

# YEAR-END REPORT 2017

January 1 – December 31, 2017

- The total return for 2017 amounted to 20 % for the Class A shares and 22 % for the Class C shares, compared with 9 % for the Stockholm Stock Exchanges' total return index (SIXRX).
- Net asset value on December 31, 2017, was SEK 96.3 billion, or SEK 221/share, an increase during the year of SEK 30/share or by 18 % including reinvested dividend. Net asset value was SEK 222/share on February 7, 2018.
- Earnings per share during 2017 amounted to SEK 35.76 per share.
- The debt-equities ratio as per December 31, 2017, was 10 %, a decrease during the year of 2 %-points.
- In February, the convertible bond worth EUR 550 M matured, whereby approximately 9 % was converted to 2.9 million new Class C shares.
- In June, the portfolio company SCA was divided in the hygiene and health company Essity as well as the forest products company SCA.
- The Board of Directors proposes a dividend of SEK 5.50 per share (5.25).

## VALUE PERFORMANCE

Annual average change as per December 31, 2017

	Net asset value*	Total return	
		Industrivärden C	Index (SIXRX)
2017	18%	22%	9%
3 years	15%	18%	10%
5 years	15%	18%	14%
7 years	9%	12%	10%
10 years	8%	11%	9%

\*Including reinvested dividend.



# CEO's message

## EXTERNAL FACTORS

The macroeconomic conditions in 2017 were favorable and are expected to remain so 2018. As in 2017, global growth is projected to be around 4 %. It can be noted that most of the major economies are now expected to show growth in 2018, although to varying degrees. In the longer term the question is when the economy will level out and at what pace this will happen. From a geopolitical perspective there are a number of areas of concern that are giving rise to uncertainty regionally as well as for the global economy. Despite these, a stable macro environment and strong company performance contributed to good stock market performance in 2017. The Swedish stock market continued to develop positively during the beginning of 2018, but in early February a correction occurred, and the volatility increased, due to concerns about the US stock market. Although the market has shown a clear concern about rising inflation and interest rates, the macro forecasts for 2018, earnings growth for companies and low interest rates, point to an underlying support in the stock market. However, in the future there are expectations of higher interest rates and reduced stimulus measures, which over time will impact flows between various assets classes.

## INDUSTRIVÄRDEN'S PERFORMANCE

Industrivärden delivered a very competitive total return in 2017. Growth in value on the Stockholm Stock Exchange was good overall and especially strong for many cyclical companies. The biggest contributors to growth in the value of the equities portfolio were Volvo, Sandvik, SCA and Essity.

Industrivärden's net asset value increased by SEK 13.5 billion, or 18 % including reinvested dividend, compared with 9 % for the Stockholm Stock Exchange's total return index (SIXRX). The total return for the Class A and C shares was 20 % and 22 %, respectively, and exceeded the total return index by 11 and 13 percentage points, respectively. The fine performance from 2016 thereby continued also during 2017. During the last two-year period our Class C shares have generated an average annualized total return that is a full 12 percentage points higher than the total return index.

During 2017 we further reduced our debt-equities ratio by 2 percentage points, to 10 %. This is an effect of the equities portfolio's positive value development, partly conversion of the convertible bond and a positive cash flow after paid dividends. It is our ambition, when the opportunity arises, to further reduce debt in order to increase our financial scope to act.

Against the background of our favorable performance in 2017 the Board of Directors proposes a dividend of SEK 5.50 per share. This corresponds to an increase in the dividend by 5 %.

The strategic development project that was decided on by the Board in February 2016 has now been largely completed. During the last two-year period Industrivärden sharpened its asset management focus and strengthened the way in which it exercises active ownership. We are now working further with continuous improvement measures in order to increase our ability over time. During 2017 we strengthened our organization and our work methods, and we concretized our action plans for the portfolio companies. As a step in our enhanced focus on asset management and active ownership in a limited number of listed portfolio companies, during the year we disbanded our derivative and trading operation. We will continue to have a market function in order to carry out equity transactions also in companies in which we do not exercise active ownership, but to a limited extent and with a clear coupling to our core business.

