

Industrivärden Annual Report

2002



Contents



1	Highlights
2	To Our Shareholders
5	Industrivärden – An Overview
6	Net Asset Value
7	Industrivärden's Stock
9	Ownership Structure
10	Active Ownership and Professional Investment Operation
13	Equities Portfolio
16	Handelsbanken
18	SCA
20	Sandvik
22	Ericsson
24	Skanska
26	SSAB
28	Skandia
30	Össur
32	Indutrade
34	Isaberg Rapid
36	Board of Directors' Report
39	Proposed Distribution of Earnings
40	Consolidated Income Statement
42	Consolidated Balance Sheet
44	Parent Company Income Statement
45	Parent Company Balance Sheet
46	Statements of Cash Flows Group and Parent Company
48	Segment Reporting
49	Notes to the Financial Statements
52	Notes
65	Auditors' Report
66	Governing Bodies and Management
68	Organization and Employees
69	Tax Rules for Holding Companies
70	Industrivärden in Summary – SEK
71	Industrivärden in Summary – Euros
72	Board of Directors, Corporate Management and Auditors
74	Market Communication
75	Glossary and Definitions

**Information on the Annual General Meeting
and notification form on back flap.**

Financial Calendar 2003

Interim reports will be released

■ on May 5 for the period January–March,

■ on August 6 for the period January–June,

■ on October 31 for the period January–September.

All reports will also be published on Industrivärden's website:

www.industrivarden.net

See also the section Market Communication, page 74.

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

Highlights



2002

Active ownership and a professional investment operation are central aspects of Industrivärden's business.

- Net asset value at year-end was SEK 126 (204) per share.
- The total return for Industrivärden's stock was -36%, compared with -36% for the Total Return Index.
- In April the holding in the Danish pharmaceutical company Lundbeck was sold for SEK 2,363 M, generating a capital gain of SEK 1,498 M.
- In May and November, stock worth SEK 275 M – corresponding to 16% of the total number of shares – was purchased in the medical technology company Össur.
- In June the wholly owned door automation company Besam was sold to the Assa Abloy lock group for SEK 3,050 M, generating a capital gain of SEK 2,334 M.
- In September Industrivärden subscribed for SEK 762 M in stock in Ericsson's rights issue.
- Net debt from a portfolio perspective decreased by SEK 3.2 billion, to SEK 1.9 billion at year-end. The net debt-equity ratio decreased from 11% to 7%.
- The Board of Directors proposes a dividend of SEK 5.00 per share (5.00), plus a bonus dividend of SEK 0.80 per share (3.35), for a total dividend of SEK 5.80 per share (8.35).

To Our Shareholders

THE WORLD'S STOCK MARKETS have fallen sharply for the third year in a row. In Sweden the General Index fell by 37%, and from the peak in March 2000 through the end of 2002, the General Index fell by 64%. During the same period, the total market capitalization of the Stockholm Stock Exchange decreased by approximately SEK 3 trillion, of which about SEK 1 trillion was in 2002. The market decline we have experienced is the worst since the so-called Kreuger crash in Sweden 70 years ago. Industrivärden's net asset value has decreased in pace with this development and was SEK 126 per share at year-end, compared with SEK 355 in March 2000. It is important to remember, however, that the sharp price declines that we have experienced are in large part a correction of fast, sharp price rises in the late 1990s – primarily for telecom companies and companies involved in the Internet and media.

Strategy Remains Fast

Our strategy, as we formulated it last year, remains fast: the goal is to generate high growth in net asset value over time. We will achieve this goal through a professional investment operation and active ownership. Our aim is to have a transparent, concentrated portfolio of investments primarily in medium-sized and large listed Nordic companies. We will invest in companies with good potential for value creation – companies in which we can contribute to their development as active owners. We will have a lean, efficient organization, with an investment operation that is based on a structured process for continuous analysis of existing and potential holdings. And we will have a low net debt-equity ratio that will be geared to the market conditions.

Activities During the Year

Against this background, I am pleased with the continued, resolute work we have carried out in accordance with the shift that was made in Industrivärden's strategy during the previous financial year. However, due to the stock market decline, we have exercised considerable restraint with respect to new investments. Our activities during the year were therefore focused primarily on two areas:

- the realization of built-up value and, consequently, the improvement of our financial preparedness and position through a couple of very profitable sales, and
- the development of new work methods and the build-up of information systems that are well adapted to our new strategy.

The sale of our holding in Pharmacia at the end of 2001 marked the start of a sell-off activity in accordance with our new strategy, which generated handsome capital gains. Hence, we carried out the following transactions:

In April we sold our holding in Lundbeck A/S for SEK 2.4 billion. The transaction generated a profit of SEK 1.5 billion and was made at an average price of DKK 231 per share. Lundbeck is a growth company with only two products, which is why the risk in its valuation – given the high multiples – was too high in our view. In addition we were able to ascertain that Industrivärden's possibilities of playing an active role as an owner in the company were small, given the ownership situation in the company with a foundation as the clearly dominant principal owner.

At mid-year the sale of our wholly owned subsidiary Besam to Assa Abloy for SEK 3.1 billion was completed, resulting in a capital gain of SEK 2.3 billion. Besam has a world-leading position in the market for automated doors. The company has good development potential, but another kind of owner than Industrivärden is needed to enable this development. Interest in acquiring Besam was great – there were over twenty prospective buyers, foreign as well as Swedish, industrial as well as financial. We find it gratifying that the price, representing a P/E multiple of 21, reflected Besam's earnings potential and the development synergies that exist within the company now that it has been taken over by Assa Abloy.

Following the sale of Besam, Industrivärden has two subsidiaries remaining – Indutrade and Isaberg Rapid. In autumn 2002 we evaluated the possibility of divesting all or part of our holding in Indutrade. The company has a very good cash-generating capacity. However, since the market's valuation of Indutrade is currently below our view of its value, we have decided to keep the company for the time being and will instead look into a stock market listing within a three-year period. In the meantime the company will continue to grow organically as well as through acquisitions. We are optimistic about Indutrade's development potential. Isaberg Rapid is a company with a good position and potential in the market for stapling tools and staples. We are currently evaluating the company's future development potential and ownership structure.

Strong Moves

We also made two strong moves during the year:

In September we subscribed for our share in Ericsson's rights issue, for slightly more than SEK 750 M. Ericsson is a global player and continues to have a strong position in mobile teledata systems. Ericsson has major future opportunities emanating from greater investment in services and the continued shift from fixed-line to mobile telecommunications. We continue to believe strongly in Ericsson's long-term potential.

In May and November we acquired 16% of the listed Icelandic orthopedics company Össur, for SEK 275 M. Össur is a leading international innovator in the prosthetics market. Given the company's technical expertise, combined with a growing market and major expansion potential, we see great opportunities ahead.

Reduction in Net Debt

The combined net effect of these transactions, taking into account our dividend payout of SEK 1.6 billion, is that we have reduced our net debt by SEK 3.2 billion. Our net debt-equity ratio was 7% at year-end, a decrease of 4 percentage points. Through these measures we have created room for new investments regardless of any future changes in the composition of our portfolio.

New Work Methods and Models

Perhaps the most important long-term activity during the year was the work on changing our internal work methods and models. We have shifted our focus from strict equities analysis to company analysis, which entails that we must also study other factors than financial key ratios and cash flow. The goal of this new focus in our analysis is to evaluate the long-term development potential of companies and how Industrivärden can offer support in realizing this potential by taking an active ownership role. With this methodology as a starting point, during the year we conducted an extensive evaluation of all listed companies on the five Nordic bourses. In all we looked at more than 900 companies with a combined value of approximately SEK 4.7 trillion.



CEO ANDERS NYRÉN

Of these, we are continuously monitoring the most interesting prospects in a proprietary database. Through this changed way of working and our model for analyzing listed Nordic companies, we have created a good springboard for our continued activities. It is worth noting that our studies of alternative investment opportunities have also made us more keenly aware of the very high level of quality in our current portfolio holdings. Thanks to this structural work and good financial scope, we are now well poised to proceed with interesting new investments when we feel the time is right.

Naturally, the process of change that we carried out during the year has also applied to our organization. Following a series of adaptations we now have a lean, flexible and cost-efficient organization that is well suited to the work I have described above. Industrivärden's management cost is well below that of competing savings alternatives, such as mutual funds focusing on Sweden or the Nordic region.

Focus on Corporate Governance

The past year was in many ways troubling and full of disappointments and scandals, most notably in the U.S. Among other things the focus has been on incentive programs – in particular, the design of various stock option programs. Industrivärden's view is that performance-based reward systems are good. However, they should be well-balanced, never pensionable, and predictable, with a clear connection between their outcome and the performance or development of the underlying business. Personally I feel that the debate on incentive systems and the questioning of the Swedish corporate governance model has been unfortunate in some respects. Although the issue itself is important, I feel that the charges that we have poor corporate governance in Sweden are off target. Our corporate governance system, as it has been developed through a combination of legislation and self-regulation, is well-balanced and – on the contrary – it has proven itself to be a model in an international perspective. Since active ownership is one of the cornerstones of our strategy, it goes without saying that effective governance is important for Industrivärden. We are therefore making a continuous effort to contribute to further improvements to our Swedish system. We do this from a position of strength, where we can say that several of the flaws that are now being discussed in the U.S. and other places have already been sorted out in Sweden, such as through a well thought out Companies Act.

Dividend Proposal

The Board's proposal for a total dividend of SEK 5.80 per share entails that we will be distributing a historically large portion of our net asset value, which is in line with our policy of nullifying our taxable income with the help of our right to deduct dividends paid. One consequence of this is that Industrivärden's current management surplus does not cover the cost of the dividend. However, our tax situation will likely improve as a result of the proposal to change the taxation of business-related shares, which holding companies are expected to be able to use starting in 2004.

In my shareholders' letter in last year's annual report I wrote about the need for long-term investors such as Industrivärden. I am convinced that there is great potential for competitive value creation for players that have the ability and are prepared to take a long-term responsibility as owners. I also wrote that a number of essential measures were needed to strengthen our position and ability. Several of the steps that I laid out then have now been taken, and we have built up knowledge and work methods for investing and creating value in listed Nordic companies. I am convinced that through this work we have established a good starting point for long-term favorable growth in net asset value.

Finally, on behalf of the Board and myself, I would like to extend a warm thanks to all our employees for their commendable efforts in a year in which the conditions for doing business have presented a challenge to all of us.

Stockholm, Sweden, February 2003



ANDERS NYRÉN

President and Chief Executive Officer

Industrivärden – An Overview

INDUSTRIVÄRDEN IS ONE of the Nordic region's leading holding companies, with ownership in a concentrated selection of listed Nordic companies with good development potential.

Business Mission

Industrivärden's mission is to create shareholder value based on a professional investment operation and active ownership.

Goal

The goal is to generate high growth in net asset value over time. High growth in value enables Industrivärden to deliver a total return which, over the long term, is higher than the average for the Stockholm Stock Exchange. Industrivärden also strives to offer its shareholders a higher dividend yield than the average for the Stockholm Stock Exchange.

Strategy

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

Industrivärden's Equities Portfolio

Share of portfolio, December 31, 2002, %

Listed Holdings				Unlisted Holdings	
Handelsbanken	21	Pfizer Inc.	2	Indutrade	6
SCA	21	Scania	2	Isaberg Rapid	1
Sandvik	16	Össur	1	Other	<1
Ericsson	11	Volvo	1		
Skanska	7	Eniro	1		
SSAB	5	Other (<SEK 200 M			
Skandia	4	per holding)	<1		

Composition of Net Asset Value¹

	SEK billion		SEK per share	
	12/31/2002	12/31/2001	12/31/2002	12/31/2001
Listed holdings	24.3	40.5	126	210
Unlisted holdings	2.1	4.1	10	21
Equities portfolio	26.4	44.6	136	231
Net debt	-2.0	-5.2	-10	-27
Net asset value	24.4	39.4	126	204

¹Net asset value is calculated from the Parent Company's perspective. The wholly owned subsidiaries Indutrade and Isaberg Rapid have been assigned a calculated value using a P/E multiple of 13 (the same as at year-end 2001), based on the companies' earnings for 2002. Total number of shares: 193,135,612.

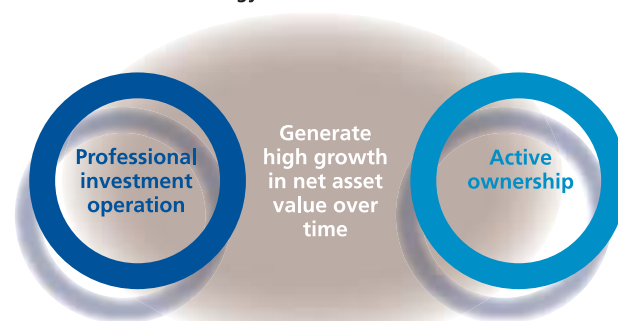
Goal Achievement

During the five-year period from year-end 1997 to December 31, 2002, Industrivärden's net asset value decreased by an average of 3% per year. During the same period, Industrivärden's total return (the stock) averaged 2% per year, compared with -1% for the Findata Total Return Index. During the ten-year period starting at year-end 1992, net asset value increased by an average of 10% per year. Industrivärden's total return during the same period averaged 17% per year, compared with 13% for the Findata Total Return Index.

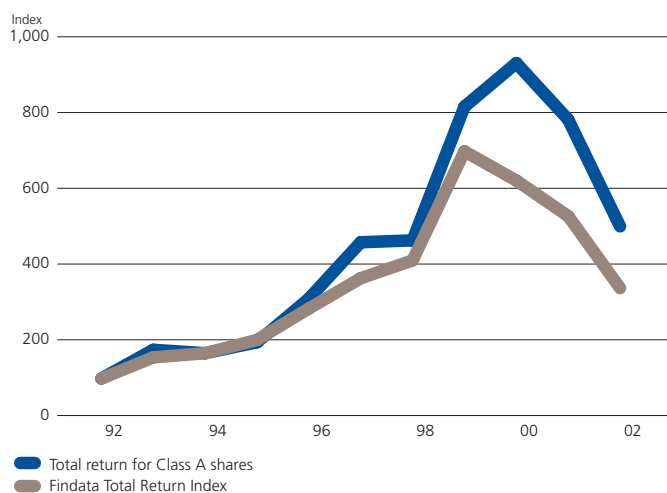
Industrivärden's total return in 2002 was -36%, compared with -36% for the Total Return Index. Net asset value decreased by 38% during the year.

The average annual dividend growth during the five-year period 1998–2002 will be 9%, provided that the Annual General Meeting approves the Board's proposed dividend for 2002. The average dividend yield during the period will thus be 4.5%, or more than twice as high as the average for the Stockholm Stock Exchange.

Two Dimensional Strategy



Total Return of Industrivärden's Stock



Net Asset Value

NET ASSET VALUE IS A MEASURE of the shareholders' aggregate wealth in the company, which is defined as the actual or hypothetical market value of the company's assets less its liabilities.

Calculating the Market Value of Industrivärden's Assets

To show the breakdown of net asset value, in the Parent Company's balance sheet the book values of listed and unlisted equities have been replaced by the actual market value of listed equities and the calculated value of the wholly owned subsidiaries, as well as the book values of other unlisted holdings. Net asset value has thus been calculated as the difference between asset values calculated in this manner and net debt.

In this way an estimate is obtained of what net asset value would be if the company's assets could be liquidated as per the date of calculation. Since holding companies are exempt from capital gains tax on sales of stocks, the calculations have not been charged with any standard tax assumption.

Valuation of Listed and Unlisted Holdings

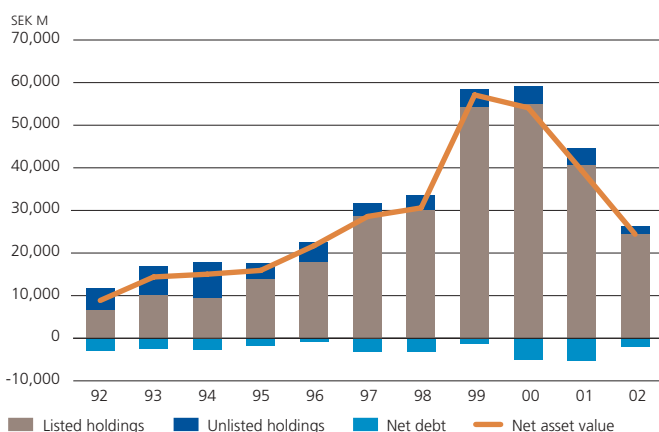
The listed shareholdings have been valued at their current market value as per the accounting date. Skanska's Class A shares, which have strong voting power and are unlisted, have been valued at the same price as its Class B shares.

The wholly owned subsidiaries Indutrade and Isaberg Rapid have been assigned a calculated value for a conceivable future stock market listing by multiplying the year's earnings after net financial items, less a standard tax rate of 28%, by a P/E multiple of 13. Other unlisted holdings have been reported at book value.

Development of Net Asset Value

The average annual change in net asset value from the end of 1997 through December 31, 2002, was -3%. During the ten-year period starting at year-end 1992, the average annual growth in net asset value was 10%. Industrivärden's net asset value on December 31, 2002, has been calculated at SEK 24.4 billion, or SEK 126 per share.

Change in Net Asset Value



Borrowings and Risk

In addition to the change in value of equities, net asset value is also affected by borrowings on and the risk in the equities portfolio. A guiding principle is that the net debt-equity ratio should normally amount to a maximum of 20% of the market value of the assets. At the end of the years 1998–2002, the net debt-equity ratio varied between 3% at the lowest and 11% at the highest. The overarching risk in Industrivärden's business is associated with fluctuations in the value of the equities portfolio. During the five-year period 1998–2002 the standard deviation in the total return for Industrivärden's listed portfolio was 30.4%, compared with 26.8% for the Findata Total Return Index. The total variation in the return for Industrivärden's listed portfolio is thus higher than a broad market index, which is logical in view of the fact that the listed portfolio is concentrated. The total return for the listed portfolio was -0.6% during the same period, compared with -1.4% for the Findata Total Return Index. The portfolio's return thus outperformed the index at the same time that the portfolio's risk was also higher than the risk in the index.

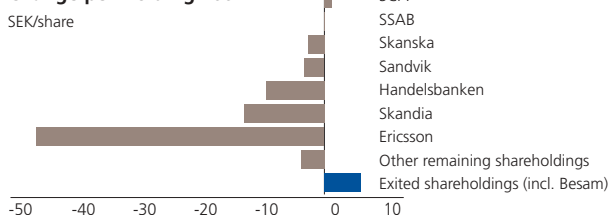
Composition and Development of Net Asset Value

SEK/share	2002	2001	2000	1999	1998
Assets					
Listed holdings	126	210	284	284	157
Unlisted holdings	10	21	22	21	19
Equities portfolio	136	231	306	305	176
Net debt					
Interest-bearing net debt	-9	-26	-25	-6	-15
Other assets and liabilities	-1	-1	-1	-1	-1
Net asset value	126	204	280	298	160
Change in net asset value, %	-38	-27	-5	86	7
Market price, Dec. 31, Class A shares	100	165	205	185	109
Discount to net asset value, %	21	19	27	38	32
Net debt-equity ratio, %	7	11	9	3	9

Change in Net Asset Value per Share

The change in net asset value in 2002 was SEK -78 per Industrivärden share. An illustration of how the major shareholdings have affected net asset value is shown in the diagram below.

Change per Holding 2002



Purchases and sales during the year have been taken into account in calculating the change in net asset value. The sale of Besam had a positive impact on net asset value in the amount of SEK 5 per share.

Industrivärden's Stock

INDUSTRIVÄRDEN'S STOCK IS QUOTED ON the Stockholm Stock Exchange's list of most actively traded issues. The price of Industrivärden's Class A shares fell by 39% during the year. Trading volume in Industrivärden shares totaled SEK 8 billion. At year-end Industrivärden's market capitalization was SEK 19 billion.

Codes Assigned to Industrivärden's Stock

Industrivärden's Class A shares are traded under the following codes:

INDUa.ST (Reuters)
INDUA SS (Bloomberg)
INDU A (Ecovision)

Industrivärden's Stock as per December 31, 2002

The number of shares and their breakdown by class is shown in the table below.

Industrivärden's Stock

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

Each A-share carries entitlement to one vote, and each C-share carries entitlement to one-tenth of a vote. All shares carry equal entitlement to a share of the Company's assets and profits. The shares have a par value of SEK 5 each. Both classes of stock are registered on the Stockholm Stock Exchange (Stockholmsbörsen).

Industrivärden's stock performed on a par with the market as a whole in 2002. The General Index fell during the year by 37%, while Industrivärden's Class A shares fell by 39%, from SEK 165 to SEK 100 per share. The Class C shares fell by 40%, from SEK 152 to SEK 91 per share. The total return, including reinvested dividends, was -36% in 2002, compared with -36% for Stockholm Stock Exchange.

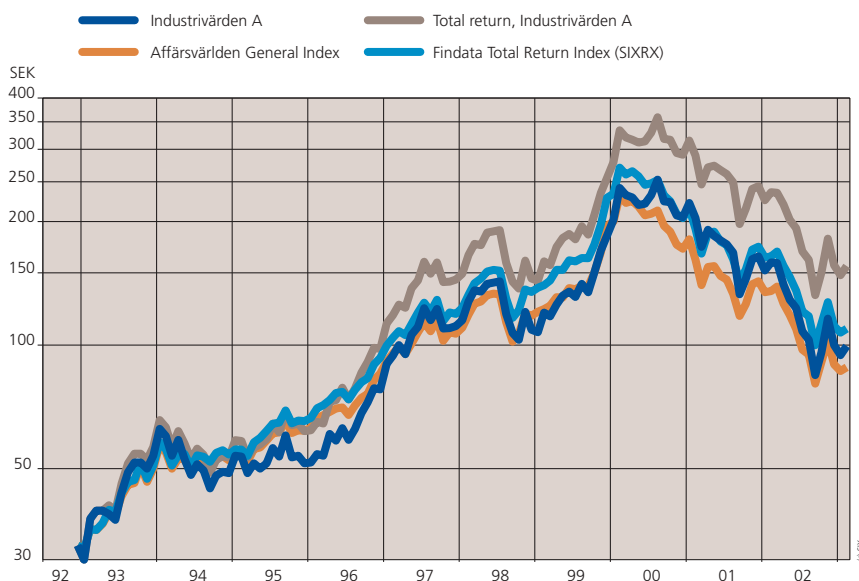
During the five-year period 1998–2002 Industrivärden's stock generated an average total return of 2% per year, while the Findata Total Return Index averaged -1% per year. During the ten-year period 1993–2002 the total return was 17% per year, compared with 13% for the Findata Total Return Index.

Trading volume for Industrivärden's stock on the Stockholm Stock Exchange during 2002 amounted to SEK 8 billion, corresponding to a turnover rate of 34% for the A-shares and 38% for the C-shares.

Total Return, Industrivärden's Stock Compared with the Findata Total Return Index

	2002	2001	2000	1999	1998
Total return for Class A shares, %	-36	-16	14	76	1
Index (base: Dec. 31, 1997)	109	170	203	178	101
Findata Total Return Index, %	-36	-15	-11	70	13
Index (base: Dec. 31, 1997)	93	145	171	192	113

Total Return and Price Trend of Industrivärden's Stock



Cancellation of CPN Loan

In 1988–89 Industrivärden floated a convertible debenture through the issuance of convertible participating notes (CPNs). CPNs could be converted at any time to stock. The CPN loan was due to mature in 2028.

In October 2001 an Extraordinary General Meeting resolved, in accordance with the terms of the loan, to prematurely cancel the CPN loan in February 2002. The motives for the cancellation were to simplify Industrivärden's share structure, facilitate valuation of the Company and enhance the liquidity of Industrivärden's stock.

In accordance with the terms of the loan, CPN owners received one and one-tenth (1.1) shares per CPN. As a result of the cancellation of the CPN loan, the total number of shares outstanding increased by 12.4%, to 193,135,612 shares, as per January 31, 2002.

Capital Stock Development

SEK M	Capital stock	Number of shares
1993 Conversion of CPNs	778.7	38,935,870
1994 Conversion of CPNs	858.2	42,911,222
1995 Conversion of CPNs	858.3	42,912,781
1996 Conversion of CPNs	858.3	42,912,813
1997 No change during the year	858.3	42,912,813
1998 Stock split 4:1	858.3	171,651,252
Conversion of CPNs	858.6	171,711,252
1999 Conversion of CPNs	858.6	171,711,952
2000 Conversion of CPNs	858.9	171,776,320
2001 Conversion of CPNs	870.5	174,097,031
2002 Cancellation of CPN loan	965.7	193,135,612

Dividend

Industrivärden's dividend policy is to give shareholders a dividend yield that is higher than the average for the Stockholm Stock Exchange. This goal has been achieved every year during the past five-year period.

