

Interim Report 9M:2016

January 1 – September 30, 2016

- The total return for the first nine months 2016 amounted to 11 % for the Class A shares and 13 % for the Class C shares, compared with 6 % for the total return index (SIXRX).
- Net asset value on September 30, 2016, was SEK 76.3 billion, or SEK 177/share, an increase of 11 % since the end of 2015, and 14 % including reinvested dividend.
- Earnings per share during the first nine months 2016 amounted to SEK 23.00 per share.
- The debt-equities ratio as per September 30, 2016, was 13 %, a decrease since the year-end 2015 of 2 %-points.
- During the first nine months 2016, stocks were sold net for SEK 0.9 billion.

Value performance

ANNUAL AVERAGE CHANGE PER SEPTEMBER 30, 2016

	Net asset value*	Total return	
		Industrivärden C	Index (SIXRX)
9M:2016	14%	13%	6%
1 year	15%	12%	13%
3 years	10%	15%	13%
5 years	18%	22%	17%
7 years	12%	16%	13%
10 years	6%	9%	8%

*Including reinvested dividend.



CEO's message

Continued precarious business environment

Global growth has leveled out at roughly 3 % per year since the financial crisis. While the growth rates for developed and emerging markets have converged in recent years, distinct differences remain from region to region.

In several major economies, significant monetary policy interventions have resulted in considerable currency movements that affect the conditions for doing business. Commodity prices remain at low levels, although prices have risen in certain areas. Geopolitical uncertainty has grown during the year, with several international hot spots of concern and the forthcoming presidential election in the U.S.

To spur inflation, central banks continue to pursue supportive and expansive monetary policies with low – and even negative – interest rates. This is expected to continue, which is encouraging investors to put their capital into more high-risk assets in their search for returns. This inflow of capital is significant, which is benefiting the stock market.

Favorable performance for Industrivärden's stock

During the first nine months of the year net asset value developed well, buttressed by favorable growth in share prices above all for Sandvik, Volvo and Handelsbanken. Growth in net asset value was 14% including reinvested dividends, compared with 6% for the Stockholm Stock Exchange's return index.

This favorable performance is also reflected in Industrivärden's stock, which delivered total returns of 11% and 13%, respectively, for the Class A and C shares.

Clear engagement in portfolio companies

Our expressed ambition to strive for an accelerated pace of change in our portfolio companies facing considerable challenges is now an integral part of our business model. During the year we have sharpened our focus on central considerations for enhancing value creation, and I would go so far as to assert that we have strengthened our ownership model significantly in several respects. Being a long-term asset manager and active owner in a global economy and rapidly changing world demands responsiveness, flexibility and continuous improvements. Refining our ways of working and abilities is therefore an ongoing process. Two examples of strategic development steps in which we have exercised our ownership role are the participation in SSAB's rights issue in May and our support for SCA's recently initiated work on proposing a split of the Group into two separate operations – a hygiene company and a forest products company. A common denominator in these activities is that they increase the respective portfolio companies' room to maneuver and enable further value creation over time.

During the third quarter, changes were carried out at the CEO level, in two of our portfolio companies. At Handelsbanken, Anders Bouvin has taken office as Group Chief Executive; he previously headed Handelsbanken's successful business venture in the UK and knows the bank well. At Ericsson, CFO Jan Frykhammar has been named as acting CEO and the recruitment of a new CEO is ongoing.

Stockholm, October 6, 2016

Helena Stjernholm

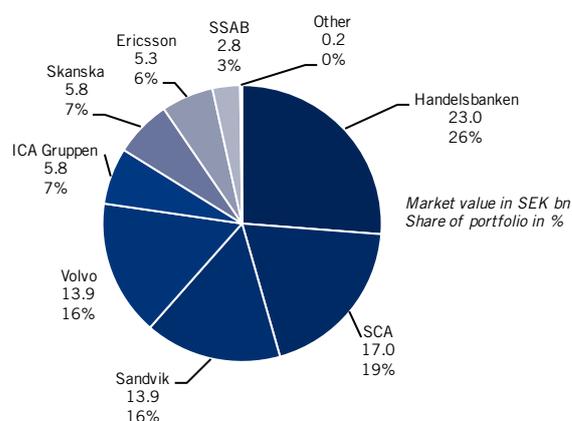
Overview

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.

