

INTERIM REPORT 9M:2018

January 1 – September 30, 2018

- The total return for the first nine months 2018 was -1 % for the Class A shares and 0 % for the Class C shares, compared with 11 % for the Stockholm Stock Exchange's total return index (SIXRX).
- Net asset value on September 30, 2018, was SEK 102.8 billion, or SEK 236 per share, an increase since the start of the year of SEK 15 per share. Including reinvested dividend, net asset value increased by 9 % during the same period.
- Earnings per share during the first nine months 2018 were SEK 20.7 per share.
- The debt-equities ratio as per September 30, 2018, was 7 %, a decrease of 3 percentage points since the start of the year.
- In April shares in SSAB were sold for SEK 3.1 billion with a good return.

VALUE PERFORMANCE

Annual average change as per September 30, 2018

	Net asset value*	Total return	
		Industrivärden C	Index (SIXRX)
9M:2018	9%	0%	11%
1 year	10%	-1%	8%
3 years	17%	14%	12%
5 years	13%	15%	13%
7 years	18%	20%	16%
10 years	14%	15%	14%

*Including reinvested dividend.



CEO's message

FACTORS IN OUR EXTERNAL OPERATING ENVIRONMENT

During the first nine months of the year the world's major economies continued to perform well. Activity was particularly strong in the U.S., where consumer confidence was high, companies showed good earnings growth, and the stock market has reached new highs. In Europe, economic activity has slowed somewhat, while demand continues to be at a favorable level. Emerging markets have once again ended up in focus, as several growth countries are vulnerable to a stronger dollar, rising interest rates and potential disruptions in world trade. China is proceeding with its financial and industrial reforms at the same time that its economy is under pressure from new trade restrictions from the U.S. Even though the underlying market climate is relatively positive, a number of concerns are looming, such as signs that the economy has reached its peak, an increased risk for trade restrictions and other geopolitical uncertainties. The world economy has long been supported by low interest rates and other financial stimulus measures, which has led to record levels of global debt. This, in turn, is raising questions about development once the economy turns. The mounting uncertainty has manifested itself in higher volatility in the stock market in 2018 compared with 2017.

PORTFOLIO COMPANIES

On the whole our portfolio companies have performed well during 2018. This can be credited both to the companies' own work and to the favorable underlying economy. In our previous interim reports during the year I commented on a number of strategic measures and deals carried out by our portfolio companies. These have consisted of a number of concrete activities that illustrate how the companies are consciously working to realize their strategies. A good example during the third quarter is Ericsson's 5G order worth USD 3.5 billion from the American mobile communications operator T-Mobile. It is gratifying that the company can now begin reaping the fruits of its strong position in fifth generation mobile communications systems.

Equally important as such major strategic measures is the daily perseverance, that is, the continuous improvement measures and the aspiration to always be better. For us as a long-term active owner it is of critical importance that our portfolio companies have a clear ability to continuously adapt to changed market conditions, to find new business opportunities and to strengthen their positions.

INDUSTRIVÄRDEN'S PERFORMANCE

Net asset value on September 30, 2018, was SEK 102.8 billion, or SEK 236 per share, which corresponds to an increase of 9% during the first nine months of the year including reinvested dividend. At the end of the period the portfolio was worth SEK 110.0 billion, and net debt was SEK 7.2 billion, corresponding to a debt-equities ratio of 7%. This means that the debt-equities ratio has decreased by 3 percentage points since the start of the year. During the first nine months of the year the total return for the Class A and Class C shares was -1% and 0%, respectively, compared with 11% for the total return index (SIXRX). The difference between the change in net asset value and the share price reflects a larger discount to net asset value during the year.

Following a couple years of very competitive returns, Industrivärden has had weaker performance in 2018. Even though our stock should be evaluated from a longer time perspective, this is spurring us in our efforts to create long-term competitive shareholder value.

