

2017

INDUSTRI  VÄRDEN

ANNUAL REPORT

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Industrivärden is a long-term asset manager and active owner in listed Nordic companies.

Industrivärden is a public company (publ), and its shares are listed on the Stockholm Stock Exchange (Nasdaq Stockholm).

The goal is to increase net asset value in order to be able to generate a total return which, over time, is higher than the average for the Stockholm Stock Exchange. Industrivärden has historically demonstrated a good ability to generate competitive shareholder value over time.

Shareholder information

Annual General Meeting 2018

Location: Grand Hôtel, Stockholm, Vinterträdgården room (entrance at the corner of Stallgatan/Blasieholmsgatan).

Time: Tuesday, April 17, 2018, 2 p.m.
The doors will open at 1 p.m.

Notification of attendance

Notification to attend the Annual General Meeting (AGM) must be made not later than April 11, 2018, using the electronic form on Industrivärden's website, www.industrivarden.net; by phone at +46-8-402 92 86 (starting March 7, 2018); or by mail to AB Industrivärden, "AGM 2018," c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden.

In addition, shareholders who wish to participate in the AGM must be listed in the shareholder register maintained by Euroclear Sweden as per April 11, 2018. A shareholder whose shares are registered in a nominee's name, in order to be able to participate in the Meeting, must request that the nominee registers the shares in the shareholder's own name in the shareholder register maintained by Euroclear Sweden. Such registration may be temporary. The shareholder must inform the nominee well in advance of April 11, 2018, at which time such registration must be carried out.

Dividend

The Board of Directors proposes a dividend of SEK 5.50 per share. The last day to buy shares that carry entitlement to the dividend is April 17, 2018, entailing that Industrivärden shares will be traded ex-rights on April 18, 2018. Provided that the AGM resolves in favor of the proposal, it is expected that dividends will be sent out by Euroclear Sweden on April 24, 2018.



FINANCIAL CALENDAR 2018

April 9: Interim report January–March

April 17: Annual General Meeting, Stockholm, Sweden

July 5: Interim report January–June

October 5: Interim report January–September

FINANCIAL REPORTING

A detailed description of operations as well as interim reports, annual reports, press releases and more are available on Industrivärden's website: www.industrivarden.net.

QUERIES, REQUESTS AND SUBSCRIPTIONS

Queries from shareholders and investors can be directed to Sverker Sivall, Head of Corporate Communications and Sustainability, by email at info@industrivarden.se or by phone at +46-8-666 64 00.

Financial reports can be requested specifically or by subscription through registration at www.industrivarden.net, by email at info@industrivarden.se, or by phone at +46-8-666 64 00.

ANNUAL REPORT 2017

This publication constitutes the Annual Report for AB Industrivärden (publ), corporate identity number SE 556043-4200. A printed copy of the Annual Report will be distributed to shareholders upon request, as per the above. Digital copies are available on the Company's website or can be ordered as per above.

This Annual Report is a translation of the Swedish original.

OVERVIEW

Industrivärden is a long-term asset manager and active owner in listed Nordic companies.

Industrivärden at a glance

HISTORY

Industrivärden was established by Handelsbanken in 1944 as a means of gathering shareholdings that the bank had acquired following the stock market crash in the 1930s and distributing them to the bank's shareholders. This business proved to be successful and evolved over time into an effective asset management business with diversified ownership.

Industrivärden today is a knowledgeable, responsible and financially stable owner that takes an active ownership role, and in doing so provides a competitive advantage for the value development of its portfolio companies as well as Industrivärden itself.

BUSINESS MISSION

To conduct long-term value-creating asset management through active ownership. This mission is based on Industrivärden's relative strengths, including a long-term investment perspective, depth of knowledge and experience in active ownership, a strong position of influence, financial strength and an extensive network.

OBJECTIVE

The long-term objective 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 (Nasdaq Stockholm).

STRATEGY

Industrivärden's asset management is built upon a structured investment process of continuous analysis and evaluation of existing and potential new holdings. Taking into account continuity and long-term perspective, the expected return potential for existing investments shall be weighed against the return potential for prospective new investments. Industrivärden also strives to take a distinct and active ownership role in order to increase the value of its shareholdings.

INVESTMENT FOCUS

Industrivärden invests in listed Nordic companies with good return potential, where it can exercise active influence through a strong position of trust and ownership-based positions of influence. Industrivärden's investment criteria are to invest in companies with proven business models and clear potential for profitable growth. Investments must also have an attractive valuation and provide a good balance of risk and return.

ACTIVE OWNERSHIP IN PRACTICE

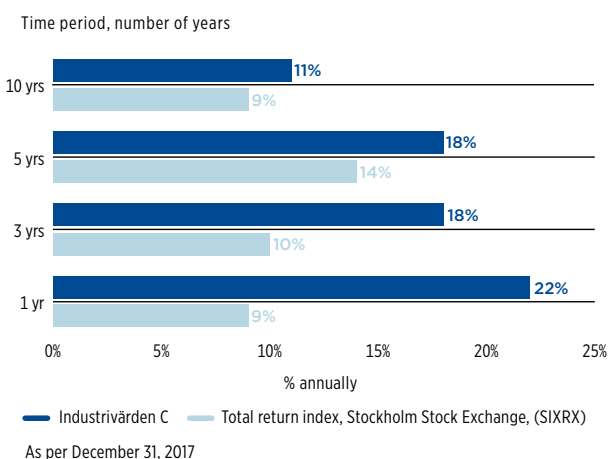
Active ownership is exercised mainly through involvement in nomination processes for board elections, through board representation and also through evaluations of boards, CEOs and company managements. Industrivärden is continuously monitoring its portfolio companies' and influence, where necessary, their overall development through board representation. In this way Industrivärden contributes to the portfolio companies' growth in value over time. In its role as active owner, Industrivärden provides:

- Long-term perspective with focus on competitive growth in value over time
- Knowledge and experience with bearing on the portfolio company, its competitors and its external operating environment
- Genuine involvement and the ability to evaluate, lend support and make clear demands
- Owner cooperation through discussions and consensus-building on key issues with other owners
- Resources in the form of financial strength and an extensive network

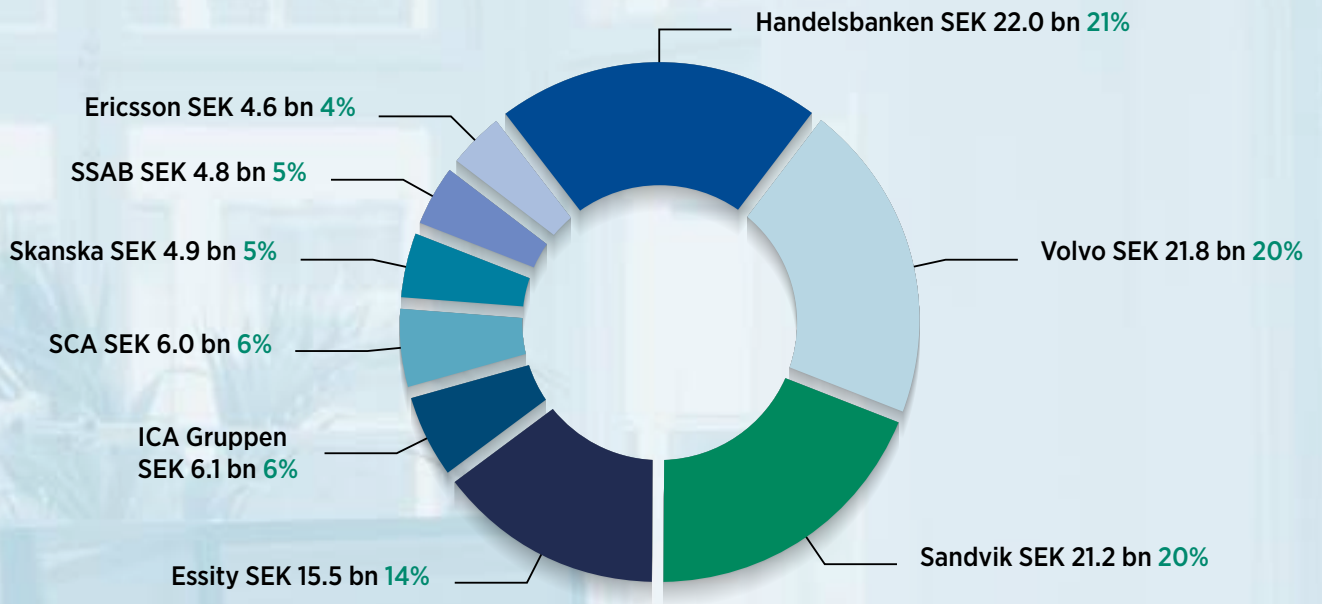
VALUE CREATION

During the last ten-year period Industrivärden's stock has delivered a higher total return than the Stockholm Stock Exchange, which has performed well from an international perspective. In early 2016 Industrivärden presented a refined strategy with the express goal of enhancing value creation over time. In 2017 Industrivärden's Class C shares generated a total return of 22%, which is 13 percentage points higher than the Stockholm Stock Exchange's total return index (SIXRX).

TOTAL RETURN - INDUSTRIVÄRDEN SHARES



Equities portfolio



Portfolio value on December 31, 2017: SEK 107.3 bn



Highlights 2017

INDUSTRIVÄRDEN'S PERFORMANCE

EQUITIES PORTFOLIO

Adjusted for purchases and sales, the value of the equities portfolio increased by SEK 12.9 billion to SEK 107.3 billion (94.2). The total return was 17%.

NET ASSET VALUE

Net asset value at year-end was SEK 221 per share (191), an increase of 16% for the year and 18% including reinvested dividend.

TOTAL RETURN - INDUSTRIVÄRDEN SHARES

The total return was 20% for Industrivärden's Class A shares and 22% for the Class C shares, compared with 9% for the total return index (SIXRX).

GEARING

The debt-equities ratio was 10%, a decrease of 2 percentage points during the year.

PROPOSED DIVIDEND

The Board of Directors proposes a dividend of SEK 5.50 (5.25) per share.

+22%

During 2017 Industrivärden's Class C shares generated a total return of 22%, compared with 9% for the total return index (SIXRX). This represents an excess return of 13 percentage points for the year.

+18%

Net asset value grew 16% in 2017, and 18% including reinvested dividend.

+17%

The total return of the equities portfolio was 17%.

A SELECTION OF STRATEGIC ACTIVITIES BY PORTFOLIO COMPANIES

VOLVO

Through determined work on achieving sharpened focus, decentralized responsibility, stronger cost control and continuous improvements, Volvo has appreciably strengthened its profitability and financial position. Sales growth also increased significantly during the year. The company has announced new financial targets and continues to evaluate its business structure.



ESSITY/SCA

The split of SCA into the hygiene and health company Essity and the forest products company SCA enables increased focus and scope for action in the respective portfolio companies over time. In connection with the split, Essity's stock was listed on June 15, 2017. During the year Essity presented new financial targets, and SCA's investment in increased capacity at the Östrand pulp mill developed according to plan.



