

# Interim report

## January 1–September 30, 2011

- Net asset value on September 30 was SEK 91 per share, compared with SEK 149 at the beginning of the year.
- The value of the equities portfolio was SEK 52.2 billion on September 30, compared with SEK 71.1 billion at the beginning of the year.
- The total return was -34% for the Class A shares and -36% for the Class C shares during the first nine months of the year, compared with -20% for the return index.
- Net income for the first nine months of the year was SEK -20.2 billion (8.4), or SEK -52.33 per share (21.67).
- During the first nine months of the year, Industrivärden purchased shares in portfolio companies for a total of SEK 4.7 billion, net, of which purchases in Volvo amounted to SEK 2.9 billion, in which the share of votes is now 14.7%.

*“We now have roughly 15% of the votes in Volvo, which clearly illustrates our ambitions as a long-term active owner in a quality company with considerable value potential.”, comments CEO Anders Nyrén.*

Net asset value	Sept. 30, 2011	June 30, 2011	Dec. 31, 2010
Equities portfolio, SEK billion	52.2	67.9	71.1
Interest-bearing net debt, SEK billion	-17.2	-15.9	-13.4
Net asset value, SEK billion	35.0	52.0	57.7
Net asset value per share, SEK	91	135	149
Net asset value per share after full conversion, SEK	95	132	144

Total return	9 months	5 years	10 years	15 years
Class A shares (yearly average)	-34%	-3%	6%	10%
Class C shares (yearly average)	-36%	-3%	6%	10%
Benchmark index (SIXRX)	-20%	1%	7%	9%
Comparative return for Class C shares, percentage points	-16%	-4%	-1%	1%

### ► Long-term industrial developer of listed Nordic companies

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



## CEO's message

As I noted in the half-year report, the past quarter was overshadowed by the financial crisis in the euro zone – a crisis that is growing increasingly serious in lack of European political leadership that deal with the problems that have arisen. At the time of this report's release there are signs that this insight is finally taking root. This is important, since what happens in Europe will have consequences for the entire global economy. It should be kept in mind, however, that the world economy is projected to grow by 3.6% this year, despite the sharp downward adjustments of growth in the U.S. and Europe.

At the same time, I want to take this opportunity to note that the performance of our portfolio companies continues to be stable, even though there are signs of a slowing in the rate of growth, which is illustrated by falling commodity prices, among other things. The companies have the preparedness to parry a possibly adverse development.

During the third quarter we invested a further SEK 1.3 billion in Volvo, bringing our total investment in 2011 to

approximately SEK 2.9 billion. We now have roughly 15% of the votes in Volvo, which clearly illustrates our ambitions as a long-term active owner in a quality company with considerable value potential.

In addition to our investment in Volvo, we have mainly increased our holding in Handelsbanken, by SEK 1.1 billion, and in Sandvik, by SEK 0.7 billion. During the first nine months of the year, we have made net purchases of stocks for SEK 4.7 billion, of which SEK 1.2 billion during the third quarter.

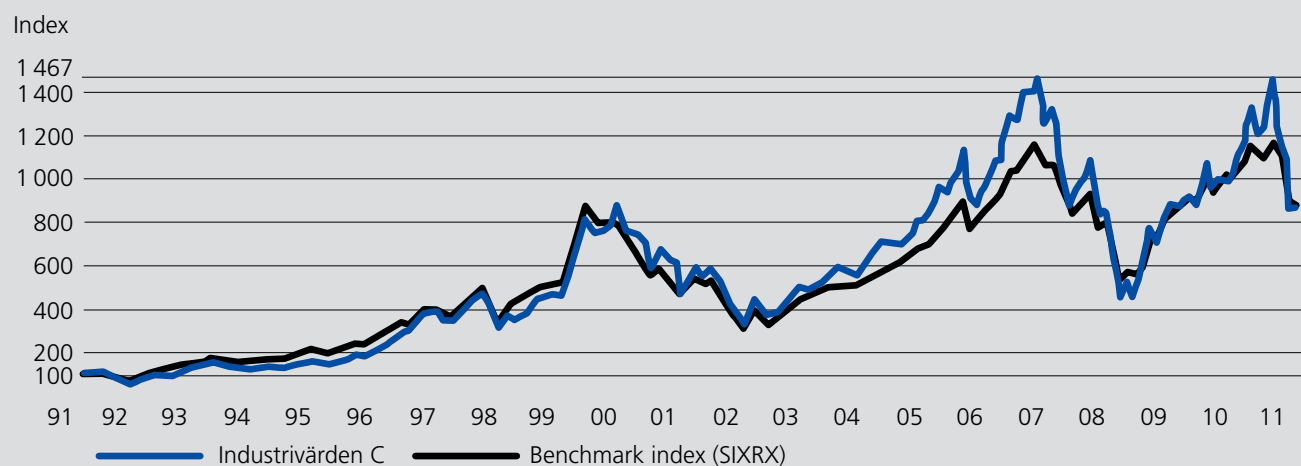
The net purchases during the year have been financed by the latter of the two convertible loans that we issued in 2010 and 2011 at favorable terms. In addition to the convertible loans, Industrivärden's total financing is made up of bank loans and MTN/commercial paper programs. The loans are not coupled to any covenants, and have an average duration of approximately 3.5 years. The dividends we received during the spring from our portfolio companies were together more than four times greater than our annual interest expense.