Stockholm, October 5, 2018

Helena Stjernholm
CEO

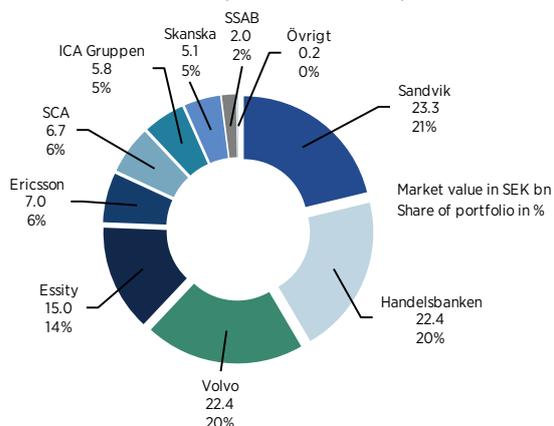
Overview

INDUSTRIVÄRDEN IN BRIEF

Industrivärden conducts long-term value-creating asset management through active ownership. The long-term objective is to increase net asset value and thereby generate a return for Industrivärden's shareholders that exceeds the market's required rate of return. Taking into account the risk profile of the portfolio's investments, the shareholders are to be given a total return which over time is higher than the average for the Stockholm Stock Exchange.

More information can be found at www.industrivar-den.net.

EQUITIES PORTFOLIO, SEPTEMBER 30, 2018



COMPOSITION OF EQUITIES PORTFOLIO AND NET ASSET VALUE

	09/30/2018				9M:2018		Total return	TR for the stock
	Share of ownership, %		Market value		SEK M	%		
Portfolio companies	No. of shares	Capital	Votes	Share of value, %	SEK M	SEK/share	SEK M	%
Sandvik	147,814,054	11.8	11.8	21	23,318	54	2,617	12
Handelsbanken A	199,923,948	10.3	10.5	20	22,441	52	1,641	7
Volvo A	142,600,000	6.7	22.1	20	22,402	51	1,215	6
Essity A	35,000,000	9.5	29.8	14	7,875	34	-143	0
Essity B	31,800,000				7,104			-2
Ericsson A	86,052,615	2.6	15.1	6	6,936	16	2,508	54
Ericsson B	1,000,000				79			49
SCA A	35,000,000	9.5	29.7	6	3,542	15	850	8
SCA B	31,800,000				3,202			21
ICA Gruppen	20,625,000	10.3	10.3	5	5,816	13	-108	-2
Skanska A	12,667,500	6.9	23.9	5	2,211	12	395	8
Skanska B	16,343,995				2,853			8
SSAB A	44,334,933	4.3	11.8	2	1,981	5	299	2
Other				0	242	1	34	
Equities portfolio				100	110,003	253	9,309	9
Interest-bearing net debt					-7,186	-17	Index:	11
Adjustment regarding exchangeable bond					0	0		
Net asset value					102,817	236		
Debt-equities ratio						7%		

Performance

NET ASSET VALUE

Net asset value on September 30, 2018, was SEK 102.8 billion, or SEK 236 per share, an increase during the first nine months 2018 of SEK 15 per share. Including reinvested dividend, net asset value increased by 9 %. The Stockholm Stock Exchange's total return index (SIXRX) increased by 11 % during the same period.

During the last five and ten-year periods, net asset value grew by 13 % and 14 %, respectively, per year including reinvested dividend. The total return index (SIXRX) increased by 13 % and 14 %, respectively, during the same periods.

EQUITIES PORTFOLIO

During the first nine months 2018 the value of the equities portfolio, adjusted for purchases and sales, increased by SEK 5.2 billion. On September 30, 2018 the equities portfolio was worth SEK 110.0 billion, or SEK 253 per share. The shareholdings in Sandvik and Ericsson made a significant positive contribution to the equities portfolio's value performance.

During the last three-year period the shareholdings in Sandvik, SCA, Volvo and SSAB generated higher total returns than the total return index (SIXRX). Essity performed in line with the total return index. The shareholdings in Skanska, Ericsson, ICA Gruppen and Handelsbanken had lower total returns than the total return index (SIXRX).

CASH FLOW

Investment activities

During the first nine months 2018 shares were bought in Handelsbanken for SEK 0.4 billion and in Volvo for SEK 0.1 billion. During the same period shares in SSAB were sold for SEK 3.1 billion.

