



IndustriVärden is one of the Nordic region's leading industrial development companies

www.industrivarden.net

Interim Report

January 1–March 31, 2014

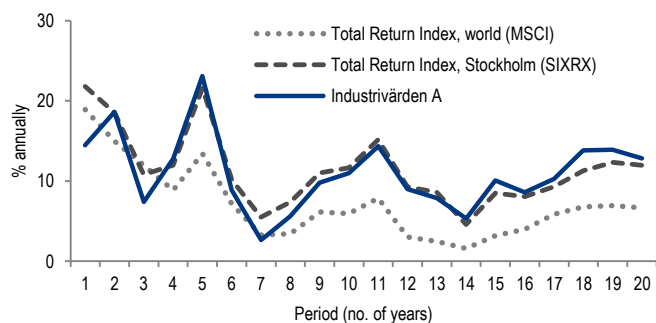
- > **The total return** for the first quarter was 3% for the Class A shares and 3% for the Class C shares, compared with 5% for the SIXRX total return index. For longer periods of time, the shares have generated a higher total return than the total return index.
- > **Net asset value** on March 31, 2014, was SEK 169/share, an increase of SEK 14/share, or 9% during the first quarter. Earnings per share for the first quarter were SEK 14.36 (21.00).
- > **During the first quarter, conversion notice of 4.0 million new Class C shares for the 2015 convertible loan has been given**, after which a total of 21% of the loan has been converted to 9.5 million new Class C shares, and approximately SEK 1.1 billion has been added to shareholder's equity.

NET ASSET VALUE



During the last twenty-year period, net asset value, incl. reinvested dividends, has increased by 11% per year.

AVERAGE ANNUAL TOTAL RETURN FOR EACH TIME PERIOD



For longer periods of time, the Class A shares have generated a higher total return than the Stockholm Stock Exchange's total return index. This performance is even stronger in comparison with a European or world index.

CEO's message

Slow but steady improvement in the real economy

The world economy is now moving in a more positive direction, albeit unevenly between various geographic regions. As always, there are areas of concern which could affect this trend to varying degrees.

A few obvious examples are the situation in Ukraine and its surrounding area, the hard winter in the U.S., which has put a short-term damper on growth in the economy, and imbalances in emerging markets' economies along with capital flight, which is hurting their currencies.

The financial markets are now positioned for a tapering of the U.S. Federal Reserve's QE stimulus program. They have also factored in a more positive trend in Europe, despite the major challenges that several countries are still facing.

From a slightly broader perspective, however, it can be noted that real growth is improving in several large and important economies, including the U.S., Japan and Europe. We are thus seeing positive signs even though long-term rates are still at low levels as a result of continued stimulus measures from central banks.

Positive signs reflected also in our portfolio companies

We are now seeing positive signs of the improvement that has taken place in the real economy in our portfolio companies. Order bookings have strengthened in general, even though the increase has been moderate. It is gratifying that we are now seeing tendencies toward lower costs for input goods and raw materials, which is strengthening profitability.

Industrivärden's performance in 2014

During the first quarter of 2014 Industrivärden's net asset value rose 9% to SEK 169 per share. The total return for the Class A and C shares was 3% and 3% respectively, compared with 5% for the return index. Our short-term trading performed well and generated a profit of SEK 82 M (24).

Strengthened investment in Volvo

In early March we took advantage of an opportunity to acquire an additional 10 million Class A shares in Volvo at attractive prices. During the five years that we have been a long-term active owner in the company, Volvo has undergone several important changes. The company is now in the midst of a structural and efficiency improvement program at the same time that it has entered 2014 with a new product lineup that will further strengthen the company's

competitiveness. The fact that we, as engaged owners, have increased our position in Volvo is an expression that we believe in the company's future potential.

Conversion of convertible loan

During the first quarter, additional conversions were initiated of the loan that matures in 2015. Together with previous conversions of the same loan, these new conversions represent 9.5 million new Class C shares, corresponding to 21% of the entire loan. A total of 67 million additional shares will thereafter be issued upon full conversion of the outstanding loans. Through conversion, our debt is converted to equity at the same time that the number of Class C shares in issue increases, which improves the stock's liquidity.

