

Interim Report 3M:2016

January 1 – March 31, 2016

- The total return for the first quarter of 2016 was -4 % for the Class A shares and -5 % for the Class C shares, compared with -3 % for the total return index (SIXRX).
- Net asset value on March 31, 2016, was SEK 71.8 billion, or SEK 166/share, representing an increase during the quarter of SEK 2.8 billion, or SEK 6/share. This corresponds to a change of +4 %.
- Earnings per share during the first quarter 2016 were SEK 7.25 per share.
- The debt-equities ratio as per March 31, 2016, was 12 %, a decrease since the year-end 2015 of 3 %-points.
- During the first quarter of 2016, stocks were sold net for SEK 1.5 billion.
- Standard & Poor's upgraded Industrivärden's credit rating to A/Stable/A-1.

Value performance

ANNUAL AVERAGE CHANGE PER MARCH 31, 2016

	Net asset value*	Total return	
		Industrivärden C	Index (SIXRX)
3M: 2016	4%	-5%	-3%
1 year	-8%	-11%	-8%
3 years	7%	10%	13%
5 years	7%	9%	10%
7 years	20%	20%	18%
10 years	5%	7%	8%

*Including reinvested dividend.



CEO's message

Continued uncertainty in the business environment and stock market

During the first quarter of 2016 the stock market was volatile and in a downward trend. Although the uncertainty remains, negative interest rates and overall good levels of profitability and dividend yield point to a certain underlying support for the stock market. Global growth is forecast to be flat, around three per cent in 2016. From a regional perspective, several key European economies and the U.S. continue to show positive signs. This is important, as a significant share of the portfolio companies' sales are derived from these markets.

Intensive nomination work ahead of AGMs

The nominating committees of the portfolio companies have now presented their recommendations to the respective companies' Annual General Meetings. The proposed boards are considered to be well-suited for the respective companies and entail several new directors on the companies' boards. In my role as nominating committee member I feel that we have broadened our network with potential candidates to propose for election in the nominating processes.

Current status of portfolio companies

Industrivärden's portfolio companies are currently in various stages of development, with varying market conditions. While some of the companies are conducting extensive structural work and facing significant challenges, I believe that the portfolio companies have favorable value potential over time.

Handelsbanken is showing continued favorable earnings and profitability. Its operations in the UK and the Netherlands are growing organically, with major long-term profitability potential. Some uncertainty exists regarding changes in capital adequacy regulations.

SCA is carrying out several value-focused activities combined with a clear focus on efficiency. Sales and earnings have developed well. Strategic investments in emerging markets are creating further, favorable opportunities for the future.

Sandvik is encountering continued weak demand, which is putting greater demands than normal on productivity improvements in order to maintain competitiveness. The company's strong positions combined with the new management's focus on decentralization and efficiency improvement have set the stage for favorable performance in an improved market situation.

Volvo is struggling with a challenging market situation in several key markets. The company has carried out a large efficiency improvement program, and a number of organizational changes have recently been carried out in its operations, above all in the trucks segment. These actions and continuous work on improvement will generate a better outcome from Volvo's global positions over time.

Ericsson's earnings are improving, but its organic growth remains weak. The company though continues to grow its profitable services

business as well as in selected growth areas. The company's technologically leading position with various strategic partnerships creates good future potential.

Skanska is showing favorable operational and financial performance. The company has a clear ambition to further develop its successful construction business and to continue growing the volume of its profitable project development business.

ICA Gruppen is performing well on the foundation of its strong market position. At the same time, competition is growing, which requires focus on the core business in order to defend its position.

SSAB is encountering tough market conditions in the form of weak demand and low prices as well as an already high level of debt. This is putting high demands on efficiency improvement and a strong focus on cash flow.

Value-creating stock transactions during the period

During the first quarter we carried out a number of stock transactions in our long-term shareholdings, aimed at lowering our level of debt and increasing our financial flexibility.

Industrivärden's performance in 2016

At the end of the quarter, net asset value was SEK 71.8 billion, or SEK 166 per share, corresponding to an increase of 4 %. During the same period, the total returns for the Class A and C shares were -4 % and -5 %, respectively, compared with -3 % for the total return index.