## PORTFOLIO COMPANIES

During 2017 the pace of change remained high in a few of our portfolio companies, while others worked on steadily developing a strong base. Volvo, Sandvik and SSAB are good examples of companies that showed stronger earnings through determined steps towards change and improved market conditions. During the year the portfolio company SCA was split into the forest products company SCA and the hygiene and health company Essity. This split uncovered the two companies' intrinsic values and creates a good foundation for further developing them in their respective industries. Handelsbanken continues to develop well in line with its customer-centric strategy. ICA Gruppen showed continued favorable performance. At Skanska, the newly appointed CEO Anders Danielsson announced an increased focus and decentralization of operations. Ericsson continues its work on developing its core businesses, cutting costs and increasing efficiency. All in all it is gratifying to note that our portfolio companies show good potential for continued value creation.

Stockholm, February 8, 2018

Helena Stjernholm  
CEO

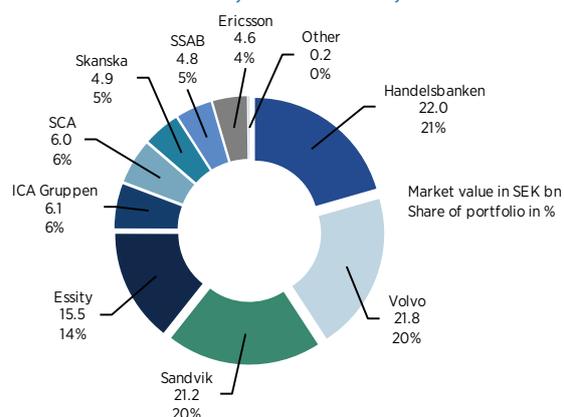
# Overview

## 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.industrivar-den.net](http://www.industrivar-den.net).

## EQUITIES PORTFOLIO, DECEMBER 31, 2017



## COMPOSITION OF EQUITIES PORTFOLIO AND NET ASSET VALUE

	12/31/2017						12M:2017	
	No. of shares	Share of ownership, %			Market value		Total return	TR for the stock
		Capital	Votes	Share of value, %	SEK M	SEK/share	SEK M	%
Portfolio companies								
Handelsbanken A	196 423 948	10.1	10.3	21	22 039	51	-1 913	-8
Volvo A	142 154 571	6.7	22.0	20	21 764	50	7 093	47
Sandvik	147 584 257	11.8	11.8	20	21 208	49	4 992	30
Essity A	35 000 000	9.5	29.8	14	8 110	36	2 263	17
Essity B	31 800 000				7 409			16
ICA Gruppen	20 625 000	10.3	10.3	6	6 144	14	632	11
SCA A	35 000 000	9.5	29.7	6	3 325	14	2 546	79
SCA B	31 800 000				2 689			65
Skanska A	12 667 500	6.9	23.9	5	2 153	11	-1 107	-18
Skanska B	16 343 995				2 778			-18
SSAB A	63 105 972	11.4	18.2	5	2 833	11	1 078	30
SSAB B	54 633 318				2 000			27
Ericsson A	86 052 615	2.6	15.1	4	4 582	11	105	2
Ericsson B	1 000 000				54			2
Other				0	200	0	59	
<b>Equities portfolio</b>				<b>100</b>	<b>107 289</b>	<b>247</b>	<b>15 748</b>	<b>17</b>
<b>Interest-bearing net debt</b>					<b>-10 930</b>	<b>-25</b>	<b>Index:</b>	<b>9</b>
<b>Adjustment regarding exchangeable bond</b>					<b>-60</b>	<b>-0</b>		
<b>Net asset value</b>					<b>96 299</b>	<b>221</b>		
Debt-equities ratio								<b>10%</b>

The total returns for Essity and SCA have been calculated as the respective companies' share of the original company SCA's total return before the split (based on share of value at the time of the split) and thereafter based on the value performance of the respective companies. The split was carried out on June 9, and the first day of trading in Essity shares was June 15, 2017.

# Performance

## NET ASSET VALUE

Net asset value on December 31, 2017, was SEK 96.3 billion, or SEK 221 per share, an increase during 2017 of SEK 30 per share, corresponding to 16 % or by 18 % including reinvested dividend. The dividend paid out in 2017 amounted to SEK 5.25 per share. The total return index (SIXRX) increased by 9 % during the same period.

Net asset value was SEK 222 per share on February 7, 2018.

During the last five and ten-year periods, net asset value grew by 15 % and 8 %, respectively, per year including reinvested dividend. The total return index (SIXRX) increased by 14 % and 9 %, respectively, during the same periods.