The Board of Directors has proposed that the Annual General Meeting declare a dividend of SEK 5.00 per share (5.00), plus a bonus dividend of SEK 0.80 per share (3.35), for a total of SEK 5.80 per share (8.35). The proposal entails that the Parent Company will not need to pay any tax for 2002. 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 9%.

Dividend

SEK	2002	2001	2000	1999	1998
Ordinary dividend	5.00 ¹	5.00	5.00	5.00	4.50
Bonus	0.80 ¹	3.35	3.40	1.20	–
Total dividend	5.80 ¹	8.35	8.40	6.20	4.50
Annual dividend growth, %	-31 ²	-1	35	38	20
Dividend yield, %	5.8	5.1	4.1	3.4	4.1
Dividend yield for Stockholm Stock Exchange, %	3.4 ³	1.9	1.9	1.4	2.0

¹ Proposed by the Board of Directors.

² Average annual dividend growth during the past five years was 9%.

³ Source: SIX Findata. Preliminary figures for 2002.

Ownership Structure



Largest Shareholders

Industrivärden has approximately 34,000 shareholders (29,000). Institutional investors, such as pension foundations, insurance companies, mutual funds and investment companies, own approximately 83% of the shares (83%). Foreign ownership in the Company is approximately 6% (7%).

Major Changes in Ownership Structure

In 2002 B Z Gruppe sold its entire shareholding, corresponding to 2.4% of the votes, while L E Lundbergföretagen became a major owner with 6.1% of the votes. The SCA Pension Foundation for salaried employees increased its shareholding from 2.7% to 4.8% of

the votes. In early 2003 L E Lundbergföretagen increased its holding to 7.0% of the votes and 5.0% of the capital.

Employee Ownership

Information on holdings of stock and options by members of the Board of Directors, Company management and senior executives is provided on pages 72–73. Industrivärden's employees are covered by two option programs that have been extended to all employees of AB Industrivärden: one is for stock options and the other for employee stock options. More detailed terms of the option programs are described in Note 6 on page 54.

Ownership Structure at December 31, 2002¹

	Number of shares	Percentage of	
		votes	shares
Handelsbanken Pension Foundation	12,900,000	9.2	6.7
Wallanders & Hedelius Foundation	11,100,000	7.9	5.7
Handelsbanken Pension Fund	10,750,000	7.7	5.6
AMF Pension	23,847,444	6.4	12.3
L E Lundbergföretagen	8,603,900	6.1	4.5
SCA	6,993,544	5.0	3.6
SCA Pension Foundation for salaried employees	6,685,540	4.8	3.5
Oktogonen	6,500,000	4.6	3.4
SCA Pension Foundation for salaried employees and foremen	3,531,692	2.5	1.8
Fourth National Swedish Pension Fund	3,304,300	2.4	1.7
Handelsbanken mutual funds	2,783,000	2.0	1.4
Skandia Liv	9,365,963	1.5	4.8

Ownership Statistics as per December 31, 2002¹

Size class	Number of shareholders as % of total	Total holding as % of capital
1–500	64.0	2.1
501–1,000	15.8	2.2
1,001–10,000	18.1	9.0
10,001–50,000	1.6	5.3
50,001–	0.5	81.4
	100.0	100.0

¹ Direct and nominee shareholders. Source: VPC.

Active Ownership and Professional Investment Operation

Solid Foundation for Value Creation

Through a concerted effort, Industrivärden has built up a competitive foundation for long-term value creation. This is based primarily on:

- Good financial resources and a long-term investment perspective
- A professional organization
- First-rate methods and information systems
- Experienced directors with ties to Industrivärden on the boards of its portfolio companies
- A well developed model for active ownership
- A valuable contact network with local ties
- A strong brand

During the last ten-year period Industrivärden has shown a good ability to create value, as evidenced by high growth in net asset value.

Investment Criteria

Based on the business mission of creating shareholder value through active ownership and a professional investment operation, work is done according to the following investment criteria:

- Investments in medium-sized and large listed, Nordic companies
- Ownership stakes that enable significant ownership influence
- Major potential for value growth through active ownership

For each potential new investment an analysis is performed of the goals for and realization of value appreciation. This entails an analysis of the possible forms of future exit.

Investments are essentially sector-independent and are assessed on a regular basis with a time horizon of 3–8 years. Active ownership requires major resources and thus clarity of focus, which is why Industrivärden's equities portfolio is concentrated to a limited number of holdings.

Investment Operation

Industrivärden monitors and has a good overview of the listed companies in the Nordic stock markets. Of the roughly 900 listed companies on the market, Industrivärden monitors about 150 of the companies that meet its overall investment criteria. Information on these companies and their operating environments is documented in a qualified database that is updated on a regular basis. The companies in the database are analyzed continuously. Following external contacts, research and analysis, the companies are pre-

sented to Industrivärden's executive management. Decisions are thereafter made on whether to proceed with a more in-depth analysis, and if so, an investment team is formed for the continued work. One of the duties of this team is to prepare an action plan outlining how Industrivärden would be able to actively contribute to value creation in the company. Such a plan also covers specific goals and the form of future exit. Following this in-depth analysis, if the investment is still judged to be interesting, an investment is made and an ownership position is gradually built up in the company. Normally Industrivärden strives to have at least one director on the company's board. This person has insight into the value-creation analysis drafted by Industrivärden. This includes, among other things, a company analysis that identifies potential areas for value growth as well as a list of measures that are needed to achieve this value growth. The investment team monitors the company as well as its industry during the entire time Industrivärden has the holding.

For each investment target an evaluation is made with respect to the following areas, among others:

- Value potential
Business model, growth, profitability and value-creating measures
- Market opportunities
*Organic growth for the market and the company
Acquisition opportunities*
- Strategic positioning
Strategy, acquisitions or divestments
- Capital rationalization
Dividend, reductions of capital, stock buybacks, refinancing, working capital
- Operational improvements
Cost-cutting, market position, etc.

Exit strategies and target values for each investment are set in the action plan.

By working according to a systematized investment process, a high degree of effectiveness and well-documented decisions are achieved. The goal is to:

- Continuously have a clear indication of which companies are interesting;
- Be able to act swiftly when business opportunities arise;
- Create a structured investment process and
- Create a highly efficient organization at a low cost.

Active Ownership

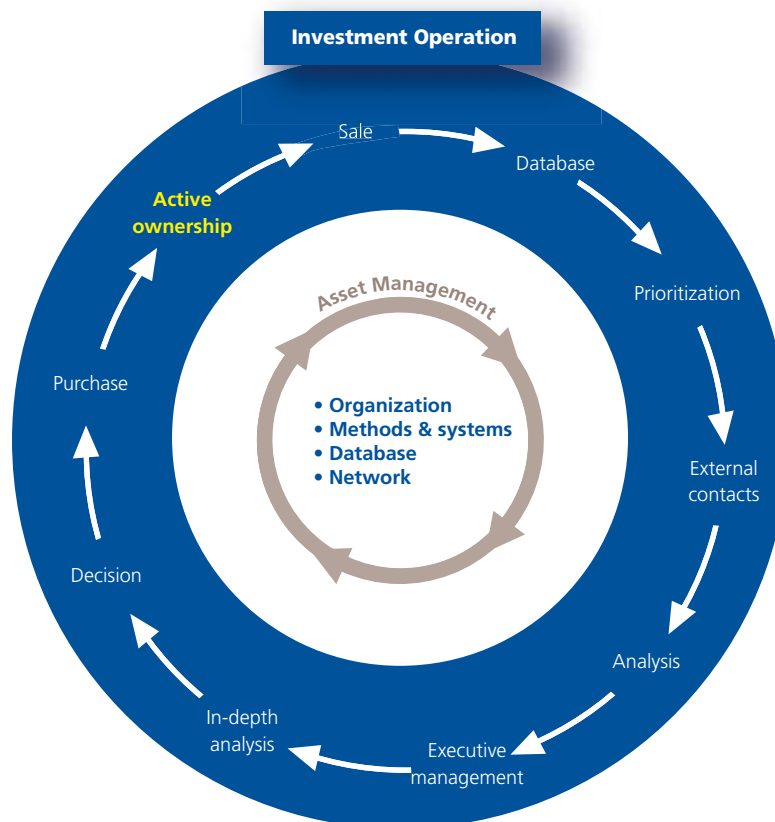
Working from the action plan for each major investment, Industrivärden acts on strategic matters such as:

- Strategy and business development
- Structure
- Goals
- Financial matters
- Corporate governance and management issues
- Organizational and compensation systems
- Reporting and control systems

Active ownership is exercised by the directors nominated by Industrivärden to sit on the boards of its portfolio companies, through work on committees, and through a direct dialog between Industrivärden's investment organization and leading representatives of the portfolio companies. Industrivärden's influence is to be grounded in a strong, formal ownership base and a significant position of trust.

Industrivärden's work method requires a flexible, specialized organization. Activities are highly project-oriented and are centered around a small group of professional and experienced employees. For new investments, an investment team of relevant employees can quickly be put together. A structured work method and highly adapted system support enables work processes to be conducted with a high degree of efficiency. To its benefit Industrivärden also has an extensive network that is a veritable resource in the investment and ownership process.

In the aim of supporting its investment operations, Industrivärden is also engaged in asset management. This activity is characterized by transactions that have a shorter investment horizon and are not aimed at active ownership. Risk is limited through strict risk mandates and by the fact that transactions may only be made in stocks that Industrivärden has knowledge about within the framework of its overall strategy.



Industrivärden's Role in Society

Social Responsibility

A fundamental value held by Industrivärden is that creation of shareholder value should be pursued hand-in-hand with social responsibility. Industrivärden strives to be a good citizen by accepting the responsibility that is inherent in an active ownership role. Only in harmony with society in general can long-term growth in value be created. Like other companies, Industrivärden works in a world in which companies are expected to be aware of their societal impact, based on environmental, economic and social factors.

Key aspects of social responsibility include sound business ethics, respect for the individual, and the Company's commitment to environmental, health, safety and civic concerns. Industrivärden strives on a continuing basis to ensure that it lives up to its social responsibility – internally within the Group itself as well as in the companies making up its major holdings.

Industrivärden puts particular emphasis on the following principles:

- Compliance with national legislation in the countries in which it works
- Compliance with the UN human rights declaration and the OECD guidelines for multinational companies
- Conducting all business activities with high standards of integrity and ethics

- Availability and an open channel for dialog with the parties affected by its operations
- Evaluation of the Company's social responsibility on a continuous basis

In 2002 Industrivärden was chosen to be included in the FTSE4GOOD Global Index of socially responsible investors. FTSE is a leading index agency owned by the Financial Times and the London Stock Exchange.

Environmental Responsibility

Industrivärden acts to ensure that the companies in which it has major holdings adopt environmental policies – based on their respective business conditions – that put special emphasis on the following areas:

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



Equities Portfolio

INDUSTRIVÄRDEN'S EQUITIES PORTFOLIO consists of the listed holdings, which accounted for 92% of Industrivärden's total holdings at year-end 2002, and unlisted holdings, which together accounted for 8%.

A breakdown of the constituent components of the equities portfolio at year-end 2002 and 2001 is shown in the table below.

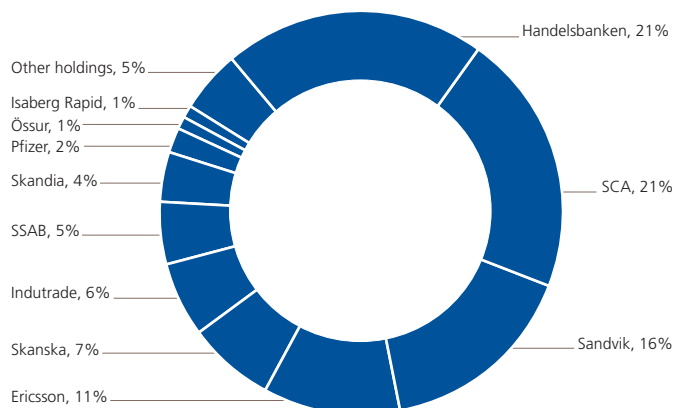
	SEK billion		SEK per share	
	12/31/2002	12/31/2001	12/31/2002	12/31/2001
Listed holdings	24.3	40.5	126	210
Unlisted holdings	2.1	4.1	10	21
Equities portfolio	26.4	44.6	136	231

Listed Holdings

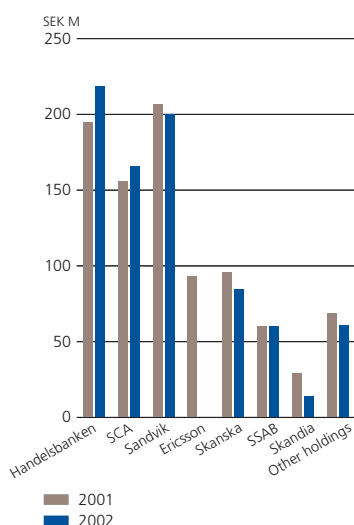
Industrivärden's listed portfolio consists for the most part of major shareholdings in Handelsbanken, SCA, Sandvik, Ericsson, Skanska, SSAB, Skandia and Össur.

The total market value of the major Swedish holdings was SEK 22.6 billion on December 31, 2002. The aggregate market capitalization of these holdings on the same date was SEK 358 billion, or 26% of the aggregate market capitalization of the Stockholm Stock Exchange.

Composition of Equities Portfolio

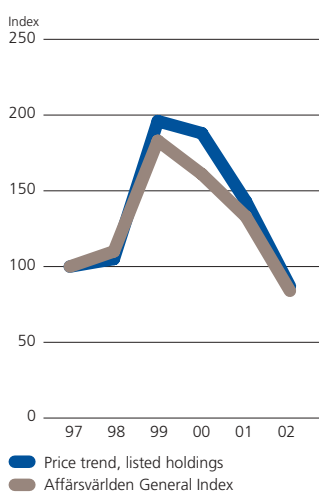


Dividends Received from Listed Holdings

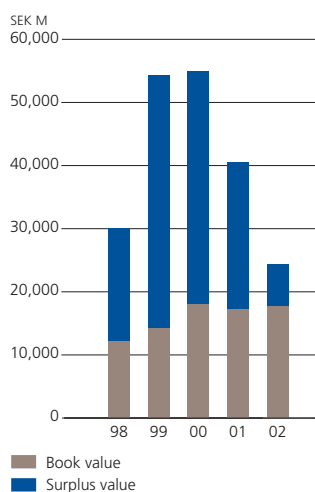


Ericsson did not pay any dividend in 2002. Skandia and Skanska paid a lower dividend.

Price Trend for Listed Holdings



Market Value and Surplus Value of Listed Holdings



The Stock Market in 2002

The decline in the world's stock markets that began in spring 2000 continued in 2002. Measured in dollars the New York Stock Exchange (S&P 500) fell by 23% in 2002, the leading bourses in Europe fell by 20% (Eurotop 300), and the world index by 21% (MSCI). The Stockholm Stock Exchange fell by 37%, measured in kronor, or by 25% in dollars. The low for the year was noted in early October, when the Stockholm Stock Exchange had fallen by 47%, and was thereafter followed by a rise through year-end.

The weak performance of the stock markets was caused by low economic growth in the U.S. as well as in Europe and Japan, and generally weak profit trends. A continued correction of high market values took place in sectors such as IT and telecom. Accounting scandals and bankruptcies of American corporations contributed to the uncertainty in the global stock market.

Investment Activity in 2002

Industrivärden's investment activity measured by turnover was relatively high despite the uncertain situation in the stock markets. The combined value of stock purchases was SEK 2.1 billion (1.5), while the combined value of sales was SEK 3.2 billion (3.0). Together, combined purchases and sales corresponded to 16% of the average

portfolio value during the year. The turnover rate for the listed holdings since 1998 is shown in the chart below.

The largest stock purchases were SEK 955 M in Ericsson, including SEK 762 M in connection with the rights issue, SEK 292 M in Skanska, and SEK 275 M in Össur.

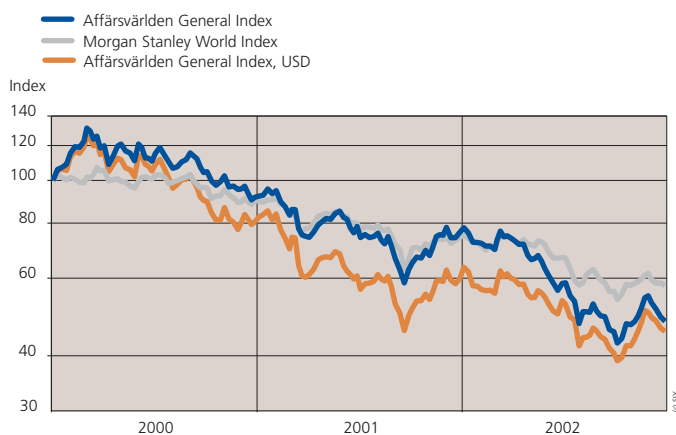
The largest equity sale involved the entire holding in Lundbeck A/S, which was sold for SEK 2,363 M, generating a capital gain of SEK 1,498 M.

Performance in 2002

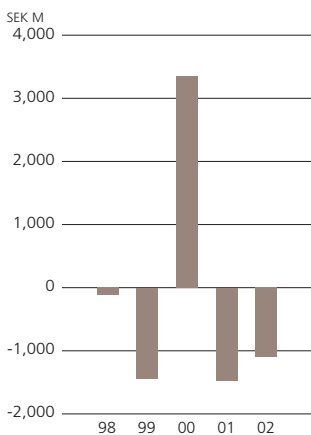
At year-end 2002 the market value of the listed holdings was SEK 24,329 M, compared with the shares' book value of SEK 17,681 M. The surplus value thus amounted to SEK 6,648 M, compared with SEK 23,207 M at the start of the year. The value of the listed holdings, taking into account purchases and sales, decreased by 39% during the year, which was marginally lower than the Stockholm Stock Exchange General Index, which fell by 37%.

Dividends received during the year totaled SEK 807 M. The total return of the portfolio, i.e., growth in value plus reinvested dividends, was -37%, compared with -36% for the Findata Total Return Index.

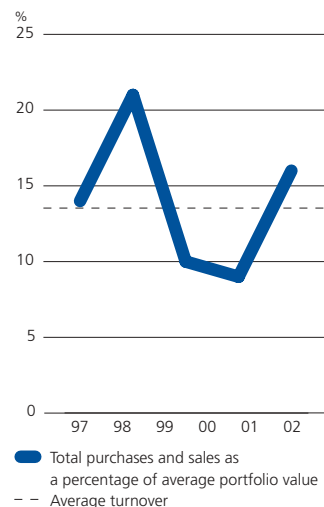
Stockholm Stock Exchange vs. World Index



Net Investments in Listed Holdings



Turnover of Listed Holdings



The turnover rate was affected by the purchases of stock in Skanska in 1998, in Skandia in 1999 and 2000, and in Lundbeck in 1999 and 2000, and by the sales of stock in PLM in 1998, in AGA in 1999, and in Lundbeck in 2002.

The total return for the listed holdings and their contribution to the performance of the total portfolio are shown in the table at right.

Unlisted Holdings

During the year Industrivärden sold its wholly owned door automation company Besam and its minority stakes in Biodisk, Ericsson Finans and DHJ Media.

At year-end 2002 the unlisted holdings consisted of the wholly owned companies Indutrade and Isaberg Rapid, and minority stakes in the consulting company Establish (20%), the IT company Interpeak (21%), and investments related to the venture capital company Ericsson Venture Partners (25%), which invests in companies focusing on mobile Internet development.

A calculated value of Indutrade and Isaberg Rapid, and the book value of the other unlisted holdings amounted to a combined total of SEK 2.1 billion at year-end 2002.

Price Trend for Listed Holdings

	Change in value, 2002, SEK M ¹	Price change, 2002, %	Total return, 2002, %	Total return, ² ten years, %
Handelsbanken	-1,872	-25	-22	34
SCA	238	4	7	14
Sandvik	-630	-13	-10	12
Ericsson	-9,105	-81	-81	8
Skanska	-532	-26	-22	16
SSAB	6	0	5	18
Skandia	-2,517	-69	-69	12
Pfizer Inc.	-421	-23 ³	-22	19
Scania	-69	-12	-11	-
Össur	29	8	8	-
Volvo	-61	-20	-16	12
Eniro	-80	-27	-26	-
Others (<SEK 200 M)	-143			
Total	-15,157	-39	-37	

¹ Change in value is adjusted for purchases and sales.

² Average annual total return.

³ Calculated in local currency. In Swedish kronor the total return was -34% for Pfizer.

Price Trend for Listed Holdings

	2002	2001	2000	1999	1998
Price trend of portfolio, %	-39	-24	-4	87	5
Index (1997 as base)	87	143	188	196	105
Affärsvärlden General Index, %	-37	-17	-12	66	10
Index (1997 as base)	84	133	161	183	110

Portfolio of Listed Holdings as per December 31, 2002

Stock	No. shares	Market value		Share of portfolio value, %	Share of capital in company, %	Share of votes in company, %
		SEK M	SEK per share			
Handelsbanken	48,655,900	5,644	29	23	6.8	7.4
SCA	18,982,000	5,572	29	23	8.1	28.1
Sandvik	21,000,000	4,085	21	17	8.0	8.0
Ericsson	399,539,276	2,902	15	12	2.5	27.7
Skanska	33,302,756	1,698	9	7	8.0	31.6
SSAB	12,065,600	1,243	6	5	12.0	15.6
Skandia	48,846,800	1,133	6	5	4.6	4.6
Pfizer Inc.	2,017,500	540	3	2	0.0	0.0
Scania	3,000,000	501	3	2	1.5	1.8
Össur	52,000,000	304	2	1	15.8	15.8
Volvo	1,800,000	248	1	1	0.4	0.8
Eniro	4,000,000	220	1	1	2.3	2.3
Other holdings (<SEK 200 M)		239	1	1		
Total		24,329	126	100		

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.



Handelsbanken

HANDELSBANKEN IS A NORDIC, UNIVERSAL BANK with a highly decentralized organization. The heart of the bank is its network of branches, which have total responsibility for all customers in their respective geographic areas, including major corporate clients. The branches coordinate the central and regional resources needed to give customers the best possible service. Handelsbanken prioritizes high service along with the goal of having the lowest costs compared with other Nordic banks.

Handelsbanken aims to be a universal bank, i.e., to cover the entire banking area: traditional corporate transactions, investment banking and trading, and retail banking including pensions and life insurance.

Handelsbanken's business units consist of the *Branch Office Operations, Markets* (which is responsible for trading in the money and foreign exchange markets, trade finance, corporate finance and equity trading), *Asset Management, Pension and Insurance, Finance* (offering finance company services such as leasing and factoring), *Stadshypotek Bank*, and *Treasury*.

Handelsbanken conducts a comprehensive universal banking operation in the Nordic region and the U.K. The branch activities are conducted through eleven regional banks – seven in Sweden and one each in Norway, Finland, Denmark and the U.K. With its 456 branches, Handelsbanken covers the Swedish market better than any other commercial bank. Handelsbanken has a total of 88 branches in the other Nordic countries, plus eight branches in the U.K. Banking and representative offices also conduct business in another fifteen or so countries.

Handelsbanken's overall objective is to have higher profitability than a weighted average of other listed Nordic banks. If this target is met, an amount corresponding to a maximum of 25% of the bank's dividend is allocated to the Oktogonen Foundation, the bank's

employee profit-sharing system. The foundation's assets are invested primarily in Handelsbanken stock. Priority is always given to profitability before volume, which means that credit quality may thus never be set aside in an effort to achieve high credit volume. Handelsbanken strives to have more satisfied customers than other banks.

Highlights 2002

- Profit was SEK 10.2 billion (11.2). Net interest income improved by 7% as a result of higher business volume. However, net commissions and trading income were hurt by a decline in equities trading and falling stock prices.
- The business in the U.K. is, since mid-2002, conducted as its eleventh regional bank.
- A customer satisfaction survey conducted in the Nordic countries showed that Handelsbanken has the most satisfied customers of all the Nordic banks.
- For the thirty-first year in a row, Handelsbanken reported a better return on equity than the weighted average of the other, listed commercial banks.