Stronger credit rating

In connection with the publication of the 2015 year-end report in early February 2016, the Board of Directors adopted new debt and dividend policies. These changes were made to strengthen our financial capacity and flexibility. As a result of this, Standard & Poor's upgraded Industrivärden's credit rating one notch to A/Stable/A-1.

Industrivärden's Annual General Meeting

Industrivärden's Annual General Meeting will be held on May 9 in the Vinterträdgården hall at the Grand Hotel in Stockholm. I look forward to meet with the shareholders and talking more in-depth about my views on Industrivärden's challenges and opportunities in the year ahead. I also intend to touch upon the strategic development steps that were decided on by the Board in February 2016.



Helena Stjernholm

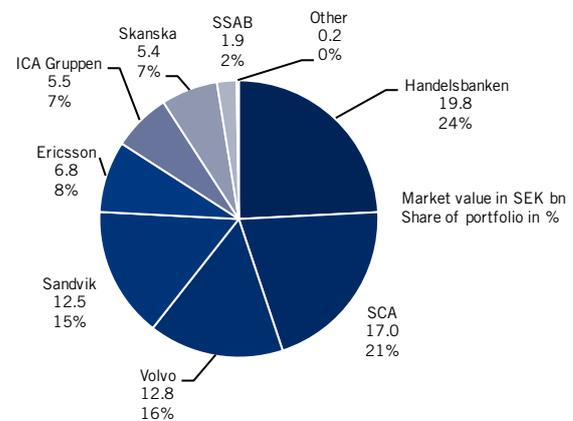
Overview

Industrivärden in brief

Industrivärden conducts long-term asset management that creates value through active ownership. The long-term goal 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.

In February 2016 Industrivärden's board adopted a new, refined strategy. The aim is to enhance the return on Industrivärden's stock over time. Important changes include a stronger corporate governance model, a broader investment universe, and greater capacity and flexibility to act over time.

EQUITIES PORTFOLIO, MARCH 31, 2016



COMPOSITION OF EQUITIES PORTFOLIO AND NET ASSET VALUE

Portfolio companies	3/31/2016					3M: 2016		
	No. of shares	Share of ownership, %		Share of value, %	Market value		Total return	TR for the stock
		Capital	Votes		SEK M	SEK/share	SEK M	%
Handelsbanken A	192 023 948	10.1	10.2	24	19 836	46	-744	-3
SCA A	35 250 000	9.5	29.5	21	8 950	39	545	3
SCA B	31 550 000				8 004			
Volvo A	142 154 571	6.7	21.3	16	12 709	30	1 216	10
Volvo B	1 500 000				134			
Sandvik	148 584 257	11.8	11.8	15	12 481	29	1 478	13
Ericsson A	86 052 615	2.6	15.2	8	6 833	16	4	0
ICA Gruppen	20 625 000	10.3	10.3	7	5 540	13	-819	-13
Skanska A	12 667 500	6.9	23.9	7	2 347	12	609	12
Skanska B	16 343 995				3 029			
SSAB A	63 105 972	11.6	19.2	2	1 846	4	431	29
SSAB B	754 985				18			
Other				0	203	0	16	
Equities portfolio				100	81 930	190	2 737	3
Interest-bearing net debt					-10 122	-23	Index:	-3
of which, convertible bond					-4 973	-12		
Net asset value					71 808	166		
Debt-equities ratio						12%		
Net asset value after full conversion						166		
Debt-equities ratio after full conversion						6%		

Performance

Net asset value

Net asset value on March 31, 2016, was SEK 71.8 billion, or SEK 166 per share, an increase of SEK 2.8 billion, or SEK 6 per share, equivalent to 4%, during the quarter compared with -3 % for the Stockholm Stock Exchange's total return index (SIXRX).

During the last ten-year period, net asset value grew by 1 % per year and by 5 % per year including reinvested dividend. The SIXRX total return index increased by 8 % during the same period.

Equities Portfolio

During the first quarter of 2016 the value of the equities portfolio, adjusted for purchases and sales, increased by SEK 1.6 billion, or SEK 4 per share to SEK 81.9 billion, or SEK 190 per share. The shareholdings in Sandvik and Volvo made significant positive contributions to the equities portfolio's value performance, while the shareholdings in ICA Gruppen and Handelsbanken had the most negative contribution impact.

