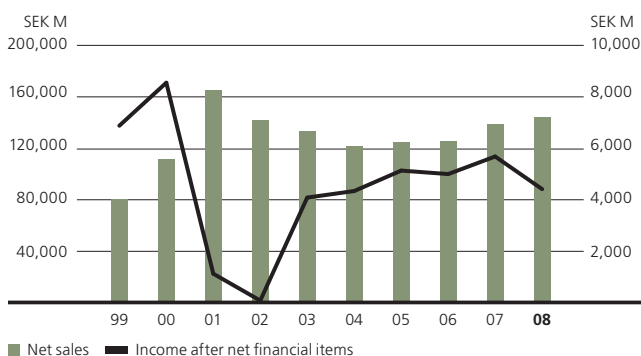
**CEO:** Johan Karlström

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

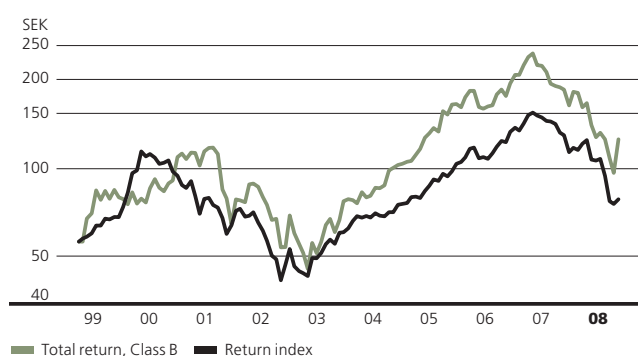
Key data	2008	2007
Earnings per share, SEK	7.44	9.78
Dividend per share, SEK <sup>1</sup>	5.25	8.25
Share price on December 31, SEK		
Class A shares <sup>2</sup>	77.50	122.00
Class B shares	77.50	122.00

1) Proposed by the board of directors, of which SEK – (3.00) consists of an extra dividend.  
2) Skanska's Class A shares, which are unlisted, have been assigned the same value as the Class B shares.

### Net sales and income



### Skanska's stock



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





**Holding:** 14,757,800 shares  
**Market value:** SEK 978 M  
**Share of votes and capital:** 36.9%

**Board member with ties  
 to Industrivärden:** Bengt Kjell

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



**Share of  
 equities portfolio:** 3%

HP Valves in the Netherlands manufactures high pressure valves primarily for the energy sector.

## Leading player in industrial technology sales

### Operations

Indutrade is a technology trading company that markets and sells components, systems and services with a high-tech content to industrial customers in selected niches. Through decentralized operations, the Group's 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 solidly developed 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. Proprietary products account for a growing share of sales.

Indutrade's most important products include valves, measuring and analysis instruments, cutting tools, transmissions, pumps, hydraulic couplings, oils, filters and pipes. The Group's various product areas are coordinated and controlled through four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products.

### Financial targets

Indutrade's financial targets are to have average annual sales growth of 10% over a business cycle, an average annual operating margin before amortization of intangible assets in excess of 8%

over a business cycle, a return on operating capital in excess of 25%, and a net debt-equity ratio that normally does not exceed 100%. The dividend over time shall amount to at least 50% of net profit.

### Performance 2008

- Net sales rose 20% to SEK 6,778 M.
- Income after net financial items rose 20% to SEK 692 M (578).
- The operating margin (EBITA) was 12.1% (11.5%). All four business areas posted improvements in operating income.

### Indutrade at a glance

**Chairman:** Bengt Kjell

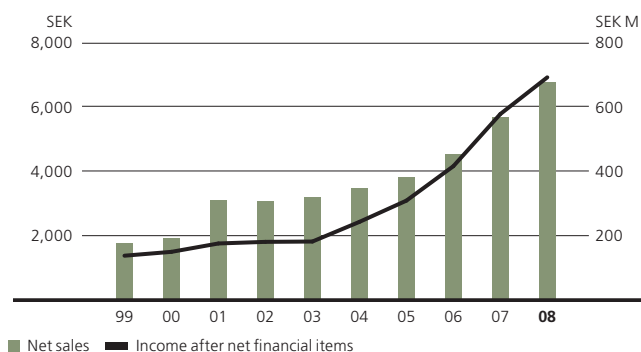
**CEO:** Johnny Alvarsson

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

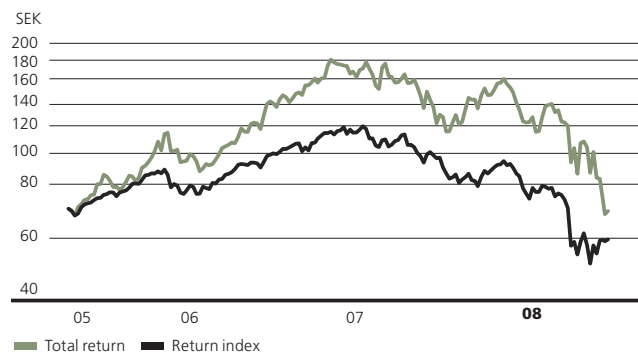
Key data	2008	2007
Earnings per share, SEK	12.75	10.48
Dividend per share, SEK	6.40 <sup>1</sup>	5.25
Share price on December 31, SEK	66.25	123.25

1) Proposed by the board of directors.

### Net sales and income



### Indutrade's stock



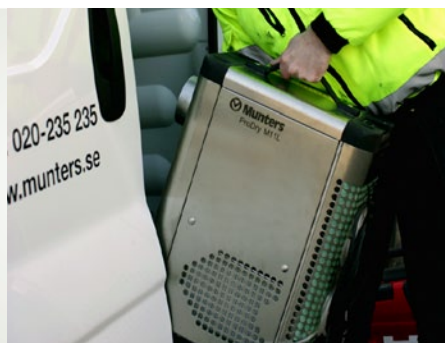
**Comments:** Since its stock market introduction in October 2005, Indutrade has outperformed the return index.



**Holding:** 10,950,000 shares  
**Market value:** SEK 420 M  
**Share of votes and capital:** 14.6%

**Board member with ties to Industrivärden:** Bengt Kjell

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



**Share of equities portfolio:** 1%

Munters' method of dehumidifying and renovating for fire or water damage – instead of demolishing and building new – entails major cost-savings for insurance companies.

## Strong global position in moisture control

### Operations

Munters is a global provider of moisture control solutions, with products for water and fire damage restoration as well as dehumidification, humidification, and air cooling and heating. The company also provides services for water and fire damage restoration. Munters conducts own operations in 30 countries, with high market shares in certain global market segments. Growth is pursued primarily by selling products and broadening the service offering with greater functionality. The largest customers are in the insurance, food and pharmaceutical industries.

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

### Financial targets

Munters' financial targets include annual sales growth of 10% over a several-year period, an operating margin of 10%, and a capital turnover rate of 3. Each of the divisions has individual targets that have been adapted to their respective conditions.

The dividend should correspond to roughly half of average net profit, measured over a several-year period.

### Performance 2008

- Net sales rose 5% to SEK 6,570 M.
- Income after financial items decreased by 46% to SEK 285 M (526). Restructuring costs and nonrecurring costs together amounted to SEK 154 M and accounted for most of the earnings decline.
- Efficiency-improvement programs were carried out in 2007 and 2008.

### Munters at a glance

**Chairman:** Anders Ilstam

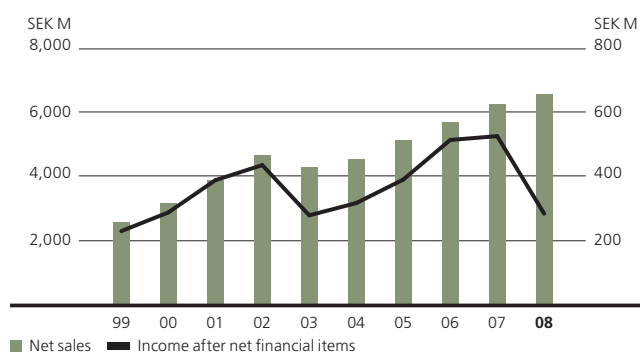
**CEO:** Lars Engström

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

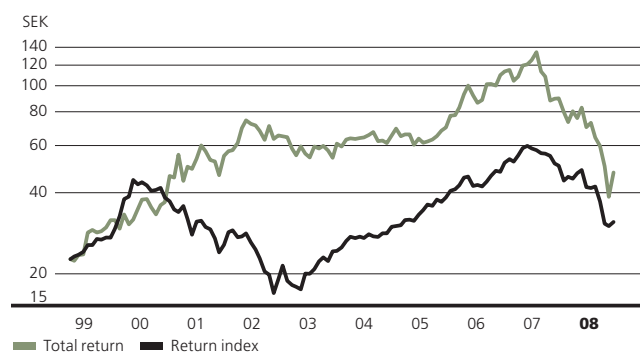
Key data	2008	2007
Earnings per share, SEK	2.21	4.49
Dividend per share, SEK	None <sup>1</sup>	2.50
Share price on December 31, SEK	38.40	76.75

1) Proposed by the board of directors.

