

INTERIM REPORT 6M:2018

January 1 – June 30, 2018

- The total return for the first half of 2018 was -12% for the Class A shares as well as for the Class C shares, compared with 4% for the Stockholm Stock Exchange's total return index (SIXRX).
- Net asset value on June 30, 2018, was SEK 96.4 billion, or SEK 222 per share, an increase during the first half of the year of SEK 1 per share. Including reinvested dividend, net asset value increased by 2% during the period.
- Earnings per share during the first half of 2018 were SEK 6.07 per share.
- In April shares in SSAB were sold for SEK 3.1 billion with a good return.
- The debt-equities ratio as per June 30, 2018, was 7%, a decrease of 3 percentage points since the start of the year. In May S&P Global Ratings upgraded Industrivärden's credit rating to A+/Stable/A-1.

VALUE PERFORMANCE

Annual average change as per June 30, 2018

	Net asset value*	Total return	
		Industrivärden C	Index (SIXRX)
6M:2018	2%	-12%	4%
1 year	4%	-11%	3%
3 years	11%	7%	8%
5 years	14%	13%	13%
7 years	11%	11%	11%
10 years	11%	12%	11%

*Including reinvested dividend.



CEO's message

EXTERNAL FACTORS

The first half of the year was characterized by high economic activity in the major economies, and the outlook for 2018 remains positive. Good corporate earnings growth and low interest rates have underpinned the stock market's performance, and in the U.S. the stock market has reached record highs. However, signs of growing concerns have begun to surface during the year over a weakening in the economic cycle, rising interest rates and political uncertainty. There are also clear signs of growing protectionism, which is affecting global trade and the companies negatively. All in all this has contributed to an increased volatility on the stock market during the first half of 2018.

PORTFOLIO COMPANIES

Activity has remained high in the portfolio companies, which will publish their half year reports in July and August. However, I would like to mention a few activities during the second quarter of 2018 – without any particular order of merit – which I believe demonstrate important steps in the realization of the respective portfolio companies' strategies.

Sandvik has acquired the French software company Metrologic Group, which is in line with Sandvik Machining Solution's strategy to broaden its customer offering in digital solutions. As part of its streamlining, Sandvik has also divested its ownership in the joint venture Fagersta Stainless as well as parts of its wire business.

Volvo has continued its efforts in electrified transport solutions and has launched its second entirely electric truck, giving the company a complete program of electric trucks for urban traffic. In addition, Volvo recently received its largest order ever for electric hybrid buses.

Essity has restructured its production within Consumer Tissue in Spain, which is a good example of the company's focused efforts on continuously increasing its cost and capital efficiency.

In June *SCA*'s expanded Östrand pulp mill began operating according to plan. The mill will double its production capacity and is expected to be one of Europe's most competitive and environmentally sound pulp mills.

Construction the world's first pilot plant for fossil-free steel production has started in Luleå as part of the HYBRIT project. *SSAB* is one of the owners and financiers of the project, which aims to produce steel using hydrogen gas instead of coking coal.

SUCCESSFUL DEAL IN SSAB'S STOCK CREATES SHAREHOLDER VALUE

In recent years we have stepped up our active owner role in the portfolio companies, with special focus on the companies that have shown a clear need for change. A good example is *SSAB*, where we subscribed for our share of the rights issue that was carried out in 2016. In April 2018 we could note that *SSAB*'s stock had delivered very favorable returns during the last two years period – roughly 100 percent compared with about 20 percent for the total return index. Against this background we chose to realize part of the value growth by selling *SSAB* shares for approximately SEK 3 billion. Through the transaction we reduced our debt, which has increased our financial flexibility.

INDUSTRIVÄRDEN'S PERFORMANCE

On June 30, 2018, net asset value was SEK 96.4 billion, or SEK 222 per share, which corresponds to an increase of 2% during the first half of the year including reinvested dividend. At the end of the period the portfolio was worth SEK 103.6 billion, and net debt was SEK 7.2 billion, corresponding to a debt-equities ratio of 7%. This means that the debt-equities ratio has decreased by 3 percentage points since the start of the year, of which most of the decrease is attributable to the sale of shares in *SSAB*. As a result of our strengthened financial position, in mid-May 2018 S&P Global Ratings upgraded Industrivärden's credit rating to A+. During the first half of the year the total return for the Class A as well as the Class C shares was -12%, compared with 4% for the total return index (SIXRX). The difference between the change in net asset value and the share price reflects a larger discount to net asset value. In summary, it can be noted that the share's total return was weak during the first half of the year. However, I see a clear potential in our portfolio companies, which creates a solid foundation for long-term shareholder value.

