



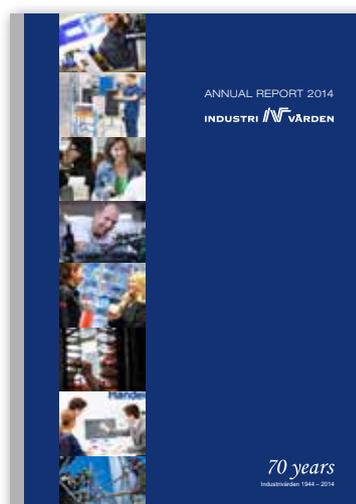
ANNUAL REPORT 2014

INDUSTRI  VÄRDEN

70 years

Industrivärden 1944 – 2014

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ANNUAL REPORT 2014

Board of Directors' report including financial statements for AB Industrivärden (publ), reg. no. SE 556043-4200. The company applies the Swedish Code of Corporate Governance. The corporate governance report for 2014, which is an integral part of the Board of Directors' report, has been reviewed by the company's auditor.



FINANCIAL CALENDAR 2015

Interim reports

- January–March, April 8
- January–June, July 6
- January–September, October 5

Annual General Meeting: May 6

All reports are published on Industrivärden's website:
www.industrivarden.net

This Annual Report is a translation of the Swedish original.

Long-term investor and active owner in internationally active Nordic quality companies

Industrivärden's business mission is to generate high growth in net asset value through a professional investment operation and active ownership, and thereby enable a long-term total return for the shareholders that is higher than the average for the Stockholm Stock Exchange. Based on substantive knowledge in strategic company development and corporate governance, financial strength and an extensive network, active ownership is exercised through board representation. Industrivärden thereby helps maximize the portfolio companies' growth in value over time. Industrivärden is a large and active owner of Handelsbanken, Volvo, SCA, Sandvik, Ericsson, ICA Gruppen, Skanska and SSAB. Since its establishment seventy years ago, Industrivärden has generated long-term competitive shareholder value at a low cost and low risk.

RESULTS 2014

Equities portfolio

- Adjusted for purchases and sales, the value of the portfolio, incl. reinvested dividends, increased by 8% to SEK 83.1 billion.

Net asset value

- Net asset value increased by 9%, including reinvested dividends and adjusted for conversions, to SEK 158 per share.

Total return

- The total return for Industrivärden's Class A and Class C shares was 13% and 16%, respectively, compared with 16% for the return index.

Trading

- Profit from trading totaled SEK 178 M (140).

Dividend

- The Board of Directors proposes a dividend of SEK 6.25 (5.50) per share.

THE INDUSTRIVÄRDEN SHARE

Competitive return

- Average annual long-term total return approximately 2%-pts higher than the Stockholm Stock Exchange (NASDAQ Stockholm).
- Average annual dividend yield of 4.7% during the last ten years, compared with 3.5% for NASDAQ Stockholm.

Low risk

- Exposure to several different sectors.
- High quality portfolio companies with global presence.
- Active ownership influence.
- High-quality local corporate governance environment.

Low cost

- Management cost of approximately 0.18% of managed assets.
- Small, flexible and efficient organization.
- Well structured work processes.

Industrivärden at a glance

Industrivärden is a long-term investor and active owner in internationally active Nordic quality companies.

PRECONDITIONS

Many international listed companies lack engaged owners with substantial influence and long-term perspective. Industrivärden is a responsible and financially stable owner that takes a clear, active ownership role and in doing so gives its portfolio companies a competitive edge to the benefit of their and thus Industrivärden's growth in value. With seventy years of experience in active ownership, Industrivärden has built up unique expertise in creating long-term value in listed Nordic companies.

Sweden and the other Nordic countries offer a favorable corporate governance environment and are therefore a good base for governance of globally active companies. The Nordic countries have effective corporate governance models, engaged owners, strong companies, well developed financial markets, political stability and a high level of transparency.

MISSION AND OBJECTIVE

To generate high growth in net asset value through active ownership and thereby give the shareholders a total return which, over longer periods of time, is higher than the average for the Stockholm Stock Exchange (Nasdaq Stockholm).

STRATEGY

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

Investments are made in a limited selection of mid- and large cap listed Nordic companies with high long-term value potential through active ownership.

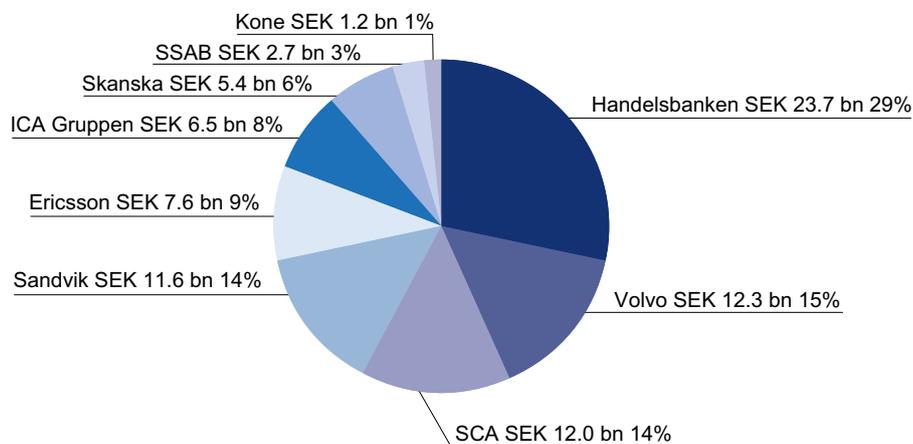
INDUSTRIVÄRDEN'S INVESTMENT CRITERIA

- **Demonstrated ability:** Proven business models and strong brands.
- **Strategic focus:** Leading positions in selected market segments.
- **Scalability:** Business models that can be applied in several markets.
- **Financial growth:** Good ability to generate growth in cash flow.
- **Strong corporate cultures and strong leadership.**

Good exposure to global growth

Industrivärden invests in listed Nordic companies – companies that generally have a considerable international presence. Roughly two-thirds of the portfolio companies' total sales come from developed markets mainly in Western Europe and North America. About a third of sales are derived from growth regions primarily in Asia, South America and Eastern Europe. With operations on as many as 190 markets, the portfolio companies in the equities portfolio offer favorable exposure to global growth.

EQUITIES PORTFOLIO



Portfolio value: SEK 83.1 billion

OWNER FOCUS

Industrivärden has a continuously evolving set of strategically oriented action plans for value creation focusing on matters such as company strategy, corporate governance, company structure, management succession, capital structure, sustainability and more.

ACTIVE OWNERSHIP IN PRACTICE

In its role as active owner, Industrivärden provides:

- **A long-term perspective:** Seeks to optimize long-term competitive growth in value over time.
- **Influence:** Ability to evaluate and support or initiate strategic decisions.
- **Knowledge and experience:** Professional board members with access to high-quality networks and analysis support.

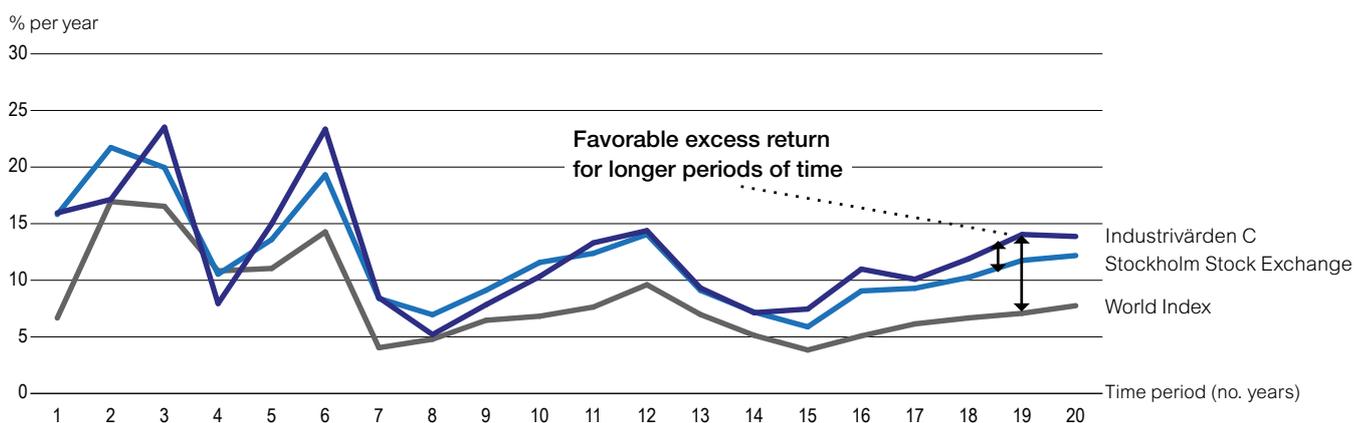
- **Involvement:** Evaluates, discusses, lends support and makes clear demands.
- **Resources:** Financial strength and an extensive network.

PERFORMANCE

Based on its model for value creation, Industrivärden has shown favorable growth in net asset value. Industrivärden's stock has generated a favorable total return at a low cost and low risk.

For longer periods of time, Industrivärden's stock has generated a competitive excess return compared with the Stockholm Stock Exchange (NASDAQ Stockholm). This performance is even better in comparison with the Europe and World indices (MSCI).

Total return for different periods of time



Yearly excess return	1 year	5 years	10 years	15 years	20 years
Industrivärden A vs. Stockholm Stock Exchange (SIXRX)	-3%-pts	+1%-pt	-2%-pts	+1%-pt	+2%-pts
Industrivärden C vs. Stockholm Stock Exchange (SIXRX)	0%-pts	+1%-pt	-1%-pt	+2%-pts	+2%-pts
Industrivärden A vs. World Index (MSCI)	+6%-pts	+3%-pts	+3%-pts	+3%-pts	+6%-pts
Industrivärden C vs. World Index (MSCI)	+9%-pts	+4%-pts	+4%-pts	+4%-pts	+6%-pts

INDUSTRIVÄRDEN 70 YEARS (1944–2014)

Industrivärden was established by Handelsbanken in 1944 as a means of gathering shareholdings that the bank had received following the market crash in the 1930s and distributing them to the bank's shareholders. This business proved to be successful and evolved over time into an effective form of managing pension capital for employees of Handelsbanken and SCA.

Through Industrivärden's proven ability to create enduring shareholder value at a low cost and low risk, its ownership has broadened over time to include a large number of public and private pension managers, foundations, other long-term investors and a large number of personal investors.

Industrivärden's portfolio companies

Handelsbanken

VOLVO



SANDVIK

Investment case

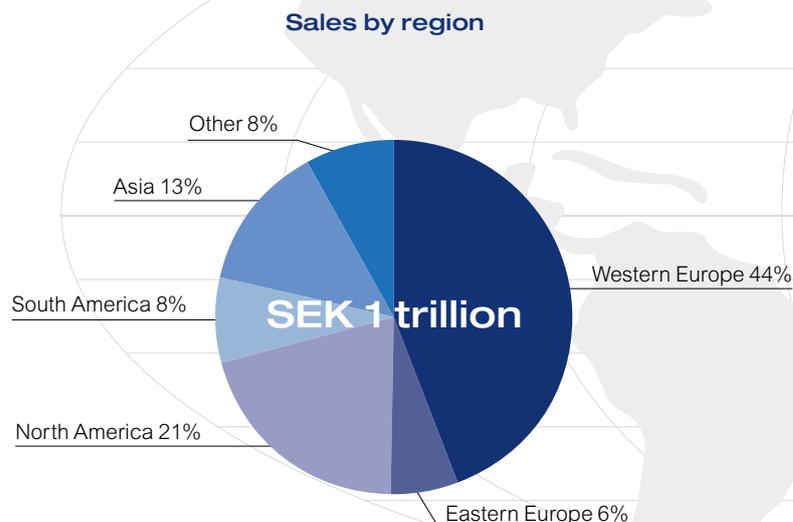
<p>A well developed universal banking business and decentralized branch network with local customer responsibility contribute to high customer satisfaction and good profitability.</p>	<p>Through innovative, customer-adapted product development and high quality, Volvo has attained a world-leading position in commercial transport solutions.</p>	<p>A leading global hygiene and forest products company with a rapidly growing offering of personal care products. Europe's largest private forest owner.</p>	<p>Through a niche focus and strong R&D position, Sandvik has established a world-leading position in materials technology with products primarily for the manufacturing, mining and construction industries.</p>
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Influence position

<p>10% of votes</p>  <ul style="list-style-type: none"> Chairman of the Board, two vice chairmen and one board member with ties to Industrivärden. Active owner since 1985. 	<p>21% of votes</p>  <ul style="list-style-type: none"> One board member with ties to Industrivärden. Active owner since 2009. 	<p>29% of votes</p>  <ul style="list-style-type: none"> Chairman of the Board and two board members with ties to Industrivärden. Active owner since 1976. 	<p>12% of votes</p>  <ul style="list-style-type: none"> Chairman of the Board with ties to Industrivärden. Active owner since 1997.
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GLOBAL EXPOSURE

- Combined sales of approximately SEK 1 trillion, of which 1/3 in emerging markets.
- Operations on as many as 190 markets.
- Approximately 400,000 employees.



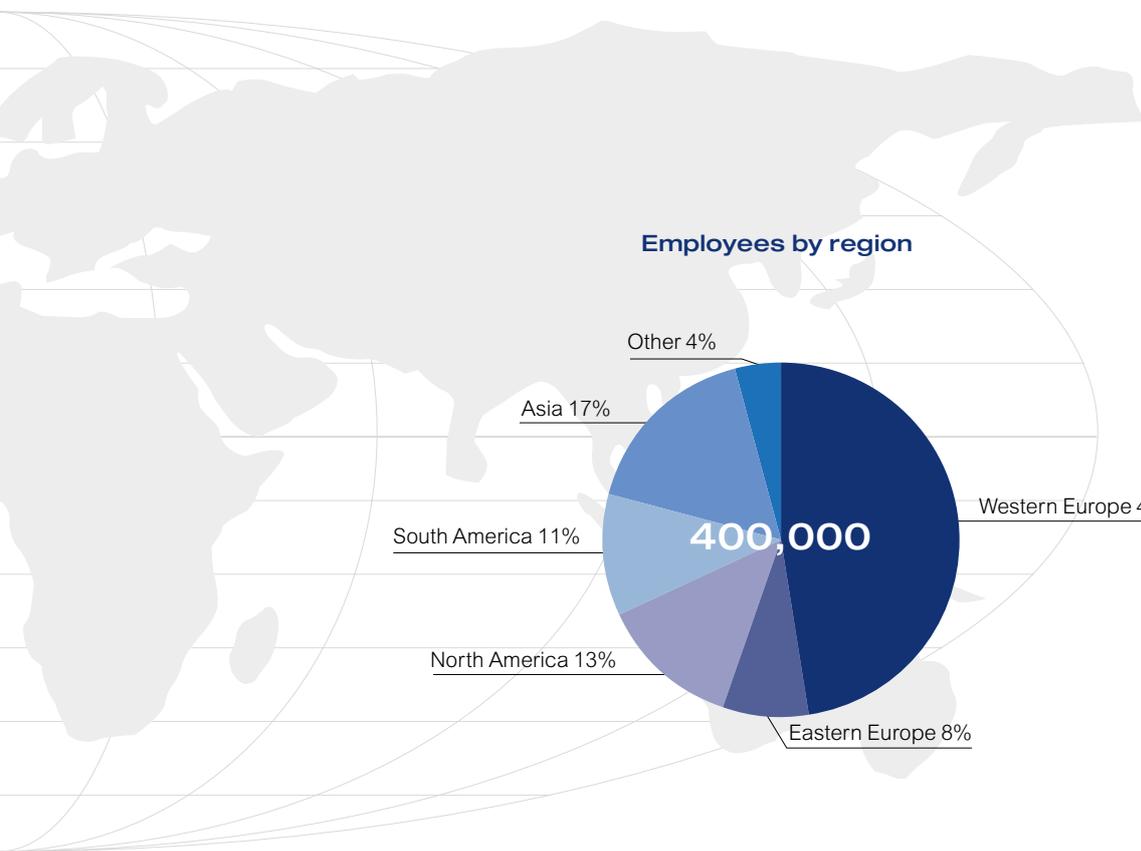


Investment case

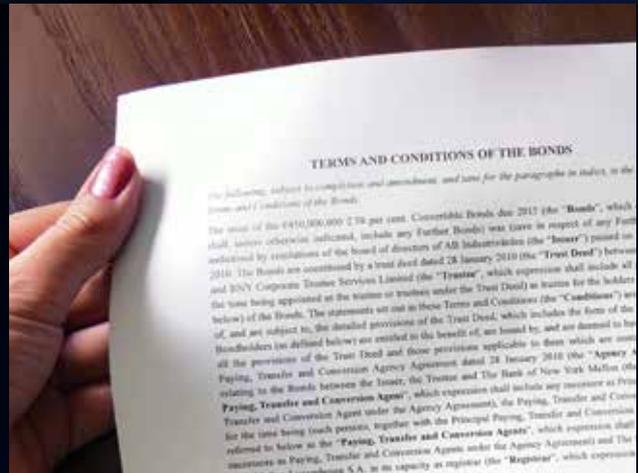
<p>The market's largest and most profitable supplier of mobile telecom infrastructure and services.</p>	<p>The Nordic region's leading retail company with a unique business model and strong brand.</p>	<p>Unique turnkey know-how in construction combined with a process focus has created a leading construction services company with world-class value-creating project development.</p>	<p>World-leading position in high strength steel sheet niche creates a solid foundation for growth and good profitability.</p>
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Influence position

<p>15% of votes</p>  <ul style="list-style-type: none"> ■ One vice chairman and one board member with ties to Industrivärden. ■ Active owner since 1944. 	<p>11% of votes</p>  <ul style="list-style-type: none"> ■ One board member with ties to Industrivärden. ■ Active owner since 2013. 	<p>24% of votes</p>  <ul style="list-style-type: none"> ■ Chairman of the Board and four board members with ties to Industrivärden. ■ Active owner since 1987. 	<p>18% of votes</p>  <ul style="list-style-type: none"> ■ Chairman of the Board and one board member with ties to Industrivärden. ■ Active owner since 1994.
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The convertible loan 2010-2015 was converted, adding SEK 5.8 billion to shareholders' equity



In the continuous refinancing of the debt portfolio, a SEK 4.4 billion exchangeable bond in ICA Gruppen was issued at favorable terms

SSAB completed its merger with the Finnish company Rautaruukki, creating a new, leading player in specialty steels



Profit from trading was SEK 178 M (140)

70 years of continuous change – important steps now being taken in Industrivärden's development

In connection with the Annual General Meeting in May, after 14 exciting years I will be leaving my role as CEO of Industrivärden. It has been a fantastic time, and much has happened both in Industrivärden and in the world around us. When the Board put me in charge of leading the company in 2001, I presented a clear agenda of change aimed at developing the business and strengthening our conditions relative to our operating environment. Today I can affirm that we have by and large carried out these changes, specifically:

- Focus of operations on areas in which we have comparative advantages – active ownership in listed companies. Divestment of unlisted businesses
- Establishment of structured models for exercising active ownership, with clear agendas for value creation in the portfolio companies
- Clear exercise of our ownership role, e.g., successful structural changes in SCA and SSAB, and necessary measures for change in Sandvik and the Volvo Group
- Development of the portfolio for continued long-term growth in value, such as through the sales of Indutrade and Höganäs, and establishment of an active ownership role in the Volvo Group and ICA Gruppen
- Developed cooperation with other major owners of the portfolio companies
- Increased our capital base with potential for further increases through financing at favorable terms in the form of convertible loan issues
- Capitalized on our long-term ownership positions through successful trading operation, which has generated approximately SEK 1.5 billion in profits since the start
- Active participation in the development of and debate surrounding corporate governance – both in Sweden and the EU

Industrivärden has gone from being more of a reactive, long-term asset manager to a proactive and engaged owner. This change has generated results, and for longer periods of time, Industrivärden's stock has generated a total return that is higher than or level with the return index. But we have more to give. Some of our portfolio companies are undergoing necessary and extensive structural programs. These companies have strengthened their conditions considerably, and in pace with improvements in their profitability, they will make a positive contribution to the long-term return for Industrivärden's stock. Industrivärden today is on solid footing for the future. At the same time, there are important areas in which we must further develop and become even stronger.