### Net sales and income



### Munters' stock



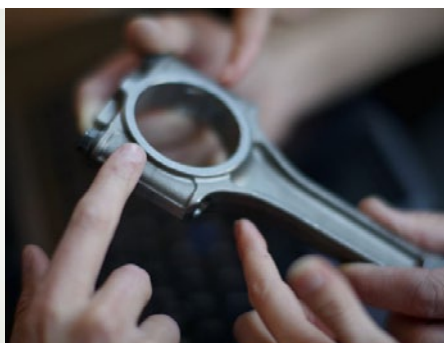
**Comments:** During the last ten years, Munters' stock has outperformed the return index.



**Holding:** 3,550,000 Class B shares  
**Market value:** SEK 249 M  
**Share of votes:** 8.1% **Share of capital:** 10.1%

**Board member with ties  
 to Industrivärden:** Bengt Kjell

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



**Share of  
 equities portfolio: 1%**

Every year Höganäs manufactures some 75 million connecting rods through iron powder pressing and sintering.

## Leading player in metal powder technology

### Operations

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

In automotive component manufacturing, Höganäs's powders are used in mechanical transmission components. On average, modern cars include roughly 10 kg. of components produced from metal powder.

The other major application area for powder components is in the home. Höganäs's powders are used in the manufacture of components for electrical products, such as power tools and lawnmowers, compressors for air conditioning systems and refrigerators/freezers, washing machine components, etc.

### Financial targets

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

### Performance 2008

- Net sales rose 5% to SEK 6,103 M.
- Income after financial items decreased by 14% to SEK 483 M (562). Sales volume decreased by 3% as a result of a sharp drop in demand during the fourth quarter.
- During the year, the Japanese company Kobe Steel's U.S. metal powder business was acquired, creating conditions for improved profitability in the U.S. market.
- Production capacity is being adapted to weaker demand.

### Höganäs at a glance

**Chairman:** Per Molin

**CEO:** Alrik Danielson

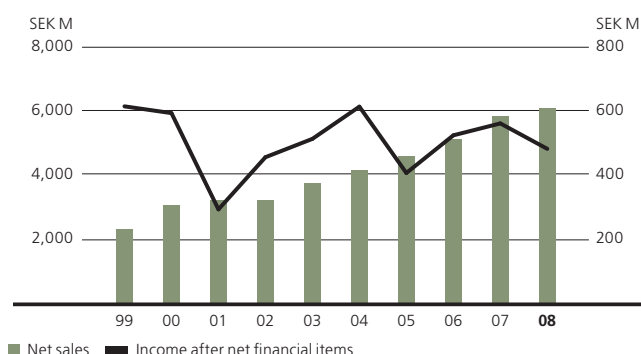
For more information on Höganäs, visit [www.hoganas.com](http://www.hoganas.com)

Key data	2008	2007
Earnings per share, SEK	<b>11.31</b>	12.39
Dividend per share, SEK <sup>1</sup>	<b>3.00</b>	6.25
Share price on December 31, SEK		
Class A shares <sup>2</sup>	<b>70.00</b>	122.94
Class B shares	<b>70.00</b>	122.94

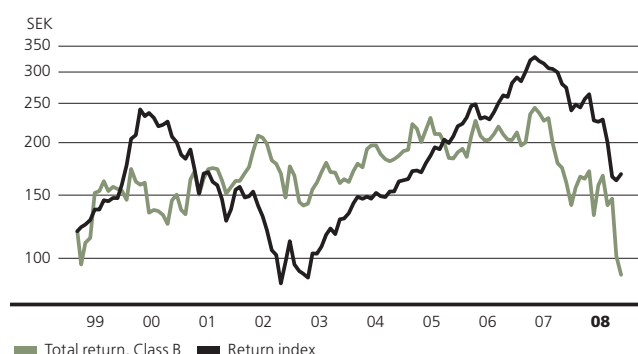
1) Proposed by the board of directors. A share redemption of SEK 15 per share was carried out in 2007.

2) Höganäs's Class A shares, which are unlisted, have been assigned the same value as the Class B shares. The share price for 2007 has been recalculated to take the share redemption into account.

### Net sales and income



### Höganäs's stock



**Comments:** During the last ten years, Höganäs's stock has performed below 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 2008 fiscal year, the company's sixty-fourth year of operation. The following income statements, balance sheets, statements of changes in shareholders' equity, statements of cash flows and notes to the financial statements form an integral part of this annual report and have been audited by the Company's auditors.

## Operations

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

## CORPORATE GOVERNANCE REPORT

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

Industrivärden adheres to the Swedish Code of Corporate Governance. The Corporate Governance Report pertains to the 2008 fiscal year and also includes a report on the Nominating Committee's work ahead of the 2009 Annual General Meeting. The Corporate Governance Report has been audited by the Company's auditors.

## Shares and shareholders

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

## General shareholders' meetings

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

## Nominating Committee

The members of the Nominating Committee are Tom Hedelius (Chairman of the Board), Bo Damberg (appointed by the Jan Wallander and Tom Hedelius Foundation), Håkan Sandberg

(committee chair – appointed by the Handelsbanken Pension Foundation, Handelsbanken Pension Fund and others), Ulf Lundahl (appointed by L E Lundbergföretagen) and Anders Nyberg (appointed by the SCA Pension Foundations and others).

The Nominating Committee has proposed to the 2009 AGM that Boel Flodgren, Tom Hedelius, Finn Johnsson, Fredrik Lundberg, Sverker Martin-Löf, Lennart Nilsson and Anders Nyrén be re-elected as directors on the Board. In addition, the committee has proposed the new election of Olof Faxander, who is President and CEO of SSAB since 2006. Further, the Nominating Committee has proposed that Tom Hedelius be appointed as Chairman of the Board.

## Members of the Board of Directors

Industrivärden's board of directors, which is elected by the Annual General Meeting, currently consists of seven members, including the CEO. The Chairman of the Board, Tom Hedelius, is a former CEO and chairman of Handelsbanken. The Vice Chairman, Sverker Martin-Löf, is a former CEO of SCA and is currently Chairman of SCA, Skanska and SSAB. Boel Flodgren is a professor of commercial law and a former president of Lund University. Finn Johnsson is a former CEO of Mölnlycke Health Care, United Distillers and Euroc, and is currently Chairman of Volvo. Fredrik Lundberg is CEO of L E Lundbergföretagen and Chairman of Cardo, Holmen and Hufvudstaden. Lennart Nilsson is a former CEO of Cardo. Anders Nyrén is a former executive vice president and CFO of Skanska and former executive vice president and CFO of Securum, among other positions.

Lars O. Grönstedt, who was elected to the Board in 2006, declined re-election to the Board at the Annual General Meeting on April 15, 2008.

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

## Independence conditions

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

## Duties and work of the Board of Directors

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

## Attendance, fees and independence conditions

Name	Year elected	Position <sup>1</sup>	Audit Committee	Compensation Committee	Attendance at board meetings	Attendance at committee meetings	Fee, 2008 SEK 000 <sup>2</sup>	Non-independence in relation to Industrivärden <sup>3</sup>	Non-independence in relation to major shareholders
Tom Hedelius	1991	Chairman	Member	Chairman	All	All	1,200		X
Sverker Martin-Löf	2002	Vice Chairman	Chairman	Member	All	All	800		
Boel Flodgren	2002	Director	Member	–	All	All	400		
Finn Johnsson	2000	Director	Member	–	All	All	400		
Fredrik Lundberg	2004	Director	Member	–	All	All	400		X
Lennart Nilsson	1997	Director	Member	–	All	All	400		
Anders Nyrén	2001	Director	–	–	All	–	–	X	
<b>Total</b>							<b>3,600</b>		

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

2) No fee is payable for committee work.

3) Industrivärden's President and CEO, Anders Nyrén, is the only executive director of the Company.

- 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;
- a strategic plan regarding active ownership;
- acquisitions and sales of companies or businesses; and
- major purchases and sales of listed stocks.

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

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

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

In connection with the board meeting that deals with the annual financial statements, the Board of Directors' Report, the proposed distribution of earnings and the year-end report, the Company's Chief Auditor reports on the auditors' observations and remarks from their audit. A similar report is also presented in connection with the nine-month interim report.

