

Year-End Report 2016

January 1 – December 31, 2016

- The total return for 2016 amounted to 17 % for the Class A shares and 21 % for the Class C shares, compared with 10 % for the total return index (SIXRX).
- Net asset value on December 31, 2016, was SEK 82.8 billion, or SEK 191/share, an increase of 20 % during the year, and 23 % including reinvested dividend. Net asset value was SEK 205/share on February 7, 2017.
- Earnings per share during 2016 amounted to SEK 38.05 per share.
- The debt-equities ratio as per December 31, 2016, was 12 %, a decrease during the year of 3 %-points.
- During 2016, stocks were sold net for SEK 0.8 billion.
- The Board of Directors proposes a dividend of SEK 5.25 per share (5.00), corresponding to a dividend yield of 3.1 % for the Class C shares.

Value performance

ANNUAL AVERAGE CHANGE PER DECEMBER 31, 2016

	Net asset value*	Total return	
		Industrivärden C	Index (SIXRX)
2016	23%	21%	10%
3 years	11%	16%	12%
5 years	17%	20%	16%
7 years	11%	15%	13%
10 years	6%	7%	8%

*Including reinvested dividend.



CEO's message

2016 – an eventful year

2016 was an eventful year in many ways. Among other things, the British people voted for an exit from the European Union. The political and real-economy consequences of this referendum for the UK and the rest of Europe are hard to discern. In the U.S., Donald Trump was elected as the new President, which has led to uncertainty about future policies, such as an increase in trade barriers, changed tax policies, and geopolitical aspects. However, promised investments in infrastructure, promises for an improved jobs market, and increased stimulus measures have strengthened the stock market. This has resulted in higher commodity prices, mounting inflation expectations and rising long-term interest rates. For 2017 the IMF prognosticates slightly higher GDP growth of 3.4%, and the conditions for most of our portfolio companies look favorable. There are expectations of rising interest rates, which could have major bearing on the stock market's performance. Even though companies are expected to show higher profits in the year ahead, higher interest rates will also entail a higher required rate of return on equity investments, which could put pressure on valuations.

Strong performance for Industrivärden in 2016

Net asset value increased by 13.7 billion in 2016 to SEK 82.8 billion, and taking into account reinvested dividend, growth in net asset value was 23%. The total return for the Class A and C shares was 17% and 21%, respectively, and exceeded the Stockholm Stock Exchange's return index by a full 7 and 11 percentage points, respectively. This performance reflects a good year on the stock market, but also generally good growth in value for our portfolio companies. This applies in particular for the portfolio companies that have taken major change measures designed to boost profitability and capital efficiency. I'm thinking here primarily of Sandvik, Volvo and SSAB.

Sharpened focus on returns

In February 2016 the Board of Directors presented a number of strategic development steps aimed at strengthening Industrivärden's ability to create shareholder value. The perhaps most important steps towards change are that we have clarified our ownership role in nominating committees, where Industrivärden is now represented by people from Industrivärden's board or management, and that we have sharpened our focus on increasing value creation in the portfolio companies. As a result of this work, we have broadened our network with potential candidates within the framework of nominating committee work. Several of our portfolio companies are also carrying out significant development measures for enhanced value creation. During the past year we have also made a thorough analysis of the Nordic listed companies and identified a number of potential new investments. This is a work in progress and we will act when the conditions are right.

The core of Industrivärden's business model is active ownership, meaning that we monitor and actively contribute to the strategic development of our portfolio companies. As a long-term active owner we are working for a faster pace of change in the portfolio companies that are facing significant challenges. During the year most of our portfolio companies performed well and the pace of change in the companies was high overall. Some examples are SCA's proposed split into two distinct businesses, Sandvik's consolidation into three business areas, and Volvo's new organization with a focus on greater decentralization and continuous improvements. Another important activity was SSAB's rights issue, which created a solid foundation for continued development of the company and in which Industrivärden subscribed for its allotment. Industrivärden's investment of SEK 0.6 billion in SSAB's rights issue in June 2016, has been a very good one. For the full year 2016 its Class A- and B-shares increased in value by slightly more than 100%. In 2016 CEO successions were carried out at Handelsbanken and Ericsson.

As part of our refined strategy, the Board has adopted a new debt policy and a new dividend policy aimed at enhancing our financial flexibility. The debt-equities ratio shall normally be in the range of 0%-10%, and following the completed transactions in 2016 and supported by the value growth in the portfolio, the debt-equities ratio was 12% at year-end. This represents a decrease of three percentage points compared with the previous year. We are also building investment capacity over time by generating a positive cash flow before portfolio changes and after paid dividends.

With a foundation in these policies and favorable performance in 2016, the Board of Directors proposes a dividend of SEK 5.25 per share. This corresponds to a 5.0% increase in the dividend and a dividend yield of 3.1% for the Class C shares at year-end 2016.