Our mission is to create value for our shareholders. We do this through long-term active ownership in companies that create value for their customers, employees, and the communities in which they work – and thereby for their shareholders. Our portfolio companies have combined sales of more than SEK 1 trillion and employ more than 400,000 people in 180 countries around the world. To be sure, this entails a great deal of responsibility.

Managing this responsibility in the best way requires that we have the trust of our shareholders, our portfolio companies and society as a whole. A strong position of trust is



necessary for us to be able to achieve our mission and maximize value creation over time. It is therefore essential that we continuously develop and strengthen our positions of trust among Industrivärden's various stakeholders.

There are areas in which Industrivärden must be better and thereby strengthen this trust. Industrivärden's foundation of values is and has always been built upon integrity, transparency and cost consciousness. At our core we share our company culture with Handelsbanken, which established Industrivärden exactly 70 years ago. However, we must further develop our business model, in part with respect to our ownership role vis-à-vis the portfolio companies, and in part in the way we exercise active ownership. We also have reason to be more responsive to views from actors in our operating environment and to strengthen our social role. So it feels natural for Industrivärden, as previously, to take a further step in its development as a new CEO takes office. The following main themes should distinguish the company's continued agenda of change.

1. Developed ownership role vis-à-vis portfolio companies

Industrivärden exercises an active ownership role through its interaction with other major owners in the aim of increasing the value of its shareholdings. Shareholder value is created in companies with long-term profitable growth. Active ownership is exercised through board work, through work on nominating committees, and through direct dialog

between Industrivärden's investment organization and leading representatives of the portfolio companies. Corporate governance of Industrivärden involves having a view of the portfolio companies' business strategies, organizations, capital structures and sustainability work. Through extensive knowledge and earnest involvement, Industrivärden can lend support, make demands, and evaluate goal achievement. This – our core business – has developed considerably during the last ten years, but there is more to do.

2. Developed model for exercising active ownership

Over time we aim to further develop and strengthen Industrivärden's model for exercising active ownership. Important steps for achieving greater clarity and transparency have already been taken through the adoption of new principles for board representation. These entail that senior executives of portfolio companies shall not sit on Industrivärden's board, and that such executives shall only be able to serve on boards of companies within the Industrivärden sphere to a limited extent. A natural consequence of this is that we will broaden our industrial network. More people with a broad base of industrial experience will be tied to Industrivärden, among other things as board members of portfolio companies. More individuals will provide a wider perspective for board work and facilitate future succession.

We also want to develop the nomination processes in our portfolio companies. In the composition of optimal board competence and the balance between continuity and renewal, greater emphasis will be put on diversity. Industrivärden has previously expressed an ambition to increase the share of women and broaden the ethnic diversity among company boards. This favors insightful and value-creating board work. A good way to support these ambitions is also to intensify work with diversity in leading positions in the portfolio companies. Over time, in a natural way, this will widen the recruitment pool in nomination processes. A good example can be seen at Sandvik, which within the framework of the strategic development work it is currently carrying out, has expressed a clear ambition to increase diversity throughout its organization. This ambition is also reflected in the company's executive management, where in a short time Sandvik has carried out a major change in its management team with respect to diversity. Of the twelve members of Sandvik's executive management, two are Americans and two are from Asia. Today a third of Sandvik's executive management are women.

3. Developed social responsibility

We want to more clearly execute and develop our social responsibility, such as through broader involvement in R&D and educational initiatives. Industrivärden is engaged in numerous social issues and provides funding for various educational projects. Among other things, Industrivärden is one of the initiative-takers behind Tekniksprånget ("Technology Leap"), an internship program aimed at stimulating interest in the engineering profession among secondary school students and over time broadening the recruitment pool for our portfolio companies. Here we have more to do, however.

Promoting sustainable business in the form of environmental responsibility, corporate social responsibility and business ethics is a strategic ownership issue. For us, this is an important area, and as owners we attach great importance to ensuring that our portfolio companies have the boards, the leadership, the organization and the resources needed to integrate sustainable value creation into their business models, strategies and product offerings. In this regard Industrivärden's portfolio companies have all made great progress – many with leading positions in various areas.

For a long-term shareholder, embracing corporate social responsibility presents a clear business opportunity: it is only companies that work in sync with their operating environment that can generate competitive value over time. Highly developed ownership involvement in sustainability can lower the risk for complacency and strengthen the spreading of good examples. A good example of this can be seen at Skanska, which has an express aspiration to be an industry leader in sustainable business practices. All of Skanska's commercial property development projects and most of its Public-Private Partnership projects are green, and in the construction operations, demand for environmentally adapted practices is growing in all markets.

4. Responsiveness and transparency

Aspiring for a more refined form of cooperation with other major owners of Industrivärden's portfolio companies and other stakeholder groups is important for upholding a strong sense of legitimacy in Industrivärden's role as an active and professional owner. The Swedish corporate governance model is based on companies having active, long-term owners. Industrivärden fulfills such a role and welcomes institutional owners to cooperate in this area. We have and should have a high level of integrity, but at the same time we must be better at assimilating others' views and knowledge. Good corporate governance is distinguished by a high level of transparency.

HIGHLIGHTS 2014

Net asset value

- Net asset value at year-end was SEK 158 per share (155), an increase of 9% for the year adjusted for conversions and including reinvested dividends.

Total return

- The total return for Industrivärden's Class A shares was 13%, which was 3 percentage points less than the return index.
- The total return for Industrivärden's Class C shares was 16%, which was level with the return index.
- For longer periods of time, Industrivärden's Class C shares have generated a higher total return than the Stockholm Stock Exchange. This performance is even better in comparison with Europe and World indices.

Equity transactions during the year

- Total net purchases per holding amounted to SEK 2,265 M, and total net sales per holding amounted to SEK 704 M. Stocks were purchased for a net total of SEK 1,561 M.
- The largest net purchases were in Volvo, for SEK 1,188 M, followed by Sandvik, for SEK 542 M. The largest net sales were in Skanska, for SEK 117 M, and Ericsson, for SEK 45 M.

Favorable profit from trading

- Trading generated a profit of SEK 178 M, which covered the management cost of SEK 146 M, or 0.18% of managed assets.

I would now like to briefly comment on our starting point for 2015 and the most important events in 2014.

In early 2014 an air of optimism spread over indications that the European as well as global economies were on track towards a broad upswing. Such was the case in the U.S., but in the rest of the world the economy performed generally worse than expected. Although these expectations were not met, economic performance was not worse than in 2013, and global growth reached 3.3% according to the IMF's estimations – a comparatively favorable level from an historic perspective. In the wake of a stronger economy, the world's stock exchanges rose slowly but surely during the year, led by the U.S., where the S&P 500 noted an all-time high in December.

We are now facing a situation characterized by monetary stimulus packages on a scale seldom witnessed before. The European Central Bank recently unveiled a stimulus program of EUR 60 billion per month for up to EUR 1.1 trillion at the same time that "Abenomics" is resulting in continued expansive policies in Japan. The Chinese authorities continue to actively stimulate the Chinese economy with the goal of achieving GDP growth of just over 7%. In the U.S., growth is now favorable, which has led to a slow scale-back of the Fed's QE program. The drop in oil prices represents one of the largest stimulus injections that the Western world has ever seen. However, overshadowing these positive forces are numerous geopolitical worries, including the Ukraine crisis, advances by IS, and Russia's economic woes.

All in all I believe that the low interest rates and supply injection created by the lower energy and commodity prices during the year will lead to an improved economic situation for Europe at the same time that the U.S. continues to perform relatively well. This will benefit our portfolio companies – most of which work in a global market. It also creates favorable prospects for Industrivärden's value performance in 2015.

Handelsbanken is showing continued stable performance and continues its organic growth, particularly in the UK. The *Volvo Group* is in the midst of strategic focus work and has launched several new products that have strengthened its positions in several markets. Its program to enhance efficiency, strengthen its competitiveness and improve profitability is on track. The restructuring of *SCA's* product portfolio has borne fruit, and the company can now use cash flow from its European operations for proactive investments in emerging markets. Good examples are its majority shareholding in *Vinda*, which is China's third-largest tissue company, and the

newly established operations in India. *Sandvik's* work on cutting costs and increasing flexibility for stronger profitability is unfolding well and has resulted in a stronger and more stable company. *Ericsson* has in a professional manner developed its leading position with stable sales growth and a strong operating margin. *ICA Gruppen* is showing continued impressive stability in its core business and left its unprofitable business in Norway during the year. *Skanska* is continuing its successful expansion in key areas in the U.S. and is winding up its unprofitable business in Latin America. Through its merger with the Finnish steelmaker *Rautaruukki*, *SSAB* is creating synergies, increasing its flexibility and strengthening its customer offering. *Industrivärden* stands stronger than ever before. With a well-developed ownership model and clear action plans in our portfolio companies, we are well equipped for continued long-term value creation.

Net asset value at year-end was SEK 158 per share, an increase of 9% for the year adjusted for conversions and reinvested dividends. The total return was 13% for *Industrivärden's* Class A shares and 16% for the Class C shares, which was even with the return index.

Despite low volatility in the stock market, our trading generated a record profit of SEK 178 M, which exceeded the management cost of SEK 146 M, or 0.18% of managed assets.

During 2014 the entire convertible loan due in 2015 was converted to 46.1 million new Class C shares, whereby SEK 5.8 billion was added to shareholders' equity. We have thereby carried out a new issue in an investment company that is traded at a discount to net asset value. As part of the ongoing refinancing of the debt portfolio, *Industrivärden* issued a SEK 4.4 billion exchangeable bond based on *ICA Gruppen's* stock, at favorable terms.

The Board of Directors proposes a dividend of SEK 6.25 per share (5.50), which corresponds to a dividend yield of 4.6% for the Class C shares, compared with an average yield of 3.4% for the Stockholm Stock Exchange. We have thereby once again achieved our goal of paying a higher dividend yield than the average for the Stockholm Stock Exchange.

Stockholm, February 2015



Anders Nyren
President and CEO

Conversion of first convertible loan

- The entire convertible loan 2010-2015 was converted to 46.1 million new Class C shares, adding SEK 5.8 billion to shareholders' equity.

Refinancing through an exchangeable bond

- A SEK 4.4 billion exchangeable bond was issued as part of the continuous refinancing of the debt portfolio. The bond was issued at a premium to the existing share price for *ICA Gruppen* of approximately 38% and carries no interest.

Proposed dividend

- The Board of Directors proposes a dividend of SEK 6.25 per share (5.50), corresponding to a dividend yield of 4.6% (4.5%) for the Class C shares, compared with 3.4% for the Stockholm Stock Exchange.

Events after the end of the reporting period

- In January 2015 *Industrivärden's* chairman, Sverker Martin-Löf, informed the company's nominating committee that he will not be available for re-election at the 2015 Annual General Meeting. In connection with this, *Industrivärden's* principal shareholders announced that in the nominating committee work they will recommend that *Industrivärden's* CEO, Anders Nyren, be elected as the new Chairman of the Board at the 2015 Annual General Meeting.

Operations

Industrivärden invests in internationally active Nordic quality companies with good potential for growth in value and contributes to continuous creation of value in its portfolio companies through active ownership. The active ownership role requires significant ownership influence and entails a long-term investment horizon.

BUSINESS MODEL

Industrivärden has many years of experience in structured value creation and works successfully according to a well proven business model. An active ownership perspective fosters a deep understanding of the portfolio companies' businesses, operating environments and continuing development. Contributing to value creation in the portfolio companies increases asset values at the same time that active involvement and knowledge about the companies reduces Industrivärden's equities risk. Industrivärden's success can ultimately be credited to its employees, work processes and positions of trust.

Industrivärden conducts its work through the processes Investments and Active Ownership, with most resources focused on value-creating active ownership.

The investment process involves evaluating existing investments against set targets and providing a continuous and current picture of new investments that meet the set investment criteria. Active ownership is exercised primarily through board representation and aims to create long-term sustainable value-added in the portfolio companies.

The Board decides on Industrivärden's ownership strategy, and board members and members of the Executive Management represent Industrivärden in the portfolio companies.

Industrivärden has a cost-efficient organization that is distinguished by high flexibility and short decision-making channels. The operation has approximately 30 employees, nine board members and an extensive contact network with specialist knowledge. Operations are project-oriented and involve personnel from both the investment organization and staff functions.

The Executive Management handles the Company's day-to-day administration and serves as an investment committee. The analysis function contributes through continuous evaluation of investments and external factors, and through revision of Industrivärden's action plans for value creation. The equity trading function contributes market information, generates excess returns and executes investment decisions.

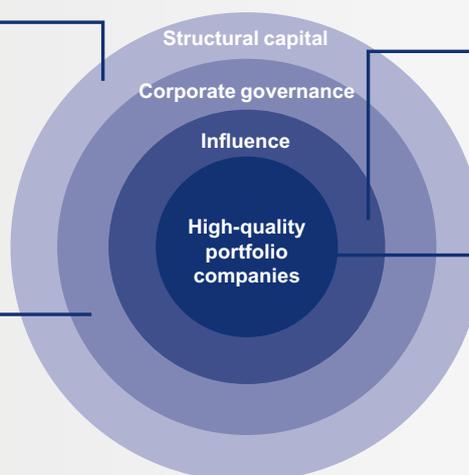
BUSINESS MODEL AT A GLANCE

Substantial structural capital

- Professional organization
- Experienced board members
- Well proven and effective work methods
- Extensive network
- Good financial resources

Proven corporate governance model

- Well developed business model and clear ownership strategy
- Close dialog with portfolio companies
- Long-term focus enhances potential



Strong exchange of influence

- Significant influence in eight listed companies
- Collaboration with other owners
- Strong positions of trust

High-quality portfolio companies

- Professional selection process
- Companies with substantial value potential

BUSINESS PROCESSES

Board work



Ownership strategy and board representation

Company analysis and management decisions



Analysis and action plans

Equities trading



Market knowledge and excess returns

Investments



Evaluate holdings and new investments

Active ownership



Create enduring value-added in the holdings

INVESTMENTS

Each portfolio company is analyzed with respect to potential future growth in value. Quantitative targets are evaluated on a continuous basis, as are various options for a future exit. The portfolio companies' potential for value creation is evaluated continuously from the perspective of a 5–8 year time horizon.

Strong emphasis is put on continuous comparisons with alternative long-term investments in other listed companies. Industrivärden's focus encompasses the more than 800 listed companies in the major Nordic stock markets. Of the approximately 50 companies that meet the set investment criteria, the 20 most interesting companies are analyzed continuously.

Investments are made in a limited selection of mid- and large-cap listed Nordic companies which, through Industrivärden's active ownership, have long-term favorable value potential.

Industrivärden's investment criteria are:

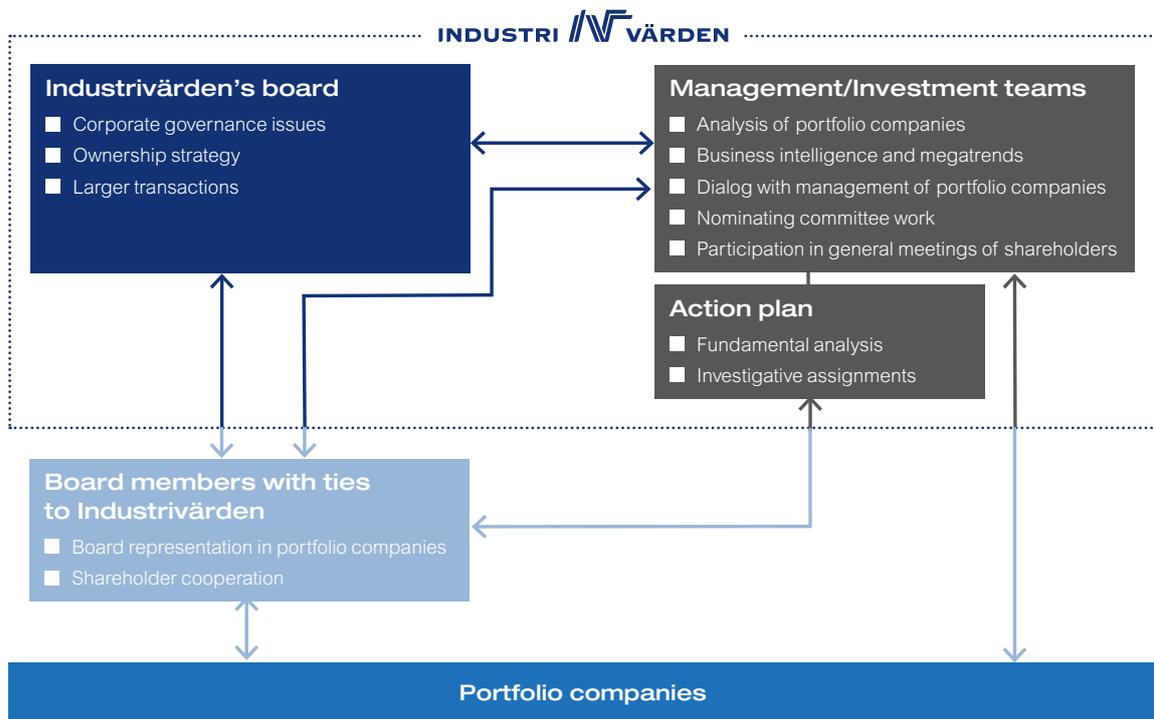
- **Demonstrated ability:** Proven business models and strong brands.
- **Strategic focus:** Leading positions in selected market segments.
- **Scalability:** Business models that can be applied in several markets.
- **Financial growth:** Good ability to generate growth in cash flow.
- **Strong company cultures and strong leadership.**

Apart from decisions on new investments or divestments of an entire holding, the investment process forms the foundation for decisions to hold, increase or decrease existing holdings.

ACTIVE OWNERSHIP

Industrivärden's influence in its portfolio companies is grounded in sizable ownership stakes and a strong position of trust. From this foundation, Industrivärden takes an active ownership role by working together with other major owners in the aim of finding ways to build value in the shareholdings. Active ownership is exercised by board members in the portfolio companies who have ties to Industrivärden, through participation in the respective companies' nominating processes, and through direct dialog between Industrivärden's investment organization and senior representatives of the portfolio companies. Active ownership is conducted on a platform of continuous, fundamental analysis and action

plans for value creation. The work is conducted from an overarching ownership perspective and focuses on such matters as company strategy, company structure, market potential, capital structure, sustainability, corporate governance, and so on. Through significant influence, depth of knowledge and close involvement, Industrivärden can evaluate measures, provide support and make clear demands. One of the most central duties of the respective companies' boards is to appoint the CEO and continuously evaluate the work of the company's management. Active ownership gives company management assurance to act with a long-term focus.



BOARD WORK

The Board monitors the portfolio companies' development and issues related to the exercise of active ownership in the portfolio companies. Active ownership is ultimately conducted through board representation, and at least one director on each portfolio company's board has ties to Industrivärden. The portfolio company's chairman normally has ties

to Industrivärden. Industrivärden's board representatives are normally directors on Industrivärden's board and/or members of the Executive Management. A detailed presentation of Industrivärden's board of directors and Executive Management can be found on pages 50–51.



Sverker Martin-Löf

M.Sc. Eng., Tech. Lic., Honorary Ph.D. Chairman of the Board of Industrivärden, SCA and SSAB. Vice Chairman of Svenska Handelsbanken and Ericsson. Director of Skanska. Former President and CEO of SCA, with experience from several executive positions at SCA.

Fredrik Lundberg

M.Sc. Eng., MBA, Honorary Doctor of Economics, Honorary Doctor of Engineering. President and CEO of L E Lundbergföretagen. Chairman of the Board of Holmen, Hufvudstaden and Indutrade. Vice Chairman of Svenska Handelsbanken. Director of L E Lundbergföretagen and Skanska. Active in L E Lundbergföretagen since 1977.

Annika Lundius

LL.M. Deputy Director-General of the Confederation of Swedish Enterprise (until March 16, 2015). Director of SSAB and AMF Pension. Former Head of the Legal Secretariat and Director-General of the Swedish Ministry of Finance. Former Managing Director of the Swedish Insurance Federation and the Swedish Insurance Industry Employer Association.

