

Interim Report 6M:2016

January 1 – June 30, 2016

- The total return for the first half of the year 2016 was -4 % for the Class A shares and -3 % for the Class C shares, compared with -4 % for the total return index (SIXRX).
- Net asset value on June 30, 2016, was SEK 69.3 billion, or SEK 160/share, which is unchanged since the end of 2015 and an increase of 3 % including reinvested dividend.
- Earnings per share during the first half of the year 2016 were SEK 6.77 per share.
- The debt-equities ratio as per June 30, 2016, was 14 %, a decrease since the year-end 2015 of 1 %-point.
- SSAB's rights issue, where Industrivärden has subscribed its share of SEK 0.6 billion, strengthens the company's long-term value potential.
- During the first half of the year 2016, stocks were sold net for SEK 0.9 billion.

Value performance

ANNUAL AVERAGE CHANGE PER JUNE 30, 2016

	Net asset value*	Total return	
		Industrivärden C	Index (SIXRX)
6M: 2016	3%	-3%	-4%
1 year	-6%	-10%	-3%
3 years	9%	11%	13%
5 years	7%	10%	10%
7 years	14%	16%	14%
10 years	6%	8%	8%

*Including reinvested dividend.



CEO's message

Great uncertainty after Brexit referendum

The day after Britain's referendum we woke up to a new reality, with the British people voting in favor of an exit from the European Union. The result of this referendum has sent a shock wave of turbulence through the financial markets. On the first day of trading after the referendum, the Stockholm Stock Exchange lost 8%, but has since recovered.

The uncertainty surrounding the consequences of the referendum's outcome in political circles and on the real economy will likely remain for a long time. The UK is an important market for several of our portfolio companies, which will now have to work with somewhat changed conditions going forward.

Personally I feel that a cohesive and well-working EU is important for building competitiveness in Europe and thereby for creating favorable conditions for European companies in the ever-growing global competition. Hopefully the situation that has now arisen will compel the EU to focus on the most central issues facing its citizens.

Net asset value growth better than the stock market during the first half

On June 30, 2016, net asset value amounted to SEK 69.3 billion, or SEK 160 per share, which is unchanged since the end of 2015 and an increase of 3% including reinvested dividend. During the same period, we sold stocks for a net value of SEK 0.9 billion. At the end of the period, the portfolio value was SEK 80.5 billion, and net debt was SEK 11.2 billion, corresponding to a debt-equities ratio of 14%. This represents a decrease in the debt-equities ratio by 1 percentage point during the first half of the year. The total return for Industrivärden's Class A and C shares was -4% and -3%, respectively, compared with -4% for the return index.

During the first half year our investments in Sandvik, SSAB and Volvo – companies that are in the midst of major change processes – performed better than the stock market. The same applies for SCA and Skanska. Handelsbanken and ICA Gruppen was in line with the market. Ericsson, however, performed below the market.

Varied performance for the portfolio companies

The Swedish economy remains strong, which is having a positive effect above all on the portfolio companies with a large share of local business. In many cases the more internationally active portfolio companies are encountering weak demand. The tough market situation is especially tangible for companies that manufacture and sell investment goods. Low capacity utilization and uncertain future growth prospects are damping the willingness to invest in

several sectors. Companies are dealing with this situation through cost-cutting, continued automation, innovation and an increased service/aftermarket content. As a long-term active owner we attach great importance to ensuring that our portfolio companies have a keen ability to adapt, that they capitalize on future opportunities, and that they have a favorable financial position and flexibility.

Several of Industrivärden's portfolio companies are showing stable development, which is illustrated by the fact that they have altogether generated a favorable dividend yield for their shareholders. At mid-year the dividend yield for the portfolio companies was 3.8%.

SSAB's rights issue strengthens long-term value potential

As a long-term active owner in SSAB we subscribed for our portion of the rights issue of in total approximately SEK 5 billion that was carried out at the end of June 2016. The rights issue, together with refinancing activities and internal measures, creates the financial stability needed to further develop the company in a tough steel market. We have a positive view of SSAB's strategic plan, which takes aim at greater specialization and attaining leading positions in selected niches.