Important to stand up for a successful corporate governance model

For several years we have strongly advocated for the need to make necessary adaptations to Swedish corporate governance practice in the implementation of new EU directives in the Swedish regulatory environment. Such adaptation is an important part of every member state's implementation of EU directives, and other EU countries normally adapt their application of directives to their own special conditions and needs. The Swedish corporate governance model is and has long served as a pillar for the emergence and development of the country's export companies, which play such an important role in Sweden's economy. If consideration is not given to the special conditions that have made this possible, companies' scope to maneuver will be restricted in what has otherwise been a successful and highly effective corporate governance model. This will hurt not only individual companies, but the export sector in general. I hope and believe that greater insight will be gained into the importance of national adaptation in the implementation of new EU directives in the Swedish regulatory environment.

70 year anniversary in 2014

This year marks 70 years since Industrivärden was established, and since then the company has demonstrated its astute ability to generate competitive shareholder value over time. The anniversary will be highlighted at Industrivärden's AGM on May 6, where the operations of some of our portfolio companies will be on exhibit. Hope to see you there!

Anders Nyrén

Overview

COMPOSITION OF NET ASSET VALUE AND TOTAL RETURN FOR THE PORTFOLIO COMPANIES

Portfolio companies	3/31/2014						3M: 2014	
	No. of shares	Ownership in company, %		Share of value, %	Market value		Total return	TR for the stock
		Capital, %	Votes, %		SEK M	SEK/share	SEK M	%
Handelsbanken A	64 661 679	10.2	10.3	25	21 002	53	1 652	8
Volvo A	141 635 971	6.7	21.0	18	14 773	37	2 638	23
SCA A	40 500 000	10.0	29.2	16	7 719	34	-527	-4
SCA B	30 300 000				5 772			
Sandvik	143 274 257	11.4	11.4	16	13 102	33	111	1
Ericsson A	86 052 615	2.6	15.2	8	7 039	18	634	10
Skanska A	12 667 500	7.6	24.4	6	1 932	12	661	16
Skanska B	19 343 995				2 950			
ICA Gruppen	20 125 000	10.0	10.0	6	4 727	12	682	17
SSAB A	58 105 972	18.2	23.4	4	2 903	7	40	1
SSAB B	754 985				33			
Kone	3 736 988	0.7	0.3	1	1 018	3	-41	-4
Other					174		30	
Equities portfolio				100	83 144	210	5 881	8
Interest-bearing net debt					-16 179	-41	Index:	5
of which, convertible loans					-8 081	-20		
Net asset value					66 965	169		
Net debt-equities ratio						19%		
Net asset value after full conversion						162		
Net debt-equities ratio after full conversion						10%		

DEVELOPMENT OF NET ASSET VALUE

SEK/share	3/31/2014	12/31/2013*
Equities portfolio	210	199
Interest-bearing net debt	-41	-44
of which, convertible loans	-20	-21
Net asset value	169	155
Net debt-equities ratio	19%	22%
Net asset value after full conversion	162	150
Net debt-equities ratio after full conversion	10%	11%

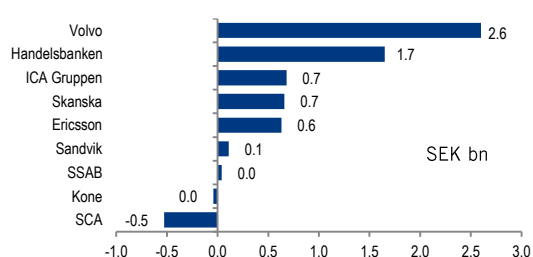
* Amounts have been adjusted due to adoption of new accounting policies, net asset value remains unchanged.

Performance

Net asset value

Net asset value increased by SEK 6.1 billion during the first quarter 2014, to SEK 67.0 billion. Net asset value per share increased by SEK 14 to SEK 169, or 9% compared with a 5% rise in the total return index (SIXRX). On March 31, 2014 net asset value amounted to SEK 162 per share after full conversion of the convertible loans.

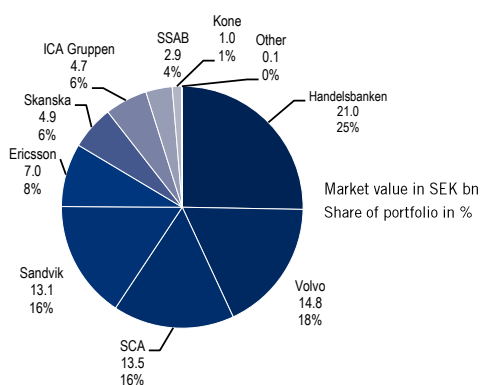
DEVELOPMENT OF EQUITIES PORTFOLIO INCL. REINVESTED DIVIDENDS, 3M:2014



Equities portfolio

During the first quarter 2014 the value of the equities portfolio, adjusted for purchases and sales, increased by SEK 4.8 billion to 83.1 billion. The shareholdings in Volvo, ICA Gruppen, Skanska, Ericsson and Handelsbanken generated higher returns than the total return index. The total return for the portfolio was 8%, compared with 5% for the total return index.