Assessment of the Company from an Ownership Perspective

Handelsbanken has consistently developed its business concept with a focus on customers satisfaction and cost efficiency, which has given the bank the industry's best average profitability for several years in a row. The bank continues to extend its geographic reach through ventures in Denmark and the U.K., among other places, where operations have developed according to the same principles applied by the Swedish operations. Industrivärden expects continued favorable development for Handelsbanken.



Handelsbanken is a Nordic universal bank with a focus on availability and service provided by 456 Swedish branches and 88 branches in the other Nordic countries. The experience gained from the Nordic operations in running a profitable universal banking operation is now also being applied in other markets, such as the U.K.

Share of Votes: 7.4%¹

Share of Capital: 6.8%¹

21% Holding: 48,655,900 A-shares
 Market value on Dec. 31, 2002: SEK 5,644 M
 Share of equities portfolio: 21%

Key Figures

	2002	2001
Operating income, SEK M	21,664	21,654
Operating profit, SEK M	10,190	11,208
Earnings per share, SEK	10.50	11.99
Dividend per share, SEK	4.75 ²	4.50

¹ Handelsbanken repurchased 3% of its shares, net, from 2000–2002, but it has not reduced its capital stock. Industrivärden's share of votes and capital is based on all shares outstanding, including those repurchased.

² Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2002

	% of votes	% of capital
Oktogonen Foundation	10.1	9.3
Industrivärden	7.4	6.8
AMF Pension	3.6	3.7
Föreningsparbanken mutual funds	3.6	4.6
Alecta Pension	3.3	3.5

Chairman of the Board: Arne Mårtensson

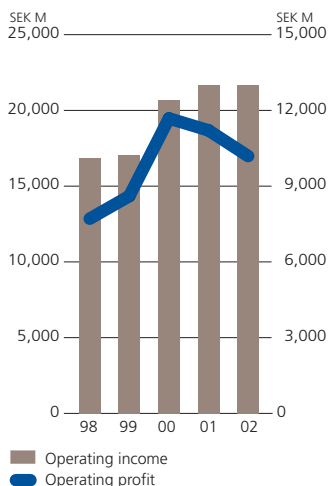
CEO: Lars O. Grönstedt

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

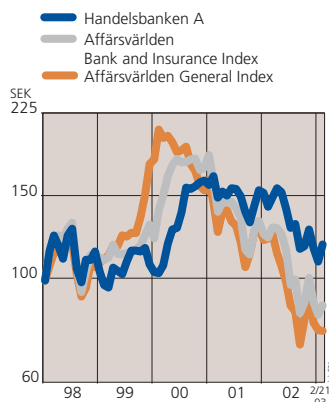
Handelsbanken's Stock

Handelsbanken's stock is listed on the Stockholm Stock Exchange. The share price fell by 25% in 2002, and trading volume was SEK 84 billion. Handelsbanken's market capitalization was SEK 83 billion at year-end 2002.

Handelsbanken 1998–2002



Handelsbanken's Stock



During the past five-year period, Handelsbanken's stock has outperformed the General Index as well as the Bank and Insurance Index, while also performing the best among the Swedish commercial banks.



SCA

SCA PRODUCES AND SELLS HYGIENE PRODUCTS (50% of sales), packaging solutions (35% of sales) and publication paper (15% of sales). Based on the customers' needs, value-added products are developed for consumers, institutions, industry and the retail trade. Products are designed to meet specific demands for absorption (hygiene products), strength (packaging) and good printing surfaces (publication paper and packaging). SCA strives to increase the share of high value-added products in order to achieve favorable, sustained profitability. Approximately 95% of the company's products are made of renewable and recyclable material. SCA uses equal quantities of recycled fiber and fresh wood fiber in its production.

Western Europe is SCA's main market, with a concentration in the U.K., Germany, France and Sweden. Sales outside Sweden account for more than 90% of total.

A strong foothold has also been gained in North America. In these markets SCA has made a series of company acquisitions in recent years and strengthened its market positions in the areas of hygiene products and packaging. Selective expansion is also under way in Latin America, Central and Eastern Europe, and Asia.

SCA's overall objective is to create shareholder value. This is done according to the principle that the company's value is determined by its future cash flows and the level of risk in the business. All investments must generate a cash flow that is at least 20% higher than the Group's capital cost, which for Sweden has been calculated as 7.5% of the initial investment.

SCA's long-term financial target is that roughly 40% of the Group's capital should be financed through loans, corresponding to a debt-equity ratio of 0.7. Based on this target ratio, the required rate of return on capital employed in 2002 was 12%.

Highlights 2002

- Earnings after financial items were unchanged at SEK 8.1 billion. The operating profit for the hygiene products business rose by 23%, while the operating profit for packaging and forestry products decreased by 7% and 33%, respectively.
- Operating cash flow, i.e., cash flow before strategic investments and dividends, amounted to SEK 8,620 M (11,249).
- The Italian tissue company Cartoinvest and the German packaging company Stabernack were acquired, thereby strengthening SCA's market position in the hygiene products and packaging segments.
- Jan Åström took office as CEO and Sverker Martin-Löf as Chairman of the Board.

Assessment of the Company from an Ownership Perspective

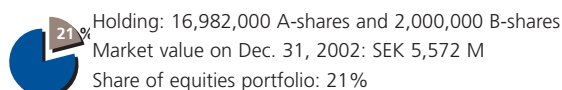
SCA is the leading European producer of hygiene products and transport packaging. Through a selective acquisition strategy the company has also gained a strong foothold in the North American market. Work on gradually increasing the share of high value-added products has resulted in favorable earnings growth during the last five years. Industrivärden expects that SCA will stick to this strategy through additional acquisitions in the hygiene products and packaging paper segments, giving the company continued good potential for profitability improvement.



SCA sells hygiene products, packaging solutions and publication paper on all continents in the world. Western Europe is the main market, however, expansion is also being pursued in North America.

Share of Votes: 28.1%

Share of Capital: 8.1%



Key Figures	2002	2001
Net sales, SEK M	88,046	82,380
Earnings after financial items, SEK M	8,078	8,090
Earnings per share, SEK	24.54	24.05
Dividend per share, SEK	9.60 ¹	8.75

¹ Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2002

	% of votes	% of capital
Industrivärden	28.1	8.1
Handelsbanken ²	11.3	3.6
SEB ²	4.8	2.5
AMF Pension	2.7	6.5
Fourth National Swedish Pension Fund	2.7	1.5

² Pension foundations, employee foundations and funds.

Chairman of the Board: Sverker Martin-Löf

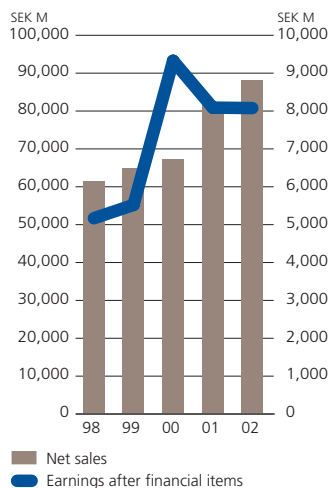
CEO: Jan Åström

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

SCA's Stock

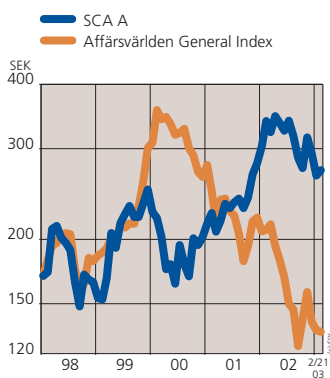
SCA's stock is listed on the Stockholm Stock Exchange and the London Stock Exchange. The stock is also traded in the U.S. through an American Depositary Receipt program. The share price rose 4% in 2002, and trading volume on the Stockholm Stock Exchange was SEK 55 billion. SCA's market capitalization was SEK 68 billion at year-end 2002.

SCA 1998–2002



2000 earnings included a capital gain of SEK 2,656 M on the sale of Modo Paper and provisions of SEK 625 M for restructuring measures in the tissue segment.

SCA's Stock



During the past five years SCA's stock has performed significantly better than the General Index.



Sandvik

SANDVIK IS A HIGH-TECHNOLOGY ENGINEERING GROUP with operations in 130 countries. The Group holds a world-leading position in three selected areas:

Tooling specializes in cemented carbide and high-speed steel tools for metalworking. *Mining and Construction* focuses on machinery, tools and service for rock excavation. *Materials Technology* manufactures products made of stainless steel, special alloys and resistance materials. The Sandvik Group also includes the partly owned listed company Seco Tools (61%).

About two-thirds of the Group's products consist of industrial consumption products and one-third investment goods. Sandvik is one of Sweden's largest export companies, with operations spanning the globe.

One of Sandvik's financial targets is to have an average organic volume growth of 6% per year, plus additional growth through acquisitions. The profitability target is an average annual return on capital employed of 20%. The aim is to pay a dividend that is equivalent to at least half of earnings per share over a business cycle. The total return target for Sandvik's stock is to exceed the industry average. The net debt-equity ratio was 0.5 in 2002 and is expected to rise to 0.6–0.8 by year-end 2003.

Sandvik's objectives are based on having a world-leading position in the company's product areas, a broad geographic presence, heavy investment in research and development (R&D), and efficient production and logistics.

During the last ten-year period Sandvik has acquired more than thirty companies, of which seven had sales of over a billion kronor at the time of their purchase.

For many years in succession Sandvik's expenditures on R&D and quality assurance have corresponded to 4% of sales. Of the company's extensive R&D work, half pertains to product- and customer-oriented projects and a fourth each to competence and strategic projects.

Sandvik's focus is currently on its operations in Europe, which account for half of sales and three-fourths of production. Over the long term the goal is to have a relatively even balance of sales and production in America, Europe and Asia.

Highlights 2002

- Earnings after financial items amounted to SEK 5,063 M (5,606). Operating profit improved for Mining and Construction but decreased for the Tooling and Materials Technology units.
- The market position strengthened as a result of a series of strategic acquisitions, including the American company Valenite.
- Adjustment of capacity to weaker demand entailed a reduction in the work force of 840 employees for comparable units.
- Lars Pettersson took office as CEO, and Clas Åke Hedström as Chairman of the Board.

Assessment of the Company from an Ownership Perspective

Industrivärden has a positive view of Sandvik's focus on the three core areas Tooling, Mining and Construction, and Materials Technology. The acquisitions and rationalization measures taken in 2001 and 2002 to meet a worsened business situation are expected to lead to a gradual earnings improvement. Strong technological and market positions point to sustained high profitability.



Sandvik is a high-technology engineering group with advanced products and unique expertise in materials technology. The company has a world-leading position in a number of business areas and is active in 130 countries.

Share of Votes and Capital: 8.0%¹



Key Figures	2002	2001
Net sales, SEK M	48,700	48,900
Earnings after financial items, SEK M	5,063	5,606
Earnings per share, SEK	13.70	14.40
Dividend per share, SEK	10.00 ²	9.50

¹ Sandvik repurchased 3.4% of its shares in 2001 and 2002, but has not reduced its capital stock. Industrivärden's share of the votes and capital are based on all the shares outstanding, including those repurchased.

² Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2002

	% of votes and capital
Industrivärden	8.0
Handelsbanken mutual funds	4.1
Handelsbanken Pension Foundation	3.5
AMF Pension	3.5
Föreningsparbanken mutual funds	3.5

Chairman of the Board: Clas Åke Hedström

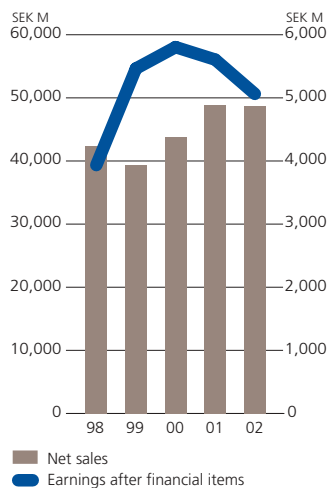
CEO: Lars Pettersson

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

Sandvik's Stock

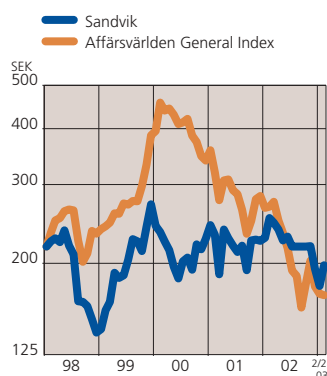
Sandvik's stock is listed on the Stockholm Stock Exchange and is also traded in the U.S. through an American Depositary Receipt program. The share price decreased by 13% in 2002, and trading volume was approximately SEK 69 billion. Stock repurchases totaled SEK 0.2 billion during the year. Sandvik's market capitalization was SEK 50 billion at year-end 2002.

Sandvik 1998–2002



Earnings in 1999 included a capital gain of SEK 1.6 billion on the sale of the Saws and Tools business area.

Sandvik's Stock



Industrivärden acquired the Sandvik holding in 1997. Since the end of 1997 Sandvik's stock has performed slightly better than the General Index.



Ericsson

ERICSSON IS AN INTERNATIONAL TELECOM COMPANY active in the development and delivery of advanced systems and services for mobile and fixed-line communication to network operators. Ericsson's wide offering of telecom and datacom equipment includes turnkey solutions, systems and services that enable mobile and fixed-line networks to transmit voice, data and multimedia effectively, fast and securely.

With operations in 140 countries, Ericsson has the widest global reach of any player in the telecom industry. The company's local presence gives it knowledge about specific market conditions, enables good relations with customers and suppliers, and forms the backbone of its local service organization.

Operations are organized under three segments: systems, telephones and other businesses. In mobile systems, which is the entirely dominant sub-segment within systems, Ericsson is at least twice as large as each of its competitors. Since 2001 Ericsson's mobile phone business has been conducted through Sony Ericsson Mobile Communication, a joint venture company in which Ericsson has contributed its leading mobile phone technology and Sony its know-how in consumer electronics.

The most important markets in 2002 were, ranked by size, the U.S., China, Sweden, Saudi Arabia, Italy, the U.K., Spain, India, Mexico and Germany.

Recent years have seen a sharp acceleration of growth in mobile telephony and an equally rapid expansion in the use of the Internet. However, development in the telecom industry has been hampered by substantial over-investment by telecom operators from 1998–2000, which subsequently led to substantial volume declines for telecom companies.

Highlights 2002

- Earnings after financial items totaled SEK -23,323 M, including SEK -8,804 M in items affecting comparability (SEK -30,309 M, including SEK -9,200 M in items affecting comparability).
- Earnings were hurt by a sharp drop in demand for mobile systems stemming from the low level of investment by the heavily debt-ridden telecom operators.
- An extensive efficiency improvement program is being carried out in the aim of cutting costs by roughly SEK 50 billion on a yearly basis by year-end 2003 compared with the start of 2001.
- Ericsson raised SEK 29 billion, net, through a rights issue. The issue was oversubscribed by 37%.
- Michael Treschow took office as Chairman of the Board.
- Carl-Henric Svanberg will take office as CEO at the Annual General Meeting in April 2003.

Assessment of the Company from an Ownership Perspective

The trend in Ericsson's earnings as well as its stock price have been unsatisfactory in recent years. Overcapacity, continued price pressure, and weak demand for telecom systems, combined with continued high development costs for third-generation mobile systems (3G), led to a substantial operating loss in 2002. Ericsson is carrying out an extensive efficiency improvement program to align its organization and capacity to the changed market conditions.


In view of capacity expansion of existing telecommunications networks, an expanding service business, upgrading to 3G and the continuing shift from fixed to mobile communication, Industrivärden considers Ericsson to be a good investment in the long-term perspective.



Ericsson is the world's largest supplier of mobile telecommunications systems and offers total solutions covering mobile systems as well as mobile phone technologies. Approximately 40% of all mobile phone traffic is conducted using Ericsson systems.

Share of Votes: 27.7%

Share of Capital: 2.5%

 Holding: 186,000,000 A-shares and 213,539,276 B-shares
Market value on Dec. 31, 2002: SEK 2,902 M
Share of equities portfolio: 11%

Key Figures	2002	2001
Net sales, SEK M	145,773	231,839
Earnings after financial items, excl. minority interests, SEK M	-23,323	-30,309
Earnings per share, SEK	-1.51	-1.94 ¹
Dividend per share, SEK	None ²	None

¹ Earnings per share for 2001 have been adjusted for the rights issue in 2002.

² Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2002

	% of votes	% of capital
Investor	38.3	5.3
Industrivärden	27.7	2.5
Handelsbanken Pension Foundation	5.3	0.4
Livförsäkrings AB Skandia	4.9	1.8
Handelsbanken Pension Fund	4.7	0.4

Chairman of the Board: Michael Treschow

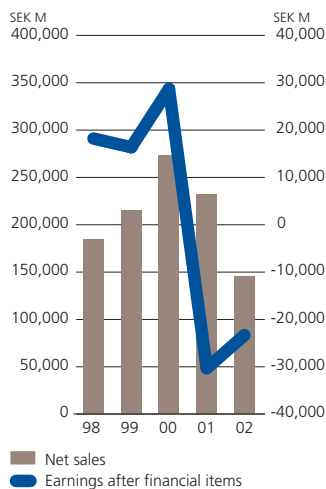
CEO: Kurt Hellström

Board members with ties to Industrivärden: Tom Hedelius and Sverker Martin-Löf

Ericsson's Stock

Ericsson's stock is listed on the Stockholm, New York and London Stock Exchanges. Ericsson's Class A shares fell by 81% in 2002, while its Class B shares fell by 85%. Trading volume on the Stockholm Stock Exchange was SEK 596 billion. Ericsson's market capitalization at year-end 2002 was SEK 99 billion.

Ericsson 1998–2002

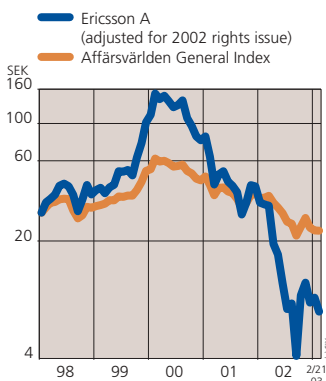


Earnings for 2000 included a total of SEK 14,416 M in nonoperational capital gains and other items affecting comparability.

Earnings for 2001 included a total of SEK -9,200 M in nonoperational capital gains/losses and other items affecting comparability.

Earnings for 2002 included SEK -8,804 M in items affecting comparability.

Ericsson's Stock



During the past five-year period, Ericsson's stock has performed below the General Index. From October 1999 to March 2000 the stock rose by more than 200%, followed by a decline of 95% through December 2002.



Skanska

SKANSKA IS ONE OF THE FIVE LARGEST CONSTRUCTION companies in Europe and North America, and one of Sweden's largest private property owners. Skanska's mission is to develop, build and maintain the physical environment for living, working and traveling. Its vision is to be a world leader – the client's first choice – in construction-related services and project development.

Skanska is a global name in construction, with operations in some thirty countries, normally through local subsidiaries. Skanska has eleven domestic markets. The largest are the U.S., Sweden, the U.K., Norway, the Czech Republic and Finland. The share of foreign revenues has risen from about 10% at the end of the 1980s to approximately 80% today. The U.S. is Skanska's largest market, accounting for 39% of sales in 2002.

Operations are conducted in a total of 16 business areas, consisting primarily of construction services companies in various regions as well as project development units.

Skanska's goal is to be a leader in construction-related services and project development in its main markets. Its financial targets are to have an operating margin of over 2.5% for construction-related services and to achieve an average annual return on capital employed as well as shareholders' equity of 16%. The debt-equity ratio target is in the range of 0.1-0.3.

A review of Skanska's strategy in 2002 led to the conclusion that it is necessary to consolidate the company following its strong expansion phase, that operations can be conducted on a lower level of capital employed, and that there is substantial potential for raising profitability through improved efficiency and business control.

Highlights 2002

- A strategic review of Skanska's operations during the late autumn 2002 led, among other things, to a decision to focus on the company's domestic markets, to close certain business units and to withdraw from certain markets.
- Earnings after financial items for the core businesses amounted to SEK 976 M (2,293). Earnings were charged with a total of SEK 2,016 M in write-downs of goodwill and cost provisions for discontinued businesses. Earnings amounted to SEK 2,519 (370) from construction-related services and to SEK 294 M (2,155) from sales of real estate.
- The Grävlingen block in central Stockholm was sold for SEK 2,326 M, generating a capital gain of SEK 1,150 M, which was Skanska's largest deal ever for a single property. Reconciliation of earnings will take place during the first half of 2003.
- Stuart Graham took office as CEO, and Sverker Martin-Löf as Chairman of the Board.

Assessment of the Company from an Ownership Perspective

The earnings trend in recent years has been unsatisfactory.

Following a strong phase of expansion, Skanska is carrying out a consolidation of its operations. Its new financial targets give priority to profitability over growth. Industrivärden is optimistic about Skanska's opportunities to achieve satisfactory profitability in the future.



Skanska offers competitive solutions for the development, construction and maintenance of physical environments for living, traveling and working. The company is active in over thirty countries, and its vision is to be a world leader in construction-related services and project development.

Share of Votes: 31.6%
Share of Capital: 8.0%

77% Holding: 22,302,756 A-shares and 11,000,000 B-shares
Market value on Dec. 31, 2002: SEK 1,698 M
Share of equities portfolio: 7%

Key Figures	2002	2001
Net sales, SEK M	145,576	164,937
Earnings after financial items, SEK M	73	1,116
Earnings per share, SEK	-2.00	0.05
Dividend per share, SEK	2.00 ¹	3.00

¹ Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2002

	% of votes	% of capital
Industrivärden	31.6	8.0
Inter Ikea Investment	10.7	2.7
Handelsbanken ²	5.6	2.2
AMF Pension	4.4	7.8
Alecta Pension	2.9	5.2

² Pension foundations and funds.

Chairman of the Board: Sverker Martin-Löf

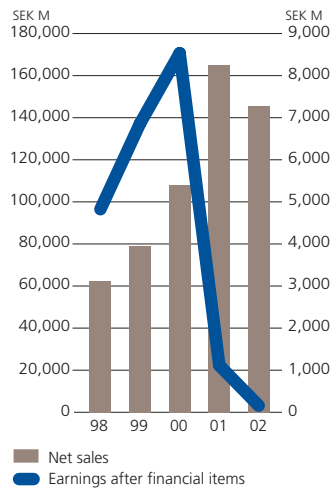
CEO: Stuart Graham

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

Skanska's Stock

Skanska's stock is listed on the Stockholm Stock Exchange. The share price fell by 26% in 2002, and trading volume was SEK 19 billion. Skanska's market capitalization was SEK 21 billion at year-end 2002.

Skanska 1998–2002

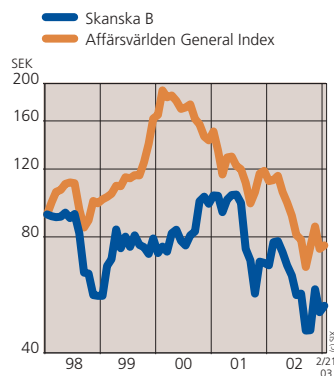


1999 earnings included a capital gain of SEK 3.3 billion on the sale of the shareholding in Scancem.

2000 earnings included combined capital gains totaling SEK 3.3 billion on the sales of the shareholdings in SKF, JM, Norrporten, Piren, and other companies.

2002 earnings included write-downs of goodwill and a provision for discontinued operations, together totaling SEK 2.0 billion.

Skanska's Stock



During the past five years Skanska's stock has performed below the General Index.



SSAB

SSAB IS ONE OF THE MEDIUM-SIZED STEEL COMPANIES in Western Europe. Its steel operations have been successfully developed as the result of a distinct niche strategy aimed at consolidating the company's position as one of the leading producers of high-strength sheet and quenched steel. Growth in these niches has been higher than for the steel market as a whole, and deliveries of these products, which account for 40% of sales, have increased strongly during the past five years.

In the sheet segment, SSAB specializes in extra and ultra high-strength sheet, where it is one of the leading suppliers in Europe. The steel sheet product line includes hot-rolled, cold-rolled, metal-coated and organic-coated sheet. High-strength steel sheet is used in the automotive industry and by crane manufacturers, among others. Ordinary sheet is used primarily in the engineering and construction industries.

In the plate segment, SSAB is a world-leading producer of quenched steels, i.e., abrasion-resistant steel and high-strength construction steel. Quenched steels are used in construction machinery, mining equipment, cranes and bridges, among other things. Ordinary plate is used in shipbuilding and general engineering.