Intensive work with portfolio companies

The very core of active ownership involves participating in board work and monitoring and evaluating our portfolio companies and their business environments from a long-term ownership perspective. Based on our conclusions we are engaged in an ongoing dialog with our portfolio companies in an effort to enhance value creation over time. Parallel with this, we are also analyzing a number of potential new investments in stock market companies. We are not in any hurry, however, and will act when the conditions are right.

The board composition in our portfolio companies is of vital importance. With the annual meeting season now behind us, I can affirm that a number of constructive changes have been made in the boards of our portfolio companies. Evaluating and adapting these boards to the situations that the companies find themselves in is a continuous process that we are focusing on with utmost importance.

Helena Stjernholm

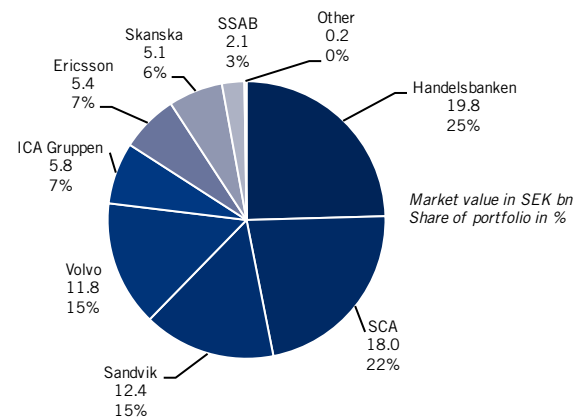
Overview

Industrivärden in brief

Industrivärden conducts long-term asset management that creates value through active ownership. The long-term goal is to increase net asset value and thereby generate a return for Industrivärden's shareholders that exceeds the market's required rate of return. Taking into account the risk profile of the portfolio's investments, the shareholders are to be given a total return which over time is higher than the average for the Stockholm Stock Exchange.

In February 2016 Industrivärden's board adopted a new, refined strategy. The aim is to enhance the return on Industrivärden's stock over time. Important changes include a stronger corporate governance model, a broader investment universe, and greater capacity and flexibility to act over time.

EQUITIES PORTFOLIO, JUNE 30, 2016



COMPOSITION OF EQUITIES PORTFOLIO AND NET ASSET VALUE

Portfolio companies	6/30/2016					6M: 2016		
	No. of shares	Share of ownership, %		Share of value, %	Market value		Total return	TR for the stock
		Capital	Votes		SEK M	SEK/share	SEK M	%
Handelsbanken A	194 623 948	10.1	10.2	25	19 813	46	-1 053	-5
SCA A	35 250 000	9.5	29.8	22	9 479	42	1 967	12
SCA B	31 550 000				8 486			
Sandvik	147 584 257	11.8	11.8	15	12 360	29	1 807	16
Volvo A	142 154 571	6.7	21.3	15	11 785	27	716	6
ICA Gruppen	20 625 000	10.3	10.3	7	5 811	13	-333	-5
Ericsson A	86 052 615	2.6	15.1	7	5 374	12	-1 195	-18
Skanska A	12 667 500	6.9	23.9	6	2 222	12	540	11
Skanska B	16 343 995				2 867			
SSAB A	63 105 972	11.6	18.3	3	1 229	5	109	14
SSAB B	754 985				12			
SSAB BTA* B	55 878 333				888			
Other				0	188	0	1	
Equities portfolio				100	80 514	186	2 558	3
Interest-bearing net debt					-11 232	-26	Index:	-4
of which, convertible bond					-5 105	-12		
Net asset value					69 282	160		
Debt-equities ratio						14%		
Net asset value after full conversion						160		
Debt-equities ratio after full conversion						8%		

*BTA Paid subscribed shares.

Performance

Net asset value

Net asset value on June 30, 2016, was SEK 69.3 billion, or SEK 160 per share, an increase of SEK 2.4 billion, or SEK 5 per share including reinvested dividend, equivalent to 3%, during the first half of the year compared with -4 % for the Stockholm Stock Exchange's total return index (SIXRX).

During the last ten-year period, net asset value grew by 2 % per year and by 6 % per year including reinvested dividend. The SIXRX total return index increased by 8 % during the same period.