Stuart Graham

MBA, Honorary Doctor of Engineering. Chairman of the Board of Skanska. Director of PPL Corporation, Harsco Corporation and Brand Energy and Infrastructure Services. Former CEO of Skanska, Skanska USA and Sordoni Skanska, among others.

Boel Flodgren

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

Christian Caspar

MBA. Director of Stena and Bonnier. More than thirty years of experience in senior positions with McKinsey & Company.

Pär Boman

Engineering and Business/Economics degree. President and Group Chief Executive of Handelsbanken. Director of SCA. Former head of Handelsbanken Markets and senior positions with Handelsbanken since 1991.

Nina Linander

M.Sc. Econ., MBA. Director of Telia Sonera, Skanska, Awapatent, Specialfastigheter Sverige and Castellum. Co-founder and former partner in Stanton Chase International. Former management positions with Vattenfall and Electrolux.

Anders Nyrén

MBA, U.S. MBA, Honorary Doctor of Economics. President and CEO of Industrivärden. Chairman of the Board of Svenska Handelsbanken and Sandvik. Director of SCA, Volvo, the Stockholm School of Economics and the Stockholm School of Economics Association. Vice preses in IVA. Former Executive Vice President of Skanska, Nordbanken and Securum. Former CEO of OM International and other companies.

Nominating committee work

The composition of the boards of the portfolio companies is of central importance, which is why Industrivärden participates actively in the preparation work behind nominations of directors for company boards. Normally, the nominating committee chair for a portfolio company has ties to Industrivärden,

which as a rule is represented by at least one committee member. Industrivärden's General Counsel and Executive Vice President, Anders Nyberg, is responsible for corporate governance. Together with Carl-Olof By he represents Industrivärden on the portfolio companies' nominating committees.

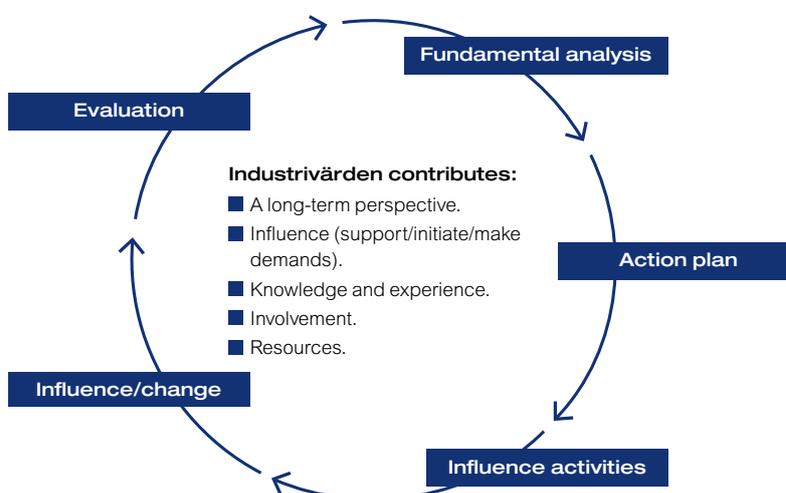
COMPANY ANALYSIS AND MANAGEMENT DECISIONS

Investment teams

Each portfolio company and potential new-investment candidate is monitored by an investment team. The investment team performs a fundamental company analysis that culminates in a so-called core analysis. Based on this analysis, the team continuously updates an action plan, which serves as a platform for the design, implementation and evaluation of Industrivärden's active ownership. The aim is primarily to identify and describe various opportunities for value growth as well as strategic measures for achieving this value. All action plans are set on a continuous basis by Industrivärden's Investment Committee, which is made up of the members of the Executive Management.

All analysis is based on public information material. Each investment team presents its action plan on a continuous basis to the director or directors with ties to Industrivärden serving on the board of the portfolio company. In this way, Industrivärden's representatives are provided with a current, in-depth picture of identified opportunities and measures. The investment teams are also engaged in a continuous dialog with the company management of the respective portfolio companies. By working with well-researched ideas and proposals, Industrivärden can exert influence on the respective portfolio companies' boards. In this way, over time, parts of the action plans can be put into concrete measures in the portfolio companies for future value creation.

THE INFLUENCE PROCESS



ACTIVE OWNERSHIP EXAMPLE: Volvo Group

Board work

Anders Nyrén, a member of Volvo's board, has direct ties to Industrivärden. In its capacity as an active owner, Industrivärden is engaged in a close dialog with all of the members of Volvo's board. 12 board meetings were held in 2014. Important issues and decisions included:

- Structural issues within the framework of strategic focusing.
- Measures for improved profitability.
- Continued investments in growth markets.
- Organizational issues.
- Drafting of the dividend proposal.

Continuous dialog and company visits

In 2014 Industrivärden's company team held six meetings with senior executives at Volvo. The team attended several of the capital market days held by major companies in the industry and paid a number of company visits to industry players around the world.

Collaboration with other major shareholders

In 2014 an ongoing dialog was held in the customary manner with other major shareholders of Volvo.

Recommendation for board members

- The nominating committee chair, Carl-Olof By, represented Industrivärden as a shareholder.
- During the 2013 calendar year, eight nominating committee meetings were held, and the nominating committee's recommendation for election of the board was presented in March 2014.
- At the Annual General Meeting in April 2014, the board members were elected in accordance with the nominating committee's recommendation.

Executive Management and Investment Committee

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

and can contribute specialist expertise. Industrivärden works with a small and flexible organization, thus enabling the members of the Executive Management to participate actively in the operating activities within their respective areas. A substantial part of the CEO's work time is dedicated to board work within the framework of active ownership in the portfolio companies. A detailed presentation of the members of the Executive Management is provided on page 51.



On a visit at UD Trucks (a Volvo Group subsidiary) plant in Ageo, Japan.

Sverker Sivall

Head of Corporate Communications,
MBA.

Fredric Calles

Head of Trading, Acting Chief
Investment Officer (CIO),
MBA.

Anders Nyrén

President and CEO,
MBA, U.S. MBA.
Chairman of the Board of Svenska
Handelsbanken and Sandvik.
Director of SCA and Volvo.

Martin Hamner

Chief Financial Officer (CFO),
MBA.

Anders Nyberg

Executive Vice President and General
Counsel, Head of Corporate Governance,
Company Secretary,
LLB.

EQUITIES TRADING

Industrivärden has a separate function for equity trading that supports the investment operation by providing market information and executing investment decisions. Trading is conducted in equities and equity-related instruments in an effort to generate excess returns, primarily through short-term derivative transactions on margins in Industrivärden's long-term shareholdings.

Industrivärden's trading has been highly successful, generating earnings of approximately SEK 1.5 billion since the start in 2003. These profits have amply covered Industrivärden's management costs. In 2014, the trading generated a profit of SEK 178 M (140).

ACTIVE OWNERSHIP EXAMPLE: Corporate Social Responsibility

In its capacity as a long-term active owner, Industrivärden has a culture of sustainability-oriented corporate social responsibility dating back many years. Corporate sustainability is a natural precondition for long-term value creation, and matters such as protecting the environment, human rights and business ethics are therefore regarded as important aspects of the portfolio companies' operations. Industrivärden takes a long-term involvement in the strategic development of the portfolio companies. This is a matter not only of risk management, but also of creating business opportunities. A fundamental value is that sustainability, in the form of social and environmental responsibility, is a strategic investment that strengthens the company and the product offering, which contributes to enduring shareholder value over time. Against this background, major emphasis is put on ensuring that the portfolio companies have the boards, leadership, organization and resources required to integrate sustainable value creation in their business models, processes and product offerings. The portfolio companies are active in a wide range of industries, and thus their conditions and actions naturally differ from each other. However, Industrivärden's overall ambition from a long-term ownership perspective is the same for all of the portfolio companies.

Sustainability work in Industrivärden's portfolio companies – three examples

■ **Ericsson's goal** is to be a leader in supporting sustainable development of the Networked Society. The company's sustainability work and corporate responsibility focus on three main areas: Responsible business, Best possible results for energy and the environment, and Technology for Good. In 2014 Ericsson integrated sustainability and social responsibility even more closely with its business strategy. Ericsson's long-term work with climate change and life cycle strategies to minimize environmental impact was recognized through the company's inclusion on the A-list in the Carbon Disclosure Project's Climate Performance Leadership Index in 2014.

■ **Skanska's goal** is to become an industry leader in sustainability, particularly in green building. All commercial property development projects and most of the projects in which Skanska is involved in public-private partnerships are today green. During the year, the Norwegian pilot project Powerhouse Kjørbo was completed, one of the world's first so-called energy-plus buildings that was created through energy retrofitting of an older building. With energy efficiency in focus, Skanska was responsible for the renovation and technical construction solutions. Today the building is energy-positive, and aided by solar panels, the building produces twice as much energy as its operation uses. During the year the capital market also had an opportunity to invest in green projects when Skanska issued green bonds worth SEK 850 M.

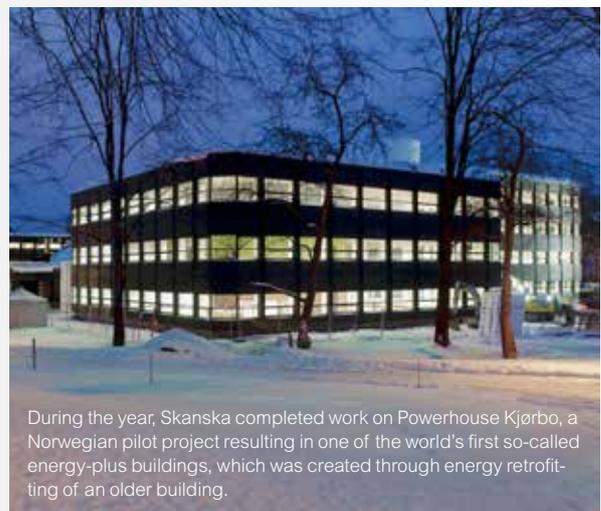
As an active owner, it is Industrivärden's ambition that the portfolio companies;

- integrate sustainability aspects in their business models, strategies, processes and product offerings,
- comply with applicable laws, rules and regulations, and generally accepted principles,
- continuously strive to improve their positions with the support of relevant guidelines and measurable results, and
- clearly communicate their sustainability work over time.

Like other strategic issues, sustainability aspects are handled within the framework of Industrivärden's processes for exercising active ownership.

Industrivärden's portfolio companies have generally made great progress in capitalizing on the value potential provided by long-term corporate sustainability and score highly in various industry peer comparisons. Following is sampling of some current examples from our portfolio companies. Additional examples and information can be found in the portfolio companies' sustainability reports.

■ **SSAB** In 2014 SSAB launched a new sustainability strategy with a new set of targets for the environment, sustainable products and social responsibility. The sustainability strategy is closely tied to SSAB's Taking the Lead business strategy. In addition, SSAB created a new corporate role with responsibility for the company's sustainability work. The Group's most significant contribution to more sustainable development is to work together with customers to develop products that take advantage of the possibilities offered by high strength steel. In 2014 SSAB launched a new, high-strength structural steel that was developed for safety applications in cars, with stringent requirements for low weight and high energy absorption.



During the year, Skanska completed work on Powerhouse Kjørbo, a Norwegian pilot project resulting in one of the world's first so-called energy-plus buildings, which was created through energy retrofitting of an older building.

Corporate Governance

Good corporate governance, risk management and internal control are central parts of a successful business and decisive for a company's ability to uphold the trust of its stakeholders. Industrivärden has high ambitions in its corporate governance.

GENERAL MEETINGS

General meetings of shareholders are Industrivärden's highest governing body. At the Annual General Meeting (AGM), which is held within six months after the end of the fiscal year, resolutions are made concerning recommendations and proposals set forth by the Nominating Committee, the Board of Directors and the shareholders. Among other things, the income statements and balance sheets are adopted, a decision is made regarding the dividend, and the Board of Directors are elected, which according to the Articles of Association shall consist of a minimum of three and a maximum of nine members. In addition, when applicable the auditor is elected and the auditor's fee is determined, and other items of legally ordained business are conducted.

NOMINATING COMMITTEE

The members of the Nominating Committee ahead of the 2014 Annual General Meeting were Bo Damberg (the Jan Walander and Tom Hedelius Foundation, and others), Ulf Lundahl (L E Lundbergföretagen), Sverker Martin-Löf, Chairman of the Board of Industrivärden, Mikael Schmidt (SCA Pension Foundations and others), and Håkan Sandberg, committee chair (Handelsbanken Pension Foundation and Handelsbanken Pension Fund). The same members, with the exception of the new member, Mats Guldbrand, who represents the shareholder L E Lundbergföretagen, have been appointed for nomination work ahead of the 2015 Annual General Meeting.

BOARD OF DIRECTORS

The Board of Directors has a central role in Industrivärden's business model for active ownership. It is responsible for, among other things, the design and execution of the Company's active ownership, overarching ownership matters concerning the portfolio companies, and issues related to major purchases and sales of listed stocks. See also page 15. The Board has ultimate responsibility for Industrivärden's organization and administration.

The Board's duties are laid out in the Board's work plan and follow a yearly plan. Every board meeting follows an agenda supported by relevant background documentation.

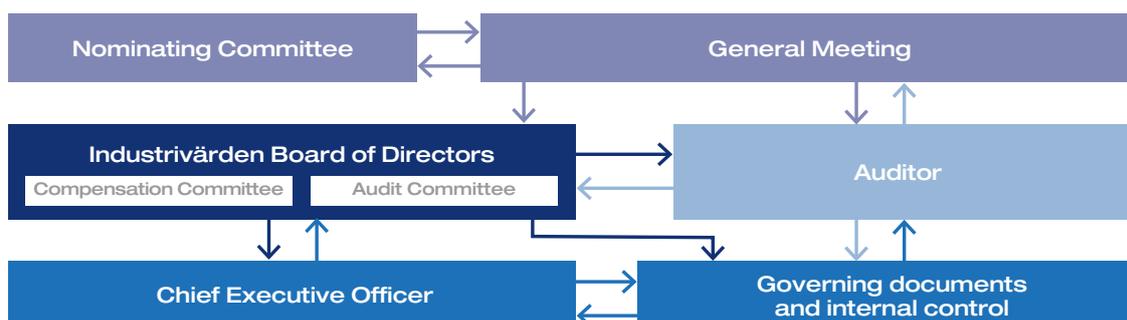
In addition to the statutory board meeting, which is held in conjunction with the Annual General Meeting, the Board normally meets five times a year (regular meetings). Extra meetings are called when necessary. In 2014 the Board met a total of six times.

The statutory meeting deals with adoption of the Board's work plan, designation of the Company's signatories, appointment of persons to check the minutes of board meetings, and appointment of committee members.

Each year the Board evaluates Industrivärden's financial reporting and makes demands on its content and structure to ensure it maintains a high level of quality. In connection with the board meeting that deals with the annual financial statements, the Board of Directors' Report, the proposed distribution of earnings and the year-end report, the Company's auditor submits a report on the auditors' observations and remarks from their audit.

The regular meetings cover a number of set agenda items. These include, among other things, a report on the current financial result of operations, the development of net asset value and performance of the equities portfolio, and on equity transactions that have been carried out. Reporting also includes a description of the portfolio companies' performance and macroeconomic conditions. In addition, a special review is normally conducted of one or more of the portfolio companies and of potential investments or divestments. At several board meetings during the year, the management of the portfolio companies makes a presentation on their company's development.

All board decisions are based on extensive documentation and are made following a discussion that is led by the Chairman. The Board's work is evaluated yearly in a structured process conducted under the direction of the Chairman of the Board.



BOARD COMMITTEES

The Board has appointed a compensation committee and an audit committee, which are tasked with conducting drafting work for compensation and audit issues, respectively, for decision by the Board. The entire board, with the exception of the CEO, performs the duties that are incumbent upon the Compensation Committee and Audit Committee. The Chairman of the Board chairs both of these committees.

Audit Committee

The Audit Committee serves in an oversight role with respect to the Company's risk management, governance and control, and financial reporting. This entails maintaining regular contact with the auditor to ensure that the Company's internal and external reporting meet the requirements placed on a listed company and to discuss the scope and focus of the audit work. The auditor regularly reports observations to the Audit Committee and participated in three meetings during the year. No fees have been paid to the board members for their work on the committee.

Compensation Committee

The Compensation Committee handles matters concerning principles for compensation and other terms of employment for the CEO and members of the Executive Management, evaluates variable compensation programs for Company executives, and monitors and evaluates application of the compensation guidelines that have been set by the Annual General Meeting. No fees have been paid to the board members for their work on the committee.

CHIEF EXECUTIVE OFFICER

The CEO is responsible for Industrivärden's operative activities in accordance with the adopted strategy and the CEO's instructions set by the Board. These cover, among other things, investment rules for equities and derivative instruments which indicate the maximum amounts for the CEO's authority between board meetings to decide on purchases and sales of stocks and derivative instruments.

The CEO's most important duties are to lead the business and, in his capacity as a board representative, to exercise Industrivärden's active ownership in its portfolio companies. See also page 17.

AUDITOR

The auditor audits the annual report, the bookkeeping and the Board's and CEO's administration, and reports to the Annual General Meeting. At the 2014 Annual General Meeting, PricewaterhouseCoopers AB was elected as auditor for a term lasting through the 2015 Annual General Meeting. The chief auditor is Magnus Svensson Henryson (b. 1969), Authorized Public Accountant. In 2014 he was chief auditor of the listed companies Industrivärden and SSAB, among others. In 2014 the half-year interim report and year-end report were reviewed by the Company's auditor.

GOVERNANCE DOCUMENTS AND INTERNAL CONTROL

Industrivärden has transparent operations and established control systems. Each year the Board adopts governance documents in the form of investment rules and the CEO's instructions. The investment rules specify and set the framework for all investments in financial instruments. The CEO's instructions lay out central guidelines and clarify which decisions are to be made by the Board and which can be made by the CEO.

Against the background of Industrivärden's operations, organizational structure and how the financial reporting has been organized in general, the Board finds no need for a dedicated review function in the form of an internal audit unit.

Internal control regarding the financial reporting is described in more detail on page 40.

Further information about corporate governance at Industrivärden can be found on the Company's website.

Attendance, fees and independence conditions

Name	Year elected	Board	Audit Committee	Compensation Committee	Attendance at meetings			Fee 2014, SEK 000s
					Board	Audit Committee	Compensation Committee	
Sverker Martin-Löf	2002	Chairman	Chair	Chair	All	All	All	2,000
Pär Boman	2013	Member	Member	Member	All	All	All	600
Christian Caspar	2011	Member	Member	Member	All	All	All	600
Boel Flodgren	2002	Member	Member	Member	All	All	All	600
Stuart Graham	2011	Member	Member	Member	5/6	5/6	All	600
Nina Linander	2014	Member	Member	Member	*3/4	*3/4	*All	600
Fredrik Lundberg	2004	Member	Member	Member	All	All	All	600
Annika Lundius	2014	Member	Member	Member	*All	*All	*All	600
Anders Nyrén	2001	Member	–	–	All	–	–	–
Total								6,200

According to the Swedish Corporate Governance Code, Anders Nyrén (CEO) and Pär Boman (Group Chief Executive of Handelsbanken, of which Anders Nyrén is Chairman), are to be regarded as non-independent in relation to Industrivärden and the Executive Management. All other board members are to be regarded as independent in relation to the Company and the Executive Management. Of these, Christian Caspar, Boel Flodgren, Stuart Graham, Nina Linander and Annika Lundius are also to be regarded as independent in relation to major shareholders of the Company. Fredrik Lundberg is CEO of L E Lundbergföretagen, which is a major shareholder of Industrivärden.

* Nina Linander and Annika Lundius were appointed as new board members at the Annual General Meeting in May 2014.