## EQUITIES PORTFOLIO

During 2017 the value of the equities portfolio, adjusted for purchases and sales, increased by SEK 12.9 billion. On December 31, 2017 the equities portfolio amounted to SEK 107.3 billion, or SEK 247 per share. The shareholdings in Volvo, Sandvik, SCA, Essity and SSAB made significant positive contributions to the equities portfolio's value performance.

During the last three-year period the shareholdings in SCA, Sandvik, Volvo and Essity have had higher total returns than the total return index (SIXRX). SSAB have had a development in line with the total return index. The shareholdings in Skanska, ICA Gruppen, Handelsbanken and Ericsson have had lower total returns than the total return index (SIXRX).

## CASH FLOW

### Investment activities

During 2017 stocks in Handelsbanken were bought for SEK 0.2 billion.

On April 5, 2017 the Annual General Meeting of SCA decided to distribute all shares in Essity (formerly SCA Hygiene) to SCA's shareholders. The distribution to the shareholders was conducted in accordance with the Swedish "Lex Asea" rules, entailing that the distribution was exempt from taxation. One share of Class A in SCA carried entitlement to one share of Class A in Essity and one share of Class B in SCA carried entitlement to one share of Class B in Essity. The first day of trading was on June 15, 2017.

### Dividend paid out 2017

The Annual General Meeting on May 9, 2017 approved the Board of Directors' proposal of a dividend of SEK 5.25 per share (5.00). The total dividend payout amounted to SEK 2 285 M (2 162).

### Board of Directors dividend proposal 2018

The Board of Directors proposes a dividend of SEK 5.50 per share (5.25) and April 19, 2018, as the record date. The total dividend payout will amount to SEK 2 394 M.

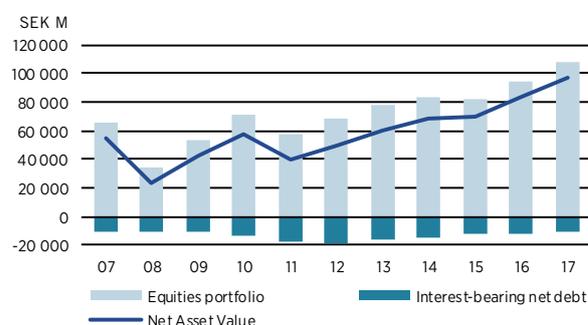
## Management cost

The management cost during 2017 amounted to SEK 111 M (112), which on a yearly basis corresponded to 0.10 % of the equities portfolio's value on December 31, 2017.

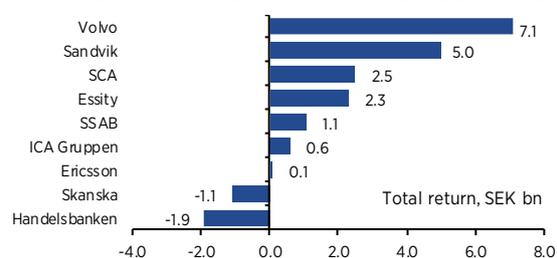
## DEVELOPMENT OF NET ASSET VALUE 12M:2017

	12/31/2017		12/31/2016	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	107.3	247	94.2	218
Interest-bearing net debt	-10.9	-25	-11.5	-27
Adjustment exchangeable	-0.1	-0	-	-
<b>Net asset value</b>	<b>96.3</b>	<b>221</b>	<b>82.8</b>	<b>191</b>

## DEVELOPMENT OF NET ASSET VALUE, 10 YEARS



## CONTRIBUTION ANALYSIS OF SHAREHOLDINGS 12M:2017



## PERFORMANCE OF SHAREHOLDINGS, 3 YEARS

	Annual average total return, %	
	3 years	
SCA*	42	
Sandvik	27	
Volvo	25	
Essity*	23	
SSAB	9	
Skanska	4	
ICA Gruppen	3	
Handelsbanken	2	
Ericsson	-13	
<b>Total return index (SIXRX)</b>	<b>10</b>	

\*For calculation methodology see table on page 3.

## NET DEBT

Interest-bearing net debt amounted to SEK 10.9 billion on December 31, 2017. The debt-equities ratio was 10 % (12), and the equity ratio was 88 % (86). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

On December 31, 2017, interest-bearing liabilities had an average capital duration of approximately 2.5 years and carried an average interest rate of approximately 0.1 %. Current unutilized committed bank loans that can be used for refinancing needs amounts to SEK 3 billion.