Equities Portfolio

During the first half of the year 2016 the value of the equities portfolio, adjusted for purchases and sales, decreased by SEK 0.4 billion. On June 30, 2016 the equities portfolio amounted to SEK 80.5 billion, or SEK 186 per share. The shareholdings in SCA and Sandvik made significant positive contributions to the equities portfolio's value performance, while the shareholdings in Ericsson and Handelsbanken had the most negative contribution impact.

During the last three-year period the shareholdings in Skanska, ICA Gruppen and SCA have had higher total returns than the total return index (SIXRX), while the shareholdings in SSAB, Ericsson, Volvo and Sandvik have had lower total returns than the total return index. The shareholding in Handelsbanken generated total return on par with the total return index.

Cash flow

Investment activities

During the first half of the year 2016 stocks were sold net for SEK 0.9 billion. The largest stock sale was in SCA, for SEK 1.0 billion. The largest purchase was the participation in SSAB's rights issue for SEK 0.6 billion.

Dividend

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

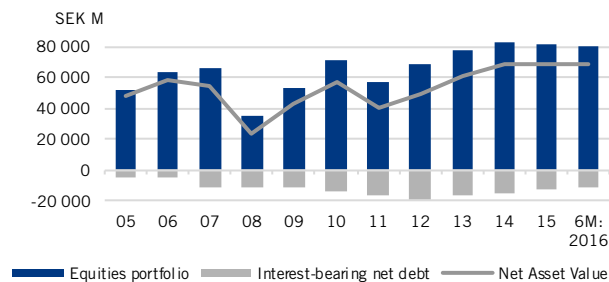
Management cost

The management cost during the first half of the year 2016 amounted to SEK 60 M (171, of which one-off costs of approx. 90), which on a yearly basis corresponded to 0.15 % of the equities portfolio's value on June 30, 2016.

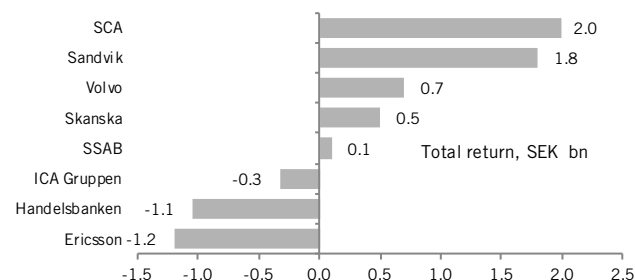
DEVELOPMENT OF NET ASSET VALUE 6M:2016

	6/30/2016		12/31/2015	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	80.5	186	81.8	189
Interest-bearing net debt	-11.2	-26	-12.6	-29
Adjustment exchangeable	-	-	-0.1	0
Net asset value	69.3	160	69.1	160

DEVELOPMENT OF NET ASSET VALUE, 10 YEARS



CONTRIBUTION ANALYSIS OF SHAREHOLDINGS 6M:2016



PERFORMANCE OF SHAREHOLDINGS, 3 YEARS

6/30/2016	Annual average total return, %
Handelsbanken	10
SCA	20
Volvo	1
Sandvik	5
ICA Gruppen	20
Ericsson	-1
Skanska	21
SSAB	-14
Total return index (SIXRX)	13

INVESTMENT ACTIVITY 6M:2016

Stock	No. shares	Amount (SEK bn)
<i>Purchases of stock</i>		
SSAB BTA B	55 878 333	-0.6
SSAB A	5 000 000	-0.1
SHB A	638 911	-0.1
<i>Sales of stock</i>		
SCA B	4 000 000	1.0
Skanska B	1 000 000	0.2
Volvo B	1 500 000	0.1
ICA Gruppen	500 000	0.1
Sandvik	1 000 000	0.1
Other		0.1
Total		0.9

Net debt

Interest-bearing net debt amounted to SEK 11.2 billion on June 30, 2016. The debt-equities ratio was 14 %, and the equity ratio was 84 % (83). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

Upon full conversion of the outstanding convertible bond, totaling SEK 5.1 billion, interest-bearing net debt amounts to SEK 6.1 billion, with a debt-equities ratio of 8 %.

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

No part of Industrivärden's borrowings is conditional on any covenants. On February 11, 2016, Standard & Poor's upgraded Industrivärden's credit rating to A/Stable/A-1.