Helena Stjernholm
CEO

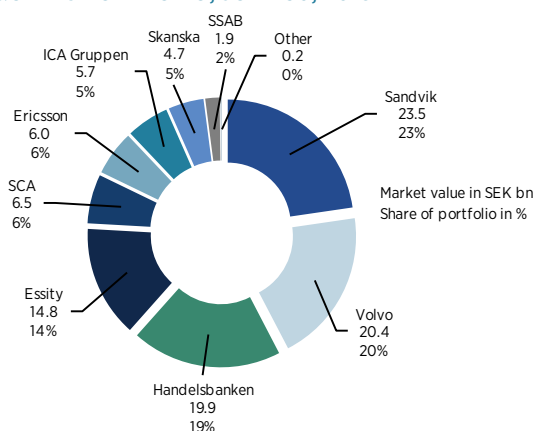
Overview

INDUSTRIVÄRDEN IN BRIEF

Industrivärden conducts long-term value-creating asset management through active ownership. The long-term objective 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 at www.industrivar-den.net.

EQUITIES PORTFOLIO, JUNE 30, 2018



COMPOSITION OF EQUITIES PORTFOLIO AND NET ASSET VALUE

	06/30/2018							6M:2018	
	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			%
Portfolio companies									
Sandvik	147,814,054	11.8	11.8	23	23,502	54	2,806	13	
Volvo A	142,600,000	6.7	22.1	20	20,392	47	-854	-4	
Handelsbanken A	199,923,948	10.3	10.5	19	19,904	46	-1,079	-5	
Essity A	35,000,000	9.5	29.8	14	7,770	34	-323	-2	
Essity B	31,800,000				7,034			-3	
SCA A	35,000,000	9.5	29.7	6	3,427	15	623	5	
SCA B	31,800,000				3,095			17	
Ericsson A	86,052,615	2.6	15.1	6	5,895	14	1,438	31	
Ericsson B	1,000,000				69			31	
ICA Gruppen	20,625,000	10.3	10.3	5	5,666	13	-264	-4	
Skanska A	12,667,500	6.9	23.9	5	2,062	11	37	1	
Skanska B	16,343,995				2,661			1	
SSAB A	44,334,933	4.3	11.8	2	1,876	4	186	-4	
Other				0	242	1	34		
Equities portfolio				100	103,595	238	2,605	2	
Interest-bearing net debt					-7,158	-16	Index:	4	
Adjustment regarding exchangeable bond					0	0			
Net asset value					96,437	222			
Debt-equities ratio						7%			

Performance

NET ASSET VALUE

Net asset value on June 30, 2018, was SEK 96.4 billion, or SEK 222 per share, an increase during the first half of 2018 of SEK 1 per share. Including reinvested dividend, net asset value increased by 2% during the period. The dividend paid out in 2018 was SEK 5.50 per share. The Stockholm Stock Exchange's total return index (SIXRX) increased by 4% during the first half of the year.

During the last five and ten-year periods, net asset value grew by 14% and 11%, respectively, per year including reinvested dividend. The total return index (SIXRX) increased by 13% and 11%, respectively, during the same periods.

EQUITIES PORTFOLIO

During the first half of the 2018 the value of the equities portfolio, adjusted for purchases and sales, decreased by SEK 1.2 billion. On June 30, 2018 the equities portfolio was worth SEK 103.6 billion, or SEK 238 per share. The shareholdings in Sandvik and Ericsson made a significant positive contribution to the equities portfolio's value performance.

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

CASH FLOW

Investment activities

During the first half of 2018 shares were bought in Handelsbanken for SEK 0.4 billion and in Volvo for SEK 0.1 billion. During the same period shares in SSAB were sold for SEK 3.1 billion.

Dividend paid out

The Annual General Meeting on April 17, 2018 approved the Board of Directors' proposed dividend of SEK 5.50 per share (5.25). The total dividend payout amounted to SEK 2,394 M (2,285).

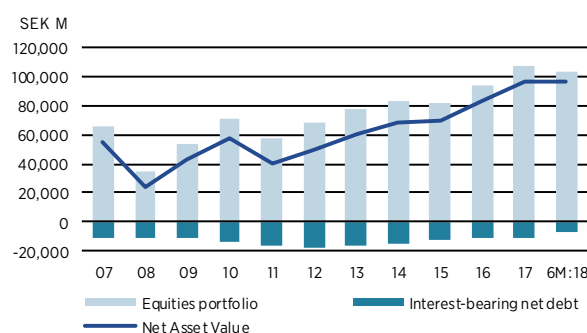
Management cost

The management cost during the first half of 2018 was SEK 70 M (55), which on a yearly basis corresponded to 0.14% of the equities portfolio's value on June 30, 2018.