The regular meetings cover a number of set agenda items. These include, among other things, a report on the current financial result of operations and on the development of net asset value and the performance of the equities portfolio, including detailed information on stock transactions that have been carried out. Reports are also made on trends in share prices and earnings. In addition, a special review is normally conducted of one or more of the portfolio companies and of potential investment decisions. At one or more board meetings during the year, the management of one of the portfolio companies presents a report on their company's performance.

Board committees are tasked with conducting preparatory work on matters ahead of board decisions.

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

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

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

### Important matters for the Board during 2008

In 2008 the Board had a total of five meetings in addition to the statutory meeting, of which one was held per capsulam. The most important task of the Board concerns matters related to the active holdings in the equities portfolio. In addition to strategic planning, the most important single matters in 2008 involved sales and purchases of stocks.

### Compensation Committee

The Board has appointed a compensation committee, which held two meetings. The guidelines for compensation of senior executives were adopted by the 2008 Annual General Meeting. The Compensation Committee draws up recommendations for the CEO's compensation, decides on compensation for the other members of the executive management, and submits proposals for incentive programs. The members of the Compensation Committee are Tom Hedelius (Chairman of the Board and committee chairman) and Sverker Martin-Löf (Vice Chairman of the Board). No compensation has been paid for their work on the committee.

### 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 variable salary component shall be maximized to and never exceed the base salary. The short-term variable salary component is based on the outcome in relation to set targets and on individual performance. The long-term variable

salary is based on incentive programs that are linked to the long-term performance of the Company's stock. None of the variable components are pensionable. Upon termination of an executive's employment contract by the Company, a two-year term of notice applies. There should not be any severance pay. Pension benefits shall be either defined-benefit or defined-contribution, or a combination of both, and give the members of the executive management the right to retire from 60 years of age, depending on their position. The Board may depart from these guidelines if there are special reasons for doing so in individual cases.

### **Audit Committee**

The Audit Committee, which held two meetings during the year, includes all of the members of the Board except for the CEO. Sverker Martin-Löf is chairman of the Audit Committee. The Audit Committee is tasked with examining the routines for the Company's risk management, governance and control, and financial reporting. The Company's investment instructions and finance policy are adopted each year by the Board. The Chairman of the Board maintains regular contact with the Company's auditors to ensure that internal and external reporting meet established requirements and to discuss the scope of the Corporate Governance Report and the focus of audit work. The auditors normally report their observations to the Audit Committee in connection with their review of the nine-month interim report and in connection with their audit of the year-end financial statements. No compensation has been paid to the members for their work on the committee.

### **Auditors**

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

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

### **Risks and uncertainties**

The dominant risk in Industrivärden's business is share price risk, i.e., the risk of a decrease in value caused by changes in share prices. A 1% change in the share price of the holdings in the equities portfolio as per December 31, 2008, would have affected the market value by approximately +/- SEK 350 M. A detailed description of the risks associated with Industrivärden's business is provided on pages 33–34.

### **Internal control of financial reporting**

In view of the share price risk described above, the most important control process in Industrivärden's business consists of the

continuous monitoring of its value exposure in the equities portfolio. Industrivärden's internal control is therefore primarily focused on ensuring the reliability of valuations of outstanding equity and derivative positions and of the reporting of purchases and sales of stocks and other securities.

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

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

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

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

### **Insider rules**

Industrivärden adheres to applicable insider rules and stipulations on public disclosure regarding transactions in shares of the portfolio companies. In addition, Industrivärden has internal rules that prohibit employees from trading in shares in the companies in which Industrivärden has major shareholdings for 30 days prior to publication of interim reports and the year-end report, including the day of reporting. All employees of Industrivärden are required to report their total holdings of financial instruments in the portfolio companies in an internal register.

## **OPERATIONS**

### **Net asset value**

During the year, net asset value fell from SEK 54.8 billion, or SEK 142 per share, to SEK 23.9 billion, or SEK 62 per share, a decrease of 56%. The components making up net asset value are shown in the following table:



	SEK billion		SEK per share	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Equities portfolio	34.7	65.8	90	170
Interest-bearing net debt	-10.8	-11.0	-28	-28
<b>Net asset value</b>	<b>23.9</b>	<b>54.8</b>	<b>62</b>	<b>142</b>

#### Equities portfolio

The market value of the equities portfolio at year-end was SEK 34,744 M (65,844), a decrease of 47% (increase of 4%). The market value exceeded cost by SEK 3,579 M (36,260). Purchases of stocks during the year totaled SEK 4,644 M (8,834), and sales totaled SEK 4,314 M (2,124). Thus stocks were bought for a net amount of SEK 330 M (6,710).

Taking into account purchases and sales, the value of the portfolio fell by 48% (-6%) during the year. The stock market index (OMXSPI) fell by 42% (-6%) during the same period. The total return of the equities portfolio was -45% (-2%), compared with -39% (-3%) for the return index (SIXRX).

#### Dividends received

SEK M	2008	2007
Handelsbanken	923	547
Sandvik	546	438
SCA	312	283
SSAB	283	193
Skanska	267	267
Volvo	261	76
Ericsson	190	188
Indutrade	77	55
Munters	27	25
Höganäs	22	22
Hemtex	10	13
<b>Total</b>	<b>2,918</b>	<b>2,107</b>

#### Equity transactions during the year

	No. of shares	SEK M
<b>Purchases</b>		
Volvo A	26,438,345	1,830
Handelsbanken A	9,637,539	1,520
Volvo B	6,000,000	446
Other		848
<b>Total</b>		<b>4,644</b>
<b>Sales</b>		
Handelsbanken A	12,926,975	1,961
SSAB A	6,092,587	963
Volvo B	8,000,000	523
Other		867
<b>Total</b>		<b>4,314</b>

Net purchases and sales per shareholding are shown in Note 3.

#### Changes in value of shareholdings

SEK M	2008	2007
Ericsson	-1,305	-4,667
Handelsbanken	-5,513	-11
Hemtex	-220	-200
Höganäs	-184	-152
Indutrade	-841	-172
Munters	-421	-244
Sandvik	-8,563	1,879
SCA	-3,567	-269
Skanska	-1,480	-436
SSAB	-5,724	644
Volvo	-3,612	-635
Other	-75	288
<b>Total</b>	<b>-31,505</b>	<b>-3,975</b>

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

Nordinvest AB conducts short-term equity trading. During the year purchases of listed stocks totaled SEK 4,093 M (3,598) and sales totaled SEK 4,136 M (3,697). Stocks were thus sold for a net total of SEK 43 M (99). Operating income was SEK 7 M (16). Including earnings from the Parent Company's short-term derivative transactions, totaling SEK 61 M (126), total profit from short-term derivative transactions and equity trading amounted to SEK 68 M (142).

#### Interest-bearing net debt

At year-end 2008, interest-bearing net debt amounted to SEK 10,813 M (10,951), corresponding to a net debt-equity ratio of 31.1% (16.6%). Interest-bearing net debt decreased by SEK 138 M, mainly due to the fact that dividend income exceeded the Company's dividend payout. However, the net debt-equity ratio increased as a result of the decline in value of the equities portfolio.

Of interest-bearing net debt, SEK 2,100 M falls due for payment in 2009 and SEK 1,199 M in 2010. To meet these obligations, the Group has cash and cash equivalents that amounted to SEK 1,096 M at the end of the fiscal year and unutilized committed credit facilities with banks amounting to SEK 3,371 M.

#### Proposed dividend

The Board of Directors proposes a dividend of SEK 4.50 (5.00) per share. The proposed dividend corresponds to 8% of the Parent Company's shareholders' equity and 7% of the Group's shareholders' equity. Of shareholders' equity, none of which in the Parent Company, and 14%, or SEK 3.4 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.

In the Board's judgment, the proposed dividend is well balanced in view of the objectives, scope and risk of operations, as well as with respect to the Company's ability to meet its future obligations. According to the proposal, the total dividend payout will amount to SEK 1,738 M (1,931).

## Proposed distribution of earnings

According to the Consolidated Balance Sheet, retained earnings for the year including the net income for the year amount to SEK 21,756 M, of which SEK –29,114 M consists of the net income for the year.

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

Retained earnings according to decision by the 2008 AGM	SEK 36,116 M
Net income for the year	SEK –16,223 M
	<hr/> SEK 19,893 M

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

To the shareholders, a dividend of SEK 4.50 per share, totaling	SEK 1,738 M
To be carried forward	SEK 18,155 M
	<hr/> SEK 19,893 M

The Board of Directors and President declare 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 8, 2009.

