

# 2016

**INDUSTRI  VÄRDEN**

ANNUAL REPORT

# Contents

Shareholder information	3
<b>BUSINESS REVIEW</b>	4
<b>Overview</b>	4
Industrivärden at a glance	4
Highlights 2016	6
Chairman's message	8
CEO's message	9
<b>Asset management</b>	12
Business model	12
The investment process	14
The active ownership process	15
Sustainability	17
<b>Equities portfolio</b>	20
Composition of the equities portfolio	20
<b>Portfolio companies</b>	21
Handelsbanken	22
SCA	23
Sandvik	24
Volvo	25
Skanska	26
ICA Gruppen	27
Ericsson	28
SSAB	29
<b>BOARD OF DIRECTORS' REPORT</b>	30
<b>Corporate governance report</b>	31
<b>Value creation</b>	34
Net asset value	34
Industrivärden share data	37
<b>Proposed distribution of earnings</b>	39
<b>FINANCIAL STATEMENTS</b>	40
Income statements	41
Balance sheets	41
Shareholders' equity	42
Statements of cash flows	43
Financial risk management	44
Financing	45
Accounting policies	48
Tax rules for the Parent Company	49
Notes	50
<b>AUDITOR'S REPORT</b>	56
<b>OTHER INFORMATION</b>	60
Board of Directors	61
Executive Management	62
Investment and analysis organization	62
Key ratios	63
Definitions	64

Through long-term asset management and active ownership of listed Nordic companies, Industrivärden aims to generate a competitive return for the shareholders. In accordance with the strategic development plan that was presented in February 2016, important steps were taken during the year in the work on increasing Industrivärden's return over time.



*"Innovation and development are vital prerequisites for long-term value creation and sustainable growth"*

# Shareholder information

## Annual General Meeting 2017

**Location:** Grand Hôtel, Stockholm, Vinterträdgården room (entrance at the corner of Stallgatan/Blasieholmsgatan)

**Time:** Tuesday, May 9, 2017, 2 p.m.

The doors will open at 1 p.m.

### Notification of attendance

Notification to attend the AGM must be made no later than May 3, 2017, using the electronic form on Industrivärden's website, [www.industrivarden.se](http://www.industrivarden.se); by phone at +46-8-402 92 86 (starting March 28, 2017); or by mail to AB Industrivärden, "AGM 2017", c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden.

In addition, shareholders who wish to participate in the AGM must be listed in the shareholder register maintained by Euroclear Sweden as per May 3, 2017. A shareholder whose shares are registered in a nominee's name, in order to be able to participate in the Meeting, must request that the nominee registers the shares in the shareholder's own name in the shareholder register maintained by Euroclear Sweden. Such registration may be temporary. The shareholder must inform the nominee well in advance of May 3, 2017, in order for such registration to be carried out.

### Dividend

The last day to buy shares that carry entitlement to the dividend is May 9, 2017, entailing that Industrivärden shares will be traded ex-rights on May 10, 2017. Provided that the AGM resolves in favor of the proposal, it is expected that dividends will be sent out by Euroclear Sweden on May 16, 2017.



### FINANCIAL CALENDAR 2017

**April 5:** Interim report January–March

**May 9:** Annual General Meeting, Stockholm

**July 5:** Interim report January–June

**October 5:** Interim report January–September

### FINANCIAL REPORTING

An extensive description of operations as well as interim reports, annual reports, press releases and more are available on Industrivärden's website: [www.industrivarden.net](http://www.industrivarden.net).

### QUERIES, REQUESTS AND SUBSCRIPTIONS

Queries from shareholders and investors can be directed to Sverker Sivall, Head of Corporate Communication and Sustainability, by e-mail at [info@industrivarden.se](mailto:info@industrivarden.se) or by phone at +46-8-666 64 00.

Financial reports can be requested specifically or by subscription through registration at [www.industrivarden.se](http://www.industrivarden.se), by e-mail at [info@industrivarden.se](mailto:info@industrivarden.se), or by phone at +46-8-666 64 00.

### ANNUAL REPORT 2016

This publication constitutes the Annual Report for AB Industrivärden (publ), corporate identity number SE 556043-4200. Printed copies of the Annual Report will be distributed to shareholders upon request, as per the above. Digital copies are available on the company's website.

This Annual Report is a translation of the Swedish original.

# OVERVIEW

Industrivärden is a long-term asset manager and active owner in listed Nordic companies.

## Industrivärden at a glance

### HISTORY

Industrivärden was established by Handelsbanken in 1944 as a means of gathering shareholdings that the bank had acquired following the stock 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 asset management business with diversified ownership. Industrivärden today is a knowledgeable, responsible and financially stable owner that takes an active ownership role, and in doing so creates a competitive advantage for the value development of its portfolio companies as well as Industrivärden itself.

### MISSION

To conduct long-term asset management that creates value through active ownership. This mission is based on Industrivärden's relative strengths, including a long-term investment perspective, depth of knowledge and experience in active ownership, a strong position of influence, financial strength and an extensive network.

### OBJECTIVE

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

### STRATEGY

Industrivärden's asset management is built upon a structured investment process of continuous analysis and evaluation of existing and potential new holdings. Taking into account continuity and long-term perspective, the expected return potential for existing investments shall be weighed against the return potential for prospective new investments. Industrivärden also strives to take a distinct and active ownership role in order to increase the value of its shareholdings.

### INVESTMENT FOCUS

Industrivärden invests in listed Nordic companies with good return potential, where it can exercise active influence through a strong position of trust and ownership-based positions of influence. For new investments, the portfolio company should have a minimum market cap of approximately SEK 3 billion. Industrivärden's investment criteria are to invest in companies with proven

business models and clear potential for profitable growth. Investments must also have an attractive valuation and provide a good balance of risk and return.

### ACTIVE OWNERSHIP IN PRACTICE

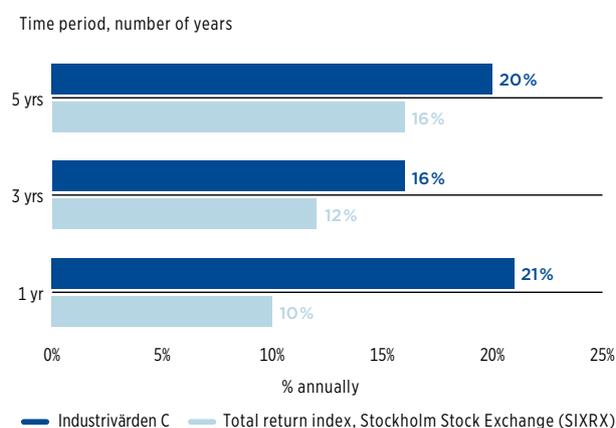
Active ownership is exercised mainly through involvement in nomination committees for board elections, through board representation, evaluations of boards, CEOs and company managements, and by monitoring and – where necessary – influencing the portfolio companies' overall development. In this way Industrivärden contributes to the portfolio companies' growth in value over time. In its role as active owner, Industrivärden provides:

- Long-term perspective with focus on competitive growth in value over time
- Knowledge and experience with bearing on the portfolio company, its competitors and its external operating environment
- Genuine involvement and the ability to evaluate, lend support and make clear demands
- Owner cooperation through discussions and consensus-building on key issues with other owners
- Resources in the form of financial strength and an extensive network

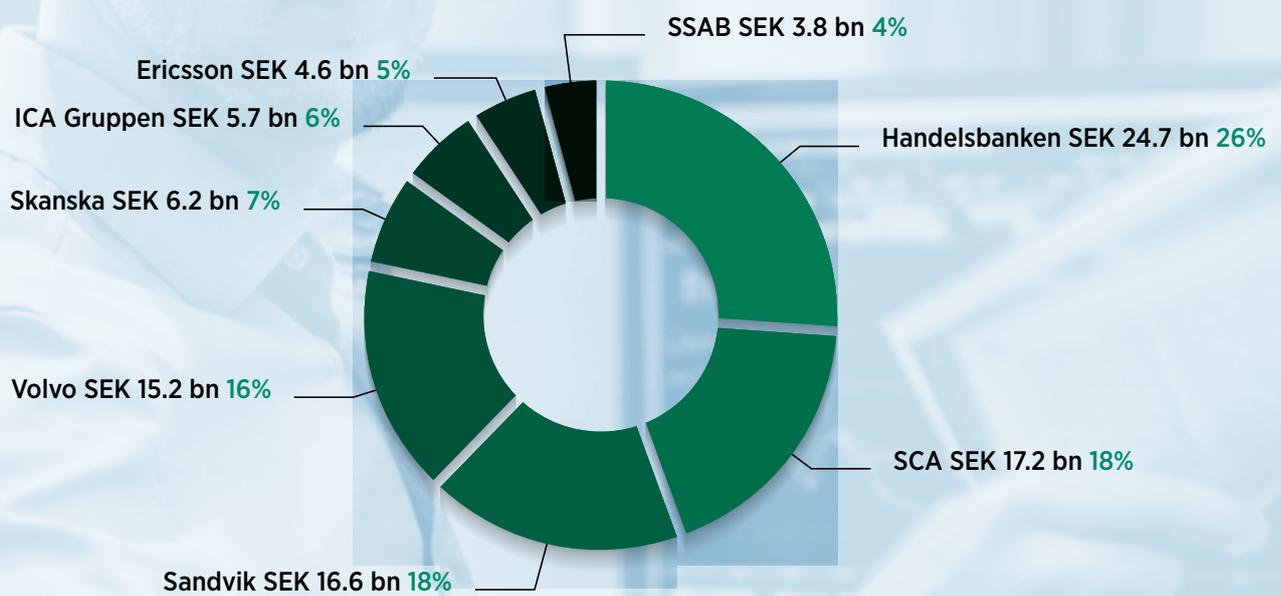
### VALUE CREATION

During the last ten-year period Industrivärden's stock has delivered a total return in line with the Stockholm Stock Exchange, which has performed well from an international perspective. In early 2016 Industrivärden presented a refined strategy with the express goal of increasing value creation over time. In 2016 Industrivärden's Class C shares generated a total return of 21%, which is 11 percentage points higher than the Stockholm Stock Exchange's total return index.

### INDUSTRIVÄRDEN SHARE - TOTAL RETURN



## Equities portfolio



Portfolio value on December 31, 2016: SEK 94.2 bn

# Highlights 2016

## INDUSTRIVÄRDEN'S PERFORMANCE

### EQUITIES PORTFOLIO

Adjusted for purchases and sales, the value of the equities portfolio increased by 16% to SEK 94.2 billion (81.8).

### NET ASSET VALUE

Net asset value at year-end was SEK 191 per share (160), an increase of 20% for the year and 23% including reinvested dividend.

### TOTAL RETURN

The total return was 17% for Industrivärden's Class A shares and 21% for the Class C shares, compared with 10% for the Stockholm Stock Exchange's total return index (SIXRX).

### INDEBTEDNESS

The debt-equities ratio was 12%, a decrease of 3 percentage points during the year.

### PROPOSED DIVIDEND

The Board of Directors proposes a dividend of SEK 5.25 (5.00) per share, which corresponds to a dividend yield of 3.1% for the Class C shares.

## A SELECTION OF STRATEGIC ACTIVITIES IN PORTFOLIO COMPANIES

### SCA

The proposed split into two companies with leading businesses in hygiene and forest products, respectively, will result in greater focus and room to maneuver, which will lead to long-term value creation over time. The strategic acquisition of BSN medical, with products in wound care and compression therapy, creates a new platform for growth.

### VOLVO

The establishment of a brand- and business area-driven organization with decentralized responsibility, combined with strong cost control and focus on continuous improvement, is contributing to increased efficiency and profitability. The company has also announced divestments of non-core businesses.

### SANDVIK

The new, decentralized organizational structure, with a reduction of the number of business areas from five to three, will result in a more effective and customer-centric business model with greater transparency, and clearer allocation of responsibilities. The company intends to divest non-core business parts.

### SSAB

The rights issue in which Industrivärden subscribed for its allotment strengthens the company's long-term value potential. Continued efficiency improvements and adaption to the challenging market situation.



+23%

*Net asset value grew 20% in 2016, and 23% including reinvested dividend.*



21%

*During 2016 Industrivärden's Class C shares generated a total return of 21%, compared with 10% for the Stockholm Stock Exchange's total return index (SIXRX). This represents an excess return of 11 percentage points for the year.*





***“2016 WAS A GOOD YEAR FOR INDUSTRIVÄRDEN.  
OUR STOCK PERFORMED WELL AND WE TOOK  
A NUMBER OF IMPORTANT STEPS TO ENHANCE  
FUTURE VALUE CREATION”***



## Chairman's message

In early 2016 the Board adopted a refined strategy and new goals for Industrivärden. During the past year these decisions have guided us in our way of working. This means, among other things, that we have sharpened our focus on value creation, which is to be achieved through long-term active ownership. We attach great importance to the election of board members and the chairmen of our portfolio companies. In each company it is the board of directors who bear responsibility for the business. This is where value creation is to take place.

Industrivärden is represented in its portfolio companies by board members with ties to us. Board elections are handled in close cooperation with other major shareholders for decision by the companies' respective Annual General Meetings. Industrivärden's CEO, Helena Stjernholm, leads the operative organization and is in close contact with the chairmen of the respective companies.

During the past year the board work in Industrivärden has worked well. We had a total of twelve board meetings and a number of other meetings in the Compensation Committee and Audit Committee.

At every board meeting the CEO has made a presentation of her short- and long-term view of the portfolio companies. Over the course of the year we were also visited by the CEOs of four of our portfolio companies. These meetings were valuable for increasing our knowledge and giving us on the board a good understanding of the respective companies' development.

By reducing our dividend in 2016 and through divestments of certain stocks, we lowered our net debt to SEK 11 billion, corresponding to 12% of our assets. The target for our level of debt is that it will be between 0% and 10%

of our assets. An asset manager and active owner such as Industrivärden should not carry too much debt, since it would restrict our flexibility over time. We shall therefore have a positive cash flow after paying a dividend to our shareholders.

The personnel changes at the CEO and Chairman level that took place in several of our portfolio companies in 2015 were followed by additional changes in 2016. Hans Biörck took over as Chairman of Skanska, Anders Bouvin was appointed as new Group Chief Executive at Handelsbanken, and Börje Ekholm was named as new CEO at Ericsson. These changes feel right and will hopefully lead to greater value creation in the years ahead. I am pleased to note that both Volvo and Sandvik are now developing in a positive direction. The companies' new management teams, headed by Martin Lundstedt and Björn Rosengren, respectively, are doing a fine job.

At SCA, the Board decided to propose to the coming AGM that the company be split into separate forest products and hygiene businesses. Industrivärden strongly supports this and believes it will create value over time. The well-timed and well-considered rights issue in SSAB was successful, and Industrivärden subscribed for its allotment of SEK 0.6 billion. Continued synergies following the merger with Rautaruukki were realized in 2016.

Our basic premise at Industrivärden is that decentralization creates value. For my own part, I am entirely convinced that a successful enterprise, regardless of its size, must be driven in a decentralized organization. The power that is created by a strong sense of responsibility by many people cannot be underestimated. Handelsbanken, Skanska and ICA Gruppen are prime examples of this.

Financially, 2016 was a good year for Industrivärden. Our net asset value including reinvested dividend grew 23%, and the total return for the Class C shares was 21%, compared with 10% for the Stockholm Stock Exchange's total return index (SIXRX). Against this background, the Board proposes to the 2017 Annual General Meeting an increase in the dividend from SEK 5.00 per share to SEK 5.25. This corresponds to a dividend yield of 3.1% for the Class C shares at year-end 2016.

Esteemed shareholders, Industrivärden is performing well with a portfolio of quality companies. Our CEO Helena Stjernholm is doing a great job and represents us well on Volvo's, Sandvik's and Ericsson's boards. On behalf of Industrivärden's board of directors I would like to extend a warm and great thanks to Industrivärden's CEO and employees.

Finally, I would also like to thank my board colleagues for a constructive, rewarding and enjoyable cooperation during the past year.

Stockholm, February 2017

*Fredrik Lundberg*  
Chairman of the Board



## CEO's message

### 2016 – A STRONG YEAR FOR INDUSTRIVÄRDEN

During 2016 our net asset value increased by SEK 13.7 billion to SEK 82.8 billion, and taking into account reinvested dividend, growth in net asset value was 23%. The total return for the Class A and C shares was 17% and 21%, respectively, and exceeded the Stockholm Stock Exchange's return index by a full 7 and 11 percentage points, respectively. This performance reflects a good year for the stock market, but also generally good growth in value for our portfolio companies. This applies in particular to the portfolio companies that have taken major change measures designed to boost profitability and capital efficiency. The largest growth in value was in Sandvik, where our holding grew by SEK 5.7 billion, or 52%. Volvo was a good number two, with growth in value of SEK 3.7 billion, or 32%. If we raise our sights a bit and look at the value potential a bit more long-term, we can see a number of important activities that were carried out during the past year for future value creation. Among other things I am referring to the announced split of SCA into two companies and SSAB's rights issue. Last, but not least, at Industrivärden we have conducted extensive development work within the framework of the refined strategy that was presented in February 2016. The aim is to utilize our full potential and further strengthen our ability to create shareholder value. This is an ongoing process, but allow me to briefly describe what we have done during the past year.

### REFINED STRATEGY THAT HAS GENERATED TANGIBLE RESULTS

Our aim is to be a professional asset manager with the flexibility to act when opportunities arise. This ambition is expressed in, among other things, a new debt policy

and a new dividend policy. To ensure financial flexibility, the debt-equities ratio should normally be in the range of 0%–10%. During the year we carried out a number of transactions in our long-term holdings which, together with the growth in the value of our equities portfolio, helped lower our debt-equities ratio by just over 3 percentage points, to 12% at year-end 2016. We will continue to reduce our debt-equities ratio when the occasion rises in order to increase our financial flexibility to act over time. Industrivärden's convertible bond of EUR 550 M matures on February 27, 2017. The time period during which convertible owners could request conversion has passed, and approximately 9% of the convertible bond, corresponding to EUR 50.9 M, will be converted to new shares. The total number of shares will increase by just under 0.7% with the issue of slightly more than 2.8 million new shares. The remainder of the loan will be replaced with more flexible financing within the framework of our debt portfolio. To build up investment capacity, a positive cash flow is needed before portfolio changes and after paid dividends. In 2016 cash flow before portfolio changes amounted to approximately SEK 700 M, and the dividend that has now been proposed by the Board in 2017 enables a continued positive cash flow. Against the background of the Board's adoption of the aforementioned policies, Standard & Poor's raised Industrivärden's credit rating to A/Stable/A-1 in 2016.

Industrivärden's asset management model – active ownership – draws from our strengths in the form of influence, knowledge, a strong network, owner collaboration, financial strength and genuine involvement. From this model it follows that we work with a long-term perspective when we evaluate our investments. This in itself is a strength that enables decisions that benefit the portfolio companies' value growth over time. At the same time it is imperative that we act as a financially rational asset manager when we evaluate our shareholdings. Against this background we have put great energy into strengthening our focus on returns. In strictly practical terms this involves everything from sharpening our internal view of the shareholdings' value potential to developing our analysis of potential new investments. Together with my colleagues we have refined our valuation model, streamlined our work processes, increased our focus on central value drivers in the companies and put even greater emphasis on analysis of changes and trends in the world around us. For us as long-term owners it is essential to have a good understanding of the challenges and opportunities that arise out of megatrends such as automation and digitalization, focus on sustainability, energy efficiency improvement, and disruptive technologies and business models. We have also simplified Industrivärden's organization, with a clearer focus on analysis and long-term investments in our portfolio companies. These are steps toward change that will bear fruit over time.