Dividend paid out

The Annual General Meeting on April 17, 2018 approved the Board of Directors' proposed dividend of SEK 5.50 per share (5.25). The total dividend payout amounted to SEK 2,394 M (2,285).

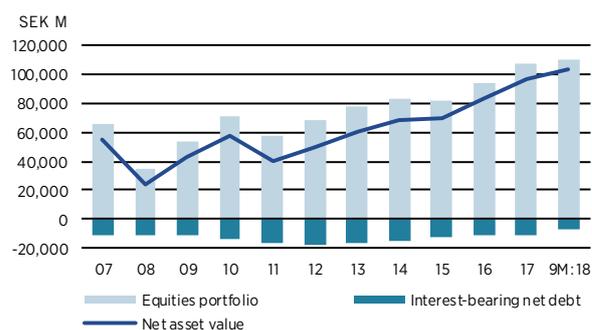
Management cost

The management cost during the first nine months 2018 was SEK 90 M (82), which on a yearly basis corresponded to 0.11 % of the equities portfolio's value on September 30, 2018.

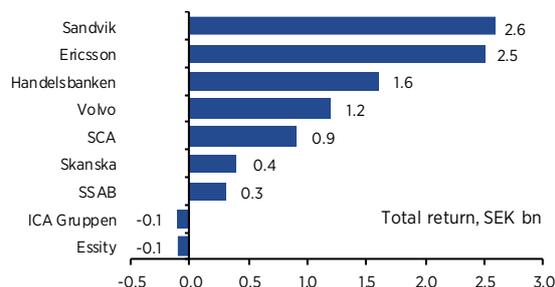
DEVELOPMENT OF NET ASSET VALUE 9M:2018

	09/30/2018		12/31/2017	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	110.0	253	107.3	247
Interest-bearing net debt	-7.2	-17	-10.9	-25
Adjustment exchangeable	-	-	-0.1	0
Net asset value	102.8	236	96.3	221

DEVELOPMENT OF NET ASSET VALUE, 10 YEARS



CONTRIBUTION ANALYSIS OF SHAREHOLDINGS 9M:2018



PERFORMANCE OF SHAREHOLDINGS, 3 YEARS

	Annual average total return, %	
	3 years	
Sandvik	34	
SCA*	30	
Volvo	29	
SSAB	28	
Essity*	10	
Skanska	7	
Ericsson	5	
ICA Gruppen	4	
Handelsbanken	3	
Total return index (SIXRX)	12	

*The total returns for Essity and SCA have been calculated as the respective companies' share of the original company SCA's total return before the split (based on share of value at the time of the split) and thereafter based on the value performance of the respective companies. The split was carried out on June 9, 2017, and the first day of trading in Essity shares was June 15, 2017.

NET DEBT

Interest-bearing net debt amounted to SEK 7.2 billion on September 30, 2018. The debt-equities ratio was 7 % (10 %), and the equity ratio was 93 % (88 %). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

On September 30, 2018, interest-bearing liabilities had an average capital duration of approximately 3 years, an average interest duration of approximately 6 months and carried an average interest rate of approximately 0.1 %. Current unutilized committed bank loans that can be used for refinancing needs amount to SEK 3 billion.

No part of Industrivärden's borrowings is conditional on any covenants. In May 2018 S&P Global Ratings upgraded Industrivärden's credit rating from A/Stable/A-1 to A+/Stable/A-1.

In 2014 a SEK 4.4 billion exchangeable bond was issued based on ICA Gruppen's stock. The bond matures in 2019 and was issued at a premium of approximately 38 % to ICA Gruppen's share price at the time of issue and carries no interest. The strike price was SEK 290,52 per share as per September 30, 2018. In the event of a potential future exchange, there is a possibility to pay either with shares or with cash.

INDUSTRIVÄRDEN SHARE DATA

The market prices for Industrivärden's Class A and C shares on September 30, 2018, were SEK 203.20 and SEK 197.50 respectively. The corresponding market prices on December 31, 2017, were SEK 211.60 and SEK 202.50 respectively.