SPLIT OF EQUITIES PORTFOLIO AS PER MARCH 31, 2014



Investment activities

During the first quarter 2014, stocks were purchased for SEK 1 278 M and sold for SEK 889 M. The largest sales was in Sandvik, for SEK 185 M. The largest purchases were in Volvo, for SEK 938 M, followed by Kone, for SEK 242 M.

In the beginning of March 2014, Industrivärden flagged for the purchase of 10 million Class A shares in Volvo Group. Following the acquisition, Industrivärden's total holding was 141 635 971 shares representing 21.0% of the votes and 6.7% of the capital of Volvo Group.

Dividends

Dividends from portfolio companies amounted to SEK 1.1 billion during the first quarter 2014. Dividends received from portfolio companies are expected to amount to SEK 3.0 billion during 2014. In 2013, dividends received from portfolio companies amounted to SEK 2.5 billion, while Industrivärden distributed SEK 2.0 billion in dividends to the shareholders. The Board of Directors proposes a dividend of SEK 5.50, or SEK 2.2 billion, for 2014, corresponding to a dividend yield of 4.5% for the Class C shares at year-end 2013. At that same point in time, the forecasted dividend yield for the Stockholm Stock Exchange was 3.7%.

Net debt

Industrivärden's interest-bearing net debt amounted to SEK 16.2 billion on March 31, 2014. The debt-equities ratio was 19%, and the equity ratio was 77% (73%). Assuming full conversion of outstanding convertible loans, totaling SEK 8.1 billion, interest-bearing net debt amounted to SEK 8.1 billion, and the debt-equities ratio was 10%.

At the end of the quarter, interest-bearing liabilities had an average capital duration of approximately 2 years and carried an average interest rate of approximately 3.0%.

No part of the Group's borrowings is conditional on a certain credit rating or actual debt-equities ratio. Industrivärden's current credit rating is A-/Stable/A-2 (S&P).

Convertible loans

During the first quarter 2014, conversion notice amounting to 9% of the convertible loan 2010-2015 was given, corresponding to approximately 4.0 million new Class C shares. This will entail shortly that a total of 21% of the loan has been converted to 9.5 million new Class C shares. After the conversion, the number of votes in the company will amount to 281 251 615. The total number of registered shares in the company will amount to 395 740 387, including 268 530 640 Class A shares and 127 209 747 Class C shares.

For the convertible loan that matures in 2015, the conversion price is SEK 111.39 (corresponding to EUR 10.89/share), whereby a maximum of 36.4 million Class C shares would be added upon full conversion. Conversion is done at a fixed exchange rate of SEK 10.2258/EUR 1, entailing that at an actual exchange rate (31 March, 2014) of SEK 8.91/EUR 1, it is profitable to convert when the share price exceeds SEK 97/share.

For the convertible loan that matures in 2017, the conversion price is SEK 159.91 (corresponding to EUR 18.01/share), whereby a maximum of 30.5 million Class C shares would be added upon full conversion. Conversion is done at a fixed exchange rate of SEK 8.8803/EUR 1, and in the corresponding manner, it is profitable to convert when the share price exceeds SEK 160/share.

Upon conversion of the loans, the debt is converted to equity, and the number of shares outstanding increases. Conversion does not give rise to any financial dilution, since the loans are invested in the equities portfolio, and the conversion price has been set at a premium to net asset value.

Short-term trading and management costs

During the quarter, Industrivärden's short-term trading generated a profit of SEK 82 M (24).

Management costs amounted to SEK 36 M (31). Industrivärden's management cost was 0.17% of managed assets, which is considerably lower than for most comparable investment alternatives.