Another important step that generated tangible results last year is that we have more clearly marked the

## **“DURING 2016 MOST OF OUR PORTFOLIO COMPANIES PERFORMED WELL, AND THE PACE OF CHANGE IN THE COMPANIES WAS HIGH OVERALL”**

way we exercise our ownership role. This has been done mainly by the fact that Industrivärden is now represented on its portfolio companies' nominating committees by persons from Industrivärden's board or management. We also have the expressed ambition to – together with other owner representatives – actively contribute to and strengthen board nomination work over time. I feel that we significantly broadened our network of potential candidates in 2016 – a process which, naturally, is ongoing. In retrospect we can see that several new persons joined our portfolio companies' boards at the 2016 AGMs. The board nomination work is now in progress ahead of this spring's AGM season, and I feel that we have a good starting point in the continuous work of adapting company boards to the challenges facing the respective companies.

### **SEVERAL IMPORTANT STEPS TOWARD CHANGE IN THE PORTFOLIO COMPANIES FOR ENHANCED VALUE CREATION**

As an active owner with large shareholdings we have the opportunity to influence our investments, which is the very essence of our business model. We have sharpened our focus on central issues for enhanced value creation and are working for a faster pace of change in our portfolio companies that are facing significant challenges. During 2016 most of our portfolio companies performed well, and the pace of change in the companies was high overall.

With a foundation in a successful business model, *Handelsbanken* is showing continued competitive profitability. The bank is growing organically above all in the UK and the Netherlands. In August Anders Bouvin, who previously headed *Handelsbanken*'s operations in the UK, took over as new Group Chief Executive.

For several years *SCA* has been conducting a conscious refinement of its hygiene and forest products businesses. The work now initiated by *SCA*'s board to propose a split of the company into two distinct businesses is therefore a natural step in creating greater room to maneuver and value creation. The recently announced acquisition of

*BSN medical*, which makes wound care products, among other things, strengthens *SCA*'s offering in the hygiene segment and creates additional growth opportunities.

*Sandvik*'s work on increasing its strategic focus and decentralization is now generating tangible results. In 2016 the operations were consolidated to three business areas, new financial targets were set, and the company communicated its intention to divest certain non-core businesses.

*Volvo* is also carrying out greater decentralization, with clearer business responsibility and more efficient decision-making processes. The ambition is to focus on organic growth and to boost both productivity and efficiency through continuous improvements. *Volvo* has also announced its intention to divest certain non-core businesses.

*Skanska* has continued to successfully expand its project development business, but is showing unsatisfactory profitability from its construction operations. In 2016 a new business plan was set for the next five years. At the 2016 AGM Hans Biörk, who has many years of experience with the company, was elected as new Chairman of the Board.

*ICA Gruppen* has completed the refinement of its business and has expanded its retail business in the Baltics through the recently announced acquisition of the Lithuanian grocery retail chain *IKI*. *ICA Gruppen* is showing good stability and an improved margin in Sweden.

*Ericsson* is facing the challenge of increasing its profitability in a challenging market with sizable technology shifts. To achieve this, a number of thorough measures are being taken with respect to the company's organization, structure, efficiency and cost reductions. Börje Ekholm took office as *Ericsson*'s new CEO in January 2017.

Last year *SSAB* carried out conscious work on efficiency improvement and adapting the business to the challenging market situation. The rights issue of approximately SEK 5 billion combined with the internal measures that

were carried out provided needed financial stability in a challenging situation. The company's ambition is to continue growing in high strength steel and to increase the service content of its offering. Industrivärden's investment of SEK 0.6 billion in SSAB's rights issue in June 2016, has been a very good one. For the full year 2016 its Class A- and B-shares increased in value by slightly more than 100%.

### STRUCTURED INVESTMENT OPERATION AND DISTINCT SUSTAINABILITY PERSPECTIVE

In parallel with the work in our existing portfolio companies, our main focus, we are continuously evaluating potential divestments and new investments. During the past year we conducted a thorough analysis of such listed Nordic companies and have identified a number of potential investments. This work has not yet resulted in any new investment, but we will act when the conditions are right. As an asset manager we always have to compare the estimated return potential for our existing investments with potential new investments.

Working with asset management is a great responsibility. By also taking on the role as active owner in the companies we invest in, then clearly we have an important societal role. We believe that corporate responsibility is imperative for long-term, competitive value creation. It is therefore important that the portfolio companies have the boards, the managements, the leadership, the organizations and the resources needed to integrate sustainable value creation into their strategies, business models, processes and product offerings. In 2016 we worked on developing a framework for our sustainability analysis in support of our active ownership. Together with our Head of Sustainability Sverker Sivall, I have personally participated in this work and feel that we have a good foundation to build further upon.

### CONTINUED MAJOR UNCERTAINTY IN THE WORLD AROUND US

From a global perspective, 2016 was an eventful year with unexpected outcomes of the referendum in the UK and the U.S. presidential election. The British people voted to exit the European Union. The political and real-economy consequences of this referendum for the UK and the rest of Europe are hard to discern. After a strongly negative initial reaction the stock market recovered, which can be

interpreted to mean that a drawn-out process is expected without major near-term consequences. However, the situation may change if other important EU countries show a clear interest in leaving the union. In the U.S., Donald Trump was elected as the new President. This has led to uncertainty about the impact of future policies, such as an increase in trade barriers, changed tax policies, and geopolitical aspects. However, promised investments in infrastructure, promises for an improved jobs market, and increased stimulus measures have given a boost to the stock market. This has led to higher commodity prices, mounting inflation expectations and rising long-term interest rates. Together with a weak Swedish krona, all in all this has contributed to a favorable environment for Industrivärden's portfolio companies.

For 2017 the IMF prognosticates an increase in global growth by 0.3 percentage points to 3.4%. Even though many uncertainties remain, higher economic growth is foreseen especially in the U.S., with positive repercussions globally. Expectations are for rising interest rates, which could have major bearing on the stock market's performance. Even though companies are expected to show higher profits in the year ahead, higher interest rates will also entail a higher required rate of return on equity investments, which could put pressure on valuations. Naturally, how the overall macroeconomic development will impact each of the portfolio companies' operational performance as well as their share prices is hard to know. It is no wild guess to assume that politics, interest rates and currencies will have a significant influence on the stock market in 2017 and will thus be central topics in the macroeconomic debate going forward.

With a starting point in the current situation in the world around us, our equities portfolio, a professional organization and ongoing activities in Industrivärden, I feel we are well-equipped to generate a long-term competitive total return for our shareholders.

In conclusion, I would like to offer a big thanks to my colleagues at Industrivärden, who have made such a great contribution during an intensive business year.

Stockholm, February 2017

*Helena Stjernholm*  
CEO

# ASSET MANAGEMENT

Industrivärden creates shareholder value through long-term asset management based on active ownership. The chosen management strategy – active ownership – requires significant positions of influence and entails a long-term involvement.

## Business model

Asset management is conducted in two main processes – investment and active ownership.

The investment process aim to maximize Industrivärden's long-term return and is based on internal analysis, external documentation, and business intelligence. Based on this analysis, decisions are made on a regular basis on margin transactions in existing investments, divestments of an entire holding, or new investments. The estimated return potential for existing investments is to be compared with the return potential for new investments under evaluation, taking into account continuity and a long-term view.

A significant part of the work is focused on value-creating active ownership in existing investments – the so-called portfolio companies. Active ownership aims to gain depth of knowledge about the companies and their business environments, and where necessary to influence their strategic development.

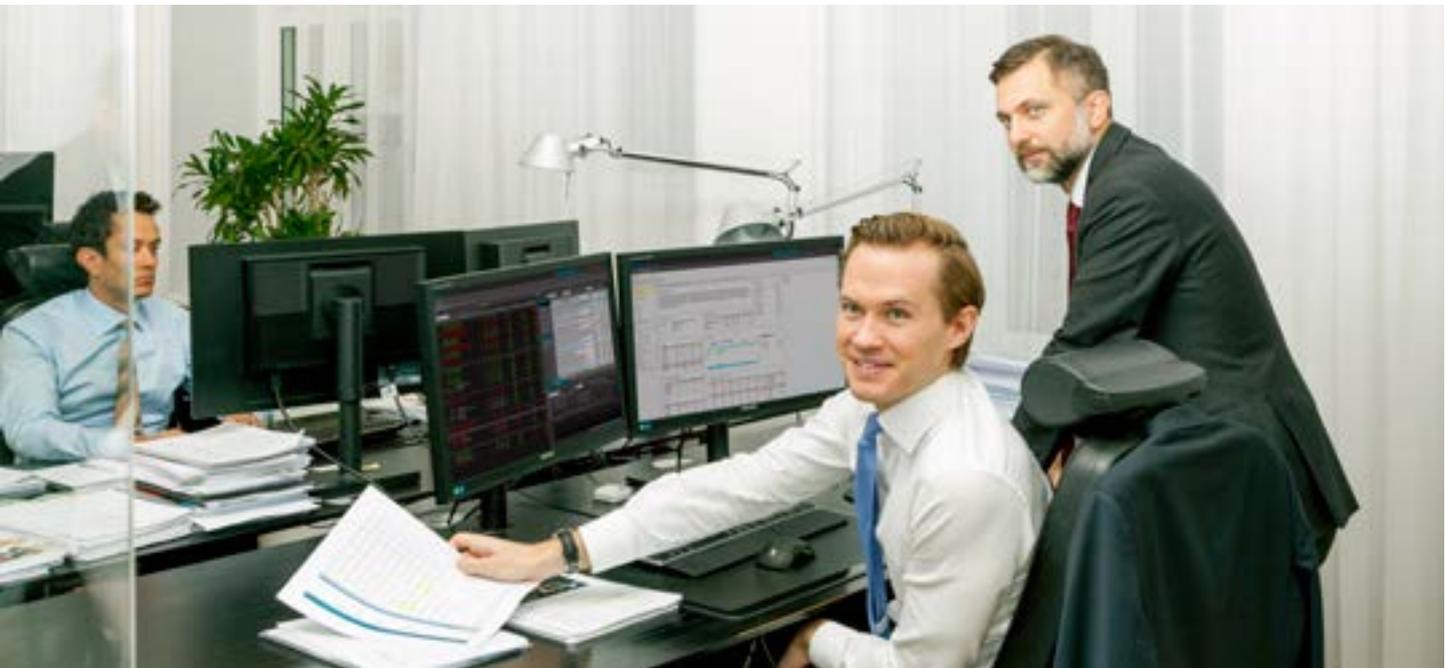
The active ownership process is conducted mainly through involvement in nomination processes for board elections, through board representation, evaluations of boards, CEOs and company managements, and by monitoring and – where necessary – efforts to influence the portfolio companies' overall development. A decisive success factor is that Industrivärden's analysis leads to implementable changes and/or value-creating transactions. The two main processes are tightly interwoven.

Asset management is based on Industrivärden's relative strengths, which include a long-term investment perspective, depth of knowledge and experience in active ownership, a strong position of influence, financial strength and an extensive network.

### ORGANIZATION

Industrivärden has a professional and cost-efficient organization that is characterized by high flexibility and short decision-making channels. Operations involve some 20 employees, eight board members and an extensive





network. Internal work is project-oriented, and most employees are involved in both the investment and active ownership processes.

#### **OUR PEOPLE**

Professional and successful asset management requires competent and committed employees as well as an attractive and dynamic workplace. Major emphasis is therefore put on recruiting processes, competence development, and building a good company culture. Industrivärden's ethical values foundation and ambitions as an employer are set out in the Company's Code of Conduct, which addresses areas such as the work climate, diversity and business ethics. Industrivärden is committed to providing its employees with compensation that is competitive and in line with the going rate in the market. Variable salary components are to be coupled to set targets and shall be distinctively value-creating.

#### **Board of Directors**

The Board of Directors makes decisions on major investments, continuously monitors the portfolio companies' performance and decides on matters related to the exercise of active ownership in the portfolio companies. Individual directors represent Industrivärden on portfolio companies' boards and participate actively in portfolio companies' board nomination processes.

#### **Executive Management**

The Executive Management handles the Company's day-to-day administration, which includes strategic, organizational and finance matters as well as control and follow-up, among other things. Members of the Executive Management also serve on investment teams and can contribute specialist expertise.

The members of the Executive Management, together with representatives from the investment and analysis

organization and the equities market function, make up Industrivärden's investment committee. The committee makes investment decisions and adopts Industrivärden's action plans for value creation in the portfolio companies.

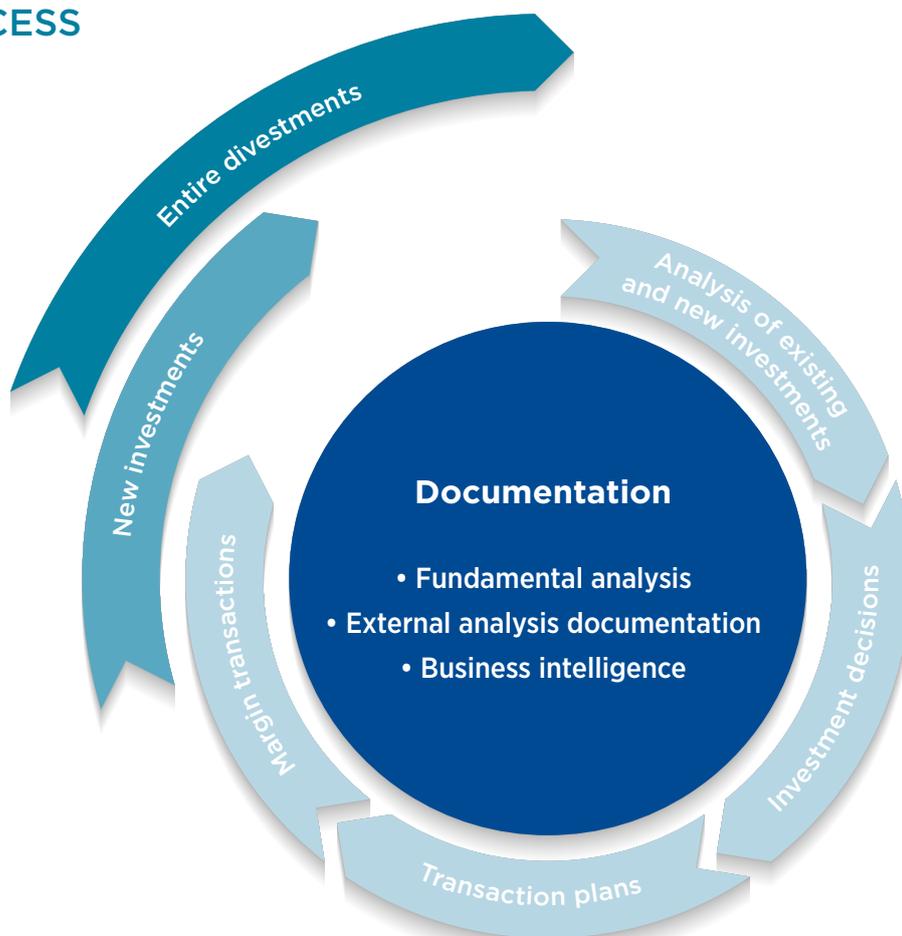
#### **Investment and analysis organization**

The investment and analysis organization performs investment analyses, continuously reviews Industrivärden's fundamental analysis of existing and new investments, and regularly updates the Company's action plans in support of its active ownership.

Operations are organized into teams, which monitor and follow up the portfolio companies. The teams continuously perform investment and company analyses that culminate in the so-called fundamental analysis. Each investment team has deep knowledge about its respective portfolio company and its business environment in general. Important external factors include the market, competitors, customers and megatrends.

Based on this fundamental analysis, an action plan is continuously updated and forms the foundation for the design, execution 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 creating this value. The fundamental analysis is a key component in the overall assessment that forms the basis of Industrivärden's day-to-day investment decisions. All action plans are set on a continuous basis by Industrivärden's investment committee, and the respective, adopted action plans are presented to Industrivärden's board. In this way the board members are provided with a current and in-depth picture of identified opportunities and measures. When necessary, Industrivärden communicates its views primarily with the chairman of the respective portfolio company's board. Discussions are also held on an ongoing basis with the company's CEO.

## THE INVESTMENT PROCESS



### Equities market function

The equities market function implements investment decisions, contributes market information and executes transactions.

### APPROACH

Operations are distinctively trust-based and therefore require that Industrivärden works with a professional and transparent corporate governance model in collaboration with other major shareholders.

## The investment process

### General

The investment process is built upon a structured method of continuous analysis of existing and potential new holdings.

Qualitative and quantitative goals as well as the investments' long-term return potential are evaluated continuously. In the course of the investment process, transaction plans are continuously updated with the aim to optimize long- and short-term timing and the forms of potential stock purchases and sales. Corresponding plans are drawn up for new investments or complete divestments.

The return potential for existing investment is to be compared with the return potential for new investments, taking into account continuity and a long-term view.

### Investment universe

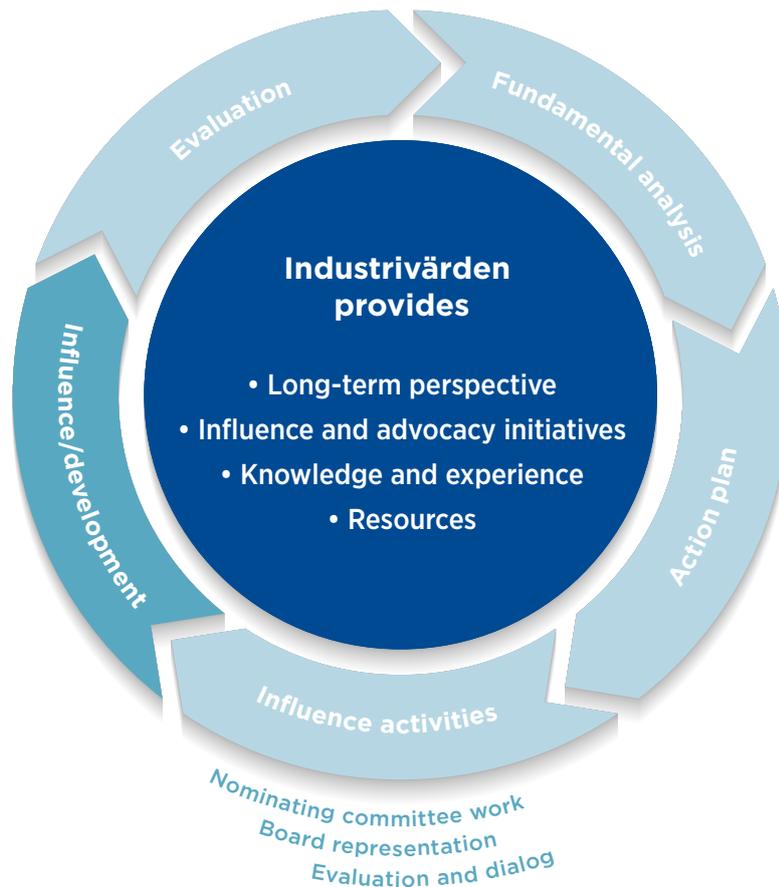
Industrivärden invests in listed Nordic companies with clear return potential, where it can exercise active influence through a strong, ownership-based position of trust. Industrivärden's share of ownership should therefore amount to at least 10% of the number of votes and enable board representation. For new investments, the portfolio company should have a minimum market cap of around SEK 3 billion, and for investments in companies with a market cap ranging from SEK 3–10 billion, an ownership stake of 20%–30% of the capital is preferable. This is to ensure that the investment's potential return will make a significant contribution to the equities portfolio as a whole.