On February 27 Industrivärden's six-year convertible bond worth EUR 550 M will mature. The time period for bondholders to request conversion has expired in 2017 and approximately nine percent of the bond, corresponding to EUR 50.9 M, is converted to new shares. The total number of shares will increase by slightly less than 0.7%, an addition of slightly more than 2.8 million new shares. The remainder of the loan will be replaced with another, more flexible form of financing within the framework of our debt portfolio.

The steps toward change that were taken in 2016 have clearly strengthened our capacity, and the work on developing Industrivärden continues. All in all this creates a solid foundation on which to generate a competitive return over time.

Stockholm, February 9, 2017

Helena Stjernholm
Chief Executive Officer

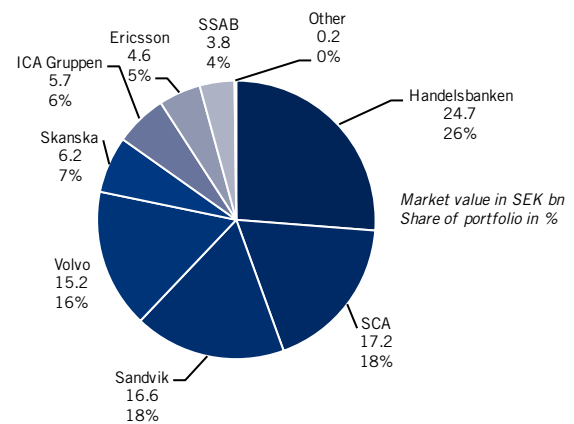
Overview

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.industrivarden.net.

EQUITIES PORTFOLIO, DECEMBER 31, 2016



COMPOSITION OF EQUITIES PORTFOLIO AND NET ASSET VALUE

Portfolio companies	No. of shares	12/31/2016			Market value		12M:2016	
		Share of ownership, %		Share of value, %	SEK M	SEK/share	Total return	TR for the stock
		Capital	Votes		SEK M	SEK/share	SEK M	%
Handelsbanken A	194 923 948	10.0	10.2	26	24 677	57	4 036	18
SCA A	35 000 000	9.5	29.7	18	8 971	40	1 135	7
SCA B	31 800 000				8 182			
Sandvik	147 584 257	11.8	11.8	18	16 633	38	6 206	57
Volvo A	142 154 571	6.7	21.7	16	15 239	35	4 293	37
Skanska A	12 667 500	6.9	23.9	7	2 725	14	1 741	36
Skanska B	16 343 995				3 516			
ICA Gruppen	20 625 000	10.3	10.3	6	5 732	13	-414	-6
Ericsson A	86 052 615	2.6	15.1	5	4 561	11	-2 039	-30
Ericsson B	1 000 000				54			
SSAB A	63 105 972	11.4	18.2	4	2 182	9	1 757	103
SSAB B	54 633 318				1 573			
Other				0	207	0	14	
Equities portfolio				100	94 250	218	16 731	20
Interest-bearing net debt					-11 481	-27	Index:	10
of which, convertible bond					-5 252	-12		
Net asset value					82 769	191		
Debt-equities ratio						12%		
Net asset value after full conversion						190		
Debt-equities ratio after full conversion						7%		

Performance

Net asset value

Net asset value on December 31, 2016, was SEK 82.8 billion, or SEK 191 per share, an increase during 2016 of SEK 13.7 billion, or SEK 31 per share. Net asset value was SEK 205/share on February 7, 2017.

Taking reinvested dividends into account, the increase in net asset value amounted to SEK 15.9 billion, or SEK 36 per share, at year-end. This corresponds to an increase of 23 % during the year, compared with 10 % for the Stockholm Stock Exchange's total return index (SIXRX).

During the last five and ten-year period, net asset value grew by 17 % and 6 %, respectively, per year including reinvested dividend. The SIXRX total return index increased by 16 % and 8 %, respectively, during the same period.

Equities Portfolio

During 2016 the value of the equities portfolio, adjusted for purchases and sales, increased by SEK 13.2 billion. On December 31, 2016 the equities portfolio amounted to SEK 94.2 billion, or SEK 218 per share. The shareholdings in Sandvik, Volvo and Handelsbanken made significant positive contributions to the equities portfolio's value performance, while the shareholdings in Ericsson and ICA Gruppen contributed negatively.

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

Cash flow

Investment activities

During 2016 stocks were sold net for SEK 0.8 billion. The largest stock sale was in SCA B, for SEK 1.0 billion. The largest purchase was the participation in SSAB's rights issue for SEK 0.6 billion.

Dividend 2016

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).