In addition to the steel operations, which are conducted by the subsidiaries SSAB Tunnbrätt and SSAB Oxelösund, the SSAB Group includes the subsidiaries Plannja, SSAB HardTech and Tibnor (85% stake).

Plannja processes sheet into products such as roofing tiles and rainwater runoff products. SSAB HardTech manufactures press-hardened safety components for the automotive industry. Tibnor is the leading steel trading company in Sweden. These subsidiaries

make an active contribution to giving the steel operations a strong position in the Swedish market, where SSAB has a market share of 50%.

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

Sales outside Sweden account for approximately 65% of total.

Highlights 2002

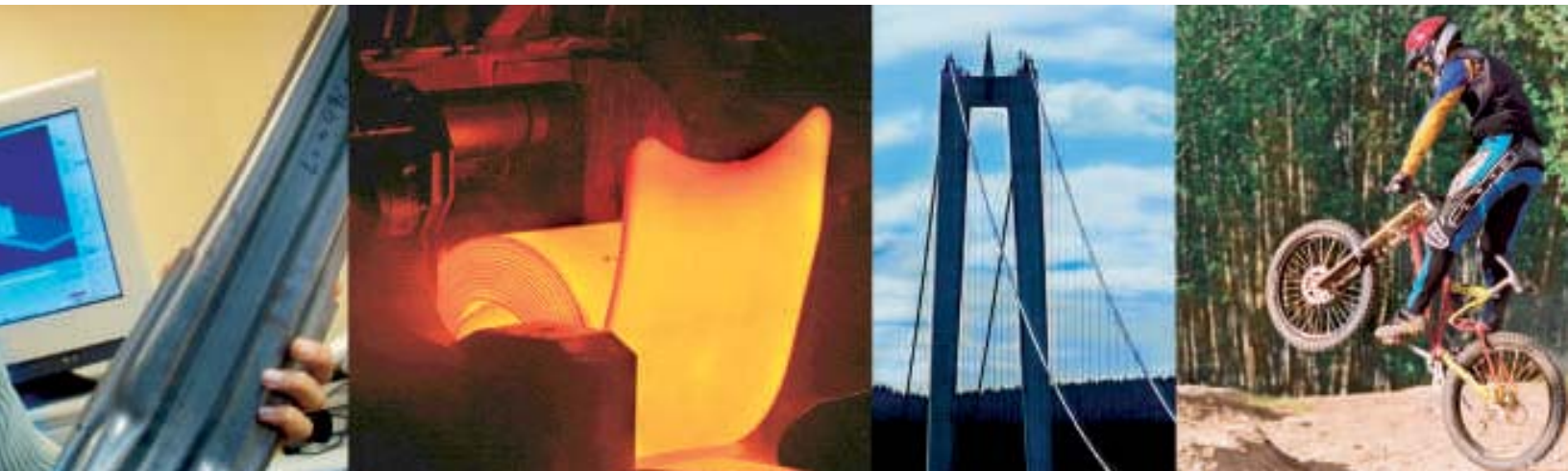
- Earnings after financial items, excluding nonrecurring items, amounted to SEK 816 M (913, including nonrecurring items totaling SEK 78 M).
- Deliveries rose by 12%, while earnings fell as a result of lower market prices.

Assessment of the Company from an Ownership Perspective

SSAB is one of the most profitable companies in the steel industry. The investment program carried out in recent years will secure the company's profitability position in the industry by enabling expansion in the high-strength products segment and by cost-cutting measures.

An extensive consolidation phase is under way in Europe, leading to larger and more efficient units. SSAB is well equipped to meet this increasingly tougher global competitive situation.

Industrivärden has an optimistic view of SSAB's development opportunities.



SSAB is a world-leading producer of quenched steels, i.e., abrasion-resistant steels and high-strength construction steels. SSAB is also investing in high-strength sheet, where the company is one of the leading suppliers in Europe.

Share of Votes: 15.6%
Share of Capital: 12.0%

75% Holding: 12,065,600 A-shares
Market value on Dec. 31, 2002: SEK 1,243 M
Share of equities portfolio: 5%

Key Figures	2002	2001
Net sales, SEK M	19,271	19,682
Earnings after financial items, SEK M	816	913
Earnings per share, SEK	5.70	6.10
Dividend per share, SEK	6.00 ¹	5.00

¹ Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2002

	% of votes	% of capital
Industrivärden	15.6	12.0
AMF Pension	7.8	6.1
LKAB	6.2	4.8
SEB mutual funds	5.9	5.4
Föreningsparbanken mutual funds	3.3	9.7

Chairman of the Board: Leif Gustafsson

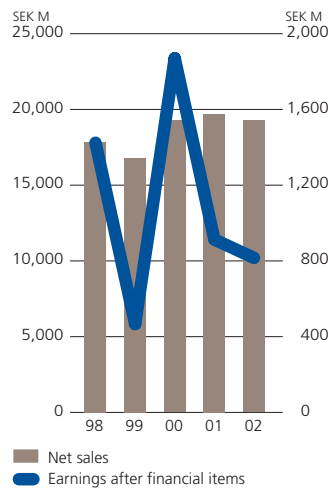
CEO: Anders Ullberg

Board member with ties to Industrivärden: Clas Reuterskiöld

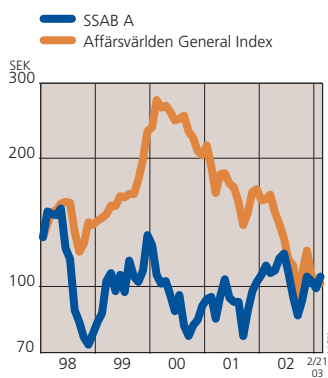
SSAB's Stock

SSAB's stock is listed on the Stockholm Stock Exchange. The share price was unchanged in 2002, and trading volume was SEK 9 billion. SSAB's market capitalization was SEK 10 billion at year-end 2002.

SSAB 1998–2002



SSAB's Stock



On the whole, during the past five-year period SSAB's stock has performed on a par with the index. The weak steel market in 1998 and 1999 led to a weak price trend, however, in 2001 and 2002 SSAB's stock performed considerably better than the General Index.



Skandia

SKANDIA IS A LEADING SAVINGS COMPANY with a focus on equity-related long-term savings products. The company is active in more than 20 countries. Skandia is a major buyer of fund management services. Sales are conducted primarily through independent distribution channels.

Skandia's business concept is to meet its customers' needs for savings by offering innovative, world-class products and services. Operations have been concentrated in areas in which Skandia has its core competencies, namely, developing high-quality savings products, fund analysis, market support and marketing.

Skandia's long-term savings business is conducted today primarily in Europe, but also in South America and Asia. Following the sale of American Skandia, the largest markets in terms of sales are the U.K., Sweden, Japan, Colombia, Spain, Germany and Italy.

The largest product group is unit linked assurance, which is adapted to the legislation and market conditions of each country. Skandia cooperates with some one hundred of the world's foremost fund companies, which together represent an offering of about a thousand different mutual funds. The aim is to be able to offer the best funds on the market and thereby give customers the best return on their investment.

Skandia's financial target is to achieve a minimum sustained rate of return after taxes of 13% on adjusted net asset value.

Highlights 2002

- In December an agreement was reached on the sale of American Skandia to Prudential Financial (U.S.). The transaction, which entailed a capital loss of SEK 4.4 billion after tax, is expected to be completed at mid-year 2003.
- Sales decreased to SEK 119 billion (138) as a result of depressed stock markets around the world, which led to a decline in savings and in the value of managed assets.
- The operating result was SEK -9,445 M (-1,089). Excluding American Skandia the operating result was SEK 1,403 M (2,450).
- An extensive cost-cutting program is under way in all units.

Assessment of the Company from an Ownership Perspective

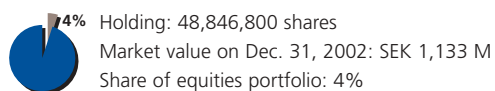
The sharp decline in stock markets around the world has resulted in an unsatisfactory development of Skandia's sales and earnings. Skandia is addressing this development with intensified product innovation and extensive cost-cutting measures in all units. The goal is to improve earnings, strengthen cash flow and improve margins for new sales.

The sale of American Skandia will make Skandia virtually debt-free. Together with other ongoing action programs, the sale improves Skandia's prospects of returning to satisfactory profitability.



Skandia is a leading provider of long-term savings, with operations in over 20 countries. Its business concept is to meet its customers' needs for savings by offering innovative, customized, world-class savings products.

Share of Votes and Capital: 4.6%



Key Figures	2002	2001
Sales, SEK M	119,300	137,584
Operating result, SEK M	-9,445	-1,089
Earnings per share, SEK	-4.20	-0.05
Dividend per share, SEK	0.30 ¹	0.30

¹ Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2002

	% of votes and capital
Nordea mutual funds	6.0
Sampo	5.3
Industrivärden	4.6
Pohjola	4.5
Alecta Pension	4.2

Chairman of the Board: Lars Ramqvist

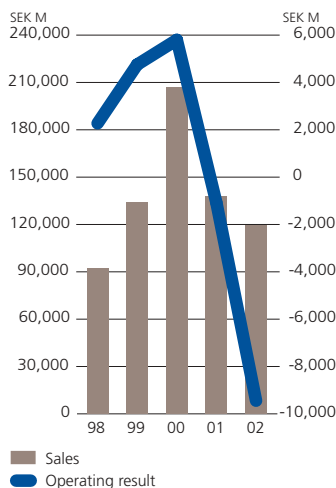
CEO: Lars-Eric Petersson

Board member with ties to Industrivärden: Clas Reuterskiöld

Skandia's Stock

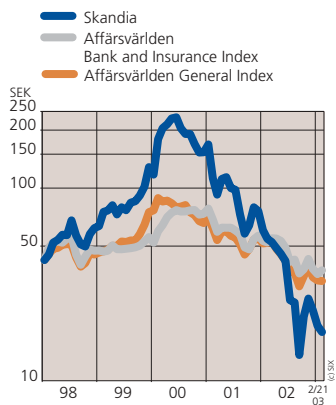
Skandia's stock is listed on the Stockholm Stock Exchange as well as in Frankfurt and London. The share price fell by 69% in 2002, and trading volume was SEK 113 billion. Skandia's market capitalization was SEK 24 billion at year-end 2002.

Skandia 1998–2002



The result for 2002 includes a loss of SEK 10.8 billion pertained to American Skandia, broken down into operating loss and capital loss.

Skandia's Stock



During the last five years Skandia has performed below the General Index as well as the Bank and Insurance Index. From October 1999 to June 2000 the share price rose by approximately 200%, but fell thereafter by 90% by December 2002.



Össur

ÖSSUR IS A MEDICAL TECHNOLOGY COMPANY active in the prosthetics and orthopedics sector, with major operations in prosthetics. Össur's high-tech prostheses enable users to return to an active life. The company's original product consisted of silicone liners that are rolled on the residual limb to protect the skin from friction injury. In 2000 Össur expanded its operations through company acquisitions in the U.S. and Sweden to include a complete offering of market-leading prosthetic products. In the U.S., two companies were acquired with leading positions in foot and knee prostheses, respectively. In parallel with its acquisitions, Össur has built up its own marketing organizations in Europe and the U.S. Össur's technology has been developed in Iceland as well as in Sweden and the U.S.

Vascular diseases (40%) and diabetes (35%) are the leading causes of amputation. Accidental injuries account for only 5% of all amputations.

Össur, which works in the high-tech end of the market, has historically shown annual growth of approximately 30%. Following the major acquisitions in 2000, annual growth has amounted to approximately 20%.

Össur's products include prosthetic sockets, knees, feet, sleeves and locks. New products are being innovated on a continuous basis.

Össur's expertise in the development and production of prosthetic legs is based on extensive technical know-how in the areas of silicone, carbon fiber, metalworking and mechanics/electronics.

Opportunities for expansion can be found through establishment in new geographic markets outside Europe and the U.S., expanded service business, and through expansion in the orthotics segment.

Össur works in a strongly growing market with major medical need. The company is research-intensive and is a world-leader in its sector.

Össur's head offices are in Iceland. The company has subsidiaries in the U.S., the Netherlands and Sweden. Össur has a very strong position in the Nordic region, with local headquarters in Uppsala, Sweden.

Highlights 2002

- Sales rose by 19%.
- Earnings after financial items rose 6% to USD 11.5 M.
- Össur acquired the Swedish technology company Capod Systems. Through the acquisition Össur has gained access to cutting-edge CAD/CAM technology which will support its expansion in the orthotics segment.

Assessment of the Company from an Ownership Perspective

Through innovative entrepreneurship and extensive technical know-how Össur has successfully carved a strong position in the development and production of prosthetic legs. Industrivärden believes Össur has good future opportunities and is a good investment in an interesting field of medical technology.



Össur is an international medical technology company and a leading innovator of high-quality prostheses and products for the orthopedics market. The company is active in Europe and North America, and has an extensive distribution network for other markets.

Share of Votes and Capital: 15.8%



Holding: 52,000,000 shares
Market value on Dec. 31, 2002: SEK 304 M
Share of equities portfolio: 1%

Key Figures

	2002	2001
Net sales, USD M	81.3	68.4
Earnings after financial items, USD M	11.5	10.9
Earnings per share, USD	0.03	0.03
Dividend per share, USD	None ¹	None

¹ Proposed by the Board of Directors.

Largest Owners as per Dec. 31, 2002

	% of votes and capital
Mallard Holding S.A. ²	24.2
Industrivärden	15.8
Bankastraeti 7 Pension Fund	6.0
Kaupthing Luxembourg S.A.	4.8
Kaupthing Investment Bank hf	3.9

² Owned by the founder, Össur Kristinsson and companies.

Chairman of the Board: Petur Gudmundarson

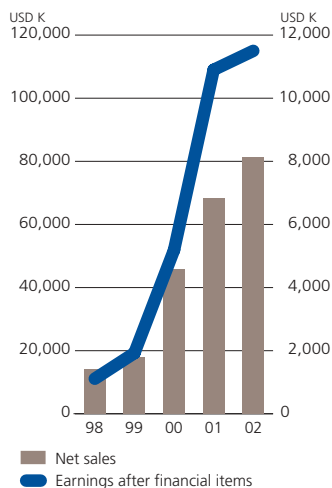
CEO: Jon Sigurdsson

Board member with ties to Industrivärden: Bengt Kjell

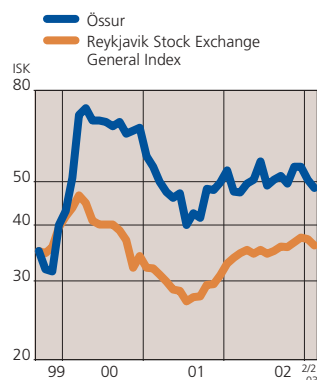
Össur's Stock

Össur's stock is listed on the Reykjavik Stock Exchange. The share price rose 8% in 2002, and trading volume was SEK 1.6 billion. Össur's market capitalization was SEK 1.9 billion at year-end 2002.

Össur 1998–2002



Össur's Stock



Össur's stock was listed on the Reykjavik Stock Exchange in 1999. The share price has varied between ISK 30 and ISK 80. Industrivärden's share purchase in 2002 was made at a price of ISK 50.



Indutrade

INDUTRADE IS A TRADING COMPANY whose overriding business concept is to provide imported components to industrial companies with a recurring need, and in connection with this, to offer qualified, technical system solutions. Indutrade's suppliers consist of international companies with brand-name products and major development resources, as well as niche manufacturers. Most of the products are leaders in their respective segments. The emphasis is on manufacturers of qualified products, i.e., high-quality branded products from suppliers with own R&D resources.

Indutrade's principal markets are Sweden, Denmark, Finland and the Benelux countries. The company is also active in Norway, Germany, the Baltic countries and Russia. The products are targeted at local industry, while the offering of consumer and capital goods is negligible.

Indutrade's expansion has taken place through organic growth as well as through yearly acquisitions of small and medium-sized trading companies, often privately held. As a rule, the former owner is offered to stay on as president at the same time that the acquired company is integrated into Indutrade's organization and business culture. Indutrade has highly developed routines for the review and risk assessment of acquisition targets, as well as routines for integrating new companies into the group.

In 2001 Indutrade made its largest acquisition ever with the addition of the Fagerberg Group, Tecalemit (Finland) and EIE Maskin. The acquired companies have combined sales of slightly more than a billion kronor. Following this acquisition, which increased Indutrade's sales by 54%, no new acquisitions were made in 2002.

Indutrade's suppliers are mainly in Western Europe, the U.S. and Japan. As a rule, Indutrade's companies have exclusive agency agreements in their respective geographic markets. Indutrade

requires that its suppliers are stable companies with leading positions in their respective product niches, that they are actively engaged in product development, and that they have resources for technical problem-solving.

The customers of the Indutrade companies consist of manufacturers and end-users with a repetitive need for technical components. They represent a cross-section of industry, with a concentration in the engineering and process industries. The pharmaceutical and food industries are growing customer groups.

Highlights 2002

- The market situation in Sweden and Denmark improved during the year. However, demand fell somewhat in Indutrade's business areas in Finland, Germany and the Benelux countries.
- Total invoiced sales in 2002 amounted to SEK 3,078 M (3,109), a decrease of 1%. Price increases were negligible.
- Indutrade's earnings after financial items totaled SEK 181 M (176). The return on capital employed was 19% (24%).

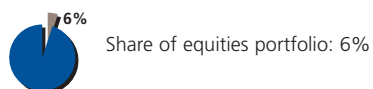
Assessment of the Company from an Ownership Perspective

Indutrade's return on capital employed has exceeded 20% during the last ten years. Through a determined effort Indutrade has built up and refined a model for acquiring and integrating industrial trading companies. In view of Indutrade's ability to run an expansive group of trading companies with good profitability, Industrivärden expects to see continued good profitability for Indutrade.



Indutrade conducts trading in imported industrial components for customers with a recurring need. The company's customers consist primarily of industrial companies in Northern Europe and the Benelux countries.

Share of Votes and Capital: 100%



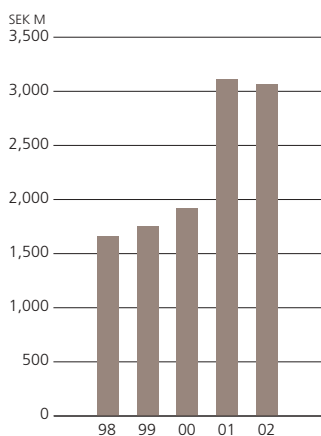
Key Figures	2002	2001
Net sales, SEK M	3,078	3,109
Earnings after financial items, SEK M	181	176
Return on capital employed, %	19	24

Chairman of the Board: Anders Nyström

CEO: Gunnar Tindberg

Board members with ties to Industrivärden: Anders Nyström and Bengt Kjell

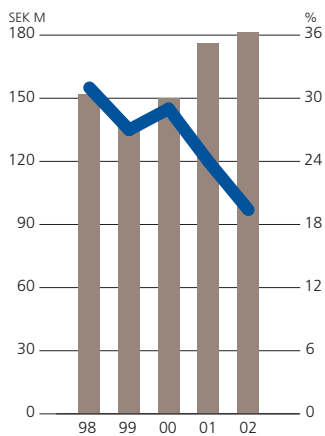
Net Sales



Net sales rose by an average of 17% per year from 1998–2002.

2001: Acquisition of AKA/Fagerberg, with sales of SEK 1,029 M for the year.

Earnings and Return on Capital Employed



■ Earnings after financial items
 ● Return on capital employed

2000: Excluding SEK 26 M in repayment of surplus funds from Alecta.



Isaberg Rapid

ISABERG RAPID IS A GLOBAL MANUFACTURER OF STAPLERS and fine-wire staples for use in offices and crafts, and are marketed under the Rapid brand. The product line includes manual as well as electric staplers. Desktop staplers and stapling pliers are used in offices for stapling paper, while electric tackers and hammer tackers are used by professional craftsmen and for hobby activities. For the OEM market, Isaberg develops staplers that are built into photocopiers.

Isaberg Rapid is Europe's leading company in stapling. Its products are sold in more than 100 countries, and more than 90% of sales are outside Sweden. Europe and North America are the most important markets. Isaberg's products are also sold through a network of dealers in South America, the Middle East, Africa, the Far East, Australia and New Zealand. The company's Rapid brand is well known and has the broadest market coverage in the world in its product area.

Rapid products are sold in three main markets: office, tools and OEM. Office products are sold by distributors or own subsidiaries to office supply stores, which have undergone substantial consolidation in recent years. Tools are sold by hardware stores to professionals as well as to the do-it-yourself market. The OEM segment comprises the world's leading manufacturers of photocopiers.

By establishing and acquiring own sales companies in France, the U.K., Germany and the Netherlands, Isaberg Rapid has created potential in recent years for greater market shares and thus higher production volumes. A large percentage of sales are made through local distributors, which are also responsible for service, however, additional future growth is being sought by establishing direct contact with end-customers. International office-supply chains, which have been a driving force behind the changing distribution pattern, are a key customer group. Isaberg Rapid has been designated as a preferred supplier of staplers and staples by most of the major office supply chains.

A company established in China in 1998 has added a line of low- and medium-price products, which is enabling penetration of new market segments.

Product development is a cornerstone in Isaberg Rapid's strategy of enabling volume growth. One such product innovation is a specially engineered electric stapler with a patented staple cassette for incorporation into office photocopiers. New product versions will be successively launched in the years ahead.

Isaberg Rapid's staplers are manufactured in Hestra and Östra Frölunda, Sweden. The French subsidiaries manufacture stapling tools and staples in Saint Amé and office staples in Lutzelbourg. The Chinese subsidiary manufactures staplers and staples.

Highlights 2002

- Invoiced sales rose 14% to SEK 873 M (763). For comparable units, invoiced sales fell by 1%.
- Earnings after financial items totaled SEK 32 M (28). The return on capital employed was 10% (11%).
- Tommy Bäckström took office as CEO.

Assessment of the Company from an Ownership Perspective

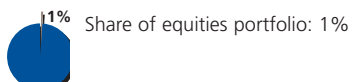
Isaberg Rapid's return on capital employed rose sharply in connection with the successful introduction of photocopier staplers in the mid-1990s, but it has subsequently fallen during a phase of expansion. As a result of a concentration on major customers in recent years, Isaberg Rapid is being forced to adapt its product supply to meet the customers' needs for efficient manufacture and competitive prices.

Industrivärden expects favorable development for Isaberg Rapid as a result of the structural activities currently being carried out in manufacturing as well as sales.



Isaberg Rapid is one of the world's leading suppliers of stapling products for offices and professional craftsmen. Products are sold in over 100 countries, with Europe and North America representing the most important markets.

Share of Votes and Capital: 100%



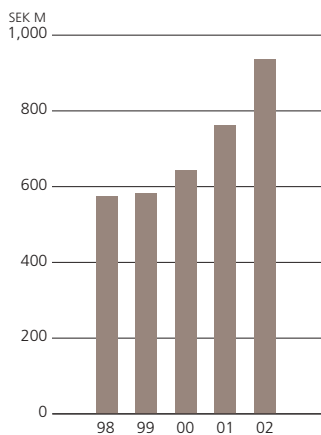
Key Figures	2002	2001
Net sales, SEK M	873	763
Earnings after financial items, SEK M	32	28
Return on capital employed, %	10	11

Chairman of the Board: Carl-Olof By

CEO: Tommy Bäckström

Board members with ties to Industrivärden: Carl-Olof By and Bengt Kjell

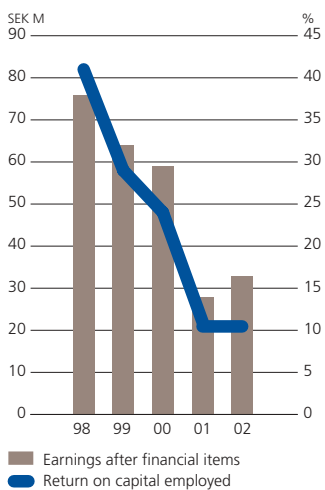
Net Sales



Net sales rose by an average of 11% per year from 1998–2002.

2001: Including acquisition of Rocafix on July 1, with approximately SEK 200 M in annual sales.

Earnings and Return on Capital Employed



2000: Excluding repayment of SEK 6 M in surplus funds from Alecta.

Board of Directors' Report

Registered Number SE 556043-4200

The Board of Directors and President of AB Industrivärden (publ) herewith submit their annual report and consolidated accounts for the 2002 financial year.