Industrivärden continuously evaluates listed companies on the major Nordic stock markets and monitors all relevant IPOs in the Nordic region.

### Investment criteria

Investments are to be made in established companies in which Industrivärden can identify long-term, attractive return potential. The overarching investment criteria are:

- Clear potential for profitable growth
- Proven business model
- Good balance between risk and return
- Attractive valuation



### Investment perspective

A long-term investment perspective means that major emphasis is put on assessing interesting investment alternatives based on Industrivärden's view of important developments in the business environment. These can concern everything from macroeconomic development trends and innovations to megatrends such as digitalization, new material technologies, sustainability, and so on. Many of these trends also present significant challenges and opportunities within the context of active ownership.

### Current investments – portfolio companies

The return potential for investments in the portfolio companies is evaluated on a continuous basis with a 3–5 year time horizon. Major emphasis is put on comparisons against an estimated return potential for other investment alternatives, taking into account continuity and long-term objectives.

### Equities market function

To enable professional asset management, Industrivärden has an equities market function that implements investment decisions, provides market information and executes transactions. To capitalize on this resource and on Industrivärden's long-term shareholdings, trading is conducted in equities and derivatives.

## The active ownership process

### General

Industrivärden's influence in its portfolio companies is based on sizable ownership stakes and a strong position of trust. From this foundation Industrivärden takes an active ownership role in collaboration with other major owners to build value in the shareholdings.

Active ownership is grounded in Industrivärden's ownership strategy, continuous evaluation of the composition of the respective portfolio companies' boards, and the action plans for value creation. This work is conducted from an overarching ownership perspective and focuses on the portfolio companies' boards and management as well as on strategic matters such as corporate governance, company strategy, company structure and so on.

Through significant influence, depth of knowledge and long-term involvement, Industrivärden can evaluate performance, lend support and make concrete demands for future value creation.



*Industrivärden employees on a visit at SCA's Ortviken paper mill.*

### **Nominating committee work**

Active ownership is exercised, among other things, through involvement in the nomination processes for board elections and elections of the chairman of the board of the respective portfolio companies. A well composed board with competent directors is crucial for a company's success. Industrivärden therefore puts strong emphasis on participating on its portfolio companies' nominating committees and is represented by members from Industrivärden's executive management and board.

Access to qualified, potential board members is a central success factor, which is why Industrivärden must have own resources to be able to build, structure and utilize a qualified network. Industrivärden invests in portfolio companies with various types of operations and shifting needs, which requires a broad network of individuals with different skills.

### **Board representation**

Active ownership is also exercised through board representation. Industrivärden's board members and executives, who also serve as AGM-elected directors for Industrivärden's portfolio companies, must have a current and clear picture of Industrivärden's views of the respective companies.

### **Continuous evaluation and influence**

Industrivärden also continuously evaluates the CEOs and managements of its portfolio companies, and monitors and – where needed – influences the portfolio companies' overall development. When necessary, Industrivärden communicates its views of the company and its management primarily with the chairman of the respective portfolio company's board. Continuing discussions are also held with the company's CEO.

# Sustainability

Corporate sustainability is imperative for long-term value creation. By helping to develop successful, responsible and sustainable companies, we promote long-term sustainable development in the communities our companies work in. This, in turn, creates greater shareholder value over time, which is the essence of our business. In our role as active owner we monitor and take an active involvement in the long-term development of our portfolio companies.

Sustainability today is a strategic and business-critical issue – from the environmental, social and economic perspectives. Issues such as the environment, social conditions, working conditions, respect for human rights, diversity, business ethics and anti-corruption are fundamental areas that must be taken into account in highly integrated sustainability work.

## INDUSTRIVÄRDEN'S AMBITIONS AS ACTIVE OWNER

Like other strategic matters, sustainability aspects in the portfolio companies are handled within the framework of Industrivärden's active ownership process. In 2016 Industrivärden initiated development work aimed at strengthening analysis and our ability to influence sustainability-related matters. The new framework revolves around four core perspectives: organization and governing frameworks, information and communication, sustainability for value-creating business opportunities, and risk management.

Industrivärden's portfolio companies operate in widely diverse sectors and thus the preconditions, challenges, opportunities and actions also differ from company to company. However, Industrivärden's overarching ambitions from a sustainable, long-term ownership perspective are the same for all of the companies.

As an active owner Industrivärden has an expectation that the portfolio companies

- treat sustainability as a vital strategic opportunity,
- integrate sustainability aspects in their business models, strategies, processes and product offerings,
- comply with applicable laws, rules and regulations, and generally accepted principles for corporate social responsibility,
- continuously improve their work with the support of relevant guidelines and measureable results, and
- communicate their sustainability work, including the ways in which they are contributing to long-term sustainable development in the communities they work in.

Against this background we put major emphasis on ensuring that the portfolio companies have the boards, leadership, organization and resources required to integrate corporate social responsibility and thereby long-term value creation in their business models, processes and product offerings.

All of Industrivärden's portfolio companies are participants in the UN Global Compact, where they have committed themselves to respecting and adhering to principles surrounding human rights, labor, the environment and anti-corruption in their operations. The portfolio companies also work – according to their own conditions – to contribute to the achievement of the global goals of the UN's 2030 Agenda for Sustainable Development.

Industrivärden's portfolio companies have generally made great progress in capitalizing on the value potential inherent in long-term corporate sustainability and score highly in various industry peer comparisons. As a few examples:

- In 2016 Sandvik was once again included in the Dow Jones Sustainability Index, as recognition that Sandvik is among the top 10% of companies in its industry worldwide regarding performance based on economic, environmental and social criteria.
- Volvo is today the only global vehicle manufacturer that has qualified for WWF's (World Wildlife Fond) Climate Savers program. Among other things, Volvo has the long-term ambition to have entirely CO<sub>2</sub>-neutral production plants.
- Ericsson adheres to – and was one of the first in the world to begin adhering to – the UN Guiding Principles (UNGP) Reporting Framework on Business and Human Rights in its sustainability reporting.
- In 2016 SSAB – in partnership with LKAB and Vattenfall – initiated an industrial development project to develop a steel production process that emits water instead of carbon dioxide. Environmental and sustainability issues are inherent in SSAB's long-term strategy, and through this initiative SSAB is working toward the vision of a carbon-neutral Sweden.

## OWN OPERATIONS SHOULD SERVE AS A MODEL

Industrivärden aspires to be a positive force in society that contributes to sustainable development through its operations. We act towards the overall goal of giving our shareholders a competitive return on their investment. This work is conducted with a focus on our shareholders' and other stakeholders' interests as well as our overarching environmental, social and economic impact on society.

The Company should serve as a model and adhere to the same sustainability principles in its own operations that it advocates for its portfolio companies. Proactive

sustainability work is to be an integral part of daily activities. By engaging in a continuous dialog on sustainability aspects with representatives of existing and potential shareholders and other stakeholder groups we can embrace new perspectives at the same time that we share our own experiences. Dialog and collaboration are essential since sustainability aspects permeate all parts of society.

A starting point for our own sustainability work is the Code of Conduct that was adopted in December 2015, which lays out the Company's ethical values and serves as guidance for how individuals who are active in Industrivärden are to act in the performance of their duties. Among these values, we are committed to diversity, reject all forms of discrimination, and carry on an open dialog with our stakeholders.

Through our participation in the UN Global Compact, at Industrivärden we have committed ourselves to acting in line with the Compact's ten principles.

Even though Industrivärden is a relatively small company with approximately 20 employees, we have an express ambition to minimize our own climate impact. Toward this end, for a number of years we have been reporting in accordance with the CDP framework. By making environmentally smart choices in purchasing, using rail instead of air for business travel as far as possible, mass transit instead of personal cars, and only using renewable energy in our offices, we have succeeded in reducing our carbon emissions. Industrivärden climate compensates for its climate impact.

## Examples of Industrivärden's sustainability commitment



### CDP

For the sixth consecutive year, in 2016 Industrivärden reported within the framework of CDP (formerly the Carbon Disclosure Project). CDP is dedicated to providing investors information on listed companies' strategies, goals, risks and opportunities regarding climate change.



### STAKEHOLDER DIALOG

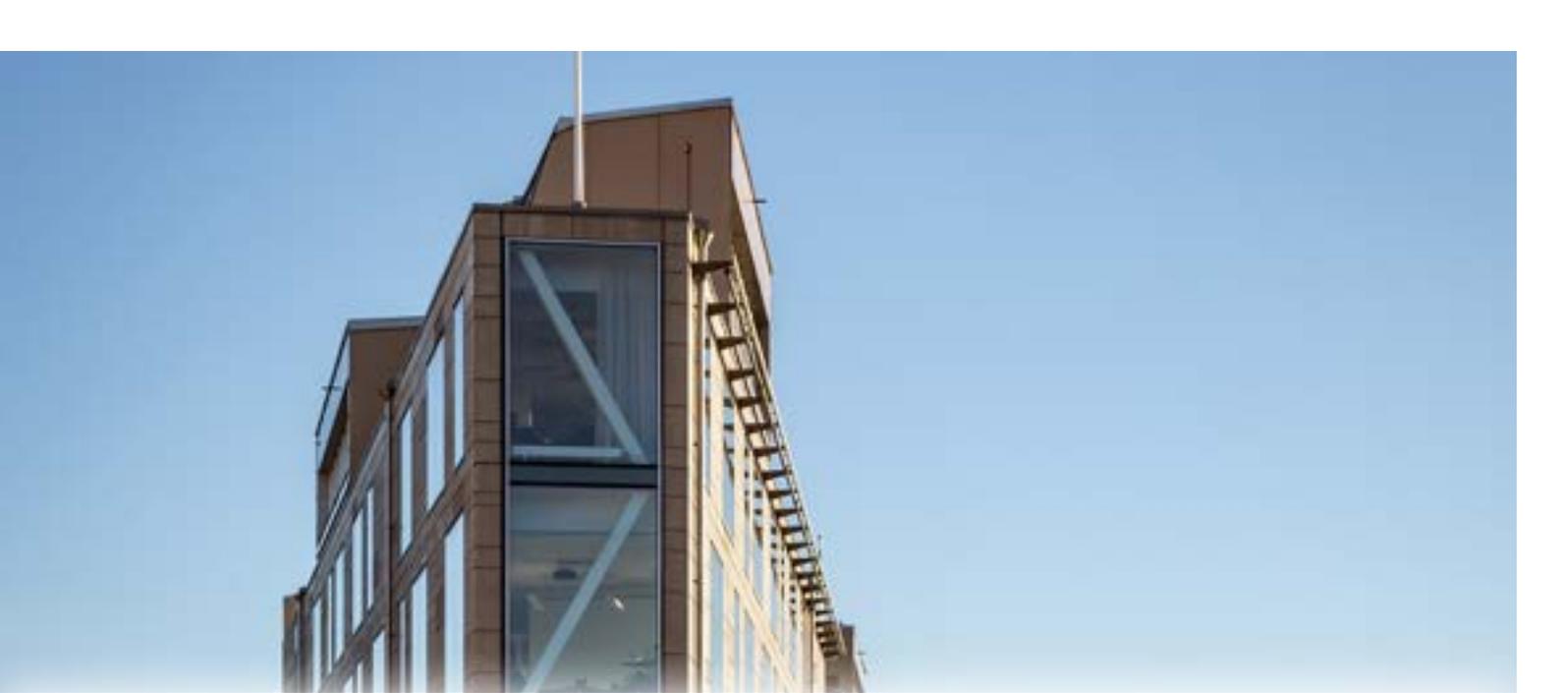
Industrivärden is engaged in an ongoing dialog on sustainability with representatives of existing and potential shareholders as well as other stakeholder groups in the aim of embracing new perspectives at the same time that we share our own experiences.



### WE SUPPORT

#### UN GLOBAL COMPACT

Industrivärden joined the UN Global Compact in 2015. Participation entails a commitment to adhere to and annually report on the Company's alignment with the UN Global Compact's ten principles in the areas of human rights, anti-corruption, labor and the environment.



***“BY HELPING TO DEVELOP SUCCESSFUL,  
RESPONSIBLE AND SUSTAINABLE COMPANIES,  
WE PROMOTE LONG-TERM SUSTAINABLE  
DEVELOPMENT IN THE COMMUNITIES OUR  
COMPANIES WORK IN”***



# EQUITIES PORTFOLIO

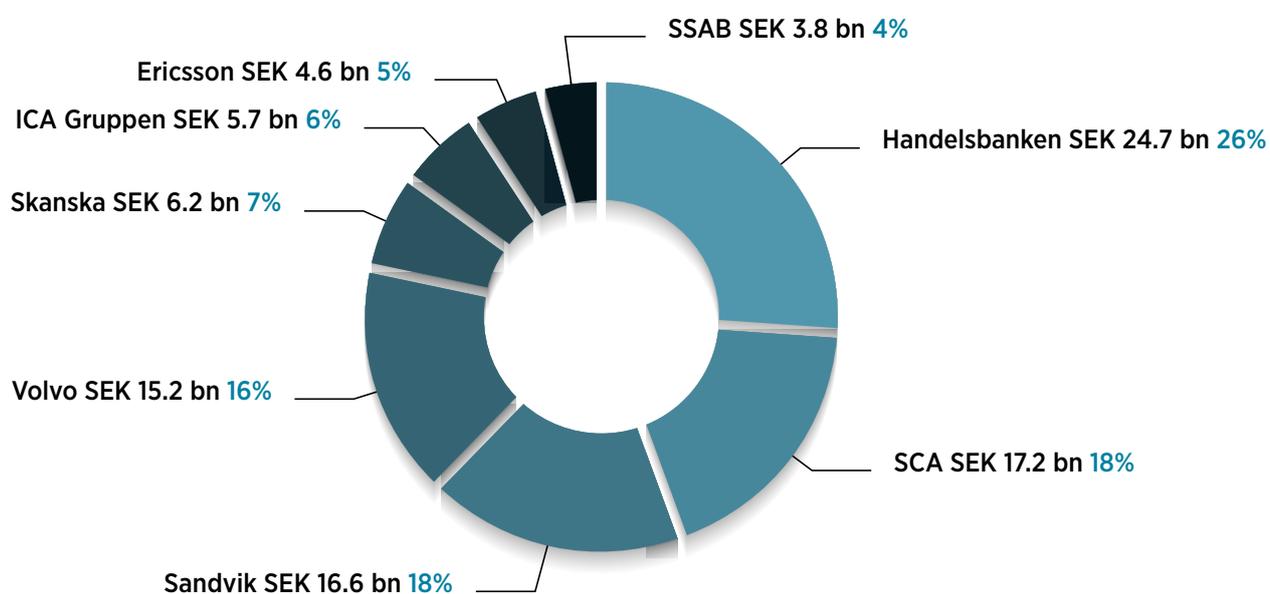
## Composition of the equities portfolio

The equities portfolio is made up of large shareholdings in Handelsbanken, SCA, Sandvik, Volvo, Skanska, ICA Gruppen, Ericsson and SSAB, all of in which Industrivärden serves as a long-term active owner.

The equities portfolio, which is valued at the companies' share prices as per December 31, 2016, had a market value of SEK 94,250 M (81,835). The market value of the equities portfolio corresponds to SEK 218 (189) per Industrivärden share.

Adjusted for purchases and sales, the value of the equities portfolio increased by 16% during the year, compared with the Stockholm Stock Exchange's market index (OMXSPI), which increased by 6%.

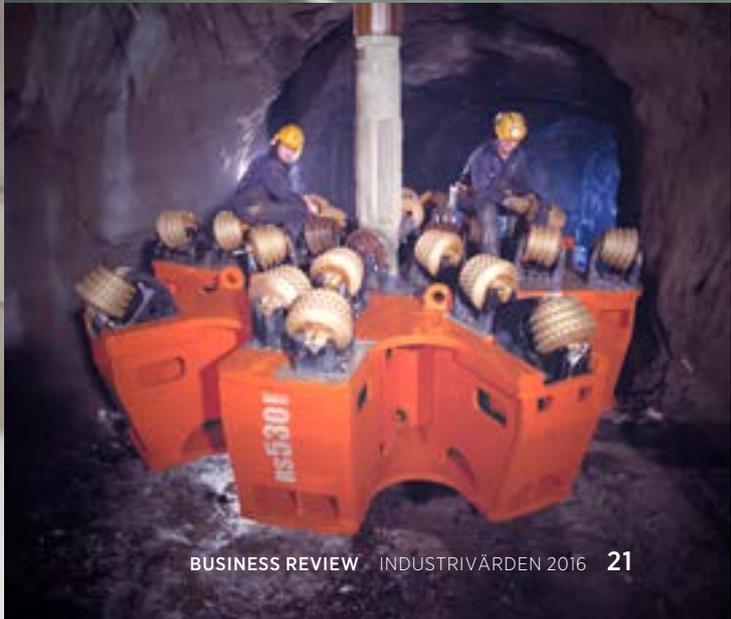
Dividends received from portfolio companies during the year amounted to a combined total of SEK 3,078 M (3,184). The portfolio's total return, i.e., growth in value including reinvested dividends, was 20%, compared with 10% for the Stockholm Stock Exchange as a whole (SIXRX).



## TOTAL RETURN FOR PORTFOLIO COMPANIES

Stock	2016	Average annual total return			
		3 years	5 years	7 years	10 years
Handelsbanken	18%	12%	21%	14%	11%
SCA	7%	12%	24%	19%	11%
Sandvik	57%	11%	10%	7%	5%
Volvo	37%	12%	11%	11%	4%
Skanska	36%	23%	19%	14%	11%
ICA Gruppen	-6%	15%	29%	19%	11%
Ericsson	-30%	-7%	-2%	1%	-6%
SSAB	103%	-2%	-4%	-12%	-9%
Stockholm Stock Exchanges total return index (SIXRX)	10%	12%	16%	13%	8%

# PORTFOLIO COMPANIES



# Handelsbanken



## HOLDING

Shares: 194,923,948 Class A shares

Market value: SEK 24,677 M

Share of votes: 10.2%

Share of capital: 10.0%

Share of equities portfolio: 26%

Total return 2016: SEK 4.0 billion

## GROWTH IN VALUE

Handelsbanken's stock



## FOCUS AREAS FOR VALUE CREATION

- Continued organic growth in existing home markets
- Adaptation to regulatory changes
- Take advantage of digitalization opportunities

## IMPORTANT EVENTS IN 2016

- Anders Bouvin new CEO as from August 16
- Acquisition of asset management company Optimix in the Netherlands
- Measures to strengthen the relative capital base in order to meet higher capital requirement from regulators
- Shareholding in Industrivärden sold for SEK 4.5 billion

## OPERATIONS

Handelsbanken is a full-service bank dedicated to offering a comprehensive range of high quality financial services to private and corporate customers in the Nordic countries, the UK and the Netherlands. The bank has nationwide branch networks in its respective home markets.