Value creation

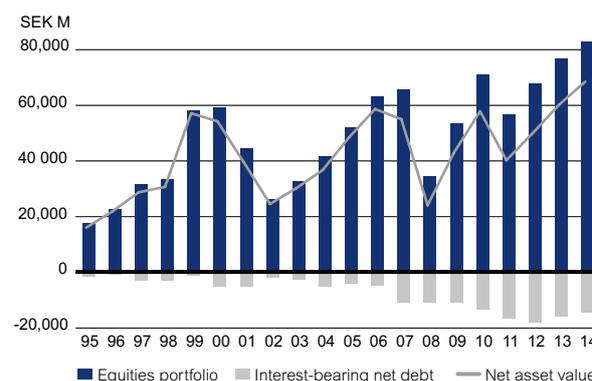
NET ASSET VALUE

Industrivärden's goal is to generate high growth in net asset value over time and thereby deliver a long-term total return to the shareholders that is higher than the average for the Stockholm Stock Exchange (NASDAQ Stockholm). Industrivärden has generated strong growth in net asset value from a long-term perspective. This combined with the dividend policy to pay a dividend yield that is higher than the average for the Stockholm Stock Exchange, has given Industrivärden's shareholders a competitive long-term total return.

Net asset value is a measure of the shareholders' total net worth in the Company, defined as the market value of the equities portfolio less interest-bearing net debt. Net asset value at year-end 2014 was SEK 68.3 billion (60.9), or SEK 158 per share (155). After full conversion of the convertible loan that matures in 2017, net asset value was SEK 158 per share (150).

Growth of net asset value

During the last 20-year period, net asset value including reinvested dividends grew 11% per year, compared with 12% for the Stockholm Stock Exchange's return index.



Net asset value

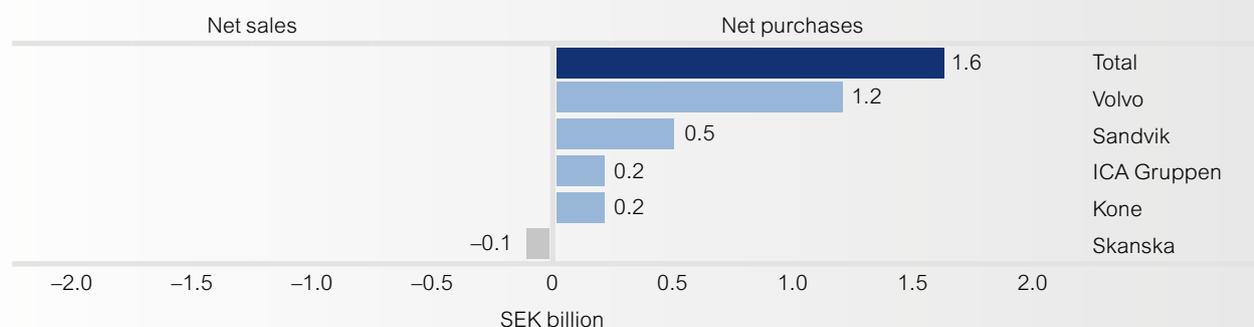
SEK billion	Dec. 31. 2014	Dec. 31. 2013	Dec. 31. 2012 ³	Dec. 31. 2011 ³	Dec. 31. 2010 ³
Equities portfolio	83.1	78.0	68.1	56.9	71.1
Interest-bearing net debt	-14.6	-17.1	-18.2	-16.8	-13.4
of which, convertible loans	-5.0	-8.4	-8.4	-8.6	-4.2
Adjustment related to exchangeable bond	-0.1	-	-	-	-
Net asset value	68.3	60.9	49.8	40.1	57.7
Net asset value per share, SEK	158	155	129	104	149
Yearly growth, % ¹	9²	24	29	-28	37
Debt-equities ratio, %	17.6	21.9	26.8	29.5	18.9
Net asset value per share, SEK after full conversion	158	150	126	106	144
Debt-equities ratio, % after full conversion	11.6	11.1	14.4	14.5	13.0

1) Including reinvested dividends.

2) Adjusted for conversions.

3) The comparative figures for the years 2010-2012 have not been restated in accordance with the principles of investment entities.

Major transactions per holding 2014



Equities portfolio

Industrivärden's equities portfolio comprises large shareholdings in Handelsbanken, Volvo, SCA, Sandvik, Ericsson, ICA Gruppen, Skanska and SSAB in which Industrivärden serves as a long-term active owner. The companies are characterized by front positions in selected market segments, geographic scalability and a high level of international operations. Industrivärden is also a shareholder in the Finnish company Kone.

The equities portfolio, which is valued at market prices as per December 31, 2014, had a market value of SEK 83,062 M (77,992), which exceeded cost by SEK 36,202 M (33,381). The market value of the equities portfolio corresponds to SEK 192 (199) per Industrivärden share.

Performance of the equities portfolio in 2014

Taking purchases and sales into account, the value of the equities portfolio increased by 4% during the year, while the Stockholm Stock Exchange's market index (OMXSPI), increased by 12%.

Dividends received from portfolio companies during the year amounted to a combined total of SEK 2,984 M (2,504). Industrivärden distributed SEK 2,282 M (1,950) in dividends to the shareholders. The total return for the portfolio, i.e., the growth in value including reinvested dividends, was 8%, compared with 16% for the total return index (SIXRX).

Investment activities 2014

During the year, total net purchases per holding amounted to SEK 2,265 M, and total net sales per holding amounted to SEK 704 M. Stocks were purchased for a net total of SEK 1,561 M.

The largest net purchases were in Volvo, for SEK 1,188 M, followed by Sandvik, for SEK 542 M. The largest net sales were in Skanska, for SEK 117 M, and Ericsson, for SEK 45 M.

Investment activities 2013

In the preceding year, 2013, several major investment activities were carried out. Industrivärden became a new long-term owner in ICA Gruppen. Industrivärden has invested SEK 2.7 billion in ICA Gruppen, at year-end 2014 this holding had a market value of SEK 6.5 billion. The holding in Höganäs was sold for SEK 1.5 billion, and the remaining holding in Indutrade was sold for SEK 3.3 billion. Both of these divestments were carried out with favorable realized total return for the holding periods.

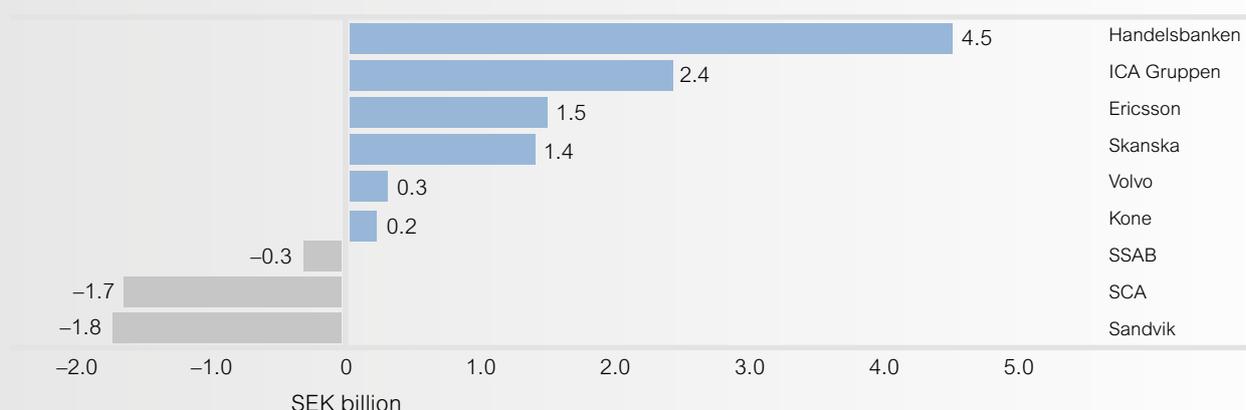
Borrowing

Through balanced borrowing, Industrivärden increases its flexibility and creates leverage in the equities portfolio. The debt portfolio consists primarily of convertible loans, an exchangeable bond, bank loans, an MTN program and commercial paper.

Interest-bearing net debt

Interest-bearing net debt amounted to SEK 14.6 billion at year-end 2014, corresponding to SEK 34 per Industrivärden share. The loan portion of the convertible loan that was issued in January 2011 accounts for SEK 5.0 billion of total net debt. If the loan converts, the debt is converted to equity. Conversion entails no financial dilution, since the loan is invested in the equities portfolio and the conversion price is set at a premium over net asset value.

Total return for equities portfolio 2014



The current level of debt in absolute terms is considered to be well-balanced in view of the underlying assets' size, their good liquidity and that part of the debt amount consists of long-term convertible loans.

The debt-equities ratio at year-end 2014 was 18%, or 12% after full conversion of the convertible loans.

Interest-bearing liabilities had an average fixed interest and principal period of approximately 2.5 years, and carried an average interest rate of 2.0%.

Issues of convertibles

In January 2010 and January 2011 Industrivärden issued five-year and six-year convertible loans, respectively, worth EUR 500 M and EUR 550 M. The aim was to take advantage of strong market conditions and good credit quality to obtain attractive financing with the opportunity to issue new equity. The capital has been used for investments in portfolio companies with favorable dividend yields and potential for growth in value – mainly Volvo and Sandvik.

In 2013, 12% of the five-year convertible loan 2010-2015 was converted. During 2014 the remainder of the loan was converted through conversions called by holders of the convertibles and conversions called as a result of Industrivärden's call for early redemption. In total, for the entire convertible loan, 46.1 million new Class C shares were

issued, and SEK 5.8 billion was added to shareholders' equity in Industrivärden.

On December 31, 2014, the convertible loan that matures in 2017 was "out of the money" since taking into account an actual exchange rate of SEK 9.52/EUR 1, it is profitable to convert when Industrivärden's share price exceeds SEK 169 per share. In 2014 the conversion price was adjusted from SEK 159.91 to SEK 157.57 (corresponding to EUR 17.74 per share), whereby a maximum of 31.0 million Class C shares will be added upon full conversion. This adjustment compensates the holders of the convertibles for the so-called excess dividend to the shareholders.

Trading

Short-term derivative transactions and equity trading are conducted on a regular basis to enhance the return of the equities portfolio. The combined profit from Industrivärden's short-term derivative transactions and equity trading totaled SEK 178 M (140), which covered the management cost.

Management cost

The management cost in 2014 amounted to SEK 146 M (130), corresponding to 0.18% (0.17%) of managed assets.

Composition of net asset value and total return for portfolio companies on December 31, 2014

Holding	No. shares	Ownership, %			Share of value, %	Cost, SEK M	Market value		Total return, %	Net purchases/net sales per holding, SEK M	Total return on stock, %
		Capital	Votes	SEK/ share			SEK M				
Handelsbanken A	64,661,679	10.2	10.3	29	7,198	23,705	55	4,495	99	22	
Volvo A	142,154,571	6.8	21.1	15	12,880	12,140	28	275	1,188	4	
Volvo B	2,000,000				178	169					
SCA A	40,500,000	10.0	29.4	14	706	6,845	28	-1,737	0	-12	
SCA B	30,300,000				2,076	5,118					
Sandvik	151,184,257	12.1	12.1	14	9,209	11,550	27	-1,752	542	-13	
Ericsson A	86,052,615	2.6	15.2	9	3,915	7,594	18	1,475	-45	23	
ICA Gruppen	21,125,000	10.5	10.5	8	2,730	6,460	15	2,414	240	58	
Skanska A	12,667,500	7.6	24.4	6	600	2,127	12	1,384	-117		
Skanska B	19,343,995				1,975	3,248				33	
SSAB A	58,105,972	10.7	17.7	3	4,152	2,651	6	-260	45	-7	
SSAB B	754,985				72	30					
Kone	3,412,500	0.7	0.3	1	930	1,228	3	203	151	19	
Other				0	241	196	0	83	-542		
Equities portfolio				100	46,860	83,062	192	6,580	1,561	8	
Interest-bearing net debt						-14,632	-34				
– of which, convertible loans						-4,971	-11				
Adjustment regarding exchangeable bond						-85	0				
Net asset value						68,345	158				
Debt-equities ratio							18%				
Net asset value after full conversion							158				
Debt-equities ratio after full conversion							12%				

INDUSTRIVÄRDEN SHARE DATA

Industrivärden as an investment

Industrivärden's stock (Class A and C shares) has generated a competitive return for longer periods of time at a low cost and low risk.

Industrivärden's stock and shareholders

Industrivärden's Class A and Class C shares are listed on the Stockholm Stock Exchange. Industrivärden's stock is listed in the large cap segment, consisting of companies with a market capitalization in excess of EUR 1 billion. Industrivärden has 60,000 shareholders (54,000). Foreign ownership in the Company is 15% (13%). Each A-share carries entitlement to one vote, and each C-share carries entitlement to 1/10 of a vote. All shares carry equal entitlement to the Company's assets, earnings and dividend.

Trading volume of Industrivärden shares in 2014 totaled SEK 49 billion (31), of which the Stockholm Stock Exchange accounted for 49%, BATS OTC for 16%, BATS Chi-X for 13%, LSE for 8%, and other marketplaces for 14%. Trading volume of Industrivärden shares on the Stockholm Stock Exchange totaled SEK 24 billion (15), corresponding to a turnover rate of 19% (11%) for the Class A shares and 90% (83%) for the Class C shares. Average daily trading volume was 211,000 Class A shares and 535,000 Class C shares.

Return

Industrivärden can point to a demonstrated record of long-term value creation. Since its market introduction 70 years ago, Industrivärden's stock has generated an excess return of 1 percentage point per year over the Stockholm Stock Exchange. One Swedish krona invested in Industrivärden in 1945 is today worth SEK 9,400, compared to SEK 4,900 for the market index.

During the last twenty-year period, the total return including reinvested dividends was 1,203%, or 14% per year for the Class A shares, and 1,244%, or 14% per year for the Class C shares. During the same period, the Stockholm Stock Exchange as a whole gained 897%, or 12% per year. In 2014 the total return was 13% for the Class A shares and 16% for the Class C shares, compared with 16% for the Stockholm Stock Exchange as a whole.

Industrivärden's stock on December 31, 2014

Number of shares and convertibles	Capital stock, SEK M	Percentage of	
		votes	shares
268,186,200 Class A shares	670.5	94	62
164,155,071 Class C shares	410.4	6	38
432,341,271 shares	1,080.9	100	100

Upon full conversion, 31.0 million Class C shares will be added.

Dividend

SEK	2014	2013
Dividend	6.25¹	5.50
Annual growth in dividend, %	14	10
Dividend yield, Class A shares, %	4.4	4.2
Dividend yield, Class C shares, %	4.6	4.5
Dividend yield for Stockholm Stock Exchange, %	3.4²	3.2

1) Proposed by the Board of Directors.

2) Source: Bloomberg. Preliminary data for 2014 as per February 2015.

Dividend

Industrivärden's dividend policy is to pay the shareholders a dividend yield that is higher than the average for the Stockholm Stock Exchange (NASDAQ Stockholm). This goal has been achieved every year during the last ten-year period. The dividend is to be well-balanced with respect to the goals, scope and risk of operations. The Board of Directors has proposed that the 2015 Annual General Meeting declare a dividend of SEK 6.25 (5.50) per share, corresponding to a dividend yield of 4.4% for the Class A shares and 4.6% for the Class C shares. The estimated average dividend yield for the Stockholm Stock Exchange was 3.4% at the time for publication of this annual report. The average annual dividend yield for the Class C shares has been 4.7% during the last ten years, compared with 3.5% for Nasdaq Stockholm.

Employee shareholdings in Industrivärden

Information on shareholdings of board members, members of the Executive Management and other senior executives is provided on pages 50–52.

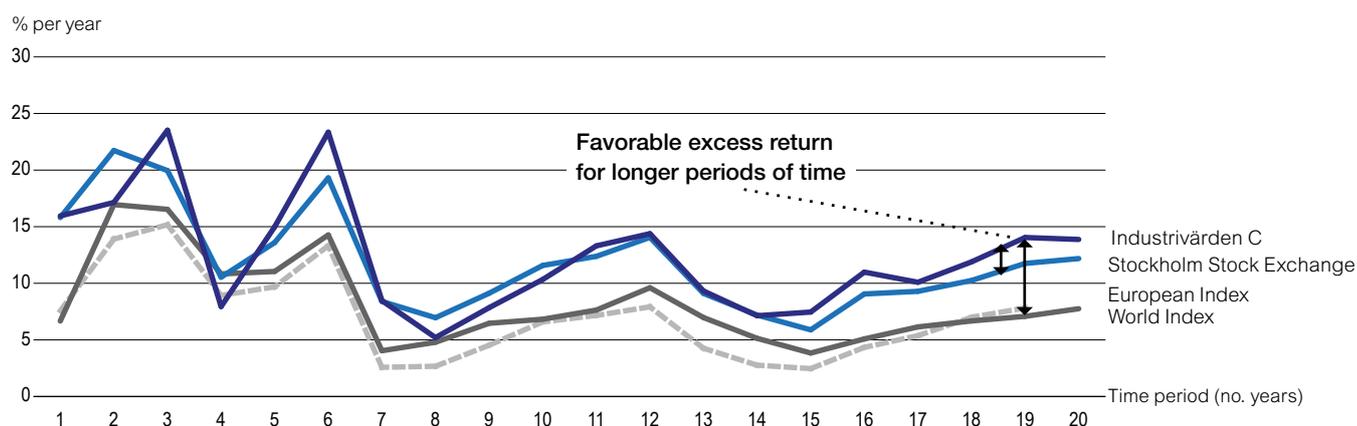
Conversion of Class A shares to Class C shares

At the 2011 Annual General Meeting, a share conversion clause was added to Industrivärden's Articles of Association in the aim of giving shareholders greater flexibility. Shareholders have the right at any time to request conversion of Class A shares to Class C shares. Conversion forms are available on Industrivärden's website under the "Share data" menu. A total of 344,440 Class A shares were converted to Class C shares in 2014.

Conversion to Class C shares

A total of 40,571,308 new Class C shares were issued in 2014, corresponding to 88%, or the remaining portion of the convertible loan 2010–2015, as a result of requests for conversion by holders of the convertibles and due to the early redemption called by Industrivärden. The convertible loan issued in 2011 would increase the number of underlying shares by 31 million new Class C shares upon full conversion. No conversions have been made in this outstanding convertible loan.

Total return for different periods of time



Yearly excess return	1 year	5 years	10 years	15 years	20 years
Industrivärden A vs. Stockholm Stock Exchange (SIXRX)	-3%-pts	+1%-pt	-2%-pts	+1%-pt	+2%-pts
Industrivärden C vs. Stockholm Stock Exchange (SIXRX)	0%-pts	+1%-pt	-1%-pt	+2%-pts	+2%-pts
Industrivärden A vs. European Index (MSCI)	+5%-pts	+5%-pts	+3%-pts	+5%-pts	n/a
Industrivärden C vs. European Index (MSCI)	+8%-pts	+5%-pts	+4%-pts	+5%-pts	n/a
Industrivärden A vs. World Index (MSCI)	+6%-pts	+3%-pts	+3%-pts	+3%-pts	+6%-pts
Industrivärden C vs. World Index (MSCI)	+9%-pts	+4%-pts	+4%-pts	+4%-pts	+6%-pts

Industrivärden's stock is included in both MSCI's Europe and World Indices.

Ownership structure on December 31, 2014¹

Largest shareholders	Number of shares	Percentage of	
		capital stock	votes
L E Lundbergföretagen	53,000,000	12.3	17.7
Handelsbanken Pension Foundation	32,047,097	7.4	10.5
Svenska Handelsbanken	29,392,821	6.8	10.3
Jan Wallander and Tom Hedelius Foundation	25,800,000	6.0	9.1
Swedbank Robur mutual funds	20,787,028	4.8	0.9
SCA Pension Foundation	17,526,642	4.1	6.2
SCA Group Holding	12,108,723	2.8	4.3
SCA Vorsorge-Treuhand	9,514,630	2.2	3.3
Handelsbanken Pension Fund	8,576,511	2.0	2.4
SEB mutual funds	8,019,452	1.9	0.8
Norges Bank Investment Management	7,778,240	1.8	1.5
Carnegie mutual funds	7,000,000	1.6	0.2
SCA Pension Foundation for salaried employees and foremen	6,969,682	1.6	2.4
Fredrik Lundberg	5,840,000	1.4	1.9
J P Morgan Chase Bank	3,898,486	0.9	0.6
State Street Bank	3,689,830	0.9	0.4
Tore Browaldh Foundation	3,410,000	0.8	1.2
Spiltan Aktiefond Investmentbolag	2,876,158	0.7	0.1
Total above	258,235,300	60.0	73.8
Other shareholders	174,105,971	40.0	26.2
Total Industrivärden	432,341,271	100.0	100.0

1) Source: Euroclear.