More information can be found on www.industrivarden.net.

EQUITIES PORTFOLIO, SEPTEMBER 30, 2016



COMPOSITION OF EQUITIES PORTFOLIO AND NET ASSET VALUE

Portfolio companies	9/30/2016					9M: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	194 923 948	10.0	10.2	26	22 982	53	2 248	10
SCA A	35 000 000	9.5	29.7	19	8 918	39	1 000	6
SCA B	31 800 000				8 103			
Sandvik	147 584 257	11.8	11.8	16	13 925	32	3 418	31
Volvo A	142 154 571	6.7	21.4	16	13 917	32	2 924	25
ICA Gruppen	20 625 000	10.3	10.3	7	5 843	14	-299	-4
Skanska A	12 667 500	6.9	23.9	7	2 537	13	1 294	27
Skanska B	16 343 995				3 274			
Ericsson A	86 052 615	2.6	15.1	6	5 322	12	-1 250	-18
SSAB A	63 105 972	11.6	18.3	3	1 579	6	744	47
SSAB B	56 633 318				1 185			
Other				0	187	0	-6	
Equities portfolio				100	87 771	203	10 072	12
Interest-bearing net debt					-11 437	-26	Index:	6
of which, convertible bond					-5 255	-12		
Net asset value					76 334	177		
Debt-equities ratio						13%		
Net asset value after full conversion						176		
Debt-equities ratio after full conversion						7%		

Performance

Net asset value

Net asset value on September 30, 2016, was SEK 76.3 billion, or SEK 177 per share, an increase of SEK 7.2 billion, or SEK 17 per share.

Taking reinvested dividends into account, the increase in net asset value amounted to SEK 9.4 billion, or SEK 22 per share. This corresponds to an increase of 14 % during the first nine months 2016, compared with 6 % for the Stockholm Stock Exchange's total return index (SIXRX).

During the last ten-year period, net asset value grew by 3 % per year and by 6 % per year including reinvested dividend. The SIXRX total return index increased by 8 % during the same period.

Equities Portfolio

During the first nine months 2016 the value of the equities portfolio, adjusted for purchases and sales, increased by SEK 6.8 billion. On September 30, 2016 the equities portfolio amounted to SEK 87.8 billion, or SEK 203 per share. The shareholdings in Sandvik, Volvo and Handelsbanken made significant positive contributions to the equities portfolio's value performance, while the shareholdings in Ericsson and ICA Gruppen had the most negative contribution impact.

During the last three-year period the shareholdings in Skanska, SCA and ICA Gruppen have had higher total returns than the total return index (SIXRX), while the shareholdings in SSAB, Ericsson, Volvo and Sandvik have had substantially 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 nine months 2016 stocks were sold net for SEK 0.9 billion. The largest stock sale was in SCA, for SEK 1.0 billion. The largest purchase was the participation in SSAB's rights issue for SEK 0.6 billion.

Dividend

The Annual General Meeting on May 9, 2016 approved the Board of Directors' proposal of a dividend of SEK 5.00 per share (6.25). The total dividend payout amounted to SEK 2 162 M (2 702).

Management cost

The management cost during the first nine months 2016 amounted to SEK 86 M (201, of which one-off costs of approx. 90), which on a yearly basis corresponded to 0.13 % of the equities portfolio's value on September 30, 2016.