Handelsbanken has a decentralized work model in which the basic idea 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 accessibility, simplicity and a high standard of service. The branches set locally adapted priorities with respect to their customer categories and product areas. Handelsbanken's service offering is being developed to accommodate digital platforms as well as local customer interfaces, which complement each other. Through consistent application of this highly effective business model, Handelsbanken has established a strong financial position, high customer satisfaction and stronger market positions over time.

The business is growing internationally in pace with establishment and development of the business model in selected markets.

Handelsbanken is run with long-term stable finances, low risk tolerance, low costs and focus on achieving the highest level of capital efficiency possible. In modern time the bank has never needed to request financial support from the government or its shareholders and today has the highest credit rating of all its peer banks in Europe. A sustainable, good ability to create value for customers, shareholders, employees and other stakeholders is a central component in Handelsbanken's work on running a modern and sustainable bank.

Handelsbanken has more satisfied customers (according to the Swedish Quality Index), lower historic loan losses and higher cost effectiveness than its peer competitors. Profitability is always prioritized above volume.

CEO: Anders Bouvin

Chairman: Pär Boman

## EARNINGS AND KEY DATA



Key data	2016	2015
Earnings per share, SEK	8.43	8.57
Dividend per share, SEK	5.00 <sup>1</sup>	6.00 <sup>2</sup>
Share price on December 31, SEK:		
Class A shares	126.60	112.90
Class B shares	123.40	116.30

1) Proposed by the board of directors.

2) Of which SEK 1.50 in an extra dividend.



## HOLDING

**Shares:** 35,000,000 Class A shares,  
31,800,000 Class B shares

**Market value:** SEK 17,153 M

**Share of votes:** 29.7%

**Share of capital:** 9.5%

**Share of equities portfolio:** 18%

**Total return 2016:** SEK 1.1 billion

## GROWTH IN VALUE



## FOCUS AREAS FOR VALUE CREATION

- Focus on profitable, organic and acquisition-based growth in selected markets and segments
- Greater efficiency through continuous improvements
- Focus on brands and innovation for future growth
- Successful implementation of expansion investment in Östrand

## IMPORTANT EVENTS IN 2016

- Work initiated in order to propose to the 2017 Annual General Meeting to decide on a split of the SCA Group into two listed companies: hygiene and forest products
- Acquisition of Wausau Paper Corp., one of the largest producers of Away-From-Home tissue in the North American Market
- Completion of SCA's divestment of its hygiene business in Southeast Asia, Taiwan and South Korea for integration with Vinda
- Acquisition of BSN medical for SEK 27 billion, with products in wound care and compression therapy etc

## OPERATIONS

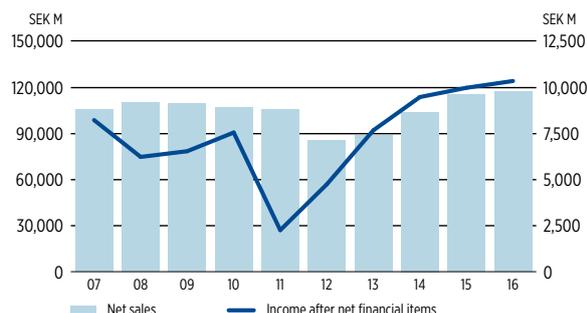
SCA is a leading global hygiene and forest products company that develops and produces sustainable personal care products, tissue and forest products. Value is created by combining keen customer and consumer insight and knowledge about local market conditions with global experience, strong brands, efficient production and innovation. To create further shareholder value and development opportunities, in August 2016 SCA's board of directors announced that a process had been initiated to propose to the 2017 Annual General Meeting to decide on a split of the SCA Group into two listed companies: hygiene and forest products.

Operations are global, with sales in some 100 countries. Approximately 85% of sales are hygiene products such as toilet paper, kitchen rolls, facial tissue, incontinence

products, feminine care products and baby diapers, which are sold under SCA's own brands as well as under retailers' private labels. SCA has a strong brand portfolio with two global brands – TENA for incontinence products and Tork for Away-from-Home (AfH) tissue – each generating more than SEK 10 billion in annual sales. SCA is the global market leader in these segments. The forest products business accounts for approximately 15% of sales and consists of an efficient forest industry system in northern Sweden. SCA has large forest holdings with production plants for pulp, solid-wood products, kraftliner and publication papers located closely to its forest holdings. SCA is Europe's largest private forest owner.

SCA is carrying out a concerted expansion of its operations in key emerging markets. Since 2013 the company has been a majority owner in Vinda, one of the largest hygiene products companies in China.

## EARNINGS AND KEY DATA



**CEO:** Magnus Groth

**Chairman:** Pär Boman

Key data	2016	2015
Earnings per share, SEK	7.93	9.97
Dividend per share, SEK	6.00 <sup>1)</sup>	5.75
Share price, December 31, SEK:		
Class A shares	256.30	245.70
Class B shares	257.30	246.50

1) Proposed by the board of directors.



## HOLDING

**Shares:** 147,584,257 shares

**Market value:** SEK 16,633 M

**Share of votes:** 11.8%

**Share of capital:** 11.8%

**Share of equities portfolio:** 18%

**Total return 2016:** SEK 6.2 billion

## GROWTH IN VALUE

Sandvik's stock



## FOCUS AREAS FOR VALUE CREATION

- Continued cost and capital efficiency through decentralization and continuous improvement
- Continued refinement through divestment of Process Systems and Hyperion
- Increased profitability in Mining and Rock Technology through continued efficiency improvements in the supply chain and greater efficiency and service penetration

## IMPORTANT EVENTS IN 2016

- Developed strategic focus and new financial targets
- Consolidation from five to three business areas and decentralized responsibility

## OPERATIONS

Sandvik is a high-tech and global engineering group with sales in more than 150 countries, offering products and services that enhance customer productivity, profitability and safety. The company has leading positions in tools and tooling systems for advanced industrial metal cutting; equipment, tools, service and technical solutions for the mining and construction industries; advanced stainless steels and special alloys; and products for industrial heating.

Operations are structured into three business areas that are responsible for R&D, manufacturing and sales of their respective products and services. Sandvik Machining Solutions specializes in manufacturing tools and tooling systems for advanced industrial metal cutting. Products are manufactured in cemented carbide and other hard materials. Sandvik Mining and Rock Technology supplies equipment, tools, service and technical solutions

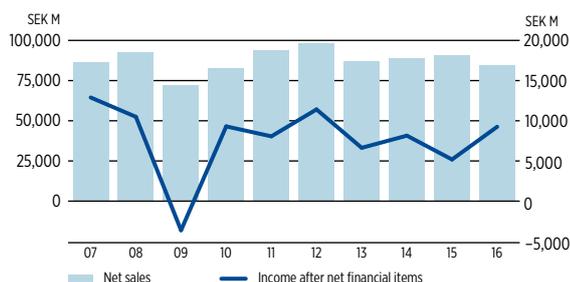
for the mining and construction industries. Application areas include rock drilling, rock cutting, and crushing and screening. Sandvik Materials Technology manufactures advanced stainless steels and special alloys for the most demanding industries. Typical products include pipe, wire, strip and metal powder.

Sandvik has a long history of successful, value-based sales with a focus on customers' processes and efficiency improvement opportunities. The company's strengths include unique expertise in materials technology, wextensive knowledge about industrial processes and close customer cooperation, a distinct innovative ability and a strong company culture. Sandvik aspires to be a world leader in its core businesses and to set the industry standard. To achieve this the company is developing an increasingly customer-focused, dynamic, global and sustainable organization.

**CEO:** Björn Rosengren

**Chairman:** Johan Molin

## EARNINGS AND KEY DATA



Key data	2016	2015
Earnings per share, SEK	4.39	1.79
Dividend per share, SEK	2.75 <sup>1)</sup>	2.50
Share price on December 31, SEK	112.70	74.05

1) Proposed by the board of directors.



### HOLDING

**Shares:** 142,154,571 Class A shares  
**Market value:** SEK 15,239 M  
**Share of votes:** 21.7%  
**Share of capital:** 6.7%  
**Share of equities portfolio:** 16%  
**Total return 2016:** SEK 4.3 billion

### GROWTH IN VALUE



### FOCUS AREAS FOR VALUE CREATION

- Greater focus on organic growth, both with respect to vehicles and service, and greater profitability
- Improved flexibility, productivity and cost effectiveness through continuous improvements
- Decentralization with clear business responsibility and faster decision-making processes

### IMPORTANT EVENTS IN 2016

- New trucks organization with clearer business responsibility for the respective brands
- Divestment of parts of IT operations to HCL Technologies
- Settlement with European Commission in several-year process concerning violations of EU antitrust rules resulted in fine of approximately SEK 6.3 billion

### OPERATIONS

The Volvo Group is one of the world's largest manufacturers of trucks, buses, construction equipment, and marine and industrial engines with sales worldwide. The Group also provides complete solutions for financing and service. The vision is to be the most successful provider of sustainable transport solutions in the world. The business model is to create customer value by leveraging the Group's strong brands and technical expertise to provide competitive, reliable and effective products. During the past decade the company has grown into a leading player in heavy trucks and construction equipment.

Business is conducted under several leading brands, which enables the Group to penetrate many different customer and market segments in mature as well as emerging markets. Trucks are sold under the Volvo, Renault Trucks,

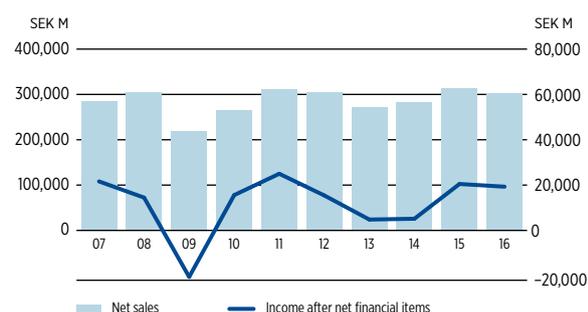
Mack and UD Trucks brands, under the Eicher brand by an Indian joint-venture company, and under the Dongfeng brand through a strategic alliance with China's Dongfeng Group. The Volvo Group also sells construction equipment through Volvo Construction Equipment, under the Volvo and SDLG brands. The Group also manufactures and sells buses and engines for marine and industrial applications through Volvo Penta.

In recent years the Volvo Group has undergone a sweeping transformation through reorganization, a broad product renewal and programs for promoting greater internal efficiency. The company is now entering a phase with greater focus on customers, organic growth and improved profitability.

**CEO:** Martin Lundstedt

**Chairman:** Carl-Henric Svanberg

### EARNINGS AND KEY DATA



Key data	2016	2015
Earnings per share, SEK	6.47	7.41
Dividend per share, SEK	3.25 <sup>1)</sup>	3.00
Share price on December 31, SEK:		
Class A shares	107.20	80.95
Class B shares	106.40	79.10

1) Proposed by the board of directors.



## HOLDING

**Shares:** 12,667,500 Class A shares,  
16,343,995 Class B shares  
**Market value:** SEK 6,240 M  
**Share of votes:** 23.9%  
**Share of capital:** 6.9%  
**Share of equities portfolio:** 7%  
**Total return 2016:** SEK 1.7 billion

## GROWTH IN VALUE



## FOCUS AREAS FOR VALUE CREATION

- Profitable growth for construction operations
- Expand project development operations
- Continue refining risk work in the business units

## IMPORTANT EVENTS IN 2016

- Hans Biörk new Chairman as from April 6
- New business plan for the period 2016–2020
- Agreement on LaGuardia Airport in New York – largest construction project ever (SEK 23 billion)
- Agreement on 101 Seaport in Boston – largest commercial real estate sale ever (SEK 4 billion)
- Agreement on sale of investment in M25 highway in London for approximately SEK 3 billion

## OPERATIONS

Skanska is one of the world's leading construction and project development companies, focused on selected home markets of the Nordic countries, other European countries and North America. Supported by global trends in urbanization and demographics, and by being at the forefront in sustainability, Skanska offers competitive solutions for both simple and the most complex assignments.

Skanska has high ambitions to help build a sustainable future for customers and communities. Skanska's overarching aspiration is to create industry-leading shareholder value by being the customers' preferred partner and the industry's most attractive employer, continuing to develop its internal collaboration, and by continuously improving operational efficiency and risk management.

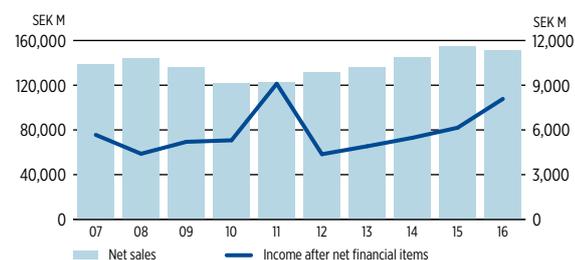
Operations are conducted through four business streams: Construction, Residential Development, Commercial Property Development and Infrastructure Development. Construction is Skanska's largest business

stream and involves construction of buildings, industrial facilities, infrastructure and residences. The Construction operations generate cash flow that can be invested in value-creating project development. Residential Development develops housing for sale primarily to private home buyers. Commercial Property Development initiates, develops, invests in, leases out and sells commercial property projects, with a primary focus on office buildings, shopping centers and logistics. Infrastructure Development develops, invests in, operates and sells public private partnership infrastructure projects, such as highways, hospitals, schools and power plants.

A central focus is to enhance value creation through more operational and financial synergies between Skanska's various business units. Local expertise can be used in a global context to win tenders, lower costs and improve implementation of projects. Greater project development creates synergies through higher volume, internally generated construction projects and greater diversification.

**CEO:** Johan Karlström  
**Chairman:** Hans Biörck

## EARNINGS AND KEY DATA



Key data	2016	2015
Earnings per share, SEK	15.89	11.96
Dividend per share, SEK	8.25 <sup>1)</sup>	7.50
Share price on December 31, SEK	215.10	164.80

1) Proposed by the board of directors.



## HOLDING

Shares: 20,625,000 shares  
 Market value: SEK 5,732 M  
 Share of votes: 10.3%  
 Share of capital: 10.3%  
 Share of equities portfolio: 6%  
 Total return 2016: SEK -0.4 billion

## GROWTH IN VALUE

ICA Gruppen's stock



Historical share price data on ICA Gruppen pertains to Hakon Invest's share price up until ICA Gruppen's stock market introduction in May 2013.

## FOCUS AREAS FOR VALUE CREATION

- Improved margins for ICA Sweden through full efficiency in new logistics structure
- Continued investment in online business with greater cost effectiveness

## IMPORTANT EVENTS IN 2016

- Refinement of business portfolio completed through sale of InkClub
- Roll-out of e-commerce
- Sale of property portfolio in Norway for SEK 2.2 billion
- Agreement on acquisition of Lithuanian grocery retail chain IKI

## OPERATIONS

ICA Gruppen is a leading retail company with a focus on food and health. The Group includes ICA Sweden and Rimi Baltic, which conduct primarily grocery retail through 1,560 stores; Apotek Hjärtat, which conducts pharmacy operations through 385 pharmacies; ICA Real Estate, which owns and manages properties; and ICA Bank, which offers financial services.

The business is based on the so-called ICA idea, which combines entrepreneurship with economies of scale and efficiency. Through cooperation and development of mutually supporting businesses, ICA Gruppen has built up customer trust, good profitability and a leading market position.

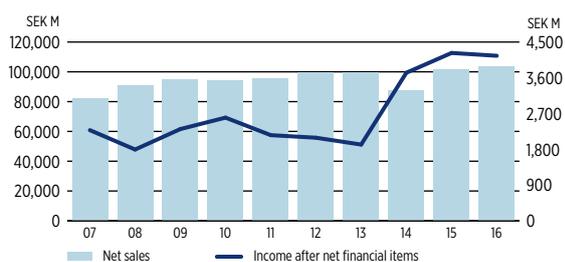
ICA Gruppen's core business is grocery retail. Surrounding this a number of businesses have been built up which individually and in combination contribute to an

attractive customer offering and stable market position. All of the businesses are to be profitable and support the core business.

In recent years ICA Gruppen – as part of the Group-wide strategy that was adopted in 2012 – has developed its existing operations, carried out substantial investments and acquisitions (including Apotek Hjärtat), and divested underperforming businesses (including ICA Norway). This refinement has contributed to higher profitability and better efficiency within the Group.

A clear trend in grocery retail is the ongoing digitalization, which affects all parts of ICA Gruppen's business in essentially all areas. A central part of this is the rapid growth of e-commerce, where having a leading position will be a critical success factor going forward. At year-end ICA Gruppen had 204 stores affiliated with the e-commerce venture that was begun across a broad front in 2015.

## EARNINGS AND KEY DATA



Net sales and profit for 2007-11 are based on ICA, for 2012-13 on ICA Gruppen pro forma, and as from 2014 excluding ICA Norway.

CEO: Per Strömberg

Chairman: Claes-Göran Sylvén

Key data	2016	2015
Earnings per share, SEK	16.87	18.21
Dividend per share, SEK	10.50 <sup>1)</sup>	10.00
Share price on December 31, SEK	277.90	307.40

1) Proposed by the board of directors.



## HOLDING

**Shares:** 86,052,615 Class A shares,  
1,000,000 Class B shares

**Market value:** SEK 4,614 M

**Share of votes:** 15.1%

**Share of capital:** 2.6%

**Share of equities portfolio:** 5%

**Total return 2016:** SEK -2.0 billion

## GROWTH IN VALUE



## FOCUS AREAS FOR VALUE CREATION

- Focus on improved profitability and use of capital in the core businesses
- Broaden core businesses to adjacent market segments in which Ericsson can establish a leading position

## IMPORTANT EVENTS IN 2016

- Börje Ekholm new CEO as from January 16, 2017
- New organization and company structure to shorten the distance between products and markets, and thereby increase the pace of execution of the strategy and earnings improvements
- Additional measures to improve the operational efficiency and lower costs

## OPERATIONS

Ericsson is a world leader in communications technology and services, with customers around the globe. The company delivers customer value by continuously evolving its business portfolio based on its most important assets: technology and services, global economies of scale, and expertise. Combined with the company's knowledge of the business and close customer relationships, this has contributed to well-established leadership in technology and services.

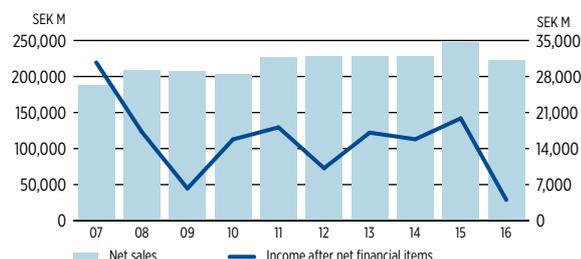
Over the past 15 years, and reflecting the ongoing transformation of the communications technology and services market, the business has evolved from being hardware-centric to becoming increasingly software- and services-centric. Today close to 70% of sales derive from software and services. Ericsson's mission is to lead this transformation through mobility. The strategy is to excel in the core businesses Radio, Core, Transmission and Telecom Services. The company also aspires to be a leader in selected, existing businesses and to expand its operations to new areas with future business and growth opportunities.