Industrivärden share data

The market prices for Industrivärden's Class A and C shares were SEK 147.10 and SEK 136.10 on June 30, 2016. At year-end 2015 the corresponding market prices were SEK 158.90 and SEK 145.10.

The total return for Industrivärden's Class A and C shares during the first half of the year 2016 were -4 % and -3 %, respectively, compared with -4 % for the total return index. The total returns for Industrivärden's shares over longer periods of time are shown in the table on page 1.

At the 2011 Annual General Meeting, a share conversion clause was added to the Articles of Association. Shareholders have the right at any time to request conversion of Class A shares to Class C shares. No shares were converted during the first half of the year 2016.

FINANCING, JUNE 30, 2016

	Framework, SEK M	Utilized amount, SEK M	Maturity
Convertible bond		5 105	2017
Exchangeable bond		4 213	2019
Bank loans		2 000	2017
MTN-program	8 000	500	2018
Commercial paper	2 000	300	2016

CONVERTIBLE AND EXCHANGEABLE BONDS JUNE 30, 2016

	Convertible bond	Exchangeable bond
Nominal amount	EUR 550 M	SEK 4.4 bn
Term	2011-2017	2014-2019
Underlying	Industrivärden	ICA Gruppen
Coupon	1.875%	0.0%
Conversion price	SEK 167.05/share*	SEK 296.34/share

*Conversion price of SEK 157.57/share (EUR 17.74/share), but current price level of SEK 9.42/EUR 1 gives the above stated actual conversion price. For further information on the convertible bond, see Note 15 in the 2015 Annual Report.

SHARE STRUCTURE, JUNE 30, 2016

Share class	No. of shares*	No. of votes	Capital, %	Votes, %
A (1 vote)	268 185 430	268 185 430	62.0	94.2
C (1/10 vote)	164 155 841	16 415 584	38.0	5.8
Total	432 341 271	284 601 014	100.0	100.0

*Upon full conversion of the outstanding convertible bond a maximum of 31.0 million Class C shares would be added.

Other

Board's assurance

The Board of Directors and President 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 6, 2016
AB Industrivärden (publ)

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

Interim report January–September: October 6, 2016

Contact persons

Sverker Sivall, Head of Corporate Communication
Martin Hamner, CFO
Helena Stjernholm, CEO

Contact information

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Ticker codes

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

Publication

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

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–June 30, 2016. The Board of Directors and President are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and 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 (IAS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

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 Annual Accounts Act for the Group, and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm, July 6, 2016
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Financial statements

GROUP

SEK M	2016 Apr.-Jun.	2015 Apr.-Jun.	2016 Jan.-Jun.	2015 Jan.-Jun.	2015 Jan.-Dec.
INCOME STATEMENT					
Dividend income from stocks	1 926	2 019	3 078	3 184	3 184
Change in value of stocks, etc.	-2 056	-4 275	8	6 390	406
Management cost	-29	-110	-60	-171	-229
Operating income	-159	-2 366	3 026	9 403	3 361
Financial items	-50	-66	-101	-137	-257
Income after financial items	-209	-2 432	2 925	9 266	3 104
Tax	-	-	-	-	-
Net income for the period	-209	-2 432	2 925	9 266	3 104
Earnings per share, SEK	-0.48	-5.63	6.77	21.43	7.18
Earnings per share after dilution, SEK	-0.53	-5.63	5.88	20.90	7.18
STATEMENT OF COMPREHENSIVE INCOME					
Comprehensive income for the period	-209	-2 431	2 925	9 268	3 146
BALANCE SHEET as per end of period					
Equities			80 514	87 756	81 835
Non-current receivables, etc.			494	645	466
Total non-current assets			81 008	88 401	82 301
Cash and cash equivalents			314	793	5
Other current assets			346	468	231
Total current assets			660	1 261	236
Total assets			81 668	89 662	82 537
Shareholders' equity			68 613	73 972	67 850
Non-current interest-bearing liabilities			6 820	11 120	11 163
Non-current non interest-bearing liabilities*			552	1 207	1 122
Total non-current liabilities			7 372	12 327	12 285
Current interest-bearing liabilities*			5 527	3 042	2 149
Other liabilities			156	321	253
Total current liabilities			5 683	3 363	2 402
Total shareholders' equity and liabilities			81 668	89 662	82 537
CASH FLOW					
Cash flow from operating activities			2 960	2 975	2 775
Cash flow from investing activities			901	2 020	1 894
Cash flow from financing activities**			-3 552	-4 202	-4 664
Cash flow for the period			309	793	5
Cash and cash equivalents at end of period			314	793	5

* Of which, the option components of the convertible bond and exchangeable bond, totaling SEK 468 M (1 091), which at the times of issue amounted to a combined total of SEK 934 M.