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

Cash flow

Investment activities

During the first quarter of 2016, stocks were sold for SEK 1.6 billion and purchased for SEK 0.1 billion. The largest stock sale were in SCA, for SEK 1.0 billion.

Proposed dividend

The Board of Directors has proposed a dividend of SEK 5.00 per share (6.25), to be approved by the Annual General Meeting on May 9, 2016. The total dividend payout as proposed would amount to SEK 2 162 M (2 702).

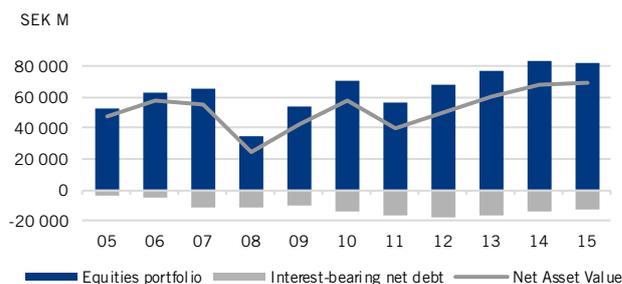
Management cost

The management cost during the first quarter amounted to SEK 31 M (61), which on a yearly basis corresponded to 0.15 % of the equities portfolio's value on March 31, 2016.

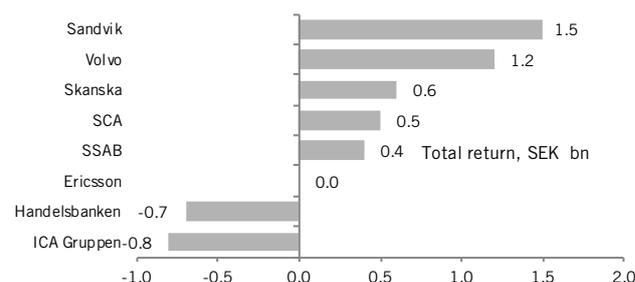
DEVELOPMENT OF NET ASSET VALUE 3M:2016

	3/31/2016		12/31/2015	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	81.9	190	81.8	189
Interest-bearing net debt	-10.1	-23	-12.6	-29
Adjustment exchangeable	-	-	-0.1	0
Net asset value	71.8	166	69.1	160

DEVELOPMENT OF NET ASSET VALUE, 10 YEARS



CONTRIBUTION ANALYSIS OF SHAREHOLDINGS 3M:2016



PERFORMANCE OF SHAREHOLDINGS, 3 YEARS

3/31/2016	Annual average total return, %
Handelsbanken	9
SCA	18
Volvo	1
Sandvik	-2
Ericsson	4
ICA Gruppen	22
Skanska	21
SSAB	-16
Total return index (SIXRX)	13

MAJOR INVESTMENT ACTIVITY 3M:2016

Stock	No. shares	Amount (SEK bn)
<i>Purchases of stock</i>		
SSAB A	5 000 000	-0.1
<i>Sales of stock</i>		
SCA B	4 000 000	1.0
SHB A	1 961 089	0.2
Skanska B	1 000 000	0.2
ICA Gruppen	500 000	0.1
Other		0.1
Total		1.5

Net debt

Interest-bearing net debt amounted to SEK 10.1 billion on March 31, 2016. The debt-equities ratio was 12 %, and the equity ratio was 84 % (82). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

Upon full conversion of the outstanding convertible bond, totaling SEK 5.0 billion, interest-bearing net debt amounts to SEK 5.1 billion, with a debt-equities ratio of 6 %.

On March 31, 2016, interest-bearing liabilities had an average capital duration of slightly more than 2 years and carried an average interest rate of approximately 1.8 %.

No part of Industrivärden's borrowings is conditional on any covenants. On February 11, 2016, Standard & Poor's upgraded Industrivärden's credit rating to A/Stable/A-1.

Industrivärden share data

The market prices for Industrivärden's Class A and C shares were SEK 152.00 and SEK 138.40 on March 31, 2016. At year-end 2015 the corresponding market prices were SEK 158.90 and SEK 145.10.

The total return for Industrivärden's Class A and C shares during the first quarter of 2016 were -4 % and -5 %, respectively, compared with -3 % for the total return index. The total returns for Industrivärden's shares over longer periods of time are shown in the table on page 1.

At the 2011 Annual General Meeting, a share conversion clause was added to the Articles of Association. Shareholders have the right at any time to request conversion of Class A shares to Class C shares. No shares were converted during the first quarter of 2016.