No part of Industrivärden 's borrowings is conditional on any covenants. Standard & Poor 's credit ranking on Industrivärden 's is A/Stable/A-1.

In 2014 a SEK 4.4 billion exchangeable bond was issued based on ICA Gruppen 's stock. 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. The strike price amounted to SEK 293.86 per share as per December 30, 2017. In the event of a potential future exchange, there is a possibility to pay either with shares or with cash.

The six-year convertible bond worth EUR 550 M that was issued in January 2011 matured on February 27, 2017, whereby approximately 9 % of the convertible bond, corresponding to 50.9 MEUR, was converted to 2 868 606 new Class C shares.

## INDUSTRIVÄRDEN SHARE DATA

The market prices for Industrivärden 's Class A and C shares were SEK 211.60 and SEK 202.50 on December 31, 2017. At year-end 2016 the corresponding market prices were SEK 180.20 and SEK 169.80.

The total return for Industrivärden's Class A and C shares during the year 2017 were 20 % and 22 %, respectively, compared with 9 % for the total return index (SIXRX). 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. During 2017, 1 090 shares were converted.

## INTEREST-BEARING NET DEBT, DECEMBER 31, 2017

	Credit facility, SEK M	Utilized amount, SEK M	Maturity
Exchangeable bond		4 355	2019
MTN-program	8 000	3 315	2018-2021
Commercial paper	3 000	3 000	2018
Pension debt		122	
Other short-term borrowing		1 023	2018
<b>Total borrowing</b>		<b>11 815</b>	
Less:			
Interest-bearing receivables		272	
Cash and cash equivalents		613	
<b>Interest-bearing net debt</b>		<b>10 930</b>	

## SHARE STRUCTURE, DECEMBER 31, 2017

Share class	No. of shares	No. of votes	Capital, %	Votes, %
A (1 vote)	268 184 340	268 184 340	61.6	94.1
C (1/10 vote)	167 025 537	16 702 553	38.4	5.9
<b>Total</b>	<b>435 209 877</b>	<b>284 886 893</b>	<b>100.0</b>	<b>100.0</b>

# Other

## NOMINATING COMMITTEE'S RECCOMENDATION FOR BOARD OF DIRECTORS

The Nominating Committee proposes re-election of board members Pär Boman, Christian Caspar, Bengt Kjell, Nina Linander, Fredrik Lundberg, Annika Lundius, Lars Pettersson and Helena Stjernholm. In addition, Fredrik Lundberg is proposed for reelection as Chairman of the Board. The Nominating Committees other recommendations will be made public in the notice of the Annual General Meeting.

## FINANCIAL CALENDAR

Interim report January–March: April 9, 2018  
Annual General Meeting: April 17, 2018 in Stockholm  
Interim report January–June: July 5, 2018  
Interim report January–September: October 5, 2018

## CONTACT PERSONS

Sverker Sivall, Head of Corporate Communication and Sustainability,  
Phone: +46-8-666 64 19  
E-mail: ssl@industrivarden.se  
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  
info@industrivarden.se  
www.industrivarden.net

## 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 and Sustainability stated above, at 12:00 a.m. CET on February 8, 2018.

## 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 – December 31, 2017. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### *Scope of review*

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report 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 International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *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 Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, February 8, 2018  
PricewaterhouseCoopers AB

