

Interim report

January 1–June 30, 2012

- Net asset value on June 30, 2012, was SEK 113 per share, an increase of 13% since the start of the year including reinvested dividend.
- The value of the equities portfolio increased by SEK 3.3 billion to SEK 59.8 billion, or 6%, during the first half of the year. The Stockholm Stock Exchange gained 3%.
- The total return during the first half of the year was 12% for the Class A shares and 13% for the Class C shares, compared with 7% for the return index.
- Income for the first half of the year totaled SEK 5.1 billion (-4.3), corresponding to SEK 13.08 per share (-11.18).

Net asset value	June 30, 2012	Dec. 31, 2011	Dec. 31, 2010
Equities portfolio, SEK billion	59.8	56.9	71.1
Interest-bearing net debt, SEK billion	-16.1	-16.8	-13.4
of which, interest-bearing loans	-7.6	-8.2	-9.2
of which, convertible loans	-8.5	-8.6	-4.2
Net asset value, SEK billion	43.7	40.1	57.7
Net asset value per share, SEK	113	104	149
Net asset value per share after full conversion, SEK	113	106	144

Total return	6 mos.	1 yr.	5 yrs.	10 yrs.	15 yrs.	20 yrs.
Class A shares (yearly average)	12%	-12%	-5%	9%	8%	12%
Class C shares (yearly average)	13%	-11%	-5%	9%	8%	12%
Benchmark index (SIXRX)	7%	-7%	-1%	9%	7%	12%
Relative return for Class C shares, percentage points	6%	-4%	-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 euro crisis continues to affect the global sentiment in general and the financial markets in particular. The anxiety about developments in Europe is mainly rooted in a weak banking system and underfunded government budgets in many continental European countries. Sweden, as well as the other Nordic countries, has strong public finances and a solid banking system, which is a strength in these troubling times. Activity in the real economy and in our portfolio companies is still at a generally stable and relatively high level. This is because our portfolio companies operate in a global market, and economic trend is still relatively favorable in large parts of the world.

The situation in Europe is in many ways a tug of war between the political system and the financial market. The global financial market demands fast solutions and clear results at the same time that the natural sluggishness of a political system like the EU, with broad agreements and negotiated compromises, creates a confidence gap. As a result, the market is not obtaining the stability and predictability it expects. In the current situation, the market's thirst for solutions can only be satisfied in the area of liquidity, through further initiatives by the European Central Bank, ECB. In the end, only structural reforms and growth can reverse the crisis

in the euro area over the long term. Among other things this would involve well adapted structural frameworks for the single currency's way of working, structural reforms in the member states in areas such as financial markets and labor law, and investments in infrastructure. This structural work takes time – something that the market will have to accept.

Personally, I do not believe the world will go under this time, either. It can also be noted that there are strong driving forces in the form of urbanization, population growth and societal development, which are enabling sustainable growth in large parts of the world. From such an historical perspective, stocks today are cheap. We are therefore not worried about our portfolio of actively owned, quality companies with robust, global market positions. However, the extensive work on change that I described above may take time. It is therefore prudent to exercise patience with respect to valuations of listed companies.

Activity in our portfolio companies is high. With their strong balance sheets they are also well equipped to take on future challenges and to take advantage of favorable acquisition and investment opportunities that arise in times of trouble.

Industrivärden's stock has performed relatively well during the year, with a total return for the Class C share of approximately 13%, compared with 7% for the Stockholm Stock Exchanges' total return index.

During the first half of the year we have only made marginal changes in the portfolio. We have bought stocks for SEK 440 M and sold for SEK 872 M, for a net sale of SEK 432 M.

The profit from our short-term trading has amounted to SEK 51 M which is in line with our management costs.

Global competition and free trade are two central drivers of growth and prosperity today. It is therefore important that the playing field is level between companies as well as between trade areas. Against that background, it is wor-

rying that the EU – in its eagerness to regulate in an attempt to avoid new financial crises – is drawing up rules and regulations that put the banking sector in the EU area at a disadvantage. A current example is CRD 4, which regulates banks' capital adequacy along with a host of other issues. Companies' operations and ownership rights are being affected by long-reaching detailed regulations, such as those laid out in the EU's so-called Green Paper on Corporate Governance. What's even more unfortunate is that the Swedish government is striving for regulations that go even further than the EU's ambitions, including in such areas as capital adequacy rules for banks, tax rules and specific rules in the environmental area. Such regulation hurts competitiveness, growth and jobs in Sweden.