High customer satisfaction through local customer responsibility



Handelsbanken

Holding

Shares: 64,661,679 Class A shares

Market value: SEK 23,705 M

Share of votes: 10.3%

Share of capital: 10.2%

Share of equities portfolio: 29%

Total return 2014: SEK 4.5 billion

CEO: Pär Boman

Board members with direct ties to Industrivärden: Anders Nyrén (Chairman), Fredrik Lundberg (Vice Chairman), Sverker Martin-Löf (Vice Chairman) and Pär Boman

Nominating committee representative: Anders Nyberg (committee chair)

Industrivärden's team leader: Erik Röjvall

Key data	2014	2013
Earnings per share, SEK	23.89	22.52
Dividend per share, SEK	17.50 ¹	16.50
Share price on December 31, SEK		
Class A shares	366.60	316.00
Class B shares	353.00	301.50

1) Proposed by the board of directors, incl. extraordinary dividend of SEK 5.00.

Operations

Handelsbanken is a full-service bank with a business concept to offer a comprehensive range of high quality financial services to private and business customers in the Nordic countries, the U.K. and the Netherlands. The bank has nationwide branch networks in its respective home markets. A fundamental tenet is that responsibility for each customer rests with the local branch where the customer lives or does business. This enables close and enduring customer relationships that are characterized by availability, simplicity and a high standard of service. Handelsbanken's service offering is evolving to accommodate emerging digital platforms as well as local customer interfaces, which complement each other. The branches set locally adapted priorities with respect to their customer categories and product areas. Through consistent application of this highly effective business model, Handelsbanken has established a strong financial position and stronger market positions over time. Low risk appetite has contributed to considerably lower loan losses than the industry as a whole and favorable dividends even during financial crises, without the need for new issues and/or government support. In all, Handelsbanken has more than 11,500 employees and operations in 24 countries. It has a particularly strong position in the Swedish market, with 463 branches. In the other Nordic countries the bank has a total of 154 branches, plus 178 branches in the U.K. and 20 in the Netherlands. The business is growing internationally in pace with establishment and development of the business model in selected markets.

Handelsbanken has the most satisfied customers while achieving higher cost effectiveness than its peer competitors. Profitability is always prioritized above volume, and for the 43rd year in a row, Handelsbanken had higher profitability than the average for its competitors in its home markets.

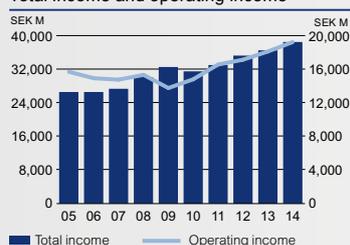
» Operating income rose 6% to SEK 19 billion - the highest figure in the bank's 143-year history «

Owner perspective - strategic considerations

- Profitability is prioritized over volume.
- Organic growth in prioritized home markets in the Nordic countries, the UK and the Netherlands.
- Strong capitalization and substantial liquidity buffer.

www.handelsbanken.com

Total income and operating income



Handelsbanken's stock



Total return (% per year on average)

Period	2014	5 years	10 years	20 years
Handelsbanken A	22	17	13	18
Index (SIXRX)	16	14	12	12

Leading position in modern transport solutions



VOLVO

Holding

Shares: 142,154,571 Class A shares, 2,000,000 Class B shares

Market value: SEK 12,309 M

Share of votes: 21.1%

Share of capital: 6.8%

Share of equities portfolio: 15%

Total return 2014: SEK 0.3 billion

CEO: Olof Persson

Chairman: Carl-Henrik Svanberg

Board member with direct ties to Industrivärden: Anders Nyrén

Nominating committee representative: Carl-Olof By
(committee chair)

Industrivärden's team leader: Madeleine Wallmark

Key data	2014	2013
Earnings per share, SEK	1.03	1.76
Dividend per share, SEK	3.00 ¹⁾	3.00
Share price on December 31, SEK		
Class A shares	85.40	84.50
Class B shares	84.70	84.45

1) Proposed by the board of directors.

Operations

The Volvo Group is a world-leading provider of commercial transport solutions, with sales in more than 190 markets. The business concept is to offer reliable, customer-adapted and safe products with a high level of efficiency and low environmental impact. In the core diesel engines business, the Group coordinates its production and R&D based on a joint architecture and shared technology. The Volvo Group has experienced favorable development during the past decade and has grown to become a truly global and leading player. The Volvo Group is today one of the world's largest manufacturers of heavy trucks and construction equipment, with a market-leading position in wheel loaders and excavators in China. During the past three years the company has conducted an extensive product renewal which put pressure on profitability but which will strengthen its future competitiveness.

Trucks are sold under the Volvo, Renault Trucks, Mack and UD Trucks brands, and under the Eicher brand by an Indian joint-venture company. The Volvo Group also sells construction equipment through the Volvo Construction Equipment unit, under the Volvo and SDLG brands. The Group also manufactures and sells buses and engines for marine and industrial applications, and offers financing and service solutions.

Following the acquisition of the Japanese company UD Trucks, the Chinese construction machinery manufacturer Lingong (with the SDLG brand), the joint venture with the Indian company Eicher in trucks and buses, and the alliance with the Chinese company Dongfeng, the Group's positions have grown stronger in many markets in Asia. The Volvo Group also has strong positions in emerging markets in Eastern Europe and South America.

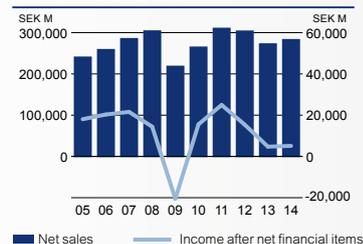
» Measures to improve efficiency and to reduce costs are proceeding according to plan «

Owner perspective – strategic considerations

- Strategic focus and brand positioning.
- Strategic partnerships strengthen presence and growth opportunities in Asia.
- Efficiency improvement program designed to raise efficiency, strengthen competitiveness and improve profitability.

www.volvogroup.com

Net sales and income



Volvo's stock



Total return (% per year on average)

Period	2014	5 years	10 years	20 years
Volvo A	4	9	9	11
Index (SIXRX)	16	14	12	12

Innovative hygiene and forest products



Holding

Shares: 40,500,000 Class A shares, 30,300,000 Class B shares

Market value: SEK 11,962 M

Share of votes: 29.4%

Share of capital: 10.0%

Share of equities portfolio: 14%

Total return 2014: SEK -1.7 billion

CEO: Jan Johansson, Magnus Groth as from March 1, 2015

Board members with direct ties to Industrivärden:

Sverker Martin-Löf (Chairman), Anders Nyrén and Pär Boman

Nominating committee representative: Carl-Olof By (committee chair)

Industrivärden's team leader: Erik Röjvall

Key data	2014	2013
Earnings per share, SEK	9.40	7.90
Dividend per share, SEK	5.25 ¹⁾	4.75
Share price, December 31, SEK		
Class A shares	169.00	198.00
Class B shares	168.90	198.00

1) Proposed by the board of directors.

Operations

SCA is a leading global hygiene and forest products company that develops and produces sustainable personal care products, tissue and forest products. Value is created by combining good customer and consumer insight and knowledge about local market conditions with global experience, strong brands, efficient production and innovation. SCA is Europe's largest private forest owner.

Operations are global, with sales in approximately 100 countries. SCA produces innovative and increasingly high value-added products and services. More than 80% of sales are hygiene products such as toilet paper, kitchen rolls, facial tissue, incontinence care products, feminine care products and baby diapers. SCA is the global market leader in incontinence care products and Away-from-Home (AfH) tissue. SCA's sales are based on a portfolio of strong brands along with products sold under retailers' private labels. The company has two global brands – TENA for incontinence care products and Tork for AfH tissue – each generating more than SEK 10 billion in annual sales. SCA is carrying out a concerted expansion of its operations in key growth markets. Since 2013 SCA has been a majority owner in Vinda, the third-largest tissue company in China. The company has also established operations in India, where production will commence in 2015.

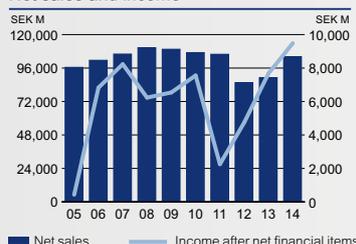
» Highest profit before tax ever and good organic sales growth «

Owner perspective – strategic considerations

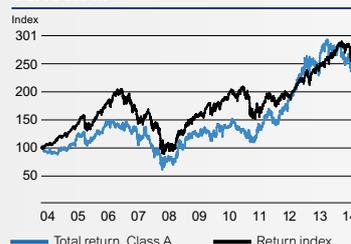
- Restructured product portfolio with focus on growth in the hygiene segment (investments in hygiene products and in emerging markets, and divestment of packaging operations).
- Well established global and regional brands.
- Program for higher efficiency and faster pace of innovation.

www.sca.com

Net sales and income



SCA's stock



Total return (% per year on average)

Period	2014	5 years	10 years	20 years
SCA A	-12	16	10	12
Index (SIXRX)	16	14	12	12

Unique know-how in customer adapted materials technology



Holding

Shares: 151,184,257 shares

Market value: SEK 11,550 M

Share of votes: 12.1%

Share of capital: 12.1%

Share of equities portfolio: 14%

Total return 2014: SEK -1.8 billion

CEO: Olof Faxander

Board member with direct ties to Industrivärden: Anders Nyrén (Chairman)

Nominating committee representative: Anders Nyberg (committee chair)

Industrivärden's team leader: Peter Sigfrid

Key data	2014	2013
Earnings per share, SEK	4.79	4.00
Dividend per share, SEK	3.50 ¹	3.50
Share price on December 31, SEK	76.40	90.70

1) Proposed by the board of directors.

Operations

Sandvik is a high-technology global engineering group with sales in more than 130 countries. Sandvik offers products, services and technical solutions that improve customers' productivity, profitability and safety. The company has leading positions in cemented carbide tools and components, machinery and tools for the mining and construction industries, and high value-added products in advanced metals and ceramics.

To ensure effective long-term development, operations are structured in five business areas responsible for R&D, production, marketing and sales of their respective products. Sandvik Machining Solutions specializes in productivity enhancing ceramic carbide products and solutions for advanced industrial metalcutting. Sandvik Mining focuses mainly on products, solutions and service for the mining industry, and Sandvik Construction offers corresponding products in selected niches in the construction industry. Sandvik Materials Technology manufactures high value-added, advanced metal products in selected niches, including the offshore oil and gas industry. The fifth business area, Sandvik Venture, mainly comprises slightly smaller but attractive businesses with ties to Sandvik's core businesses.

Sandvik has a long history of successful, value-based sales with a focus on customers' processes and efficiency improvement opportunities. The company's strength factors include extensive know-how in materials technology based on a deep understanding of customers' needs, a distinct innovative ability and a strong company culture. Sandvik aspires for world class in its core businesses, increased speed in all processes, greater focus in selected core businesses and a more global approach with strong local ties.

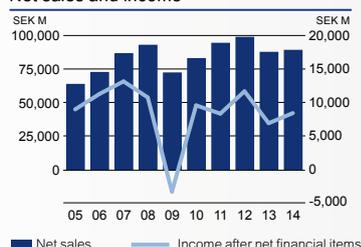
» Favorable performance and strong earnings growth for Machining Solutions, Materials Technology and Venture «

Owner perspective – strategic considerations

- Strategic focusing of operations.
- Measures taken to lower costs and tied-up capital to increase flexibility and profitability.
- Measures taken to strengthen presence in emerging markets.
- Acquisition of U.S. manufacturer of drill bits for extraction of oil and gas.

www.sandvik.com

Net sales and income



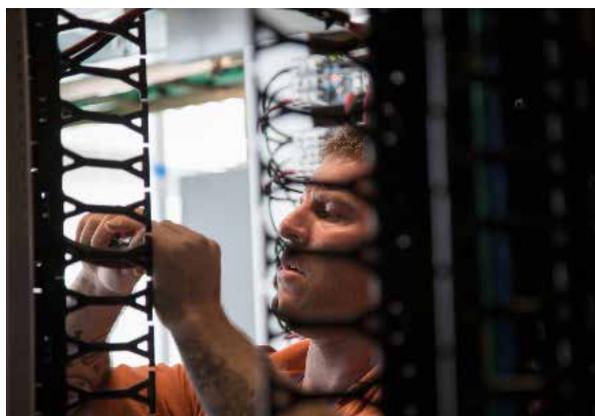
Sandvik's stock



Total return (% per year on average)

Period	2014	5 years	10 years	20 years
Sandvik	-13	0	7	10
Index (SIXRX)	16	14	12	12

Leadership in telecom



Holding

Shares: 86,052,615 Class A shares

Market value: SEK 7,594 M

Share of votes: 15.2%

Share of capital: 2.6%

Share of equities portfolio: 9%

Total return 2014: SEK 1.5 billion

CEO: Hans Vestberg

Chairman: Leif Johansson

Board members with direct ties to Industrivärden:

Sverker Martin-Löf (Vice Chairman) and Pär Östberg

Nominating committee representative: Carl-Olof By (committee member)

Industrivärden's team leader: Peter Nyström

Key data	2014	2013
Earnings per share, SEK	3.54	3.69
Dividend per share, SEK	3.40 ¹	3.00
Share price on December 31, SEK		
Class A shares	88.25	74.50
Class B shares	94.35	78.50

1) Proposed by the board of directors.

Operations

Ericsson is a world-leading supplier of communication networks, telecom services and support solutions for telecom operators. The company is a global actor with customers in more than 180 countries and one of the few companies that can offer end-to-end solutions for all major mobile communication standards. Ericsson is largest in the world in radio access and a market leader in mobile broadband. Through long-term relationships with all major operators, Ericsson has a leading market share; 40% of the world's mobile traffic passes through Ericsson networks. Today Ericsson has a strong product portfolio in mobile systems, telecom services, operating support systems and business support systems. With more than 35,000 granted patents, the company is an industry-leading innovator and driving force in the Networked Society. Operations are conducted primarily in three business units. Networks develops and supplies the infrastructure required for mobile and fixed-line networks. Support Solutions develops and supplies software-based solutions for TV, media applications, mobile commerce, and operating and support systems for telecom operators. Global Services offers services in installation, integration, operation, consulting and support. The services segment, in which Ericsson has a leading position, accounts for nearly 40% of consolidated sales.

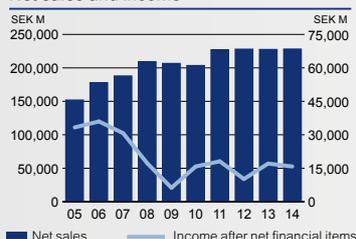
» **Stable sales development with solid operating margin** «

Owner perspective – strategic considerations

- Distinct leadership role in the global expansion of mobile broadband via 3G and 4G.
- Focus on long-term technological leadership and global economies of scale.
- Investments in modernization contracts in Europe increase future potential.
- Divestment of joint-venture companies ST-Ericsson and Sony Ericsson.
- Additional capitalization of values in the company's patent portfolio.

www.ericsson.com

Net sales and income



Ericsson's stock



Total return (% per year on average)

Period	2014	5 years	10 years	20 years
Ericsson A	23	10	1	5
Index (SIXRX)	16	14	12	12

The Nordic region's leading retail company through local entrepreneurship



Holding

Shares: 21,125,000 shares
Market value: SEK 6,460 M
Share of votes: 10.5%
Share of capital: 10.5%
Share of equities portfolio: 8%
Total return 2014: SEK 2.4 billion

CEO: Per Strömberg

Chairman: Claes-Göran Sylvén

Board member with direct ties to Industrivärden: Bengt Kjell

Nominating committee representative: Anders Nyberg (committee member)

Industrivärden's team leader: Peter Sigfrid

Operations

ICA Gruppen is the leading retail company in the Nordic region, with 2,300 own and retailer-owned stores and more than 21,000 employees in Sweden and the Baltic countries. The core business is grocery. Other operations support the core business and are conducted mainly within ICA Bank and ICA Real Estate.

The ICA idea is based on individual retailers working in cooperation. The retailers each own and operate their own store and in that way can meet customers through locally adapted concepts and offerings. ICA originated from this idea, which at the same time means that the individual retailers cooperate in areas such as sourcing and logistics to achieve the same economies of scale and efficiency as wholly owned chains. Basically this involves utilizing synergies while adapting to local needs. Through this model, ICA has been able to build up substantial customer confidence, good profitability and a leading position in the Swedish market.

» Another year of faster growth than the market «

Owner perspective – strategic considerations

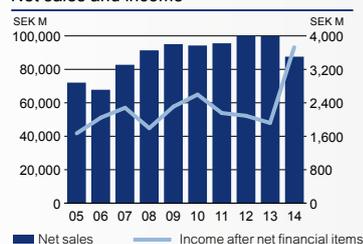
- Local entrepreneurship combined with economies of scale in purchasing and logistics.
- Well proven business model based on customer focus, quality, flexibility and responsibility.
- Strategic support functions like the ICA Bank and real estate operations strengthen the business model.
- Divestment of operations in Norway for SEK 2.8 billion.
- Acquisition of Apotek Hjärtat.

www.icagruppen.se

Key data	2014	2013
Earnings per share, SEK	12.53	7.18
Dividend per share, SEK	9.50 ¹	8.00
Share price on December 31, SEK	305.80	201.00

1) Proposed by the board of directors.

Net sales and income



ICA Gruppen's stock



Total return (% per year on average)

Period	2014	5 years	10 years	20 years
ICA Gruppen	58	29	n/a	n/a
Index (SIXRX)	16	14	12	12

Net sales and Income for 05–11 are based on ICA, for 12–13 on ICA Gruppen pro forma and for 14 excl. ICA Norge. ICA Gruppen's stock consists of Hakon Invest's share price up to the ICA Gruppen's stock market listing in May 2013.

International construction and project development business



SKANSKA

Holding

Shares: 12,667,500 Class A shares, 19,343,995 Class B shares

Market value: SEK 5,375 M

Share of votes: 24.4%

Share of capital: 7.6%

Share of equities portfolio: 6%

Total return 2014: SEK 1.4 billion

CEO: Johan Karlström

Board members with direct ties to Industrivärden: Stuart Graham (Chairman), Pär Östberg, Sverker Martin-Löf, Nina Linander and Fredrik Lundberg

Nominating committee representative: Carl-Olof By (committee chair)

Industrivärden's team leader: Erik Røjvall

Key data	2014	2013
Earnings per share, SEK	9.98	8.43
Dividend per share, SEK	6.75 ¹	6.25
Share price on December 31, SEK		
Class B shares	167.90	131.40

1) Proposed by the board of directors.

Operations

Skanska is one of the world's leading construction and project development companies, focusing on selected home markets of the Nordic countries, the rest of Europe and the U.S. Its mission is to develop and build the physical environment for living, traveling and working. The company strives to be an industry leader in sustainable development, particularly with respect to work environments, safety, the environment and ethics. Skanska's overall goals are to generate customer and shareholder value, to be a leading builder in its home markets in terms of profitability, and to be a leading project developer in selected areas. Skanska's size and global presence create opportunities for operational synergies through economies of scale and coordination. Financial synergies are created by investing cash flow from the construction operations in the company's project development business, generating a favorable return on capital. Operations are conducted through four business units: Construction, Residential Development, Commercial Property Development and Infrastructure Development. Construction involves residential and non-residential building construction and is Skanska's largest business unit. The other business units work with value-creating project development. Residential Development builds homes for sale primarily to home buyers. Commercial Property Development initiates, develops, leases and sells commercial property projects, with a primary focus on office buildings. Infrastructure Development develops and invests in public-private partnership infrastructure projects, such as highways, hospitals, schools and power plants.

