

# Interim report

January 1–March 31, 2012

- Net asset value on March 31, 2012, was SEK 124 per share, an increase of 20% since the start of the year.
- The value of the equities portfolio increased by SEK 7.5 billion to SEK 63.6 billion, or by 13%, during the first quarter. The Stockholm Stock Exchange gained 10%.
- The total return during the first quarter was 20% for the Class A shares and 20% for the Class C shares, compared with 11% for the return index.
- Income for the first quarter was SEK 7.8 billion (-3.5), corresponding to SEK 20.27 per share (-9.16).
- During the first quarter, shares were sold in the portfolio companies for a total of SEK 0.7 billion.

Net asset value	March 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Equities portfolio, SEK billion	63.6	56.9	71.1
Interest-bearing net debt, SEK billion	-15.6	-16.8	-13.4
of which, interest-bearing loans	-7.1	-8.2	-9.2
of which, convertible loans	-8.5	-8.6	-4.2
Net asset value, SEK billion	48.0	40.1	57.7
Net asset value per share, SEK	124	104	149
Net asset value per share after full conversion, SEK	123	106	144

Total return	3 months	1 yr	5 yrs.	10 yrs.	15 yrs.	20 yrs.
Class A shares (yearly average)	20%	-12%	-3%	7%	9%	12%
Class C shares (yearly average)	20%	-9%	-3%	7%	9%	12%
Benchmark index (SIXRX)	11%	-3%	1%	7%	8%	12%
Relative return for Class C shares, percentage points	9%	-6%	-4%	0%	1%	0%

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

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



## CEO's message

The first quarter of the year was distinguished by a few events which together have given reason for cautious optimism for the near future. The first is the considerably better performance of the U.S. economy than the scenario that was feared as late as August last year. The second is the defusing of the acute financial crisis in Europe through the strong measures taken by the EU with respect to Greece, in tandem with the ECB's continued stabilization measures, including low-cost financing of the European banking system. Finally, owing to Greece's controlled default, the CDS market has continued to work, which is of central importance to prevent a situation in the financial market like the one that arose after the Lehman crash.

The demand situation for our portfolio companies remains reasonably favorable on the whole, and the year has gotten off to a relatively good start. A key reason for this is that the companies work in a global market and have relatively limited exposure to geographic problem areas like southern Europe.

We are currently in the midst of the annual meeting season, when the nominating committees of listed companies are presenting their recommendations for company boards. Successful companies require well-composed boards with competent directors who complement each other and can contribute to further strengthening the companies they represent. For us as an active owner, this nomination work for board elections is therefore an important part of our model for active ownership. In our portfolio companies, normally the nominating committee chair have ties to Industrivärden. In view of the central function that the boards fulfill in the companies, it is therefore gratifying to note that our portfolio companies have strong and competent boards, to the benefit of us shareholders.

During the last six months period, companies in the industrial sector have generally had a favorable share price trend relative to the market index. This is reflected in Industrivärden's value development. At the close of the quarter, our net asset value amounted to SEK 48 billion, or

SEK 124 per share – an increase of 20% for the year to date, compared with 11% for the return index.

Industrivärden's total return during the first three months of the year was 20% for the Class A shares and 20% for the Class C shares, compared with 11% for the total return index.

Our short-term trading has had a good start to the year and generated a profit of SEK 52 M (18) during the first quarter.

Industrivärden's Annual General Meeting will be held on May 4 in Stockholm. I hope that as many shareholders as possible will attend. Aside from the regular items of business, the AGM is an ideal opportunity to ask questions and gain a first-hand view of the company's performance. I hope to see you there!

*Anders Nyrén*

### Total return for the Industrivärden stock



## Net asset value

Net asset value on March 31, 2012, was SEK 48.0 billion, an increase of SEK 7.9 billion since the start of the year. Net asset value per share increased by SEK 20 to SEK 124, or 20%. During the same period, the total return index (SIXRX) increased by 11%.