Anders Nyrén

Total return for the Industrivärden stock



Measured from December 30, 1991.

Net asset value

Net asset value on June 30, 2012, was SEK 43.7 billion, an increase of SEK 3.6 billion during the first six months of 2012. Net asset value per share increased by SEK 9 to SEK 113, or 13% including reinvested dividends. During the same period, the total return index (SIXRX) increased by 7%.

Equities portfolio

During the first half of 2012, the value of the equities portfolio – adjusted for purchases and sales – increased by SEK 3.3 billion to SEK 59.8 billion. The total return for the portfolio during the same period was 10%, compared with 7% for the total return index (SIXRX).

Portfolio companies	June 30, 2012					December 31, 2011	
	Ownership in company			Share of port- folio value, %	Market value		Market value
	No. of shares	Capital, %	Votes, %		SEK M	SEK/share	
Handelsbanken A	64,841,979	10.3	10.5	25	14,700	38	12,274
Sandvik	145,312,852	11.6	11.6	22	12,838	33	12,210
Volvo A	121,506,918	5.8	15.0	16	9,733	25	9,323
Volvo B	1,312,339						24
SCA A	43,100,000	10.0	29.3	12	7,341	19	7,174
SCA B	27,700,000						19
Ericsson A	80,708,520	2.4	14.3	8	5,040	13	5,613
SSAB A	56,105,972	17.6	22.6	5	3,241	9	3,443
SSAB B	754,985						9
Skanska A	12,667,500	7.0	23.9	5	3,104	8	3,234
Skanska B	16,698,806						8
Indutrade	14,727,800	36.8	36.8	5	2,791	7	2,695
Höganäs B	4,408,046	12.6	10.0	2	965	3	937
Equities portfolio			100	59,753	155	56,903	147
Interest-bearing net debt				-16,080	-42	-16,780	-43
of which, interest-bearing loans				-7,608	-20	-8,225	-21
of which, convertible loans				-8,472	-22	-8,555	-22
Net asset value				43,673	113	40,123	104
Debt-equities ratio					27%		29%
Net asset value after full conversion					113		106
Debt-equities ratio after full conversion						13%	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 16.1 billion at June 30, 2012. The debt-equities ratio was 27%, and the equity ratio was 71%. After full conversion of outstanding convertible loans, corresponding to SEK 8.5 billion, the debt-equities ratio was 13%.

The convertible loans are hedged, entailing that translation effects have no bearing on net asset value.

As a result of the dividend of SEK 4.50 per share approved by the Annual General Meeting, the conversion prices for Industrivärden's convertible loans have been adjusted in accordance with the contracts.

For the convertible loan that matures in 2015, the

conversion price has been adjusted from SEK 115.50 to SEK 112.87, whereby a maximum of 45.3 million Class C shares would be added upon full conversion. For the convertible loan that matures in 2017, the conversion price has been adjusted from SEK 162.00 to SEK 159.91, whereby a maximum of 30.5 million Class C shares would be added upon full conversion.

At the end of the quarter, interest-bearing liabilities had an average interest and capital duration of slightly more than 3 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 favorable 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 half of 2012, the shareholdings in Handelsbanken, Sandvik and Volvo generated a better return than the return index. On the whole, the total return for the equities portfolio was 10%, compared with 7% for the return index.

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

For the last ten-year period, all of the portfolio companies except SCA and Ericsson delivered total returns that were 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	SEK billion	Total return Jan.–June 2012		Average annual total return, %	
		%	Five years, June '07–June '12	Ten years, June '02–June '12	
Handelsbanken	3.7	31	9	10	
Sandvik	1.0	8	-6	11	
Volvo	0.7	8	-8	12	
Höganäs	0.1	7	7	-	
Indutrade	0.2	7	8	-	
SCA	0.5	7	2	3	
Skanska	-0.1	-2	0	11	
SSAB	-0.1	-3	-24	8	
Ericsson	-0.4	-7	-12	4	
Equities portfolio	5.6	10			
Index (SIXRX)		7	-1	9	
Industrivärden C		13	-5	9	

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

Höganäs was a holding in 2004 and Indutrade became a listed company in October 2005.

