



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

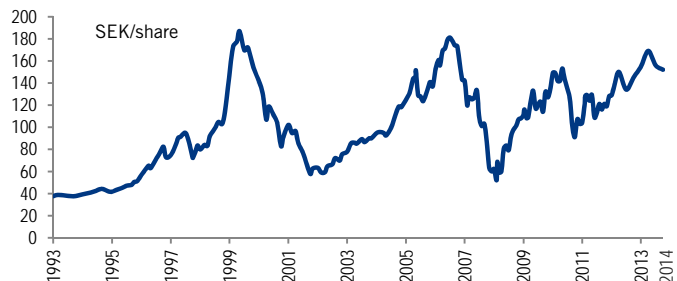
www.industrivarden.net

Interim Report

January 1–September 30, 2014

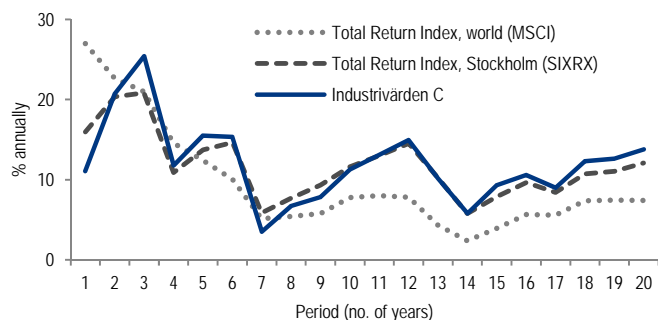
- > **The total return** for the first nine months of the year was 5% for the Class A shares and 7% for the Class C shares, compared with 9% for the SIXRX total return index. For longer periods of time, the shares have generated a higher total return than the total return index.
- > **Net asset value** on September 30, 2014, was SEK 152/share, which adjusted for conversions and reinvested dividend amounted to a rise of 5% year to date. Earnings per share for the first nine months of the year were SEK 7.54 (21.31).
- > **SSAB's merger with Finnish Rautaruukki has been concluded**, and the integration proceeds according to plan.
- > **The short-term equity trading generated a strong profit of SEK 175 (83) million during the first nine months**, despite relatively low volatility in the market.

NET ASSET VALUE



During the last twenty-year period, net asset value has increased by 7% per year, incl. reinvested dividends by 11% per year.

AVERAGE ANNUAL TOTAL RETURN FOR EACH TIME PERIOD



For longer as well as shorter periods of time, the Class C 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

Global recovery continues, though with major geographic differences

The global economy is expected to grow slightly in 2014, but there is a lack of robust growth momentum and there are major differences between geographic areas. It appears that Europe will improve somewhat going forward, although the geopolitical tensions in the region are a distinct concern. Further stabilization in Europe requires that measures be taken to address the deficiencies that remain in banking system capitalization. An efficient corporate credit market is essential to the growth of European companies. Reforms implemented in several European countries to address structural problems that came to light during the financial crisis are a positive sign. There is a distinct rebound in the U.S. economy and many indications of continued growth during 2015. American industry is developing with strong support from, among other things, cheap energy from shale gas and oil. Consumption has increased due to stabilization of the job market and increased confidence in the domestic economy. In Asia, the subdued growth seems to continue, although growth rates remain high from a European perspective. China is the region's undisputed economic engine – an engine that is now focused on developing domestic consumption, which slows down growth rates to some extent.

With portfolio companies operating in over 190 countries, Industrivärden has broad exposure to global growth. Several of our portfolio companies have established a strong position in the key growth markets that constitute an increasing proportion of their total sales. U.S. operations performs well in the wake of a stronger American economy. Half of our portfolio companies' total sales originate in Europe, and Europe therefore plays a key role in the value development of Industrivärden's equities portfolio.

SSAB's merger with Finnish company Rautaruukki has been concluded and the integration proceeds according to plan

Finnish company Rautaruukki has been part of SSAB since late July, and intensive integration work is underway to capture synergies and create a global player within specialty steel and a leading European market player within standard strip, plate and tubular products. The merger was approved by the EU Commission contingent upon the divestment of a number of small units within the Nordic distribution operation. The new organization is in place, and the new SSAB's board of directors was appointed at an extraordinary board meeting in September. The election of directors was based on the proposal of SSAB's nominating committee, which includes the major Finnish owner, Solidium.

The return during the year

At the end of the third quarter, net asset value totalled SEK 65 820 million, or SEK 152 per share, which adjusted for conversions and reinvested dividend amounted to a rise of 5% year to date. The total return was 5 percent for Class A shares and 7 percent for Class C shares, compared with 9 percent for the total return index.