Board of Directors dividend proposal 2017

The Board of Directors proposes a dividend of SEK 5.25 per share (5.00) and May 11, 2017, as the record date. The total dividend payout will amount to SEK 2 285 M, based on the number of shares outstanding after conversion of the convertible bond. A dividend of SEK 5.25 per share corresponds to a dividend yield of 3.1 % for the Class C shares per year-end 2016.

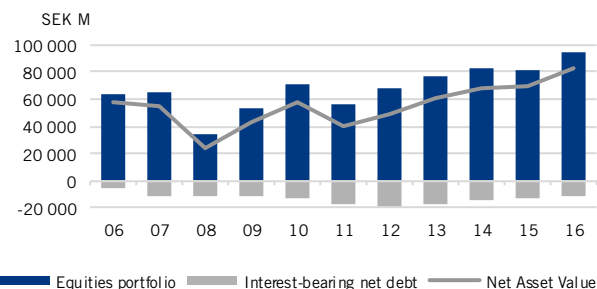
Management cost

The management cost during 2016 amounted to SEK 112 M (229, of which one-off costs of approx. 90), which on a yearly basis corresponded to 0.12 % of the equities portfolio's value on December 31, 2016.

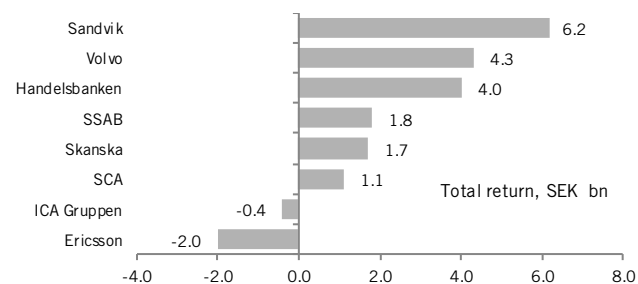
DEVELOPMENT OF NET ASSET VALUE 12M:2016

	12/31/2016		12/31/2015	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	94.2	218	81.8	189
Interest-bearing net debt	-11.5	-27	-12.6	-29
Adjustment exchangeable	-	-	-0.1	0
Net asset value	82.8	191	69.1	160

DEVELOPMENT OF NET ASSET VALUE, 10 YEARS



CONTRIBUTION ANALYSIS OF SHAREHOLDINGS 12M:2016



PERFORMANCE OF SHAREHOLDINGS, 3 YEARS

	Annual average total return, %
	3 years
Skanska	23
ICA Gruppen	15
SCA	12
Handelsbanken	12
Volvo	12
Sandvik	11
SSAB	-2
Ericsson	-7
Total return index (SIXRX)	12

Net debt

Interest-bearing net debt amounted to SEK 11.5 billion on December 31, 2016. The debt-equities ratio was 12 %, and the equity ratio was 86 % (82). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

On December 31, 2016, interest-bearing liabilities had an average capital duration of over 2 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.

The six-year convertible bond worth EUR 550 M that was issued in January 2011 will mature on February 27, 2017. The period within which bondholders have been able to call for conversion were passed in January 2017 and approximately 9% of the convertible bond, corresponding to 50.9 MEUR, is 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 180.20 and SEK 169.80 on December 31, 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 year 2016 were 17 % and 21 %, respectively, compared with 10 % 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 2016.

INVESTMENT ACTIVITY 12M:2016

Stock	No. shares	Amount (SEK bn)
<i>Purchases of stock, net</i>		
SSAB B	53 878 333	-0.5
SSAB A	5 000 000	-0.1
SHB A	938 911	-0.1
ERIC B	1 000 000	-0.0
<i>Sales of stock, net</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		0.8

FINANCING, DECEMBER 31, 2016

	Framework, SEK M	Utilized amount, SEK M	Maturity
Convertible bond		5 252	2017
Exchangeable bond		4 260	2019
Bank loans		2 000	2017
MTN-program	8 000	1 000	2018-2020

CONVERTIBLE & EXCHANGEABLE BONDS DECEMBER 31, 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 169.72/share*	SEK 296.34/share

*Conversion price EUR 17.74/share) valuated at the current exchange rate per 12/31/2016 SEK 9.57/EUR gives the above stated actual conversion price. For further information on the convertible bond, see Industrivärden's webpage under Financial Information/Credit Matters.

SHARE STRUCTURE, DECEMBER 31, 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

*During February 2017 the convertible bond is converted to 2 868 606 new Class C shares.

Other

Nominating Committee's recommendation 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 re-election as Chairman of the Board. The Nominating Committees other recommendations will be made public in the notice of the Annual General Meeting.

Disputes

During the first quarter of 2016, Refaat el-Sayed directed demands on Industrivärden, demanding payment of SEK 1 645 M, including interest of approximately SEK 1 224 M, pertaining to agreements made between Industrivärden and Refaat el-Sayed in connection with the so-called Fermenta affair in 1986. The claims were judged to be unfounded. On December 6, 2016 the dispute was resolved through arbitration, fully in Industrivärden's favor.