Net asset value decreased as a result of the sharp drop in value in the stock market in August, to SEK 35.0 billion. This corresponds to a decrease of 37% during the first nine months of the year including reinvested dividends. The total return index decreased by 20% during the same period. The total return for the Class A and C shares was -34% and -36%, respectively.

Short-term trading generated a profit of SEK 98 M (98), which exceeded our costs of SEK 76 M (67) during the nine-month period.

*Anders Nyrén*

### Total return for the Industrivärden stock



## Net asset value

Net asset value on September 30, 2011, was SEK 35.0 billion, a decrease of SEK 22.7 billion for the year to date. Net asset value per share decreased by SEK 58 to SEK 91, or by 37% including reinvested dividends. During the same period, the total return index (SIXRX) decreased by 20%.

### Equities portfolio

During the first nine months 2011, the value of the equities portfolio, adjusted for purchases and sales, decreased by SEK 23.6 billion to SEK 52.2 billion. The total return for the portfolio during the same period was -30%, compared with -20% for the total return index (SIXRX).

Portfolio companies	September 30, 2011					December 31, 2010			
	No. of shares	Ownership in company		Share of portfolio value, %	Market value		Market value		
		Capital, %	Votes, %		SEK M	SEK/share	SEK M	SEK/share	
Handelsbanken A	69,810,927	11.2	11.4	23	12,294	32	14,015	36	
Sandvik	144,577,252	12.2	12.2	22	11,566	30	18,150	47	
Volvo A	118,586,118	5.8	14.7	16	8,438	22	10,713	28	
Volvo B	4,182,739								
SCA A	43,100,000	10.0	29.1	11	5,920	15	7,487	19	
SCA B	27,700,000								
Ericsson B	77,680,600	2.4	13.8	10	5,046	13	5,748	15	
SSAB A	56,105,972	17.6	22.6	6	2,924	8	6,347	17	
SSAB B	754,985								
Skanska A	12,659,940	7.0	23.9	5	2,825	7	4,280	11	
Skanska B	16,797,306								
Indutrade	14,727,800	36.8	36.8	5	2,423	6	3,417	9	
Höganäs B	4,408,046	12.6	10.0	2	813	2	934	2	
<b>Equities portfolio</b>				<b>100</b>	<b>52,249</b>	<b>135</b>	<b>71,092</b>	<b>184</b>	
<b>Interest-bearing net debt</b>					<b>17,221</b>	<b>-44</b>	<b>13,401</b>	<b>-35</b>	
<b>Net asset value</b>					<b>35,028</b>	<b>91</b>	<b>57,691</b>	<b>149</b>	
Debt-equity ratio						33%		19%	
<b>Net asset value after full conversion</b>						<b>95</b>		<b>144</b>	
Debt-equity ratio after full conversion						16%		13%	

Market value pertains to Industrivärden's share of the respective portfolio companies' total market capitalization.