Composition and Work of the Board of Directors

The Board of Directors consisted of eight members in 2002. A presentation of the Board can be found on page 72.

In 2002 the Board held seven meetings, including the statutory meeting. Aside from strategic planning, the most important individual matters of business pertained to purchases and sales of stocks in listed and unlisted companies. In addition, the Board resolved to issue a guarantee to subscribe for SEK 3.0 billion in stock in Ericsson's rights issue, of which SEK 0.7 billion corresponded to the existing shareholding, while an additional maximum of SEK 2.3 billion pertained to a guarantee in the event the issue was not fully subscribed. The issue was fully subscribed, and thus the guarantee for additional subscription did not need to be utilized. For a more detailed account of the Board's duties, regular items of business, committees, and so on, see the section "Governing Bodies and Management," pages 66–67.

Net Asset Value

During the year, net asset value fell from SEK 39.4 billion, or SEK

204 per share, to SEK 24.4 billion, or SEK 126 per share, a decrease of 38%. The various components making up the Company's net asset value are shown in the table below.

Portfolio Management

Dividend income amounted to SEK 820 M (918). Sales from the listed portfolio generated a capital gain of SEK 1,480 M (713), of which the sale of the Lundbeck holding accounted for SEK 1,498 M. Sales of other stocks generated a capital gain of SEK 2,270 M (-69), of which the sale of the shares in Besam accounted for SEK 2,334 M. Including other income and expenses, totaling SEK -73 M (-13), earnings from portfolio management, before management costs and net financial items, totaled SEK 4,497 M (1,549). After financial items, earnings were SEK 4,185 M (1,104).

Listed Holdings

The market value of the listed holdings at year-end was SEK 24,329 M (40,535). The surplus value was SEK 6,648 M (23,207). Purchases of listed stocks during the year totaled SEK 2,087 M (1,506) and sales totaled SEK 3,181 M (2,975). Stocks were thus sold for a net amount of SEK 1,094 M (1,469).

Taking into account purchases and sales, the value of the portfolio decreased by 39% during the year (-24%). The Affärsvärlden

Net Asset Value

Parent Company	SEK billion		SEK per share	
	12/31/2002	12/31/2001	12/31/2002	12/31/2001
Listed holdings	24.3	40.5	126	210
Unlisted holdings	2.1	4.1	10	21
Equities portfolio	26.4	44.6	136	231
Net debt	-2.0	-5.2	-10	-27
Net asset value	24.4	39.4	126	204

Major Purchases and Sales

Purchases	No. shares	SEK M	Sales	No. shares	SEK M
Ericsson B	210,539,276	955	Lundbeck A/S	8,427,400	2,363
Skanska B	5,000,000	292	Pharmacia Corp.	701,600	283
Össur	52,000,000	275	Pfizer Inc.	982,500	258
Pharmacia Corp.	701,600	255	Other		277
Other		310			
Total		2,087	Total		3,181

Industrivärden subscribed for a total of 200,539,276 shares in Ericsson's rights issue, of which 199,000,000 through subscription rights.

General Index fell by 37% (-17%) during the same period. The total return was -37% (-22%), compared with -36% (-15%) for the Findata Total Return Index.

Unlisted Holdings

The shareholdings in Besam, Biodisk and Ericsson Finans were sold for capital gains of SEK 2,334 M, SEK 109 M and SEK 6 M, respectively. DHJ Media was divested, resulting in a capital loss of SEK 83 M. The shareholding in Establish was written down by SEK 59 M, to an estimated market value of SEK 15 M. Indus Innovation's shareholding pertaining to Ericsson Venture Partners was written down by SEK 38 M, to an estimated market value of SEK 61 M.

Operating Companies

Net sales of the operating companies amounted to SEK 4,915 M (5,981), a decrease of 1% for comparable units.

Earnings after financial items totaled SEK 291 M (406). The return on capital employed was 16% (24%).

Indutrade's net sales amounted to SEK 3,078 M (3,109). Earnings after financial items totaled SEK 181 M (176).

Isaberg Rapid's net sales totaled SEK 873 M (763), a decrease of 1% for comparable units. Earnings after financial items totaled SEK 32 M (28).

Net sales for Besam, which was sold on June 30, 2002, amounted to SEK 963 M for the first six months of 2002 (SEK 2,108 M for the full-year 2001), and earnings after financial items were SEK 50 M (SEK 201 M for the full-year 2001).

Consolidated Net Sales and Earnings

Consolidated net sales amounted to SEK 4,915 M (5,981), which for comparable units represents a decrease of 1% compared with the preceding year. Sales outside Sweden accounted for 71% (76%) of total.

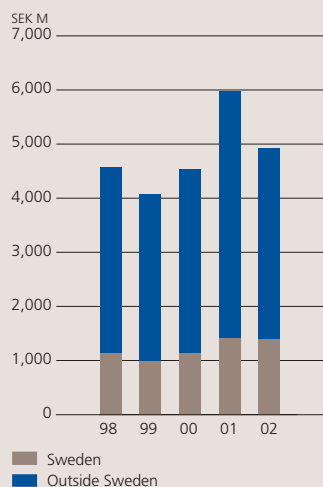
Operating earnings amounted to SEK 4,712 M (1,919), of which SEK 4,497 M (1,549) pertained to earnings from portfolio management, SEK 300 M (485) to earnings from operating companies, and SEK -85 M (-115) to management costs.

Net financial items amounted to SEK -236 M (-409). Earnings after financial items totaled SEK 4,476 M (1,510).

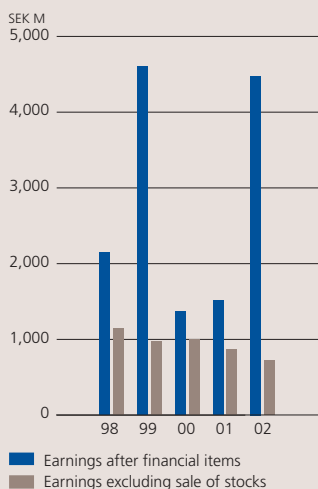
There was no interest expense for the CPN loan, which was canceled in 2001 (-161). After taxes of SEK -111 M (-126), reported net earnings for the year were SEK 4,365 M (1,223).

A breakdown of the Group's net sales and earnings after financial items by business unit is provided in a table on page 40 under the Income Statement and in the segment reporting section on page 48.

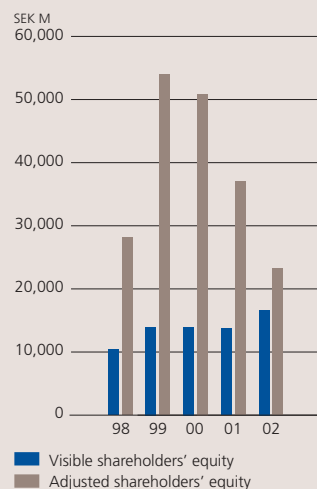
Consolidated Net Sales



Consolidated Earnings



Consolidated Shareholders' Equity



The following structural changes took place during the period:

- 1999: Sale of Hydraulauto and Rapid Granulator
- 2001: Acquisition of Fagerberg, Tecalemit, and other companies (Indutrade), and Rocafix (Isaberg Rapid)
- 2002: Sale of Besam as per June 30

Capital Expenditures

The Group's capital expenditures in tangible fixed assets during the year amounted to SEK 128 M (130), and scheduled depreciation totaled SEK 108 M (125).

Financing and Net Debt

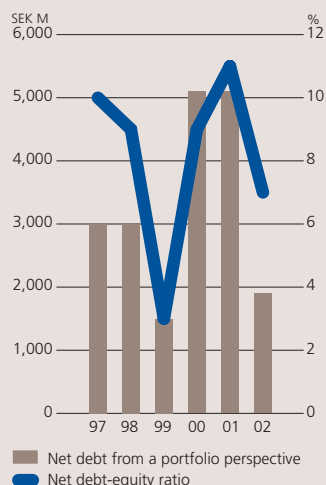
Cash and cash equivalents held by the Group and fixed-income investments amounted to SEK 2,127 M (1,034). Interest-bearing liabilities and provisions decreased by SEK 2,266 M to SEK 4,504 M (6,770), including SEK 149 M (204) in pension provisions. Of total interest-bearing liabilities, SEK 2,547 M (3,624) consisted of long-term loans. Net debt decreased by SEK 3,359 M to SEK 2,377 M, mainly due to net sales of stocks.

From a portfolio perspective, without taking into account interest-bearing liabilities in the subsidiaries, net debt decreased from SEK 5,056 M to SEK 1,868 M. The net debt-equity ratio improved, despite the weak stock market trend, from 11% at the start of the year to 7% at year-end.

Employees

The average number of employees in the Group was 3,232 (4,004), of whom 2,060 (2,640) were outside Sweden. A breakdown of the number of employees, and information on wages, salaries, remuneration and social security costs for the Board, the President, and other employees, are provided in notes 5 and 6. A more detailed description of Industrivärden's organization and employee structure is provided on page 68.

Net Debt, December 31



Parent Company and

Other Portfolio Management Companies

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

The Parent Company's dividend income amounted to SEK 820 M (918). Including income of SEK 1,494 M (799) from sales of listed stocks and SEK 2,559 M (-79) from sales of other stocks, less SEK -28 M (-5) in other operating income and expenses, earnings from portfolio management were SEK 4,845 M (1,633). After management costs of SEK -85 M (-115), operating earnings amounted to SEK 4,760 M (1,518).

After net financial items of SEK -242 M (-328), a net profit of SEK 4,518 M was reported for the year (1,029 after SEK -161 M in CPN interest).

Nordinvest AB conducts asset management since April 2002. During the year purchases of listed stocks totaled SEK 268 M and sales totaled SEK 194 M. Thus stocks were purchased for a net total of SEK 74 M. Nordinvest's earnings after net financial items amounted to SEK -16 M after its shareholdings were stated at the lower of cost and market value at year-end.

Indus Innovation AB owns 25% of the shares purchased within the framework of the venture capital company Ericsson Venture Partners.

Proposed Dividend

The Board of Directors proposes an ordinary dividend of SEK 5.00 per share (5.00), plus a bonus dividend of SEK 0.80 per share (3.35), for a total of SEK 5.80 per share (8.35). The proposal entails that no tax will be paid by the Parent Company.

Environmental Impact

AB Industrivärden does not conduct any operations requiring a permit according to the environmental code. A discussion of Industrivärden's position on social responsibility, including its environmental responsibility, is presented on page 12.

Of Industrivärden's subsidiaries, Isaberg Rapid AB conducts operations requiring a permit. These pertain to surface treatment facilities and assembly plants.

Proposed Distribution of Earnings

According to the Consolidated Balance Sheet, the Group's unrestricted shareholders' equity amounts to SEK 14,408 M, of which SEK 4,365 M represents net earnings for the year. No provisions to restricted reserves are required.

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

Retained earnings	SEK 9,049 M
Net earnings for the year	SEK 4,518 M
	<hr/>
	SEK 13,567 M

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

To shareholders, a dividend of SEK 5.00 per share, plus a bonus dividend of SEK 0.80 per share, for a combined total of SEK 5.80 per share, totaling	SEK 1,120 M
To be carried forward	SEK 12,447 M
	<hr/>
	SEK 13,567 M

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

Stockholm, February 12, 2003

TOM HEDELIUS
Chairman

SVERKER MARTIN-LÖF
Vice Chairman

BOEL FLODGREN

FINN JOHANSSON

ARNE MÅRTENSSON

LENNART NILSSON

CLAS REUTERSKIÖLD

ANDERS NYRÉN
President and CEO

Our Audit Report was submitted on February 12, 2003.

Öhrlings PricewaterhouseCoopers AB

INGVAR PRAMHÄLL
Authorized Public Accountant

Consolidated Income Statement

SEK M	Note	2002	2001
PORTFOLIO MANAGEMENT			
Dividend income from stocks		820	918
Result of sales of listed stocks	1	1,480	713
Result of sales of other stocks	2	2,270	-69
Other income and expenses	3	-73	-13
Earnings from portfolio management		4,497	1,549
OPERATING COMPANIES			
Net sales	4	4,915	5,981
Cost of goods sold		-3,261	-3,999
Development costs		-46	-63
Selling costs		-961	-1,023
Administrative costs		-347	-438
Other operating income and expenses		0	27
Earnings from operating companies	5-9	300	485
Management costs	5-7	-85	-115
Operating earnings		4,712	1,919
Interest income		75	48
Interest expenses (excl. CPN interest)		-289	-385
Other financial income	10	28	7
Other financial expenses	11	-50	-79
Earnings after financial items		4,476	1,510
CPN interest	12	-	-161
Earnings before taxes		4,476	1,349
Tax on earnings for the year	13	-111	-126
Minority share in earnings for the year		0	0
Net earnings for the year		4,365	1,223
Depreciation included in operating earnings	8	-150	-173
Earnings per share, SEK ¹		22.60	7.17
BREAKDOWN BY BUSINESS UNIT			
Net sales			
Indutrade		3,078	3,109
Isaberg Rapid		873	763
Besam (sold holding)		963	2,108
Others, net		1	1
Operating companies		4,915	5,981
Earnings after financial items			
Portfolio management²		4,185	1,104
Indutrade		181	176
Isaberg Rapid		32	28
Besam (sold holding)		50	201
Others, net		28	1
Operating companies		291	406
Group		4,476	1,510

¹ Earnings after tax, excluding CPN interest, divided by 193,135,612 shares.

² Parent Company and other portfolio management companies.

Comments on the Consolidated Income Statement

Portfolio Management

Dividend income from stocks totaled SEK 820 M (918), a decrease of 11%. Ericsson did not pay a dividend in 2002, and Skandia halved its dividend.

The result of sales of listed stocks increased from SEK 713 M to SEK 1,480 M. The largest individual capital gain was SEK 1,498 M from the sale of the entire holding in Lundbeck.

The result of sales of other stocks amounted to SEK 2,270 M (-69), of which the sale of Besam accounted for SEK 2,334 M, Biodisk for SEK 109 M, DHJ Media for SEK -83 M, and other stocks for SEK -90 M.

Earnings from portfolio management before management costs and net financial items totaled SEK 4,497 M (1,549).

Operating Companies

Besam, which was sold on June 30, is included in the income statement based on its earnings for the first half of the year. For comparable units, net sales decreased by 1% to SEK 3,952 M.

Operating earnings for the operating companies amounted to SEK 300 M, compared with SEK 485 M in 2001. Of this total, Industrade accounted for SEK 203 M (197), Besam for SEK 55 M (207), Isaberg Rapid for SEK 42 M (39), and other companies for SEK 0 M (42).

Management Costs

Management costs, which fell to SEK 85 M (115), pertain to investment activities as well as active ownership.

Earnings for the Year

Net financial items for the Group amounted to SEK -236 M (-409). Net debt decreased by SEK 3,359 M, to SEK 2,377 M, mainly due to the fact that net sales of stocks exceeded the net amount of dividends paid.

Earnings after financial items increased from SEK 1,510 M to SEK 4,476 M. Of this total, earnings from portfolio management amounted to SEK 4,185 M (1,104), and earnings from operating companies after financial items to SEK 291 M (406), as shown in the breakdown by business unit on page 40.

No CPN interest was paid (SEK -161 M). The CPN loan was canceled in 2001 and converted to stock in early 2002.

The tax charge for the year was SEK -111 M (-126). Of this total, current taxes accounted for SEK -111 M (-142) and deferred taxes for SEK 0 M (16). Of current taxes, SEK -58 M (-75) pertained to Swedish taxes and SEK -53 M (-67) to foreign taxes.

Net earnings for the year were SEK 4,365 M (1,223).

Consolidated Balance Sheet

SEK M	Note	12/31/2002	12/31/2001
ASSETS			
Fixed assets			
Intangible fixed assets			
Goodwill	14	211	244
Intangible rights	14	15	8
Total intangible fixed assets		226	252
Tangible fixed assets			
Land and buildings	15	276	359
Plant	15	148	160
Equipment	15, 16	107	187
Construction in progress	15	30	7
Total tangible fixed assets		561	713
Financial fixed assets			
Shares in listed companies	17	17,681	17,328
Shares and participations in other companies	17	94	293
Long-term receivables	13, 18	30	147
Total financial fixed assets	18	17,805	17,768
Total fixed assets		18,592	18,733
Current assets			
Inventories			
	19	737	1,027
Current receivables			
Accounts receivable, trade		585	1,100
Other receivables		85	117
Prepaid expenses and accrued income	20	49	97
Total current receivables		719	1,314
Short-term investments	21	1,768	309
Cash and bank balances		359	725
Total cash and cash equivalents		2,127	1,034
Total current assets		3,583	3,375
TOTAL ASSETS		22,175	22,108

SEK M	Note	12/31/2002	12/31/2001
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Capital stock	23	966	871
Restricted reserves		1,265	967
		2,231	1,838
Unrestricted shareholders' equity			
Unrestricted reserves		10,043	10,294
Net earnings for the year		4,365	1,223
		14,408	11,517
Total shareholders' equity		16,639	13,355
Minority shares			
		1	0
Convertible participating note loan			
	12	–	398
Provisions			
Provision for pensions	24	149	204
Deferred taxes	13	43	37
Other provisions	26	47	120
Total provisions	25	239	361
Long-term liabilities			
Long-term interest-bearing liabilities	16, 27	2,547	3,624
Long-term noninterest-bearing liabilities		9	12
Total long-term liabilities		2,556	3,636
Current liabilities			
Accounts payable, trade		291	409
Accrued expenses and deferred income	28	375	723
Other noninterest-bearing liabilities		266	284
Total current noninterest-bearing liabilities		932	1,416
Current interest-bearing liabilities	16, 29	1,808	2,942
Total current liabilities		2,740	4,358
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		22,175	22,108
Pledged assets	30	40	81
Contingent liabilities	31	6	2

Comments on the Consolidated Balance Sheet

Besam was sold on June 30, 2002, and is thus not included in the consolidated balance sheet as per December 31, 2002.

Capital expenditures in fixed assets during the year amounted to SEK 128 M, while scheduled depreciation totaled SEK 108 M. These items are entirely attributable to operating companies.

Financial fixed assets pertain mainly to the book value of the Parent Company's holdings of listed stocks. Listed stocks were sold for a net total of SEK 1,094 M (1,469) during the year. Stock purchases totaled SEK 2,087 M (1,506), including SEK 955 M in Ericsson, SEK 292 M in Skanska, SEK 275 M in Össur, and SEK 255 M in Pharmacia. Sales of stock totaled SEK 3,181 M (2,975), of which the entire holding in Lundbeck accounted for SEK 2,363 M, the entire holding in Pharmacia for SEK 283 M, and Pfizer for SEK 258 M. The market value of the listed portfolio, taking into account purchases and sales, decreased by 39%, while the General Index fell by 37%.

Short-term investments include SEK 61 M in asset management stocks held by Nordinvest AB, which purchased SEK 268 M and sold SEK 194 M in listed stocks during the year.

Shareholders' equity increased by SEK 3,284 M to SEK 16,639 M. The change is mainly attributable to net earnings for the year, totaling SEK 4,365 M, less the dividend payout of SEK 1,458 M for 2001, corresponding to SEK 8.35 per share.

The convertible participating note loan (the CPN loan) was canceled as a result of a resolution made by an Extraordinary General Meeting in October 2001. In connection with this, the CPN loan was converted to SEK 398 M in shareholders' equity.

Interest-bearing liabilities, including interest-bearing pension provisions, decreased by SEK 2,266 M, to SEK 4,504 M. Cash and cash equivalents increased by SEK 1,093 M. On the whole, interest-bearing net debt decreased from SEK 5,736 M to SEK 2,377 M, mainly due to the fact that net sales of stocks exceeded net dividends paid.

The visible equity ratio increased to 75% (62%), while the adjusted equity ratio, which takes into account the market value of the listed stocks, was 81% (82%).

From a portfolio perspective, without taking into account interest-bearing liabilities in the subsidiaries, net debt decreased from SEK 5,056 M to SEK 1,868 M. The net debt-equity ratio improved, despite the weak stock market trend, from 11% at the start of the year to 7% at year-end.

Parent Company Income Statement

SEK M	Note	2002	2001
PORTFOLIO MANAGEMENT			
Dividend income from stocks		820	918
Result of sales of listed stocks	1	1,494	799
Result of sales of other stocks	2	2,559	-79
Other income and expenses	3	-28	-5
Earnings from portfolio management		4,845	1,633
Management costs	5-7	-85	-115
Operating earnings		4,760	1,518
<i>Interest income</i>			
Subsidiaries		36	33
Other		65	36
		101	69
<i>Interest expenses</i>			
Subsidiaries		-28	-16
Other		-276	-360
Other financial income	10	8	4
Other financial expenses	11	-47	-25
Earnings after financial items		4,518	1,190
CPN interest	12	–	-161
Earnings before taxes		4,518	1,029
Tax on earnings for the year	13	–	–
Net earnings for the year		4,518	1,029

Parent Company Balance Sheet

SEK M	Note	12/31/2002	12/31/2001	SEK M	Note	12/31/2002	12/31/2001
ASSETS				SHAREHOLDERS' EQUITY AND LIABILITIES			
Fixed assets				Shareholders' equity			
Financial fixed assets				Restricted shareholders' equity			
Shares in listed companies	17	17,681	17,328	Capital stock	23	966	871
Shares in subsidiaries	17	475	672	Share premium reserve		342	39
Shares in other companies	17	29	220	Statutory reserve		720	720
Long-term receivables	18	10	33			2,028	1,630
Total financial fixed assets	18	18,195	18,253	Unrestricted shareholders' equity			
Total fixed assets		18,195	18,253	Retained earnings		9,049	9,478
				Net earnings for the year		4,518	1,029
						13,567	10,507
Current assets				Total shareholders' equity			
Current receivables				Convertible participating note loan			
Receivables from subsidiaries		940	805		12	–	398
Other receivables		22	19	Provisions			
Prepaid expenses and accrued income	20	15	29	Provision for pensions	24, 25	46	44
Total current receivables		977	853	Total provisions		46	44
Short-term investments	21	1,706	299	Long-term liabilities			
Cash and bank balances		119	483	Long-term interest-bearing liabilities	27	2,540	3,601
Total cash and cash equivalents		1,825	782	Total long-term liabilities		2,540	3,601
Total current assets		2,802	1,635	Current liabilities			
TOTAL ASSETS		20,997	19,888	Liabilities to subsidiaries		2	0
				Accrued expenses and deferred income	28	156	407
				Other noninterest-bearing liabilities		93	12
				Total current noninterest-bearing liabilities		251	419
				Liabilities to subsidiaries		812	570
				Other interest-bearing liabilities	29	1,753	2,719
				Total current interest-bearing liabilities		2,565	3,289
				Total current liabilities		2,816	3,708
				TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			
						20,997	19,888
				Pledged assets	30	24	43
				Contingent liabilities	31	4	4

Statements of Cash Flows Group and Parent Company

SEK M	Group		Parent Company	
	2002	2001	2002	2001
OPERATING ACTIVITIES				
Portfolio management				
Dividend income from stocks	820	918	820	918
Tax received	14	21	14	21
Cash flow from changes in working capital	-27	51	-28	63
Operating cash flow from portfolio management	807	990	806	1,002
Operating companies				
Earnings after financial items	300	485	–	–
Adjustment of non-cash items:				
Depreciation	150	173	–	–
Other non-cash items	3	9	–	–
Tax paid	-115	-179	–	–
Cash flow from changes in working capital	13	-151	–	–
Operating cash flow from operating companies	351	337	–	–
Management costs paid	-97	-107	-97	-107
Interest received	87	49	113	49
Interest paid	-314	-369	-330	-359
Other financial items	-9	-72	-26	-21
CASH FLOW FROM OPERATING ACTIVITIES	825	828	466	564
INVESTING ACTIVITIES				
Portfolio management				
Purchases of listed stocks	-2,355	-1,589	-2,087	-1,589
Sales of listed stocks	3,375	2,975	3,181	2,975
Net purchase/sale of stock options	12	45	12	45
Net purchase/sale of other stocks	122	-123	152	-53
Net purchase/sale of subsidiaries	2,886	–	2,931	–
Cash flow from investments in portfolio management	4,040	1,308	4,189	1,378
Operating companies				
Net purchase/sale of sub-subsidiaries	-2	-452	–	–
Net purchase/sale of other fixed assets	-113	-107	–	–
Cash flow from investments in operating companies	-115	-559	–	–
CASH FLOW FROM INVESTING ACTIVITIES	3,925	749	4,189	1,378
FINANCING ACTIVITIES				
Net purchase/sale of long-term fixed-income securities	–	100	–	100
Loans raised and amortization of debt	-2,034	502	-2,026	469
Change in financing toward subsidiaries	–	–	33	-207
Dividends and CPN interest paid out	-1,620	-1,631	-1,620	-1,631
Payment of shareholder contribution	–	–	1	-215
NET CASH FLOW FROM FINANCING ACTIVITIES	-3,654	-1,029	-3,612	-1,484
NET CASH FLOW FOR THE YEAR	1,096	548	1,043	458
Cash and cash equivalents at beginning of year	1,034	473	782	324
Exchange-rate difference in cash	-3	13	–	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,127	1,034	1,825	782

Comments on the Group Statement of Cash Flows

The statement of cash flows is broken down into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. The first two of these categories, in turn, are broken down into portfolio management and operating companies.

