

INTERIM REPORT 6M:2017

January 1 – June 30, 2017

- The total return for the first half of the year 2017 amounted to 22 % for the Class A shares as well as for the Class C shares, compared with 11 % for the total return index (SIXRX).
- Net asset value on June 30, 2017, was SEK 94.4 billion, or SEK 217/share, an increase during the first half of the year of SEK 26/share or by 16 % including reinvested dividend.
- Earnings per share during the first half of the year 2017 amounted to SEK 31.25 per share.
- The debt-equities ratio as per June 30, 2017, was 10 %, a decrease since year-end of 2 %-points.
- During the first quarter, the convertible bond worth EUR 550 M matured, whereby approximately 9 %, corresponding to 50.9 MEUR, was converted to 2.9 million new Class C shares.
- Following the split of the portfolio company SCA, Industrivärden remains as an active owner of the listed hygiene and health company Essity as well as the listed forest products company SCA.

VALUE PERFORMANCE

Annual average change as per June 30, 2017

	Net asset value*	Total return	
		Industrivärden C	Index (SIXRX)
6M:2017	16%	22%	11%
1 year	39%	52%	26%
3 years	15%	19%	12%
5 years	17%	22%	17%
7 years	12%	18%	13%
10 years	5%	8%	7%

*Including reinvested dividend.



CEO's message

- Continued favorable performance for equities portfolio
- The split of SCA gives two new portfolio companies – the hygiene and health company Essity, and the forest products company SCA

EXTERNAL FACTORS

Growth forecasts as well as macroeconomic indicators for the major economies look good in general, although there are significant differences between countries and regions. Stable growth is forecast for the U.S. economy, but the effects of Trump's policies and interest rate hikes are sources of uncertainty. The recovery is continuing in Europe, but the uncertainty surrounding Brexit remains. Growth in the Chinese economy has stabilized, while the situation remains strained for several emerging markets. However, the stock market has shown resilience to adverse events in the world in general. Supported by strong earnings reports and continued low interest rates, the stock market has continued to perform well.

PORTFOLIO COMPANIES

Activity in the portfolio companies has remained high, and measures taken by the companies combined with improved market conditions point overall to strong earnings performance. I can point to a few examples of significant measures for future value creation that were taken during the first half of the year.

At the end of March Ericsson presented a more focused business strategy. The aim is to restore profitability and regain the technology and market leadership in the company's core businesses. The new strategy involves a number of steps toward change, encompassing everything from the composition of the business portfolio to the company's organizational structure and efficiency.

Sandvik continues to focus on its businesses in tools and mining technology systems, and advanced steel and special alloys. As part of this work, in June the company signed an agreement to sell Sandvik Process Systems, for SEK 5 billion. This creates greater scope for Sandvik to grow further in selected core businesses.

Volvo is continuing its work on strengthening profitability and growing organically in selected areas, including a stronger focus on its service business. Through a clearer customer and brand orientation, the company is strengthening its product offering and increasing flexibility in its business. The focus on continuous improvement remains. It is good to see that this work starts to yield results. Volvo's share price has developed strongly and accounted for the largest value growth in Industrivärden's equities portfolio during the first half of the year.

SCA AND ESSITY

In June 2017 the portfolio company SCA was split into two companies – the hygiene and health company Essity, and the forest products company SCA. We support this strategy for greater focus and believe that the businesses have greater development potential as two separate companies. Since the two new companies have the same share structure as the former SCA, our ownership position was unchanged at mid-year. It is gratifying to note that the market has embraced both companies in a positive way. We see good value potential in these companies, and it is our ambition to stay on as a long-term active owner of both Essity and SCA.

INDUSTRIVÄRDEN'S PERFORMANCE

On June 30, 2017, net asset value was SEK 94.4 billion, or SEK 217 per share, representing an increase during the first half of the year by 16 % including reinvested dividend. At the end of the period, the portfolio's value was SEK 105.3 billion, and net debt was SEK 10.7 billion, corresponding to a debt-equities ratio of 10 %. This means that the debt-equities ratio has decreased by two percentage points during the year thus far. The total return for the Class A as well as the Class C shares was 22 %, compared with 11% for the return index (SIXRX).

STRENGTHED INVESTMENT OPERATION

A key component in Industrivärden's refined strategy has involved further strengthening the investment operations in various ways. It therefore feels especially exciting to welcome Karl Åberg in August, who will assume the role as head of our investment and analysis organization.