### Net debt

Interest-bearing net debt totaled SEK 17.2 billion at September 30, 2011. The debt-equity ratio was 33%, and the equity ratio was 66% (78%). After full conversion of outstanding convertible loans, corresponding to SEK 8.8 billion, the debt-equity ratio was 16%.

The convertible loans are hedged, entailing that translation effects do not affect net asset value.

At the end of September, interest-bearing liabilities had an average duration of approximately 3.5 years and carried an average interest rate of 3.5%.

None of the Group's borrowings are dependent on a certain credit rating or actual debt-equity ratio.

### Convertible bond issues

In January 2011 Industrivärden issued six-year convertible bonds worth EUR 550 M. The conversion price is SEK 162/share at a fixed euro exchange rate of SEK 8.8803, representing a premium of 35% and an annual coupon of 1.875%.

## Total return

Industrivärden's ownership has contributed to competitive growth in value for the portfolio companies. Industrivärden's stock has been a good long-term investment that has delivered a higher total return than the return index.

During the first nine months 2011, the shareholdings in Ericsson, Handelsbanken and SCA generated better returns than the return index. Overall, the total return for the equities portfolio was -30%, compared with -20% for the return index.

During the last five-year period, Indutrade, Höganäs, Handelsbanken, Sandvik and Skanska have generated higher returns than the return index.

For the ten-year period, all of the portfolio companies except Ericsson have delivered total returns in excess of or level with the return index.

The total return for Industrivärden's stock for various time periods is shown in a table on the first page.

Portfolio companies	Total return Jan.–Sept. 2011		Average annual total return, %	
	SEK billion	%	Average annual total return, %	
			Five years Sept.'06–Sept. '11	Ten years Sept.'01–Sept.'11
Ericsson	-0.6	-10	-10	-6
Handelsbanken	-2.3	-14	3	7
SCA	-1.3	-18	-2	5
Skanska	-0.9	-21	2	9
Höganäs	-0.3	-27	4	6
Indutrade	-0.9	-27	13	-
Sandvik	-7.0	-37	3	12
Volvo	-5.0	-39	-1	15
SSAB	-3.4	-54	-14	12
<b>Equities portfolio</b>	<b>-21.7</b>	<b>-30</b>		
<b>Index (SIXRX)</b>		<b>-20</b>	<b>1</b>	<b>7</b>
<b>Industrivärden C</b>		<b>-36</b>	<b>-3</b>	<b>6</b>

The total return expressed in SEK billion pertains to the change in value during the period including dividend income for the respective portfolio companies. Indutrade was listed in October 2005.

## Equity transactions

During the first nine months 2011, stocks were purchased for SEK 10,683 M and sold for SEK 5,965 M, net 4,718 M. Large net purchases were in Volvo, for SEK 2,872 M, Handelsbanken, for SEK 1,095 M, Sandvik, for SEK 724 M, and Höganäs, for SEK 199 M.

### **Short-term trading and management costs**

During the first nine months 2011, Industrivärden's short-term trading generated a profit of SEK 98 M (98). Management costs amounted to SEK 76 M (67). Management costs corresponded to 0.25% of managed assets, which is considerably lower than for most comparable investment alternatives.

## Active ownership

With more than 60 years of active ownership, Industrivärden has a unique position in creating long-term value in listed Nordic companies. The ambition is to work in a structured manner and thereby actively contribute to growth in value of the portfolio companies. Operations rest on a foundation of significant owner influence, extensive experience, knowledgeable employees, a strong business model and a large network. Our portfolio companies are leaders in their respective segments and all have strong global positions.

Through Industrivärden, they have a professional and active owner, to the benefit of their as well as Industrivärden's long-term growth in value. Current overarching ownership matters include ensuring adherence to long-term growth plans, establish preparedness for a possibly weaker demand, and monitoring the companies' capital structures.

Following is a general description of Industrivärden's investment cases along with strategic options and activities in brief.

### Handelsbanken

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

[www.handelsbanken.com](http://www.handelsbanken.com)

- Consistently applied business model.
- Organic growth in priority markets in the Nordic countries and UK.
- Favorable financial position and strengthened market position in a turbulent business environment.
- Strong capitalization with liquidity reserve in excess of SEK 600 billion.