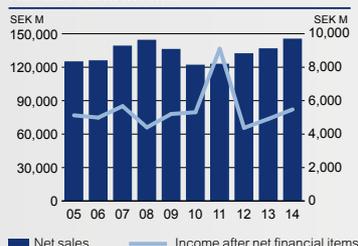
» Increased revenues, improved operating margins and strong order bookings «

Owner perspective – strategic considerations

- Efficient construction operation based on comprehensive know-how generates good cash flows.
- Greater focus on a tried-and-tested model for value-creating project development.
- Continued successful expansion in the U.S.
- Divestment of operations in South America.

www.skanska.com

Net sales and income



Skanska's stock



Total return (% per year on average)

Period	2014	5 years	10 years	20 years
Skanska B	33	13	14	13
Index (SIXRX)	16	14	12	12

Niche focus on high-strength steel



SSAB

Holding

Shares: 58,105,972 Class A shares, 754,985 Class B shares

Market value: SEK 2,681 M

Share of votes: 17.7%

Share of capital: 10.7%

Share of equities portfolio: 3%

Total return 2014: SEK -0.3 billion

CEO: Martin Lindqvist

Board members with direct ties to Industrivärden: Sverker Martin-Löf (Chairman) and Annika Lundius

Nominating committee representative: Anders Nyberg (committee chair)

Industrivärden's team leader: Peter Nyström

Key data	2014	2013
Earnings per share, SEK	-3.33	-3.29
Dividend per share, SEK	0.00 ¹⁾	0.00
Share price on December 31, SEK		
Class A shares	45.62	49.30
Class B shares	40.21	41.50

1) Proposed by the board of directors.

Operations

SSAB is a leading global producer of high-strength steel with production based in the Nordic countries and North America. The company has a globally unique product portfolio in advanced wear steels and structural steels. The products are sold as a total solution in close cooperation with customers and encompass development, processing, logistics and service.

Operations are conducted in a cost-effective and flexible production system. In the Nordic countries, production is integrated in blast furnace processes, while in the U.S. production is based on scrap metal and is conducted in modern, highly efficient electric arc furnaces.

SSAB's operations have been successfully developed through a concerted specialization strategy aimed at consolidating the company's position as a leading producer of high-strength steels. SSAB's steel enhances productivity and environmental benefits by making customers' products lighter, stronger and more durable. SSAB has achieved strong market positions in several of its selected product segments. In the sheet segment, SSAB specializes in advanced high-strength sheet, which is used primarily in the automotive industry and by container manufacturers, for example. In the plate segment, SSAB is the world's leading producer of quenched steels, i.e., plate with extra high strength and durability, with good weldability and formability. Quenched steels are used in construction equipment, mining equipment and cranes, for example.

In 2014 SSAB acquired the Finnish steel company Rautaruukki. The acquisition gives SSAB an even stronger local position in the Nordic region and strengthens its global position in high-strength steel. The company is striving to advance its positions in emerging markets, with particular focus on Asia. The completed investment program in quenched steels creates a good base for continued expansion in North America and in emerging markets.

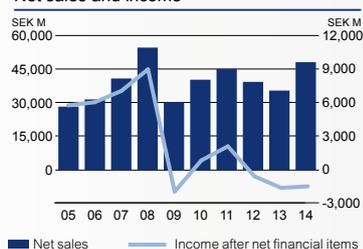
» Higher volumes in Europe, lower costs for raw material and higher prices and improved efficiency in the U.S. strengthened earnings «

Owner perspective – strategic considerations

- The merger with Finnish Rautaruukki creates synergies, increases flexibility and strengthens the customer offering.
- Focus on growth in more profitable special products.
- Gradual ramp-up of capacity and continued efficiency improvements in U.S. operations.

www.ssab.com

Net sales and income



SSAB's stock



Total return (% per year on average)

Period	2014	5 years	10 years	20 years
SSAB A	-7	-17	2	7
Index (SIXRX)	16	14	12	12

Financial statements

Income statements

SEK M	Note	Group		Parent Company	
		2014	2013	2014	2013
Dividend income from stocks	1	2,984	2,504	1,546	1,393
Change in value of stocks, etc.	2	2,627	10,196	1,562	284
Short-term derivative transactions and equity trading		178	140	82	113
Management cost	5, 6, 7	-146	-130	-146	-130
Operating income		5,643	12,710	3,044	1,660
Financial income	4	33	29	19	20
Financial expenses	4	-411	-599	-247	-355
Income after financial items		5,265	12,140	2,816	1,325
Tax	8	-	-	-	-
Net income for the year		5,265	12,140	2,816	1,325
Earnings per share, SEK	9	12.62	31.16		
Earnings per share after dilution, SEK	9	11.39	27.80		

Statement of comprehensive income

Net income for the year		5,265	12,140	2,816	1,325
<i>Items that are not to be reclassified in the income statement</i>					
Actuarial gains and losses pertaining to pensions		-24	17	-24	17
<i>Items that can subsequently be reclassified in the income statement</i>					
Change in hedging reserve		-11	66	-11	6
Comprehensive income for the year		5,230	12,223	2,781	1,348

Balance sheets

SEK M	Note	Group		Parent Company	
		2014	2013	2014	2013
ASSETS					
Equities	10, 13	83,062	77,992	27,628	34,868
Shares in associated companies	10, 11, 13	-	-	17,033	7,234
Shares in subsidiaries	12, 13	-	-	3,056	4,961
Non-current interest-bearing receivables		375	-	375	-
Total non-current assets		83,437	77,992	48,092	47,063
Other current receivables	14	622	75	2,813	61
Cash and cash equivalents		0	490	0	0
Total current assets		622	565	2,813	61
TOTAL ASSETS		84,059	78,557	50,905	47,124
SHAREHOLDERS' EQUITY AND LIABILITIES					
Capital stock		1,081	979	1,081	979
Other capital contribution/Statutory reserve		6,754	1,678	6,754	1,678
Fair value reserve		-12	-1	-12	-1
Retained earnings		54,318	44,484	26,525	27,506
Net income for the year		5,265	12,140	2,816	1,325
Total shareholders' equity		67,406	59,280	37,164	31,487
Convertible loans/Exchangeable bond	15, 17	9,046	8,410	9,046	8,410
Other non-current interest-bearing liabilities	16,17	2,620	5,393	1,120	2,393
Non-current noninterest-bearing liabilities	18	858	1,409	858	1,409
Total non-current liabilities		12,524	15,212	11,024	12,212
Current interest-bearing liabilities	19	3,905	3,798	2,536	3,197
Other current liabilities	20	224	267	181	228
Total current liabilities		4,129	4,065	2,717	3,425
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		84,059	78,557	50,905	47,124

Information about the Group's pledged assets and contingent liabilities can be found in note 21.

Shareholders' equity

Group

	Capital stock ¹	Statutory reserve/share premium reserve	Fair value reserve ²	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2012	966	1,062	-67	35,409	11,008	48,378
Net income for the year	-	-	-	-	12,140	12,140
Actuarial gains and losses on pensions	-	-	-	17	-	17
Change in hedging reserve, fair value gains	-	-	66	-	-	66
Total comprehensive income	-	-	66	17	12,140	12,223
Transfer of previous year's net income	-	-	-	11,008	-11,008	-
Conversion of convertible loans	13	616	-	-	-	629
Dividend to shareholders	-	-	-	-1,950	-	-1,950
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2013	979	1,678	-1	44,484	12,140	59,280
Net income for the year	-	-	-	-	5,265	5,265
Actuarial gains and losses on pension	-	-	-	-24	-	-24
Change in hedging reserve, fair value losses	-	-	-11	-	-	-11
Total comprehensive income	-	-	-11	-24	5,265	5,230
Transfer of previous year's net income	-	-	-	12,140	-12,140	-
Conversion of convertible loans	102	5,067	-	-	-	5,169
Other	-	9	-	-	-	9
Dividend to shareholders ³	-	-	-	-2,282	-	-2,282
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2014	1,081	6,754	-12	54,318	5,265	67,406

Parent Company

	Capital stock	Statutory reserve/share premium reserve	Fair value reserve	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2012	966	1,062	-7	25,590	3,849	31,460
Net income for the year	-	-	-	-	1,325	1,325
Actuarial gains and losses on pensions	-	-	-	17	-	17
Change in hedging reserve, fair value gains	-	-	6	-	-	6
Total comprehensive income	-	-	6	17	1,325	1,348
Transfer of previous year's net income	-	-	-	3,849	-3,849	-
Conversion of convertible loans	13	616	-	-	-	629
Dividend to shareholders	-	-	-	-1,950	-	-1,950
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2013	979	1,678	-1	27,506	1,325	31,487
Net income for the year	-	-	-	-	2,816	2,816
Actuarial gains and losses on pensions	-	-	-	-24	-	-24
Change in hedging reserve, fair value losses	-	-	-11	-	-	-11
Total comprehensive income	-	-	-11	-24	2,816	2,781
Transfer of previous year's net income	-	-	-	1,325	-1,325	-
Conversion of convertible loans	102	5,067	-	-	-	5,169
Other	-	9	-	-	-	9
Dividend to shareholders	-	-	-	-2,282	-	-2,282
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2014	1,081	6,754	-12	26,525	2,816	37,164 ⁴

1) As per December 31, 2014, there were 432,341,271 shares outstanding, of which 268,168,200 were Class A shares and 164,155,071 were Class C shares. The share quota value is SEK 2.50.

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

3) The dividend for 2014 was SEK 5.50 per share.

4) Unrestricted equity in the Parent Company amounts to SEK 35,021 M.

Statements of cash flows

SEK M	Note	Group		Parent Company	
		2014	2013	2014	2013
OPERATING ACTIVITIES					
Dividend income from stocks	1	2,984	2,504	1,546	1,393
Cash flow from short-term derivative transactions and equity trading		80	110	71	103
Management cost paid		-139	-126	-139	-126
Other items affecting cash flow		11	10	11	-7
Cash flow from operating activities before financial items		2,936	2,498	1,489	1,363
Interest received		16	9	12	9
Interest paid		-494	-585	-243	-356
CASH FLOW FROM OPERATING ACTIVITIES		2,458	1,922	1,258	1,016
INVESTING ACTIVITIES					
Purchases/sales of stocks	3, 13	-1,561	1,390	1,563	-1,328
CASH FLOW FROM INVESTING ACTIVITIES		-1,561	1,390	1,563	-1,328
FINANCING ACTIVITIES					
Loans raised and amortization of debt		-3,097	-888	-1,360	211
Exchangeable bond		4,354	-	4,354	-
Investments		-362	-	-362	-
Change in financing of subsidiaries		-	-	-3,171	2,038
Dividend paid		-2,282	-1,950	-2,282	-1,950
CASH FLOW FROM FINANCING ACTIVITIES		-1,387	-2,838	-2,821	299
NET CASH FLOW FOR THE YEAR		-490	474	0	-13
Cash and cash equivalents at start of year		490	14	0	13
Exchange rate difference in cash and cash equivalents		0	2	0	0
CASH AND CASH EQUIVALENTS AT END OF YEAR		0	490	0	0

Proposed distribution of earnings

The Board of Directors proposes a dividend of SEK 6.25 per share (5.50). The proposed dividend corresponds to 7.3% of the Parent Company's equity and 4.0% of the Group's equity. Of shareholders' equity, 28%, or SEK 10.5 billion in the Parent Company, and 54%, or SEK 36.4 billion in the Group, is attributable to market valuation of assets and liabilities. The Board is of the opinion that the proposed dividend is well balanced in view of the objectives, scope and risks of the business as well as with respect to the ability to meet the Company's future obligations. The total amount to be paid out according to the proposed dividend, with the current number of shares, is SEK 2,702 M (2,282).

According to the Parent Company balance sheet, profits totaling SEK 35,021 M are at the disposal of the Annual General Meeting.

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

To the shareholders, a dividend of SEK 6.25 per share, totaling	SEK 2,702 M
<u>Balance carried forward</u>	<u>SEK 32,319 M</u>
	SEK 35,021 M

The Board of Directors and President certify that the Annual Report has been prepared in accordance with generally accepted accounting principles, that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of July 19, 2002, on application of International Financial Reporting Standards, that disclosures herein give a true and fair view of the Parent Company's and Group's financial position and results of operations, and that the statutory Administration Report provides a fair review of the Parent Company's and Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Group's and Parent Company's earnings and position in general are shown in the income statements, balance sheets, statements of changes in shareholders' equity, statements of cash flows and notes to the financial statements. Adoption of the Consolidated and Parent Company Income Statements and Balance Sheets will take place at the Annual General Meeting on May 6, 2015.

Stockholm, February 6, 2015

Sverker Martin-Löf
Chairman

Pär Boman
Director

Christian Caspar
Director

Boel Flodgren
Director

Stuart Graham
Director

Nina Linander
Director

Fredrik Lundberg
Director

Annika Lundius
Director

Anders Nyrén
President and CEO, Director

Our Audit Report was submitted on February 18, 2015

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Accounting policies

Applied rules

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as adopted by the EU and with application of RFR 1. The annual report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and with application of RFR 2. The most important accounting policies applied are specified below. Unless stated otherwise, these are unchanged compared with preceding years. New or revised IFRSs and IFRIC interpretations have not had any effect on the Group's or Parent Company's result of operations or position.

Basis of presentation

Industrivärden applies the cost method except for equity investments and derivative instruments, which are mainly stated at fair value in the income statement. Industrivärden has elected to report continuing changes in the market value of all holdings of listed stocks and equity derivatives in the income statement.

Principles of consolidation

Effective January 1, 2014, IFRS 10 Consolidated Financial Statements is applied, which excludes Investment Entities from the requirement to consolidate certain subsidiaries.

Subsidiaries that serve in a supporting function for the Parent Company are to continue to be consolidated in accordance with the acquisition method, while subsidiaries and associated companies that are investments (portfolio companies) are not to be consolidated, but are to be measured on a continuous basis at fair value.

Comparison figures have been recalculated without any impact on income, earnings per share or shareholders' equity.

Parent Company accounting

The Parent Company reports shares in subsidiaries at cost, while associated companies and other holdings are reported at market value. The result of sales of stocks is calculated accordingly.

Recognition of income

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

Reporting of financial assets and liabilities

Financial assets and liabilities are classified in the following categories: financial assets and liabilities at fair value through profit or loss, loan receivables, and other financial liabilities. The classification depends on the purpose for which the financial item was acquired. Purchases and sales of financial instruments are reported as per the transaction date.

Reporting of convertible loans

The convertible loans, which are issued in euros, consist of a host contract in the form of a bond and an issued option to convert a set number of shares in Swedish kronor to a set amount in euros. The host contract was initially measured at fair value and thereafter at amortized cost using the effective interest method, in accordance with IAS 39. This entails that the loan is indexed over its term at nominal value. This indexing is reported as a change in value in the income statement, while the coupon interest is reported as an interest expense. The conversion right is classified as an imbedded derivative, in accordance with IAS 39. The option component is reported as a liability instead of as an equity instrument, since the conversion price is in a currency that is different from the functional currency. The option is measured on a continuous basis at fair value through profit or loss in the item Change in value of stocks, etc. The value of the option portion is based on the current market price of the convertible. Transaction costs are allocated over the term of the loan and are included in the change in value reported in the income statement.

Assets and liabilities in foreign currency

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

Issued stock options

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

Hedging of fixed interest rates through cash flow hedges

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

Cash and cash equivalents

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

Borrowings

Borrowings are carried initially at fair value net of transaction costs and thereafter at amortized cost using the effective interest rate method.

Pensions

The Group has both defined contribution and defined benefit pension plans. Costs for defined contribution pension plans are expensed in pace with payment of premiums. Defined benefit pension plans with Alecta are reported as defined contribution plans, since insufficient information is available to report these as defined benefit plans.

Pension liability refers to defined benefit pension obligations, calculated annually for the Group in accordance with IAS 19 with the assistance of an external actuary.

All changes in the net pension liability are recognized immediately when they arise. Service and interest costs are recognized in profit or loss, while remeasurements such as actuarial gains and losses are recognized in other comprehensive income.

Trading

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

Long-term incentive program

Industrivärden's long-term incentive program is an annual share saving program in which the employees invest a certain portion of their fixed salary in Industrivärden stock, and after three years they receive matching shares, provided that they are still employed. For more information about the program, see Note 6.

The cost of the program is allocated over a three-year period and is reported under the heading Management cost. Industrivärden has entered into a share swap in order to limit the cost. The share swap's change in value and cash flows are reported under Management cost.

Financial risk management

General

The types of financial risks that the Industrivärden Group encounters in its business consist primarily of equities risk and – to a limited extent – other financial risks in the form of e.g., interest rate risk and liquidity risk.

Equities risk

Equities risk pertains mainly to share price risk, which is the entirely dominant risk in Industrivärden's operations. By share price risk is meant the risk of a decline in value caused by changes in prices in the stock market. Industrivärden's active ownership should reduce the relative equities risk in the portfolio companies and thus also in Industrivärden's portfolio. Moreover, the active ownership role provides good insight into the portfolio companies' operations, external operating environment and continuing development. Having a diversification of equities in the portfolio reduces volatility and contributes to a more stable return over time. Share price risk can be illustrated as such that a 1% change in the price of all listed shareholdings in Industrivärden's equities portfolio as per December 31, 2014, would have affected the market value by +/- SEK 850 M. The option portion of issued convertible loans is reported as a noninterest-bearing liability and is stated at market value during the term of the loans. If the price of Industrivärden Class C shares rises, so does the carrying amount of the liability. A price increase of 10% is estimated to increase the liability by SEK 107 M and the value of the equities portfolio by SEK 8,300 M. Upon conversion, the liability is transferred from both the loan and option portions to shareholders' equity. The option portion does not affect Industrivärden's net asset value.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will vary due to changes in market interest rates. The financial

instruments that are exposed to interest rate risk consist of loans with variable interest rates. Swap agreements may be used to limit interest expenses and to adjust maturities. Industrivärden's interest rate risk and its effect on earnings are judged to be low. At year-end 2014, seven interest rate swap agreements were in effect under which a variable interest rate was swapped against a fixed interest rate. The agreements pertain to borrowings totaling SEK 2,800 M with a term of approximately 11 to 56 months. At year-end 2014 the market value of the interest rate swap agreements was SEK -126 M. A parallel shift up or down in the interest rate curve by 1 percentage point would affect income after financial items in 2015 by approximately +/- SEK 2 M.

Liquidity risk and refinancing risk

Liquidity risk is the risk of encountering difficulties in accessing liquid assets in order to meet obligations associated with financial instruments. In accordance with Industrivärden's finance policy, at any given time the Group has a minimum of SEK 2 billion in committed credit facilities at its disposal. Refinancing risk is the risk of the Company being unable to obtain financing or that financing can only be obtained at a considerably higher cost. In the aim of minimizing refinancing risk, the loans' maturities are distributed evenly over time to lower the likelihood of a large portion of loans being refinanced at the same date. Industrivärden's liquidity risk and refinancing risk are judged to be low. With an equity ratio of 80% (75%) and an A- rating (S&P), Industrivärden has considerable financial flexibility.

Currency risk

Currency risk is the risk that the value of assets and liabilities will vary due to changes in exchange rates. Industrivärden's currency risk is mainly coupled to the outstanding convertible loan of EUR 550 M. Most of the loans were hedged during the

year, however, hedge accounting has not been applied. A 1% change in the value of the Swedish krona against EUR, all else unchanged, would have a limited effect on income.

Counterparty risk

Counterparty risk is the risk of a party in a transaction with a financial instrument not being able to meet its obligations and thereby causing loss to the other party. Internal rules set by Industrivärden prescribe high creditworthiness of counterparties with respect to investments, derivative transactions, etc., which is why counterparty risk is considered to be low.

Operational risks

Operational risk is the risk of incurring a loss due to defects in internal routines and systems. AB Industrivärden's risk management rests on a foundation of internally adopted guidelines and rules, and of policies adopted by the Board of Directors. Important rules include investment rules and the finance policy. Matters pertaining to confidentiality and information security are of major importance for Industrivärden and are regulated by internal guidelines.

Internal control over financial reporting

Against the background of the share price risk described above, the most important control process in Industrivärden's business consists of the continuous monitoring of value exposure in the equities portfolio. Industrivärden's internal control is therefore primarily focused on ensuring the reliability of valuations of outstanding equity and derivative positions and of the reporting of purchases and sales of stocks and other securities.

According to the Swedish Companies Act, the Board is responsible for internal control. The instructions regulating the division of duties between the Board and the CEO lay out investment rules for equities and derivative instruments as well as a finance policy. Decision-making channels, authority and responsibility are defined by a set of investment rules and by finance instructions. Industrivärden has a specially appointed investment committee that makes regular decisions on investment matters within the framework of the CEO's mandate. Other processes with a bearing on the financial reporting are regulated by Industrivärden's insider rules, information policy and confidentiality policy. Industrivärden's greatest risk consists of value exposure in the equities portfolio. The predominant risk in work processes pertains to potential errors in the accounting and reporting of equity transactions. Industrivärden continuously assesses the risks in the handling of equity transactions, which are discussed with the auditor and affect the structure of internal risk control.