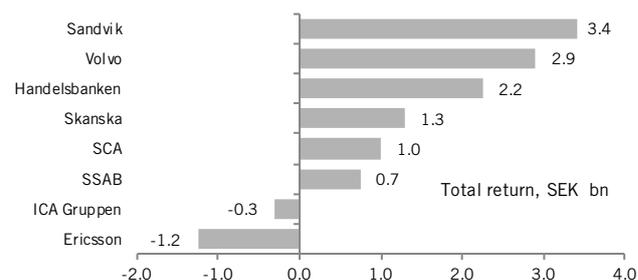
DEVELOPMENT OF NET ASSET VALUE 9M:2016

	9/30/2016		12/31/2015	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	87.8	203	81.8	189
Interest-bearing net debt	-11.4	-26	-12.6	-29
Adjustment exchangeable	-	-	-0.1	0
Net asset value	76.3	177	69.1	160

DEVELOPMENT OF NET ASSET VALUE, 10 YEARS



CONTRIBUTION ANALYSIS OF SHAREHOLDINGS 9M:2016



PERFORMANCE OF SHAREHOLDINGS, 3 YEARS

9/30/2016	Annual average total return, %
Handelsbanken	14
SCA	19
Volvo	4
Sandvik	6
ICA Gruppen	17
Ericsson	-5
Skanska	22
SSAB	-8
Total return index (SIXRX)	13

INVESTMENT ACTIVITY 9M:2016

Stock	No. shares	Amount (SEK bn)
<i>Purchases of stock</i>		
SSAB B	55 878 333	-0.6
SSAB A	5 000 000	-0.1
SHB A	938 911	-0.1
<i>Sales of stock</i>		
SCA B	4 000 000	1.0
Skanska B	1 000 000	0.2
Volvo B	1 500 000	0.1
ICA Gruppen	500 000	0.1
Sandvik	1 000 000	0.1
Other		0.1
Total		0.9

Net debt

Interest-bearing net debt amounted to SEK 11.4 billion on September 30, 2016. The debt-equities ratio was 13 %, and the equity ratio was 85 % (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 5.3 billion, interest-bearing net debt amounts to SEK 6.2 billion, with a debt-equities ratio of 7 %.

On September 30, 2016, interest-bearing liabilities had an average capital duration of approximately 2.5 years and carried an average interest rate of approximately 1.8 %. Current unutilized committed bank loans that can be used for refinancing needs amounts to SEK 5 billion.

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 170.90 and SEK 158.70 on September 30, 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 nine months 2016 were 11 % and 13 %, respectively, compared with 6 % 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 nine months 2016.

FINANCING, SEPTEMBER 30, 2016

	Framework, SEK M	Utilized amount, SEK M	Maturity
Convertible bond		5 255	2017
Exchangeable bond		4 236	2019
Bank loans		2 000	2017
MTN-program	8 000	500	2018
Commercial paper	2 000	600	2016

CONVERTIBLE & EXCHANGEABLE BONDS SEPTEMBER 30, 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 170.87/share*	SEK 296.34/share

*Conversion price of SEK 157.57/share (EUR 17.74/share), but current price level of SEK 9.63/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, SEPTEMBER 30, 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

Financial calendar

Year-end report 2016: February 9, 2017
Interim report January–March: April 5, 2017
2017 Annual General Meeting: May 9, 2017 in Stockholm
Interim report January–June: July 5, 2017
Interim report January–September: October 5, 2017

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Ticker codes

INDUC:SS, Bloomberg
INDUc.ST, Reuters
INDU C, NASDAQ OMX

Publication

This information is information that AB Industrivärden is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency by the Head of Corporate Communication stated above, at 10:00 a.m. CET on October 6, 2016.