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

[www.sandvik.com](http://www.sandvik.com)

- Increased strategic focus and new organization.
- New executive management.
- Consolidation of completed acquisitions.
- Strong positions in emerging regions.

### VOLVO

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

[www.volvogroup.com](http://www.volvogroup.com)

- Olof Persson new CEO.
- Increased strategic focus and new organization.
- New financial targets.
- Strong position with acquisition-driven expansion in Asia, among other markets.
- Development of new platform of medium-duty engines.



***The European leader in hygiene products – with a fast-growing line of personal care products – and in packaging products. Europe's largest private forest owner.***

[www.sca.com](http://www.sca.com)

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

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

[www.ericsson.com](http://www.ericsson.com)

- Strong position ahead of operators' investments in the next generation of telecom systems (4G).
- North America's leading supplier of network systems through selective acquisitions.
- Acquisition of U.S.-based Telcordia for SEK 7 billion strengthens Ericsson's multimedia operations.

***World-leading position in high strength steel sheet niche creates solid foundation for growth and sustained high profitability.***

[www.ssab.com](http://www.ssab.com)

- Stronger focus on highly profitable specialty products.
- Acquisitions in North America have boosted capacity for niche products and enable continued expansion in emerging markets, such as Asia.

***Substantial turnkey know-how in construction combined with a process focus has created a leading construction services company with world-class value-creating project development.***

[www.skanska.com](http://www.skanska.com)

- Efficient construction operations generate good cash flows.
- Successful model for value-creating project development.
- Stake in the Chilean company Autopista Highway sold for capital gain of SEK 4.5 billion.

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

[www.indutrade.com](http://www.indutrade.com)

- Acquisition of Swiss company Abima creates platform for continued expansion in Central Europe.
- Flexibility through decentralized business model.

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

[www.hoganas.com](http://www.hoganas.com)

- Increased activity in emerging markets such as Asia and Brazil.
- Focus on collaboration with customers on development of new components.

## Other information

### **Accounting policies**

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and the Swedish Annual Accounts Act. The Parent Company's financial statements have been prepared in accordance with RFR 2, Accounting for Legal Entities, and the Swedish Annual Accounts Act. New or revised IFRSs as well as IFRIC interpretations have not had any effect on the Group's or Parent Company's results of operations or financial position.

### **Risks and uncertainties**

The dominant risk in Industrivärden's business is share price risk, i.e., the risk of a decrease in value caused by changes in share prices.

A 1% change in the share price of the holdings in the equities portfolio as per September 30, 2011, would have affected its market value by approximately +/- SEK 500 M.

### **Related party transactions**

During the first nine months of 2011, dividend income was received from associated companies.

In May 2011 Industrivärden exchanged 2,432,000 Class A shares in Skanska for 10% more Class B shares in Skanska from L E Lundbergföretagen.

Stockholm, October 5, 2011

*Anders Nyrén, President and CEO*

*This interim report has not been reviewed by the Company's auditors.*



**Further information**

For further information, please visit Industrivärden's website: [www.industrivarden.net](http://www.industrivarden.net).

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Industrivärden's complete contact information can be found on page 12.

**Ticker codes**

INDUC SS in Bloomberg

INDUc.ST in Reuters

**Publication**

The information provided in this interim report is such that AB Industrivärden (publ) is obligated to publish pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. Submitted for publication at 08:00 a.m. on October 5, 2011.