Stockholm February 12, 2009

Tom Hedelius  
*Chairman*

Sverker Martin-Löf  
*Vice Chairman*

Boel Flodgren  
*Director*

Finn Johnsson  
*Director*

Fredrik Lundberg  
*Director*

Lennart Nilsson  
*Director*

Anders Nyrén  
*President and CEO, Director*

Our Audit Report was submitted on February 12, 2009

PricewaterhouseCoopers AB

Anders Lundin  
*Authorized Public Accountant*



## Group and Parent Company income statements

SEK M	Note	Group		Parent Company	
		2008	2007	2008	2007
Dividend income from stocks	1	2,918	2,107	2,841	2,107
Change in value of stocks	2	-31,505	-3,975	-18,532	-3,463
Short-term derivative transactions and equity trading	4	68	142	61	126
Management costs	5, 8, 9	-81	-86	-81	-86
Other income and expenses		1	-1	-2	44
<b>Operating income</b>		<b>-28,599</b>	<b>-1,813</b>	<b>-15,713</b>	<b>-1,272</b>
Financial income	6	21	25	27	27
Financial expenses	6	-536	-314	-537	-303
<b>Income after financial items</b>		<b>-29,114</b>	<b>-2,102</b>	<b>-16,223</b>	<b>-1,548</b>
<b>Tax</b>	10	<b>-</b>	<b>160</b>	<b>-</b>	<b>165</b>
<b>Net income for the year</b>		<b>-29,114</b>	<b>-1,942</b>	<b>-16,223</b>	<b>-1,383</b>
<b>Earnings per share, SEK<sup>1</sup></b>		<b>-75.37</b>	<b>-5.03</b>	<b>-42.00</b>	<b>-3.58</b>

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

## Group and Parent Company balance sheets

SEK M	Note	Group		Parent Company	
		Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>ASSETS</b>					
Property, plant and equipment	11	25	24	–	–
Equities	12	34,744	65,844	23,081	41,719
Shares in associated companies	12, 15	–	–	7,833	9,695
Shares in subsidiaries	13, 15	–	–	2,145	97
Non-current receivables		69	66	69	65
<b>Total non-current assets</b>		<b>34,838</b>	65,934	<b>33,128</b>	51,576
Receivables from subsidiaries		–	–	58	60
Prepaid expenses and accrued income		24	19	24	18
Other current receivables		2	10	–	9
Short-term equity investments		15	73	–	–
Cash and cash equivalents		1,096	257	1,096	254
<b>Total current assets</b>		<b>1,137</b>	359	<b>1,178</b>	341
<b>TOTAL ASSETS</b>		<b>35,975</b>	66,293	<b>34,306</b>	51,917
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Capital stock		966	966	966	966
Other capital contribution/Statutory reserve		1,062	1,062	1,062	1,062
Reserves/Fair value reserve		–201	8	–201	8
Retained earnings		50,870	54,743	36,116	39,430
Net income for the year		–29,114	–1,942	–16,223	–1,383
<b>Total shareholders' equity</b>		<b>23,583</b>	54,837	<b>21,720</b>	40,083
Liabilities to subsidiaries		–	–	–	1
Non-current interest-bearing liabilities	16,17	9,749	9,857	8,746	9,855
Non-current noninterest-bearing liabilities		15	18	–	–
<b>Total non-current liabilities</b>		<b>9,764</b>	9,875	<b>8,746</b>	9,856
Liabilities to subsidiaries		–	–	1,224	409
Current interest-bearing liabilities		2,229	1,416	2,229	1 416
Accounts payable, trade		2	4	2	3
Tax liabilities		–	1	–	–
Accrued expenses and deferred income		114	142	114	133
Other current liabilities		283	18	271	17
<b>Total current liabilities</b>		<b>2,628</b>	1,581	<b>3,840</b>	1,978
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>35,975</b>	66,293	<b>34,306</b>	51,917
Contingent liabilities		0	0	1,003	3

# Group and Parent Company shareholders' equity

Changes in shareholders' equity, SEK M

Group	Capital stock <sup>1</sup>	Other capital contribution	Reserves <sup>2</sup>	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2006	966	1,062	-18	44,860	11,621	58,491
Translation differences	-	-	18	-	-	18
Change in hedging reserve	-	-	8	-	-	8
<b>Total transactions reported in shareholders' equity</b>	-	-	26	-	-	26
Transfer of previous year's net income	-	-	-	11,621	-11,621	-
Net income for the year	-	-	-	-	-1,942	-1,942
<b>Total reported income and expenses</b>	-	-	-	11,621	-13,563	-1,942
Dividend to shareholders	-	-	-	-1,738	-	-1,738
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2007</b>	<b>966</b>	<b>1,062</b>	<b>8</b>	<b>54,743</b>	<b>-1,942</b>	<b>54,837</b>
Change in hedging reserve	-	-	-209	-	-	-209
<b>Total transactions reported in shareholders' equity</b>	-	-	-209	-	-	-209
Transfer of previous year's net income	-	-	-	-1,942	1,942	-
Net income for the year	-	-	-	-	-29,114	-29,114
<b>Total reported income and expenses</b>	-	-	-	-1,942	-27,172	-29,114
Dividend to shareholders	-	-	-	-1,931	-	-1,931
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2008</b>	<b>966</b>	<b>1,062</b>	<b>-201</b>	<b>50,870</b>	<b>-29,114</b>	<b>23,583</b>

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, 2006	966	1,062	-	34,876	6,292	43,196
Change in hedging reserve	-	-	8	-	-	8
Transfer of previous year's net income	-	-	-	6,292	-6,292	-
Net income for the year	-	-	-	-	-1,383	-1,383
Dividend to shareholders	-	-	-	-1,738	-	-1,738
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2007</b>	<b>966</b>	<b>1,062</b>	<b>8</b>	<b>39,430</b>	<b>-1,383</b>	<b>40,083</b>
Change in hedging reserve	-	-	-209	-	-	-209
Transfer of previous year's net income	-	-	-	-1,383	1,383	-
Net income for the year	-	-	-	-	-16,223	-16,223
Dividend to shareholders	-	-	-	-1,931	-	-1,931
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2008</b>	<b>966</b>	<b>1,062</b>	<b>-201</b>	<b>36,116</b>	<b>-16,223</b>	<b>21,720</b>

1) After the 2:1 split in 2007, the capital stock as per December 31, 2008, consisted of 386,271,224 shares, of which 268,547,404

were Class A shares and 117,723,820 were Class C shares. The share quota value is SEK 2.50. See also the Industrivärden share data section, pages 12–13.

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

# Group and Parent Company statements of cash flows

SEK M	Group		Parent Company	
	2008	2007	2008	2007
<b>OPERATING ACTIVITIES</b>				
Dividend income from stocks	2,918	2,107	2,841	2,107
Cash flow from short-term derivate transactions and equity trading	87	241	54	125
Management costs paid	-79	-82	-79	-82
Other items affecting cash flow	-	-2	-	-1
<b>Cash flow from operating activities before financial items</b>	<b>2,926</b>	<b>2,264</b>	<b>2,816</b>	<b>2,149</b>
Interest received	23	31	23	24
Interest paid	-539	-337	-536	-335
Other financial items	-8	-9	-8	-9
Tax paid	-1	-23	-	-8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2,401</b>	<b>1,926</b>	<b>2,295</b>	<b>1,821</b>
<b>INVESTING ACTIVITIES</b>				
Purchases of listed stocks	-4,644	-8,834	-4,644	-8,834
Sales of listed stocks	4,314	1,924	4,314	1,924
Sale of subsidiaries/listed shares to subsidiaries	-	313	2,438	225
Shareholder contribution and other items	-2	-1	-2,143	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-332</b>	<b>-6,598</b>	<b>-35</b>	<b>-6,685</b>
<b>FINANCING ACTIVITIES</b>				
Loans raised and amortization of debt	701	5,929	-305	5,929
Change in financing of subsidiaries	-	-	818	189
Dividend paid	-1,931	-1,738	-1,931	-1,738
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-1,230</b>	<b>4,191</b>	<b>-1,418</b>	<b>4,380</b>
<b>NET CASH FLOW FOR THE YEAR</b>	<b>839</b>	<b>-481</b>	<b>842</b>	<b>-484</b>
<b>Cash and cash equivalents at start of year</b>	<b>257</b>	<b>738</b>	<b>254</b>	<b>738</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,096</b>	<b>257</b>	<b>1,096</b>	<b>254</b>

# Accounting principles

## 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 1.1. The Annual Report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and with application of RFR 2.1. The most important accounting principles applied are specified below. Unless otherwise stated, these are unchanged compared with preceding years. The continuing amendments and interpretations of accounting recommendations that have been made as from January 1, 2008, have not had any effect on the Group's result of operations or position.

## Basis of preparation

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

## Principles of consolidation

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

## Associate accounting

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

## Recognition of income

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

## Accounting of changes in exchange rates

Foreign exchange gains and losses that arise in connection with payment or translation to the year-end exchange rate are reported in the income statement.