FINANCING, MARCH 31, 2016

	Framework, SEK M	Utilized amount, SEK M	Maturity
Convertible bond		4 973	2017
Exchangeable bond		4 190	2019
Bank loans		2 000	2017
MTN-program	8 000	500	2018
Commercial paper	2 000	600	2016

CONVERTIBLE AND EXCHANGEABLE BONDS MARCH 31, 2016

	Convertible bond	Exchangeable bond
Nominal amount	EUR 550 M	SEK 4,4 bn
Term	2011-2017	2014-2019
Underlying	Industrivärden	ICA Gruppen
Coupon	1.875%	0.0%
Conversion price	SEK 163.74/share*	SEK 298.52/share

*Conversion price of SEK 157.57/share (EUR 17.74/share), but current FX-level of SEK 9.23/EUR 1 gives the above stated actual conversion price. For further information on the convertible bond, see Note 15 in the 2015 Annual Report.

SHARE STRUCTURE, MARCH 31, 2016

Share class	No. of shares*	No. 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
Total	432 341 271	284 601 014	100.0	100.0

*Upon full conversion of the outstanding convertible bond a maximum of 31.0 million Class C shares would be added.

Other

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, 2016, would have affected its market value by approximately +/- SEK 800 M.

Related party transactions

During the quarter, no material related party transactions took place.

Disputes

During the first quarter of 2016, Refaat el-Sayed directed demands on Industrivärden, demanding payment of SEK 1 645 M, including interest of approximately SEK 1 224 M, pertaining to agreements made between Industrivärden and Refaat el-Sayed in connection with the so-called Fermenta affair in 1986. Following a review by legal experts, the claims are considered to be incorrect and also expired due to the statute of limitations. The dispute will be resolved through arbitration.

Annual General Meeting 2016

The 2016 Annual General Meeting will be held on Wednesday, May 9 at 2 p.m. at the Grand Hotel, Vinterträdgården hall, in Stockholm. Notification to attend can be made by post, by electronic application on Industrivärden's website, or by phone, at +46-8-402 92 86.

Proposed dividend 2016

The Board of Directors has proposed that the AGM vote in favor of a dividend of SEK 5.00 per share. Dividends will be paid out to shareholders who are listed in the shareholder register on the record date. The Board has proposed May 11, 2016, as the record date. Provided that the AGM approves the Board's proposal, this entails that Industrivärden shares purchased not later than the day of the AGM, May 9, 2016, will carry entitlement to the dividend (provided that the purchase was recorded in the shareholder register on May 11, 2016). Payment of the dividend is expected to be made via Euroclear Sweden on May 16, 2016.

Annual Report 2015

Industrivärden's 2015 Annual Report was published on February 25, 2016, and is available on the Company's website and can be ordered from the Company.

Recommendation for election of board members at the Annual General Meeting

The Nominating Committee recommends re-election of board members Pär Boman, Christian Caspar, Bengt Kjell, Nina Lindander, Fredrik Lundberg, Annika Lundius and Lars Petterson. Industrivärden's CEO, Helena Stjernholm, has been proposed as a new board member. In addition, Fredrik Lundberg has been nominated for re-election as Chairman of the Board. Information about the nominated board members is provided on Industrivärden's website.

Financial calendar

Annual General Meeting: May 9, 2016
Interim report January–June: July 6, 2016
Interim report January–September: October 6, 2016

Contact persons

Anders Gustavsson, Investor Relations
tel. +46-8-666 64 41, agn@industrivarden.se
Sverker Sivall, Head of Corporate Communication
Martin Hamner, CFO
Helena Stjernholm, CEO

Contact information

AB Industrivärden (publ)
Box 5403, SE-114 84 Stockholm, Sweden
Registered office: Stockholm
Reg. no.: 556043-4200
Switchboard: +46-8-666 64 00
E-mail: info@industrivarden.se
Website: www.industrivarden.net

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Publication

The information provided in this interim report is such that AB Industrivärden (publ) is obligated to publish pursuant to the Securities Market Act. Submitted for publication at 10:00 a.m. on April 5, 2016.