ERICSSON

Ericsson is facing significant operational and financial challenges that are being addressed with a new business strategy and simplified organizational structure, combined with substantial cost reductions. During the year, previously taken actions began to generate effects, and Ericsson also presented new financial targets. Considerable energy is being dedicated to focusing and developing existing positions of strength and on regaining technological leadership.





Chairman's message

Growth in the global economy was very good in 2017. Especially surprising was the performance in Europe. The positive trend continued in the U.S., and in China the economy remained strong. A positive trend could even be noted in certain emerging countries. This led to rising demand for Sweden's export industry, which in combination with a weak Swedish krona contributed to high activity and improved profitability. Industrivärden's portfolio companies consist in large part of global manufacturers. Performance by Volvo, Sandvik and SSAB was particularly positive, while SCA and Essity also showed strong performance.

For the third year in a row Industrivärden's total return exceeded the performance for the Stockholm Stock Exchange. Our focus on value creation, combined with a good portfolio mix, has generated results. Against the background of this positive performance for Industrivärden in 2017, the Board of Directors has proposed to the forthcoming Annual General Meeting an increase in the dividend from SEK 5.25 per share to SEK 5.50.

In recent years a number of personnel changes have taken place in the portfolio companies at both the board and management levels. My opinion is that today in general our portfolio companies have strong and competent boards and CEOs. Leadership is entirely decisive for the companies' performance and cannot be overestimated in my view. It is for this reason that we put great focus on this in our nomination work and in the boards. I also believe that decentralization creates value. A broad sense of responsibility in the organization is very meaningful for a company's success. Having a strong financial position is also important. This makes companies resilient in economic downturns, but above all it is an important precondition for a company's ability to capitalize on favorable business

opportunities. In Industrivärden's exercise of active ownership, leadership, decentralization and financial position are key issues. Through our representatives on the portfolio companies' boards, we drive these issues consistently and with a long-term perspective.

Industrivärden's debt-equities ratio decreased during the year to 10%, which is within the scope of our 0-10% target. Following a several-year upswing in the stock market and economy, it is especially important that we reduce debt. When the economy and stock market turn down, we must be well poised to take advantage of interesting investment opportunities. In 2017 our dividend income exceeded our dividend payout and costs in the operations, which gave us a positive cash flow before investments. This is in line with the strategy we adopted in February 2016. Given the dividends proposed by our portfolio companies, Industrivärden's cash flow will continue to increase in 2018, which will enable investments without an increase in debt.

Industrivärden now has nine portfolio companies which together are judged to have good opportunities for value creation. During 2017 we concentrated our work on this and have chosen to not add any additional companies to the portfolio.

Volvo is now our second largest investment. The company had very positive performance in 2017, and its stock price grew sharply during the year. At the end of 2017, Cevian announced that it had sold its shares in Volvo to the Chinese company Geely. We hope for a good dialog with Geely and good cooperation with them and other major shareholders of Volvo. We are long-term owners and see continued favorable opportunities for value creation in Volvo.

During the past year, the board work in Industrivärden worked well. We held nine board meetings and several meetings of both the Compensation Committee and Audit Committee. At every board meeting the CEO shared her views on the macro economy and on our portfolio companies. We also hosted visits by a number of CEOs who gave presentations on their respective companies. This has been valuable both for increasing our knowledge but also for getting to know these individuals better.

Our CEO Helena Stjernholm did an exceptional job during the year. As a board member of Volvo, Ericsson and Sandvik she earned respect through her great commitment and knowledge and made a positive contribution to these companies' development. She also continued to refine and improve the efficiency of our own operations and organization. On behalf of the Board of Directors I want to offer a great and warm thanks to Helena and her colleagues.

I also want to thank the boards and management teams of our portfolio companies for their very commendable work. Finally, I would also like to thank my colleagues on the Board of Industrivärden for their positive and constructive cooperation during the past year.

Stockholm, February 2018

Fredrik Lundberg
Chairman of the Board



CEO's message

CONTINUED FAVORABLE PERFORMANCE IN 2017

Industrivärden delivered a very competitive total return in 2017. Net asset value increased by SEK 13.5 billion, or by 18% including reinvested dividend, compared with 9% for the Stockholm Stock Exchange's total return index (SIXRX). The total return for the Class A and C shares was 20% and 22%, respectively, and exceeded the total return index by 11 and 13 percentage points, respectively. The fine performance from 2016 thereby continued also during 2017. During the last two-year period our Class C shares have generated an average annualized total return that is a full 12 percentage points higher than the total return index.

Growth in value on the Stockholm Stock Exchange in 2017 was good overall and especially strong for many cyclical companies. The especially strong performance for Industrivärden's equities portfolio in 2017 can be credited mainly to a very favorable total return for four of the portfolio holdings. As in the preceding year, the two largest contributors were Volvo, whose value grew by SEK 7.1 billion, or 47%, and Sandvik, which grew by SEK 5.0 billion, or 30%. It is gratifying to see how implemented measures, combined with favorable market conditions, led to significant growth in the value of these companies. The two next-largest contributors were SCA, whose value grew by SEK 2.5 billion, or 79%, and Essity, which grew by SEK 2.3 billion, or 17%. Here we can ascertain that the stock market has shared our view that Essity and SCA have favorable development potential as separate companies.

During 2017 we further reduced our debt-equities ratio by 2 percentage points, to 10%. This is an effect of the equities portfolio's positive value development and lower level of debt in absolute figures. Debt reduced mainly as a

result of conversion of approximately 9% of our convertible bond from 2011 to Class C shares, corresponding to approximately SEK 500 M, in February 2017. Moreover, we generated a positive cash flow, which also reduced debt. In connection with the maturity of the convertible bond, we arranged refinancing to achieve more flexible debt financing and to lower costs. Our average interest rate on our borrowings today is 0.1%. It is our ambition, when the opportunity arises, to further reduce debt in order to increase our financial scope to act.

CLEAR FOCUS ON OUR OPERATIONS

The strategic development project that was decided on by the Board in February 2016 has now been largely completed. During the last two-year period Industrivärden sharpened its asset management focus and strengthened its way of exercising active ownership. This work has generated tangible results in terms of effectiveness and returns. We are now working further with continuous improvement measures in order to increase our ability over time. During 2017 we strengthened the organization with the recruitment of Karl Åberg as head of our investment and analysis organization, we developed our work methods, and we concretized our action plans for the portfolio companies. We have also integrated our new sustainability analysis framework, which has increased our ability to make demands and contribute from a sustainability perspective.

As a step in our enhanced focus on asset management and active ownership in a limited number of listed portfolio companies, during the year we discontinued our derivative and trading operation. We will continue to have a market function in order to carry out equity transactions also in companies in which we do not exercise active ownership, but to a limited extent and with a clear coupling to our core business.

ACTIVE OWNERSHIP WITH FOCUS AND FLEXIBILITY

For an active owner it is of decisive importance to gain a good picture of a portfolio company's business and business environment, and to have an opinion about the company's future performance. Global companies are encountering a more competitive and rapidly changing world in many respects. In part, the macroeconomic conditions are shifting between various countries and regions, and in part, a number of rapid shifts are taking place as a result of revolutionary megatrends, including digitalization, urbanization and greater focus on sustainability. No company can foresee in detail how these factors will affect their business. However, companies can mitigate their risks and enhance their opportunities if they focus their business on what they are good at and succeed at strengthening their structural flexibility. This can be achieved through greater decentralization, increased financial scope to act, and perhaps most important of all, through continuous improvements in their own operations. As an active owner

we believe that a clear business focus, distinct customer orientation and keen ability to adapt are vital factors for being able to generate a competitive return over time.

VALUE-CREATING ACTIVITIES IN THE PORTFOLIO COMPANIES

During 2017 the pace of change remained high in a few of our portfolio companies, while others worked on steadily developing a strong base. Let me briefly say a few words about the respective companies.

Handelsbanken continues to generate profitable growth in its home markets. The bank's years-long strategy to focus on customer satisfaction remains, and during the year *Handelsbanken* increased its investment in digitalization in order to further improve the customer experience and internal efficiency.

Through a determined effort to achieve greater decentralization and efficiency improvement, *Volvo* achieved tangible improvements in both sales growth and profitability. All business segments contributed with the biggest increase in margin in *Volvo Construction Equipment*. The company's financial position strengthened during the year, and in autumn 2017 the company's financial targets were revised.

Sandvik has also worked for a couple of years on refining, simplifying and decentralizing its operations. During 2017 the company announced divestments of several businesses, including *Mining Systems*, *Process Systems* and *Hyperion*. Its internal work, paired with favorable market conditions, resulted in higher sales, good earnings and a substantially stronger financial position. Efficiency improvement work is now continuing through continuous improvements in all parts of operations.

Our new portfolio company, *Essity*, is working with sharp focus on profitable growth in selected markets and product categories. The acquired med-tech company *BSN medical* strengthens *Essity's* product offering and future growth opportunities.

ICA Gruppen is steadily developing its strong market position by adapting to new consumption patterns, changed demographics and rapid digitalization. During the year its position in Lithuania was further strengthened through the acquisition of *IKI*.

The new *SCA* is focusing on increasing efficiency and carrying out the capacity investment in its Östrand pulp mill. The company had strong growth in value in 2017 following the distribution of the hygiene and health business, *Essity*.

During 2017 *Skanska* carried out several large divestments in commercial property development and signed a number of substantial contracts. However, the construction business still has unsatisfactory profitability. The newly

appointed CEO *Anders Danielsson* announced an increased focus and decentralization of operations.

SSAB showed continued earnings improvement, driven in part by better market conditions, but also owing to internal work carried out in recent years. Ongoing growth initiatives are developing well, and the company is steadily strengthening its financial position.

Börje Ekholm took office as CEO at *Ericsson* on January 1, 2017. After narrowing the focus of its strategy, the company is now in a phase in which it is focusing on developing the core business, cutting costs and increasing efficiency. In October 2017 the company's nominating committee proposed that *Ronnie Leten* be elected as a new board member at the Annual General Meeting in March 2018.

SATISFACTORY GROWTH PROCESSES, BUT A NUMBER OF CHALLENGES

The macroeconomic conditions in 2018 are expected to remain favorable, and as in 2017, global growth is projected to be around 4%. It can be noted that most of the major economies are now expected to show growth in 2018, although to varying degrees. In the longer term the question is when the economy will level out and at what pace this will happen.