## Equities portfolio

During the first quarter of 2012, the value of the equities portfolio – adjusted for purchases and sales – increased by SEK 7.5 billion to SEK 63.6 billion. The total return for the portfolio during the same period was 15%, compared with 11% for the total return index (SIXRX).

Portfolio companies	March 31, 2012					December 31, 2011			
	Ownership in company			Share of portfolio value, %	Market value		Market value		
	No. of shares	Capital, %	Votes, %		SEK M	SEK/share	SEK M	SEK/share	
Sandvik	144,577,252	11.5	11.5	22	13,807	36	12,210	32	
Handelsbanken	64,841,979	10.3	10.5	21	13,675	35	12,274	32	
Volvo A	121,506,918	5.8	15.0	18	11,817	30	9,323	24	
Volvo B	1,261,939								
SCA A	43,100,000	10.0	29.2	13	8,105	21	7,174	19	
SCA B	27,700,000								
Ericsson A	80,708,520	2.5	14.3	8	5,456	14	5,613	14	
SSAB A	56,105,972	17.6	22.6	6	3,550	9	3,443	9	
SSAB B	754,985								
Skanska A	12,667,500	6.5	23.6	5	3,139	8	3,234	8	
Skanska B	14,698,806								
Indutrade	14,727,800	36.8	36.8	5	3,026	8	2,695	7	
Höganäs B	4,408,046	12.6	10.0	2	1,065	3	937	2	
<b>Equities portfolio</b>				<b>100</b>	<b>63,640</b>	<b>164</b>	<b>56,903</b>	<b>147</b>	
<b>Interest-bearing net debt</b>					<b>-15,617</b>	<b>-40</b>	<b>-16,780</b>	<b>-43</b>	
of which, intr.-bearing loans					-7,115	-18	-8,225	-21	
of which, convertible loans					-8,502	-22	-8,555	-22	
<b>Net asset value</b>					<b>48,023</b>	<b>124</b>	<b>40,123</b>	<b>104</b>	
Debt-equities ratio						25%		29%	
<b>Net asset value after full conversion</b>						<b>123</b>		<b>106</b>	
Debt-equities ratio after full conversion						11%		14%	

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

## Net debt

Interest-bearing net debt amounted to SEK 15.6 billion at March 31, 2012. The debt-equities ratio was 25%, and the equity ratio was 72%. After full conversion of outstanding convertible loans, corresponding to SEK 8.5 billion, the debt-equities ratio was 11%.

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

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

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

## Total return

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

During the first quarter of 2012, the shareholdings in Volvo, Handelsbanken, SCA, Höganäs, Sandvik och Indutrade generated a better return than the return index. On the whole, the total return for the equities portfolio was 15%, compared with 11% for the return index.

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

For the last ten-year period, all of the portfolio companies except Ericsson delivered total returns that are higher than or level with the return index.

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

Portfolio companies	Total return Jan.–March 2012		Average annual total return, %	
	SEK billion	%	Five years, March '07–March '12	Ten years, March '02–March '12
Volvo	2.5	27	0	14
Handelsbanken	2.7	22	6	8
SCA	1.2	18	2	5
Höganäs	0.1	14	12	6
Sandvik	1.6	13	-2	11
Indutrade	0.3	12	9	-
SSAB	0.2	6	-18	11
Skanska	0.0	1	1	10
Ericsson	-0.1	-3	-10	-6
<b>Equities portfolio</b>	<b>8.5</b>	<b>15</b>		
<b>Index (SIXRX)</b>		<b>11</b>	<b>1</b>	<b>7</b>
<b>Industrivärden C</b>		<b>20</b>	<b>-3</b>	<b>7</b>

The total return in SEK billion pertains to the change in value including dividend income for the respective portfolio companies.

Indutrade became a listed company in October 2005.

## Equity transactions

During the first quarter of 2012, shares were sold in Handelsbanken for SEK 605 M and in Skanska for SEK 113 M.

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

During the first quarter of 2012, Industrivärden's short-term trading generated a profit of SEK 52 M (18). Management costs amounted to SEK 29 M (26). Industrivärden's management cost was 0.18% of managed assets, which is considerably lower than for most comparable investment alternatives.