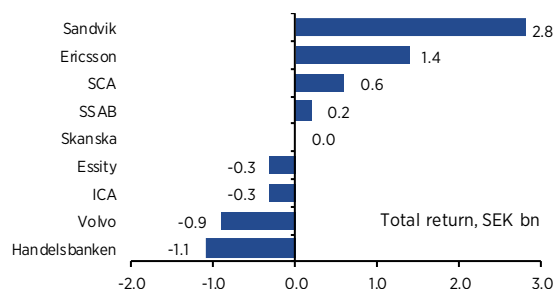
DEVELOPMENT OF NET ASSET VALUE 6M:2018

	06/30/2018		12/31/2017	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	103.6	238	107.3	247
Interest-bearing net debt	-7.2	-16	-10.9	-25
Adjustment exchangeable	0.0	0	-0.1	-0
Net asset value	96.4	222	96.3	221

DEVELOPMENT OF NET ASSET VALUE, 10 YEARS



CONTRIBUTION ANALYSIS OF SHAREHOLDINGS 6M:2018



PERFORMANCE OF SHAREHOLDINGS, 3 YEARS

	Annual average total return, %	
	3 years	
SCA*	32	
Sandvik	23	
Volvo	15	
Essity*	13	
SSAB	10	
Skanska	3	
ICA Gruppen	1	
Handelsbanken	-1	
Ericsson	-3	
Total return index (SIXRX)	8	

*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, 2017, and the first day of trading in Essity shares was June 15, 2017.

NET DEBT

Interest-bearing net debt amounted to SEK 7.2 billion on June 30, 2018. The debt-equities ratio was 7% (10%), and the equity ratio was 92% (88%). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

On June 30, 2018, interest-bearing liabilities had an average capital duration of approximately 3 years, an average interest duration of approximately 1 year and carried an average interest rate of approximately 0.1%. Current unutilized committed bank loans that can be used for refinancing needs amount to SEK 3 billion.

No part of Industrivärden's borrowings is conditional on any covenants. In May 2018 S&P Global Ratings upgraded Industrivärden's credit rating from A/Stable/A-1 to 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 of issue and carries no interest. The strike price was SEK 290,52 per share as per June 30, 2018. In the event of a potential future exchange, there is a possibility to pay either with shares or with cash.

INDUSTRIVÄRDEN SHARE DATA

The market prices for Industrivärden's Class A and C shares on June 30, 2018, were SEK 181.30 and SEK 173.70 respectively. The corresponding market prices on December 31, 2017, were SEK 211.60 and SEK 202.50 respectively.

The total return during the first half of 2018 was -12% for the Class A shares as well as for the Class C shares. The Stockholm Stock Exchange's total return index (SIXRX) increased by 4% during the same period. 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 the first half of 2018, 869 shares were converted.

INTEREST-BEARING NET DEBT, JUNE 30, 2018

	Credit facility, SEK M	Utilized amount, SEK M	Maturity
Exchangeable bond		4,392	2019
MTN-program	8,000	2,812	2019-2021
Commercial paper	3,000	700	2018
Pension debt		117	
Other short-term borrowing		215	
Total borrowing		8,236	
Less:			
Interest-bearing receivables		833	
Cash and cash equivalents		245	
Interest-bearing net debt		7,158	

SHARE STRUCTURE, JUNE 30, 2018

Share class	No. of shares	No. of votes	Capital, %	Votes, %
A (1 vote)	268,183,471	268,183,471	61.6	94.1
C (1/10 vote)	167,026,406	16,702,640	38.4	5.9
Total	435,209,877	284,886,111	100.0	100.0

Other

BOARD'S ASSURANCE

The Board of Directors and CEO 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, 2018
AB Industrivärden (publ)

Fredrik Lundberg Chairman	Pär Boman Vice Chairman	Christian Caspar Director
Bengt Kjell Director	Nina Linander Director	Annika Lundius Director
Lars Pettersson Director	Helena Stjernholm CEO and director	

RESOLUTIONS AT ANNUAL GENERAL MEETING 2018

The 2018 Annual General Meeting was held on April 17, at which the following resolutions, among others, were made. The dividend was set at SEK 5.50 (5.25) per share. All board members and the Chairman of the Board were re-elected.

CHANGE IN MANAGEMENT TEAM

On August 1, 2018, Martin Hamner will leave his position as Chief Financial Officer. The recruitment of his successor is underway.

FINANCIAL CALENDAR

Interim report January–September: October 5, 2018

CONTACT PERSONS

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Martin Hamner, CFO
Helena Stjernholm, CEO

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PUBLICATION

This information is such that AB Industrivärden is required to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was

submitted for publication, through the agency of the Head of Corporate Communication and Sustainability stated above, at 10:00 a.m. CET on July 5, 2018.