## Income taxes

Special tax rules apply for holding companies which provide the opportunity for low taxation under the condition that the dividend paid to the shareholders corresponds to a taxable surplus. A description of these rules is provided on page 43.

## 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 and 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.

## Measurement of fair value of financial instruments

The fair value of Industrivärden's financial instruments is normally based on the market price on the balance sheet date of listed stocks and stock options.

## Issued stock options

Option premiums received are booked as a debt and are deducted from premiums paid upon repurchase. If an issued option expires without being exercised, the premium is recognized as income. Upon exercise of an issued option, the premium increases the exercise price upon the sale of the shares or reduces the exercise price upon the purchase of shares. On the balance sheet date, the market value of issued options is determined, and the difference between it and provisioned premiums is taken up in the income statement. The options are carried on the balance sheet as accrued income and accrued expenses, respectively.

## Hedging of equity investments in foreign currency

Foreign exchange gains or losses that arise are reported in the income statement as Change in value of stocks.

## Hedging of fixed interest rates through cash flow hedges

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

## Non-current assets

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

### Cash and cash equivalents

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

### Borrowings

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

### Pensions

Pension liability refers to defined benefit pension obligations – all calculated annually for the Group in accordance with IAS 19 with the assistance of an external actuary. Defined benefit pension plans insured with Alecta are reported as defined contribution

plans since Alecta has not been able to provide necessary information. Industrivärden has elected at the Group level to utilize the so-called corridor in reporting actuarial gains and losses.

### Parent Company

Listed shares in the Parent Company are carried at market value, except for shares in associated companies, which are carried at cost in accordance with the stipulations of the Annual Accounts Act.

In its reporting of pensions, the Parent Company complies with the Pension Obligations Vesting Act (Tryggandelagen) and FAR accounting recommendation no. 4, Reporting of pension liabilities and pension costs.

## Financing and financial risk management

### Organization

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

### Financing

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

#### Credit facilities as per December 31, 2008

	Amount, SEK M	Utilized amount, SEK M	Term
Bank loans	7,200	7,200	2010–2017
MTN program	8,000	2,500	2010–2012
<b>Total long-term borrowing</b>		<b>9,700</b>	
MTN program	–	2,100	
Commercial paper	2,000	–	
Bank overdraft facility	1,500	129	
<b>Total short-term borrowing</b>		<b>2,229</b>	

In addition, Industrivärden has unutilized credit commitments for bank loans totaling SEK 2,000 M.

#### Average interest rate and terms of fixed interest

The average interest rate for AB Industrivärden's debt portfolio as per December 31, 2008, was 4.7% (4.6%). The average term of fixed interest was 56 months (58).

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

SEK M	Dec. 31, 2008	Cash flow	Change in borrowing	Other changes	Dec. 31, 2007
Cash and cash equivalents	1,096	839	–	–	257
Interest-bearing receivables	69	–	–	4	65
Non-current interest-bearing liabilities	9,749	–	–108	–	9,857
Current interest-bearing liabilities	2,229	–	813	–	1,416
Interest-bearing net debt	10,813	–839	705	–4	10,951

### Liquidity analysis

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

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

SEK M	2008	2009–2012	After 2012	Total
Interest-bearing receivables	257	73	–	330
Interest-bearing liabilities	–1,893	–6,490	–5,260	–13,643
Derivative instruments	4	3	–	7
Total as per Dec. 31, 2007	–1,632	–6,414	–5,260	–13,306



### Rating

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

### Financial risk management – general

The types of financial risks that the Industrivärden Group encounters in its business consist primarily of equities risk and – to a limited extent – other financial risks in the form of 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 the total portfolio. Moreover, the active ownership role provides a good understanding of the portfolio companies' operations, external environment and continuing development. By having a well-balanced composition of different holdings in the equities portfolio, exposure to industry- or sector-related risks is reduced. The mix of various equities in the portfolio reduces volatility and contributes to a more stable return over time. Industrivärden's equity investments are made within the parameters of the investment rules set by the Board of Directors. New investments, sales and reallocations are tested on a regular basis by a separate investment committee made up of the members of the executive management. Decisions are made based on analyses that are presented by the investment organization. In addition to investments in listed stocks, Industrivärden also conducts transactions in standardized and non-standardized stock options. In order to limit counterparty risk, derivative transactions may only be made with counterparties that are approved by Industrivärden. The subsidiary Nordinvest conducts short-term equity trading within the framework of Industrivärden's strategy. Equities risk in this respect is mitigated by a special set of investment rules with strict risk mandates and stop-loss rules. Share price risk can be illustrated as such that a 1% change in the price of all listed shareholdings in Industrivärden's equities portfolio as per December 31, 2008, would have impacted net asset value by SEK +/-350 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 mainly of listed stocks with good liquidity, and thus the liquidity risk is limited.

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will vary due to changes in market interest rates. The financial instruments that are exposed to interest rate risk consist of loans with variable interest rates and swap agreements with variable rates. Swap agreements may be used to limit interest expenses and to adjust maturities. Industrivärden's interest rate risk and its effect on earnings is judged to be low.

At year-end 2008, five interest rate swap agreements were in effect under which variable interest rates had been swapped against fixed interest rates. The agreements pertain to borrowings totaling SEK 3,700 M with terms of 1–5 years. At year-end 2008 the market value of the interest rate swap agreements was SEK –201 M, which is reported directly against shareholders' equity.

### Liquidity risk and refinancing risk

Liquidity risk is the risk of encountering difficulties in accessing liquid assets in order to meet obligations associated with financial instruments. In accordance with Industrivärden's finance policy, at any given time the Group has a minimum of SEK 3 billion in confirmed credit facilities at its disposal. Refinancing risk is the risk that a company cannot obtain financing or that financing can only be obtained at a considerable cost. In the aim of minimizing refinancing risk, the loans' maturities are distributed evenly over time to lower the likelihood of a large portion of loans being refinanced at the same date. Industrivärden's liquidity risk and refinancing risk are judged to be low. With an equity ratio of 66% (83%), Industrivärden has considerable financial flexibility.

### Counterparty risk

Counterparty risk is the risk of a party in a transaction with a financial instrument not being able to meet its obligations and thereby causing loss to the other party. 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 internal guidelines and rules, and of policies adopted by the Board of Directors. Important rules include investment rules and the treasury policy.

To strengthen internal control, Industrivärden's external auditors perform a limited review of all four interim reports. Matters pertaining to confidentiality and information security are of major importance for Industrivärden and are regulated by internal guidelines.

# Notes

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

## Note 1 Dividend income from stocks

	2008	2007
Ericsson	190	188
Handelsbanken	923	547
Hemtex	10	13
Höganäs	22	22
Indutrade	77	55
Munters	27	25
Sandvik	546	438
SCA	312	283
Skanska	267	267
SSAB	283	193
Volvo	261	76
<b>Group</b>	<b>2,918</b>	<b>2,107</b>

## Note 2 Change in value of stocks

	Group <sup>1</sup>		Parent Company <sup>2</sup>	
	2008	2007	2008	2007
Ericsson	-1,305	-4,667	-1,305	-4,667
Handelsbanken	-5,514	-11	-5,514	-11
Höganäs	-183	-152	-183	-152
Indutrade	-841	-172	1,905	14
Munters	-420	-244	-420	-244
Sandvik	-8,564	1,879	-8,564	1,879
SCA	-3,567	-269	-4	19
Skanska	-1,480	-436	101	-
SSAB	-5,723	644	-1,005	195
Tandberg Television ASA	-	217	-	217
Volvo	-3,612	-635	-3,612	-635
Other	-304	-133	61	-82
	-31,513	-3,979	-18,540	-3,467

Long-term derivative transactions	8	4	8	4
<b>Total</b>	<b>-31,505</b>	<b>-3,975</b>	<b>-18,532</b>	<b>-3,463</b>

- 1) For stocks held at both the start and end of the year, the change in value consists of the difference in the market value between these dates. For stocks acquired during the year, the change in value consists of the difference between the price paid and the market value at the end of the year. For stocks sold during the year, the change in value consists of the difference between the sales price received and the value of the stocks at the start of the year.
- 2) The Swedish Annual Accounts Act applies for the Parent Company, which entails that associated companies are stated at cost. Capital gains/losses on sales of shares in associated companies are reported accordingly.