Ericsson's core business is conducted since July 1, 2016, in the two business units Network Products and Network Services. Operations are focused on gradual improvements in profitability and growth of the network business by capitalizing on opportunities in 4G and widening the company's leadership in the shift to 5G. The two business units utilize the combined strengths of the products and services area. Network Services focuses on network operations, network installation services and customer support; Network Products combines radio and transport networks. Today 40% of the world's mobile telecommunication traffic is transmitted through Ericsson networks. Ericsson's operations in targeted growth areas are conducted in the IT & Cloud Products and IT & Cloud Services units. Together with the fifth business unit, Media, Ericsson is focusing on profitable growth as a natural next step following a period of investment.

**CEO:** Börje Ekholm

**Chairman:** Leif Johansson

## EARNINGS AND KEY DATA



Key data	2016	2015
Earnings per share, SEK	0.52	4.13
Dividend per share, SEK	1.00 <sup>1)</sup>	3.70
Share price on December 31, SEK:		
Class A shares	53.00	79.35
Class B shares	53.50	82.30

1) Proposed by the board of directors.

# SSAB



## HOLDING

Shares: 63,105,972 Class A shares,  
54,633,318 Class B shares

Market value: SEK 3,755 M

Share of votes: 18.2%

Share of capital: 11.4%

Share of equities portfolio: 4%

Total return 2016: SEK 1.8 billion

## GROWTH IN VALUE

SSAB's stock



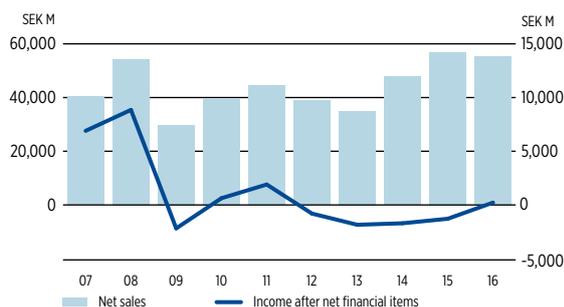
## OPERATIONS

SSAB is a highly specialized global steel company that works in close collaboration with its customers. The company is also a local distributor of ordinary steels. SSAB develops high strength steels and provides services for better performance with a sustainability perspective. The company has chosen a specialization strategy aimed at consolidating its position as a leading producer of high-strength steels.

SSAB is a leading producer in the global market for Advanced High-Strength Steels (AHSS) and Quenched & Tempered (Q&T) Steels, strip, plate and tubular products, as well as construction solutions. SSAB's steels and services help to make end products lighter and increase their strength and lifespan.

SSAB is structured across three steel divisions: SSAB Special Steels, SSAB Europe, and SSAB Americas, and two subsidiaries: Tibnor and Ruukki Construction. The business model is based on close, long-term collaboration with customers. Through intensive collaboration SSAB

## EARNINGS AND KEY DATA



## FOCUS AREAS FOR VALUE CREATION

- Efficiency improvement and adaptation to market situation
- Focus on growth in advanced high strength steels and on increasing the service content in the offering – among other things through growth in the aftermarket segment

## IMPORTANT EVENTS IN 2016

- Rights issue of SEK 5 billion and refinancing activities and own measures create financial stability for further development in a difficult steel market
- Integration of the merger with Rautaruukki entirely completed – the synergy and savings program was concluded with substantially higher cost savings than what were originally communicated

continuously develops new products, applications, services and processes for improving customers' durability performance and total efficiency.

SSAB has a cost-efficient and flexible production system with production plants in Sweden, Finland and the U.S., which together have annual steel production capacity of 8.8 million tons. The company also has capacity to process and finish various steel products in China and a number of other countries. In Sweden and Finland, production is integrated into a blast furnace process. In the U.S., electric arc furnaces are used for a scrap-based production process.

The merger with the Finnish steel maker Ruukki strengthens SSAB's opportunities to pursue its strategy to be a market leader in its home markets, a global market leader in high-strength steel, and a leader in value-added services, where the Hardox Wearparts network is an important component.

CEO: Martin Lindqvist

Chairman: Bengt Kjell

Key data	2016	2015
Earnings per share, SEK	1.04	-0.66
Dividend per share, SEK	0.00 <sup>1</sup>	0.00
Share price on December 31, SEK:		
Class A shares	34.58	22.61
Class B shares	28.79	19.00

1) Proposed by the board of directors.

# BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO of AB Industrivärden (publ), corporate identity number 556043-4200, herewith submit the annual report and consolidated financial statements for the 2016 fiscal year which has been reviewed by the Company's auditor.

Industrivärden is a long-term asset manager and active owner in listed Nordic companies.

# CORPORATE GOVERNANCE REPORT



## STARTING POINT

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.

## CORPORATE GOVERNANCE STRUCTURE

Industrivärden's governing bodies are the general meeting, the Board of Directors, the CEO and the auditor. At the permanent General Meeting, which is held within six months after the end of the fiscal year (Annual General Meeting, AGM), the shareholders elect the board of directors and auditor. The Board of Directors appoints the CEO. The auditor reviews the annual report and the Board's and CEO's administration. The Nominating Committee is tasked with recommending board members, the Chairman of the Board and the auditor for election at the Annual General Meeting.

Industrivärden applies the Swedish Corporate Governance Code (the Code), which is available at [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se).

The Corporate Governance Report pertains to the 2016 fiscal year and has been reviewed by the Company's auditor. During 2016 Industrivärden did not have any departures from the Code.

## SHAREHOLDERS

Information on Industrivärden's shares and shareholders is provided on pages 37–38.

## GENERAL MEETINGS

General meetings of shareholders are Industrivärden's highest governing body. At the Annual General Meeting, 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, the auditor is elected and the auditor's fee is determined, and other items of legally ordained business are conducted.

## NOMINATING COMMITTEE

In accordance with a resolution for the Nominating Committee made by the 2011 Annual General Meeting, the Chairman of the Board has been assigned the task until further notice of contacting four of the largest registered shareholders in terms of votes on the last business day in August of each respective year, who each appoint one representative who is not a director on Industrivärden's board, to form together with the Chairman of the Board a nominating committee for the time until a new nominating committee has been appointed in accordance with a mandate from the next general meeting.

The Nominating Committee for conducting preparatory work for the election of directors, etc, at the 2016 AGM included Håkan Sandberg (committee chair – Handelsbanken Pension Foundation and Handelsbanken Pension Fund, and others), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation, and others), Mats Guldbbrand (L E Lundbergföretagen), Mikael Schmidt (SCA pension foundations and others), and Fredrik Lundberg (Chairman of the Board of Industrivärden).

For preparatory work for the election of directors, etc, ahead of the 2017 AGM, the following nominating committee has been appointed: Mats Guldbbrand (committee chair – L E Lundbergföretagen), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation, and others), Mikael Schmidt (SCA pension foundations and others), Håkan Sandberg (Handelsbanken Pension Foundation and Handelsbanken Pension Fund, and others), and Fredrik Lundberg (Chairman of the Board of Industrivärden).

## BOARD OF DIRECTORS

The Board of Directors has a central role in Industrivärden's business model for long-term asset management and active ownership. It is responsible for, among other things, issues related to major purchases and sales of listed stocks, the design and execution of active ownership, and overarching ownership matters concerning the portfolio companies. The Board has ultimate responsibility for Industrivärden's organization and administration. The members of the Board of Directors and information about their independence conditions are shown in the table below, and a presentation of the board members is provided on page 61.

The Board's duties are laid out in the Board's Rules of Procedure and follow a yearly plan. Every board meeting follows an agenda that has been distributed to the board members 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 eight times per year (regular meetings, including meetings in connection with the publication of interim and year-end reports). Extra meetings are convened when necessary. In 2016 the Board had a total of 12 meetings.

The statutory meeting deals with adoption of the Board's Rules of Procedure, 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 board meetings cover a number of set items of business. 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, management representatives from a portfolio company make 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. The 2016 evaluation was conducted by means of a questionnaire that each board member was requested to complete, in the aim of gaining an idea about the directors' views on, among other things, how the board work has been conducted and which measures could be taken to improve the board work as well as which matters the directors feel should be given more attention and in which areas it could possibly be suitable to have additional expertise on the Board. The results of this evaluation were reported on by the Chairman, followed by a discussion within the Board. In addition, the Chairman's work on the Board was evaluated with him not being present. The Chairman of the Board gave an oral report on the conclusions of these evaluations and discussions to the Nominating Committee.

## BOARD COMMITTEES

The Board has appointed an audit committee and a compensation committee tasked with conducting drafting work for audit and compensation issues, respectively, for decision by the Board. The composition of the committees and attendance at committee meetings are shown in the table below.

## ATTENDANCE, FEES AND INDEPENDENCE CONDITIONS

The table pertains to the board members elected at the 2016 Annual General Meeting.

Name	Year elected	Role on Board	Audit Committee	Compensation Committee	Attendance at meetings			Fee, 2016 SEK 000s
					Board	Audit Committee	Compensation Committee	
Fredrik Lundberg	2004	Chairman	Member	Chair	All	All	All	2,000
Pär Boman	2013	Vice Chairman	Chair	-	11/12	All	-	1,200
Christian Caspar	2011	Member	Member	-	All	All	-	600
Bengt Kjell	2015	Member	-	-	All	-	-	600
Nina Linander	2014	Member	Member	-	All	All	-	600
Annika Lundius	2014	Member	-	Member	All	-	All	600
Lars Pettersson	2015	Member	-	Member	All	-	All	600
Helena Stjernholm	2016	Member	-	-	All	-	-	-
<b>Total</b>								<b>6,200</b>

Prior to the 2016 AGM the Nominating Committee made the following determination regarding directors' independence: Pär Boman has not been found to be independent in relation to the Company and the Executive Management, nor in relation to major shareholders. Fredrik Lundberg and Lars Pettersson have been found to be independent in relation to the Company and Executive Management, but not in relation to major shareholders. Helena Stjernholm has been found to be independent in relation to major shareholders but not in relation to the Company and Executive Management. Other board members have been found to be independent in relation to the Company and Executive Management as well as in relation to major shareholders. The Board's composition meets the Code's requirements for independent directors. The CEO of the Company, Helena Stjernholm, was elected as a new director at the Annual General Meeting in May 2016.

## AUDIT COMMITTEE

The Audit Committee serves in an oversight role with respect to the Company's risk management, governance and control, and financial reporting. With the increased responsibility that follows from the EU Audit Regulation, etc, that took effect in 2016, this entails among other things that the committee shall keep itself informed about the Swedish Supervisory Board of Public Accountants' quality control, inform the Board about the audit's contribution to the reliability of the financial reporting, maintain regular contact with the auditor to ensure that the Company's internal and external reporting meet the requirements placed on a listed company, and discuss the scope and focus of the audit work. The auditor reports his observations to the Audit Committee on a regular basis and attended two meetings during the year. The Audit Committee held two meetings in 2016. No fees have been paid to the board members for their work on the committee.

## COMPENSATION COMMITTEE

The Compensation Committee addresses matters concerning principles for compensation and other terms of employment for the CEO and members of the Executive Management, monitors variable compensation programs for Company executives, and monitors and evaluates application of the compensation guidelines that have been set by the Annual General Meeting. The Compensation Committee held two meetings in 2016. 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 makes regular presentations on the performance of operations to the Company's board.

## THE BOARD'S PROPOSED GUIDELINES FOR COMPENSATION OF SENIOR EXECUTIVES

The Board of Directors proposes that the 2017 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 50% of 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 termination 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 defined-contribution in all essential respects and give the members of the Executive Management the right to receive benefits 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 2016 Annual General Meeting, with the adjustment that the short-term variable salary may never exceed 50% of base salary.

## AUDITOR

The auditor reviews the annual report, the bookkeeping and the Board's and CEO's administration, and reports to the Annual General Meeting. At the 2016 Annual General Meeting, PricewaterhouseCoopers AB was elected as auditor for a term lasting through the 2017 Annual General Meeting. The chief auditor is Magnus Svensson Henrysson (born 1969), Authorized Public Accountant. In 2016 he was also chief auditor of the listed company SSAB. In 2016 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 the CEO's instructions, investment rules for equities and derivative instruments, and a finance policy. The CEO's instructions lay out central guidelines and clarify which decisions are to be made by the Board and which are made by the CEO. The investment rules specify and set the framework for investments in financial instruments, and the finance policy sets the framework for financing and management of financial risks.

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. The Board regularly evaluates the financial reporting that is received in connection with board meetings and which pertains to the equities portfolio, the Company's debt and other important conditions. The Audit Committee carries on a continuous dialog with the Company's auditor about the scope and quality of the Company's financial reporting.

Internal control over financial reporting is described in more detail on pages 44–45. Further information about corporate governance at Industrivärden can be found on the Company's website.

# VALUE CREATION

## Net asset value

Industrivården's long-term goal is to increase net asset value and thereby generate a return for Industrivården's shareholders that exceeds the market's required rate of return. Taking into account the risk profile of portfolio investments, the shareholders will be given a total return which over time is higher than the average for the Stockholm Stock Exchange's total return index (SIXRX).

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 2016 was SEK 82.8 billion (69.1), or SEK 191 per share (160).

### COMPOSITION OF NET ASSET VALUE AND TOTAL RETURN FOR PORTFOLIO COMPANIES AS PER DECEMBER 31, 2016

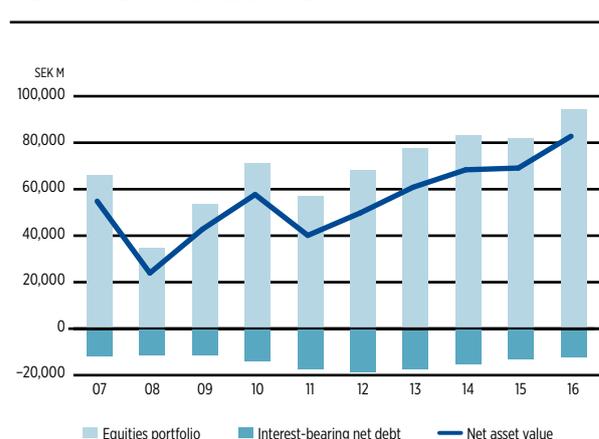
Holding	No. shares	Ownership, %		Share of value, %	Market value		Total return, SEK M	Net purchases (+) / net sales (-) per holding, SEK M	Total return for the stock, %
		Capital	Votes		SEK M	SEK/share			
Handelsbanken A	194,923,948	10.0	10.2	26	24,677	57	4,036	91	18
SCA A	35,000,000	9.5	29.7	18	8,971	40	1,135	-1,015	7
SCA B	31,800,000				8,182				
Sandvik	147,584,257	11.8	11.8	18	16,633	38	6,206	-81	57
Volvo A	142,154,571	6.7	21.7	16	15,239	35	4,293	-136	37
Skanska A	12,667,500	6.9	23.9	7	2,725	14	1,741	-180	36
Skanska B	16,343,995				3,516				
ICA Gruppen	20,625,000	10.3	10.3	6	5,732	13	-414	-135	-6
Ericsson A	86,052,615	2.6	15.1	5	4,561	11	-2,039	45	-30
Ericsson B	1,000,000				54				
SSAB A	63,105,972	11.4	18.2	4	2,182	9	1,757	670	103
SSAB B	54,633,318				1,573				
Other				0	207	0	14	-93	
<b>Equities portfolio</b>				<b>100</b>	<b>94,250<sup>1</sup></b>	<b>218</b>	<b>16,731</b>	<b>-834</b>	<b>20</b>
<b>Interest-bearing net debt</b>					<b>-11,481</b>	<b>-27</b>			
- of which, convertible bond					-5,252	-12			
<b>Net asset value</b>					<b>82,769</b>	<b>191</b>			
Debt-equities ratio						12%			
<b>Net asset value after full conversion</b>						<b>190</b>			
Debt-equities ratio after full conversion						7%			

1) The Group's total cost as per 12/31/2016 was SEK 45,995 M.

## GROWTH OF NET ASSET VALUE

Net asset value grew 20% in 2016, and 23% including re-invested dividend, compared with a 10% increase for the Stockholm Stock Exchange's total return index (SIXRX). During the last five- and ten-year periods, net asset value including reinvested dividends grew by an average of 17% and 6% per year, respectively, compared with 16% and 8%, respectively, for the Stockholm Stock Exchange's total return index (SIXRX).

## NET ASSET VALUE 10 YEARS



## NET ASSET VALUE

SEK billion	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012 <sup>3</sup>
Equities portfolio	94.2	81.8	83.1	78.0	68.1
Interest-bearing net debt	-11.5	-12.6	-14.6	-17.1	-18.2
Of which, convertible bond	-5.3	-4.9	-5.0	-8.4	-8.4
Adjustment pertaining to exchangeable bond	-	-0.1	-0.1	-	-
Net asset value	82.8	69.1	68.3	60.9	49.8
Net asset value per share, SEK	191	160	158	155	129
Yearly growth, %	20	1	6 <sup>2</sup>	20	24
Yearly growth incl. reinvested dividend, % <sup>1</sup>	23	5	9 <sup>2</sup>	24	29
Debt-equities ratio, %	12.2	15.5	17.6	21.9	26.8
Net asset value per share, SEK after full conversion	190	160	158	150	126
Debt-equities ratio, % after full conversion	6.6	9.5	11.6	11.1	14.4

1) The value assumes reinvestment of the dividend to enable a comparison with the Stockholm Stock Exchange's total return index (SIXRX).

2) Adjusted for conversions.

3) The comparison figures for 2012 have not been restated in accordance with the principle for investment entities.

## EQUITIES PORTFOLIO

The equities portfolio is made up of large shareholdings in Handelsbanken, SCA, Sandvik, Volvo, Skanska, ICA Gruppen, Ericsson and SSAB, all of in which Industrivärden serves as a long-term active owner.

The equities portfolio, which is valued at the companies' market prices as per December 31, 2016, had a market value of SEK 94,250 M (81,835). The market value of the equities portfolio corresponded to SEK 218 (189) per Industrivärden share.

## PERFORMANCE OF THE EQUITIES PORTFOLIO IN 2016

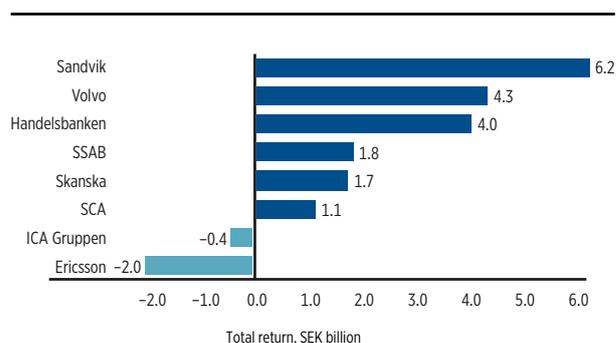
Adjusted for purchases and sales, the value of the equities portfolio increased by 16% during the year, compared with the Stockholm Stock Exchange's market index (OMXSPI), which increased by 6%.

Dividends received from portfolio companies during the year amounted to a combined total of SEK 3,078 M

(3,184). Industrivärden distributed SEK 2,162 M (2,702) in dividends to the shareholders during the year.