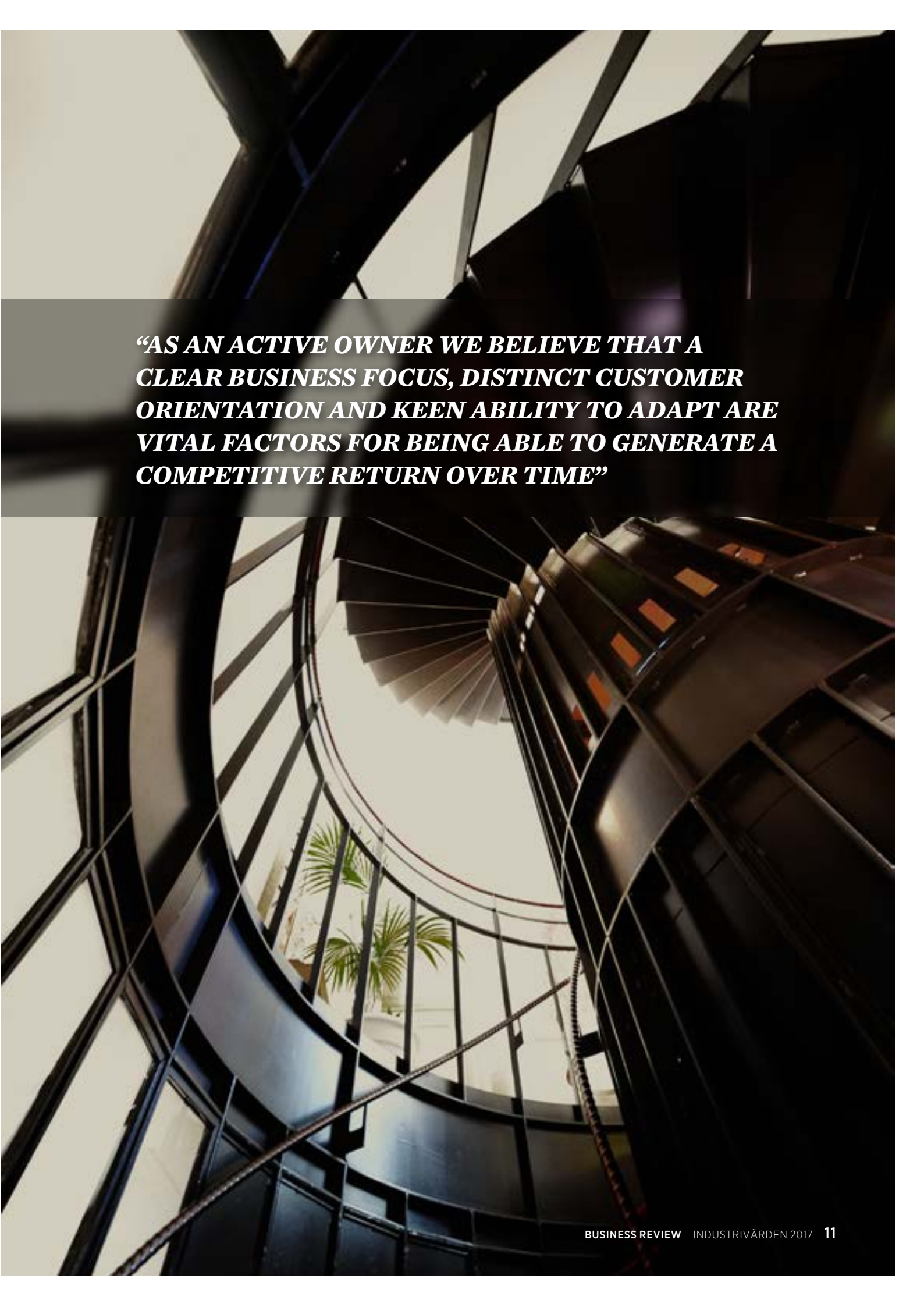
In Europe the recovery has been good, and the political risks have decreased slightly after several elections and the start of Brexit negotiations. Growth in the U.S. remains favorable. It is hard to assess the overall effects of the recent tax reform and possible infrastructure investments, but they are expected to have a positive effect on growth. In China, growth has stabilized at a relatively favorable level. Several emerging countries are benefiting from a weaker U.S. dollar, which has strengthened their competitiveness.

From a geopolitical perspective there are a number of areas of concern that are giving rise to uncertainty regionally as well as for the global economy. Despite these, a stable macro environment and strong company performance contributed to the stock market's favorable performance in 2017. The Swedish stock market continued to develop positively during the beginning of 2018, but in early February a correction occurred, and the volatility increased, due to concerns about the US stock market. Although the market has shown a clear concern about rising inflation and interest rates, the macro forecasts for 2018, earnings growth for companies and low interest rates, point to an underlying support in the stock market. However, in the future there are expectations of higher interest rates and reduced stimulus measures, which over time will impact flows between various assets classes.

Industrivärden today has a strong platform for long-term competitive value creation. With this said, I want to thank all of my colleagues for their great contributions during 2017.

Stockholm, February 2018

Helena Stjernholm
CEO



***“AS AN ACTIVE OWNER WE BELIEVE THAT A
CLEAR BUSINESS FOCUS, DISTINCT CUSTOMER
ORIENTATION AND KEEN ABILITY TO ADAPT ARE
VITAL FACTORS FOR BEING ABLE TO GENERATE A
COMPETITIVE RETURN OVER TIME”***

ASSET MANAGEMENT

Industrivärden creates shareholder value through long-term asset management based on active ownership. The chosen management strategy – active ownership – requires significant positions of influence and entails a long-term involvement.

Business model

Asset management is conducted in two main processes – investment and active ownership.

The investment process aims to maximize Industrivärden's long-term return and is based on internal analysis, external documentation, and business intelligence. Based on this analysis, decisions are made on margin transactions in existing investments, divestments of an entire holding, or new investments. The estimated return potential for existing investments is to be compared with the return potential for new investments under evaluation, taking into account continuity and long-term objectives.

A significant part of the work is focused on value-creating active ownership in existing investments – the so-called portfolio companies. Active ownership aims to gain depth of knowledge about the companies and their business environments, and where necessary to influence their strategic development.

The active ownership process is conducted mainly through involvement in nomination processes for board

elections, through board representation, evaluations of boards, CEOs and company managements, and by monitoring and – where necessary – influencing the portfolio companies' overall development. A decisive success factor is that Industrivärden's analysis leads to feasible changes and/or value-creating transactions. The two main processes are tightly interwoven.

Asset management is based on Industrivärden's relative strengths, which include a long-term investment perspective, depth of knowledge and experience in active ownership, a strong position of influence, financial strength and an extensive network.

ORGANIZATION

Industrivärden has a professional and cost-efficient organization that is characterized by high flexibility and short decision-making channels. Operations, which are conducted at the head offices in Stockholm, involve some 20 employees, eight board members and an extensive network. Internal work is project-oriented, and most employees are involved in both the investment and active ownership processes.





OUR PEOPLE

Professional and successful asset management requires competent and committed employees as well as an attractive and dynamic workplace. Major emphasis is therefore put on recruiting processes, competence development, and a good company culture. Industrivärden's ethical values and ambitions as an employer are set out in the Company's Code of Conduct, which addresses areas such as the work climate, diversity and business ethics. Industrivärden is committed to providing its employees with compensation that is competitive and in line with the going rate in the market. Variable salary components are coupled to set targets.

Board of Directors

The Board of Directors makes decisions on major investments, continuously monitors the portfolio companies' performance and decides on matters related to the exercise of active ownership in the portfolio companies. Individual directors represent Industrivärden on portfolio companies' boards and participate actively in the portfolio companies' board nomination processes.

Executive Management

The Executive Management handles the Company's day-to-day administration, which includes strategic, organizational and finance matters as well as control and follow-up, among other things. Members of the Executive Management also serve on investment teams and can contribute specialist expertise.

The members of the Executive Management, together with representatives from the investment and analysis organization, make up Industrivärden's investment committee. The committee monitors the business on a continuing basis, makes investment decisions and adopts

Industrivärden's action plans for value creation in the portfolio companies.

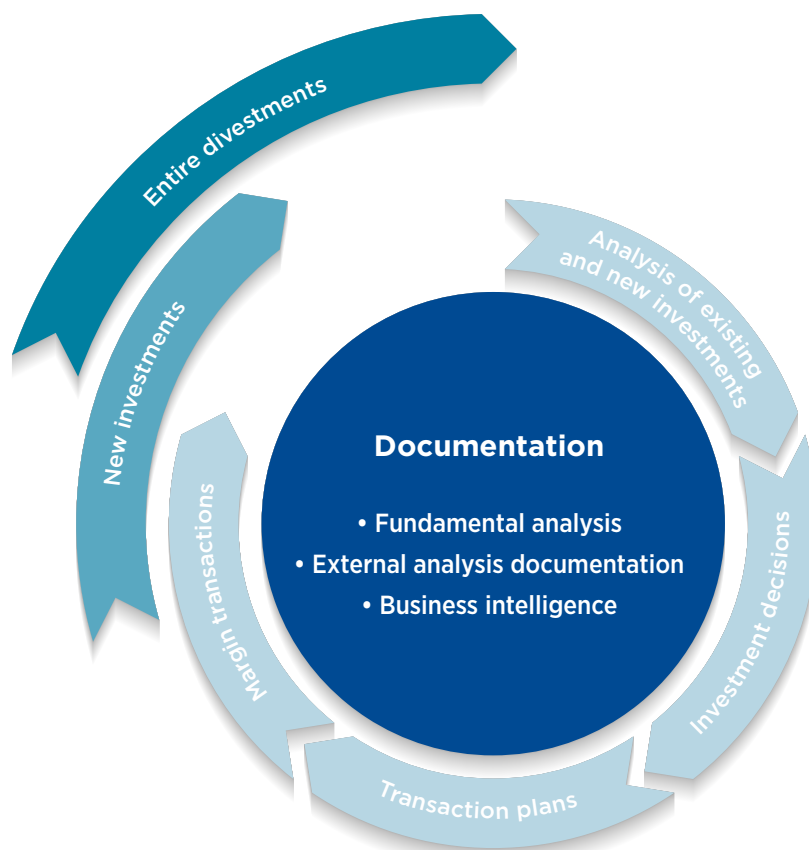
Investment and analysis organization

The investment and analysis organization performs investment analyses, continuously reviews Industrivärden's fundamental analysis of existing and new investments, and regularly updates the Company's action plans in support of its active ownership.

Operations are organized into teams, which monitor and follow up developments in the portfolio companies. The teams continuously perform investment and company analyses that culminate in a so-called fundamental analysis. Each investment team, led by a team manager, has deep knowledge about its respective portfolio company and its business environment. Important external factors include the market, competitors, customers and megatrends.

Based on this fundamental analysis, an action plan is continuously updated and forms the foundation for the design, execution and evaluation of Industrivärden's active ownership. The aim is primarily to identify and describe various opportunities for value growth as well as strategic measures for creating this value. The fundamental analysis is a key component in the overall assessment that forms the basis of Industrivärden's day-to-day investment decisions. All action plans are set on a continuous basis by Industrivärden's investment committee, and the respective, adopted action plans are presented to Industrivärden's board. In this way the board members are provided with a current and in-depth picture of identified opportunities and measures. When necessary, Industrivärden communicates its views first with the chairman of the respective portfolio company's board. Discussions are also held on an ongoing basis with the company's CEO.