## Change in value of shareholdings 2008

Company	Value at Dec. 31, 2008	Value at Dec. 31, 2007	Purchases (-)/sales 2008	Change in value 2008
Handelsbanken	8,204	14,159	441	-5,514
Sandvik	6,685	15,178	-71	-8,564
SCA	4,738	8,289	-16	-3,567
Ericsson	4,412	5,866	149	-1,305
SSAB	3,597	9,951	631	-5,723
Volvo	3,057	4,916	-1,753	-3,612
Skanska	2,350	4,066	236	-1,480
Indutrade	978	1,819	-	-841
Munters	420	840	-	-420
Höganäs	249	485	53	-183
Hemtex	54	275	-	-221
<b>Total</b>	<b>34,744</b>	<b>65,844</b>	<b>-330</b>	<b>-31,430</b>

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

	2008	2007
Ericsson	-149	128
Handelsbanken	-441	71
Hemtex	-	175
Höganäs	-53	-
Indutrade	-	-15
Munters	-	-69
Sandvik	71	364
SCA	16	1
Skanska	-236	140
SSAB	-631	2,498
Volvo	1,753	4,346
Other	-	-929
<b>Total</b>	<b>330</b>	<b>6,710</b>

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

	Group		Parent Company	
	2008	2007	2008	2007
Short-term equity derivative transactions	61	126	61	126
Short-term equity trading by Nordinvest	7	16	-	-
<b>Total</b>	<b>68</b>	<b>142</b>	<b>61</b>	<b>126</b>

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

## Note 5 Management costs

	Parent Company	
	2008	2007
Payroll costs	-41	-50
Directors' fees including social security costs	-5	-5
Other <sup>1</sup>	-35	-31
<b>Total</b>	<b>-81</b>	<b>-86</b>

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

## Note 6 Financial income and expenses

	Group		Parent Company	
	2008	2007	2008	2007
<b>Financial income</b>				
Interest income – subsidiaries	-	-	6	2
Interest income – other	21	25	21	25
<b>Total</b>	<b>21</b>	<b>25</b>	<b>27</b>	<b>27</b>
	Group		Parent Company	
	2008	2007	2008	2007
<b>Financial expenses</b>				
Interest expenses – subsidiaries	-	-	-5	-7
Interest expenses – other	-527	-289	-524	-289
Bank costs	-7	-7	-7	-7
Other	-1	-18	-1	0
<b>Total</b>	<b>-535</b>	<b>-314</b>	<b>-537</b>	<b>-303</b>

**Note 7 Average number of employees**

	2008		2007	
	Number of employees	Of whom, women	Number of employees	Of whom, women
<b>Parent Company</b>	<b>19</b>	<b>5</b>	20	5
<b>Subsidiaries</b>	<b>2</b>	–	2	–
<b>Total</b>	<b>21</b>	<b>5</b>	22	5

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

	2008			2007		
	Wages, salaries and other remuneration	Social security costs	Of which, pension costs	Wages, salaries and other remuneration	Social security costs	Of which, pension costs
<b>Parent Company<sup>1,2</sup></b>	<b>24</b>	<b>22</b>	<b>15</b>	30	25	16
<b>Subsidiaries</b>	<b>6</b>	<b>3</b>	<b>1</b>	6	3	1
<b>Total</b>	<b>30</b>	<b>25</b>	<b>16</b>	36	28	17

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

	2008				2007			
	Board of directors, CEOs and executive vice presidents	Of which, variable salary	Directors' fees paid to the Company <sup>2</sup>	Other employees	Board of directors, CEOs and executive vice presidents	Of which, variable salary	Directors' fees paid to the Company <sup>2</sup>	Other employees
<b>Parent Company<sup>1</sup></b>	<b>10</b>	–	–6	<b>20</b>	17	2	–5	18
<b>Subsidiaries</b>	<b>4</b>	<b>2</b>	–	<b>2</b>	4	2	–	2
<b>Total</b>	<b>14</b>	<b>2</b>	–6	<b>22</b>	21	4	–5	20

1) See below.

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

**Compilation of executive management's compensation and pension costs for 2008**

	Base salary	Variable salary portion	Other benefits	Pension costs
CEO	6.1	–	0.1	5.5
Other members of executive management (4 persons)	9.2	1.5	0.3	2.1
<b>Total</b>	<b>15.3</b>	<b>1.5</b>	<b>0.4</b>	<b>7.6</b>

**Directors' fees and executive compensation**

- The Nominating Committee, which has been appointed in the manner decided by the Annual General Meeting, submits recommendations on directors' fees to the Annual General Meeting. Fees were paid to the Chairman of the Board, the Vice Chairman and other directors in accordance with a resolution of the Annual General Meeting. In 2008 the Board was paid a fee of SEK 3.6 M (3.7), in accordance with a resolution by the Annual General Meeting. Of this amount, the Chairman received SEK 1.20 M (1.11) and the Vice Chairman SEK 0.80 M (0.74). Other directors, except for the CEO, each received SEK 0.40 M (0.37). 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 2008 Annual General Meeting. The Compensation Committee submits a recommendation to the Board on the CEO's compensation and decides on the compensation of other members of the executive management. The members of the executive management receive a base salary, a variable salary component and standard employment benefits. Added to this are pension benefits.

The CEO received a base salary of SEK 6.1 M (5.8) and has the right to a discretionary, variable salary component for 2008 amounting to a maximum of

50% of his base salary. No variable salary component was paid for the 2008 fiscal year (2007: SEK 1.0 M). 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 2008 was SEK 5.5 M (8.3). The Company must give two years' notice if it cancels the CEO's employment contract.

The other four (three) members of the executive management together received base salary of SEK 9.2 M (7.7). The variable salary portion pertaining to the 2008 fiscal year amounted to SEK 1.5 M (3.1), which will be paid out in 2009. All of the other four members of the executive management are covered from 65 years of age by defined contribution pension plans, whereby the amount of the pension benefits is dependent on the performance of their contracted pension plans. The total cost of the pension obli-

gation in 2008 for these four executives was SEK 2.1 M (1.7). In the event the Company serves notice, these executives are entitled to two years' notice.

Other members of the executive management are entitled to a performance-based variable salary component which for 2008 could amount to a maximum of 50% – and in one case 100% – of their respective base salaries. The outcome is based on the achievement of individually set goals as well as on joint targets regarding growth in net asset value.

#### Share-based incentive programs

The 2008 Annual General Meeting of AB Industrivärden resolved that all employees of the Group would be offered stock options in Industrivärden

at market terms and in other respects in accordance with the Board's complete proposal to the Annual General Meeting. The program involved the issuance of a maximum of 1,000,000 stock options for 1,000,000 Class C shares and has been secured through a share swap. The offer was fully subscribed. In accordance with the terms of the offer, the exercise price per share was set at SEK 109.00. The options can be exercised to purchase Class C shares in the Company during the period July 1, 2008, through May 31, 2013. Under the condition that the respective employees remain employed by Industrivärden three years after purchasing their options, the Company will pay a subsidy for their option purchase corresponding to 75% of the option premium paid (gross, before tax). The Company's costs for the subsidy will be covered by revenue from the sale of the options.

#### Note 9 Auditors' fees

	Group <sup>1</sup>		Parent Company <sup>1</sup>	
	2008	2007	2008	2007
Auditing fees				
PricewaterhouseCoopers	1.6	1.4	1.4	1.2
Consulting fees				
PricewaterhouseCoopers	0.7	0.5	0.7	0.5
<b>Total</b>	<b>2.3</b>	<b>1.9</b>	<b>2.1</b>	<b>1.7</b>

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

#### Note 10 Tax

##### Condensed tax computation for the Parent Company (see page 43)

	2008	2007
Market value of equities portfolio on January 1	65,844	63,030
Less: business-related shares	-56,699	-60,061
Basis for standard income	9,145	2,969
Standard income 1.5%	137	45
Dividends received during each year	2,841	2,107
Management costs, net financial items, etc.	-589	-418
Dividend paid out <sup>2</sup>	-1,738 <sup>1</sup>	-1,931
Taxable earnings	651	-197
Tax-loss carryforward from preceding years	-655	-458
Accumulated tax-loss carryforward	-4	-655

1) Proposed by the Board of Directors.

2) Payment is made during the following year after decision by the AGM.