Magnus Svensson Henryson  
Authorized Public Accountant

# Financial statements

## GROUP

SEK M	2017 Oct.-Dec.	2016 Oct.-Dec.	2017 Jan.-Dec.	2016 Jan.-Dec.
<b>INCOME STATEMENT</b>				
Dividend income from stocks	0	0	2 786	3 078
Change in value of stocks, etc.	482	6 581	12 957	13 687
Management cost	-29	-26	-111	-112
<b>Operating income</b>	<b>453</b>	<b>6 555</b>	<b>15 632</b>	<b>16 653</b>
Financial items	-2	-49	-77	-202
<b>Income after financial items</b>	<b>451</b>	<b>6 506</b>	<b>15 555</b>	<b>16 451</b>
Tax	-	-	-	-
<b>Net income for the period</b>	<b>451</b>	<b>6 506</b>	<b>15 555</b>	<b>16 451</b>
Earnings per share, SEK	1.04	15.05	35.76	38.05
Earnings per share after dilution, SEK	1.04	13.62	35.76	34.93
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>Net income for the period</b>	451	6 506	15 555	16 451
<i>Items that are not to be reversed in the inc. statement</i>				
Actuarial gains and losses on pensions	-6	-10	-6	-10
<b>Comprehensive income for the period</b>	<b>445</b>	<b>6 496</b>	<b>15 549</b>	<b>16 441</b>
<b>BALANCE SHEET as per end of period</b>				
Equities			107 289	94 250
Other non-current assets			12	214
Total non-current assets			107 301	94 464
Cash and cash equivalents			613	823
Other current assets			446	337
Total current assets			1 059	1 160
<b>Total assets</b>			<b>108 360</b>	<b>95 624</b>
Shareholders' equity			95 880	82 129
Non-current interest-bearing liabilities			7 292	7 382
Non-current non interest-bearing liabilities*			368	414
Total non-current liabilities			7 660	7 796
Current interest-bearing liabilities			4 523	5 425
Other liabilities			297	274
Total current liabilities			4 820	5 699
<b>Total shareholders' equity and liabilities</b>			<b>108 360</b>	<b>95 624</b>
<b>CASH FLOW</b>				
Cash flow from operating activities			2 594	2 854
Cash flow from investing activities			-103	834
Cash flow from financing activities**			-2 701	-2 870
<b>Cash flow for the period</b>			<b>-210</b>	<b>818</b>
<b>Cash and cash equivalents at end of period</b>			<b>613</b>	<b>823</b>

\* Of which, the option component of the exchangeable bond, totaling SEK 318 M, which at the time of issue amounted to a total of SEK 335 M.

\*\* Of which, dividends of SEK 2 285 (2 162) M paid to shareholders.

SEK M	2017	2016
	Jan.-Dec.	Jan.-Dec.
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>		
Opening shareholders' equity as per balance sheet	82 129	67 850
Conversion and other	486	-
Comprehensive income for the period	15 549	16 441
Dividend	-2 285	-2 162
<b>Closing shareholders' equity as per balance sheet</b>	<b>95 880</b>	<b>82 129</b>
<b>INTEREST-BEARING NET DEBT at end of period</b>		
Cash and cash equivalents	613	823
Interest-bearing assets	272	503
Non-current interest-bearing liabilities	7 292	7 382
Current interest-bearing liabilities	4 523	5 425
<b>Interest-bearing net debt</b>	<b>10 930</b>	<b>11 481</b>

## PARENT COMPANY

SEK M	2017	2016
	Jan.-Dec.	Jan.-Dec.
<b>INCOME STATEMENT</b>		
Operating income	12 145	11 343
Income after financial items	12 121	11 259
<b>Income for the period</b>	<b>12 121</b>	<b>11 259</b>
<b>Comprehensive income for the period</b>	<b>12 115</b>	<b>11 249</b>
<b>BALANCE SHEET as per end of period</b>		
Non-current assets	63 883	53 333
Current assets	2 021	1 284
<b>Total assets</b>	<b>65 904</b>	<b>54 617</b>
Shareholders' equity	53 647	43 330
Non-current liabilities	7 660	5 796
Current liabilities	4 597	5 491
<b>Total shareholders' equity and liabilities</b>	<b>65 904</b>	<b>54 617</b>

# 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 or financial position.

## ESSITY SHARES

Revenue amounting to 16 120 M from received Essity shares have been reported in the income statement on the line Change in value of stocks, etc. The corresponding negative change in value of SCA shares have been reported on the same line.

## 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 2016 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 the measurement of fair value, which is based on documentation produced by the company's risk manager, rests with management. ISDA master agreements exist with the pertinent counterparties.

12/31/2017	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	107 089	-	200	107 289
<b>Total assets</b>	<b>107 089</b>	<b>-</b>	<b>200</b>	<b>107 289</b>
<b>Liabilities</b>				
Option component of exchangeable bond	-	-318	-	-318
Derivatives, etc.	-	-53	-	-53
<b>Total liabilities</b>	<b>-</b>	<b>-371</b>	<b>-</b>	<b>-371</b>

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 December 31, 2017, would have affected its market value by approximately +/- SEK 1 100 M.

## RELATED PARTY TRANSACTIONS

During 2017, dividend income was received from associated companies.