TICKER CODES

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

AUDITORS' 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 condensed interim financial information (interim report) of AB Industrivärden (publ) as of 30 June 2018 and the six-month period then ended. 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 the 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, July 5, 2018
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Financial statements

GROUP

SEK M	2018 Apr.-Jun.	2017 Apr.-Jun.	2018 Jan.-Jun.	2017 Jan.-Jun.	2017 Jan.-Dec.
INCOME STATEMENT					
Dividend income from stocks	2,089	1,724	3,764	2,786	2,786
Change in value of stocks, etc.	-910	1,552	-1,046	10,924	12,957
Management cost	-40	-29	-70	-55	-111
Operating income	1,139	3,247	2,648	13,655	15,632
Financial items	-5	-25	-7	-70	-77
Income after financial items	1,134	3,222	2,641	13,585	15,555
Tax	-	-	-	-	-
Net income for the period	1,134	3,222	2,641	13,585	15,555
Earnings per share, SEK	2.61	7.40	6.07	31.25	35.76
STATEMENT OF COMPREHENSIVE INCOME					
Comprehensive income for the period	1,134	3,222	2,641	13,585	15,549
BALANCE SHEET as per end of period					
Equities			103,595	105,328	107,289
Other non-current assets			11	12	12
Total non-current assets			103,606	105,340	107,301
Cash and cash equivalents			245	0	613
Other current assets			844	336	446
Total current assets			1,089	336	1,059
Total assets			104,695	105,676	108,360
Shareholders' equity			96,127	93,912	95,880
Non-current interest-bearing liabilities			2,178	7,248	7,292
Non-current non interest-bearing liabilities			60	636	368
Total non-current liabilities			2,238	7,884	7,660
Current interest-bearing liabilities			6,058	3,750	4,523
Other liabilities*			272	130	297
Total current liabilities			6,330	3,880	4,820
Total shareholders' equity and liabilities			104,695	105,676	108,360
CASH FLOW					
Cash flow from operating activities			3,666	2,662	2,594
Cash flow from investing activities			2,525	0	-103
Cash flow from financing activities**			-6,559	-3,485	-2,701
Cash flow for the period			-368	-823	-210
Cash and cash equivalents at end of period			245	0	613

* Of which, the option component of the exchangeable bond, totaling SEK 148 M, which at the time of issue amounted to a total of SEK 335 M.

** Of which, dividends of SEK 2,394M (2,285) paid to shareholders.

SEK M	2018	2017	2017
	Jan.-Jun.	Jan.-Jun.	Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY			
Opening shareholders' equity as per balance sheet	95,880	82,129	82,129
Conversion and other	0	482	486
Comprehensive income for the period	2,641	13,585	15,549
Dividend	-2,394	-2,285	-2,285
Closing shareholders' equity as per balance sheet	96,127	93,912	95,880
INTEREST-BEARING NET DEBT at end of period			
Cash and cash equivalents	245	0	613
Interest-bearing assets	833	327	272
Non-current interest-bearing liabilities	2,178	7,248	7,292
Current interest-bearing liabilities	6,058	3,750	4,523
Interest-bearing net debt	7,158	10,671	10,930

PARENT COMPANY

SEK M	2018	2017	2017
	Jan.-Jun.	Jan.-Jun.	Jan.-Dec.
INCOME STATEMENT			
Operating income	3,388	10,289	12,145
Income after financial items	3,384	10,271	12,121
Income for the period	3,384	10,271	12,121
Comprehensive income for the period	3,384	10,271	12,115
BALANCE SHEET as per end of period			
Non-current assets	62,612	62,264	63,883
Current assets	670	416	2,021
Total assets	63,282	62,680	65,904
Shareholders' equity	54,638	51,799	53,647
Non-current liabilities	2,238	7,884	7,660
Current liabilities	6,406	2,997	4,597
Total shareholders' equity and liabilities	63,282	62,680	65,904

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.

ALTERNATIVE PERFORMANCE MEASURES

The definitions of the alternative performance measures net asset value, debt-equities ratio, equity ratio, market value of the equities portfolio and interest-bearing net debt are provided in the 2017 Annual Report. These alternative performance measures are essential for the understanding and evaluating 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 measured in a valuation model which uses input data that are directly or indirectly observable in the market. Instruments in Level 3 are measured using a valuation technique based on input data that are not observable in a market.

Responsibility for the measurement of fair value rests with management. ISDA master agreements exist with pertinent counterparties.

06/30/2018	Level 1	Level 2	Level 3	Total
Assets				
Equities	103,353	-	242	103,595
Short term investments	659	-	-	659
Total assets	104,012	-	242	104,254
Liabilities				
Option component of exchangeable bond	-	-148	-	-148
Derivatives, etc.	-	-63	-	-63
Total liabilities	-	-211	-	-211

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 June 30, 2018, would have affected its market value by approximately +/- SEK 1,000 M.

RELATED PARTY TRANSACTIONS

During the first half of 2018, dividend income was received from associated companies.