Control activities pertaining to the equities portfolio include, among other things, approval of all business transactions, registration in internal systems in real time, follow-up of equity transactions to ensure that they are in accordance with decisions made by the Investment Committee, and checks to make sure that the value of purchases and sales of stocks and of underlying stocks in derivative transactions is within the scope of established exposure limits. All equity positions are followed up on a continuous basis in real time. The Investment Committee, which is made up of the Executive Management, continuously follows up investment decisions that have been made and checks to ensure that they have been executed correctly. Minutes are recorded of Investment Committee meetings.

Financing

Organization

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

Financing

Industrivärden's financing is arranged through both short- and long-term borrowing. The credit facilities give Industrivärden the ability to act on attractive investment opportunities at short notice. No part of the financing is conditional upon any covenants.

Credit facilities as per December 31, 2014

	Amount, SEK M	Utilized amount, SEK M	Term
Convertible loan	4,971	4,971	2017
Exchangeable bond	4,075	4,075	2019
Bank loans	2,500	2,000	2017
MTN programs	8,000	500	2016
Total long-term borrowing		11,546	
Bank loans	–	500	
MTN programs	–	1,300	
Commercial paper	2,000	1,229	
Bank overdraft facility	1,000	358	
Total short-term borrowing		3,387	

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

Average interest rate and interest duration

The average interest rate for Industrivärden's debt portfolio as per December 31, 2014, was 2.0% (3.1%). The average interest duration was 30 months (24).

Liquidity analysis

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

SEK M	2015	2016–2017	After 2017	Total
Interest-bearing liabilities	3,642	7,984	4,520	16,146
Derivative instruments	42	–	126	168
Total as per December 31, 2014	3,684	7,984	4,646	16,314

SEK M	2014	2015–2016	After 2016	Total
Interest-bearing liabilities	4,310	6,807	8,102	19,219
Derivative instruments	51	90	–	141
Total as per December 31, 2013	4,361	6,897	8,102	19,360

Industrivärden's convertible loans

	Nominal value, EUR M	Conversion price, SEK	Fixed conversion price, EUR/SEK	Max. no. of additional Class C shares, millions
Convertible loan 2011–2017	550	157.57	8.8803	31.0

Change in the Group's interest-bearing net debt

SEK M	Dec. 31, 2014	Change in borrowing	Other changes	Dec. 31, 2013
Cash and cash equivalents	0	–	–490	490
Interest-bearing receivables	939	–	922	17
Non-current interest-bearing liabilities	11,666	–2,137	–	13,803
Current interest-bearing liabilities	3,905	100	7	3,798
Interest-bearing net debt	14,632	–2,037	–425	17,094

Ratings

Industrivärden has been assigned an international corporate credit rating of A–/Stable/A–2 by Standard & Poor's, which has also assigned the commercial paper program a credit rating of K–1.

Financial instruments by category

SEK M	December 31, 2014				December 31, 2013			
	Assets at fair value in the income statement	Loan receivables	Financial assets available- for-sale	Total	Assets at fair value in the income statement	Loan receivables	Financial assets available- for-sale	Total
ASSETS								
– Equities	83,062	–	–	83,062	77,992	–	–	77,992
– Derivatives	37	–	–	37	35	–	–	35
– Non-current receivables	–	–	375	375	–	–	–	–
– Current receivables	–	564	–	564	–	17	–	17
– Cash and cash equivalents	–	–	–	–	–	490	–	490
Total assets	83,099	564	375	84,038	78,027	507	–	78,534

Financial instruments by category, cont.

SEK M	December 31, 2014			December 31, 2013		
	Liabilities at fair value in the income statement	Other financial liabilities	Total	Liabilities at fair value in the income statement	Other financial liabilities	Total
LIABILITIES						
– Non-current interest-bearing liabilities	–	11,666	11,666	–	13,803	13,803
– Other non-current liabilities	858	–	858	1,409	–	1,409
– Current interest-bearing liabilities	–	3,905	3,905	–	3,798	3,798
– Other current liabilities	59	34	93	59	56	115
Total liabilities	917	15,605	16,522	1,468	17,657	19,125

Fair value of financial instruments

SEK M	December 31, 2014				December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
– Equities	82,918	–	144	83,062	77,394	–	598	77,992
– Derivatives	–	37	–	37	8	27	–	35
Total assets	82,918	37	144	83,099	77,402	27	598	78,027

SEK M	December 31, 2014				December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
LIABILITIES								
Non-current liabilities								
– Option portion of convertible loan and exchangeable bond	–	744	–	744	–	1,319	–	1,319
– Other derivatives	–	114	–	114	–	90	–	90
Current liabilities								
– Derivatives	30	30	–	60	46	38	–	84
Total liabilities	30	888	–	918	46	1,447	–	1,493

In accordance with IFRS 13, financial instruments are carried at fair value based on a 3-level hierarchy. The classification is based on the input data used in the valuation of the instruments.

Instruments in Level 1 are valued according to quoted prices for identical instruments in an active market. Instruments in Level 2

are valued in a valuation model which uses input data that are directly or indirectly observable in the market. Input data used in the valuation models include interest rates, volatility and dividend estimates. Instruments in Level 3 are valued using a valuation technique based on input data which are not observable in a market.

Netting agreements for financial assets and liabilities

SEK M	December 31, 2014	
	Financial assets	Financial liabilities
Reported gross- and net amount	35	122
Amount covered by netting agreements	–35	–35
Received/pledged collateral	–	–42
Net amount after netting agreements	0	45

ISDA agreements exist between the affected counterparties. All financial assets and liabilities have been reported in gross amounts in the Balance Sheet.

Notes

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

■ NOTE 1. Dividend income from stocks

	2014	2013
Ericsson	258	235
Handelsbanken	1,067	691
ICA Gruppen	169	–
Indutrade	–	84
Kone	33	17
Sandvik	498	506
SCA	336	323
Skanska	200	180
SSAB	0	57
Volvo	422	411
Group	2,984	2,504

■ NOTE 2. Change in value of stocks, etc.

	2014	2013
Ericsson	1,189	889
Handelsbanken	3,271	5,361
Höganäs	–	436
ICA Gruppen	2,175	1,650
Indutrade	–	368
Kone	159	65
Sandvik	–2,168	–1,836
SCA	–2,056	4,038
Skanska	1,154	827
SSAB	–260	–409
Volvo	–76	–695
Other	83	163
Stocks	3,471	10,858
Transfer to short term trading	–87	–21
Option portion's change in value, convertible loan and exchangeable bond	–319	–378
Transaction cost and indexing of convertible loan and exchangeable bond	–197	–181
Interest differential compensation	–108	–
Interest rate swap	–105	3
Other	–28	–85
Group	2,627	10,196

■ NOTE 3. Net purchases and sales (–) per holding

	2014	2013
Ericsson	–45	149
Handelsbanken	99	42
Höganäs	–	–1,532
ICA Gruppen	240	2,395
Indutrade	–	–3,269
Kone	151	516
Sandvik	542	251
SCA	0	–7
Skanska	–117	–206
SSAB	45	96
Volvo	1,188	135
Other	–542	40
Group	1,561	–1,390

■ NOTE 4. Financial income and expenses

Financial income	Group		Parent Company	
	2014	2013	2014	2013
Interest income				
– subsidiaries	–	–	0	11
Interest income				
– other	33	23	19	9
Exchange rate gain	0	6	0	0
Total	33	29	19	20

Financial expenses	Group		Parent Company	
	2014	2013	2014	2013
Interest expenses				
– subsidiaries	–	–	–8	–36
Interest expenses				
– other	–411	–598	–239	–318
Bank charges	0	–1	0	–1
Total	–411	–599	–247	–355

■ NOTE 5. Average number of employees

	2014		2013	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	23	9	21	7

NOTE 6. Wages, salaries and other remuneration; social security costs

	2014				2013			
	Directors' fees	Wages, salaries and other remuneration	Social security costs	Of which, pension costs	Directors' fees	Wages, salaries and other remuneration	Social security costs	Of which, pension costs
Parent Company	6	50	36	15	5	47	40	20

Executive Management's compensation and pension costs for 2014

	Base salary	Variable salary	Share savings program	Other benefits	Pension cost
CEO	10.5 ¹	2.6	3.1	0.2	4.4
Other members of Executive Management (5 persons)	17.1	9.2	4.0	0.8	7.1
Total	27.6	11.8	7.1	1.0	11.5

1) The Company's cost amounts to SEK 2.6 M after deducting SEK 7.9 M for directors' fees from portfolio companies that were paid in to the Company.

Directors' fees and executive compensation

The Nominating Committee, which has been appointed in the manner decided by the Annual General Meeting (AGM), submits recommendations on directors' fees to the AGM. Fees have been paid to the Chairman of the Board and other directors in accordance with an AGM resolution. In accordance with the AGM's resolution in 2014, directors' fees totaling SEK 6.2 M (4.6) were paid out. Of this amount, the Chairman of the Board received SEK 2.0 M (1.9). Other directors, except for the CEO, each received SEK 0.6 M (0.5). No fee is paid for committee work.

Compensation of the CEO and other members of the Executive Management is based on the guidelines adopted by the 2014 AGM. The Compensation Committee submits a recommendation to the Board on the CEO's compensation and decides on the compensation for the other members of the Executive Management. The members of the Executive Management receive a base salary, long-term and short-term variable salary, standard employment benefits and pension benefits.

The CEO received a base salary of SEK 10.5 M (10.1). The Company's cost amounted to SEK 2.6 M after deducting SEK 7.9 M for directors' fees paid in by the portfolio companies. Variable salary for 2014 amounted to SEK 2.6 M (2.0), which will be paid out in 2015. Vested portion of the ongoing share saving program amounted to SEK 3.1 M for 2014.

The CEO, who turned 60 in May 2014, is entitled to pension benefits between 60 and 65 years of age equivalent to 70% of his average base salary during the three years prior to his sixtieth birthday, and to lifetime retirement pension benefits after 65 years of age equivalent to 60% of his average base salary during the three years prior to retirement, indexed from the date of retirement in the same manner that would apply for a pension from Alecta. His survivors are entitled to survivorship benefits equivalent to 35% of his base salary.

In 2014 the Company and the CEO agreed that the CEO will remain in his position until further notice, and to defer the withdrawal of pension benefits as long as he remains in his position or in some other way is at the Company's disposal, but not longer than until he turns 65. The value of his pension benefits has been determined, in accordance with the terms of his contract, as per the last day of May in 2014, and as a result no additional pension benefits will be earned.

The cost of defined benefit pension obligations for the CEO in 2014 was SEK 4.4 M (10.9). The Company must give two years' notice if it cancels the CEO's employment contract.

The other members of the Executive Management together received base salary of SEK 17.1 M (15.5). The Executive Vice President received SEK 2.4 M in directors' fees, which reduced his salary cost. The other members of the Executive Management are entitled to long-term and short-term variable salary. The outcome is based on the achievement of individually set goals as well as on joint targets for growth in net asset value. Variable salary for 2014 amounted to SEK 9.2 M (9.2) and will be paid out in 2015. Vested portion of the ongoing share saving program amounted to SEK 4.0 M for 2014. The other members of the Executive Management are covered mainly by defined contribution pension plans, whereby the amount of the pension benefits is dependent on the performance of their contracted pension plans. Defined benefit pensions are provided in exceptional cases. The total cost of the pension obligation in 2014 for these executives was SEK 7.1 M (6.4). In the event the Company cancels their employment contracts, these executives are entitled to two years' notice.

Long-term incentive program 2014

The 2014 AGM resolved to offer a long-term share saving program for a maximum of 28 employees in the Industrivärden Group. The Share Saving Program, which in its construction corresponds to the former program, is annually recurring and constitutes of a long-term variable salary. The program is part of a competitive total compensation package in which the employee receives matching shares after three years, subject to investment of part of the employee's fixed salary in Industrivärden shares and subject to the employee remaining employed when matching occurs. The program aims to encourage Industrivärden's employees to increase their ownership of stock in the Company and thereby further emphasize long-term shareholder value. The Share Saving Program is expected to increase Industrivärden's opportunities to recruit and retain competent employees as well as the participants' interest in and commitment to Industrivärden's business and development. Against this background, the program is judged to have a positive impact on Industrivärden's continued development and thereby be beneficial for both the shareholders and Industrivärden's employees. During 2014, 31,300 shares were bought within the program, which can qualify for up to 79,100 matching shares.

NOTE 7. Auditors' fees

	Group ¹		Parent Company ¹	
	2014	2013	2014	2013
PWC				
Audit assignment	0.9	0.9	0.9	0.9
Auditing activities in addition to audit assignment	0.1	0.4	0.1	0.4
Tax consulting	0.9	1.1	0.9	1.1
Other services	–	–	–	–
Total	1.9	2.4	1.9	2.4

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

NOTE 8. Condensed tax computation for the Parent Company (see page 53)

	2014	2013
Market value of equities portfolio on January 1	42,102	39,952
Less: business-related shares	–37,493	–38,098
Basis for standardized income	4,609	1,854
Standardized income 1.5%	69	28
Dividends received during the respective years	1,546	1,393
Management cost, net financial items, etc.	–399	–480
Dividend paid out ¹	–2,702 ²	–2,282
Taxable income	–1,486	–1,341
Tax-loss carryforward from previous years	–4,742	–3,401
Accumulated tax-loss carryforward	–6,228	–4,742

1) Payment is made during the following year, in accordance with an AGM decision.

2) Proposed by the Board of Directors.

NOTE 9. Earnings per share

Income attributable to equity holders of the Parent Company	Group	
	2014	2013
Income attributable to equity holders of the Parent Company	5,265	12,140
Change in value of convertible options	–189	378
Convertible interest	94	184
Indexing of convertible loan	103	156
Income attributable to equity holders of the Parent Company after dilution	5,273	12,858

Earnings per share before dilution

The calculation of earnings per share before dilution is based on reported income attributable to equity holders of the Parent Company, amounting to SEK 5,265 M (12,140), and a weighted number of shares outstanding, amounting to 417,320,006 (389,617,794).

Earnings per share after dilution

Calculation of earnings per share after dilution is based on reported income attributable to equity holders of the Parent Company after dilution, amounting to SEK 5,273 M (12,858), and a weighted average number of shares outstanding after the effect of convertible loans, amounting to 463,112,855 (462,492,714). For the periods during which the convertible debentures give rise to a dilutive effect, they are assumed to have been converted to common shares, and earnings are adjusted to eliminate the earnings that the convertibles have generated. For calculation of earnings per share after dilution, the weighted average number of common shares outstanding is adjusted for the dilutive effect of all potential common shares with a dilutive effect – in Industrivärden's case the convertible debentures. As per December 31, 2014, the number of potential common shares that would be created upon a future full conversion of the convertible loans is 31.0 million.

NOTE 10. Equities

	2014					2013	
	Number of shares	Share of capital, %	Share of votes, %	Cost	Market value ¹	Market value ¹	
Ericsson A	86,052,615	2.6	15.2	3,915	7,594	6,411	
Ericsson B	–	–	–	–	–	39	
Handelsbanken A	64,661,679	10.2	10.3	7,198	23,705	20,335	
ICA Gruppen	21,125,000	10.5	10.5	2,730	6,460	4,045	
Kone	3,412,500	0.7	0.3	930	1,228	851	
Sandvik	151,184,257	12.1	12.1	9,209	11,550	13,176	
SCA A	40,500,000	10.0	29.4	706	6,845	8,019	
SCA B	30,300,000	–	–	2,076	5,118	5,999	
Skanska A	12,667,500	7.6	24.4	600	2,127	1,665	
Skanska B	19,343,995	–	–	1,975	3,248	2,673	
SSAB A	58,105,972	10.7	17.7	4,152	2,651	2,865	
SSAB B	754,985	–	–	72	30	31	
Volvo A	142,154,571	6.8	21.1	12,880	12,140	11,112	
Volvo B	2,000,000	–	–	178	169	84	
Total, portfolio companies				46,619	82,865	77,306	
Other				241	196	686	
Group's holdings of equities				46,860	83,062	77,992	
Less: associated companies					–17,033	–7,234	
Less: non-consolidated companies					–144	–598	
Less: holdings owned via subsidiaries					–38,257	–35,292	
Parent Company's holdings of equities, excluding shares in associated companies and subsidiaries					27,628	34,868	

1) The market value corresponds to the book value.

NOTE 11. Shares in associated companies

	Reg. no.	Domicile	Shareholders' equity	Income after tax	Parent Company			Market value
					Share of capital, %	Share of votes, %	No. shares, million	
Skanska	556000-4615	Stockholm	21,405	4,108	7.6	24.4	32.0	5,375
Volvo	556013-9700	Stockholm	80,048	2,235	6.4	20.2	136.5	11,658
Total								17,033

NOTE 12. Shares in subsidiaries

	Reg. no.	Domicile	Share of capital, %	No. shares	Parent Company	
					Shareholders' equity	Book value
Industrivärden Invest AB (publ) ¹	556775-6126	Stockholm	100	1,000	20,502	1,330
Industrivärden Förvaltning AB ¹	556777-8260	Stockholm	100	1,000	10,725	1,510
Cunductus AB ¹	556260-3067	Stockholm	100	10,000	1,763	0
Industrivärden Service AB	556364-7758	Stockholm	100	100,000	25	42
Investment AB Nils Dacke	556833-0558	Stockholm	100	500	1	2
Perbastra AB	556833-0533	Stockholm	100	500	10	10
Floras Kulle AB	556364-8137	Stockholm	100	10,000	101	155
AB Handus	556089-0484	Stockholm	100	2,000	5	7
Industrivärden Oy ¹	2582893-9	Helsinki	100	25	0	0
Total						3,056

1) The subsidiaries serve as a supporting function for the Parent Company and are consolidated according to the acquisition method.

NOTE 13. Change in equities

	Group	
	Equities	
	2014	2013
Opening value	77,992	68,524
Disposals at sales value	-704	-5,014
Purchases	2,265	3,624
Change in value	3,509	10,858
Closing value	83,062	77,992

	Parent Company							
	Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Opening value	34,868	33,026	7,234	6,926	4,961	4,937	47,063	44,889
Reclassification SSAB	3,936	-	-3,936	-	-	-	-	-
Reclassification Volvo	-13,344	-	13,344	-	-	-	-	-
Disposals at sales value	-47	-3,664	-185	-574	-	-	-232	-4,238
Purchases	557	5,078	-	464	-	9	557	5,551
Change in value	1,658	428	576	418	-	-	2,234	846
Shareholder contributions	-	-	-	-	-1,888	15	-1,888	15
Other	-	-	-	-	-17	-	-17	-
Closing value	27,628	34,868	17,033	7,234	3,056	4,961	47,717	47,063

NOTE 14. Other current receivables

	Group		Parent Company	
	2014	2013	2014	2013
Interest-bearing receivables	564	17	9	15
Receivables from subsidiaries	-	-	2,776	1
Prepaid expenses and accrued income	13	22	13	10
Other current receivables	45	36	15	35
Total	622	75	2,813	61

NOTE 15. Convertible loans and exchangeable bond

In January 2010 and January 2011, Industrivärden issued two convertible loans with terms of five and six years, respectively, for a combined value of EUR 1,050 M. The conversion prices were set at premiums in relation to the share price and exceeded net asset value at the time of issue.

During 2014, the entire convertible loan 2010-2015 was converted to 46.1 million new Class C-shares, adding SEK 5.8 billion to shareholders' equity. The convertible loan maturing in 2017 was "out of the money" as per December 31, 2014, and taking into account an actual exchange rate of SEK 9.52/EUR 1, it was profitable to convert when Industrivärden's share price exceeded SEK 169 per share. At the same point in time, the share price for Industrivärden's Class C shares was SEK 136.10.