INVESTMENT PROCESS



APPROACH

Operations are distinctively trust-based and therefore require that Industrivärden works with a professional and transparent corporate governance model in collaboration with other major shareholders.

Investment process

General

The investment process is built upon a structured method of continuous analysis of existing and potential new holdings.

Qualitative and quantitative goals as well as the investments' long-term return potential are evaluated continuously. In the course of the investment process, transaction plans are continuously updated with the aim to optimize long- and short-term timing and the forms of potential stock purchases and sales. Corresponding plans are drawn up for new investments or complete divestments.

The return potential for existing investments is to be compared with the return potential for prospective new investments, taking into account continuity and a long-term view.

Investment universe

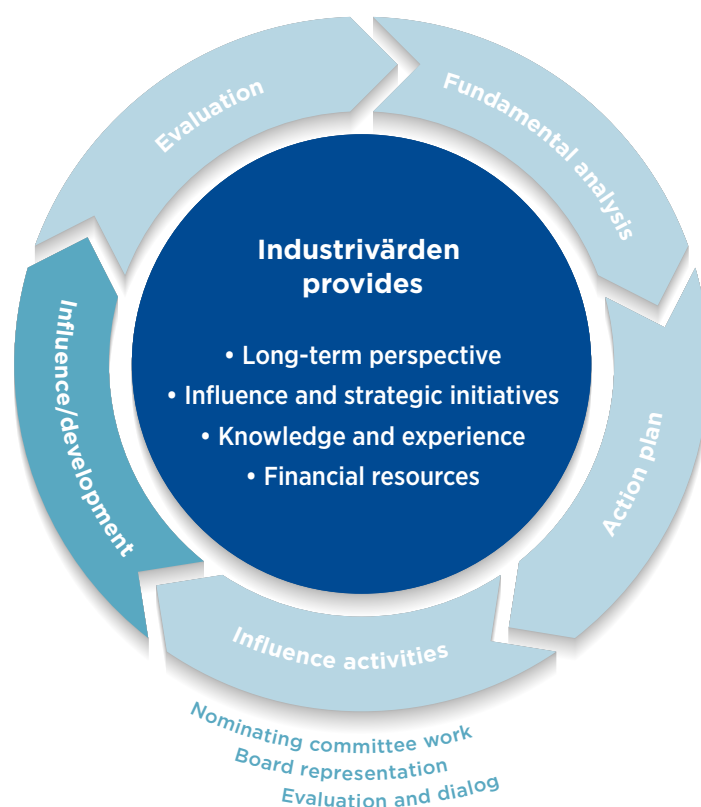
Industrivärden invests in listed Nordic companies with clear return potential, where it can exercise active influence through a strong, ownership-based position of trust. Industrivärden's share of ownership should therefore amount to at least 10% of the number of votes and provide for board representation. For new investments, the portfolio company should have a minimum market cap of around SEK 3 billion, and for investments in companies with a market cap ranging from SEK 3–10 billion, an ownership stake of 20%–30% of the capital is preferable. This is to ensure that the investment's potential return will make a significant contribution to the equities portfolio as a whole.

Industrivärden continuously evaluates listed companies on the major Nordic stock markets and monitors all relevant IPOs and other potential deals in the Nordic region.

Investment criteria

Investments are to be made in established companies in which Industrivärden can identify long-term, attractive return potential. The overarching investment criteria are:

- Clear potential for profitable growth
- Proven business model
- Good balance between risk and return
- Attractive valuation



Investment perspective

A long-term investment perspective means that major emphasis is put on evaluating interesting investment alternatives based on Industrivärden's view of important developments in the business environment. These can concern everything from macroeconomic development and innovation trends to megatrends such as digitalization, new material technologies, and long-term sustainable development. Many of these trends also present significant challenges and opportunities within the context of active ownership.

Current investments – portfolio companies

The return potential for investments in the portfolio companies is evaluated on a continuous basis with a 3–5 year time horizon. Major emphasis is put on comparisons against an estimated return potential for other investment alternatives, taking into account continuity and long-term objectives.

Equities market function

Industrivärden's equities market function executes investment decisions, and provides information on the market and macro-environment. The function has one employee, who is also active in the investment and analysis organization.

Active ownership process

General

Industrivärden's influence in its portfolio companies is based on sizable ownership stakes and a strong position of trust. From this foundation Industrivärden takes an active ownership role in collaboration with other major owners to build value in the shareholdings.

Active ownership is grounded in Industrivärden's ownership strategy, continuous evaluation of the composition of the respective portfolio companies' boards, and action plans for value creation. This work is conducted from an overarching ownership perspective and focuses on the portfolio companies' boards and managements as well as on strategic matters such as corporate governance, company strategy, company and capital structure, sustainability focus and so on.

Through significant influence, depth of knowledge and long-term involvement, Industrivärden can evaluate performance, lend support and make concrete demands for future value creation.

Nominating committee work

Active ownership is exercised through, among other things, involvement in the nomination processes for board elections and elections of the chairman of the board of the respective portfolio companies. A well composed board with competent directors is crucial for a company's success.

Industrivärden therefore puts strong emphasis on participating on its portfolio companies' nominating committees and is represented by members from Industrivärden's executive management and board.

Access to qualified, potential board members is a central success factor, which is why Industrivärden must have own resources to be able to build, structure and utilize a qualified network. Industrivärden invests in portfolio companies with various types of operations and varying needs, which requires a broad network of individuals with various types of expertise.

Board representation

Active ownership is also exercised through board representation. Industrivärden's board members and executives, who also serve as AGM-elected directors for

Industrivärden's portfolio companies, must have a current and clear picture of Industrivärden's views of the respective companies.

Continuous evaluation and influence

Industrivärden also continuously evaluates the CEOs and managements of its portfolio companies, and monitors and – where needed – influences the portfolio companies' overall development. When necessary, Industrivärden communicates its views of the company and its management first with the chairman of the respective portfolio company's board. Continuing discussions are also held with the respective company's CEO.



SUSTAINABILITY REPORT

INDUSTRIVÄRDEN AS ASSET MANAGER AND ACTIVE OWNER

Long-term value creation requires sustainable solutions and decisions, which is why our asset management decisions and influencing activities are based on a distinct sustainability perspective. As an active owner we contribute to developing responsible companies that capitalize on sustainability-related opportunities. This creates competitive companies and favors long-term sustainable development in the communities in which the portfolio companies operate. Against this background, major emphasis is put on ensuring that our portfolio companies have the boards, leadership, organization and resources needed to integrate corporate social responsibility and thus long-term value creation in their business models, processes and product offerings. Industrivärden strives to be a well informed owner that makes demands and exercises its ownership role primarily through nominating committee and board representation.

Our sustainability principles

Like other strategic matters, sustainability aspects in the portfolio companies are handled within the framework of Industrivärden's active ownership process. The work is based on our sustainability analysis framework, which covers the portfolio companies' organization, structure, risk management, utilization of value-creating opportunities and communication. Through this analysis process we obtain a wealth of knowledge about the portfolio companies' sustainability work, which benefits our active ownership. The portfolio companies operate in widely diverse sectors and thus the preconditions and challenges as well as the opportunities and actions differ from company to company. However, Industrivärden's overarching

ambitions from a sustainable, long-term ownership perspective are the same for all of the companies.

As an active owner Industrivärden has an expectation that the portfolio companies

- treat sustainability as a vital strategic opportunity,
- integrate sustainability aspects in their business models, business cultures, strategies, processes and product offerings,
- comply with applicable laws, rules and regulations, and generally accepted principles for corporate social responsibility,
- continuously improve their work with the support of relevant guidelines and measurable goals, and
- communicate their sustainability work, including the ways in which they contribute to long-term sustainable development in the communities they work in.

As guidance in our sustainability work we adhere to global initiatives such as the OECD Guidelines for Multinational Enterprises, the ILO's eight fundamental conventions and the UN Global Compact. Since 2015 we also report yearly to the Global Compact on our progress in the areas of human rights, working conditions, the environment and anti-corruption.



WE SUPPORT

Good starting point for sustainable value creation

Our portfolio companies have all made great progress in capitalizing on the values conveyed by long-term corporate social responsibility and stand up well in various sector comparisons. However, the companies face different challenges that we monitor in our capacity as an active owner. Following are a few current examples our portfolio companies' sustainability work.

ESSITY: RECOGNIZED BY CDP AS WORLD LEADER FOR ITS ACTION ON WATER AND FORESTS

Essity has been recognized as a global leader for its action on water and forests and received the highest score from CDP, an international not-for-profit charity that promotes a more sustainable economy. From thousands of participating companies, Essity was one of only four to qualify for CDP's A-list. This was the case for both CDP Water, for reporting its efforts to promote sustainable water use, as climate work for which Essity received the high score A-.

SSAB: HYBRIT - CO₂-FREE STEEL PRODUCTION

In 2017 SSAB, together with LKAB and Vattenfall, formed HYBRIT, a joint venture company for fossil-free steel. The company is working to develop a steel production process that has zero carbon dioxide

emissions, replacing them with water emissions. HYBRIT is a very important initiative for SSAB and Sweden's national goal to be carbon neutral by 2045. If the initiative is successful, HYBRIT will make a major contribution to a carbon free Sweden.

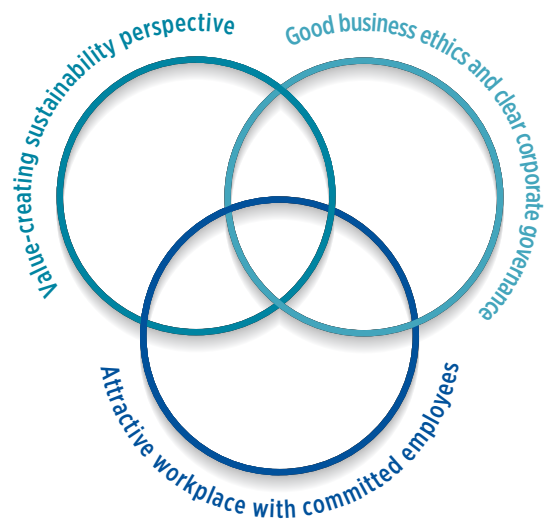
VOLVO: VOLVO TRUCKS SAFETY REPORT 2017 PUTS FOCUS ON VULNERABLE ROAD USERS

Volvo's vision is that no Volvo trucks will be involved in traffic accidents. The company has long been at the forefront of safety development and has presented new functions that prevent and reduce the risk of traffic-related accidents. In 2017 Volvo Trucks published its second Safety Report, which analyzes and describes why accidents with heavy goods vehicles occur, what the interacting factors are for them, and what should be done to reduce the risk for accidents and their consequences.