Operating Activities

Operating cash flow from portfolio management pertains primarily to dividends received, totaling SEK 820 M (918), and also includes other operating payments such as tax and changes in working capital, totaling SEK -13 M (72). Operating cash flow from portfolio management was thus SEK 807 M (990).

Operating cash flow from operating companies is based on earnings of SEK 300 M (485), which is adjusted for non-cash items, such as depreciation, totaling SEK 150 M (173) and other, totaling SEK 3 M (9). In addition, tax paid is taken into account, totaling SEK -115 M (-179), and cash flow from changes in working capital – mainly inventories, trade accounts receivable and trade accounts payable, totaling SEK 13 M (-151).

Added to cash flow from portfolio management computed in this manner, totaling SEK 807 M (990), and from operating companies, totaling SEK 351 M (337), are management costs paid, totaling SEK -97 M (-107), interest received, totaling SEK 87 M (49), interest paid, totaling SEK -314 M (-369), and payment of other financial items, totaling SEK -9 M (-72). After factoring in these figures, total cash flow from operating activities is obtained, which amounted to SEK 825 M (828).

Investing Activities

Cash flow from investments in portfolio management pertains to purchases of listed stocks, totaling SEK -2,355 M (-1,589), sales of listed stocks, totaling SEK 3,375 M (2,975), the net sum of purchases and sales of stock options, totaling SEK 12 M (45), and the net sum of purchases and sales of other stocks, totaling SEK 122 M (-123). It also includes sales of subsidiaries, totaling SEK 2,886 M (-).

Cash flow from operating companies pertains to the net sum of purchases and sales of companies, totaling SEK -2 M (-452), and of other fixed assets, totaling SEK -113 M (-107).

Total cash flow from the investing activities was thus SEK 3,925 M (749).

Financing Activities

Financing activities involve the net sum of purchases and sales of long-term fixed-income securities, totaling SEK - M (100), loans raised and amortization of debt, which was a decrease in borrowings of SEK -2,034 M (2001: increase of 502), and dividends and CPN interest paid out, totaling SEK 1,620 M (1,631).

The net of the various cash flow items was SEK 1,096 M (548). Cash and cash equivalents were also affected by exchange rate differences of SEK -3 M (13), and thus total cash and cash equivalents increased during the year by SEK 1,093 M to SEK 2,127 M (1,034).

Value of acquired/divested assets and liabilities in purchased/sold subsidiaries

SEK M	Portfolio management	Operating companies	Portfolio management	Operating companies
	2002	2002	2001	2001
Fixed assets	244	-11	-	-337
Current assets	896	-9	-	-497
Long-term liabilities and provisions	-123	-	-	56
Current liabilities	-420	6	-	241
Capital gains	2,334	5	-	-
Total purchase price	2,931	-9	-	-537
Unsettled portion of purchase price	-	7	-	23
Cash and cash equivalents in affected companies	-45	0	-	62
Effect on the Group's cash and cash equivalents	2,886	-2	-	-452

Change in interest-bearing net debt

SEK M	December 31, 2001	Cash flow	Change in loans	Other changes	December 31, 2002
Cash and cash equivalents	1,034	1,096	-	-3	2,127
Long-term interest-bearing liabilities	3,624	-	-1,056	-21	2,547
Current interest-bearing liabilities	2,942	-	-978	-156	1,808
Interest-bearing pension provisions	204	-	-	-55	149
Interest-bearing net debt	5,736	-1,096	-2,034	-229	2,377

Segment Reporting

SEK M	Portfolio management	Indutrade	Isaberg Rapid	Besam ¹	Other companies and Group adjustments	Total Group
INCOME STATEMENTS						
Dividend income from stocks	820	–	–	–	–	820
Result of sales of listed stocks	1,480	–	–	–	–	1,480
Result of sales of other stocks	2,270	–	–	–	–	2,270
Other income and expenses	-73	–	–	–	–	-73
Earnings from portfolio management	4,497	–	–	–	–	4,497
Net sales	–	3,078	873	963	1	4,915
Cost of goods sold	–	-2,083	-553	-636	11	-3,261
Business overheads, etc.	–	-792	-278	-272	-12	-1,354
Earnings from operating companies	–	203	42	55	–	300
Management costs	-85	–	–	–	–	-85
Financial income and expenses	-227	-22	-10	-5	28	-236
Earnings after financial items	4,185	181	32	50	28	4,476
Taxes	–	-35	-11	-22	-43	-111
Net earnings for the year	4,185	146	21	28	-15	4,365
BALANCE SHEETS						
Assets						
Intangible fixed assets	–	137	86	–	3	226
Tangible fixed assets	0	255	153	–	153	561
Financial fixed assets	18,256	19	4	–	-474	17,805
Total fixed assets	18,256	411	243	–	-318	18,592
Inventories	–	571	166	–	–	737
Current receivables	1,075	447	252	–	-1,055	719
Cash and cash equivalents	1,888	172	67	–	–	2,127
Total current assets	2,963	1,190	485	–	-1,055	3,583
Total assets	21,219	1,601	728	–	-1,373	22,175
Shareholders' equity and liabilities						
Shareholders' equity	15,601	643	199	–	196	16,639
Minority shares	–	–	1	–	–	1
Provisions²	46	84	56	–	53	239
Long-term interest-bearing liabilities	2,540	2	5	–	–	2,547
Long-term noninterest-bearing liabilities	–	–	9	–	–	9
Total long-term liabilities	2,540	2	14	–	–	2,556
Current interest-bearing liabilities	2,748	405	262	–	-1,607	1,808
Current noninterest-bearing liabilities ³	284	467	196	–	-15	932
Total current liabilities	3,032	872	458	–	-1,622	2,740
Total shareholders' equity and liabilities	21,219	1,601	728	–	-1,373	22,175
Capital expenditures for the year	–	83	30	12	15	140
Depreciation for the year	–	78	48	18	6	150
Operating cash flow⁴	4,552	190	28	–	-20	4,750
Return on capital employed	–	19%	10%	–	–	–

¹ Besam, which was sold on June 30, 2002, is included in the income statement based on its earnings for the first half of the year.

² Of which, interest-bearing pensions

³ Of which, Group contribution

⁴ Cash flow from operating and investing activities.

Notes to the Financial Statements

Accounting Principles

The annual report has been prepared in conformity with the Swedish Annual Accounts Act, the recommendations of the Swedish Financial Accounting Standards Council (SFASC) and the pronouncements issued by the Emerging Issues Task Force of the SFASC.

New Accounting Recommendations

Starting in 2002 Industrivärden applies the following new recommendations issued by the Swedish Financial Accounting Standards Council: RR 1:00 – Consolidated Financial Statements, RR 15 – Intangible Fixed Assets, RR 16 – Provisions, Contingent Liabilities and Contingent Assets, RR 17 – Impairment of Assets, RR 19 – Discontinuing Operations, RR 21 – Borrowing Costs, and RR 23 – Related Party Disclosures.

Application of RR 15 – Intangible Fixed Assets, affected the Group's earnings after financial items positively in the amount of SEK 5 M due to the classification of development costs as fixed assets. In other respects, application of the new recommendations have not had any impact on earnings for the year.

In other respects, the accounting and calculation principles used are the same as those used for the 2001 financial year.

New Layout of the Statement of Cash Flows

To more clearly present Industrivärden's business with respect to portfolio management and operating companies, the layout of the statement of cash flows has been changed during the year, enabling the separate reporting of the cash flows of these two areas of operation.

Principles of Consolidation

The consolidated financial statements apply to the Parent Company and all companies in which the Parent Company directly or indirectly owns more than 50% of the voting rights. The consolidated financial statements have been prepared in accordance with the principles presented in recommendation RR 1:00 – Consolidated Financial Statements, issued by the Swedish Financial Accounting Standards Council.

The consolidated balance sheet has been prepared according to the purchase method. This entails that the Parent Company's acquisition value of stock in subsidiaries is eliminated against the subsidiaries' shareholders' equity at the time of acquisition. Thus only earnings that have arisen after the date of acquisition are included in the Group's shareholders' equity. Shareholders' equity in acquired subsidiaries is determined on the basis of a market valuation of assets and liabilities at the time of acquisition. If necessary, a provision is made at the time of acquisition for e.g., restructuring and work force reductions in the acquired business (a restructuring reserve), which is based on an action program prepared in connection with the acquisition. In cases where the acquisition value of

stock in subsidiaries exceeds the acquired shareholders' equity in accordance with the above, the difference is reported as goodwill in the balance sheet. In accordance with the provisions of the Swedish Annual Accounts Act, amortization of goodwill is based on estimated economic life. The amortization period for goodwill is five to ten years.

Subsidiaries that have been sold during the year are included in the consolidated financial statements up until the date of sale. Companies that have been acquired during the year are included in the consolidated financial statements starting on the date of acquisition.

The consolidated financial statements contain no appropriations or untaxed reserves. Instead, deferred taxes on these items are included in the year's tax expense or provision for taxes, respectively.

Reporting of Associated Companies

There are two alternative methods in the Group for reporting associated companies, which are defined as companies in which the owning company has a holding that corresponds to a minimum of 20% and a maximum of 50% of the votes:

The equity method entails that shares in a company are reported at their acquisition value and are thereafter adjusted by the owning company's share of the change in net assets. The owning company must report its share of the associated company's earnings.

The acquisition value method entails that shares in an associated company are reported at their acquisition value. The owning company only reports dividends received from the associated company.

The presumption in the Annual Accounts Act is that holdings of associated companies are reported in accordance with the equity method. An agreement has been reached with the Stockholm Stock Exchange under which Industrivärden, as an owning company, may use the acquisition value method in its interim reports and year-end reports, since reporting in accordance with the equity method cannot be done in a thorough manner until all associated companies' closing accounts have been published. However, under the agreement, reporting in accordance with the equity method must be available from Industrivärden and published on the company's website not later than two months after the close of each respective company's accounting period. In the annual report, reporting in accordance with the equity method must be disclosed in a separate note. See note 32.

Shares and Participations

Listed stocks are valued collectively as a portfolio at the lower of cost or market value, in accordance with recommendation no. 12 – Shares and Participations, issued by FAR (the Swedish Institute of Authorized Public Accountants).

Unlisted stocks are reported at their acquisition value. Any write-downs to market value are made item for item to the extent a permanent decline in value is believed to have occurred.

Translation of Foreign Subsidiaries' Financial Statements

All foreign subsidiaries have been classified as independent, and thus their assets and liabilities are translated to Swedish kronor (SEK) at year-end exchange rates. Income statements of foreign subsidiaries are translated at average exchange rates for the year. Translation differences are transferred directly to shareholders' equity and do not affect earnings for the year. To reduce the Group's currency exposure, shareholders' equity in foreign subsidiaries is hedged through forward exchange contracts and/or loans in foreign currencies. In the consolidated financial statements, exchange rate differences that arise on these forward exchange contracts and/or loans are offset against translation differences that arise in the foreign subsidiaries' shareholders' equity. See also the section, "Financing and currency matters."

Translation of Receivables and Liabilities in Foreign Currency

Receivables and liabilities in foreign currency are valued at year-end exchange rates. Receivables or liabilities that are hedged are valued at the hedge rate. Unrealized exchange gains and losses have been taken to earnings.

Inventories

The Group's inventories are stated at the lower of cost or market value.

Depreciation

Depreciation of tangible and intangible assets has been made according to plan based on their acquisition values. The depreciation rates are based on the estimated economic lives of the assets. As a rule, fixed asset properties are depreciated by the highest amount allowed by tax rules.

Leasing

Leasing contracts of limited value (such as for office machinery), which are classified as finance leases, are reported as operating leases. In other respects the Swedish Financial Accounting Standards Council's recommendation for financial leasing is followed.

Financing and Currency Matters

Organization

As part of Industrivärden's strategy to decentralize some work to the subsidiaries, during the year Indutrade and Isaberg Rapid have built up their own finance units. This means that the companies are independently responsible for the management of their financial risks within the limits set by Industrivärden and its finance unit in a finance policy approved by the Board of Directors.

Industrivärden's finance unit works mainly with financing and investment of surplus liquidity.

Financing

AB Industrivärden's short-term borrowing is conducted through two commercial paper programs and through bank borrowing. One program is denominated in Swedish kronor or euros and is for a maximum of SEK 2 billion. The other program is a EUR 500 M Euro Commercial Paper Program.

Medium-term borrowing consists of a SEK 5 billion Medium-Term Note program in Swedish kronor or euros, and a five-year EUR 600 M international syndicated loan with a remaining term until July 31, 2005. The loans raised in foreign currency are converted to Swedish kronor through swaps.

Of the total confirmed credit limit of SEK 7.4 billion, SEK 0.9 billion was utilized at year-end (year-end 2001: SEK 1.2 billion). Additionally, a total of SEK 14.9 billion is available through unconfirmed credit lines, of which SEK 3.4 billion was utilized at year-end.

Ratings

Industrivärden has been assigned an international corporate credit rating of A+/Stable/A-1 by Standard & Poor's. Industrivärden's commercial paper programs have been assigned the highest credit ratings by the same agency, K1 and A-1, respectively.

Flows and Investments in Foreign Currencies

Industrivärden's wholly owned subsidiaries Indutrade and Isaberg Rapid comprise Swedish companies engaged in trade both to and from Sweden, as well as foreign companies engaged in their own cross-border trade. Of the Industrivärden Group's net sales, 29% are derived from Sweden, 59% from the rest of Europe, and 12% from the rest of the world.

Exports from Sweden in 2002 amounted to approximately SEK 1,306 M. About 87% of this was invoiced in foreign currency. In cases where net sales were in Swedish kronor, the prices are set according to the levels in the respective markets. The Group's imports to Sweden totaled approximately SEK 1,190 M in 2002, of which 98% were invoiced in foreign currencies. The foreign subsidiaries invoice most of their sales in their local markets.

Since the Group's Swedish units conduct substantial trade abroad, the value of the Swedish krona in relation to other currencies has a significant impact on consolidated earnings. Each subsidiary is responsible for its own currency management. Estimated currency flows to and from Sweden are matched, and the net flows are hedged in the banking system. Hedges are made for a period not exceeding the coming five quarters.

Reported shareholders' equity in foreign subsidiaries is hedged primarily through forward exchange contracts and loans in the currencies of the respective companies. In the consolidated balance sheet, translation differences in subsidiaries' shareholders' equity

have been offset against exchange rate differences in forward exchange contracts and loans.

Investments in foreign, listed stocks are not hedged. The currency risk on these investments is considered as part of the total change in value of the listed portfolio.

Industrivärden and the Euro

Companies operating in the EMU area report in euros starting in 2002. Industrivärden has slightly more than 20 sub-subsidiaries in the EMU area.

Until further notice, Industrivärden does not intend to introduce the euro into the Swedish subsidiaries' accounting. Net sales in the EMU area amounted to 47% (41%) of the Group's total invoiced sales in 2002.

A Group summary expressed in euros for the period 1998–2002 is presented on page 71.

The TCW trade-balanced currency index changed from 137 on December 31, 2001, to 131 on December 31, 2002. If the Industrivärden Group's consolidated income statement for 2002 had been consolidated at average exchange rates for 2001, invoiced sales would have been approximately SEK 30 M higher. Earnings after financial items would have been approximately SEK 30 M lower.

Exchange rates

	Year-end rate		Average rate	
	2002	2001	2002	2001
GBP	14.09	15.37	14.59	14.87
USD	8.79	10.61	9.79	10.33
EUR	9.16	9.37	9.15	9.25
CHF	6.31	6.32	6.24	6.13
DKK	1.23	1.26	1.23	1.24
JPY	0.074	0.081	0.078	0.085
CAD	5.60	6.64	6.22	6.67

Notes

(Amounts in SEK M unless stated otherwise)

■ Note 1 Result of sales of listed stocks

Group and Parent Company	2002	2001
Sale of:		
Lundbeck A/S	1,498	–
Pharmacia Corp.	28	133
Handelsbanken	23	235
Pfizer Inc.	-37	–
Skanska	–	219
SCA	–	117
Sandvik	–	89
Eniro	–	57
Other	-18	-51
Parent Company	1,494	799
Subsidiaries	-14	–
Group adjustment	–	-86
Group	1,480	713

■ Note 2 Result of sales of other stocks, etc.

	Group		Parent Company	
	2002	2001	2002	2001
Capital gain on sale of Besam	2,334	–	2,651	–
Capital gains/losses on sales of other companies	115	-1	115	-1
Write-downs, etc.	-179	-68	-207	-78
Total	2,270	-69	2,559	-79

■ Note 5 Average number of employees

	2002		2001	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	24	6	26	7
Subsidiaries in Sweden	1,148	354	1,338	393
Total, Sweden	1,172	360	1,364	400
Subsidiaries outside Sweden				
Austria	27	7	54	13
Baltic countries	75	16	69	13
Belgium	22	6	45	13
China	373	205	382	210
Denmark	152	27	169	32
Finland	346	74	367	80
France	342	142	394	183
Germany	178	50	268	75
Italy	23	13	28	16
Netherlands	175	48	254	57
Norway	42	12	47	10
Singapore	14	5	28	9
Spain	19	6	39	12
U.K.	73	15	134	28
USA	151	33	302	64
Other	48	10	60	14
Total	2,060	669	2,640	829
Total, Group	3,232	1,029	4,004	1,229

■ Note 3 Other income and expenses

	Group		Parent Company	
	2002	2001	2002	2001
Costs pertaining to Indus Innovation	-45	–	–	–
Contribution for research to the Stockholm School of Economics	-20	–	-20	–
Other	-8	-13	-8	-5
Total	-73	-13	-28	-5

■ Note 4 Breakdown of net sales

Breakdown of net sales by geographic market:

Group	Net sales	
	2002	2001
Sweden	1,403	1,434
Other Nordic countries	1,306	1,434
Europe, excl. Nordic countries	1,613	2,094
North America	418	821
Other markets	175	198
Total	4,915	5,981

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

	2002			2001		
	Wages, salaries and other remuneration	Social security costs	Of which pension costs	Wages, salaries and other remuneration	Social security costs	Of which pension costs
Parent Company¹	25	18	9	34	21	8
Subsidiaries in Sweden	349	161	37	395	182	49
Total, Sweden	374	179	46	429	203	57
Subsidiaries outside Sweden						
Austria	9	3	1	18	5	2
Baltic countries	9	3	0	8	2	–
Belgium	6	3	1	13	6	1
China	7	4	0	10	6	5
Denmark	72	3	3	82	4	3
Finland	121	29	21	121	33	23
France	74	34	3	90	33	4
Germany	59	12	3	87	18	7
Italy	8	3	2	9	3	3
Netherlands	55	14	7	77	19	11
Norway	19	2	0	20	2	0
Singapore	4	1	–	7	1	–
Spain	4	1	1	8	2	2
U.K.	27	7	3	51	12	4
USA	79	16	6	165	31	11
Other	8	1	0	10	3	1
Total	561	136	51	776	180	77
Total, Group	935	315	97	1,205	383	134

Of the Parent Company's pension cost, SEK 5 M (4) pertains to the Board of Directors and President. The corresponding amount for the Group was SEK 16 M (17).

Wages, salaries and other remuneration, broken down by country and between board members, etc., and other employees

	2002			2001		
	Boards of directors and presidents	Of which, bonuses and similar	Other employees	Boards of directors and presidents	Of which, bonuses and similar	Other employees
Parent Company¹	8	–	17	12	2	22
Subsidiaries in Sweden	30	6	319	30	3	365
Total, Sweden	38	6	336	42	5	387
Subsidiaries outside Sweden						
Austria	1	1	8	1	0	17
Baltic countries	2	0	7	2	–	6
Belgium	0	–	6	0	–	13
China	0	–	7	1	–	9
Denmark	6	2	66	7	2	75
Finland	10	1	111	10	1	111
France	3	1	71	3	0	87
Germany	4	1	55	4	1	83
Italy	1	–	7	1	–	8
Netherlands	3	1	52	4	0	73
Norway	2	–	17	2	1	18
Singapore	2	1	2	2	0	5
Spain	1	–	3	1	–	7
U.K.	3	1	24	3	0	48
USA	4	–	75	4	–	161
Other	2	–	6	1	0	9
Total	44	9	517	46	5	730
Total, Group	82	15	853	88	10	1,117

¹For specification of note 6, see page 54.

Specification of note 6: Wages, salaries and other remuneration; social security costs

The following principles form the basis of compensation of the Board and executive management. The nominating committee, which has been appointed in the manner decided on by the Annual General Meeting, makes recommendations on directors' fees to the Annual General Meeting. For the Board of Directors, a fee approved by a resolution of the Annual General Meeting is paid, which is apportioned among the directors at the Board's discretion. With respect to compensation of the CEO and other members of the executive management, the Board has appointed a compensation committee which proposes compensation levels subject to the Board's approval. The members of the compensation committee are listed on page 73. A base salary and standard benefits are paid to executive management. Added to this are pension benefits and incentive programs, as described below. With respect to holdings of financial instruments and employee stock options pertaining to Industrivärden by directors and members of executive management, please refer to the information provided on pages 72–73.

The Board was paid a fee of SEK 2.0 M in 2002, in accordance with a resolution by the Annual General Meeting. Of this amount, the Chairman received SEK 0.6 M and the Vice Chairman SEK 0.4 M. In his capacity as board member, the former CEO of the Company, in accordance with his previous employment contract, received temporary retirement pension benefits which will be paid out until he turns 75 years of age. This commitment, which has been expensed in its entirety by the Company, entailed a pension payment of SEK 1.2 M in 2002.

The CEO received salary and standard employment benefits valued at a total of SEK 4.2 M. The fees from directorships paid to the CEO that have been directly linked to his position have been paid to the Company. The CEO is entitled to pension benefits between 60 and 65 years of age equivalent to 70% of his average base salary during the three years prior to retirement, and to old-age benefits after 65 years of age equivalent to 50% of his average base salary during the three years prior to retirement. Pension benefits are earned in principle in a linear manner up until the age of retirement. The cost of the pension commitment in 2002 was approximately SEK 1.8 M. In addition, the CEO is entitled to a 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 approximately 40% of base salary earned in the year before death, in the event such occurs. The Company must give two years' notice if it terminates the CEO's employment contract. In 2002 the CEO was granted 30,000 employee stock options under the program described below.

The other three members of the executive management together received salary and standard employment benefits worth SEK 5.1 M. Two of these executives are entitled to pension benefits equivalent to 70% of their base salary between 60 and 65 years of age. Pension benefits are earned in principle in a linear manner up until the age of retirement. One of these executives is entitled to pension from 65 years of age under the applicable ITP plan. The other two executives are covered from 65 years of age by

defined-contribution pension plans, whereby the amount of the pension benefits is dependent on the performance of their contracted pension plans. The premiums for the defined-contribution pension plans are within the limits of applicable tax-deduction rules. The total cost of the pension commitment in 2002 for these three executives was approximately SEK 2.4 M. In the event the Company serves notice, one member of the executive management is entitled to severance pay equivalent to three years' salary, and one is entitled to severance pay equivalent to two years' salary, and one is entitled to two years' notice. Together these three executives were granted 50,000 employee stock options in 2002 under the program described below.