	Convertible loan 2011-2017
Nominal amount, EUR M	550
Conversion price, SEK	157.57
Fixed exchange rate, EUR/SEK	8.8803
Coupon, %	1.875
Maximum number of additional Class C shares, millions	31.0

If the dividend yield for Industrivärden's Class C shares exceeds 4.0%, the conversion price will be adjusted using a standard formula. As a result of the dividend approved by the 2014 AGM, the conversion price has been adjusted in accordance with the contracts. The conversion price has been adjusted from SEK 159.91 to SEK 157.57, whereby a maximum of 31.0 million Class C shares will be added upon full conversion.

Industrivärden has the right to call early redemption of the loan if the value of the convertible exceeds the nominal value by 30% over a 20-day period. Upon maturity, Industrivärden has an opportunity to convert part or all of the loan even if the current share price has not reached the conversion price. In such case, the bondholders would be guaranteed to receive shares or cash corresponding to the nominal amount of the bond. The loan matures on February 27, 2017.

The complete terms and conditions of the convertible loan are provided on Industrivärden's website under the menu Financial information/Credit matters.

In 2014, a SEK 4.4 billion exchangeable bond was issued as part of the continuous refinancing of the debt portfolio. The bond matures in 2019 and was issued at a premium to the existing share price for ICA Gruppen of approximately 38% and carries no interest. At a potential future redemption there is a possibility to pay either with shares or with cash equivalents.

NOTE 16. Pensions

The Group's total reported pension costs amount to SEK 15 M (20). Interest on pension obligations of SEK 3 M (4) are reported in the income statement as Financial items. For 2015, the Group's pension costs are estimated to be approximately SEK 14 M.

Defined contribution plans

Defined contribution plans include retirement pensions, disability pensions and family pensions, and entail payment of premiums on a regular basis during the year to independent legal entities.

Defined benefit plans

Industrivärden's defined benefit plans include retirement pensions, disability pensions and family pensions, and ordinarily entail an obligation to pay lifetime benefits. For more information, see Note 6. Earning of pension entitlement is based on the number of years of service and increases the employee's pension entitlement each year. The obligation is reported on a continuing basis through profit or loss and as a pension provision on the balance sheet.

The pension obligation as per December 31, 2014, was SEK 181 M (141), that value of plan assets was SEK 61 M (48), and the net pension liability was SEK 120 M (93).

	Group	
	2014	2013
Actuarial assumptions		
Discount rate ¹ , %	2.0	3.75
Future salary increases, %	3.6	3.6
Anticipated inflation, %	1.6	1.6

1) Swedish home mortgage bonds are used as reference rate for the discount rate with a duration corresponding to the pension obligation.

NOTE 17. Non-current interest-bearing liabilities

	Group		Parent Company	
	2014	2013	2014	2013
Convertible loans	4,971	8,410	4,971	8,410
Exchangeable bond	4,075	–	4,075	–
MTN program	500	1,800	500	1,800
Bank loans	2,000	3,500	500	500
Pension liability (see Note 16)	120	93	120	93
Total	11,666	13,803	10,166	10,803

Market valuation of current and long-term interest-bearing liabilities as per 12/31/2014 would increase current interest-bearing liabilities by SEK 26 M (27) and non-current interest-bearing liabilities by SEK 234 M (372).

Due dates for loans	Group		Parent Company	
	2014	2013	2014	2013
–2015	–	5,652	–	5,152
–2016	500	500	500	500
–2017 or later ¹	11,166	7,651	9,666	5,151
Total	11,666	13,803	10,166	10,803

1) Of which, pension liability 120 93 120 93

NOTE 18. Non-current noninterest-bearing liabilities

	2014	2013
Option portion of convertible loans and exchangeable bond	744	1,319
Other	114	90
Group	858	1,409

NOTE 19. Current interest-bearing liabilities

	Group		Parent Company	
	2014	2013	2014	2013
Commercial paper	1,229	698	1,229	698
MTN program	1,300	2,100	1,300	2,100
Bank loans	500	1,000	–	–
Bank overdraft facility	358	–	–	–
Interim payments	7	–	7	–
Other	511	–	–	–
Liabilities to subsidiaries	–	–	–	399
Total	3,905	3,798	2,536	3,197

NOTE 20. Other current liabilities

	Group		Parent Company	
	2014	2013	2014	2013
Equities and equity derivatives	39	47	36	47
Other derivatives	20	38	20	38
Other current liabilities	9	8	8	8
Accrued interest	29	53	29	53
Other accrued expenses	122	118	84	79
Accounts payable, trade	5	3	5	3
Total	224	267	181	228

NOTE 21. Pledged assets and contingent liabilities

	Group		Parent Company	
	2014	2013	2014	2013
Shares	588	337	588	337
Other	5	3	4	2
Total	592	339	592	339

Contingent liabilities of the Group amount to SEK 1 000 M (0), contingent liabilities of the Parent Company amount to SEK 3,000 M (4,000) and pertain to bank loans in subsidiaries.

NOTE 22. Obligations to board members and CEOs

The Group's non-current interest-bearing liabilities include SEK 120 M (93) in pension obligations and similar benefits for current and former board members and CEOs. The corresponding amount for the Parent Company is SEK 120 M (93), as shown in the item Pension liability in Notes 16 and 17.

NOTE 23. Related-party transactions

Transactions with subsidiaries

Certain transactions have been made with wholly owned subsidiaries, such as rents for premises at market terms and internal loans. The size of these dealings as per 12/31/2014 is shown in the balance sheet and accompanying notes.

Transactions with associated companies

Dividends have been received from listed associated companies. Members of the Executive Management have received directors' fees from listed associated companies, which have been paid to Industrivärden.

Auditor's report

To the annual general meeting of the shareholders of AB Industrivärden (publ), corporate identity number 556043-4200

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of AB Industrivärden (publ) for the year 2014, except for the corporate governance statement. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 2–55.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2014, and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual general meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of AB Industrivärden (publ) for the year 2014. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act and for ensuring that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, February 18, 2015
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Board of Directors



SVERKER MARTIN-LÖF

M.Sc. Eng., Tech. Lic., Honorary Ph.D., Honorary Doctor of Engineering.
Born 1943, place of residence: Stockholm.
Chairman of the Board since 2010. Vice Chairman of the Board 2002–2010. Director since 2002.
Chairman of SCA and SSAB. Vice Chairman of Ericsson and Svenska Handelsbanken.
Director of Skanska.
Shareholding: 14,000.



PÄR BOMAN

Engineering and Business/Economics degree.
Born 1961, place of residence: Stockholm.
Director since 2013.
President and Group Chief Executive of Handelsbanken.
Director of SCA.
Shareholding: 1,000.



CHRISTIAN CASPAR

MBA
Born 1951, place of residence: Feusisberg, Switzerland.
Director since 2011.
Director of Stena and Bonnier.
Shareholding: 1,000.



BOEL FLODGREN

J.S.D., Honorary Doctor of Economics and Business Administration, Professor.
Born 1942, place of residence: Lund.
Director since 2002.
Director of NeuroVive Pharmaceutical.
Shareholding: 1,900.



STUART GRAHAM

MBA, Honorary Doctor of Engineering.
Born 1946, place of residence: Vero Beach, USA.
Director since 2011.
Chairman of Skanska. Director of PPL Corporation, Harsco Corporation, and Brand Energy and Infrastructure Services.
Shareholding: 2,000.



NINA LINANDER

M.Sc. Econ., MBA.
Born 1959, place of residence: Stockholm.
Director since 2014.
Director of TeliaSonera, Skanska, Awapatent, Specialfastigheter Sverige and Castellum.
Shareholding: 8,400.



FREDRIK LUNDBERG

M.S. Eng., MBA, Honorary Doctor of Economics, Honorary Doctor of Engineering.
Born 1951, place of residence: Djursholm.
Director since 2004.
President and CEO of L E Lundbergföretagen.
Chairman of Holmen, Hufvudstaden and Indutrade.
Vice Chairman of Svenska Handelsbanken.
Director of L E Lundbergföretagen and Skanska.
Shareholding: Own 5,860,000; related parties 53,000,000.



ANNIKA LUNDIUS

LL.M.
Born 1951, place of residence: Stockholm.
Director since 2014.
Deputy Director-General of the Confederation of Swedish Enterprise (until March 16, 2015).
Director of SSAB and AMF Pension.
Shareholding: 2,230.



ANDERS NYSTRÖM

MBA, U.S. MBA, Honorary Doctor of Economics.
Born 1954, place of residence: Bromma.
Director since 2001.
President and Chief Executive Officer of Industrivärden.
Chairman of Sandvik and Svenska Handelsbanken.
Director of SCA, Volvo, the Stockholm School of Economics and the Stockholm School of Economics Association. Vice preses in IVA.
Shareholding: 86,900.

Brief descriptions of the board members' professional experience is provided on page 15. More detailed biographies are provided on Industrivärden's website.

Executive Management



ANDERS NYSTRÖM

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

Chairman of Sandvik and Svenska Handelsbanken, director of SCA, Volvo, the Stockholm School of Economics and the Stockholm School of Economics Association. Vice preses in IVA.

1997–2001 Executive Vice President and CFO of Skanska; 1996–1997 executive of Nordbanken and member of the executive management; 1992–1996 Executive Vice President and CFO of Securum; 1987–1992 CEO of OM International.

Shareholding: 86,900.



ANDERS NYBERG

Executive Vice President and General Counsel, in charge of corporate governance, Industrivärden employee since 2012.
LLB, born 1951.

2000–2012 Senior Vice President and General Counsel of SCA as well as member of the Corporate Senior Management Team and Secretary to the Board; 1993–2000 Deputy General Counsel of SCA; 1988–1993 Assistant General Counsel of SCA; 1987–1988 Committee Secretary on the Swedish Government's Ministry of Communication; 1985–1987 Judge at the Court of Appeal and the District Court in Sundsvall.

Shareholding: 17,500.



MARTIN HAMNER

Chief Financial Officer, Industrivärden employee since 2008.

MBA, born 1964.

1999–2007 Group Controller and Head of Investor Relations for ASSA ABLOY; 1987–1999 Authorized Public Accountant for PricewaterhouseCoopers.

Shareholding: 7,650.



SVERKER SIVALL

Head of Corporate Communications, Industrivärden employee since 1997.

MBA, born 1970.

1997–2010 Head of Investor Relations for Industrivärden; 1994–1997 Investment Controller at Astra Zeneca.

Shareholding: 9,700.



FREDRIC CALLES

Head of Trading, Acting Chief Investment Officer, Industrivärden employee since 2003.

MBA, born 1966.

1996–2003 Head of Trading for Alfred Berg Fondkommission; 1993–1996 Assistant Trading Manager at UBS Sweden.

Shareholding: 8,000.

Team managers



ERIK RÖJVALL

Senior Investment Manager, Industrivärden employee since 2000.
MBA, born 1973.
Responsible for Handelsbanken, SCA and Skanska.
Shareholding: 7,000.



PETER SIGFRID

Investment Manager, Industrivärden employee since 2005.
LLB, M.Sc. L.A., born 1974.
Responsible for Sandvik, ICA Gruppen and Kone.
Shareholding: 3,300.



PETER NYSTRÖM

Investment Manager, Industrivärden employee since 2002.
M.Sc. Eng., born 1960.
Responsible for Ericsson and SSAB.
Shareholding: 1,619.



MADELEINE WALLMARK

Investment Manager, Industrivärden employee since 2006.
MBA, born 1982.
Responsible for Volvo.
Shareholding: 2,490.

Stock market information

Industrivärden aspires to meet high demands for continuous communication with its shareholders and the stock market as a whole. Information provided to the market shall maintain a high standard of quality and be made quickly available to all recipients. Through a close dialog with market actors, Industrivärden strives to continuously develop and improve its communication.

Reporting dates 2015

Interim reports will be published on the following dates:

- April 8 for the period January–March
- July 6 for the period January–June
- October 5 for the period January–September

2015 Annual General Meeting

- Wednesday, May 6, in Stockholm

Information channels

Printed publications

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

- by post from AB Industrivärden (publ),
Box 5403, SE-114 84 Stockholm, Sweden
- by phone, at +46-8-666 64 00
- by registration on www.industrivarden.net
- by e-mail at: info@industrivarden.se

The Annual Report will be distributed to shareholders who have notified the Company that they would like to receive a printed copy.

Subscribing for publications

Subscriptions for Industrivärden's press releases, interim reports, year-end reports and annual reports can be arranged through registration of an e-mail address on Industrivärden's website.

Industrivärden online

All reports are published on Industrivärden's website, www.industrivarden.net, which is a central information channel for communicating with parties interested in the Company. The website is a convenient source of current and historic information about Industrivärden.

Investor Relations Officer



ANDERS GUSTAVSSON

IRO, Industrivärden employee since 2012.
MBA, born 1981.

Anders Gustavsson served as a business controller for H&M in 2011, and from 2007 to 2010 he worked for Caterpillar as a strategic analyst.
Shareholding: 1,700.

Tel. +46-8-666 64 00, e-mail: info@industrivarden.se

Tax rules

Tax rules for investment companies

To be defined as an investment 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

Investment companies, along with mutual funds, are usually classified as intermediaries. The principles of legislation in this area are:

- that neutrality between direct and indirect ownership requires that the intermediary shall not be subject to taxation,
- that indirect ownership shall not be more advantageous than direct ownership, and
- that taxation shall enable reinvestment of the intermediary's shareholding.

Tax rules

The main principles concerning taxation of investment 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 standardized level of income, which amounts to 1.5% of the market value of the equities portfolio at the start of the fiscal year, is taxed. The basis for calculating the standardized level of income does not include business-related shares, by which is meant unlisted shares as well as listed shares in which the holding corresponds to at least 10% of the number of votes. In order for listed business-related shares to be excluded from the standardized income calculation, they must have been held for at least one year.

Tax deficits

Tax-loss carryforwards are deductible and may be accumulated in order to be deducted from future taxable surpluses.

Calculation of taxes

See Note 8 on page 45.



At the Annual General Meeting on May 6, 2014, the portfolio companies SCA, Volvo and Sandvik displayed their operations. Shareholders attending the AGM had an opportunity to test-sit a new Volvo FH16, the world's most modern heavy truck.

Key ratios

Value at December 31	2014	2013	2012 ¹	2011 ¹	2010 ¹
Industrivärden shares					
Industrivärden's market cap, (SEK M)	60,638	50,357	42,461	33,069	46,090
Number of shares outstanding					
of which, Class A shares (thousands)	268,186	268,531	268,531	268,531	268,547
of which, Class C shares (thousands)	164,155	123,239	117,741	117,741	117,724
Dividend yield A-/C-shares (%)	4.4/4.6	4.2/4.5	4.5/4.6	5.2/5.5	3.3/3.4
Total return A-/C-shares (%)	13/16	23/18	33/37	-25/-28	40/48
Total return index					
SIXRX (%)	16	28	16	-14	27
MSCI World (%)	7	28	16	-5	12
Net asset value					
Equities portfolio					
market value (SEK M)	83,062	77,992	68,077	56,903	71,092
total return (%)	8	20	22	-23	31
Interest-bearing net debt					
value (SEK M)	-14,632	-17,094	-18,248	-16,780	-13,401
of which, convertible loan (SEK M)	-4,971	-8,410	-8,418	-8,555	-4,155
debt-equities ratio (%)	18	22	27	29	19
debt-equities ratio after full conversion (%)	12	11	14	14	13
Other					
adjustment related to exchangeable	-85	-	-	-	-
Net asset value					
value (SEK M)	68,345	60,898	49,829	40,123	57,691
NAV per share (SEK)	158	155	129	104	149
NAV after full conversion (SEK M)	73,316	69,308	58,247	48,678	61,846
NAV per share after full conversion (SEK)	158	150	126	106	144
Trading and management cost					
Profit from trading (SEK M)	178	140	118	152	114
Management cost					
cost (SEK M)	146	130	123	105	94
share of managed assets (%)	0.18	0.17	0.18	0.18	0.13

1) The comparative figures for the years 2010-2012 have not been restated in accordance with the principles of investment entities.

Definitions

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

Debt-equities ratio – Interest-bearing net debt in relation to the market value of the equities portfolio.

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

Earnings per share – Net income for the year divided by the total number of shares outstanding.

Interest-bearing net debt – Interest-bearing liabilities and pension liabilities less cash and cash equivalents and interest-bearing receivables.

Market value of equities portfolio – The value of the equities portfolio based on market prices on the balance sheet date.

Net asset value – The market value of the equities portfolio less interest-bearing net debt.

Net asset value including reinvested dividends – To calculate the development of net asset value before dividends paid out, the dividends paid out by the Company are recalculated to take into account the performance of the listed portfolio. This gives a measure of how net asset value would have developed if Industrivärden had not paid any dividend.

Total return – Change in the share price taking into account reinvested dividends. The total return is compared against the return index (SIXRX), which indicates the performance including reinvested dividends for stocks listed on the Stockholm Stock Exchange.

Annual General Meeting 2015

Time and place

The Annual General Meeting will be held at 2 p.m. on Wednesday, May 6, 2015, at the Grand Hotel, Vinterträdgården room (entrance at the corner of Stallgatan/Blasieholmsgatan), in Stockholm, Sweden. The doors will open at 1 p.m., and registration will be open until 2 p.m., at which time the doors will be closed.

Who is entitled to participate?

To be entitled to participate at the Annual General Meeting, shareholders must be listed in the shareholder register printed out by Euroclear Sweden on April 29, 2015, and give notice of their intention to participate in the Meeting no later than April 29, 2015.

How to become registered in the shareholder register

Shares may be registered in the shareholder register maintained by Euroclear Sweden in the name of either the owner or the owner's nominee. Shareholders who have not arranged to have their shares registered in the nominee's name are registered in their own names. Shareholders whose shares are managed by a third party may have chosen to have their shares registered in the nominee's name. In order to be able to participate in the Meeting, shareholders who own nominee-registered shares must request in advance that their shares be temporarily registered in their own names as per April 29, 2015. Such registration may be temporary. Shareholders are advised to contact their nominee well in advance before April 29, 2015.

Notification of attendance

Notification of intention to participate at the Meeting may be made using one of the following alternatives:

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

Upon notification, shareholders must indicate their:

- name
- personal identity number (or corporate identity number)
- complete postal address and phone number
- where applicable, the number of assistants (max. two)

Notifications must be received by the Company no later than April 29, 2015.

Proxies

Shareholders may exercise their right to participate at the Meeting by proxy. Please use the proxy statement provided on the proxy form, which is available on Industrivärden's website. Proxy may also be arranged by providing the application information above for the shareholder as well as his/her representative. The proxy statement must also include the date and location for signature as well as the shareholder's signature and name printed out. For representation of legal persons by proxy, the proxy must be signed by an authorized signatory of the company/organization, and a copy of the registration certificate, which indicates the company's/organization's authorized signatories, must be attached. Proxy statements must be sent in or shown in original.

Proposed dividend

The Board of Directors proposes that the Annual General Meeting resolve in favor of a dividend of SEK 6.25 per share. The dividend will be paid to shareholders who are recorded in the shareholder register on the record date. The Board of Directors proposes May 8, 2015, as the record date. Provided that the Annual General Meeting approves the Board's proposal, this entails that Industrivärden shares purchased not later than the day of the AGM, May 6, 2015, will carry rights to the dividend (provided that the purchase was recorded in the shareholder register on May 8, 2015). Payment of the dividend is expected to take place via Euroclear Sweden on May 13, 2015.

Proposed guidelines for compensation of senior executives

The Board of Directors proposes that the 2015 Annual General Meeting resolve in favor of the following guidelines: Compensation paid to the CEO and other members of the Executive Management shall consist of a base salary, a variable salary, other benefits and pension. The total compensation should be competitive and in line with the going rate in the market, and shall be commensurate with the executive's responsibilities and authority. The variable salary portion consists of a short-term variable salary component (yearly) and a long-term variable salary component. The short-term variable salary component is based on individual performance, shall have a cap, and never exceed the base salary. The long-term variable salary component is based on the long-term performance of the Company's stock and shall have a cap. None of the variable components shall be pensionable. Upon cancellation of an executive's employment contract by the Company, a two-year notice period applies. No severance pay should be payable. Pension benefits shall be either defined-benefit or defined-contribution, or a combination of both, and give the members of the Executive Management the right to retire from 60 or 65 years of age, depending on their position. The Board may depart from these guidelines if there are special reasons for doing so in individual cases. The proposal is consistent with the guidelines approved by the 2014 Annual General Meeting.



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