The contributions of the respective portfolio holdings to the portfolio's total performance in 2016 are shown in the chart below. A corresponding analysis for longer periods of time is shown in the table on page 20.

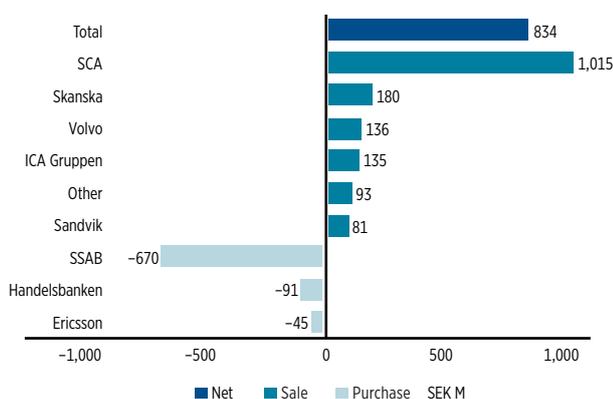
## CONTRIBUTION ANALYSIS OF SHAREHOLDINGS



## INVESTMENT ACTIVITIES 2016

During the year, stocks were sold for a net total of SEK 834 M (1,894). The largest net sales pertained to SCA, for SEK 1,015 M, Skanska, for SEK 180 M, and Volvo, for SEK 136 M. The largest investment pertained to the participation in SSAB's rights issue, for SEK 590 M.

## EQUITY TRANSACTIONS 2016



## BORROWING

Through available borrowing, Industrivärden increases its flexibility over time.

### Debt policy

Industrivärden's debt policy is that the debt-equities ratio shall be in the range of 0%–10%, but may periodically exceed or fall below this interval.

### Interest-bearing net debt

The debt portfolio consists primarily of a convertible bond, an exchangeable bond, bank borrowings, MTN programs and commercial paper. Interest-bearing net debt amounted to SEK 11.5 billion at year-end 2016 (12.6), corresponding to SEK 27 per Industrivärden share. The loan portion of the convertible bond that mature in February 2017 accounts for SEK 5.3 billion of total net debt.

The debt-equities ratio at year-end 2016 was 12% (15%). Interest-bearing liabilities had an average capital duration of approximately 2 years and carried an average interest rate of 1.8%.

### Outstanding exchangeable

In 2014 an exchangeable bond of SEK 4.4 billion was issued as part of the continuous refinancing of the equities portfolio. The bond matures in 2019 and was issued at a premium of approximately 38% to ICA Gruppen's share price at the time of issue and carries no interest. See Note 16 for further information.

### Convertible bond

In January 2011 Industrivärden issued a six-year convertible bond of EUR 550 M, which mature on February 27, 2017.

The time period during which owners of convertibles could demand conversion was passed in January 2017, and approximately 9% of the convertible bond, corresponding to EUR 50.9 M, will be converted to 2,868,606 new Class C shares.

## MANAGEMENT COST

Industrivärden's management cost in 2016 amounted to SEK 112 M (229). The management cost in 2015 included one-off costs of approximately SEK 90 M for organizational changes. The management cost corresponded to 0.12% (0.17%) of the equities portfolio's value on December 31, 2016.

## INDUSTRIVÄRDEN'S SHARE STRUCTURE ON DECEMBER 31, 2016

Number of shares	Capital stock, SEK M	Percentage of	
		Shares	Votes
268,185,430 Class A shares	670.5	62	94
164,155,841 Class C shares	410.4	38	6
<b>432,341,271 shares</b>	<b>1,080.9</b>	<b>100</b>	<b>100</b>

# Industrivärden share data

## 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 approximately 69,000 shareholders (63,000). Foreign ownership in the Company is 18% (18%). 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 dividends.

Trading volume of Industrivärden shares in 2016 totaled SEK 42 billion (48), of which the Stockholm Stock Exchange accounted for 60%, BATS BXE for 12%, BATS OTC for 8%, BATS CXE for 7%, Turquoise for 4%, LSE for 3%, and other marketplaces for 6%. Trading volume of Industrivärden shares totaled SEK 42 billion (48), corresponding to a turnover rate of 36% (25%) for the Class A shares and 112% (141%) for the Class C shares. Average daily trading volume was 263,000 Class A shares and 504,000 Class C shares.

Industrivärden's Class A and Class C shares had the same standard deviation of 21.8% and beta values of 0.89 and 0.90, respectively, for the full year 2016.

## INDUSTRIVÄRDEN'S STOCK AS PER DECEMBER 31, 2016

Share class	Number of shares*	Number of votes	Capital %	Votes %
A (1 vote)	268,185,430	268,185,430	62.0	94.2
C (1/10 vote)	164,155,841	16,415,584	38.0	5.8
<b>Total</b>	<b>432,341,271</b>	<b>284,601,014</b>	<b>100.0</b>	<b>100.0</b>

\*During February 2017 the convertible bond is converted to 2,868,606 new Class C shares.

## Return

During the last ten-year period, the average annual total return for Industrivärden's Class A and C shares was 7% and 7%, respectively, compared with 8% for the Stockholm Stock Exchange's total return index. During the same period, the MSCI World Index generated an annualized total return of 4%.

## DIVIDEND

SEK	2016	2015	2014	2013	2012
Dividend	5.25 <sup>1</sup>	5.00	6.25	5.50	5.00
Annual growth in dividend, %	5	neg	14	10	11
Dividend yield, Class A shares, %	2.9	3.1	4.4	4.2	4.5
Dividend yield, Class C shares, %	3.1	3.4	4.6	4.5	4.6
Dividend yield for Stockholm Stock Exchange, %	3.3 <sup>2</sup>	3.8	3.5	3.2	3.5

1) Proposed by the Board of Directors.

2) Source: Bloomberg. Preliminary data for 2016 as per December 31, 2016.

In 2016 the price of Industrivärden's Class A shares rose 13%, from SEK 158.90 to SEK 180.20, and the price of Industrivärden's Class C shares rose 17%, from SEK 145.10 to SEK 169.80. The total return for the Class A shares was 17%, and the total return for the Class C shares was 21%, compared with 10% for the Stockholm Stock Exchange's total return index (SIXRX).

## TOTAL RETURN, INDUSTRIVÄRDEN

	Average annual change	
	Industrivärden C	Index (SIXRX)
1 year	21%	10%
3 years	16%	12%
5 years	20%	16%
7 years	15%	13%
10 years	7%	8%

## Dividend

Industrivärden's dividend policy is that the Company shall generate a positive cash flow before portfolio changes and after dividends paid, in order to build investment capacity over time and be able to support portfolio companies when needed. 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 2017 Annual General Meeting declare a dividend of SEK 5.25 (5.00) per share, corresponding to a dividend yield of 2.9% for the Class A shares and 3.1% for the Class C shares. The estimated, average dividend yield for the Stockholm Stock Exchange was 3.3% at December 31, 2016.

## Employee ownership in Industrivärden

Industrivärden encourages its employees to make personal investments in Industrivärden shares, as this aligns the interests of the Company's employees with other shareholders. The long-term incentive program that was adopted by the Annual General Meeting makes up part of the employees' total compensation and also aims to increase employees' ownership of stock in the Company. Information on the incentive program and on shareholdings of board members, and members of the Executive Management, is provided on pages 51 and 61–62.

### Conversion of A-shares to 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. No Class A shares were converted to Class C shares in 2016.

### OWNERSHIP STRUCTURE AT DECEMBER 31, 2016<sup>1</sup>

Largest shareholders	Number of shares	Percentage of	
		Capital stock	Votes
L E Lundbergföretagen	69,600,000	16.1	23.3
Handelsbanken Pension Foundation	30,047,097	6.9	10.6
Jan Wallander and Tom Hedelius Foundation	26,500,000	6.1	9.3
Swedbank Robur funds	19,871,328	4.6	2.7
SCA Pension Foundation	17,526,642	4.1	6.2
Fredrik Lundberg incl. companies	9,190,000	2.1	3.0
SCA Vorsorge-Treuhand	9,014,630	2.1	3.2
Norges Bank Investment Management	8,831,441	2.0	1.6
Carnegie funds	8,750,000	2.0	0.3
Handelsbanken Pension Fund	8,661,626	2.0	3.0
Alecta Pensionsförsäkring	7,651,500	1.8	1.2
SCA Pension Foundation for salaried employees and foremen	6,969,682	1.6	2.4
Spiltan funds	6,130,784	1.4	0.3
AMF Pensionsförsäkring	5,500,000	1.3	1.9
J P Morgan Chase Bank	4,750,608	1.1	1.0
<b>Total above</b>	<b>237,995,338</b>	<b>55.0</b>	<b>69.7</b>
Other shareholders	194,345,933	45.0	30.3
<b>Total Industrivärden</b>	<b>432,341,271</b>	<b>100.0</b>	<b>100.0</b>

1) Source: Euroclear Sweden.



# PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors proposes a dividend of SEK 5.25 per share (5.00). The proposed dividend corresponds to 5.3% of the Parent Company's equity and 2.8% of the Group's equity. Of shareholders' equity, 39%, or SEK 17.0 billion in the Parent Company, and 59% or SEK 48.7 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 2,285 M (2,162).

According to the Parent Company balance sheet, profits totaling SEK 41,187 M are at the disposal of the Annual General Meeting.

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

To the shareholders, a dividend of SEK 5.25 per share, totaling	SEK 2,285 M
Balance carried forward	SEK 38,902 M
	<hr/>
	SEK 41,187 M

The Board of Directors and CEO 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 9, 2017.

Stockholm, February 9, 2017

**Fredrik Lundberg**  
Chairman

**Pär Boman**  
Vice Chairman

**Christian Caspar**  
Director

**Bengt Kjell**  
Director

**Nina Linander**  
Director

**Annika Lundius**  
Director

**Lars Pettersson**  
Director

**Helena Stjernholm**  
CEO and Director

Our Audit Report was submitted on February 21, 2017

PricewaterhouseCoopers AB

**Magnus Svensson Henryson**  
Authorized Public Accountant

# FINANCIAL STATEMENTS

Income statements	41
Balance sheets	41
Shareholders' equity	42
Statements of cash flows	43
Financial risk management	44
Financing	45
Accounting policies	48
Tax rules for the Parent Company	49
Notes	50

## INCOME STATEMENTS

SEK M	Note	Group		Parent Company	
		2016	2015	2016	2015
Dividend income from stocks	1	3,078	3,184	1,516	1,608
Change in value of stocks, etc.	2	13,687	406	9,939	-1,522
Management cost	5, 6, 7	-112	-229	-112	-229
<b>Operating income</b>		<b>16,653</b>	<b>3,361</b>	<b>11,343</b>	<b>-143</b>
Financial income	4	21	27	21	25
Financial expenses	4	-223	-284	-105	-143
<b>Income after financial items</b>		<b>16,451</b>	<b>3,104</b>	<b>11,259</b>	<b>-261</b>
Tax	8	-	-	-	-
<b>Net income for the year</b>		<b>16,451</b>	<b>3,104</b>	<b>11,259</b>	<b>-261</b>
<b>Earnings per share, SEK</b>	9	<b>38.05</b>	<b>7.18</b>		
<b>Earnings per share after dilution, SEK</b>	9	<b>34.93</b>	<b>7.18</b>		

## STATEMENT OF COMPREHENSIVE INCOME

Net income for the year	16,451	3,104	11,259	-261
<b>Items that are not to be reclassified in the income statement</b>				
Actuarial gains and losses pertaining to pensions	-10	30	-10	30
<b>Items that can subsequently be reclassified in the income statement</b>				
Change in hedging reserve	-	12	-	12
<b>Comprehensive income for the year</b>	<b>16,441</b>	<b>3,146</b>	<b>11,249</b>	<b>-219</b>

## BALANCE SHEETS

SEK M	Note	Group		Parent Company	
		2016	2015	2016	2015
<b>ASSETS</b>					
Property, plant and equipment	10	13	-	13	-
Equities	11, 14	94,250	81,835	30,296	25,197
Shares in associated companies	11, 12, 14	-	-	20,874	15,996
Shares in subsidiaries	13, 14	-	-	1,949	1,944
Non-current receivables		201	466	201	466
<b>Total non-current assets</b>		<b>94,464</b>	<b>82,301</b>	<b>53,333</b>	<b>43,603</b>
Other current receivables	15	337	231	1,284	3,034
Cash and cash equivalents		823	5	-	5
<b>Total current assets</b>		<b>1,160</b>	<b>236</b>	<b>1,284</b>	<b>3,039</b>
<b>TOTAL ASSETS</b>		<b>95,624</b>	<b>82,537</b>	<b>54,617</b>	<b>46,642</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Capital stock		1,081	1,081	1,081	1,081
Statutory reserve/share premium reserve		6,754	6,754	6,754	6,754
Fair value reserve		-	0	-	0
Retained earnings		57,843	56,911	24,236	26,669
Net income for the year		16,451	3,104	11,259	-261
<b>Total shareholders' equity</b>		<b>82,129</b>	<b>67,850</b>	<b>43,330</b>	<b>34,243</b>
Convertible bond/exchangeable bond	16, 18	4,260	9,058	4,260	9,058
Other non-current interest-bearing liabilities	17, 18	3,122	2,105	1,122	105
Non-current noninterest-bearing liabilities	19	414	1,122	414	1,122
<b>Total non-current liabilities</b>		<b>7,796</b>	<b>12,285</b>	<b>5,796</b>	<b>10,285</b>
Convertible bond	16, 20	5,252	-	5,252	-
Current interest-bearing liabilities	20	173	2,149	-	1,900
Other current liabilities	21	274	253	239	214
<b>Total current liabilities</b>		<b>5,699</b>	<b>2,402</b>	<b>5,491</b>	<b>2,114</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>95,624</b>	<b>82,537</b>	<b>54,617</b>	<b>46,642</b>

Information about the Group's pledged assets and contingent liabilities can be found in Note 22.

## SHAREHOLDERS' EQUITY

### Group

	Capital stock <sup>1</sup>	Statutory reserve/ share premium reserve	Fair value reserve <sup>2</sup>	Retained earnings	Net income for the year	Total share- holders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2014	1,081	6,754	-12	54,318	5,265	67,406
Net income for the year	-	-	-	-	3,104	3,104
Actuarial gains and losses on pensions	-	-	-	30	-	30
Change in hedging reserve, fair value losses	-	-	12	-	-	12
<b>Total comprehensive income</b>	-	-	<b>12</b>	<b>30</b>	<b>3,104</b>	<b>3,146</b>
Transfer of previous year's net income	-	-	-	5,265	-5,265	-
Dividend to shareholders	-	-	-	-2,702	-	-2,702
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2015</b>	<b>1,081</b>	<b>6,754</b>	<b>0</b>	<b>56,911</b>	<b>3,104</b>	<b>67,850</b>
Net income for the year	-	-	-	-	16,451	16,451
Actuarial gains and losses pertaining to pensions	-	-	-	-10	-	-10
<b>Total comprehensive income</b>	-	-	-	<b>-10</b>	<b>16,451</b>	<b>16,441</b>
Transfer of previous year's net income	-	-	-	3,104	-3,104	-
Dividend to shareholders <sup>3</sup>	-	-	-	-2,162	-	-2,162
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2016</b>	<b>1,081</b>	<b>6,754</b>	-	<b>57,843</b>	<b>16,451</b>	<b>82,129</b>

### Parent Company

	Capital stock <sup>1</sup>	Statutory reserve/ share premium reserve	Fair value reserve <sup>2</sup>	Retained earnings	Net income for the year	Total share- holders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2014	1,081	6,754	-12	26,525	2,816	37,164
Net income for the year	-	-	-	-	-261	-261
Actuarial gains and losses pertaining to pensions	-	-	-	30	-	30
Change in hedging reserve, fair value losses	-	-	12	-	-	12
<b>Total comprehensive income</b>	-	-	<b>12</b>	<b>30</b>	<b>-261</b>	<b>-219</b>
Transfer of previous year's net income	-	-	-	2,816	-2,816	-
Dividend to shareholders	-	-	-	-2,702	-	-2,702
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2015</b>	<b>1,081</b>	<b>6,754</b>	<b>0</b>	<b>26,669</b>	<b>-261</b>	<b>34,243</b>
Net income for the year	-	-	-	-	11,259	11,259
Actuarial gains and losses pertaining to pensions	-	-	-	-10	-	-10
<b>Total comprehensive income</b>	-	-	-	<b>-10</b>	<b>11,259</b>	<b>11,249</b>
Transfer of previous year's net income	-	-	-	-261	261	-
Dividend to shareholders <sup>3</sup>	-	-	-	-2,162	-	-2,162
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2016</b>	<b>1,081</b>	<b>6,754</b>	-	<b>24,236</b>	<b>11,259</b>	<b>43,330<sup>4</sup></b>

1) As per December 31, 2016, there were 432,341,271 shares outstanding, of which 268,185,430 were Class A shares and 164,155,841 were Class C shares. The share quota value is SEK 2.50 per share.

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

3) The dividend in 2016 was SEK 5.00 per share.

4) Unrestricted equity in the Parent Company amounts to SEK 41,187 M.

## STATEMENTS OF CASH FLOWS

SEK M	Note	Group		Parent Company	
		2016	2015	2016	2015
<b>OPERATING ACTIVITIES</b>					
Dividend income from stocks	1	3,078	3,184	1,516	1,608
Cash flow from derivative transactions and equity trading		26	72	18	-81
Management cost paid		-140	-183	-140	-183
Other items affecting cash flow		103	-34	104	-20
Cash flow from operating activities before financial items		3,067	3,039	1,498	1,324
Interest received		34	20	33	20
Interest paid		-248	-286	-132	-146
Other financial items		1	2	-	2
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>2,854</b>	<b>2,775</b>	<b>1,399</b>	<b>1,200</b>
<b>INVESTING ACTIVITIES</b>					
Purchases/sales of stocks	3, 14	834	1,894	-481	3,421
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>834</b>	<b>1,894</b>	<b>-481</b>	<b>3,421</b>
<b>FINANCING ACTIVITIES</b>					
Loans raised and amortization of debt		-1,114	-1,841	-919	-1,570
Investments		406	-121	406	-121
Change in financing of subsidiaries		-	-	1,752	-223
Dividend paid		-2,162	-2,702	-2,162	-2,702
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-2,870</b>	<b>-4,664</b>	<b>-923</b>	<b>-4,616</b>
<b>NET CASH FLOW FOR THE YEAR</b>		<b>818</b>	<b>5</b>	<b>-5</b>	<b>5</b>
Cash and cash equivalents at start of year		5	0	5	0
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>823</b>	<b>5</b>	<b>0</b>	<b>5</b>

# 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, 2016, would have affected the market value by +/- SEK 900 M. The option portion of the issued convertible bond is reported as a noninterest-bearing liability and is stated at market value during the term of the bond. 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 456 M and the value of the equities portfolio by SEK 9,400 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 2016, two 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 1,250 M with a term of 21 to 32 months. At year-end 2016 the market value of the swap agreements was SEK -66 M. A parallel shift up or down in the interest rate curve by 1 percentage point would affect income after financial items in 2016 by approximately +/- SEK 7 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 86% (82%) 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 bond of EUR 550 M. The bond was partly hedged during the year. A 1% change in the value of the Swedish krona against EUR, all else unchanged, would affect income by approximately SEK 20 M.