Our values

Industrivärden's operations are to be conducted in accordance with our Code of Conduct and policies. Through our active ownership we also advocate for our values and ethical guideline and that they will also permeate the companies in which we are active owners. The Code of Conduct, which has been adopted by the Board of Directors, is revised yearly and is available on Industrivärden's website. In short, it stipulates that

- we believe that good business ethics and clear corporate governance with a genuine sustainability perspective contribute to long-term value creation and sustainable development in society,
- our workplaces shall be distinguished by openness, responsiveness and mutual respect, and
- we repudiate all forms of discrimination and believe that diversity in all its forms enhances knowledge, experience, dynamism and the quality of our operations.



DEVELOPMENT OF OUR SUSTAINABILITY WORK IN 2017

Strengthened sustainability analysis

In 2016 Industrivärden initiated development work aimed at strengthening analysis and our ability to influence sustainability-related matters. This resulted in the gathering of a large volume of knowledge and in a new sustainability analysis framework, which we further developed in 2017 and which has now been integrated into our operational activities. Read more about our active ownership process on page 15.

Completion of materiality analysis

During the year we performed a materiality analysis, which serves as the foundation of priorities in our sustainability work. The analysis is based on a dialog we have conducted with our stakeholders. Based on this analysis, our primary task – in our capacity of a long-term asset manager and active owner – is to contribute to sustainable economic growth in our investments.

Implementation of Agenda 2030

In September 2015 the UN General Assembly adopted the Sustainable Development Goals (SDGs) as part of Agenda 2030. The goals aim to achieve social, environmental and economically sustainable development in all countries, and the business sector will play a crucial role in achieving them. Based on our own business, our influence opportunities in the portfolio companies and our materiality analysis, we have chosen to focus particularly on the following SDGs: 5 – Gender equality; 8 – Decent work and economic growth; 9 – Industry, innovation and infrastructure; 12 – Responsible consumption and production; and 13 – Climate action. From an influence perspective, SDG 5 and SDG 13 pertain mainly to our own operations, while the other three pertain to our portfolio companies within the framework of our active ownership. How we are contributing to Agenda 2030 in our role as asset manager and active owner is described in the box below, and through our own operations in the inset on page 21.

How we are contributing to SDGs 8, 9 and 12 in Agenda 2030



Sustainable economic growth is a linchpin in our work on contributing to the development of responsible and successful companies.



Promotion of sustainable industrialization and innovation is in focus in our portfolio companies and is encouraged in our role as active owner.



All of our portfolio companies conduct strategic sustainability work that is integrated in their business models and communicated externally. The companies offer long-term sustainable and efficiently produced products and services that contribute to sustainable production and consumption.

Participation in partnership projects

Industrivärden is a participant in SISD (Swedish Investors for Sustainable Development), a project sponsored by Sida (the Swedish International Development Cooperation Agency). The aim is to gain knowledge and share experience with other project participants. Within the framework of this project we are part of a work group focusing on anti-corruption, which is an important issue in SDG 16 – Peace, justice and strong institutions. Among other achievements, the group has drawn up a set of indicators to support the project participants' own analyses and as a contribution to the Global Reporting Initiative (GRI).

New policy documents

In 2017 we adopted an environment and climate policy and a diversity and equal opportunity policy, which define our approach to these issues in our own operations.

Reporting in accordance with the GRI

We have chosen to begin reporting in accordance with the GRI in order to enable our stakeholders to learn about and evaluate the development of our sustainability work over time. The sustainability report (pages 17–21) summarizes priority issues within the framework of our sustainability work. For more in-depth information, see the GRI index (page 66).

GOALS AND STRATEGIES

Our stakeholders' views of our sustainability work

We are interested in and receptive to expectations that people in our general operating environment have on our operations. Accordingly, we are engaged in an ongoing dialog with our stakeholders in order to gain insight into their perspectives and learn from each other. This dialog helps us to develop our sustainability work and plays a crucial role for us in realizing our business concept to conduct long-term value-creating asset management through active ownership. Our primary stakeholder groups are made up of counterparts who we influence and who are highly relevant for our operations:

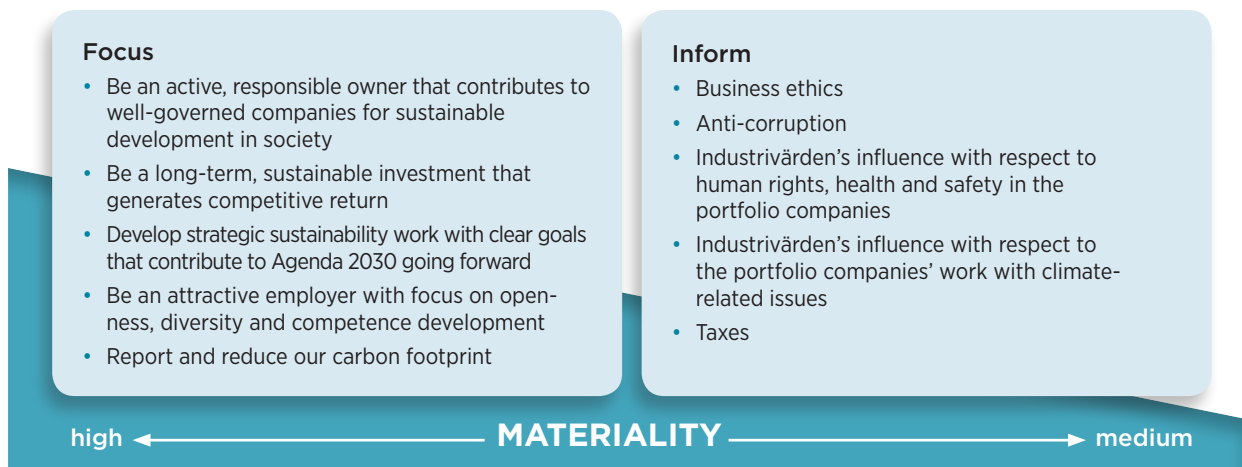
- Shareholders and potential investors
- Other major owners of portfolio companies

- The portfolio companies
- Industrivärden's employees
- Authorities, legislative bodies and nongovernmental organizations (NGOs)

During 2017 we intensified our stakeholder dialogs with the aim to define material sustainability issues for Industrivärden. We have carried on dialogs and maintained continuous contacts with all stakeholders in the form of investor meetings, information gatherings, and group and individual meetings. With this as a base we have compiled a set of key issues and expectations that our stakeholders have for Industrivärden in the areas of the environment, society, economy and employees.

Aspects that have been conveyed by most stakeholder groups include that Industrivärden should be a responsible, long-term active owner and a sustainable investment that generates a competitive return. There is an expectation on us to have strategic and integrated sustainability work and to increase transparency about how we conduct this work. Other issues expressed by our portfolio companies, authorities, legislative bodies and NGOs – among others – include that we take a clear position on matters related to anti-corruption, taxes, diversity and carbon footprint. Our employees believe that the opportunity for competence and career development as well as diversity in the workplace are urgent matters. NGOs want to see a transparent and long-term perspective in our sustainability work, such as our contribution to Agenda 2030.

The materiality analysis defines our prioritized sustainability issues



In an effort to strengthen our priorities, we have matched our stakeholders' expectations with the issues that we believe have the greatest strategic importance for our own operations. These prioritized sustainability issues form the foundation of our sustainability work. The outcome of this analysis is laid out in the figure above.

“Our refined sustainability analysis and in-depth knowledge, combined with a broadened stakeholder dialog, have strengthened our ability to evaluate sustainability-related risks and opportunities for enhanced value creation.”

Sverker Sivall, Head of Corporate Communications and Sustainability, Industrivärden

Our sustainability goals

With a foundation in prioritized sustainability issues we have set suitable goals and actions for the coming year. See the table below.

SUSTAINABILITY ISSUE	ACTION	GOALS 2018
Be an active, responsible owner that contributes to successful companies and to sustainable development in society	<p>Continued analysis and follow-up in accordance with our sustainability analysis framework</p> <p>Continued promotion of good business ethics and anti-corruption, which is regulated in the Code of Conduct and is included in our sustainability analysis framework</p>	<p>Analyze and follow up all portfolio companies in accordance with our sustainability analysis</p> <p>Monitor and execute action plans for the respective portfolio companies</p>
Be a long-term, sustainable investment that generates a competitive return	<p>Contribute to the development of value-creating, responsible and sustainable companies, which supports long-term sustainable development in the communities the companies work in</p> <p>Engage in continuous dialog with our stakeholders to hear their views and expectations</p>	<p>Competitive shareholder value through a total return which, over time, is higher than the average for the Stockholm Stock Exchange (Nasdaq Stockholm)</p> <p>Engage in continued dialog with our prioritized stakeholders</p>
Be an attractive employer with focus on competence development, openness and diversity	<p>Yearly performance reviews</p> <p>Develop the recruitment process with the aim to enable a broader range of candidates in recruitment</p>	<p>Conduct employee performance reviews with special attention paid to the work environment and competence development</p> <p>Implement processes for achieving broader competence and diversity</p> <p>Implement policy for increasing diversity</p>
Further develop strategic sustainability work with a clear set of goals going forward that contribute to Agenda 2030	<p>Develop sustainability strategy</p> <p>Continuous revision of the Code of Conduct</p> <p>Training in sustainability priorities and the Code of Conduct</p>	<p>Further develop and formalize strategic sustainability work in a sustainability strategy</p> <p>Clearly communicate our efforts toward achievement of the identified sustainability goals</p> <p>Further train all employees in the sustainability strategy and Code of Conduct</p> <p>Develop sustainability information for our stakeholders</p>
Reduce and report our carbon footprint	<p>Annual reporting of carbon footprint to CDP</p> <p>Carbon offsets for our impact</p>	<p>Continue annual reporting of carbon footprint to CDP</p> <p>Continue carbon offsetting for our impact</p> <p>Implement new environmental and climate policy</p>

INDUSTRIVÄRDEN'S OWN OPERATIONS

Industrivärden should serve as a model and work with a clear sustainability focus in its own operations as well as in its portfolio companies. Proactive sustainability work is to be an integral part of the day-to-day operations, which are conducted by some 20 employees at the Group's head offices in Stockholm. The CEO has overarching responsibility for Industrivärden's sustainability work, and the Head of Sustainability has functional responsibility for internal collaboration and external communication on sustainability issues. Team managers are responsible for the integrated sustainability analyses in the respective portfolio companies.

Our people

Industrivärden aspires to offer a work environment in which the employees enjoy their work, feel good and can develop. Toward this end we continuously evaluate performance as well as development opportunities for all employees. We encourage a continuous dialog on matters related to the workplace, forms of cooperation and personal development. We believe better results are achieved in a workplace characterized by gender equality and diversity, and toward this end we are working to increase diversity over time. During 2017 the Executive Management was expanded with one woman and one man executive, after which it includes two women and three men.

How we are contributing to Sustainable Development Goal 5 in Agenda 2030



Diversity and gender equality are a priority issue both in our own operations as well as in our portfolio companies.