Helena Stjernholm
CEO

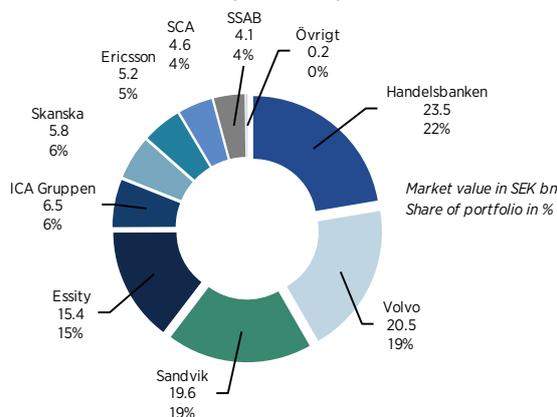
Overview

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.industrivar-den.net.

EQUITIES PORTFOLIO, JUNE 30, 2017



COMPOSITION OF EQUITIES PORTFOLIO AND NET ASSET VALUE

	6/30/2017				6M:2017		Total return	TR for the stock
	Share of ownership, %		Market value		SEK M	%		
Portfolio companies	No. of shares	Capital	Votes	Share of value, %	SEK M	SEK/share	SEK M	%
Handelsbanken A	194 923 948	10.0	10.2	22	23 508	54	-208	-1
Volvo A	142 154 571	6.7	21.7	19	20 456	47	5 751	38
Sandvik	147 584 257	11.8	11.8	19	19 555	45	3 307	20
Essity A	35 000 000	9.5	29.7	15	8 078	35	2 152	17
Essity B	31 800 000				7 330			15
ICA Gruppen	20 625 000	10.3	10.3	6	6 468	15	967	17
Skanska A	12 667 500	6.9	23.9	6	2 532	13	-204	-3
Skanska B	16 343 995				3 267			-3
Ericsson A	86 052 615	2.6	15.1	5	5 129	12	668	14
Ericsson B	1 000 000				60			15
SCA A	35 000 000	9.5	29.7	4	2 555	11	1 114	35
SCA B	31 800 000				2 027			23
SSAB A	63 105 972	11.4	18.2	4	2 426	9	379	11
SSAB B	54 633 318				1 707			9
Other				0	229	1	39	
Equities portfolio				100	105 328	242	13 964	15
Interest-bearing net debt					-10 671	-25	Index:	11
Adjustment regarding exchangeable bond					-293	-1		
Net asset value					94 364	217		
Debt-equities ratio						10%		

The total return for Essity and SCA has been calculated as the respective company's share of the original company, SCA's, total return before the split (based on share of value), and then based on the value development in each company. The split was carried out on June 9 and the first trading day in Essity was on June 15, 2017.

Performance

NET ASSET VALUE

Net asset value on June 30, 2017, was SEK 94.4 billion, or SEK 217 per share, an increase during the first half of the year of SEK 26 per share corresponding to 14 % or by 16 % including reinvested dividend. The dividend payed out in 2017 amounted to SEK 5.25 per share. The Stockholm Stock Exchange's total return index (SIXRX) increased by 11 % during the same period.

During the last five and ten-year period, net asset value grew by 17 % and 5 %, respectively, per year including reinvested dividend. The SIXRX total return index increased by 17 % and 7 %, respectively, during the same period.

EQUITIES PORTFOLIO

During the first half of the year 2017 the value of the equities portfolio increased by SEK 11.1 billion. On June 30, 2017 the equities portfolio amounted to SEK 105.3 billion, or SEK 242 per share. The shareholdings in Volvo, Sandvik and Essity made significant positive contributions to the equities portfolio's value performance.

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

CASH FLOW

Investment activities

During the first half of 2017 no purchases or sales were made in the portfolio companies.

On April 5, 2017 the Annual General Meeting of SCA decided to distribute all shares in Essity (formerly SCA Hygiene) to SCA's shareholders. The distribution to the shareholders was conducted in accordance with the Swedish "Lex Asea" rules, entailing that the distribution was exempt from taxation. One share of Class A in SCA carried entitlement to one share of Class A in Essity and one share of Class B in SCA carried entitlement to one share of Class B in Essity. The first day of trading was on June 15, 2017. Industrivärden remains a long-term active owner in Essity as well as SCA.

Dividend payed out

The Annual General Meeting on May 9, 2017 approved the Board of Directors' proposal of a dividend of SEK 5.25 per share (5.00). The total dividend payout amounted to SEK 2 285 M (2 162).