Financial calendar

Interim report January–March: April 5, 2017

2017 Annual General Meeting: May 9, 2017 in Stockholm

Interim report January–June: July 5, 2017

Interim report January–September: October 5, 2017

Contact persons

Sverker Sivall, Head of Corporate Communication and Sustainability
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
E-mail: info@industrivarden.se
Website: 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 1:00 p.m. CET on February 9, 2017.

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, 2016. 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 9, 2017
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Financial statements

GROUP

SEK M	2016 Oct.-Dec.	2015 Oct.-Dec.	2016 Jan.-Dec.	2015 Jan.-Dec.
INCOME STATEMENT				
Dividend income from stocks	0	0	3 078	3 184
Change in value of stocks, etc.	6 581	528	13 687	406
Management cost	-26	-28	-112	-229
Operating income	6 555	500	16 653	3 361
Financial items	-49	-56	-202	-257
Income after financial items	6 506	444	16 451	3 104
Tax	-	-	-	-
Net income for the period	6 506	444	16 451	3 104
Earnings per share, SEK	15.05	1.03	38.05	7.18
Earnings per share after dilution, SEK	13.62	1.03	34.93	7.18
STATEMENT OF COMPREHENSIVE INCOME				
Net income for the period	6 506	444	16 451	3 104
<i>Items that are not to be reversed in the inc. statement</i>				
Actuarial gains and losses on pensions	-10	30	-10	30
<i>Items that can be reversed in the inc. statement</i>				
Change in hedging reserv	-	-	-	12
Comprehensive income for the period	6 496	474	16 441	3 146
BALANCE SHEET as per end of period				
Equities			94 250	81 835
Non-current receivables, etc.			214	466
Total non-current assets			94 464	82 301
Cash and cash equivalents			823	5
Other current assets			337	231
Total current assets			1 160	236
Total assets			95 624	82 537
Shareholders' equity			82 129	67 850
Non-current interest-bearing liabilities			7 382	11 163
Non-current non interest-bearing liabilities*			414	1 122
Total non-current liabilities			7 796	12 285
Current interest-bearing liabilities*			5 425	2 149
Other liabilities			274	253
Total current liabilities			5 699	2 402
Total shareholders' equity and liabilities			95 624	82 537
CASH FLOW				
Cash flow from operating activities			2 854	2 775
Cash flow from investing activities			834	1 894
Cash flow from financing activities**			-2 870	-4 664
Cash flow for the period			818	5
Cash and cash equivalents at end of period			823	5

* Of which, the option components of the convertible bond and exchangeable bond, totaling SEK 369 M (1 013), 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.-Dec.	2015 Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY		
Opening shareholders' equity as per balance sheet	67 850	67 406
Comprehensive income for the period	16 441	3 146
Dividend	-2 162	-2 702
Closing shareholders' equity as per balance sheet	82 129	67 850
INTEREST-BEARING NET DEBT at end of period		
Cash and cash equivalents	823	5
Interest-bearing assets	503	659
Non-current interest-bearing liabilities*	7 382	11 163
Current interest-bearing liabilities*	5 425	2 149
Interest-bearing net debt	11 481	12 648

* Of which, convertible bond of SEK 5 252 M (4 891).

PARENT COMPANY

SEK M	2016 Jan.-Dec.	2015 Jan.-Dec.
INCOME STATEMENT		
Operating income	11 343	-143
Income after financial items	11 259	-261
Income for the period	11 259	-261
Comprehensive income for the period	11 249	-219
BALANCE SHEET as per end of period		
Non-current assets	53 333	43 603
Current assets	1 284	3 039
Total assets	54 617	46 642
Shareholders' equity	43 330	34 243
Non-current liabilities	5 796	10 285
Current liabilities	5 491	2 114
Total shareholders' equity and liabilities	54 617	46 642

Accounting policies and notes

Accounting policies

This year-end 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.

12/31/2016	Level 1	Level 2	Level 3	Total
Assets				
Equities	94 071	-	179	94 250
Derivatives, etc.	0	19	-	19
Total assets	94 071	19	179	94 269
	Level 1	Level 2	Level 3	Total
Liabilities				
<i>Non-current liabilities</i>				
Option component of exchangeable bond	-	321	-	321
Derivatives, etc.	-	91	-	91
<i>Current liabilities</i>				
Option component of convertible bond	-	48	-	48
Derivatives, etc.	43	35	-	78
Total liabilities	43	495	-	538

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, 2016, would have affected its market value by approximately +/- SEK 900 M.

Related party transactions

During 2016, dividend income was received from associated companies.