#### Note 11 Property, plant and equipment

	Group		Total property plant and equipment
	Land and buildings	Equipment	
Opening cost	25	16	41
Investments during the year	–	2	2
Sales and disposals	–	-1	-1
Closing accumulated cost	25	17	42
Opening amortization	-7	-10	-17
Amortization for the year	–	-1	-1
Sales and disposals	–	1	1
Closing accumulated amortization	-7	-10	-17
<b>Residual value, 12/31/2008</b>	<b>18<sup>1</sup></b>	<b>7</b>	<b>25</b>
Residual value, 12/31/2007	18 <sup>1</sup>	6	24

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

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

**Note 12 Equities**

	2008			2007		
	Number of shares	Share of capital, %	Share of votes, %	Cost	Market value <sup>1</sup>	Market value <sup>1</sup>
Ericsson A	74,400,000	2.3	13.3	3,125	4,412	5,866
Handelsbanken A	64,995,564	10.4	10.6	5,416	8,189	14,135
Handelsbanken B	118,900			24	15	24
Hemtex	3,700,000	12.6	12.6	375	54	275
Höganäs B	3,550,000	10.1	8.1	637	249	485
Indutrade <sup>2</sup>	14,757,800	36.9	36.9	102	978	1,819
Munters	10,950,000	14.6	14.6	684	420	840
Sandvik	136,431,200	11.5	11.5	6,266	6,685	15,178
SCA A	48,600,000	10.0	29.8	847	3,256	5,747
SCA B	22,200,000			1,731	1,482	2,542
Skanska A	15,010,700	7.2	26.6	709	1,163	1,831
Skanska B	15,314,800			938	1,187	2,235
SSAB A	52,789,646	16.3	21.2	3,590	3,589	9,932
SSAB B	121,794			18	8	19
Volvo A	69,949,995	3.3	8.5	6,703	3,057	4,699
Volvo B	–			–	–	217
<b>Group's holdings of equities<sup>3</sup></b>				<b>31,165</b>	<b>34,744</b>	65,844
<b>Less: associated companies:</b>						
Indutrade <sup>4</sup>					–978	–1,819
SCA					–4,738	–8,289
Skanska					–2,350	–4,066
SSAB					–3,597	–9,951
<b>Parent Company's holdings of equities, excluding shares in associated companies</b>					<b>23,081</b>	41,719

1) The market value corresponds to the book value.

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

3) At year-end 2008, no shares were out on loan.

4) The holding in Indutrade is owned by Industrivärden Holding AB.

**Note 13 Shares in associated companies**

	Reg. no.	Domicile	Shareholders' equity	Earnings after tax	Share of capital, %	Share of votes, %	No. shares, 000s	Parent Company
								Book value
SCA	556012-6293	Stockholm	67,252	5,598	10.0	29.8	70,800	2,578
Skanska	556000-4615	Stockholm	19,249	3,157	7.2	26.6	30,326	1,647
SSAB	556016-3429	Stockholm	35,193	6,508	16.3	21.2	52,911	3,608
<b>Total</b>								<b>7,833</b>

**Note 14 Shares in subsidiaries**

	Reg. no.	Domicile	Share of capital, %	No. shares	Shareholders' equity	Parent Company
						Book value
Industrivärden Holding AB	556260-3067	Stockholm	100	10,000	1,046	2,000
Indus Innovation AB	556364-7758	Stockholm	100	100,000	4	29
Industrivärden Service AB	556289-9160	Stockholm	100	10,000	12	1
Floras Kulle AB	556364-8137	Stockholm	100	10,000	155	115
<b>Total</b>						<b>2,145</b>



**Note 15 Change in equities**

	Group		Parent Company							
	Equities		Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Opening value	65,844	63,030								
Disposals at sales value	-4,314	-1,924								
Purchases	4,644	8,834								
Change in value	-31,430	-4,044								
Other	-	-52								
<b>Closing value</b>	<b>34,744</b>	<b>65,844</b>								
Opening value	41,719	41,244	9,695	6,843	97	140	51,511	48,227		
Disposals at sales value	-2,894	-1,541	-3,427	-383	-429	-200	-6,750	-2,124		
Purchases	4,075	5,828	569	3,006	2,141	-	6,785	8,834		
Change in value	-19,819	-3,812	996	229	283	157	-18,540	-3,426		
Other	-	-	-	-	53	-	53	-		
<b>Closing value</b>	<b>23,081</b>	<b>41,719</b>	<b>7,833</b>	<b>9,695</b>	<b>2,145</b>	<b>97</b>	<b>33,059</b>	<b>51,511</b>		

**Note 16 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 life-time benefits. Earning of pension entitlement is based on the number of years in service and increases the employee's pension entitlement each year. The obligation is reported on a continuing basis in the income statement and as a pension provision in the balance sheet.

The pension liability as per December 31, 2008, amounted to SEK 50 M (58) for the Group and SEK 47 M (56) for the Parent Company. The value of plan assets was SEK 5 M (5) for the Group and Parent Company. Unreported actuarial losses amounted to SEK 7 M (2) for the Group and Parent Company.

The Group's total reported pension costs amount to SEK 16 M (17), of which SEK 15 M (16) 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 2009, the Parent Company's pension costs are estimated to amount to approximately SEK 16 M.

Actuarial assumptions	Group	
	2008	2007
Discount rate, %	3.5	4.5
Anticipated return on plan assets, %	5.0	5.0
Future salary increases, %	4.0	4.0
Anticipated inflation, %	1.5	2.0

**Note 17 Non-current interest-bearing liabilities**

	Group		Parent Company	
	2008	2007	2008	2007
Bond issues	2,499	4,599	2,499	4,599
Promissory notes	7,200	5,200	6,200	5,200
Pension liability (see Note 16)	50	58	47	56
<b>Total</b>	<b>9,749</b>	<b>9,857</b>	<b>8,746</b>	<b>9,855</b>

	Group		Parent Company	
	2008	2007	2008	2007
<b>Maturity dates of loans</b>				
-2009	-	2,100	-	2,100
-2010	1,199	1,198	1,199	1,198
-2011	700	700	700	700
-2012	1,300	5,801	1,300	5,801
-2013 or later <sup>1</sup>	6,550	58	5,547	56
<b>Total</b>	<b>9,749</b>	<b>9,857</b>	<b>8,746</b>	<b>9,855</b>

1) Of which, pension liability 50 58 47 56

Market valuation of current and long-term interest-bearing liabilities as per 12/31/2008 would decrease the interest-bearing liabilities by SEK 364 M (223).

**Note 18 Obligations to company directors and CEOs**

The Group's non-current interest-bearing liabilities include SEK 50 M (45) for pension obligations and similar benefits for current and former company directors and CEOs. The corresponding amount for the Parent Company is SEK 47 M (42), as shown in the item Pension liability in Notes 16 and 17.

**Note 19 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 2008. The company's annual report is included on pages 24–39 in the printed version of this document. The board of directors and the president are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and application of International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The Board of Directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the Board of Directors' report and that the members of the board of directors and the president be discharged from liability for the financial year.

Stockholm, February 12, 2009  
PricewaterhouseCoopers AB

Anders Lundin  
*Authorized Public Accountant*

## Board of Directors



### Tom Hedelius

MBA, Honorary Doctor of Economics.  
Born 1939, Stockholm.

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



### Fredrik Lundberg,

M.Sc. Eng., MBA, Honorary Doctor of Economics, Honorary Doctor of Engineering.  
Born 1951, Djursholm.

Director since 2004.  
President and CEO of L E Lundbergföretagen.  
Chairman of Cardo, Holmen and Hufvudstaden.  
Vice Chairman of Svenska Handelsbanken and NCC.  
Director of L E Lundbergföretagen and Sandvik.  
Shareholding: 4,570,000.



### Sverker Martin-Löf

Doctor of Technology,  
Honorary Ph.D.  
Born 1943, Stockholm.

Director since 2002.  
Vice Chairman of the Board since 2002.  
Chairman of SCA, Skanska and SSAB.  
Vice Chairman of Ericsson and the Confederation of Swedish Enterprise.  
Director of Svenska Handelsbanken.  
Shareholding: 14,000.



### Lennart Nilsson

M. Sc., Eng., Honorary Doctor of Economics.  
Born 1941, Lund.

Director since 1997.  
President of the Crafoord Foundation.  
Chairman of the Erik Philip Sörensen Foundation, the University of Kalmar and Tacticus.  
Vice Chairman of Cardo.  
Director of AMF Pension, the Albert Pålsson Foundation for Research and Charity, Kalmar Läns Kapitalförvaltning AB and Malmöhus Invest etc.  
Shareholding: 6,000.



### Boel Flodgren

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

Director since 2002.  
Director of Brinova, the University of Oslo and the University of Copenhagen.  
Shareholding: 600.



### Anders Nyrén

MBA, U.S. MBA.  
Born 1954, Bromma.

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



### Finn Johnsson

MBA, Honorary Doctor of Economics.  
Born 1946, Gothenburg.

Director since 2000.  
Chairman of Volvo, KappAhl, City Airline, Thomas Concrete Group, Luvata Oy and EFG.  
Director of Skanska.  
Shareholding: 20,300.

# Executive management



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

## Anders Nyrén

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

Shareholding: 61,550.

Stock options: 125,000.

Anders Nyrén is Vice Chairman of Svenska Handelsbanken and Sandvik, and a director of Ericsson, SCA and SSAB. From 1997 to 2001 he was employed by Skanska as Executive Vice President and CFO; 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 with responsibility for financial and administrative matters, Industrivärden employee since 1990.

Shareholding: 34,000.

Stock options: 85,000.