Short-term equity trading showed strong profit

Despite the year's difficult market conditions with weak volatility, our short-term equity trading has generated a profit of SEK 175 (83) million – which more than covers our total management costs of SEK 108 million.

Anders Nyrén

Overview

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

Portfolio companies	9/30/2014						9M: 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	27	21 953	51	2 652	13
Sandvik	151 184 257	12.1	12.1	15	12 306	28	-952	-7
SCA A	40 500 000	10.0	29.4	15	6 978	28	-1 500	-11
SCA B	30 300 000				5 215			
Volvo A	142 154 571	7.0	21.2	15	11 358	27	-561	-3
Volvo B	6 000 000				471			
Ericsson A	86 052 615	2.6	15.2	9	7 525	17	1 404	22
ICA Gruppen	21 125 000	10.5	10.5	6	4 983	12	883	22
Skanska A	12 667 500	7.6	24.4	6	1 891	11	763	18
Skanska B	19 343 995				2 888			
SSAB A	58 105 972	10.7	17.7	5	3 600	8	744	26
SSAB B	754 985				41			
Kone	3 412 500	0.7	0.3	1	997	2	1	0
Other					197	0	53	
Equities portfolio				100	80 403	186	3 486	4
Interest-bearing net debt					-14 583	-34	Index:	9
of which, convertible loan					-4 766	-11		
Net asset value					65 820	152		
Net debt-equities ratio						18%		
Net asset value after full conversion						152		
Net debt-equities ratio after full conversion						12%		

DEVELOPMENT OF NET ASSET VALUE

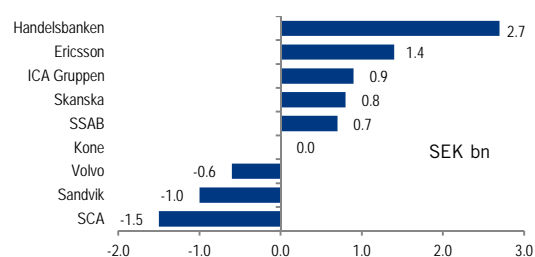
SEK/share	9/30/2014	6/30/2014	3/31/2014
Equities portfolio	186	188	210
Interest-bearing net debt	-34	-32	-41
of which, convertible loans	-11	-11	-20
Net asset value	152	156	169
Net debt-equities ratio	18%	17%	19%
Net asset value after full conversion	152	156	162
Net debt-equities ratio after full conversion	12%	11%	10%

Performance

Net asset value

During the first nine months of the year 2014, net asset value increased by SEK 5.0 billion, of which SEK 3.9 billion is due to conversions during the year, to SEK 65.8 billion. Net asset value per share amounted to SEK 152, which adjusted for conversions and reinvested dividend amounted to a rise of 5%, compared with a 9% rise in the total return index (SIXRX). On September 30, 2014 net asset value amounted to SEK 152 per share after full conversion of the convertible loan that matures in 2017.

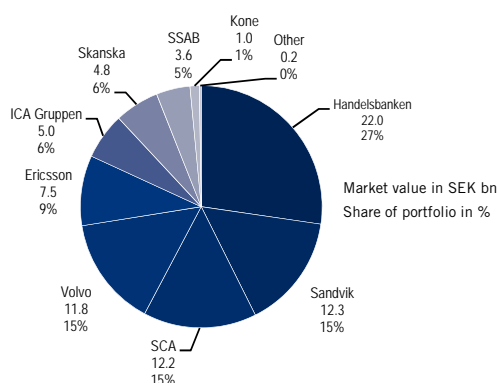
DEVELOPMENT OF EQUITIES PORTFOLIO INCL. REINVESTED DIVIDENDS, 9M:2014



Equities portfolio

During the first nine months of the year 2014 the value of the equities portfolio, adjusted for purchases and sales, increased by SEK 0.5 billion to 80.4 billion. The shareholdings in SSAB, Ericsson, ICA Gruppen, Skanska and Handelsbanken generated higher returns than the total return index. The total return for the portfolio was 4%, compared with 9% for the total return index.

SPLIT OF EQUITIES PORTFOLIO AS PER SEPTEMBER 30, 2014



Investment activities

During the first nine months of the year 2014, total net purchases per holding were SEK 2 537 million and total net sales per holding were SEK 704 million. The largest net purchases were in Volvo, for SEK 1 521 million, followed by Sandvik, for SEK 526 million. The largest net sale was in Skanska, for SEK 117 million.

Dividends

Dividends from the portfolio companies amounted to SEK 3.0 billion during the first nine months of the year 2014. Industrivärden distributed SEK 2.3 billion in dividends to the shareholders during 2014. The dividend of SEK 5.50 per share corresponded to a dividend yield of 4.5% for the Class C shares at year-end 2013. The estimated dividend yield for the Stockholm Stock Exchange was 3.7% at the same point in time.