**Financial calendar 2012**

Year-end report 2011: February 8

Interim report January–March: April 5

Annual General Meeting 2012: May 4, in Stockholm

Interim report January–June: July 5

Interim report January–September: October 5

## Industrivärden Group

SEK M	2011 July–Sept.	2010 July–Sept.	2011 Jan.–Sept.	2010 Jan.–Sept.	2010 Jan.–Dec.
<b>Income statement</b>					
Dividend income from stocks	0	0	2,403	1,379	1,379
Change in value of stocks, etc.	-15,723	4,348	-22,198	7,352	13,991
Other income and expenses*	-20	-25	21	32	22
Operating income	-15,743	4,323	-19,774	8,763	15,392
Financial items	-152	-131	-439	-392	-522
Income after financial items	-15,895	4,192	-20,213	8,371	14,870
Tax	–	–	–	–	–
Net income for the period	-15,895	4,192	-20,213	8,371	14,870
Earnings per share, SEK	-41.15	10.85	-52.33	21.67	38.50
Earnings per share after full conversion, SEK	-37.15	10.27	-46.93	20.74	37.11
<b>Statement of comprehensive income</b>					
Net income for the period	-15,895	4,192	-20,213	8,371	14,870
Change in hedging reserve	-34	30	-5	28	72
Comprehensive income for the period	-15,929	4,222	-20,218	8,399	14,942
<b>Balance sheet</b> as per end of period					
Equities			52,249	63,462	71,092
Other non-current assets			47	210	207
Total non-current assets			52,296	63,672	71,299
Short-term equity investments			149	56	176
Cash and cash equivalents			0	0	0
Other current assets			161	33	72
Total current assets			310	89	248
Total assets			52,606	63,761	71,547
Shareholders' equity			34,564	49,784	56,327
Non-current interest-bearing liabilities			14,647	10,554	11,123
Non-current noninterest-bearing liabilities**			400	824	1,344
Total non-current liabilities			15,047	11,378	12,467
Current interest-bearing liabilities			2,574	2,238	2,458
Other liabilities			421	361	295
Total current liabilities			2,995	2,599	2,753
Total shareholders' equity and liabilities			52,606	63,761	71,547
<b>Cash flow</b>					
Cash flow from operating activities			2,093	1,047	827
Cash flow from investing activities			-4,718	-2,144	-2,547
Cash flow from financing activities***			2,614	1,232	1,810
Cash flow for the period			-11	135	90
Exchange rate difference in cash and cash equivalents			11	-135	-90
Cash and cash equivalents at end of period			0	0	0

\* Including short-term trading and management costs.

\*\* Of which, the option portion of the convertible loans, totaling SEK 394 M (814), which at the time of issue amounted to a combined total of SEK 982 M (383).

\*\*\* Of which, dividend of SEK 1,545 M paid to the shareholders in 2011 and dividend of SEK 1,159 M in 2010.

SEK M	2011 Jan.–Sept.	2010 Jan.–Sept.	2010 Jan.–Dec.
<b>Changes in shareholders' equity</b>			
Opening shareholders' equity as per balance sheet	56,327	42,544	42,544
Comprehensive income for the period	-20,218	8,399	14,942
Dividend	-1,545	-1,159	-1,159
Closing shareholders' equity as per balance sheet	34,564	49,784	56,327
<b>Key data as per end of year</b>			
Net asset value per share, SEK	91	132	149
Net asset value per share after full conversion, SEK	95	128	144
Share price (Class A), SEK	76.60	98.10	120
Share price (Class C), SEK	72.70	95.00	118
Number of shares (thousands)*	386,271	386,271	386,271
<b>Interest-bearing net debt at end of period</b>			
Cash and cash equivalents	0	0	0
Interest-bearing assets	0	185	180
Non-current interest-bearing liabilities**	14,647	10,554	11,123
Current interest-bearing liabilities	2,574	2,238	2,458
Interest-bearing net debt	17,221	12,607	13,401

\* Number of shares upon full conversion (thousands), 460,688.

\*\* Of which, convertible loans SEK 8,815 M (4,353).

## Industrivärden – Parent Company

SEK M	2011 Jan.–Sept.	2010 Jan.–Sept.	2010 Jan.–Dec.
<b>Income statement</b>			
Operating income	-15,536	5,607	11,614
Income after financial items	-15,747	5,253	11,141
Net income for the period	-15,747	5,253	11,141
<b>Statement of comprehensive income</b>			
Net income for the period	-15,747	5,253	11,141
Change in hedging reserve	-	28	171
Comprehensive income for the period	-15,747	5,281	11,312
<b>Balance sheet as per end of period</b>			
Non-current assets	37,943	51,886	52,022
Current assets	1,825	173	972
Total assets	39,768	52,059	52,994
Shareholders' equity	26,627	37,888	43,919
Non-current liabilities	9,901	10,378	6,367
Current liabilities	3,240	3,793	2,708
Total shareholders' equity and liabilities	39,768	52,059	52,994



Long-term industrial  
developer of listed  
Nordic companies

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