Equity transactions

During the first half of 2012, shares were purchased for SEK 440 M and sold for SEK 872 M, as a result of short-term derivative trading with a favorable outcome. The largest net sale was made in Handelsbanken, for SEK 606 M and the largest net purchase was made in Skanska, for SEK 110 M.

Short-term trading and management costs

During the first half of 2012, Industrivärden's short-term trading generated a profit of SEK 51 M (92). Management costs amounted to SEK 58 M (51). Industrivärden's management cost was 0.19% 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.

SANDVIK

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

Through Industrivärden, they have a professional and active owner, to the benefit of their as well as Industrivärden's long-term growth in value. Current overarching ownership matters include ensuring that the companies strengthen their respective positions in emerging markets, 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.

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

- New executive management team, strategic focus and new organization
- Acquisition of Seco Tools and sale of Medtech
- Important contracts in emerging markets as Asia, Latin America and Australia, among others
- Opening of advanced steam generator tubing mill

VOLVO

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

www.volvogroup.com

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



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

www.sca.com

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

- Agreement on acquisition of Georgia-Pacific's European tissue business
- Strengthened exposure in hygiene segment in Brazil, Chile, Russia and Turkey
- Significantly strengthened position in Asia through acquisition of Taiwan-based hygiene products company
- Divestment of packaging business to DS Smith

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

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, with major upgrading and development contracts
- Acquisition of U.S. company Telcordia strengthens offering of operational support for telecom operators
- Interest in Sony Ericsson sold to Sony

SSAB

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

www.ssab.com

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

- Efficient construction operations generate good cash flows
- Successful model for value-creating project development
- Construction and operation of New Karolinska in Stockholm
- Start of first U.S. infrastructure project and sale of first commercial real estate development project in the U.S.

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

- 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

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

Other information

Accounting policies

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

Risks and uncertainties

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

A 1% change in the share price of the holdings in the equities portfolio as per June 30, 2012, would have affected their market value by approximately +/- SEK 600 M.

Related party transactions

During the first half of 2012, dividend income was received from associated companies.

Board's assurance

The Board of Directors and President certify that the half-year interim report gives a true and fair presentation of the Parent Company's and Group's business, financial position and result of operations, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, July 5, 2012
AB Industriyärden (publ)

Anders Nyrén
President and CEO, Director

Resolutions at Annual General Meeting

The 2012 Annual General Meeting was held on May 4, 2012, at which the following resolutions, among others, were made.

The dividend was set to SEK 4.50 per share (4.00).

Christian Caspar, Boel Flodgren, Stuart Graham, Hans Larsson, Fredrik Lundberg, Sverker Martin-Löf and Anders Nyrén were re-elected as directors on the Board.

The Annual General Meeting voted in favor of the Board's partially adjusted proposal to introduce a long-term share savings program for a combined maximum of 25 employees of the Industrivärden Group. The share savings program, which will cover a maximum of 125,000 Industrivärden Class C shares, is a new form of long-term variable salary and thereby takes the place of the previous, cash-based incentive program.

Auditors' Review Report

Following is the auditors' review report of interim financial information prepared in accordance with IAS 34 and Ch. 9 of the Swedish Annual Accounts Act.

Introduction

We have reviewed the interim report for AB Industrivärden (publ) for the period January 1–June 30, 2012. The Board of Directors and President are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

Focus and scope of review

We conducted our review in accordance with the Swedish standard for such reviews, SÖG 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing (IAS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group, and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm, July 5, 2012

PricewaterhouseCoopers AB

Magnus Svensson Henryson

Authorized Public Accountant

Further information

For further information, please visit Industrivärden's website: www.industrivarden.net.

Contact persons

Anders Nyrén, President and CEO

Anders Gustavsson, IRO

Sverker Sivall, Head of Corporate Communication

Martin Hamner, CFO

Tel. +46-8-666 64 00

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

Ticker codes

INDUC SS in Bloomberg

INDUc.ST in Reuters

Publication

The information provided in this half-year 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 July 5, 2012.