Financial results

Favorable financial performance and financial strength are necessary prerequisites for Industrivärden to be able to create long-term value for its shareholders and pursue its strategy of supporting the portfolio companies over time.

During 2017 Industrivärden's net asset value increased from SEK 82.8 billion to SEK 96.3 billion at the end of the year. Industrivärden's Class A and Class C shares generated a total return including reinvested dividend of 20% and 22%, respectively. The dividend paid to the shareholders was SEK 5.25 per share, or SEK 2.3 billion in total. Industrivärden has a stable financial situation with a good credit rating, and at year-end the debt-equities ratio was 10%.

Our work with the environment and climate

We want to set a good example by minimizing our own environmental impact and carbon footprint even though Industrivärden, in terms of the organization's size, is a small company. We are doing this, for example, by prioritizing environment-friendly travel alternatives, using renewable energy in our offices, and by continuously evaluating our purchases.

We are committed to reducing our own impact over time, and we compensate for our actual greenhouse gas emissions through offsets. To be able to monitor and compare our impact, for the seventh year in a row we have disclosed our climate change mitigation efforts to CDP. Our greenhouse gas emissions have been calculated in accordance with the GHG protocol and are shown in the GRI Index on page 66.



How we are contributing to Sustainable Development Goal 13 in Agenda 2030



High ambitions to combat climate change are crucial for our own operations as well as for our portfolio companies'.

Even though our own operations are a natural starting point for our sustainability work, our main focus is on the processes in which we have the greatest influence – our investment decisions and active ownership.

AUDITOR'S STATEMENT ON THE STATUTORY SUSTAINABILITY REPORT

It is the board of directors who are responsible for the statutory sustainability report on pages 17–21 and for ensuring that it has been prepared in accordance with the Annual Accounts Act. Our examination has been conducted in accordance with FAR's auditing standard RevR 12 – auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion. A statutory sustainability report has been prepared.

Stockholm, February 15, 2018
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

EQUITIES PORTFOLIO

Composition of the equities portfolio

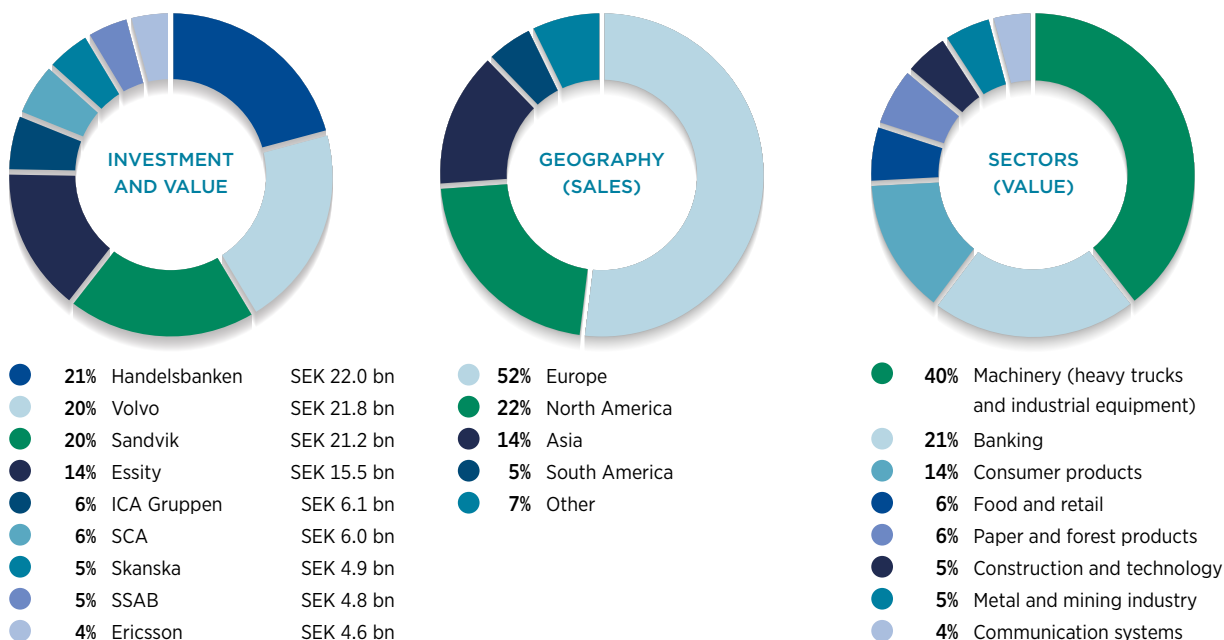
The equities portfolio is made up of large shareholdings in Handelsbanken, Volvo, Sandvik, Essity, ICA Gruppen, SCA, Skanska, SSAB and Ericsson, all of in which Industrivärden serves as a long-term active owner. At year-end 2017 the portfolio companies had combined sales of SEK 1,098 billion and operations in more than 180 countries.

The equities portfolio, which is valued at the companies' share prices as per December 31, 2017, had a market value of SEK 107,289 M (94,250). The market value of

the equities portfolio corresponds to SEK 247 (218) per Industrivärden share. Adjusted for purchases and sales, the value of the equities portfolio increased by 14% during the year, compared with the Stockholm Stock Exchange's market index (OMXSPI), which increased by 6%.

Dividends received from portfolio companies during the year amounted to a combined total of SEK 2,786 M (3,078). The portfolio's total return, i.e., growth in value including reinvested dividends, was 17%, compared with 9% for the total return index (SIXRX).

Portfolio structure



Sector breakdown according to GICS level 2.

TOTAL RETURN FOR PORTFOLIO COMPANIES

Stock	Average annual total return				
	2017	3 years	5 years	7 years	10 years
Handelsbanken	-8%	2%	13%	11%	10%
Volvo	47%	25%	15%	7%	7%
Sandvik	30%	27%	10%	4%	6%
Essity ¹⁾	17%	23%	19%	19%	13%
ICA Gruppen	11%	3%	25%	20%	14%
SCA ¹⁾	79%	42%	29%	27%	18%
Skanska	-18%	4%	15%	9%	9%
SSAB	30%	9%	1%	-8%	-9%
Ericsson	2%	-13%	0%	-1%	0%
Stockholm Stock Exchange's total return index (SIXRX)	9%	10%	14%	10%	9%

1) For calculation method, see table on page 36.

Handelsbanken



HOLDING

Shares: 196,423,948 Class A shares

Market value: SEK 22,039 M

Share of votes 10.3%

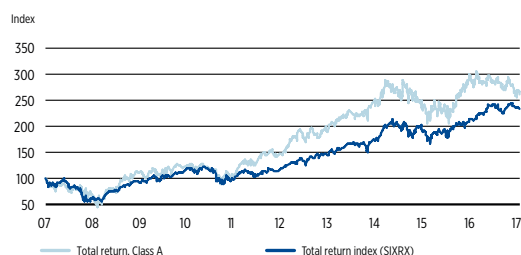
Share of capital 10.1%

Share of equities portfolio 21%

Total return 2017: SEK -1.9 billion

GROWTH IN VALUE

Handelsbanken's stock



FOCUS AREAS FOR VALUE CREATION

- Continued organic growth in existing home markets
- Adaptation to regulatory changes and digitalization
- Development of customer interfaces and product offering based on customers' preferences

IMPORTANT EVENTS IN 2017

- Continued favorable growth in revenue, including higher net interest income and higher fee and commission income in savings, among other areas
- Greater investment in digitalization to improve the customer experience and internal efficiency
- Preparations for new regulations under MiFID II and PSD2

OPERATIONS

Handelsbanken is a full-service bank that offers private and corporate customers in the Nordic countries, the UK and the Netherlands a comprehensive range of high-quality financial services. The bank has nationwide branch networks in its respective home markets.

Handelsbanken has a decentralized work model in which the basic idea is that responsibility for each customer rests with the local branch where the customer lives or does business. This enables close and enduring customer relationships that are characterized by accessibility, simplicity and a high standard of service. The branches set locally adapted priorities with respect to their customer categories and product areas. Handelsbanken's service offering is being developed to accommodate digital platforms as well as local customer interfaces, which complement each other. Through consistent application of this highly effective business model, Handelsbanken

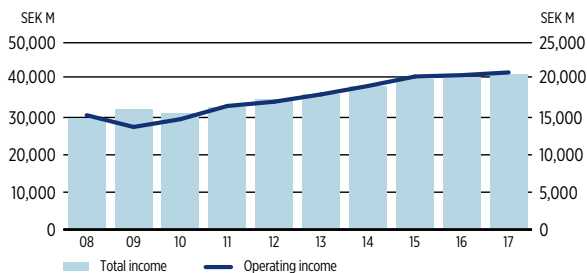
has established a strong financial position, high customer satisfaction and a leading market position. The business is growing internationally in pace with establishment and development of the business model in selected markets.

Handelsbanken is run with long-term stable finances, low risk tolerance, low costs and focus on achieving the highest level of capital efficiency possible. In modern times the bank has never needed to request financial support from the government or its shareholders and today has the highest credit rating of all its peer banks in Europe. A sustainable, keen ability to create value for customers, shareholders, employees and other stakeholders is a central component in Handelsbanken's work on running a modern and sustainable bank. Handelsbanken has more satisfied customers (according to the Swedish Quality Index and EPSI Rating), lower loan losses and higher cost effectiveness than its peer competitors.

CEO: Anders Bouvin

Chairman: Pär Boman

EARNINGS AND KEY DATA



Key data	2017	2016
Earnings per share, SEK	8.28	8.43
Dividend per share, SEK	7.50 ¹	5.00
Share price on December 31, SEK:		
Class A shares	112.20	126.60
Class B shares	113.00	123.40

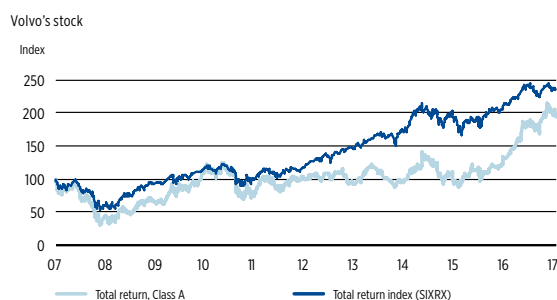
¹) Proposed by the board of directors. Includes SEK 2.00 in an extra dividend.