## 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. Where applicable, ISDA master agreements are used.

## OPERATIONAL RISKS

Operational risk is the risk of incurring a loss due to defects in internal routines and systems. 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, the risk policy 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 a finance policy. 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 and representatives from the investment and analysis organization and the equities markets function, 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. In addition, Industrivärden has unutilized committed bank loans totaling SEK 5,000 M.

### CREDIT FACILITIES AS PER DECEMBER 31, 2016

	Amount, SEK M	Utilized amount, SEK M	Term
MTN program	8,000	1,000	2018-2020
Exchangeable bond	4,260	4,260	2019
Bank loans <sup>1</sup>	2,000	2,000	2017
<b>Total long-term borrowing</b>		<b>7,260</b>	
Convertible bond	5,252	5,252	
Commercial paper	2,000	-	
Bank overdraft facility	1,000	177	
<b>Total short-term borrowing</b>		<b>5,429</b>	

1) The loans are reported as long-term, taking into account committed credit lines.

### AVERAGE INTEREST RATE AND CAPITAL DURATION

The average interest rate for Industrivärden's debt portfolio as per December 31, 2016, was 1.8% (1.8%). The average capital duration was 25 months (26).

### CONVERTIBLE BOND

After the end of the reporting period on December 31, 2016, the six-year convertible bond worth EUR 550 M that was issued in January 2011 and with maturity on February 27, 2017, was converted. The period within which bondholders have been able to call for conversion were passed in January 2017 and approximately 9% of the convertible bond, corresponding to EUR 50.9 M, will be converted to 2,868,606 new Class C shares.

## 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	2017	2018–2019	After 2019	Total
Interest-bearing liabilities	7,447	4,900	622	12,969
Derivative instruments	108	55	6	169
<b>Total as per December 31, 2016</b>	<b>7,555</b>	<b>4,955</b>	<b>628</b>	<b>13,138</b>

SEK M	2016	2017–2018	After 2018	Total
Interest-bearing liabilities	2,163	7,079	4,505	13,747
Derivative instruments	54	55	64	173
<b>Total as per December 31, 2015</b>	<b>2,217</b>	<b>7,134</b>	<b>4,569</b>	<b>13,920</b>

## INDUSTRIVÄRDEN'S CONVERTIBLE BOND

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

## CHANGE IN THE GROUP'S INTEREST-BEARING NET DEBT

SEK M	Dec. 31, 2016	Change in borrowing	Other changes	Dec. 31, 2015
Cash and cash equivalents	823	-	818	5
Interest-bearing receivables	503	-	-156	659
Non-current interest-bearing liabilities	7,382	-3,781	-	11,163
Current interest-bearing liabilities	5,425	3,276	-	2,149
<b>Interest-bearing net debt</b>	<b>11,481</b>	<b>-505</b>	<b>-662</b>	<b>12,648</b>

## RATINGS

Industrivärden has been assigned an international corporate credit rating of A-/Stable/A-1 by Standard & Poor's (as of February 2016), which has also assigned the commercial paper program a credit rating of K-1.

## FINANCIAL INSTRUMENTS BY CATEGORY

SEK M	December 31, 2016				December 31, 2015			
	Assets at fair value in the income statement	Loan receivables	Investments held to maturity	Total	Assets at fair value in the income statement	Loan receivables	Investments held to maturity	Total
<b>ASSETS</b>								
- Equities	94,250	-	-	94,250	81,835	-	-	81,835
- Derivatives etc	19	-	-	19	10	-	-	10
- Non-current receivables	-	-	201	201	-	-	466	466
- Current receivables	-	302	-	302	-	193	-	193
- Cash and cash equivalents	-	823	-	823	-	5	-	5
<b>Total assets</b>	<b>94,269</b>	<b>1,125</b>	<b>201</b>	<b>95,595</b>	<b>81,845</b>	<b>198</b>	<b>466</b>	<b>82,509</b>

## FINANCIAL INSTRUMENTS BY CATEGORY, CONT.

SEK M	December 31, 2016			December 31, 2015		
	Liabilities at fair value in the income statement	Other financial liabilities	Total	Liabilities at fair value in the income statement	Other financial liabilities	Total
<b>LIABILITIES</b>						
- Non-current interest-bearing liabilities	-	7,382	7,382	-	11,163	11,163
- Other non-current liabilities	412	2	414	1,123	-	1,123
- Current interest-bearing liabilities	-	5,425	5,425	-	2,149	2,149
- Other current liabilities	126	1	127	54	26	80
<b>Total liabilities</b>	<b>538</b>	<b>12,810</b>	<b>13,348</b>	<b>1,177</b>	<b>13,338</b>	<b>14,515</b>

## ESTIMATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

SEK M	December 31, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>								
- Equities	94,071	-	179	94,250	81,574	-	261	81,835
- Derivatives etc	-	19	-	19	0	10	-	10
<b>Total assets</b>	<b>94,071</b>	<b>19</b>	<b>179</b>	<b>94,269</b>	<b>81,574</b>	<b>10</b>	<b>261</b>	<b>81,845</b>

SEK M	December 31, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>LIABILITIES</b>								
<i>Non-current liabilities</i>								
- Option portion of convertible and exchangeable bonds	-	321	-	321	-	1,013	-	1,013
- Derivatives etc	-	91	-	91	-	110	-	110
<i>Current liabilities</i>								
- Option portion of convertible bond	-	48	-	48	-	-	-	-
- Derivatives etc	43	35	-	78	51	3	-	54
<b>Total liabilities</b>	<b>43</b>	<b>495</b>	<b>-</b>	<b>538</b>	<b>51</b>	<b>1,126</b>	<b>-</b>	<b>1,177</b>

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

Instruments in Level 1 are valued at 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, 2016	
	Financial assets	Financial liabilities
Reported gross and net amounts	9	142
Amount covered by netting agreements	-9	-9
Received/pledged collateral	-	-58
<b>Net amount after netting agreements</b>	<b>0</b>	<b>75</b>

ISDA master agreements exist between the affected counterparties. All financial assets and liabilities have been reported in gross amounts on the balance sheet.

# 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 – Supplementary Accounting Rules for Groups. The annual report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act (Årsredovisningslagen (1995:1554)) and with application of RFR 2 – Accounting for Legal Entities. 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. Similarly, it has been determined that the forthcoming rules will not have any effect on the Group's or Parent Company's result of operations or position.

## PRINCIPLES OF CONSOLIDATION

Industrivärden is classified as an Investment Entity, and as such does not consolidate certain subsidiaries. Subsidiaries that serve in a supporting function to the Parent Company are consolidated in accordance with the acquisition method, while subsidiaries and associated companies that are investments (portfolio companies) are not consolidated, but are stated at fair value.

## PARENT COMPANY REPORTING

The Parent Company reports shares in subsidiaries at cost, while associated companies and other holdings are carried at market value. The capital gain or loss generated upon the sale of shares is calculated accordingly.

## FOREIGN CURRENCY

The Group's and Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency. Transactions in foreign currency are translated to the functional currency using the exchange rates in effect on the transaction date. Assets and liabilities in foreign currency are translated to the functional currency using the exchange rate in effect on the balance sheet date.

## DIVIDEND INCOME FROM EQUITIES

Dividend income is recognized when the right to receive the dividend has been determined.

## REPORTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are classified in the following categories: financial assets and liabilities at fair value in the income statement, loan receivables, and other financial liabilities carried at amortized cost. 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. Industrivärden

has chosen to report continuing changes in value of all listed shareholdings and equity derivatives in the income statement.

## REPORTING OF CONVERTIBLE AND EXCHANGEABLE BONDS

The convertible bond, which is issued in euros (EUR), consists 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 exchangeable bond, which is issued in Swedish kronor, consists of a host contract in the form of a bond and an issued option to either repay the loan with shares in ICA Gruppen or in cash.

The host contract was initially measured at fair value and thereafter at amortized cost using the effective interest method. This means that the loan is indexed over its term at nominal value. This indexing is recognized as a change in value in the income statement, while the coupon interest is recognized as an interest expense. The option component is measured on a continuing basis at fair value in the income statement in the item Change in value of stocks, etc. Transaction costs are allocated over the term of the bond and are included in the change in value recognized in the income statement.

For the convertible bond, the conversion right is treated as an imbedded derivative. The option component is reported as a liability instead of as an equity instrument, since the conversion price is in a currency other than the functional currency. In addition, the option component is measured at fair value in the income statement in the item Change in value of stocks, etc.

## 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.

## 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.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is reported at cost less accumulated depreciation and any impairment losses. Depreciation is recognized on a straight-line basis over the asset's estimated useful life, which is estimated to be three to five years. Estimation of an asset's residual value and useful life is done yearly.

## EMPLOYEE COMPENSATION

### 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. The 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 the income statement, while remeasurements such as of actuarial gains and losses are recognized in other comprehensive income.

## Tax rules for the Parent Company

The Parent Company is classified as an investment company by the Income Tax Act, for which special tax rules apply. 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.

## MAIN PRINCIPLES OF TAXATION

The main principles concerning taxation of investment companies are that dividends received and interest income are taxable, while dividends paid, interest expenses and

## LONG-TERM INCENTIVE PROGRAM

Industrivärden's long-term incentive programs are cash-settled programs in which the employees can invest a certain portion of their fixed salary in Industrivärden shares, and after three years receive performance and 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 item Management cost. The liability for the program is remeasured at fair value at the end of each accounting period. Industrivärden has entered into a share swap in order to limit the cost. The share swap's change in value is reported under the item Management cost.

management costs are tax deductible. In addition, 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

The tax rules for investment companies entail that the Parent Company, as an intermediary, has the opportunity by paying a dividend to avoid a taxable surplus. Tax-loss carryforwards are deductible and may be accumulated in order to be deducted from future taxable surpluses.

The Parent Company does not report deferred tax assets for tax-loss carryforwards, since the purpose of taxation of investment companies is that the intermediary will not be taxed.

### Tax computation

See Note 8 on page 52.

# Notes

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

## NOTE 1. Dividend income from stocks

	Group	
	2016	2015
Ericsson	318	293
Handelsbanken	1,152	1,132
ICA Gruppen	206	201
Kone	-	33
Sandvik	369	517
SCA	384	372
Skanska	218	203
SSAB	-	-
Volvo	431	435
<b>Total</b>	<b>3,078</b>	<b>3,184</b>

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

	Group	
	2016	2015
Ericsson	-2,259	-766
Handelsbanken	2,686	-1,800
ICA Gruppen	-627	34
Kone	-	7
Sandvik	5,711	-352
SCA	744	5,462
Skanska	1,474	-75
SSAB	1,757	-1,353
Volvo	3,749	-637
Portfolio companies	11	165
Other	3	-18
<b>Stocks</b>	<b>13,249</b>	<b>668</b>
Convertible bond and exchangeable bond		
Option portion's change in value	644	-269
Revaluation	-201	-194
Transaction costs	-20	-20
Other, net	15	54
<b>Total</b>	<b>13,687</b>	<b>239</b>

## NOTE 3. Net purchases and sales (-) per holding

	Group	
	2016	2015
Ericsson	45	0
Handelsbanken	91	-4
ICA Gruppen	-135	0
Kone	-	-1,208
Sandvik	-81	-196
SCA	-1,015	0
Skanska	-180	-354
SSAB	670	0
Volvo	-136	-46
Other	-93	-86
<b>Total</b>	<b>-834</b>	<b>-1,894</b>

## NOTE 4. Financial income and expenses

	Group		Parent Company	
	2016	2015	2016	2015
Financial income				
Interest income				
- other	21	27	21	25
<b>Total</b>	<b>21</b>	<b>27</b>	<b>21</b>	<b>25</b>

	Group		Parent Company	
	2016	2015	2016	2015
Financial expenses				
Interest expenses				
- subsidiaries	-	-	-4	-3
Interest expenses				
- others	-222	-284	-100	-139
Other financial items	-1	0	-1	-1
<b>Total</b>	<b>-223</b>	<b>-284</b>	<b>-105</b>	<b>-143</b>

## NOTE 5. Average number of employees

	2016 <sup>1)</sup>		2015	
	Number of employees	of whom, women	Number of employees	of whom, women
Parent Company	17	9	21	9

1) Persons who have been served notice have been excluded from the average number of employees.

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

	2016				2015			
	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	40	31	10	6	92	60	24

### Executive Management's compensation and pension costs for 2016

	Base salary	Variable salary	Share savings program	Other benefits	Pension costs
CEO Helena Stjernholm	8.8 <sup>1)</sup>	3.5	1.1	0.1	3.5
Other members of the Executive Management (2 persons)	5.4	2.3	1.5	0.2	1.8
<b>Total</b>	<b>14.2</b>	<b>5.8</b>	<b>2.6</b>	<b>0.3</b>	<b>5.3</b>

1) The Company's cost amounts to SEK 5.9 M after deducting SEK 2.9 M for directors' fees paid by the portfolio companies.

#### Directors' fees and executive compensation

- The Nominating Committee, which has been appointed in the manner decided by the Annual General Meeting (AGM), submits recommendations for 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 2016, directors' fees totaling SEK 6.2 M were paid out. Of this amount, the Chairman of the Board received SEK 2.0 M, and the Vice Chairman received SEK 1.2 M. Other directors each received SEK 0.6 M. No fee is paid for committee work. Directors' fees were unchanged compared with the preceding year.
- Compensation of the CEO and other members of the Executive Management is based on the guidelines adopted by the 2016 AGM. The Compensation Committee submits a recommendation to the Board on the CEO's compensation and draws up, in consultation with the CEO, criteria for 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, customary employment benefits and pension benefits.

#### Current CEO and members of the Executive Management

The CEO received a base salary of SEK 8.8 M (2.9, pertains to 4 months). The Company's cost is reduced by SEK 2.9 M for directors' fees paid by portfolio companies for 2016. Her variable salary for 2016, which is based on the Board's annual evaluation, amounted to SEK 3.5 M (0.8, pertains to 4 months), which will be paid out in 2017. Her vested portion of the ongoing share savings program was SEK 1.1 M for 2016 (0.2, pertains to 4 months). The cost for defined contribution pension premiums was SEK 3.5 M for 2016 (1.2, pertains to 4 months). Other benefits pertain to a company car. In the event the Company serves notice of her employment contract, a two-year notice period applies. In the event of the CEO gives notice, a six-month notice period applies.

The two (three) other members of the Executive Management together received base salaries of SEK 5.4 M (10.0). 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 2016 amounted to SEK 2.3 M (5.3) and will be paid out in 2017. The vested portion of the ongoing share savings program amounted to SEK 1.5 M for 2016 (2.9). The share savings program that expired in 2016 resulted in grants of 10,953 (21,360) Industrivärden Class C shares to the other members of the Executive Management, for a value of SEK 1.7 M (3.2). The combined cost of defined contribution pension premiums in 2016 was SEK 1.8 M (3.5). Other benefits pertain to company cars. In the event of the Company service notice of an executive's employment contract, a two-year notice period applies. In the event of the executive gives notice, a six-month notice period applies.

#### Long-term incentive programs

The cost of incentive programs was SEK 1.3 M (17.4) in 2016. In the outstanding programs, a maximum of 109,274 matching shares and 20,059 performance shares may be granted. The total liability for the programs is SEK 11.9 M (12.4).

#### Long-term incentive program 2016

The 2016 AGM resolved to offer a long-term share savings program for a maximum of 28 employees in the Industrivärden Group. The

Share Savings Program, like previous programs, constitutes long-term variable salary, but with the difference that performance conditions have been introduced to qualify for the maximum grant of shares. The program is part of a competitive total compensation package in which the employee receives matching and performance shares after three years, subject to investment of part of the employee's base 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 Savings 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 2016, 13,203 shares were bought within the program, which can qualify for a maximum grant of 6,602 matching shares and 20,059 performance shares.

#### Long-term incentive programs 2014 and 2015

Within the incentive programs 2014 and 2015 a total of 43,334 shares were bought, which can qualify for a maximum grant of 102,672 matching shares.

#### Long-term incentive program 2013

The Share Savings Program for 2013 expired in October 2016. In connection with this, a total of 66,205 Industrivärden Class C shares were granted for a value of SEK 10.5 M.

#### CEO's acquisition of call options (related-party transaction)

In 2016 the CEO acquired 75,000 call options for the same number of Industrivärden Class C shares from L E Lundbergföretagen at a premium of SEK 12 per share. The options expire on February 26, 2021, with an exercise price of SEK 151 per share. The transaction has been carried out at market terms based on the Black & Scholes pricing model for call options.

#### Former CEO and member of the Executive Management

Anders Nyrén, whose service as CEO ended in May 2015, has a fully vested defined benefit pension consisting mainly of a lifetime retirement pension which, after 65 years of age, corresponds to approximately 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 Alecra. His survivors are entitled to survivorship benefits equivalent to 35% of his base salary. The capital value of this obligation was SEK 166 M (146) as per December 31, 2016.

One former member of the Executive Management has received base salary of SEK 2.4 M for employment during 2016 as well as severance pay during a 24-month notice period, corresponding to a cost of SEK 9.7 M. The estimated cost for the ongoing share savings program up until the end employment amounted to SEK 0.5 M for 2016. The share savings program that expired in 2016 resulted in a grant of 6,672 Industrivärden Class C shares, worth SEK 1.1 M. The former member of the Executive Management is covered by a defined contribution pension plan. The combined pension cost for 2016 and up until the end of employment was SEK 4.4 M.

## NOTE 7. Auditors' fees

	Group <sup>1</sup>		Parent Company <sup>1</sup>	
	2016	2015	2016	2015
PWC				
Audit assignment	1.0	0.9	1.0	0.9
Auditing activities in addition to audit assignment	0.1	0.1	0.1	0.1
Tax consulting	0.5	0.6	0.5	0.6
<b>Total</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>

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 49)

	2016	2015
Market value of equities portfolio on January 1	41,193	44,661
Less: business-related shares	-41,193	-44,134
<b>Basis for standardized income</b>	<b>0</b>	<b>527</b>
Standardized income 1.5 %	0	8
Dividends received during the respective years	1,516	1,608
Management cost, net financial items, etc	-196	-280
Dividend paid out <sup>1</sup>	-2,285 <sup>2</sup>	-2,162
<b>Taxable income</b>	<b>-965</b>	<b>-826</b>
Tax-loss carryforwards from previous years	-7,054	-6,228
<b>Accumulated tax-loss carryforward</b>	<b>-8,019</b>	<b>-7,054</b>

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

2) Proposed by the Board of Directors.

## NOTE 9. Earnings per share

	Group	
	2016	2015
Income attributable to equity holders of the Parent Company		
Net income for the year	16,451	3,104
Change in value of convertible options	-283	200
Convertible interest	-99	97
Indexing of convertible	117	112
<b>Income attributable to equity holders of the Parent Company after dilution</b>	<b>16,186</b>	<b>3,513</b>

### Earnings per share before dilution

Calculation of earnings per share before dilution is based on reported income attributable to equity holders of the Parent Company, amounting to SEK 16,451 M (3,104), and a weighted average number of shares outstanding amounting to 432,341,271 (432,341,271).