The total return during the first nine months 2018 was -1 % for the Class A shares and 0 % for the Class C shares. The Stockholm Stock Exchange's total return index (SIXRX) increased by 11 % during the same period. The total returns for Industrivärden's shares over longer periods of time are shown in the table on page 1 and for specific years in the table to the right.

At the 2011 Annual General Meeting, a share conversion clause was added to the Articles of Association. Shareholders have the right at any time to request conversion of Class A shares to Class C shares. During the first nine months 2018, 883 shares were converted.

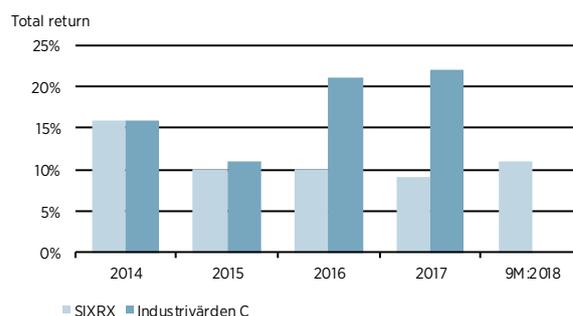
INTEREST-BEARING NET DEBT, SEPTEMBER 30, 2018

	Credit facility, SEK M	Utilized amount, SEK M	Maturity
Exchangeable bond		4,395	2019
MTN-program	8,000	2,811	2019-2021
Commercial paper	3,000	100	2018
Pension debt		114	
Other short-term borrowing		277	
Total borrowing		7,697	
Less:			
Interest-bearing receivables		391	
Cash and cash equivalents		120	
Interest-bearing net debt		7,186	

SHARE STRUCTURE, SEPTEMBER 30, 2018

Share class	No. of shares	No. of votes	Capital, %	Votes, %
A (1 vote)	268,183,457	268,183,457	61.6	94.1
C (1/10 vote)	167,026,420	16,702,642	38.4	5.9
Total	435,209,877	284,886,099	100.0	100.0

VALUE PERFORMANCE THE RESPECTIVE YEAR



Other

CHANGE IN MANAGEMENT TEAM

Jan Öhman has been appointed as new chief financial officer and will assume his position in March 2019, at the latest.

FINANCIAL CALENDAR

Year-end report 2018: February 8, 2019

Annual report 2018: February 21, 2019

Interim report January–March: April 9, 2019

Annual General Meeting: April 17, 2019 in Stockholm

Interim report January–June: July 5, 2019

Interim report January–September: October 7, 2019

CONTACT PERSONS

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TICKER CODES

INDUC:SS, Bloomberg

INDUc.ST, Reuters

INDU C, NASDAQ OMX

PUBLICATION

This information is such that AB Industrivärden is required to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the Head of Corporate Communication and Sustainability stated above, at 10:00 a.m. CET on October 5, 2018.

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

Financial statements

GROUP

SEK M	2018 Jul.-Sep.	2017 Jul.-Sep.	2018 Jan.-Sep.	2017 Jan.-Sep.	2017 Jan.-Dec.
INCOME STATEMENT					
Dividend income from stocks	0	0	3,764	2,786	2,786
Change in value of stocks, etc.	6,397	1,551	5,351	12,475	12,957
Management cost	-20	-27	-90	-82	-111
Operating income	6,377	1,524	9,025	15,179	15,632
Financial items	-5	-5	-12	-75	-77
Income after financial items	6,372	1,519	9,013	15,104	15,555
Tax	-	-	-	-	-
Net income for the period	6,372	1,519	9,013	15,104	15,555
Earnings per share, SEK	14.64	3.49	20.71	34.73	35.76
STATEMENT OF COMPREHENSIVE INCOME					
Comprehensive income for the period	6,372	1,519	9,013	15,104	15,549
BALANCE SHEET as per end of period					
Equities			110,003	106,740	107,289
Other non-current assets			11	12	12
Total non-current assets			110,014	106,752	107,301
Cash and cash equivalents			120	0	613
Other current assets			401	332	446
Total current assets			521	332	1,059
Total assets			110,535	107,084	108,360
Shareholders' equity			102,499	95,431	95,880
Non-current interest-bearing liabilities			2,174	7,268	7,292
Non-current non interest-bearing liabilities			62	503	368
Total non-current liabilities			2,236	7,771	7,660
Current interest-bearing liabilities			5,523	3,733	4,523
Other liabilities*			277	149	297
Total current liabilities			5,800	3,882	4,820
Total shareholders' equity and liabilities			110,535	107,084	108,360
CASH FLOW					
Cash flow from operating activities			3,635	2,633	2,594
Cash flow from investing activities			2,525	0	-103
Cash flow from financing activities**			-6,653	-3,456	-2,701
Cash flow for the period			-493	-823	-210
Cash and cash equivalents at end of period			120	0	613