In 2002 an incentive program was established for the employees of the Parent Company, entailing two components: synthetic employee stock options and cash bonuses. Of the maximum 260,000 employee stock options that may be granted under the program, 187,000 options were granted to 22 employees. The options have a term until February 28, 2007, and give the holder the right to purchase one share of Industrivärden Class A stock from a third person at the exercise price of SEK 177 per option or, alternatively, to receive cash payment. One-third of the options may be exercised after March 1, 2005, and the rest after March 1, 2006. As a rule, the stock options can only be exercised if the employee remains employed with the Company. Industrivärden has entered into a swap agreement with a financial institution which had hedged the employee stock option commitment (incl. social security charges), in the event of a price increase. In the event of a price decline, Industrivärden bears the risk. In 2002 a provision of SEK 13 M was made primarily in respect of the price decline that has taken place since the start of the program. At the time of issue, as per February 15, 2002, the options had a theoretical value of SEK 35 per option. As per December 31, 2002, the theoretical value was SEK 5 per option. The valuations, which were performed by an independent firm, do not take into account the fact that the options cannot be transferred before the start of the exercise periods stated above.

Cash bonuses, which can amount to a maximum of 20% of salary, require that the employee has achieved certain individually set targets and that net asset value per Industrivärden share has increased during the year. No cash bonuses were paid for the 2002 financial year, since net asset value decreased.

The benefit value that can arise from the stock options and any cash bonuses that may be paid are not pensionable.

In 1999 the Third National Swedish Pension Fund (formerly the Fifth National Swedish Pension Fund) offered stock options for Industrivärden shares to all employees of the Parent Company. The options give the bearer the right to purchase Industrivärden Class A stock during the exercise period, March 15, 1999 – March 15, 2004. The option premium was SEK 13.60 and the exercise price is SEK 145 per share. The options may be sold without restriction throughout the exercise period. A total of 303,000 stock options were subscribed.

■ Note 7 Auditors' fees

	Group		Parent Company ¹	
	2002	2001	2002	2001
Auditing fees				
Öhrlings PricewaterhouseCoopers	8.4	12.2	1.1	1.1
Other auditing firms	0.3	0.6	–	–
Total auditing fees	8.7	12.8	1.1	1.1
Other consulting fees				
Öhrlings PricewaterhouseCoopers	1.2	3.2	1.0	1.0
Other auditing firms	0.2	0.7	–	–
Total fees, other consulting	1.4	3.9	1.0	1.0
Total	10.1	16.7	2.1	2.1

¹ Including value added tax.

■ Note 8 Depreciation/amortization

The income statement's sub-items include amortization of intangible fixed assets and depreciation of tangible fixed assets as follows:

Group	2002	2001
Cost of goods sold	74	91
Development costs	1	1
Selling costs	48	46
Administrative costs	27	35
Total	150	173

Of the reduction for the year, totaling SEK 23 M, SEK 21 M pertains to sold companies.

■ Note 9 Operating leases

Group	2002	2001
Leasing fees paid during the year	50	69
Future, contracted leasing fees		
Expiration in 1 year	44	57
Expiration in 2 year	30	41
Expiration in 3 year	15	22
Expiration in 4 year	8	10
Expiration in 5 year	7	6
Expiration in 6 year	14	16
Total future leasing fees	118	152

■ Note 10 Other financial income

	Group		Parent Company	
	2002	2001	2002	2001
Exchange rate differences	20	2	–	–
Other	8	5	8	4
Total	28	7	8	4

■ Note 11 Other financial expenses

	Group		Parent Company	
	2002	2001	2002	2001
Exchange rate differences	-19	-61	-16	-10
Bank charges ¹	-18	-17	-18	-15
Other ²	-13	-1	-13	–
Total	-50	-79	-47	-25

¹ Pertains to fees for confirmed credit limits
² Of which, hedging of employee stock option commitment

■ Note 12 Convertible participating note loan

In 1988 and 1989 AB Industrivärden raised a convertible participating note loan through the issuance of convertible participating notes (CPNs). According to the terms of the loan, it would mature in 2028 but could be canceled at an earlier date. As a result of a resolution by an Extraordinary General Meeting on October 25, 2001, the CPN loan was canceled for repayment on February 28, 2002, whereby 99.9% of the CPN loan was converted to stock. No CPN interest was paid for 2002. See page 8.

■ **Note 13 Tax on earnings for the year
and specification of deferred tax assets and deferred tax liabilities**

	Group		Parent Company	
	2002	2001	2002	2001
Current tax	-111	-142	-	-
Deferred tax	0	16	-	-
Total	-111	-126	-	-

In a ruling in 2002 the County Administrative Court raised Industrivärden's taxation for the fiscal years 1997–2000 with respect to the standard income reported for shares in subsidiaries. In total this ruling entails additional tax of SEK 71 M, including charges and interest, plus an additional SEK 9 M for fiscal 2001 in accordance with the decision by the tax authority. Industrivärden has followed the instructions issued by the National Tax Board for valuation of holding company shares in subsidiaries and has therefore appealed the ruling by the County Administrative Court as well as the tax authority's decision. Therefore, no tax liability has been booked.

Further, in a ruling issued in 2002, the County Administrative Court turned down the tax authority's request to apply the tax evasion act with respect to the questioned right to deduction for interest paid during the fiscal years 1995–1998 in holding companies owned by AB Industrivärden. The request pertained to interest expenses that have lowered the taxes in the holding companies by SEK 150 M. The tax authority has appealed the County Administrative Court's ruling.

Specification of the Group's tax rate

Special tax rules apply for holding companies. The most important of these are exemption from capital gains taxes on sales of stocks, and the right to deduct dividends rendered, however, with the addition of a standard-calculated income based on the market value of the stocks. For a more detailed discussion of the tax rules for holding companies, see page 69.

As a result of the dividends paid out by the Parent Company in 2001 and 2002, no tax charge has been incurred.

	Group	
	2002	2001
Percentage points		
Swedish corporate income tax rate	28	28
Effect on Group's tax rate of the Parent Company's non-payment of tax	-28	-21
Difference in tax rate in various operating countries	3	2
Amortization of goodwill	-1	-1
Other, net	0	1
Current tax rate for the Group	2	9

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

Specification of deferred tax assets

	Group	
	2002	2001
Internal profit and provision for obsolescence in inventories	5	39
Reserve for doubtful debts	1	8
Provision for guarantees	8	22
Provision for pensions and similar commitments	5	10
Tax-loss carryforward	-	23
Other deductible temporary differences	6	21
Total deferred tax assets	25	123

Specification of deferred tax liabilities

	Group	
	2002	2001
Real estate, machinery and equipment	42	49
Untaxed reserves	14	18
Other taxable temporary differences	3	12
Total deferred tax liabilities	59	79
Total deferred tax assets/liabilities, net¹	-34	44
Of which, deferred tax assets as per the balance sheet	9	81
Of which, deferred tax liabilities as per the balance sheet	-43	-37

¹ Net reporting has been done where possible.

■ Note 14 Intangible fixed assets

Group	Goodwill	Intangible rights	Total intangible assets
Opening acquisition value	428	31	459
Investments during the year	–	12	12
Company acquisitions	13	–	13
Sales and disposals	0	0	0
Company divestments	-18	0	-18
Translation differences	9	-1	8
Closing accumulated acquisition value	432	42	474
Opening amortization	184	23	207
Company acquisitions	–	–	–
Amortization for the year ¹	38	4	42
Sales and disposals	–	0	0
Company divestments	-9	0	-9
Translation differences	8	0	8
Closing accumulated amortization	221	27	248
Planned residual value, 12/31/2002	211	15^{2,3}	226
Planned residual value, 12/31/2001	244	8	252

¹ The amortization period for the goodwill acquired in connection with the acquisition of subsidiaries by Indutrade and Isaberg Rapid in 2001, totaling SEK 185 M, has been set at ten years in view of the fact that the acquired companies are judged to have a long-term strategic value.

² Of which, SEK 5 M in expenses carried forward for research and development, SEK 10 M for patents and licenses, and SEK 0 M for leaseholds.

³ Of which, SEK 10 M in acquired intangible rights.

■ Note 15 Tangible fixed assets

Group	Land and buildings	Plant	Equipment	Construction in progress	Total tangible fixed assets
Opening acquisition value	559	444	640	7	1,650
Investments during the year	8	24	62	34	128
Company acquisitions	–	–	1	–	1
Transfers from construction in progress	6	5	–	-11	–
Sales and disposals	0	-8	-65	–	-73
Company divestments	-114	–	-246	0	-360
Translation differences	-8	-5	-15	0	-28
Closing accumulated acquisition value	451	460	377	30	1,318
Opening depreciation	200	284	453	–	937
Depreciation for the year	15	36	57	–	108
Company acquisitions	–	–	0	–	0
Sales and disposals	0	-6	-47	–	-53
Company divestments	-36	–	-181	–	-217
Translation differences	-4	-2	-12	–	-18
Closing accumulated depreciation	175	312	270	–	757
Planned residual value, 12/31/2002	276	148	107	30	561
Planned residual value, 12/31/2001	359	160	187	7	713

The tax assessment value of Swedish real estate was SEK 194 M (207).

■ Note 16 Financial leases

Group	2002	2001
Acquisition value	27	28
Accumulated planned depreciation	-18	-15
Remaining liability	9	13
Of which, current liability (year 1)	3	3
Of which, long-term liability (years 2–5)	6	10

■ Note 17 Shares and participations

Parent Company holdings of shares in subsidiaries

	Reg. no	Domicile	Share of capital, %	Number of shares	Book value	
¹ Industrivärden – together with Custos and Skandia – issued a total of 942,000 call options to SCA's management group; Industrivärden accounted for 94,000 of these options. Each call option entitles the bearer to purchase one share of SCA Class B stock for SEK 283 during the period April 26, 2004 to May 28, 2004. The total book value of the underlying shares is SEK 4,590 K. The total value of the exercise price and expensed premium is SEK 28,482 K.	Gedevo AB	556032-3593	Stockholm	100	1,000	17
	Handus AB	556384-5428	Stockholm	100	1,000	1
	Indus Innovation AB	556364-7758	Stockholm	100	100,000	1
	Industrivärden Service AB	556289-9160	Stockholm	100	10,000	1
	Indutrade AB	556017-9367	Stockholm	100	25,000	277
	Indutrade Fastighets AB	556180-8428	Stockholm	100	2,950	39
	Isaberg Rapid AB	556035-6684	Hestra	100	400,000	133
	Nordinvest AB	556287-8826	Stockholm	100	42	5
	Other					1
	Total					475

² In 1999 Industrivärden issued 61,049 call options to members of SSAB's executive management. Each option entitles the bearer to purchase one share of SSAB Class A stock for SEK 151.50 during the period May 28, 1999 to May 28, 2004. The total book value of the underlying shares is SEK 3,155 K. The total value of the exercise price and expensed premium is SEK 10,006 K.

³ In 2000 Industrivärden issued a total of 28,950 call options to members of SSAB's executive management. Each option entitles the bearer to purchase one share of SSAB Class A stock for SEK 146 during the period May 25, 2000 to May 31, 2005. The total book value of the underlying shares is SEK 1,496 K. The total value of the exercise price and expensed premium is SEK 4,667 K.

⁴ In 2001 Industrivärden issued a total of 55,637 call options to members of SSAB's executive management. Each option entitles the bearer to purchase one share of SSAB Class A stock for SEK 141 during the period May 25, 2001 to May 31, 2006. The total book value of the underlying shares is SEK 2,875 K. The total value of the exercise price and expensed premium is SEK 8,524 K.

⁵ In 2002 Industrivärden issued a total of 32,590 call options to members of SSAB's executive management. Each option entitles the bearer to purchase one share of SSAB Class A stock for SEK 175 during the period May 25, 2002 to May 31, 2007. The total book value of the underlying shares is SEK 1,684 K. The total value of the exercise price and expensed premium is SEK 6,218 K.

⁶ At year-end 2002, no stocks were out on loan.

⁷ Of which, SEK 61 M pertains to investments made by Indus Innovation.

Parent Company and Group holdings of shares in listed companies

	Number of shares	Share of capital, %	Share of votes, %	Market value	Book value
Eniro	4,000,000	2.3	2.3	220	412
Ericsson A	186,000,000	2.5	27.7	1,600	1,763
Ericsson B	213,539,276			1,303	1,134
Handelsbanken A	48,655,900	6.8	7.4	5,644	1,835
Munters	200,000	0.8	0.8	39	37
Nokia	1,400,000	0.0	0.0	193	364
Pfizer Inc.	2,017,500	0.0	0.0	540	605
Readsoft B	1,345,000	4.1	2.8	6	64
Sandvik	21,000,000	8.0	8.0	4,085	3,937
SCA A ¹	16,982,000	8.1	28.1	4,984	829
SCA B	2,000,000			588	98
Scania A	1,824,500	1.5	1.8	303	562
Scania B	1,175,500			198	363
Skandia	48,846,800	4.6	4.6	1,133	2,764
Skanska A	22,302,756	8.0	31.6	1,137	1,053
Skanska B	11,000,000			561	577
SSAB A ²⁻⁵	12,065,600	12.0	15.6	1,243	624
Volvo A	1,260,000	0.4	0.8	171	267
Volvo B	540,000			77	118
Össur hf	52,000,000	15.8	15.8	304	275

Parent Company's and Group's

holdings of shares in listed companies⁶

24,329 **17,681**

Parent Company's and Group's holdings of shares and participations in other companies

	Reg. no	Domicile	Share of capital, %	Share of votes, %	Number of shares	Book value
Establish AB	556511-6083	Stockholm	20.0	20.0	2,353,762	15
Interpeak AB	556586-9517	Stockholm	20.9	20.9	382,715	14
Parent Company						29
Other shares and participations ⁷						65
Group						94

■ Note 18 Financial fixed assets

	Shares in subsidiaries		Shares in listed companies			
	Parent Company		Group		Parent Company	
	2002	2001	2002	2001	2002	2001
Opening acquisition value	672	457	17,328	18,026	17,328	17,939
Sales	-196	-	-1,734	-2,204	-1,734	-2,117
Purchases	-	-	2,087	1,506	2,087	1,506
Write-downs	-67	-10	-	-	-	-
Shareholder contribution	66	225	-	-	-	-
Closing accumulated acquisition value	475	672	17,681	17,328	17,681	17,328

	Shares and participations in other companies			
	Group		Parent Company	
	2002	2001	2002	2001
Opening acquisition value	293	259	220	235
Sales	-51	-	-51	-
Purchases	32	124	2	53
Transfers	-	-22	-	-
Write-downs	-180	-68	-142	-68
Closing accumulated acquisition value	94	293	29	220

	Other long-term receivables			
	Group ¹		Parent Company	
	2002	2001	2002	2001
Opening acquisition value	147	210	33	115
Company acquisitions	-	3	-	-
Company divestments	-106	-1	-	-
Increase for the year	10	41	-	18
Decrease for the year	-21	-108	-23	-100
Translation differences	0	2	-	-
Closing accumulated acquisition value	30	147	10	33

¹ Long-term receivables include SEK 9 M (81) in deferred tax assets.

■ Note 19 Inventories

Group	2002	2001
Raw materials and supplies	100	218
Goods in process	46	46
Finished products and goods for resale	590	704
Work in process on behalf of others	1	57
Advances to suppliers	0	2
Total	737	1,027

■ Note 20 Prepaid expenses and accrued income

	Group		Parent Company	
	2002	2001	2002	2001
Prepaid rents	5	9	1	2
Accrued interest income	7	20	7	20
Prepaid service and maintenance charges	8	26	1	3
Other items	29	42	6	4
Total	49	97	15	29

■ Note 21 Short-term investments

	Group		Parent Company	
	2002	2001	2002	2001
Asset management stocks in Nordinvest AB	61	-	-	-
Other short-term investments	1,707	309	1,706	299
Total	1,768	309	1,706	299

■ Note 22 Shareholders' equity

Group	Capital stock	Restricted reserves	Unrestricted shareholders' equity	Total shareholders' equity
Opening shareholders' equity according to adopted balance sheet of December 31, 2001	871	967	11,517	13,355
Dividend to shareholders	–	–	-1,458	-1,458
Conversion of CPNs	95	303	–	398
Transfers between unrestricted and restricted shareholders' equity	–	-5	5	–
Translation differences	–	0	-21	-21
Net earnings for the year	–	–	4,365	4,365
Amount at December 31, 2002	966	1,265	14,408	16,639
Opening shareholders' equity according to adopted balance sheet of December 31, 2000	859	928	11,715	13,502
Effect of new accounting principles	–	–	2	2
Opening shareholders' equity according to adjusted balance sheet	859	928	11,717	13,504
Dividend to shareholders	–	–	-1,442	-1,442
Conversion of CPNs	12	37	–	49
Transfers between unrestricted and restricted shareholders' equity	–	-4	4	–
Translation differences	–	6	15	21
Net earnings for the year	–	–	1,223	1,223
Amount at December 31, 2001	871	967	11,517	13,355

Parent Company	Capital stock	Share premium reserve	Statutory reserve	Unrestricted shareholders' equity	Total shareholders' equity
Amount at December 31, 2001	871	39	720	10,507	12,137
Dividend to shareholders	–	–	–	-1,458	-1,458
Conversion of CPNs	95	303	–	–	398
Net earnings for the year	–	–	–	4,518	4,518
Amount at December 31, 2002	966	342	720	13,567	15,595
Amount at December 31, 2000	859	2	720	10,499	12,080
Merger gains	–	–	–	421	421
Dividend to shareholders	–	–	–	-1,442	-1,442
Conversion of CPNs	12	37	–	–	49
Net earnings for the year	–	–	–	1,029	1,029
Amount at December 31, 2001	871	39	720	10,507	12,137

■ Note 23 Capital stock

The capital stock on December 31, 2002, consisted of 193,135,612 shares, with a par value of SEK 5 each. Of these, 134,273,702 were Class A shares and 58,861,910 were Class C shares. In 2002, 17,308,192 CPNs were converted to 19,038,581 shares, of which 8,351,755 were Class A shares and 10,686,826 were Class C shares. See also note 12.

■ Note 24 Provision for pensions

	Group		Parent Company	
	2002	2001	2002	2001
PRI pensions	95	128	11	10
Other pensions	54	76	35	34
Total	149	204	46	44

■ Note 25 Commitments to board members and presidents

The Group's provisions include SEK 51 M (59) for pensions and similar benefits for current and former board members and presidents of the Group. The corresponding amount for the Parent Company is SEK 29 M (28).

■ Note 26 Other provisions

Group	2002	2001
Guarantees	2	23
Restructuring measures decided on	2	9
Product liability	3	33
Other items	40	55
Total	47	120

■ Note 27 Long-term interest-bearing liabilities

	Group		Parent Company	
	2002	2001	2002	2001
Bond issues	1,157	2,003	1,157	2,003
Other interest-bearing liabilities	1,390	1,621	1,383	1,598
Total	2,547	3,624	2,540	3,601

Maturity dates:	Group		Parent Company	
	2002	2001	2002	2001
–2003	–	1,085	–	1,065
–2004	525	525	525	525
–2005	1,361	1,361	1,358	1,358
–2006	400	400	400	400
–2007	–	–	–	–
–2008 or later	261	253	257	253
Total	2,547	3,624	2,540	3,601

■ Note 28 Accrued expenses and deferred income

	Group		Parent Company	
	2002	2001	2002	2001
Accrued interest expenses	90	279	90	278
Accrued staff-related expenses	133	218	15	25
Other	152	226	51	104
Total	375	723	156	407

■ Note 29 Current interest-bearing liabilities

	Group		Parent Company	
	2002	2001	2002	2001
Utilized bank overdraft facility	25	44	–	–
Commercial paper	–	887	–	887
Bond issues	850	833	850	833
Current portion of long-term liabilities	12	4	–	–
Other interest-bearing liabilities	921	1,174	903	999
Total	1,808	2,942	1,753	2,719

Bank overdraft facilities for the Group amounted to SEK 1,045 M (1,243) and for the Parent Company to SEK 950 M (1,050).

■ Note 30 Pledged assets

	Group		Parent Company	
	2002	2001	2002	2001
For own liabilities and provisions				
Pertaining to provision for pensions				
Endowment insurance	4	5	4	5
Pertaining to interest-bearing liabilities				
Property mortgages	–	5	–	–
Total pertaining to own liabilities and provisions	4	10	4	5
For overdraft facilities				
Property mortgages	–	3	–	–
Total pertaining to overdraft facilities	–	3	–	–
General bank guarantee				
Chattel mortgages	8	18	–	–
Property mortgages	7	10	–	–
Total pertaining to general bank guarantee	15	28	–	–
Other				
Cash and cash equivalents	20	38	20	38
Chattel mortgages	1	1	–	–
Property mortgages	–	1	–	–
Total other	21	40	20	38
Total pledged assets	40	81	24	43

■ Note 31 Contingent liabilities

	Group		Parent Company	
	2002	2001	2002	2001
Contingent liabilities on behalf of other Group companies	–	–	4	4
Other contingent liabilities	6	2	0	0
Total contingent liabilities	6	2	4	4

The Parent Company has a contingent liability on behalf of a subsidiary regarding product liability for a sold operation. Provisions considered necessary for this contingent liability have been made in the balance sheets of the subsidiary and the Group.

■ Note 32 Associated company accounting according to the equity method

Accounting in accordance with the equity method pertains to the following companies:

	Reg. no	Domicile	Share-holders' equity	Net earnings after taxes	Share of capital, %	Share of votes, %	Number of shares, 000s	Book value
Ericsson	556016-0680	Stockholm	73,607	-19,013	2.5	27.7	399,539	2,897
SCA	556012-6293	Stockholm	47,983	5,693	8.1	28.1	18,982	927
Skanska	556000-4615	Stockholm	14,217	-837	8.0	31.6	33,303	1,630
Establish	556511-6083	Stockholm	50	-9	20.0	20.0	2,354	15
Interpeak	556586-9517	Stockholm	16	-5	20.9	20.9	383	14
Total								5,483

Industrivärden consolidated income statement

(according to the equity method)

	2002	2001
PORTFOLIO MANAGEMENT		
Dividend income from stocks	569	561
Result of sales of listed stocks	1,480	465
Result of sales of other stocks	2,303	-1
Share of associated company earnings	-129	-124
Result of sales of associated companies	32	208
Other income and expenses	-73	-13
Earnings from portfolio management	4,182	1,096
OPERATING COMPANIES		
Net sales	4,915	5,981
Cost of goods sold	-3,261	-3,999
Development costs	-46	-63
Selling costs	-961	-1,023
Administrative costs	-347	-438
Other operating income and expenses	0	27
Earnings from operating companies	300	485
Management costs	-85	-115
Operating earnings	4,397	1,466
Interest income	75	48
Interest expenses (excl. CPN interest)	-289	-385
Other financial income	28	7
Other financial expenses	-50	-79
Earnings after financial items	4,161	1,057
CPN interest	-	-161
Earnings before taxes	4,161	896
Tax on earnings for the year	-260	-191
Net earnings for the year	3,901	705

Industrivärden Consolidated Balance Sheet

(According to the equity method)

	12/31/2002	12/31/2001
ASSETS		
Intangible fixed assets	226	252
Tangible fixed assets	561	713
Shares in listed companies	12,227	13,121
Shares in listed associated companies	7,551	7,445
Shares and participations in other companies	65	103
Shares in unlisted associated companies	22	166
Long-term receivables	30	147
Total financial fixed assets	19,895	20,982
Total fixed assets	20,682	21,947
Inventories	737	1,027
Accounts receivable, trade	585	1,100
Other current assets	134	214
Cash and cash equivalents	2,127	1,034
TOTAL ASSETS	24,265	25,322
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	18,729	16,569
Minority shares	1	0
Convertible participating note loan	-	398
Provisions	239	361
Long-term interest-bearing liabilities	2,547	3,624
Long-term noninterest-bearing liabilities	9	12
Current noninterest-bearing liabilities	932	1,416
Current interest-bearing liabilities	1,808	2,942
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	24,265	25,322

Change in shareholders' equity

	Capital stock	Restricted reserves	Equity method reserve	Unrestricted reserves	Net earnings for the year	Total shareholders' equity
Amount at December 31, 2002 according to the acquisition value method	966	1,265	-	10,043	4,365	16,639
Provision to equity method reserve through December 31, 2001	-	-	3,214	-	-	3,214
Share during the year in:						
Associated company earnings	-	-	-	-64	64	-
Goodwill amortization	-	-	-	134	-134	-
Associated company taxes	-	-	-	149	-149	-
Dividends received (deduction)	-	-	-	251	-251	-
Adjustment of capital gains/losses	-	-	-	-6	6	-
Provision to equity method reserve	-	-	-253	-871	-	-1,124
Amount at December 31, 2002 according to the equity method	966	1,265	2,961	9,636	3,901	18,729
	Capital stock	Restricted reserves	Equity method reserve	Unrestricted reserves	Net earnings for the year	Total shareholders' equity
Amount at December 31, 2001 according to the acquisition value method	871	967	-	10,294	1,223	13,355
Provision to equity method reserve through December 31, 2000	-	-	3,414	-	-	3,414
Share during the year in:						
Associated company earnings	-	-	-	-4	4	-
Goodwill amortization	-	-	-	128	-128	-
Associated company taxes	-	-	-	65	-65	-
Dividends received (deduction)	-	-	-	357	-357	-
Adjustment of capital gains/losses	-	-	-	-28	28	-
Provision to equity method reserve	-	-	-200	-	-	-200
Amount at December 31, 2001 according to the equity method	871	967	3,214	10,812	705	16,569

Auditors' 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 2002. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts, and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, 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 or whether they have in any other way acted in contravention of the Companies Act, the Annual Accounts Act, or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the administration report, and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, Sweden, February 12, 2003

Öhrlings PricewaterhouseCoopers AB

INGVAR PRAMHÄLL
Authorized Public Accountant

Governing Bodies and Management

INDUSTRIVÄRDEN'S GOVERNING BODIES are the General Meeting, the Board of Directors, the President and CEO, and the auditors. At the Annual General Meeting the shareholders elect a board, which appoints the President and CEO. The auditors are responsible, under assignment of the Annual General Meeting, for examining the accounts as well as the Board's and President's administration during the fiscal year. The auditors report to the Annual General Meeting on their examination in a special audit report, presented here on page 65.