Net debt

Industrivärden's interest-bearing net debt amounted to SEK 14.6 billion on September 30, 2014. The debt-equities ratio was 18%, and the equity ratio was 80% (75%). Assuming full conversion of outstanding convertible loans, totaling SEK 4.8 billion, interest-bearing net debt amounted to SEK 9.8 billion, and the debt-equities ratio was 12%.

At the end of the quarter, interest-bearing liabilities had an average capital duration of approximately 2.5 years and carried an average interest rate of approximately 2.0%.

No part of the Group's borrowings is conditional on any covenants. Industrivärden's current credit rating is A-/Stable/A-2 (S&P).

Convertible loans

During the first nine months of the year 2014 the convertible loan that matures in 2015 has been fully converted and a total of 46.1 million new C-shares have been issued and EUR 500 million has been added to shareholders' equity. Following the conversions the number of votes in the Company are 284 911 703.1, and the total number of registered shares in the Company are 432 341 271, of which 268 530 640 are Class A shares and 163 810 631 are Class C shares.

The conversion price for the convertible loan that matures in 2017, has been adjusted from SEK 159.91 to SEK 157.57 (corresponding to EUR 17.74/share), whereby a maximum of 31.0 million Class C shares would be added upon full conversion. The adjustment is a compensation to the convertible bondholders for the so called extraordinary dividend that has been paid out to the shareholders. Conversion is done at a fixed exchange rate of SEK 8.8803/EUR 1, entailing that at an actual exchange rate of SEK 9.11/EUR 1, it is profitable to convert when the share price exceeds SEK 162/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.

Exchangeable bond

During the first nine months of the year 2014 an exchangeable bond of SEK 4.4 billion was issued. The bond matures in 2019 and was issued at a premium to the existing share price in ICA Gruppen of approximately 38% and bears no interest. At a potential future redemption there is a possibility to pay either with shares or with cash equivalents.

Short-term equity trading and management costs

During the first nine months of the year 2014, Industrivärden's short-term equity trading generated a profit of SEK 175 million (83).

Management costs amounted to SEK 108 million (99). Industrivärden's management cost was 0.18% of managed assets, which is considerably lower than for most comparable investment alternatives.

Financial statements

INDUSTRIVÄRDEN GROUP

SEK M	2014 July-Sept.	2013 July-Sept.	2014 Jan.-Sept.	2013 Jan.-Sept.	2013 Jan.-Dec.
INCOME STATEMENT					
Dividend income from stocks	0	0	2 984	2 487	2 504
Change in value of stocks, etc.	-1 504	3 919	353	6 257	10 196
Other income and expenses*	11	35	67	-16	10
Operating income	-1 493	3 954	3 404	8 728	12 710
Financial items	-76	-150	-297	-439	-570
Income after financial items	-1 569	3 804	3 107	8 289	12 140
Tax	-	-	-	-	-
Net income for the period	-1 569	3 804	3 107	8 289	12 140
Earnings per share, SEK	-3.63	9.71	7.54	21.31	31.16
Earnings per share after dilution, SEK	-3.75	8.91	6.57	19.49	27.80
STATEMENT OF COMPREHENSIVE INCOME					
Comprehensive income for the period	-1 571	3 804	3 096	8 363	12 223
BALANCE SHEET as per end of period					
Equities			80 403	74 338	77 992
Non-current receivables			367	-	-
Total non-current assets			80 770	74 338	77 992
Cash and cash equivalents			115	8	490
Other current assets			529	675	74
Total current assets			644	683	564
Total assets			81 414	75 021	78 556
Shareholders' equity			65 272	55 420	59 280
Non-current interest-bearing liabilities			12 718	14 522	13 803
Non-current non interest-bearing liabilities**			337	1 476	1 409
Total non-current liabilities			13 055	15 998	15 212
Current interest-bearing liabilities			2 775	3 317	3 797
Other liabilities			312	286	267
Total current liabilities			3 087	3 603	4 064
Total shareholders' equity and liabilities			81 414	75 021	78 556
CASH FLOW					
Cash flow from operating activities			2 633	2 054	1 897
Cash flow from investing activities			-1 833	990	1 415
Cash flow from financing activities***			-1 175	-3 050	-2 838
Cash flow for the period			-375	-6	474
Exchange rate difference in cash and cash equivalents			0	0	2
Cash and cash equivalents at end of period			115	8	490

* Including short-term trading and management costs.

** Of which, the option portion of the convertible and exchangeable loan, totaling SEK 336 M (1 413), which at the times of issue amounted to a combined total of SEK 934 M.