Stockholm, April 5 2016

Helena Stjernholm, CEO

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

Financial statements

GROUP

SEK M	2016 Jan.-Mar.	2015 Jan.-Mar.	2015 Jan.-Dec.
INCOME STATEMENT			
Dividend income from stocks	1 152	1 165	3 184
Change in value of stocks, etc.	2 064	10 665	406
Management cost	-31	-61	-229
Operating income	3 185	11 769	3 361
Financial items	-51	-71	-257
Income after financial items	3 134	11 698	3 104
Tax	-	-	-
Net income for the period	3 134	11 698	3 104
Earnings per share, SEK	7.25	27.06	7.18
Earnings per share after dilution, SEK	6.41	26.13	7.18
STATEMENT OF COMPREHENSIVE INCOME			
Comprehensive income for the period	3 134	11 699	3 146
BALANCE SHEET as per end of period			
Equities	81 930	93 744	81 835
Non-current receivables, etc.	485	649	466
Total non-current assets	82 415	94 393	82 301
Cash and cash equivalents	1 115	270	5
Other current assets	689	1 366	231
Total current assets	1 804	1 636	236
Total assets	84 219	96 029	82 537
Shareholders' equity	70 984	79 105	67 850
Non-current interest-bearing liabilities	6 797	11 100	11 163
Non-current non interest-bearing liabilities*	515	1 208	1 122
Total non-current liabilities	7 312	12 308	12 285
Current interest-bearing liabilities*	5 575	4 298	2 149
Other liabilities	348	318	253
Total current liabilities	5 923	4 616	2 402
Total shareholders' equity and liabilities	84 219	96 029	82 537
CASH FLOW			
Cash flow from operating activities	1 105	1 096	2 775
Cash flow from investing activities	1 540	322	1 894
Cash flow from financing activities**	-1 535	-1 148	-4 664
Cash flow for the period	1 110	270	5
Cash and cash equivalents at end of period	1 115	270	5

* Of which, the option components of the convertible bond and exchangeable bond, totaling SEK 518 M (1 081), which at the times of issue amounted to a combined total of SEK 934 M.

** Of which, dividends of SEK 2 702 M paid to shareholders in 2015.

SEK M	2016 Jan.-Mar.	2015 Jan.-Mar.	2015 Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY			
Opening shareholders' equity as per balance sheet	67 850	67 406	67 406
Comprehensive income for the period	3 134	11 699	3 146
Dividend	0	0	-2 702
Closing shareholders' equity as per balance sheet	70 984	79 105	67 850
INTEREST-BEARING NET DEBT at end of period			
Cash and cash equivalents	1 115	270	5
Interest-bearing assets	1 135	1 971	659
Non-current interest-bearing liabilities*	6 797	11 100	11 163
Current interest-bearing liabilities*	5 575	4 298	2 149
Interest-bearing net debt	10 122	13 157	12 648

* Of which, convertible bond of SEK 4 973 M (4 881).

PARENT COMPANY

SEK M	2016 Jan.-Mar.	2015 Jan.-Mar.	2015 Jan.-Dec.
INCOME STATEMENT			
Operating income	3 243	8 469	-143
Income after financial items	3 218	8 430	-261
Income for the period	3 218	8 430	-261
Comprehensive income for the period	3 218	8 431	-219
BALANCE SHEET as per end of period			
Non-current assets	46 278	53 889	43 603
Current assets	2 383	5 508	3 039
Total assets	48 661	59 397	46 642
Shareholders' equity	37 461	45 595	34 243
Non-current liabilities	5 312	10 308	10 285
Current liabilities	5 888	3 494	2 114
Total shareholders' equity and liabilities	48 661	59 397	46 642

Accounting policies

Accounting policies

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

Fair value measurement of financial instruments

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

Responsibility for fair value measurement, which is based on documentation produced by the company's risk manager, rests with management. ISDA master agreements exist with the pertinent counterparties.

3/31/2016	Level 1	Level 2	Level 3	Total
Assets				
Equities	81 750	-	180	81 930
Derivatives	4	10	-	14
Total assets	81 754	10	180	81 944

	Level 1	Level 2	Level 3	Total
Liabilities				
<i>Non-current liabilities</i>				
Option component of exchangeable bond	-	401	-	401
Derivatives	-	110	-	110
<i>Current liabilities</i>				
Option component of convertible bond	-	117	-	117
Derivatives	50	2	-	52
Total liabilities	50	630	-	680

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