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

Financial statements

GROUP

SEK M	2016 Jul.-Sep.	2015 Jul.-Sep.	2016 Jan.-Sep.	2015 Jan.-Sep.	2015 Jan.-Dec.
INCOME STATEMENT					
Dividend income from stocks	0	0	3 078	3 184	3 184
Change in value of stocks, etc.	7 098	-6 512	7 106	-122	406
Management cost	-26	-30	-86	-201	-229
Operating income	7 072	-6 542	10 098	2 861	3 361
Financial items	-52	-64	-153	-201	-257
Income after financial items	7 020	-6 606	9 945	2 660	3 104
Tax	-	-	-	-	-
Net income for the period	7 020	-6 606	9 945	2 660	3 104
Earnings per share, SEK	16.23	-15.28	23.00	6.15	7.18
Earnings per share after dilution, SEK	15.43	-15.28	21.31	6.15	7.18
STATEMENT OF COMPREHENSIVE INCOME					
Comprehensive income for the period	7 020	-6 596	9 945	2 672	3 146
BALANCE SHEET as per end of period					
Equities			87 771	80 971	81 835
Non-current receivables, etc.			312	480	466
Total non-current assets			88 083	81 451	82 301
Cash and cash equivalents			931	153	5
Other current assets			56	405	231
Total current assets			987	558	236
Total assets			89 070	82 009	82 537
Shareholders' equity			75 633	67 376	67 850
Non-current interest-bearing liabilities			6 843	11 278	11 163
Non-current non interest-bearing liabilities*			500	885	1 122
Total non-current liabilities			7 343	12 163	12 285
Current interest-bearing liabilities*			5 855	2 141	2 149
Other liabilities			239	329	253
Total current liabilities			6 094	2 470	2 402
Total shareholders' equity and liabilities			89 070	82 009	82 537
CASH FLOW					
Cash flow from operating activities			2 922	2 803	2 775
Cash flow from investing activities			856	2 195	1 894
Cash flow from financing activities**			-2 852	-4 845	-4 664
Cash flow for the period			926	153	5
Cash and cash equivalents at end of period			931	153	5

* Of which, the option components of the convertible bond and exchangeable bond, totaling SEK 511 M (780), which at the times of issue amounted to a combined total of SEK 934 M.

** Of which, dividends of SEK 2 162 (2 702) M paid to shareholders.

SEK M	2016 Jan.-Sep.	2015 Jan.-Sep.	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	9 945	2 672	3 146
Dividend	-2 162	-2 702	-2 702
Closing shareholders' equity as per balance sheet	75 633	67 376	67 850
INTEREST-BEARING NET DEBT at end of period			
Cash and cash equivalents	931	153	5
Interest-bearing assets	330	837	659
Non-current interest-bearing liabilities*	6 843	11 278	11 163
Current interest-bearing liabilities*	5 855	2 141	2 149
Interest-bearing net debt	11 437	12 429	12 648

* Of which, convertible bond of SEK 5 255 M (5 008).

PARENT COMPANY

SEK M	2016 Jan.-Sep.	2015 Jan.-Sep.	2015 Jan.-Dec.
INCOME STATEMENT			
Operating income	6 772	-1 025	-143
Income after financial items	6 711	-1 119	-261
Income for the period	6 711	-1 119	-261
Comprehensive income for the period	6 711	-1 107	-219
BALANCE SHEET as per end of period			
Non-current assets	48 932	42 600	43 603
Current assets	1 260	3 307	3 039
Total assets	50 192	45 907	46 642
Shareholders' equity	38 793	33 355	34 243
Non-current liabilities	5 343	10 163	10 285
Current liabilities	6 056	2 389	2 114
Total shareholders' equity and liabilities	50 192	45 907	46 642

Accounting policies and notes

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.

Alternative performance measures

The definitions for the alternative performance measures net asset value, debt-equities ratio, market value of the equities portfolio and interest-bearing net debt are provided in the 2015 Annual Report. The equity ratio is defined as equity in relation to total assets. These alternative performance measures are essential for the understanding and evaluation of an investment company's business.

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.

9/30/2016	Level 1	Level 2	Level 3	Total
Assets				
Equities	87 611	-	160	87 771
Short term investments	31	-	-	31
Derivatives	70	16	-	86
Total assets	87 712	16	160	87 888

	Level 1	Level 2	Level 3	Total
Liabilities				
<i>Non-current liabilities</i>				
Option component of exchangeable bond	-	411	-	411
Derivatives	-	88	-	88
<i>Current liabilities</i>				
Option component of convertible bond	-	100	-	100
Derivatives	2	27	-	29
Total liabilities	2	626	-	628

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

Risks and uncertainties

The dominant risk in Industrivärden's business is share price risk, i.e., the risk of a change in value caused by changes in share prices. A 1% change in the share price of the holdings in the equities portfolio as per September 30, 2016, would have affected its market value by approximately +/- SEK 900 M.

Related party transactions

During the first nine months of the year 2016, dividend income was received from associated companies.