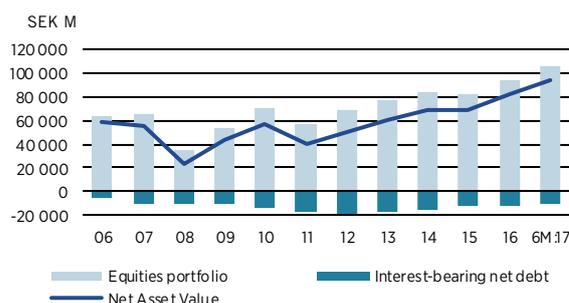
Management cost

The management cost during the first half of the year 2017 amounted to SEK 55 M (60), which on a yearly basis corresponded to 0.10 % of the equities portfolio's value on June 30, 2017.

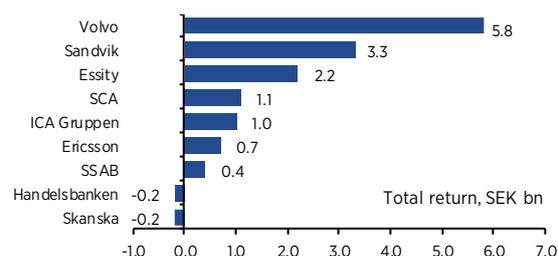
DEVELOPMENT OF NET ASSET VALUE 6M:2017

	6/30/2017		12/31/2016	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	105.3	242	94.2	218
Interest-bearing net debt	-10.7	-25	-11.5	-27
Adjustment exchangeable	-0.3	-1	-	-
Net asset value	94.4	217	82.8	191

DEVELOPMENT OF NET ASSET VALUE, 10 YEARS



CONTRIBUTION ANALYSIS OF SHAREHOLDINGS 6M:2017



PERFORMANCE OF SHAREHOLDINGS, 3 YEARS

	Annual average total return, %
	3 years
SCA/Essity	29
Volvo	19
Sandvik	16
ICA Gruppen	15
Skanska	14
Handelsbanken	8
Ericsson	-5
SSAB	-6
Total return index (SIXRX)	12

NET DEBT

Interest-bearing net debt amounted to SEK 10.7 billion on June 30, 2017. The debt-equities ratio was 10 %, and the equity ratio was 89 % (84). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

On June 30, 2017, interest-bearing liabilities had an average capital duration of over 2 years and carried an average interest rate of approximately 0.3 %. Current unutilized committed bank loans that can be used for refinancing needs amounts to SEK 2 billion.

No part of Industrivärden 's borrowings is conditional on any covenants. Standard & Poor 's credit ranking on Industrivärden 's is A/Stable/A-1.

In 2014 a SEK 4.4 billion exchangeable bond was issued based on ICA Gruppen 's stock. The bond matures in 2019 and was issued at a premium of approximately 38 % to ICA Gruppen 's, share price at the time and carries no interest. The strike price amounted to SEK 293.86 per share as per June 30, 2017. In the event of a potential future exchange, there is a possibility to pay either with shares or with cash equivalents.

The six-year convertible bond worth EUR 550 M that was issued in January 2011 matured on February 27, 2017, whereby approximately 9 % of the convertible bond, corresponding to 50.9 MEUR, was 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 214.50 and SEK 202.00 on June 30, 2017. At year-end 2016 the corresponding market prices were SEK 180.20 and SEK 169.80.

The total return, for both the Class A and C shares, amounted to 22 % during the first half of the year 2017, compared with 11 % 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. During the first half of the year 2017, 1 025 shares were converted.

INTEREST-BEARING NET DEBT, JUNE 30, 2017

	Credit facility, SEK M	Utilized amount, SEK M	Maturity
Exchangeable bond		4 307	2019
MTN-program	8 000	3 318	2018-2021
Bank loans		500	2017
Commercial paper	2 000	1 901	2017
Pension debt		123	
Other short-term borrowing		849	2017
Total borrowing		10 998	
Less:			
Interest-bearing receivables		327	
Interest-bearing net debt		10 671	

SHARE STRUCTURE, JUNE 30, 2017

Share class	No. of shares	No. of votes	Capital, %	Votes, %
A (1 vote)	268 184 405	268 184 405	61.6	94.1
C (1/10 vote)	167 025 472	16 702 547	38.4	5.9
Total	435 209 877	284 886 952	100.0	100.0

Other

BOARD'S ASSURANCE

The Board of Directors and CEO certify that the half-year interim report gives a true and fair presentation of the Parent Company's and Group's business, financial position and result of operations, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, July 5, 2017
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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RESOLUTIONS AT ANNUAL GENERAL MEETING 2017

The 2017 Annual General Meeting was held on May 9, at which the following resolutions, among others, were made. The dividend was set at SEK 5.25 (5.00) per share. All board members and the Chairman of the Board were re-elected.