## Active ownership

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

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

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



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

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

- Strategic focus and new organization
- New executive management
- Acquisition of Seco Tools
- Divestiture of Medtech
- Strong positions in emerging markets

## Handelsbanken

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

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

- Consistently applied business model
- Organic growth in priority markets in the Nordic countries and UK
- Favorable financial position and strengthened market position
- Strong capitalization with sizable liquidity reserve

## VOLVO

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

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

- Strategic focus and new organization
- New executive management
- New financial targets
- Strong position in Asia and other emerging markets



***SCA is a global hygiene and paper company that successfully develops, produces and markets personal care products, tissue and forest products.***

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

- Acquisition of Georgia-Pacific's European tissue business for SEK 13 billion on a debt-free basis
- Strengthened presence in hygiene segment in Brazil, Russia and Turkey
- Acquisition of Taiwan-based hygiene products company, which will substantially strengthen position in Asia
- Packaging business divested for approximately SEK 15 billion on a debt-free basis

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

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

- Leading position ahead of operators' investments in the next generation of telecom systems (4G)
- North America's leading supplier of network systems through selective acquisitions
- Acquisition of U.S. company Telcordia for SEK 7 billion strengthens offering of operational support for telecom operators
- Interest in Sony Ericsson sold to Sony for approximately SEK 9.5 billion

## **SSAB**

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

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

- Stronger focus on highly profitable specialty products
- Strategic investment program to increase capacity in quenched steels and strengthen presence in China

## **SKANSKA**

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

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

- Efficient construction operations generate good cash flows
- Successful model for value-creating project development
- Acquisition of construction company in Indiana (U.S.) for approximately SEK 0.9 billion
- Ownership in the New Karolinska construction and operating consortium, worth SEK 14.5 billion

## **Indutrade**

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

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

- Continued growth through acquisitions
- Flexibility through decentralized business model

## **Höganäs**

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

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

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

## Other information

### ***Annual General Meeting and dividend***

The 2012 Annual General Meeting will be held on Friday, May 4 at 2 p.m. at the Grand Hotel (Vinterträdgården room) in Stockholm. The Board of Directors proposes a dividend of SEK 4.50 (4.00) per share and May 9, 2012, as the record date. Dividends are expected to be sent out via Euroclear Sweden on May 14, 2012.

### ***Recommendation for election of board members at Annual General Meeting***

The Nominating Committee recommends the re-election of Christian Caspar, Boel Flodgren, Stuart Graham, Hans Larsson, Fredrik Lundberg, Sverker Martin-Löf and Anders Nyrén.

### ***Accounting policies***

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

### ***Risks and uncertainties***

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

A 1% change in the share price of the holdings in the equities portfolio as per March 31, 2012, would have affected its market value by approximately +/- SEK 650 M.

### ***Related party transactions***

During the first quarter of 2012 dividend income from associated companies have been received.

Stockholm, April 5, 2012

Anders Nyrén, President and CEO

### ***2011 Annual Report***

Industrivärden's 2011 Annual Report was published on February 27, 2012, and is available on the Company's website and can be ordered from the Company.

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

**Further information**

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

**Contact persons**

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

**Ticker codes**

INDUC SS in Blomberg  
INDUc.ST in Reuters

**Publication**

The information provided in this interim report is such that AB Industrivärden (publ) is obligated to publish pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. Submitted for publication at 10 a.m. on April 5, 2012.