* Of which, the option component of the exchangeable bond, totaling SEK 149 M, which at the time of issue amounted to a total of SEK 335 M.

** Of which, dividends of SEK 2,394 M (2,285) paid to shareholders.

SEK M	2018	2017	2017
	Jan.-Sep.	Jan.-Sep.	Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY			
Opening shareholders' equity as per balance sheet	95,880	82,129	82,129
Conversion and other	-	482	486
Comprehensive income for the period	9,013	15,104	15,549
Dividend	-2,394	-2,285	-2,285
Closing shareholders' equity as per balance sheet	102,499	95,431	95,880
INTEREST-BEARING NET DEBT at end of period			
Cash and cash equivalents	120	0	613
Interest-bearing assets	391	323	272
Non-current interest-bearing liabilities	2,174	7,268	7,292
Current interest-bearing liabilities	5,523	3,733	4,523
Interest-bearing net debt	7,186	10,678	10,930

PARENT COMPANY

SEK M	2018	2017	2017
	Jan.-Sep.	Jan.-Sep.	Jan.-Dec.
INCOME STATEMENT			
Operating income	6,729	11,797	12,145
Income after financial items	6,720	11,776	12,121
Income for the period	6,720	11,776	12,121
Comprehensive income for the period	6,720	11,776	12,115
BALANCE SHEET as per end of period			
Non-current assets	65,984	63,674	63,883
Current assets	275	511	2,021
Total assets	66,259	64,185	65,904
Shareholders' equity	57,974	53,304	53,647
Non-current liabilities	2,236	7,771	7,660
Current liabilities	6,049	3,110	4,597
Total shareholders' equity and liabilities	66,259	64,185	65,904

Accounting policies and notes

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 amended IFRSs and IFRIC interpretations have not had any effect on the Group's or Parent Company's earnings or financial position.

ALTERNATIVE PERFORMANCE MEASURES

The definitions of the alternative performance measures net asset value, debt-equities ratio, equity ratio, market value of the equities portfolio and interest-bearing net debt are provided in the 2017 Annual Report. These alternative performance measures are essential for the understanding and evaluating an investment company's business.

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, financial instruments are measured at fair value according to a three level hierarchy. Classification is based on input data that is used in measuring the instruments. Instruments in Level 1 are valued according to quoted prices for identical instruments in an active market. Instruments in Level 2 are measured in a valuation model which uses input data that are directly or indirectly observable in the market. Instruments in Level 3 are measured using a valuation technique based on input data that are not observable in a market.

Responsibility for the measurement of fair value rests with management. ISDA master agreements exist with pertinent counterparties.

09/30/2018	Level 1	Level 2	Level 3	Total
Assets				
Equities	109,761	-	242	110,003
Derivatives, etc.	-	1	-	1
Short term investments	264	-	-	264
Total assets	110,025	1	242	110,268
Liabilities				
Option component of exchangeable bond	-	-149	-	-149
Derivatives, etc.	-	-68	-	-68
Total liabilities	-	-217	-	-217

No changes have been made between levels compared with the preceding year.

RISKS AND UNCERTAINTIES

The dominant risk in Industrivärden's business is share price risk, i.e., the risk of a change 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, 2018, would have affected its market value by approximately +/- SEK 1,100 M.

RELATED PARTY TRANSACTIONS

During the first nine months 2018, dividend income was received from associated companies.