HOLDING

Shares: 142,154,571 Class A shares
Market value: SEK 21,764 M
Share of votes 22.0%
Share of capital 6.7%
Share of equities portfolio 20%
Total return 2017: SEK 7.1 billion

GROWTH IN VALUE



FOCUS AREAS FOR VALUE CREATION

- Increased organic growth, both with respect to vehicles and service, and higher profitability
- Improved flexibility, productivity and cost effectiveness through continuous improvements
- Drive innovation in areas such as electrification, automation and connectivity

IMPORTANT EVENTS IN 2017

- Sales growth with significantly higher profitability and stronger financial position
- New financial targets: among others, the Group's operating margin to exceed 10% over a business cycle
- New board committee with focus on Volvo Construction Equipment
- Sale of shareholding in German engine manufacturer Deutz for SEK 1.9 billion

OPERATIONS

The Volvo Group is one of the world's largest manufacturers of trucks, buses, construction equipment, and marine and industrial engines with sales worldwide. The Group also provides complete solutions for financing and service. The vision is to be the most desired and successful transport solution provider in the world. The business model builds upon the company's strong brands, technical expertise and strong service network with the aim of providing competitive, reliable and effective products and services that create value for customers. During the past decade the company has grown to become a global player in heavy trucks and construction equipment.

Business is conducted under several leading brands, which enables the Group to penetrate many different

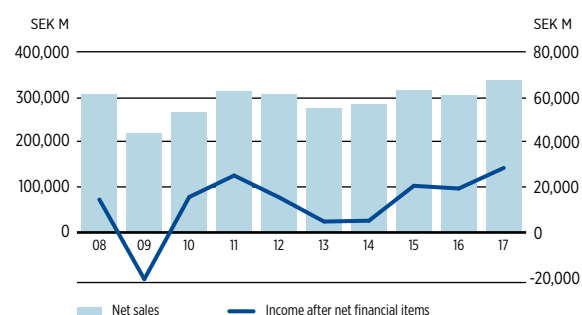
customer and market segments in mature as well as emerging markets. Trucks are sold under the Volvo, Renault Trucks, Mack and UD Trucks brands, under the Eicher brand by an Indian joint-venture company, and under the Dongfeng brand by a Chinese joint-venture company. The Volvo Group also sells construction equipment under the Volvo and SDLG brands. In addition, the Group manufactures and sells buses and, through Volvo Penta, engines for marine and industrial applications.

In recent years the Volvo Group has undergone a sweeping transformation through reorganization, product renewal and actions for improving internal efficiency and increased customer focus. The company is currently in a phase with greater focus on organic growth and improved profitability.

CEO: Martin Lundstedt

Chairman: Carl-Henric Svanberg

EARNINGS AND KEY DATA



Key data	2017	2016
Earnings per share, SEK	10.32	6.47
Dividend per share, SEK	4.25 ¹⁾	3.25
Share price on December 31, SEK:		
Class A shares	153.10	107.20
Class B shares	152.70	106.40

1) Proposed by the board of directors.

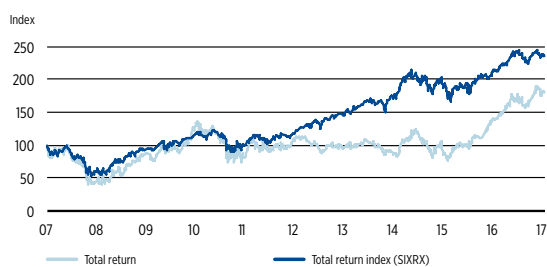


HOLDING

Shares: 147,584,257 shares
 Market value: SEK 21,208 M
 Share of votes 11.8%
 Share of capital 11.8%
 Share of equities portfolio 20%
 Total return 2017: SEK 5.0 billion

GROWTH IN VALUE

Sandvik's stock



FOCUS AREAS FOR VALUE CREATION

- Continued cost and capital efficiency through continuous improvement
- Complete refinement and decentralization of organization
- Utilize growth opportunities in Sandvik Machining Solutions, among other areas

IMPORTANT EVENTS IN 2017

- Clear improvement of earnings and profitability through decentralized work approach
- Sale of Sandvik Process Systems for SEK 5.0 billion, and agreement to sell Hyperion for SEK 4.0 billion
- Significant earnings improvements in Machining Solutions and Mining & Rock Technology driven by stronger demand and higher margins based on increased internal efficiency

OPERATIONS

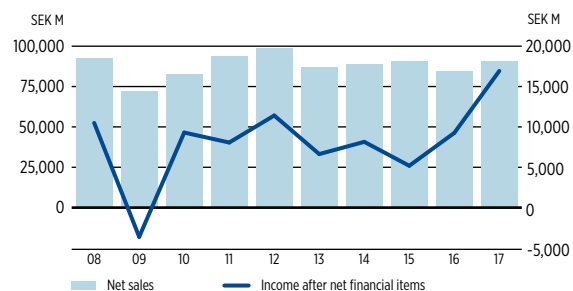
Sandvik is a high-tech global engineering group with sales in more than 150 countries, offering products and services that enhance customer productivity, profitability and sustainability. The company has leading positions in tools and tooling systems for industrial metal cutting, as well as within equipment, tools, service and technical solutions for the mining and construction industries, but also advanced stainless steels and special alloys.

Operations are structured into three business areas, which in turn comprise more than thirty different businesses with full performance responsibility for R&D, manufacturing and sales of their respective products and services. The Sandvik Machining Solutions business area specializes in the manufacturing of tools and tooling systems for advanced industrial metal cutting. Products are manufactured in cemented carbide and other hard materials. Sandvik Mining & Rock Technology supplies

equipment, tools, service and technical solutions for the mining and construction industries. Application areas include rock drilling, rock cutting, crushing and screening. Sandvik Materials Technology manufactures advanced stainless steels and special alloys for the most demanding industries as well as industrial heating products. Typical product offerings include pipe, wire, strip and metal powder.

Sandvik has a long history of successful, value-based sales with a focus on customers' processes and efficiency improvement opportunities. The company's strengths include unique expertise in materials technology, extensive knowledge about industrial processes and close customer cooperation and a distinct innovative ability. Sandvik aspires to be a world leader in its core businesses and to set the industry standard. To achieve this the company is developing an increasingly strengthened customer offering, strong market presence and a high service level.

EARNINGS AND KEY DATA



CEO: Björn Rosengren

Chairman: Johan Molin

Key data	2017	2016
Earnings per share, SEK	10.56	5.48
Dividend per share, SEK	3.50 ¹⁾	2.75
Share price on December 31, SEK	143.70	112.70

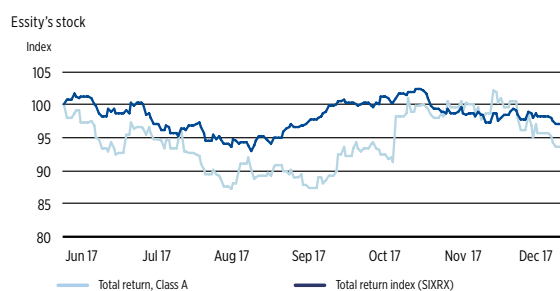
1) Proposed by the board of directors.



HOLDING

Shares: 35,000,000 Class A shares,
31,800,000 Class B shares
Market value: SEK 15,519 M
Share of votes 29.8%
Share of capital 9.5%
Share of equities portfolio 14%
Total return 2017: SEK 2.3 billion

GROWTH IN VALUE



For an estimated total return during the full-year 2017, see page 36.

FOCUS AREAS FOR VALUE CREATION

- Focus on profitable growth in selected markets and product categories
- Greater efficiency through continuous improvements
- Focus on innovation and brands for future growth

IMPORTANT EVENTS IN 2017

- Essity formed through refinement and split of the SCA Group into two listed companies
- Completion of acquisition of BSN medical, a leading medical solutions company
- New financial targets: annual organic sales growth above 3% and adjusted return on capital employed above 15%

OPERATIONS

Essity is a leading global hygiene and health company that develops, produces and sells products and solutions in Personal Care (Baby Care, Feminine Care, Incontinence Products and Medical Solutions), Consumer Tissue and Professional Hygiene. Value is created by leveraging customer and consumer insight to develop products and solutions that enhance customer and consumer benefit. Successful innovations strengthen Essity's brands and market positions. Essity works with continuous efficiency improvement and by growing profitable market positions and improving or leaving low-performing positions to achieve profitable growth.

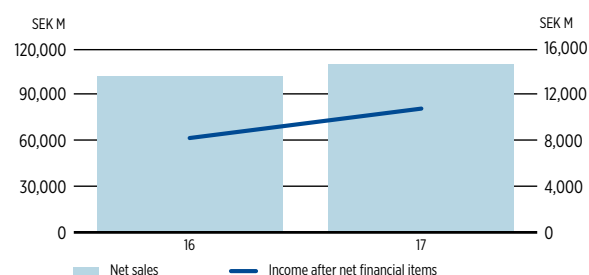
The innovation process plays a central role in Essity's strategy. It is based on current trends, customer and consumer insight, new technology and new business models. In this process Essity also takes sustainability aspects and

product safety into account. Essity's presence in both mature and emerging markets gives it keen insight into trends and needs.

Operations are global, with sales in some 150 countries. The product offering is designed to improve customers' well-being and includes products such as toilet paper, paper towels, facial tissue, incontinence products, feminine care products, baby diapers, wound care, compression therapy, orthopedics and professional hygiene. Sales are made under own brands as well as under retailers' private labels. Essity has a strong brand portfolio with globally leading brands, such as TENA and Tork, and other brands such as Leukoplast, Libero, Libresse, Lotus, Nosotras, Saba, Tempo, Vinda and Zewa.

The company has a strong position in many emerging markets, including China, Latin America, Eastern Europe and Russia. Since 2013 Essity is the majority owner of Vinda, China's largest hygiene products company.

EARNINGS AND KEY DATA



Pro forma for 2016.

CEO: Magnus Groth

Chairman: Pär Boman

Key data	2017
Earnings per share, SEK	11.56
Dividend per share, SEK	5.75 ¹⁾
Share price on December 31, SEK:	
Class A shares	231.70
Class B shares	233.00

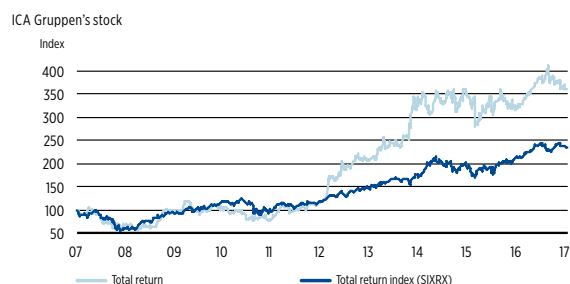
1) Proposed by the board of directors.



HOLDING

Shares: 20,625,000 shares
 Market value: SEK 6,144 M
 Share of votes 10.3%
 Share of capital 10.3%
 Share of equities portfolio 6%
 Total return 2017: SEK 0.6 billion

GROWTH IN VALUE



Historical share price data for ICA Gruppen pertains to Hakon Invest's share price up until ICA Gruppen's stock market introduction in May 2013.