General Meeting

The General Meeting is Industrivärden's highest governing body. At the Annual General Meeting, which is held within six months after the end of the fiscal year, the Annual Report is adopted, the dividend is decided on, the Board of Directors and auditors (where applicable) are elected, their fees are determined, and other items of legally ordained business are conducted.

The notice for the Annual General Meeting on April 2, 2003, was published in Swedish daily newspapers and on Industrivärden's website on March 4, 2003. This notice contains a detailed agenda, including proposals for the election of board members and for the fees to be paid to the board and auditors.

According to the Swedish Companies Act, shareholders have the right to have a matter taken up for consideration by the Annual General Meeting if a request for such is submitted to the Board of Directors in time. Shareholders also have the right to ask questions at the Annual General Meeting.

Minutes from the Annual General Meeting will be on hand at the Company within two weeks after the Annual General Meeting. Shareholders who so desire can request a copy of the minutes by post or e-mail.

Board of Directors

Industrivärden's board of directors currently consists of eight members who are elected by the Annual General Meeting. Among these directors are persons with ties to Industrivärden's major shareholders as well as persons independent of the shareholders. The President and CEO is also a member of the Board. The members of the Board are presented on page 72. Other Company executives participate in board meetings by submitting reports or as secretaries.

Duties of the Board

Aside from responsibility for the Company's organization and management, the Board's most important duty is to act on strategic matters based on an analysis of the operating environment.

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

- setting the Board's work plan
- strategic plans and business and profitability targets
- purchases and sales of companies or operations
- major purchases and sales of listed stocks

Board Meetings

In addition to the statutory board meeting, which is held directly after the Annual General Meeting, the Board normally meets five times a year (regular meetings). Extra meetings are held if required by special circumstances.

Regular Items of Business at Board Meetings

At the statutory meeting the Chairman and Vice Chairman are elected, the Board's work plan is adopted, and decisions are made on the Company's signatories, persons to check the minutes of Board meetings, and apportionment of directors' fees.

At the regular meeting at the beginning of the year, the Board deals with the year-end accounts, the Board of Directors' report, the proposed distribution of earnings and the year-end report. In connection with this, the Company's Chief Auditor presents a report of the auditors' observations and remarks.

At regular meetings later in the year, the Board approves and releases the Company's interim reports, or delegates this task to the CEO. At the last meeting of the year, a plan for the coming year is presented.

At every regular meeting a report is presented on the current financial result of operations and the performance of the equities portfolio. In addition, ordinarily a special review is conducted of one or more of the holdings. As a rule, each year a meeting is held at one of the companies in which Industrivärden has holdings, with a company visit in conjunction therewith.

Important Matters During the 2002 Fiscal Year

In 2002 the Board held a total of six meetings, in addition to the statutory meeting, of which five were regular meetings and one an extra meeting. Aside from strategic planning, the largest single items of business in 2002 concerned the sale and purchase of stock in listed and unlisted companies. In addition, the Board resolved to issue a guarantee to subscribe for SEK 3.0 billion in stock in Ericsson's rights issue, of which SEK 0.7 billion corresponded to Industrivärden's existing shareholding, while an additional maximum of SEK 2.3 billion was guaranteed in the event the issue was not fully subscribed. The issue was oversubscribed by 37%, and thus the guarantee did not need to be utilized.

Committees

The Board has appointed a *compensation committee* to submit for the Board's approval a proposal for the salary and remuneration of the President & CEO and executive management.

The 2002 Annual General Meeting resolved to authorize the Chairman of the Board to form a *nominating committee* for the election of Board members. To form this committee the Chairman was authorized to appoint, in addition to himself, four members from among the shareholder representatives, who are not members of Industrivärden's board.

The nominating committee members are listed on page 73.

The Chairman's Role

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

The President & CEO

The President & CEO is responsible for the Company's day-to-day management, which includes all matters not reserved for the Board. The CEO's authorization to decide on investments and purchases and sales of listed stocks – and concerning financing matters – is subject to rules established by the Board of Directors.

The Chairman, the CEO and four other board members are each directors of one or more of the companies in which Industrivärden is a major owner and has a significant influence. In consultation with the CEO, the directors nominated by Industrivärden act on various matters in accordance with the Company's principles of active ownership. See also the section "Active Ownership and Professional Investment Operation," pages 10–12.

In addition, Industrivärden's CEO and chief financial officer hold chairman positions in the wholly owned subsidiaries.

Organization and Employees

INDUSTRIVÄRDEN'S EXECUTIVE MANAGEMENT includes the President and CEO, the Executive Vice President and Chief Financial Officer, the Head of New Investments and the General Counsel.

The Investment and Ownership unit includes eight persons, the Accounting, Control and Finance unit six persons, the Legal Affairs unit one person, the Information and IT unit three persons, and other support functions three persons. The total number of employees is 23.

The Investment and Ownership staff participate on investment teams and assist Industrivärden's board and management team with analyses and decision-making documentation for the various holdings. Each investment team is headed by an investment head. The work on continuously contributing to the development of the holdings and thus to value creation makes up the core of Industrivärden's active ownership initiatives. In addition to the work with the existing holdings, new investment projects and possible exits are evaluated on a continuous basis. See also pages 10–12.

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

The Legal Affairs unit handles the Group's legal matters. The General Counsel also serves as company secretary.

The Information and IT unit is responsible for investor contacts, coordination of information and the Parent Company's IT systems.

Industrivärden's organization is characterized by flexibility and short decision-making channels. Work is project-oriented. The investment activities as well as ownership activities are based on analyses conducted from both company-specific and stock market perspectives. Industrivärden has the necessary resources at its disposal to conduct professional investment activities and high-quality active ownership. Industrivärden also has an extensive network of expertise.

Industrivärden's Organization



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 points concerning taxation of holding companies are:

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

Proposal for Change of Capital Gains Tax

In a Legislative Council draft in December 2002, the government has proposed the elimination of capital gains tax on so-called business-related shares. By business-related shares is meant unlisted stocks or listed stocks in which the holding corresponds to at least 10% of the number of votes.

It has been proposed that the rules for calculating the standard level of income for holding companies be adapted so that business-related shares are not included in the calculation data.

The government has announced that a bill on the change of the capital gains tax will be submitted to the Swedish parliament in spring 2003, so that the new rules for holding companies can be applied with effect from the 2004 fiscal year.

Industrivärden in Summary – SEK

	2002	2001	2000	1999	1998
Key ratios (SEK per share)					
Net asset value	126	204	280	298	160
Visible shareholders' equity	86	71	72	73	55
Adjusted shareholders' equity	121	191	263	282	147
Earnings per share after full tax	22.60	7.17	6.32	23.37	10.56
Cash flow per share	5.67	2.84	-3.55	-0.18	4.74
Stock price, December 31					
Class A shares	100	165	205	185	109
Class C shares	91	152	193	177	102
Dividend	5.80 ¹	8.35	8.40	6.20	4.50
Dividend growth, % per year	-31	-1	35	38	20
Dividend yield, %	5.8	5.1	4.1	3.4	4.1
Total return, %	-36	-16	14	76	1
Key ratios (SEK M)					
Net asset value	24,415	39,413	54,081	57,027	30,597
Change in net asset value, %	-38	-27	-5	86	7
Visible shareholders' equity	16,640	13,753	13,951	13,973	10,422
Adjusted shareholders' equity	23,288	36,960	50,886	53,935	28,171
Visible equity ratio, %	75	62	65	73	64
Adjusted equity ratio, %	81	82	87	91	83
Net debt-equity ratio, %	7	11	9	3	9
Capital expenditures	128	130	130	105	157
Average number of employees	3,232	4,004	2,947	2,916	3,428
of whom, outside Sweden	2,060	2,640	1,749	1,744	1,797
Income statements (SEK M)					
Dividend income from stocks	820	918	839	787	1,076
Result of sales of listed stocks	1,480	713	456	3,535	974
Result of sales of other stocks	2,270	-69	-90	100	29
Earnings from equities management	4,497	1,549	1,219	4,422	2,079
Earnings from operating companies	300	485	499	396	343
Operating earnings	4,712	1,919	1,623	4,747	2,355
Earnings after financial items	4,476	1,510	1,364	4,603	2,148
Earnings before taxes	4,476	1,349	1,172	4,469	2,047
Net earnings for the year	4,365	1,223	1,029	4,334	1,918
Balance sheets (SEK M)					
Fixed assets	18,592	18,733	19,166	16,460	13,260
Current assets	3,583	3,375	2,308	2,758	2,913
Total assets	22,175	22,108	21,474	19,218	16,173
Shareholders' equity	16,640	13,355	13,502	13,525	9,974
CPN loan	–	398	447	448	448
Provision for pensions	149	204	172	158	132
Interest-bearing liabilities	4,355	6,566	6,064	3,925	4,418
Noninterest-bearing liabilities	1,031	1,585	1,289	1,162	1,201

¹ Proposed by the Board of Directors.

Industrivärden in Summary – Euros¹

	2002	2001	2000	1999	1998
Key ratios (EUR per share)					
Net asset value	13.76	21.77	31.64	34.81	16.86
Visible shareholders' equity	9.39	7.58	8.14	8.53	5.80
Adjusted shareholders' equity	13.21	20.38	29.72	32.94	15.49
Earnings per share after full tax	2.47	0.77	0.71	2.73	1.11
Cash flow per share	0.62	0.30	-0.40	-0.02	0.50
Stock price, December 31					
Class A shares	10.92	17.61	23.16	21.61	11.49
Class C shares	9.93	16.22	21.81	20.68	10.75
Dividend	0.63²	0.89	0.95	0.72	0.47
Dividend growth, % per year	-31	-1	35	38	20
Dividend yield, %	5.8	5.1	4.1	3.4	4.1
Total return, %	-36	-16	14	76	1

Key ratios (EUR M)					
Net asset value	2,665	4,206	6,111	6,662	3,224
Change in net asset value, %	-38	-27	-5	86	7
Visible shareholders' equity	1,817	1,468	1,577	1,632	1,098
Adjusted shareholders' equity	2,542	3,945	5,750	6,301	2,968
Visible equity ratio, %	75	62	65	73	64
Adjusted equity ratio, %	81	82	87	91	83
Net debt-equity ratio, %	7	11	9	3	9
Capital expenditures	14	14	15	12	17
Average number of employees	3,232	4,004	2,947	2,916	3,428
of whom, outside Sweden	2,060	2,640	1,749	1,744	1,797

Income statements (EUR M)					
Dividend income from stocks	90	98	95	92	113
Result of sales of listed stocks	162	76	53	413	103
Result of sales of other stocks	248	-7	-10	12	3
Earnings from equities management	491	165	138	517	219
Earnings from operating companies	33	52	56	46	36
Operating earnings	514	205	183	555	248
Earnings after financial items	489	161	154	538	226
Earnings before taxes	489	144	132	522	216
Net earnings for the year	477	131	116	506	202

Balance sheets (EUR M)					
Fixed assets	2,030	1,999	2,165	1,923	1,397
Current assets	391	360	261	322	307
Total assets	2,421	2,359	2,426	2,245	1,704
Shareholders' equity	1,817	1,425	1,526	1,580	1,051
CPN loan	-	42	50	52	47
Provision for pensions	16	22	19	18	14
Interest-bearing liabilities	475	701	685	459	466
Noninterest-bearing liabilities	113	169	146	136	127

¹ All values for the years 1998 have been recalculated from Swedish kronor to euros using the year-end exchange rate of 9.49 as per December 31, 1998. For 1999 a year-end exchange rate of 8.56 has been used, for 2000 a year-end rate of 8.85 has been used, for 2001 a year-end rate of 9.37 has been used, and for 2002 a year-end rate of 9.16 has been used.

² Proposed by the Board of Directors.

Board of Directors, Corporate Management and Auditors

Board of Directors



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



Boel Flodgren, LL.D. Honorary Doctor of Economics. Professor, b. 1942, Lund. Director since 2002. Chairman of Sparbanken Finn. Director of Skandia, the Volvo Foundation for Education, the Volvo Foundation for Research, the Pehr G Gyllenhammar Research Foundation, the Foundation for Industrial Environmental Economics at Lund University, the Ruben Rausing Foundation for Research on Entrepreneurship and Innovation, the Albert Pålsson Foundation for Research and Charity, the Swedish-Japanese Foundation and the University of Oslo.



Finn Johnsson, MBA, b.1946, Gothenburg. Director since 2000. President and CEO of Mölnlycke Health Care. Chairman of Wilson Logistics Holding, Svenska Handelsbanken Western Sweden Region and Thomas Concrete Group. Director of Volvo and Skanska. Shareholding: 2,000



Sverker Martin-Löf, Doctor of Technology, b.1943, Stockholm. Vice Chairman of the Board. Director since 2002. Chairman of SCA and Skanska. Director of Ericsson, Svenska Handelsbanken and Boliden. Shareholding: 7,000



Arne Mårtensson, MBA, b.1951, Djursholm. Director since 2002. Chairman of Svenska Handelsbanken. Director of Holmen, Sandvik, Skanska, Vin & Sprit, Swedish ICC, the Industry and Commerce Stock Exchange Committee, and the International Business Council of the World Economic Forum. Chairman of the Stockholm School of Economics Advisory Board.



Lennart Nilsson, M. Eng., Honorary Doctor of Economics, b.1941, Lund. Director since 1997. Chairman of Lund University and the Association of Swedish Engineering Industries. Vice Chairman of Cardo. Director of the Crafoordska Foundation, AMF Pension and Confederation of Swedish Enterprise. Shareholding: 3,000



Anders Nyrén, MBA, U.S. MBA, b.1954, Bromma. President and Chief Executive Officer of Industrivärden. Director since 2001. Director of Svenska Handelsbanken, Sandvik, SCA, Skanska and Ernströmgruppen. Shareholding: 16,875 Employee stock options: 30,000



Clas Reuterskiöld, MBA, b.1939, Stocksund. Director since 1994. Director of Skandia and SSAB, among other companies. Shareholding: 51,020 Stock options: 50,000

Executive Management



Anders Nyrén, b.1954.
President and Chief Executive Officer. Industrivärden employee since 2001.
Shareholding: 16,875
Employee stock options: 30,000



Carl-Olof By, b.1945.
Executive Vice President and Chief Financial Officer. Industrivärden employee since 1990.
Shareholding: 10,000
Stock options: 50,000
Employee stock options: 20,000



Bengt Kjell, b.1954.
Head of New Investments. Industrivärden employee since 2002.
Shareholding: 3,000
Employee stock options: 20,000



Thomas Nordvall, b.1944.
General Counsel and Company Secretary. Industrivärden employee since 1992.
Shareholding: 4,000
Stock options: 17,000
Employee stock options: 10,000

Senior Executives

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

Stefan Sundblom, b. 1962.
Head of Research.
Industrivärden employee since 2001.
Shareholding: 3,000
Employee stock options: 15,000

Sverker Sivall, b.1970.
Head of Investor Relations.
Industrivärden employee since 1997.
Stock options: 8,000
Employee stock options: 5,000

Committees

Compensation committee to decide the salaries, benefits and pensions for the CEO and Executive Management: Tom Hedelius and Sverker Martin-Löf.

Nominating committee for election of the Board of Directors: Tom Hedelius, Chairman, Christer Elmehagen (AMF Pension), Thomas Halvorsen (Fourth National Swedish Pension Fund), Curt Källströmer (Handelsbanken), and Fredrik Lundberg (L E Lundbergföretagen).

Auditors

Öhrlings Pricewaterhouse-Coopers AB

Chief Auditor:
Ingvar Pramhäll,
Authorized Public Accountant,
b.1942, Stockholm.

Market Communication

INDUSTRIVÄRDEN AIMS TO meet high demands on its communication with shareholders and the stock market in general. Information to the market must maintain a high standard of quality and be made quickly available to all interested parties. Through a close dialog with market participants we act continuously to develop and improve our communication. Following is a recent sampling of independent assessments from some of our information channels:

Swedish Shareholders' Association's assessment of the half-year interim reports of listed Swedish companies in 2002 (2001):

■ Ranked 2 (7) of 350 (335) surveyed companies, which was the best company on the most actively traded issues list.

Swedish Shareholders' Association's assessment of annual reports of listed Swedish companies in 2002 (2001):

■ Ranked 2 (2) of 13 (14) holding companies.

Dagens Industri's competition of the best information practices of listed companies in 2002 (2001):

■ Ranked 21 (36) of 300 (300) surveyed companies, and ranked 2 (3) of 14 (14) holding companies.

Hallvarsson & Halvarsson's assessment of listed companies' websites in 2002 (2001):

■ Ranked 6 (3) of 151 (334) surveyed Swedish companies, and ranked 6 of 483 of surveyed European companies.

Publication Dates 2003

Interim reports will be published on the following dates in 2003:

■ May 5 for the period January–March

■ August 6 for the period January–June

■ October 31 for the period January–September

Information Channels

Publications

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

■ by post from AB Industrivärden (publ), Box 5403, SE-114 84 Stockholm, Sweden

■ by phone, at +46-8-666 64 00

■ by fax, at +46-8-661 46 28

■ by e-mail at: info@industrivarden.se

Industrivärden Online

Industrivärden's website, www.Industrivarden.net, is a vital complement to our other information channels. It presents current information about the Company and the major shareholdings, including the latest stock prices and press releases. 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 the interactive analysis tools to help them conduct their own analyses of Industrivärden's stock and of Industrivärden's major shareholdings. The website also includes an extensive description of Industrivärden as a company and equity investment.

Press Release "Direct"

Anyone with online access can subscribe to Industrivärden's press releases simply by registering their e-mail address at www.Industrivarden.net or www.waymaker.se. In connection with the publication of press releases, subscribers will be sent an e-mail containing the press release in question.

Investor Contact

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

Investor Activities

Industrivärden participates regularly in various investor meetings and also conducts exclusive presentations to inform about the Company and its stock. Requests for company presentations are always welcome.

Selection of Analysts Who Monitor Industrivärden

ABG Sundal Collier	Fredrik Grevelius	+46 8 56 62 86 00
Alfred Berg Fondkommission	Jacob Wall	+46 8 723 58 00
Carnegie Fondkommission	Johan Sjöberg	+46 8 676 88 00
	Leemon Wu	+46 8 676 88 00
C A I Cheuvreux Nordic	Tomas Ramsälv	+46 8 796 69 00
Enskilda Securities	Andreas Joelsson	+46 8 52 22 95 00
Hagströmer & Qviberg Fondkommission	Johan Broström	+46 8 696 18 00
Handelsbanken Markets	Henrik Kronqvist	+46 8 701 10 00
J P Nordiska	Håkan Persson	+46 8 791 35 00
Nordea Securities	Stefan Andersson	+46 8 407 90 00
Swedbank Fondkommission	Christian Brunlid	+46 8 58 59 20 00

International Corporate Credit Rating and Rating of Commercial Paper Program

Standard & Poor's AB	Peter Tuving	+46 8 440 59 00
----------------------	--------------	-----------------

Glossary and Definitions

Adjusted equity ratio Visible shareholders' equity plus the surplus value of listed stocks, in relation to total assets and surplus values of listed stocks.

Adjusted shareholders' equity Visible shareholders' equity plus surplus values of listed stocks.

Capital expenditures Investments in tangible fixed assets, i.e., buildings, land, plant and equipment.

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

Dividend yield Dividend per share in relation to the price of Class A shares as per December 31.

Earnings per share Earnings after tax divided by the number of shares after full dilution. The tax cost is charged to the Group's earnings after financial items, adjusted for tax-exempt capital gains on sales of stocks, tax-deductible dividends paid, and the standard earnings value that applies at any given time in accordance with the tax rules for holding companies. Full tax is equal to reported tax.

Goodwill If the acquisition value of shares in a subsidiary exceeds the value of the acquired shareholders' equity, the difference is reported as goodwill in the consolidated balance sheet. Goodwill is amortized over a period of five to ten years.

Hedging To reduce exposure to currencies in a corporate group, shareholders' equity in foreign subsidiaries is "hedged" by taking up loans or forward contracts in foreign currencies. Foreign exchange differences on these loans can be used to offset translation differences in the foreign subsidiaries' shareholders' equity.

Net asset value The net book value of assets and liabilities including surplus values of listed and unlisted stocks.

Net debt-equity ratio Interest-bearing net debt from a portfolio perspective in relation to the market value of the equities portfolio.

Net debt from a portfolio perspective Interest-bearing net debt without taking into account interest-bearing liabilities of subsidiaries.

P/E multiple A common way of measuring how a stock is valued is to measure its price per share in relation to anticipated earnings per share. P/E multiples vary from sector to sector, depending on the anticipated level of volume and earnings growth.

Return on capital employed Operating earnings and interest income, in relation to average interest-bearing liabilities and provisions, and visible shareholders' equity.

Surplus value The difference between the market value and book value of listed stocks, and between the calculated value and book value of unlisted stocks.

Total return The return of Class A shares, defined as the change in the share price plus reinvested dividends.

Visible equity ratio Visible shareholders' equity in relation to total assets.

Visible shareholders' equity Reported shareholders' equity, minority shares and CPN loans (through 2001).



Text: Industrivärden
Design and production: Wildeco
English translation: Joseph Brennan AB
Photos: Q Image AB
Printing: Jernströms 2003
Paper: Arctic Silk and Lessebo Linné



Annual General Meeting

Time and place

The Annual General Meeting will be held at 2 p.m. on Wednesday, April 2, 2003, at the Grand Hôtel, Vinterträdgården (entrance at the corner of Stallgatan/Blasieholmsgatan), in Stockholm. The doors will open at 1 p.m., and registration will take place until 2 p.m., at which time the doors will be closed. Coffee will be served before the Meeting.

Who is entitled to participate?

To be entitled to participate in the Annual General Meeting, shareholders must be listed on the printout of the shareholder register on March 23, 2003, and give notice of their intention to participate in the Meeting no later than 3 p.m. on Monday, March 31, 2003.

How to become registered in the shareholder register?

Shares are registered in the shareholder register maintained by VPC AB in the name of either the owner or the owner's nominee. Shareholders who have not arranged to have their shares registered in the nominee's name are registered in their own names. Shareholders whose shares are managed by a third party may have chosen to have their shares registered in the nominee's name. In order to be able to participate in the Meeting, such shareholders who own nominee-registered shares must request in advance that their shares be temporarily registered in their own names as per March 23, 2003.

Notice of attendance

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

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

Notice of attendance must be received by the Company not later than 3 p.m. on Monday, March 31, 2003.

Proxies

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

Dividend

The dividend for 2002 will be paid to shareholders who are recorded in the shareholder register on the record date. The Board of Directors proposes April 7, 2003, as the record date. Provided that the Annual General Meeting approves the Board's proposal, dividend payments are expected to be made via VPC on April 10, 2003.



AB Industrivärden (publ)

Reg.no. 556043-4200

Box 5403, SE-114 84 Stockholm, Sweden

Phone +46-8-666 64 00

Fax +46-8-661 46 28

www.industrivarden.net

info@industrivarden.se