Financial statements

INDUSTRIVÄRDEN GROUP

SEK M	2014 Jan.-Mar.	2013 Jan.-Mar.	2013 Jan.-Dec.
INCOME STATEMENT			
Dividend income from stocks	1 100	691	2 504
Change in value of stocks, etc.	4 608	7 574	10 196
Other income and expenses*	46	-10	10
Operating income	5 754	8 255	12 710
Financial items	-127	-142	-570
Income after financial items	5 627	8 113	12 140
Tax	-	-	-
Net income for the period	5 627	8 113	12 140
Earnings per share, SEK	14.36	21.00	31.16
Earnings per share after dilution, SEK	12.64	18.58	27.80
STATEMENT OF COMPREHENSIVE INCOME			
Comprehensive income for the period	5 622	8 182	12 223
BALANCE SHEET as per end of period			
Equities	83 144	76 930	77 992
Total non-current assets	83 144	76 930	77 992
Cash and cash equivalents	438	112	490
Other current assets	1 159	184	74
Total current assets	1 597	296	564
Total assets	84 741	77 226	78 556
Shareholders' equity	65 385	56 562	59 280
Non-current interest-bearing liabilities	9 982	15 090	13 803
Non-current non interest-bearing liabilities**	429	1 641	1 409
Total non-current liabilities	10 411	16 731	15 212
Current interest-bearing liabilities	7 708	3 537	3 797
Other liabilities **	1 237	396	267
Total current liabilities	8 945	3 933	4 064
Total shareholders' equity and liabilities	84 741	77 226	78 556
CASH FLOW			
Cash flow from operating activities	1 037	614	1 897
Cash flow from investing activities	-389	-342	1 415
Cash flow from financing activities***	-702	-190	-2 838
Cash flow for the period	-54	82	474
Exchange rate difference in cash and cash equivalents	2	16	2
Cash and cash equivalents at end of period	438	112	490

* Including short-term trading and management costs.

** Of which, the option portion of the convertible loans, totaling SEK 1 356 M (1 462), which at the times of issue amounted to a combined total of SEK 982 M.

*** Of which, dividends of SEK 1 950 M were paid to shareholders in 2013.

SEK M	2014 Jan.-Mar.	2013 Jan.-Mar.	2013 Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY			
Opening shareholders' equity as per balance sheet	59 280	48 378	48 378
Comprehensive income for the period	5 622	8 182	12 223
Conversion	483	2	629
Dividend	0	0	-1 950
Closing shareholders' equity as per balance sheet	65 385	56 562	59 280
KEY DATA as per end of period			
Net asset value per share, SEK	169	150	155
Net asset value per share after full conversion, SEK	162	144	150
Share price (Class A), SEK	135	123	131
Share price (Class C), SEK	125	119	122
Number of shares (thousands)*	395 740	386 285	391 770
INTEREST-BEARING NET DEBT at end of period			
Cash and cash equivalents	438	112	490
Interest-bearing assets	1 073	152	16
Non-current interest-bearing liabilities	9 982	15 090	13 803
Current interest-bearing liabilities	7 708	3 537	3 797
Interest-bearing net debt	16 179**	18 363	17 094

* Number of shares upon full conversion (thousands), 462 715.

** Of which convertible loans totaling 8 081 M, whereof 3 493 M expires in Q1, 2015.

INDUSTRIVÄRDEN PARENT COMPANY

SEK M	2014 Jan.-Mar.	2013 Jan.-Mar.	2013 Jan.-Dec.
INCOME STATEMENT			
Operating income	4 647	2 226	1 660
Income after financial items	4 564	2 133	1 325
Income for the period	4 564	2 133	1 325
Comprehensive income for the period	4 559	2 142	1 348
BALANCE SHEET AS PER END OF PERIOD			
Non-current assets	50 616	48 488	47 063
Current assets	1 227	296	61
Total assets	51 843	48 784	47 124
SHAREHOLDERS' EQUITY			
Non-current liabilities	7 412	12 731	12 212
Current liabilities	7 902	2 449	3 425
Total shareholders' equity and liabilities	51 843	48 784	47 124

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.

Effective January 1, 2014, IFRS 10 Consolidated Financial Statements, is applied. Adjustments of comparative figures have been made with no effects on net income, earnings per share or shareholders' equity. Other new or amended IFRSs and 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 March 31, 2014, would have affected its market value by approximately +/- SEK 850 M.

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. Level 1 uses quoted prices in an active market, such as stocks listed on the Stockholm Stock Exchange. Level 2 uses other observable market data for the asset or liability than quoted prices, such as volatility. For level 3, fair value is determined according to a valuation technique that is based on assumptions that are not based on prices or observable data.