### 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 16,186 M (3,513), and a weighted average number of shares outstanding after the effect of the convertible bond, amounting to 463,338,066 (463,338,066). For the periods during which the convertible bond gives rise to a dilutive effect, it is 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 bond. As per December 31, 2016, the number of potential common shares that would be created upon a future full conversion of the convertible bond is 31.0 million.

## NOTE 10. Property, plant and equipment

	Group		Parent Company	
	2016	2015	2016	2015
Accumulated cost, equipment				
Opening cost	-	-	-	-
Acquisitions during the year	14	-	14	-
Closing cost	14	-	14	-
Accumulated depreciation, equipment				
Opening depreciation	-	-	-	-
Depreciation for the year	-1	-	-1	-
Closing depreciation	-1	-	-1	-
<b>Carrying amount, equipment</b>	<b>13</b>	<b>-</b>	<b>13</b>	<b>-</b>

## NOTE 11. Equities

	2016				2015	
	Number of shares	Share of capital, %	Share of votes, %	Market value <sup>1</sup>	Market value <sup>1</sup>	
Ericsson A	86,052,615	2.6	15.1	4,561	6,828	
Ericsson B	1,000,000			54	-	
Handelsbanken A	194,923,948	10.0	10.2	24,677	21,901	
ICA Gruppen	20,625,000	10.3	10.3	5,732	6,494	
Sandvik	147,584,257	11.8	11.8	16,633	11,003	
SCA A	35,000,000	9.5	29.7	8,971	8,661	
SCA B	31,800,000			8,182	8,763	
Skanska A	12,667,500	6.9	23.9	2,725	2,088	
Skanska B	16,343,995			3,516	2,858	
SSAB A	63,105,972	11.4	18.2	2,182	1,314	
SSAB B	54,633,318			1,573	14	
Volvo A	142,154,571	6.7	21.7	15,239	11,507	
Volvo B	-			-	119	
<b>Total, portfolio companies</b>				<b>94,043</b>	<b>81,550</b>	
<b>Other</b>				<b>207</b>	<b>286</b>	
<b>Group's holdings of equities</b>				<b>94,250<sup>2</sup></b>	<b>81,835</b>	
Less: associated companies				-20,874	-15,996	
Less: non-consolidated companies				-179	-261	
Less: holdings owned via subsidiaries				-42,901	-40,382	
<b>Parent Company's holdings of equities, excluding shares in associated companies and subsidiaries</b>				<b>30,296</b>	<b>25,197</b>	

1) The market value corresponds to the book value.

2) The Group's total cost as per December 31, 2016, was SEK 45,995 M.

## NOTE 12. Shares in associated companies

	Reg. no.	Domicile	Shareholders' equity	Income after tax	Parent Company			Market value
					Share of capital, %	Share of votes, %	No. shares, millions	
Skanska	556000-4615	Stockholm	27,506	5,735	6.9	23.9	29.0	6,240
Volvo	556012-5790	Gothenburg	97,764	13,223	6.4	20.7	136.5	14,634
<b>Total</b>								<b>20,874</b>

## NOTE 13. Shares in subsidiaries

	Reg. no.	Domicile	Share of capital, %	No. shares	Shareholders' equity	Parent Company	
						Book value	
Industrivärden Invest AB (publ) <sup>1</sup>	556775-6126	Stockholm	100	1,000	22,582	330	
Industrivärden Förvaltning AB <sup>1</sup>	556777-8260	Stockholm	100	1,000	17,165	1,010	
Investment AB Promotion <sup>1</sup>	556833-0525	Stockholm	100	100,000	827	395	
Industrivärden Service AB	556364-7758	Stockholm	100	100,000	26	26	
Investment AB Nils Dacke	556833-0558	Stockholm	100	500	2	2	
Perbastra AB	556833-0533	Stockholm	100	50,000	18	15	
Floras Kulle AB	556364-8137	Stockholm	100	10,000	87	171	
<b>Total</b>						<b>1,949</b>	

1) The subsidiaries serve in a supporting function for the Parent Company and are consolidated in the Group in accordance with the acquisition method.

## NOTE 14. Change in equities

	Group	
	Equities	
	2016	2015
Opening value	81,835	83,062
Disposals at sales value	-1,639	-1,894
Purchases	805	-
Change in value	13,249	668
<b>Closing value</b>	<b>94,250</b>	<b>81,835</b>

	Parent Company							
	Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Opening value	25,197	27,628	15,996	17,033	1,944	3,056	43,137	47,717
Disposals at sales value	-	-	-180	-353	-	-7	-180	-360
Purchases	655	-	-	-	-	395	655	395
Change in value	4,444	-2,431	5,058	-684	-	-	9,502	-3,115
Shareholder contribution	-	-	-	-	-	-1,500	-	-1,500
Other	-	-	-	-	5	-	5	-
<b>Closing value</b>	<b>30,296</b>	<b>25,197</b>	<b>20,874</b>	<b>15,996</b>	<b>1,949</b>	<b>1,944</b>	<b>53,119</b>	<b>43,137</b>

## NOTE 15. Other current receivables

	Group		Parent Company	
	2016	2015	2016	2015
Interest-bearing receivables	302	193	-	6
Receivables from subsidiaries	-	-	1,252	2,996
Prepaid expenses and accrued income	12	21	9	21
Other current receivables	23	17	23	11
<b>Total</b>	<b>337</b>	<b>231</b>	<b>1,284</b>	<b>3,034</b>

## NOTE 16. Convertible and exchangeable bonds

In January 2011 Industrivärden issued a convertible bond of EUR 550 M with a term of six years. The conversion price was set at a premium in relation to the share price and exceeded net asset value at the time of issue.

As of December 31, 2016, it was profitable to convert the convertible bond if the share price exceeded SEK 169.72 per share. The price of Industrivärden's Class C shares on December 31 was SEK 169.80 per share.

Convertible bond 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. The conversion price is SEK 157.57, with a fixed exchange rate of 8.8803 EUR/SEK, 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 bond 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 bond 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 an exchangeable bond of SEK 4.4 billion was issued as part of the continuous refinancing of the equities portfolio. The bond matures in 2019 and was issued at a premium of approximately 38% to ICA Gruppen's share price at the time and carries no interest. During 2016 the conversion price was adjusted from SEK 298.52 to SEK 296.34, to compensate the exchangeable bondholders for dividends exceeding a stated dividend level at issuance. In the event of a potential future conversion there is a possibility to pay either with shares or with cash.

## NOTE 17. Pensions

The Group's total reported pension costs amount to SEK 10 M (24). Interest on pension obligations of SEK 3 M (2) is reported in the income statement as Financial items. For 2017, the Group's pension costs are estimated to be approximately SEK 10 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

Industrivården's defined benefit plans include retirement pensions, disability pensions and family pensions, and ordinarily entail an obligation to pay lifetime benefits. 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 in the income statement and as a pension provision on the balance sheet.

The pension obligation as per December 31, 2016, was SEK 188 M (166), the value of plan assets was SEK 66 M (61), and the net pension liability was SEK 122 M (105).

	Group	
	2016	2015
Actuarial assumptions		
Discount rate <sup>1</sup> , %	2.10	2.75
Future salary increases, %	-	2.0
Anticipated inflation, %	1.6	1.6

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

## NOTE 18. Non-current interest-bearing liabilities

	Group		Parent Company	
	2016	2015	2016	2015
Convertible bond	-	4,891	-	4,891
Exchangeable bond	4,260	4,167	4,260	4,167
MTN program	1,000	-	1,000	-
Bank loans	2,000	2,000	-	-
Pension liability (see Note 17)	122	105	122	105
<b>Total</b>	<b>7,382</b>	<b>11,163</b>	<b>5,382</b>	<b>9,163</b>

Market valuation of interest-bearing liabilities as per 12/31/2016 would increase non-current interest-bearing liabilities by SEK 53 M (194).

Maturity dates for loans	Group		Parent Company	
	2016	2015	2016	2015
- 2017 <sup>1</sup>	2,000	6,891	-	4,891
- 2018	500	-	500	-
- 2019 or later <sup>2</sup>	4,882	4,272	4,882	4,272
<b>Total</b>	<b>7,382</b>	<b>11,163</b>	<b>5,382</b>	<b>9,163</b>

2) Of which, pension liability

	Group	Parent Company
	122	105

1) The loans are reported as long-term, taking into account committed credit lines.

## NOTE 19. Non-current noninterest-bearing liabilities

	2016	2015
Option portion of convertible bond and exchangeable bond	321	1,013
Other	93	109
<b>Total</b>	<b>414</b>	<b>1,122</b>

## NOTE 20. Current interest-bearing liabilities

	Group		Parent Company	
	2016	2015	2016	2015
Commercial paper	-	1,400	-	1,400
MTN program	-	500	-	500
Convertible bond	5,252	-	5,252	-
Bank overdraft facility	-	72	-	-
Other	173	177	-	-
<b>Total</b>	<b>5,425</b>	<b>2,149</b>	<b>5,252</b>	<b>1,900</b>

Market valuation of interest-bearing liabilities as per December 31, 2016 would increase current interest-bearing liabilities by SEK 42 M (0).

## NOTE 21. Other current liabilities

	Group		Parent Company	
	2016	2015	2016	2015
Option portion of convertible bond	48	-	48	-
Equities derivatives, etc.	2	13	2	13
Other derivatives	75	41	75	41
Other current liabilities	8	11	8	10
Accrued interest	9	25	9	25
Other accrued expenses	131	162	96	124
Accounts payable, trade	1	1	1	1
<b>Total</b>	<b>274</b>	<b>253</b>	<b>239</b>	<b>214</b>

## NOTE 22. Pledged assets and contingent liabilities

	Group		Parent Company	
	2016	2015	2016	2015
Shares	753	626	753	626
Other	1	9	0	8
<b>Total</b>	<b>754</b>	<b>635</b>	<b>753</b>	<b>634</b>

Contingent liabilities in the Group amount to SEK 0 M (1,000). Contingent liabilities in the Parent Company amount to SEK 2,000 M (3,000) and pertain to bank loans in subsidiaries.

## NOTE 23. Obligations to board members and CEOs

The Group's non-current interest-bearing liabilities include SEK 113 M (105) in pension obligations and similar benefits for current and former board members and CEOs. The corresponding amount for the Parent Company is SEK 113 M (105), as shown in the item Pension liability in Notes 17 and 18.

## NOTE 24. Related-party transactions

### Transactions with subsidiaries

Certain transactions have been made with wholly owned subsidiaries, such as rents for premises at market terms.

### Transactions with associated companies

Dividends have been received from listed associated companies.

### CEO's acquisition of call options

During 2016 the CEO was granted call options by LE Lundbergföretagen, for further information see Note 6.

A person's hand is pointing at a laptop screen. The screen displays a financial report with a pie chart and text. The background is a light blue gradient.

# 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

### Opinions

We have audited the annual accounts and consolidated accounts of AB Industrivärden (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 30–55 in this document.

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 parent company as of December 31, 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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, 2016 and the financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. 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 adopts the income statement and balance sheet for the parent company and the group.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### Our audit approach

#### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that

involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgment, we determined quantitative thresholds for materiality in the audit of the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures. Quantitative thresholds for materiality are also used to evaluate the effect of any misstatements, both individually and in aggregate, on the financial statements as a whole.

### Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

## KEY AUDIT MATTER

**Measurement of financial instruments** – Industrivärden’s investments consist in all material respects of listed shares. To a limited degree, derivatives are used to increase the performance of the portfolio and to manage exposure to financial risks such as currency risk, interest rate risk and price risk.

There are active markets with quoted prices for most of the financial instruments in which Industrivärden is a counterparty. To a lesser degree, there are holdings where the valuation is based on other market data than quoted prices in the same instrument.

In a portfolio of financial instruments such as the one held by Industrivärden, there normally are several considerations regarding the valuation that require conclusion in order to ensure a fair valuation in accordance with IFRS.

## HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have tested and evaluated the design and effectiveness of Industrivärden’s controls for pricing and monitoring of pricing of its financial instruments.

For listed instruments, we have evaluated Industrivärden’s controls for obtaining prices from external sources and we have performed our own tests through comparing prices used to external sources.

For unlisted instruments, we have evaluated models used and the market data that Industrivärden has used for valuation purposes. We have also performed our own tests of fair values of unlisted instruments by comparing data used to independent sources.

## Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts set out on pages 30–55. The management of the company is responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated. If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the CEO are responsible for the assessment of the company’s and the group’s ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director’s responsibilities and tasks in general, among other things oversee the company’s financial reporting process.

## Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is part of the auditor's report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of AB Industrivärden (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

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,
- the members of the Board of Directors and the CEO be discharged from liability for the financial year.

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage

the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is part of the auditor's report.

Stockholm, February 21, 2017  
PricewaterhouseCoopers AB

*Magnus Svensson Henryson*  
Authorized Public Accountant



# OTHER INFORMATION

# Board of Directors



*Christian Caspar, Annika Lundius, Lars Pettersson, Fredrik Lundberg, Helena Stjernholm, Pär Boman, Nina Linander, Bengt Kjell*

## **FREDRIK LUNDBERG**

*B.Sc. Eng., B.Sc. Econ., Honorary Ph.D. in Economics, Honorary Ph.D. in Technology. Born 1951. Chairman of the Board since 2015. 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. Active in L E Lundbergföretagen since 1977.*

*Shareholding: Own 8,190,000; closely related natural persons 20,000 and closely related legal entities 70,600,000\**

## **PÄR BOMAN**

*Engineering and Business/Economics degree. Honorary Ph.D. in Economics. Born 1961. Vice Chairman since 2015. Director since 2013. Chairman of Svenska Handelsbanken and SCA. Director of Skanska. Former President and Group Chief Executive of Svenska Handelsbanken.*

*Shareholding: Own 1,000*

## **CHRISTIAN CASPAR**

*B.Sc. Econ. Born 1951. Director since 2011.*

*Director of Stena, Bonnier, Benteler International AG and Goodgrower SA. More than 30 years of experience from leading positions at McKinsey & Company.*

*Shareholding: Own 1,000*

## **BENGT KJELL**

*B.Sc. Econ. Born 1954. Director since 2015.*

*Chairman of SSAB and Hemfosa Fastigheter. Vice Chairman of Indutrade. Director of ICA Gruppen and Pandox. Former acting President and former Executive Vice President of Industrivärden. President of AB Handel och Industri, partner of Navet.*

*Shareholding: Own 25,000*

## **NINA LINANDER**

*B.Sc. Econ., MBA. Born 1959. Director since 2014.*

*Director of Skanska, Telia Company, Castellum, Awa Holding and OneMed. Co-founder and former partner of Stanton Chase International. Prior to this she served in executive positions at Vattenfall and Electrolux.*

*Shareholding: Own 23,950, closely related natural persons 8,000*

## **ANNIKA LUNDIUS**

*LL.M. Born 1951. Director since 2014.*

*Director of SSAB and AMF Pension. Former Deputy Director General of the Confederation of Swedish Enterprise, Legal Director and Financial Counselor in the Swedish Ministry of Finance, and CEO of Insurance Sweden and the Swedish Insurance Employers Association (FAO).*

*Shareholding: Own 2,554, closely related legal entities 1,500*

## **LARS PETERSSON**

*M.Sc. Eng., Hon. Ph.D. Born 1954. Director since 2015.*

*Chairman of KP Komponenter A/S. Director of L E Lundbergföretagen, Indutrade, Husqvarna and Festo A.G. Former President and CEO of Sandvik, and previously held executive positions in the Sandvik Group.*

*Shareholding: Own 5,000*

## **HELENA STJERNHOLM**

*M.Sc. Econ., born 1970. Director since 2016.*

*President and CEO of Industrivärden, head of investment and analysis organization. Director of Ericsson, Sandvik and Volvo. Former partner and Chief Investment Officer at IK Investment Partners. Prior to this she served as a strategic consultant at Bain & Company.*

*Shareholding: Own 20,600, and 75,000 call options*

Holdings as per February 15, 2017. The information is published annually in conjunction with the publication of the company's corporate governance report/annual report and notice of Annual General Meeting.

\*Pertains to holdings in L E Lundbergföretagen (69,600,000) and Karlsson & Wingsjö (1,000,000).

## Executive Management



### **SVERKER SIVALL**

**Head of Corporate Communications and Sustainability**

*Industrivärden employee since 1997  
M.Sc. Business Administration, born 1970*

1997–2010 Head of Investor Relations for Industrivärden; 1994–1997 Investment Controller at AstraZeneca.  
*Shareholding: Own 11,800*

### **MARTIN HAMNER**

**Chief Financial Officer**

*Industrivärden employee since 2008  
M.Sc. Business Administration, born 1964*

1999–2007 Group Controller and Head of Investor Relations for ASSA ABLOY; 1987–1999 Authorized Public Accountant for PricewaterhouseCoopers.  
*Shareholding: Own 7,200*

### **HELENA STJERNHOLM**

**Chief Executive Officer, head of investment and analysis organization, Industrivärden employee since 2015**  
*M.Sc. Business Administration, born 1970*

1998–2015 employed by IK Investment Partners, as partner (2008–2015), and Chief Investment Officer (1998–2008); 1997–1998 strategic consultant at Bain & Company.  
*Shareholding: Own 20,600, and 75,000 call options*

## Investment and analysis organization



*Madeleine Wallmark, Pontus Hjalmarsson, Peter Sigfrid, Peter Nyström, Beniam Poutiainen, Gustav Bengtsson*

## Key ratios

Value at December 31	2016	2015	2014	2013	2012 <sup>1)</sup>
<b>Industrivärden shares</b>					
Industrivärden's market cap, (SEK M)	76,201	66,434	60,638	50,357	42,461
Number of shares outstanding					
Class A shares (thousands)	268,185	268,185	268,186	268,531	268,531
Class C shares (thousands)	164,156	164,156	164,155	123,239	117,741
Dividend yield A-/C-shares (%)	2.9/3.1	3.1/3.4	4.4/4.6	4.2/4.5	4.5/4.6
Total return A-/C-shares (%)	17/21	15/11	13/16	23/18	33/37
Total return indexes					
SIXRX (%)	10	10	16	28	16
MSCI World (%)	8	0	7	28	16
<b>Net asset value</b>					
Equities portfolio					
market value (SEK M)	94,250	81,835	83,062	77,992	68,077
total return (%)	20	4	8	20	22
Interest-bearing net debt					
value (SEK M)	-11,481	-12,648	-14,632	-17,094	-18,248
which, convertible bond (SEK M)	-5,252	-4,891	-4,971	-8,410	-8,418
debt-equities ratio (%)	12	15	18	22	27
debt-equities ratio after full conversion (%)	7	9	12	11	14
Other					
adjustment pertaining to exchangeable bond	-	-131	-85	-	-
Net asset value					
value (SEK M)	82,769	69,056	68,345	60,898	49,829
NAV per share (SEK)	191	160	158	155	129
NAV after full conversion (SEK M)	88,021	73,947	73,316	69,308	58,247
NAV per share after full conversion (SEK)	190	160	158	150	126

1) The comparative figures for 2012 have not been restated in accordance with the principle for investment entities.









# INDUSTRI VÄRDEN

AB Industrivärden (publ) | Reg. no. 556043-4200 | Box 5403 | SE-114 84 Stockholm, Sweden

Phone +46-8-666 64 00 | [www.industrivarden.net](http://www.industrivarden.net) | [info@industrivarden.se](mailto:info@industrivarden.se)