**Financial calendar 2012**

Annual General Meeting 2012: May 4, in Stockholm  
Interim report January–June: July 5  
Interim report January–September: October 5

## Industrivärden Group

SEK M	2012 Jan.–March	2011 Jan.–March	2011 Jan.–Dec.
<b>Income statement</b>			
Dividend income from stocks	1,043	632	2,403
Change in value of stocks, etc.	6,913	-4,019	-17,504
Other income and expenses*	24	-8	47
Operating income	7,980	-3,395	-15,054
Financial items	-151	-145	-593
Income after financial items	7,829	-3,540	-15,647
Tax	–	–	–
Net income for the period	7,829	-3,540	-15,647
Earnings per share, SEK	20.27	-9.16	-40.51
Earnings per share after dilution, SEK	18.16	-9.16	-40.51
<b>Statement of comprehensive income</b>			
Income for the period	7,829	-3,540	-15,647
Change in hedging reserve	13	37	5
Comprehensive income for the period	7,842	-3,503	-15,642
<b>Balance sheet as per end of period</b>			
Equities	63,640	70,690	56,903
Other non-current assets	57	209	52
Total non-current assets	63,697	70,899	56,955
Short-term equity investments	334	216	0
Cash and cash equivalents	179	906	57
Other current assets	1,133	136	104
Total current assets	1,646	1,258	161
Total assets	65,343	72,157	57,116
Shareholders' equity	46,982	52,824	39,140
Non-current interest-bearing liabilities	15,516	14,496	13,947
Non-current noninterest-bearing liabilities**	1,029	2,162	527
Total non-current liabilities	16,545	16,658	14,474
Current interest-bearing liabilities	1,379	2,399	2,923
Other liabilities	437	276	579
Total current liabilities	1,816	2,675	3,502
Total shareholders' equity and liabilities	65,343	72,157	57,116
<b>Cash flow</b>			
Cash flow from operating activities	-439	410	2,072
Cash flow from investing activities	718	-3,359	-4,461
Cash flow from financing activities***	-157	3,835	2,433
Cash flow for the period	122	886	44
Exchange rate difference in cash and cash equivalents	0	20	13
Cash and cash equivalents at end of period	179	906	57

\* Including short-term trading and management costs.

\*\* Of which, the option portion of convertible loans, totaling SEK 1.018 M (2,149), which at the times of issue amounted to a combined total of SEK 982 M (383).

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

SEK M	2012 Jan.–March	2011 Jan.–March	2011 Jan.–Dec.
<b>Changes in shareholders' equity</b>			
Opening shareholders' equity as per balance sheet	39,140	56,327	56,327
Comprehensive income for the period	7,842	-3,503	-15,642
Dividend	–	–	-1,545
Closing shareholders' equity as per balance sheet	46,982	52,824	39,140
<b>Key data as per end of period</b>			
Net asset value per share, SEK	124	142	104
Net asset value per share after full conversion, SEK	123	137	106
Share price (Class A), SEK	105	123	87
Share price (Class C), SEK	98	112	82
Number of shares (thousands)*	386,271	386,271	386,271
<b>Interest-bearing net debt at end of period</b>			
Cash and cash equivalents	179	906	57
Interest-bearing assets	1,099	196	33
Non-current interest-bearing liabilities**	15,516	14,496	13,947
Current interest-bearing liabilities	1,379	2,399	2,923
Interest-bearing net debt	15,617	15,793	16,780

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

\*\* Of which, convertible loans SEK 8,502 M (8,412).

## Industrivärden – Parent Company

SEK M	2012 Jan.–March	2011 Jan.–March	2011 Jan.–Dec.
<b>Income statement</b>			
Operating income	3,720	-2,749	-12,695
Income after financial items	3,650	-2,820	-12,959
Income for the period	3,650	-2,820	-12,959
<b>Statement of comprehensive income</b>			
Income for the period	3,650	-2,820	-12,959
Change in hedging reserve	2	–	-4
Comprehensive income for the period	3,652	-2,820	-12,963
<b>Balance sheet as per end of period</b>			
Non-current assets	43,770	54,554	39,705
Current assets	2,012	455	1,914
Total assets	45,782	55,009	41,619
Shareholders' equity	33,063	41,099	29,411
Non-current liabilities	11,814	11,446	9,763
Current liabilities	905	2,464	2,445
Total shareholders' equity and liabilities	45,782	55,009	41,619



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developer of listed  
Nordic companies

[www.industrivarden.net](http://www.industrivarden.net)

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