Carl-Olof By is a director of Svenska Handelsbanken (Stockholm City Region), KnowIT and NASDAQ OMX Nordic Limited.

From 1980 to 1990 Carl-Olof By was employed by Investment AB Promotion/Bahco as CFO.

## Bengt Kjell

MBA, born 1954, Executive Vice President and Chief Investment Officer, Industrivärden employee since 2002.

Shareholding: 26,500.

Stock options: 85,000.

Bengt Kjell is Chairman of Indutrade and Kungsliden, and a director of Svenska Handelsbanken (Central Sweden Region), Höganäs, Munters and Skanska.

From 1987 to 2002 he was a Senior Partner of Navet; from 1995 to 1997 he worked for Securum as head of Corporate Finance; from 1992 to 1995 he worked for Independent as head of the company's wind-up; and from 1984 to 1987 he served as Executive Vice President and CFO of K.G. Knutsson.

## Martin Hamner

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

Stock options: 65,000.

From 1999 to 2007 Martin Hamner was employed by ASSA ABLOY as Group Controller and head of IR, 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 was employed by Alfred Berg Fondkommission as Head of Trading; from 1993 to 1996 he served as Assistant Trading Manager at UBS Sweden.

## Committees

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

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

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

The committees' work is presented in the Corporate Governance Report on pages 24–26.

## Senior executives

**Sverker Sivall**, MBA, born 1970, Investor Relations Officer, Industrivärden employee since 1997.

Shareholding: 5,000.

Stock options: 65,000.

**John Klint**, MBA, born 1974, Investment Manager, Industrivärden employee since 2007.

Shareholding: 400.

Stock options: 65,000.

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

Stock options: 65,000.

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

Shareholding: 65,000.

## Auditor

PricewaterhouseCoopers AB.

Chief Auditor: **Anders Lundin**, Authorized Public Accountant, born 1956, Stockholm. In 2008 Anders Lundin was Chief Auditor of the listed companies Industrivärden, AarhusKarlshamn, Husqvarna, Loomis, Melker Schörling and SCA.

In 2008 PricewaterhouseCoopers had a total of 103 auditing assignments for companies listed on OMX NASDAQ Stockholm, 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 shareholding by the intermediary.

### Tax rules

The main principles concerning taxation of holding companies are:

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

does not include business-related shares, by which is meant unlisted shares as well as listed shares in which the holding corresponds to at least 10% of the number of votes. In order for listed business-related shares to be excluded from the standard income calculation, they must have been held for at least one year.

### Tax deficits

Tax-loss carryforwards are deductible and can be accumulated in order to be deducted from future taxable surpluses. See also Note 10 on page 37.

### Standard income

At year-end 2008, business-related shares accounted for 90% of the equities portfolio, of which no shareholdings were held for less than a year. This means that the calculation of the standard level of income for 2009 will be based on 10% of the market value of the equities portfolio at year-end 2008.

At year-end 2007, business-related shares accounted for 92% of the total value of the equities portfolio. Of the business-related shares, shareholdings corresponding to 6% of the total value of the equities portfolio were business-related shares for less than a year. Added to these are nonbusiness-related shares, which amounted to 8% of the equities portfolio. This means that the calculation of the standard level of income for 2008 is based on 14% of the market value of the equities portfolio at year-end 2007.

## Glossary and definitions

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

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

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

**Earnings per share** Net income for the year divided by the total number of shares after full dilution.

**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 after tax 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.

### Short-term derivative transactions and equities trading

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

**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 has high aspirations regarding the demands on communication with its shareholders and the stock market in general. Information to the market will maintain a high standard of quality and be made quickly available to anyone interested. Through close dialog with market participants, Industrivärden strives to continuously develop and improve its communication.

## Reporting dates 2009

*Interim reports will be published on the following dates*

- May 4 for the period January–March
- August 4 for the period January–June
- November 2 for the period January–September

*2009 Annual General Meeting*

- Friday, May 8, 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 fax, at +46-8-661 46 28
- by e-mail at: [info@industrivarden.se](mailto:info@industrivarden.se)

## Industrivärden online

Industrivärden's website, [www.industrivarden.net](http://www.industrivarden.net), is a central communication channel for contact with parties interested in the Company. It presents current information about the Company and its active shareholdings. This includes, for example, the most recently published net asset value figures, stock prices, press releases, and a database of current press clippings about Industrivärden. In addition, press releases, interim reports and year-end reports are available in their entirety in connection with their publication. Visitors to the website can use interactive analysis tools to help them conduct their own analyses of Industrivärden's stock and of Industrivärden's active shareholdings. The website also includes an extensive description of Industrivärden as a company and equity investment, as well as a separate Corporate Governance section.

## Subscriber service for press releases and reports

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

## Investor contact

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

## Financial analysts who monitor Industrivärden

C A I Cheuvreux Nordic	David Halldén	+46 8-723 51 00
Carnegie Fondkommission	Björn Enarson	+46 8-676 88 00
Credit Suisse	Leo Vicars	+44 20-7888 1253
Deutsche Bank	Carl Zetterquist	+44 20-7547 6266
SEB Enskilda	Andreas Joelsson	+46 8-52 22 95 00
Erik Penser Fondkommission	Martin Larsson	+46 8-463 80 00
Goldman Sachs International	Markus Iwar	+44 20-7552 3725
Hagströmer & Qviberg Fondkommission	Andreas Koski	+46 8-696 17 00
Handelsbanken Markets	Magnus Dalhammar	+46 8-701 10 00
Standard & Poor's Equity Research	Joakim Ström	+46 8-440 59 00
Swedbank Fondkommission	Niclas Höglund	+46 8-58 59 20 00
UBS Nordic Research	Olof Cederholm	+46 8-453 73 00
Öhman Fondkommission	Katarina Åselius	+46 8-402 50 00

## International corporate credit rating

Standard & Poor's	Andreas Kindahl	+46 8-440 59 00
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# 2009 Annual General Meeting

## Time and place

The Annual General Meeting will be held at 10 a.m. on Friday, May 8, 2009, at the Grand Hotel, Vinterträdgården room (entrance at the corner of Stallgatan/Blasieholmsgatan), in Stockholm, Sweden. The doors will open at 9 a.m., and registration will take place until 10 a.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 (formerly VPC) on Thursday, April 28, 2009, and give notice of their intention to participate in the Meeting no later than 3 p.m. on Tuesday, May 5, 2009.

## How to become registered in the shareholder register

Shares are registered in the shareholder register maintained by Euroclear Sweden in the name of either the owner or the owner's nominee. Shareholders who have not arranged to have their shares registered in the nominee's name are registered in their own names. Shareholders whose shares are managed by a third party may have chosen to have their shares registered in the nominee's name. In order to be able to participate in the Meeting, such shareholders who own nominee-registered shares must request in advance that their shares be temporarily registered in their own names as per April 28, 2009. Shareholders are advised to contact their nominee well in advance before April 28, 2009.

## Notice of attendance

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

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

## Upon notification, shareholders must indicate their:

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

Notifications must be received by the Company no later than 3 p.m. on Tuesday, May 5, 2009.



## Proxies

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

## Dividend

The dividend for 2008 will be paid to shareholders who are registered in the shareholder register on the record date. The Board has proposed May 13, 2009, as the record date. Taking into account the so-called three-day payment schedule (three business days), and under the condition that the AGM approves the Board's proposal, purchases of Industrivärden shares effected not later than the day on which the AGM will be held, May 8, 2009, will normally carry entitlement to the dividend for 2008.

If the AGM resolves in accordance with the Board's proposal, payment of dividends is expected to take place via Euroclear Sweden on May 18, 2009.

# Notification

**Notification to attend the Annual General Meeting of AB Industri-värden (publ) on May 8, 2009 at 10 p.m. at the Grand Hotel in Stockholm, Sweden (Vinterträdgården room). This application form must be received by AB Industrivärden (publ) not later than 3 p.m. May 5, 2009**

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Shareholder's name (block letters)

---

National ID number/corp.reg.no.

---

Street address

---

Postal code and city/town/country

---

Phone (daytime)

---

Assistants, if any (names only)

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

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

*Fold here*

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# Proxy for

---

Proxy's name (block letters)

---

National ID number/corp.reg.no.

---

Street address

---

Postal code and city/town/country

---

Phone (daytime)

to represent all my shares in the Company at the Annual General Meeting of AB Industrivärden (publ) on May 8, 2009

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Location

---

Date

---

Shareholder's signature

---

Name (block letters)

*Tape here*

Affix  
stamp  
here

Svarspost  
110 595 100

Industrivärden  
SE-110 05 Stockholm  
Sweden



AB INDUSTRIVÄRDEN (PUBL) • REG. NO. 556043-4200, BOX 5403 • SE-114 84 STOCKHOLM, SWEDEN  
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