Financial calendar 2012

Interim report January–September: October 5

Industrivärden Group

SEK M	2012 April–June	2011 April–June	2012 Jan.–June	2011 Jan.–June	2011 Jan.–Dec.
Income statement					
Dividend income from stocks	1,348	1,771	2,391	2,403	2,403
Change in value of stocks, etc.	-3,951	-2,456	2,962	-6,475	-17,504
Other income and expenses*	-31	49	-7	41	47
Operating income	-2,634	-636	5,346	-4,031	-15,054
Financial items	-143	-142	-294	-287	-593
Income after financial items	-2,777	-778	5,052	-4,318	-15,647
Tax	-	-	-	-	-
Net income for the period	-2,777	-778	5,052	-4,318	-15,647
Earnings per share, SEK	-7.19	-2.01	13.08	-11.18	-40.51
Earnings per share after dilution, SEK	-7.19	-2.67	11.75	-11.18	-40.51
Statement of comprehensive income					
Income for the period	-2,777	-778	5,052	-4,318	-15,647
Change in hedging reserve	7	-8	20	29	5
Comprehensive income for the period	-2,770	-786	5,072	-4,289	-15,642
Balance sheet as per end of period					
Equities			59,753	67,890	56,903
Other non-current assets			64	46	52
Total non-current assets			59,817	67,936	56,955
Short-term equity investments			61	202	0
Cash and cash equivalents			44	0	57
Other current assets			100	144	104
Total current assets			205	346	161
Total assets			60,022	68,282	57,116
Shareholders' equity			42,474	50,493	39,140
Non-current interest-bearing liabilities			14,708	14,203	13,947
Non-current noninterest-bearing liabilities**			906	1,626	527
Total non-current liabilities			15,614	15,829	14,474
Current interest-bearing liabilities			1,479	1,690	2,923
Other liabilities			455	270	579
Total current liabilities			1,934	1,960	3,502
Total shareholders' equity and liabilities			60,022	68,282	57,116
Cash flow					
Cash flow from operating activities			2,192	2,069	2,072
Cash flow from investing activities			432	-3,524	-4,461
Cash flow from financing activities***			-2,639	1,445	2,433
Cash flow for the period			-15	-10	44
Exchange rate difference in cash and cash equivalents			2	10	13
Cash and cash equivalents at end of period			44	0	57

* Including short-term trading and management costs.

** Of which, the option portion of convertible loans, totaling SEK 707 M (1,613), which at the times of issue amounted to a combined total of SEK 982 M (383).

*** Of which, dividend of SEK 1,738 M paid to the shareholders in 2012 and SEK 1,545 M in 2011.

SEK M	2012 Jan.–June	2011 Jan.–June	2011 Jan.–Dec.
Changes in shareholders' equity			
Opening shareholders' equity as per balance sheet	39,140	56,327	56,327
Comprehensive income for the period	5,072	-4,289	-15,642
Dividend	-1,738	-1,545	-1,545
Closing shareholders' equity as per balance sheet	42,474	50,493	39,140
Key data as per end of period			
Net asset value per share, SEK	113	135	104
Net asset value per share after full conversion, SEK	113	132	106
Share price (Class A), SEK	94	111	87
Share price (Class C), SEK	89	105	82
Number of shares (thousands)*	386,271*	386,271	386,271
Interest-bearing net debt at end of period			
Cash and cash equivalents	44	0	57
Interest-bearing assets	63	41	33
Non-current interest-bearing liabilities**	14,708	14,203	13,947
Current interest-bearing liabilities	1,479	1,690	2,923
Interest-bearing net debt	16,080	15,852	16,780

* Number of shares upon full conversion (thousands), 462,114.

** Of which, convertible loans SEK 8,472 M (8,656).

Industrivärden moderbolaget

SEK M	2012 Jan.–June	2011 Jan.–June	2011 Jan.–Dec.
Income statement			
Operating income	978	-2,128	-12,695
Income after financial items	836	-2,265	-12,959
Income for the period	836	-2,265	-12,959
Statement of comprehensive income			
Income for the period	836	-2,265	-12,959
Change in hedging reserve	–	–	-4
Comprehensive income for the period	836	-2,265	-12,963
Balance sheet as per end of period			
Non-current assets	39,859	51,119	39,705
Current assets	1,796	1,312	1,914
Total assets	41,655	52,431	41,619
Shareholders' equity	28,509	40,109	29,411
Non-current liabilities	10,867	10,658	9,763
Current liabilities	2,279	1,664	2,445
Total shareholders' equity and liabilities	41,655	52,431	41,619



Long-term industrial
developer of listed
Nordic companies

www.industrivarden.net

AB IndustriVärden (publ)
Reg. no. 556043-4200

Box 5403
SE-114 84 Stockholm
Sweden

Tel. +46-8-666 64 00
info@industrivarden.se