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

3/31/2014	Level 1	Level 2	Level 3	Total
Assets				
Equities	83 015	-	129	83 144
Equity derivatives	-	17	-	17
Other derivatives	48	-	-	48
Total assets	83 063	17	129	83 209
Liabilities				
<i>Other non-current liabilities</i>				
Option portion of conv. loans	-	1 458	-	1 458
Equity derivatives	-	11	-	11
<i>Other current liabilities</i>				
Equity derivatives	38	7	-	45
Derivative instruments used for hedging	-	6	-	6
Other derivatives	14	33	-	47
Total liabilities	52	1 515	-	1 567

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

Related party transactions

During the first quarter of 2014, no material related party transactions took place.

Other

Annual General Meeting and dividend

The 2014 Annual General Meeting will be held on Tuesday, May 6 at 2 p.m. at the Grand Hotel (Vinterträdgården) in Stockholm. The Board of Directors proposes a dividend of SEK 5.50 (5.00) per share and May 9, 2014, as the record date. Dividends are expected to be sent out via Euroclear Sweden on May 14, 2014.

Recommendation for election of board members at the Annual General Meeting

The Nominating Committee recommends the re-election of Christian Caspar, Boel Flodgren, Stuart Graham, Fredrik Lundberg, Pär Boman, Sverker Martin-Löf and Anders Nyrén, and new election of Annika Lundius and Nina Linander.

Annika Lundius, LL.M. (born 1951). Annika Lundius is an Executive Vice President of the Confederation of Swedish Enterprise and a former Legal Director and Director-General in the Swedish Ministry of Finance, and former CEO of the Swedish Insurance Federation and the Swedish Insurance Industry Employers Association (FAO). She is currently a director on the boards of SSAB and AMF Pension.

Nina Linander, M.Sc. Econ., MBA (born 1959). Nina Linander founded and until 2012 was a partner in the recruitment consulting firm Stanton Chase International. Prior to this, she served in various executive positions for Vattenfall and Electrolux. Nina Linander is a director on the boards of TeliaSonera, Skanska, Awapatent, Specialfastigheter Sverige and Castellum.

Stockholm, April 7, 2014

Anders Nyrén, President and CEO

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

2013 Annual Report

Industrivärden's 2013 Annual Report was published on February 21, 2014, and is available on the Company's website and can be ordered from the Company.

Financial calendar and AGM

Annual General Meeting: May 6, 2014
Interim report January–June: July 4, 2014
Interim report January–September: October 6, 2014

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 7, 2014.

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Contacts and further information

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Value creation

Active ownership – business concept and strategy

Industrivärden's business concept is to contribute to growth in the value of its portfolio companies through long-term active ownership, which enhances Industrivärden's net asset value and enables a total return for the shareholders which, over time, is higher than the average for the Stockholm Stock Exchange. The business is built upon substantial ownership influence, involvement, extensive

experience, knowledgeable employees, a strong business model and a large network. Active ownership is exercised primarily through board representation and emanates from strategic issues of significance for the companies' long-term growth in value. Our portfolio companies are leaders in their respective areas and have extensive geographic coverage.

Our view of Ericsson – case study



Ericsson is the world's leading supplier of communication networks, telecom services and support solutions for telecom operators. Today the company has customers in more than 180 countries.

Ericsson is one of the few companies that can offer end-to-end solutions for all major mobile communication standards. The company has been particularly successful in its profitable services segment, and service and support today account for roughly half of Ericsson's total sales.

During the past year Ericsson has won several important contracts for the fourth generation mobile network (LTE), where it has a leading position.

The company also aims to strengthen its position in IPTV, media, IP and cloud services. The scope of the recently announced patent settlement with Samsung illustrates the value of Ericsson's substantial R&D activities.

In view of Ericsson's leading market position in its industry, its strong profitability focus, and its work on building a leading position in new and important areas for the company, means that the company has positive future opportunities.

During the first quarter of 2014 Ericsson's stock has delivered a total return of 9.8%, compared with 5.0% for the Stockholm Stock Exchange and 3.4% for the MSCI Europe index.

Further information on the portfolio companies

Handelsbanken High customer satisfaction through local customer responsibility. www.handelsbanken.com

VOLVO Leading position in modern transport solutions. www.volvogroup.com



Innovative hygiene and forest products. www.sca.com



Unique know-how in customer-adapted materials technology. www.sandvik.com



Leadership in telecom. www.ericsson.com



International construction and project development operation. www.skanska.com



Market-leading retail chain with local entrepreneurship. www.icagruppen.se



Niche focus on high-strength steel. www.ssab.com