*** Of which, dividends of SEK 1 950 M were paid to shareholders in 2013 and 2 282 M in 2014.

SEK M	2014 Jan.-Sept.	2013 Jan.-Sept.	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	3 096	8 363	12 223
Conversion	5 169	629	629
Dividend	-2 282	-1 950	-1 950
Other	9	-	-
Closing shareholders' equity as per balance sheet	65 272	55 420	59 280
KEY DATA as per end of period			
Net asset value per share, SEK	152	145	155
Net asset value per share after full conversion, SEK	152	140	150
Share price (Class A), SEK	133	125	131
Share price (Class C), SEK	126	118	122
Number of shares (thousands)*	432 341	391 770	391 770
INTEREST-BEARING NET DEBT at end of period			
Cash and cash equivalents	115	8	490
Interest-bearing assets	795	645	16
Non-current interest-bearing liabilities**	12 718	14 522	13 803
Current interest-bearing liabilities	2 775	3 317	3 797
Interest-bearing net debt	14 583	17 186	17 094

* Number of shares upon full conversion (thousands), 463 338.

** Of which, convertible loans of SEK 4 766 M (8 111).

INDUSTRIVÄRDEN PARENT COMPANY

SEK M	2014 Jan.-Sept.	2013 Jan.-Sept.	2013 Jan.-Dec.
INCOME STATEMENT			
Operating income	2 543	2 870	1 660
Income after financial items	2 359	2 627	1 325
Income for the period	2 359	2 627	1 325
Comprehensive income for the period	2 348	2 641	1 348
BALANCE SHEET AS PER END OF PERIOD			
Non-current assets	46 628	48 638	47 063
Current assets	3 831	24	61
Total assets	50 459	48 662	47 124
Shareholders' equity	36 731	32 781	31 487
Non-current liabilities	11 555	12 998	12 212
Current liabilities	2 173	2 883	3 425
Total shareholders' equity and liabilities	50 459	48 662	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 September 30, 2014, would have affected its market value by approximately +/- SEK 800 million.

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.

9/30/2014	Level 1	Level 2	Level 3	Total
Assets				
Equities	80 254	-	149	80 403
Equity derivatives	-	2	-	2
Other derivatives	23	5	-	28
Total assets	80 277	7	149	80 433
	Level 1	Level 2	Level 3	Total
Liabilities				
<i>Other non-current liabilities</i>				
Option portion of convertible and exchangeable loans	-	336	-	336
Equity derivatives	-	1	-	1
<i>Other current liabilities</i>				
Equity derivatives	22	16	-	38
Derivative instruments used for hedging	-	12	-	12
Other derivatives	6	89	-	95
Total liabilities	28	454	-	482

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

Related party transactions

During the first nine months of the year 2014, dividend income was received from associated companies.

Other

Financial calendar

Year-end report January–December: February 6, 2015

Interim report January–March: April 8, 2015

Annual General Meeting: May 6, 2015

Interim report January–June: July 6, 2015

Interim report January–September: October 5, 2015

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 09:00 a.m. on October 6, 2014.

Contact persons

Anders Gustavsson, Investor Relations,

tel. +46-8-666 64 41, agn@industrivarden.se;

Sverker Sivall, Head of Corporate Communication;

Martin Hamner, CFO;

Anders Nyrén, President and CEO;

Telephone +46-8-666 64 00

Contacts and further information

Industrivärden's complete contact information can be found on page 1. For further information, please visit Industrivärden's website: www.industrivarden.net.

Stockholm, October 6, 2014

Anders Nyrén, President and CEO

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

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 ICA-Gruppen – case study



With 2,300 grocery stores in five geographical markets, ICA Gruppen is one of the leading retail companies in the Nordic region. Around 50,000 people work at ICA. The core business is grocery retail. The other businesses are ICA Bank, ICA Real Estate, and a number of portfolio companies.

Within ICA Gruppen, entrepreneurship is combined with large-scale and diverse operations, and local adaptation is combined with economies of scale and efficiency. Through

cooperation and development of mutually supporting operations, ICA Gruppen has succeeded in securing customer confidence, good profitability and a leading market position. At ICA Gruppen, a commitment to sustainability and strong community engagement go hand in hand with long-term profitability.

In early 2013 Industrivärden acquired an ownership position in the newly formed ICA Gruppen. Today Industrivärden is the second-largest shareholder after the Association of ICA Retailers. The original investment of SEK 2.4 billion has performed well and is today worth approximately SEK 5 billion.

Further information on the portfolio companies

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



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



Innovative hygiene and forest products. www.sca.com



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



Leadership in telecom. www.ericsson.com



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



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



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