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

SEK M	2016 Jan.-Jun.	2015 Jan.-Jun.	2015 Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY			
Opening shareholders' equity as per balance sheet	67 850	67 406	67 406
Comprehensive income for the period	2 925	9 268	3 146
Dividend	-2 162	-2 702	-2 702
Closing shareholders' equity as per balance sheet	68 613	73 972	67 850
INTEREST-BEARING NET DEBT at end of period			
Cash and cash equivalents	314	793	5
Interest-bearing assets	801	1 065	659
Non-current interest-bearing liabilities*	6 820	11 120	11 163
Current interest-bearing liabilities*	5 527	3 042	2 149
Interest-bearing net debt	11 232	12 304	12 648

* Of which, convertible bond of SEK 5 105 M (4 874).

PARENT COMPANY

SEK M	2016 Jan.-Jun.	2015 Jan.-Jun.	2015 Jan.-Dec.
INCOME STATEMENT			
Operating income	2 013	6 631	-143
Income after financial items	1 974	6 561	-261
Income for the period	1 974	6 561	-261
Comprehensive income for the period	1 974	6 563	-219
BALANCE SHEET as per end of period			
Non-current assets	44 209	50 538	43 603
Current assets	754	3 583	3 039
Total assets	44 963	54 121	46 642
Shareholders' equity	34 056	41 025	34 243
Non-current liabilities	5 372	10 327	10 285
Current liabilities	5 535	2 769	2 114
Total shareholders' equity and liabilities	44 963	54 121	46 642

Accounting policies and notes

Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and the Swedish Annual Accounts Act. The Parent Company's financial statements have been prepared in accordance with RFR 2 – Accounting for Legal Entities, and the Swedish Annual Accounts Act. New or amended IFRSs and IFRIC interpretations have not had any effect on the Group's or Parent Company's earnings for financial position.

Alternative performance measures

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

Fair value measurement of financial instruments

In accordance with IFRS 13, financial instruments are measured at fair value according to a three level hierarchy. Classification is based on input data that is used in measuring the instruments. Instruments in Level 1 are valued according to quoted prices for identical instruments in an active market. Instruments in Level 2 are valued in a valuation model which uses input data that are directly or indirectly observable in the market. Instruments in Level 3 are valued using a valuation technique based on input data that are not observable in a market.

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

6/30/2016	Level 1	Level 2	Level 3	Total
Assets				
Equities	80 349	-	165	80 514
Short term investments	121	-	-	121
Derivatives	43	14	-	57
Total assets	80 513	14	165	80 692

	Level 1	Level 2	Level 3	Total
Liabilities				
<i>Non-current liabilities</i>				
Option component of exchangeable bond	-	443	-	443
Derivatives	-	89	-	89
<i>Current liabilities</i>				
Option component of convertible bond	-	25	-	25
Derivatives	35	18	-	53
Total liabilities	35	575	-	610

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 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 June 30, 2016, would have affected its market value by approximately +/- SEK 800 M.

Related party transactions

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

Resolutions at Annual General Meeting

The 2016 Annual General Meeting was held on May 9, at which the following resolutions, among others, were made. The dividend was set at SEK 5.00 (6.25) per share. Pär Boman, Christian Caspar, Bengt Kjell, Nina Linander, Fredrik Lundberg, Annika Lundius and Lars Pettersson were re-elected as directors on the Board. Helena Stjernholm, who is CEO of Industrivärden and director of Ericsson, Sandvik and Volvo was elected as new director. Fredrik Lundberg was re-elected as Chairman of the Board.

Management change

On July 1, 2016, Fredric Calles left Industrivärden's Executive Management team and his position as Head of the Equities Market function. This is a result of the company's refined strategy entailing a stronger focus on the investment operations and active ownership.