FINANCIAL CALENDAR

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

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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 and Sustainability stated above, at 10:00 a.m. CET on July 5, 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–June 30, 2017. The Board of Directors and CEO 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 5, 2017
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Financial statements

GROUP

SEK M	2017 Apr.-Jun.	2016 Apr.-Jun.	2017 Jan.-Jun.	2016 Jan.-Jun.	2016 Jan.-Dec.
INCOME STATEMENT					
Dividend income from stocks	1 724	1 926	2 786	3 078	3 078
Change in value of stocks, etc.	1 552	-2 056	10 924	8	13 687
Management cost	-29	-29	-55	-60	-112
Operating income	3 247	-159	13 655	3 026	16 653
Financial items	-25	-50	-70	-101	-202
Income after financial items	3 222	-209	13 585	2 925	16 451
Tax	-	-	-	-	-
Net income for the period	3 222	-209	13 585	2 925	16 451
Earnings per share, SEK	7.40	-0.48	31.25	6.77	38.05
Earnings per share after dilution, SEK	7.40	-0.53	31.25	5.88	34.93
STATEMENT OF COMPREHENSIVE INCOME					
Comprehensive income for the period	3 222	-209	13 585	2 925	16 441
BALANCE SHEET as per end of period					
Equities			105 328	80 514	94 250
Other non-current assets			12	494	214
Total non-current assets			105 340	81 008	94 464
Cash and cash equivalents			0	314	823
Other current assets			336	346	337
Total current assets			336	660	1 160
Total assets			105 676	81 668	95 624
Shareholders' equity			93 912	68 613	82 129
Non-current interest-bearing liabilities			7 248	6 820	7 382
Non-current non interest-bearing liabilities*			636	552	414
Total non-current liabilities			7 884	7 372	7 796
Current interest-bearing liabilities			3 750	5 527	5 425
Other liabilities			130	156	274
Total current liabilities			3 880	5 683	5 699
Total shareholders' equity and liabilities			105 676	81 668	95 624
CASH FLOW					
Cash flow from operating activities			2 662	2 960	2 854
Cash flow from investing activities			0	901	834
Cash flow from financing activities**			-3 485	-3 552	-2 870
Cash flow for the period			-823	309	818
Cash and cash equivalents at end of period			0	314	823

* Of which, the option component of the exchangeable bond, totalling SEK 547 M, which at the time of issue amounted to a total of SEK 335 M.

** Of which, dividends of SEK 2 285 (2 162) M paid to shareholders.

SEK M	2017	2016	2016
	Jan.-Jun.	Jan.-Jun.	Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY			
Opening shareholders' equity as per balance sheet	82 129	67 850	67 850
Conversion	482	-	-
Comprehensive income for the period	13 585	2 925	16 441
Dividend	-2 285	-2 162	-2 162
Closing shareholders' equity as per balance sheet	93 912	68 613	82 129
INTEREST-BEARING NET DEBT at end of period			
Cash and cash equivalents	0	314	823
Interest-bearing assets	327	801	503
Non-current interest-bearing liabilities	7 248	6 820	7 382
Current interest-bearing liabilities	3 750	5 527	5 425
Interest-bearing net debt	10 671	11 232	11 481

PARENT COMPANY

SEK M	2017	2016	2016
	Jan.-Jun.	Jan.-Jun.	Jan.-Dec.
INCOME STATEMENT			
Operating income	10 289	2 013	11 343
Income after financial items	10 271	1 974	11 259
Income for the period	10 271	1 974	11 259
Comprehensive income for the period	10 271	1 974	11 249
BALANCE SHEET as per end of period			
Non-current assets	62 264	44 209	53 333
Current assets	416	754	1 284
Total assets	62 680	44 963	54 617
Shareholders' equity	51 799	34 056	43 330
Non-current liabilities	7 884	5 372	5 796
Current liabilities	2 997	5 535	5 491
Total shareholders' equity and liabilities	62 680	44 963	54 617

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 2016 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.

6/30/2017	Level 1	Level 2	Level 3	Total
Assets				
Equities	105 115	-	213	105 328
Derivatives, etc.	-	3	-	3
Total assets	105 115	3	213	105 332
	Level 1	Level 2	Level 3	Total
Liabilities				
<i>Non-current liabilities</i>				
Option component of exchangeable bond	-	-547	-	-547
Derivatives, etc.	-	-89	-	-89
Total liabilities	-	-636	-	-636

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

RISKS AND UNCERTAINTIES

The dominant risk in Industrivärden's business is share price risk, i.e., the risk of a change in value caused by changes in share prices. A 1% change in the share price of the holdings in the equities portfolio as per June 30, 2017, would have affected its market value by approximately +/- SEK 1 100 M.

RELATED PARTY TRANSACTIONS

During the first half of the year 2017, dividend income was received from associated companies.