FOCUS AREAS FOR VALUE CREATION

- Improved margins for ICA Sweden through more efficient logistics and high cost effectiveness
- Adaptation to new consumption patterns, changed demographics and digitalization
- Development of the acquired Lithuanian grocery retail chain IKI

IMPORTANT EVENTS IN 2017

- Sale of store properties in Norway, marking the final step in the divestment of the Norwegian operations
- Announcement of acquisition of Lithuanian grocery retail chain IKI

OPERATIONS

ICA Gruppen is a leading retail group with a focus on food and health. The Group includes ICA Sweden and Rimi Baltic, which conduct primarily grocery retail business; Apotek Hjärtat, which conducts pharmacy operations; ICA Real Estate, which owns and manages properties; and ICA Bank, which offers financial services. ICA Gruppen has approximately 2,100 Group- or retailer-owned stores and pharmacies.

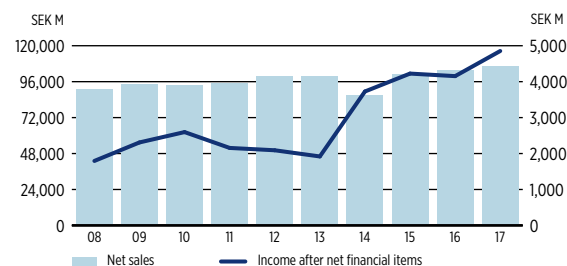
The grocery retail business in Sweden is based on the "ICA Idea," which combines entrepreneurship with scale economies and diversity, and local adaptation with large-scale operation and efficiency. Through cooperation and development of mutually supporting businesses, ICA Gruppen has built up a high level of customer trust, good profitability and a leading market position.

ICA Gruppen's core business is grocery retail. Surrounding this, a number of businesses have been built up which individually and in cooperation contribute to an attractive customer offering and stable market position. All of the businesses are to be profitable and support the core business.

A clear trend in retailing is the ongoing digitalization, which affects all of ICA Gruppen's businesses. A central part is the rapid growth of e-commerce. Physical and digital channels will complement each other in an entirely new way, and having a strong position will be a critical success factor going forward. At year-end ICA Gruppen had more than 200 stores affiliated with the e-commerce venture that was begun across a broad front in 2015.

CEO: Per Strömberg
 Chairman: Claes-Göran Sylvén

EARNINGS AND KEY DATA



Net sales and profit for 2008-11 are based on ICA, for 2012-13 on ICA Gruppen pro forma, and as from 2014 excluding ICA Norway.

Key data	2017	2016
Earnings per share, SEK	20.53	16.97
Dividend per share, SEK	11.00 ¹⁾	10.50
Share price on December 31, SEK	297.90	277.90

1) Proposed by the board of directors.



HOLDING

Shares: 35,000,000 Class A shares, 31,800,000 Class B shares

Market value: SEK 6,014 M

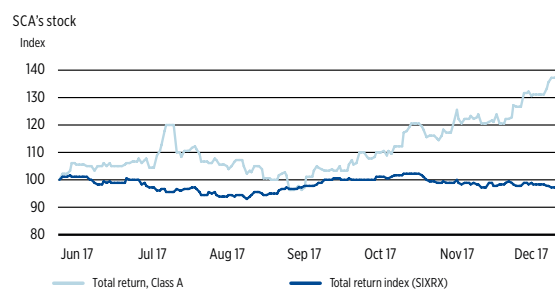
Share of votes 29.7%

Share of capital 9.5%

Share of equities portfolio 6%

Total return 2017: SEK 2.5 billion

GROWTH IN VALUE



For an estimated total return during the full-year 2017, see page 36.

FOCUS AREAS FOR VALUE CREATION

- Successful implementation of ongoing capacity investments
- Increased efficiency through ongoing improvement measures
- Selective growth within targeted segments

IMPORTANT EVENTS IN 2017

- SCA formed through the refinement and split of the SCA Group into two listed companies
- Capacity expansion project at the Östrand pulp mill proceeding according to plan

OPERATIONS

SCA is a leading forest products company that owns 2.6 million hectares of forestland in northern Sweden, which represents the largest private forest holding in Europe. Based on this unique resource, SCA has developed a well-invested and resource-efficient industry designed to create the highest possible value from the forest, where the entire tree is used to create value. The company's products include solid-wood products, pulp, kraftliner, publication papers and renewable energy.

SCA creates value and contributes to a circular economy by providing customers sustainable products based on raw material from responsibly managed forests and an efficient value chain. The strategy is to focus on selected markets and product categories, use innovation to develop new business opportunities, and continuously improve efficiency.

Operations are organized in four segments. Forest manages SCA's 2.6 million hectares of forestland, of which 2 million hectares are used for timber production for SCA's

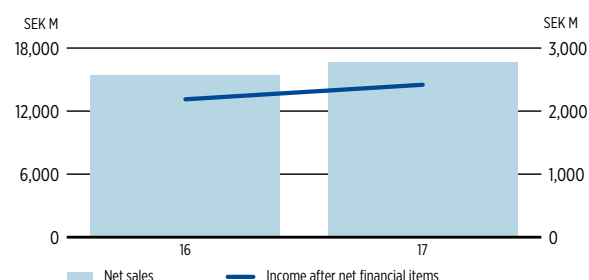
forest industries. Roughly an equal amount of timber that is harvested from its own forests is purchased from other forest owners. The Timber segment includes five sawmills in Sweden, wood processing units with planing mills in Sweden, France and the UK, and distribution and wholesale operations. The Pulp segment produces sulfate pulp and chemi-thermomechanical pulp, which is made at the Östrand pulp mill. An ongoing project aimed at doubling capacity at the Östrand mill will result in one of the most cost-efficient pulp mills in the world for manufacturing long-fiber sulfate pulp. The Paper segment produces corrugated board in Obbola and Munksund, and publishing papers in Ortviken, which are used for magazines, catalogs and advertising brochures.

By-products from SCA's operations are used for energy production, and the company's land is used for wind power generation.

CEO: Ulf Larsson

Chairman: Pär Boman

EARNINGS AND KEY DATA



Pro forma for 2016.

Key data	2017
Earnings per share, SEK	2.67
Dividend per share, SEK	1.50 ¹⁾
Share price on December 31, SEK:	
Class A shares	95.00
Class B shares	84.55

1) Proposed by the board of directors.

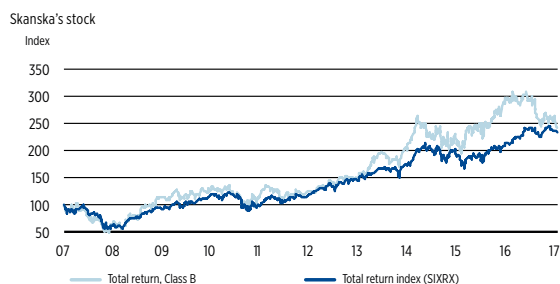
SKANSKA



HOLDING

Shares: 12,667,500 Class A shares,
16,343,995 Class B shares
Market value: SEK 4,932 M
Share of votes 23.9%
Share of capital 6.9%
Share of equities portfolio 5%
Total return 2017: SEK -1.1 billion

GROWTH IN VALUE



FOCUS AREAS FOR VALUE CREATION

- Increase profitability of construction operations
- Expand project development operations
- Decentralization and continued operational efficiency

IMPORTANT EVENTS IN 2017

- Sale of investment in A1 motorway in Poland, for SEK 1.4 billion, completed
- Contract for SEK 11 billion to convert the Farley Post Office Building in New York into major transport hub
- Several significant sales in Commercial Property Development
- Anders Danielsson appointed as new CEO

OPERATIONS

Skanska is one of the world's leading construction and project development companies, focused on selected home markets of the Nordic countries, other European countries and North America. Supported by global trends in urbanization and demographics, and by being at the forefront in sustainability, Skanska offers competitive solutions for both simple and the most complex assignments.

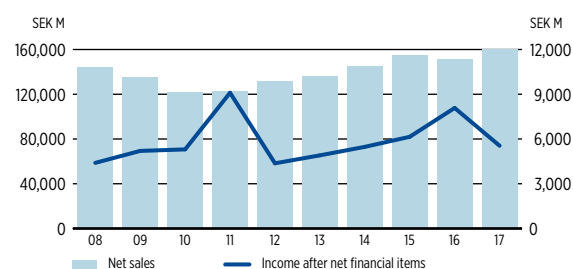
Skanska has high ambitions to help build a sustainable future for customers and communities. Skanska's overarching aspiration is to create industry-leading shareholder value by being the customers' preferred partner and the industry's most attractive employer, by working with a value-driven approach, by continuing to develop its internal collaboration, and by continuously improving operational efficiency.

Operations are conducted through four business streams: Construction, Residential Development, Commercial Property Development and Infrastructure Development. Construction is Skanska's largest business stream and involves construction of buildings, industrial facilities, infrastructure and residences. The Construction operations generate cash flow that can be invested in value-creating project development. Residential Development develops housing for sale primarily to private home buyers. Commercial Property Development initiates, invests in, develops, leases out and sells commercial property projects. Infrastructure Development develops, invests in, operates and sells infrastructure projects, such as highways, hospitals, schools and power plants. A central focus is to enhance value creation through operational and financial synergies between Skanska's various business units.

CEO: Anders Danielsson (new CEO effective January 1, 2018)

Chairman: Hans Björck

EARNINGS AND KEY DATA



Key data	2017	2016
Earnings per share, SEK	12.01	15.89
Dividend per share, SEK	8.25 ¹⁾	8.25
Share price on December 31, SEK	170.00	215.10

1) Proposed by the board of directors.

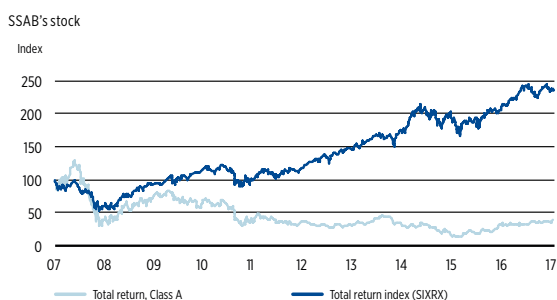
SSAB



HOLDING

Shares: 63,105,972 Class A shares,
54,633,318 Class B shares
Market value: SEK 4,834 M
Share of votes 18.2%
Share of capital 11.4%
Share of equities portfolio 5%
Total return 2017: SEK 1.1 billion

GROWTH IN VALUE

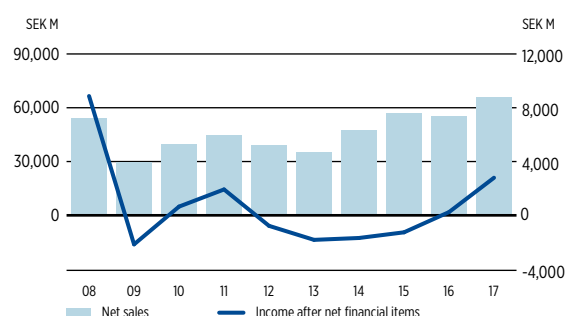


OPERATIONS

SSAB is a highly specialized global steel company that works in close collaboration with its customers. SSAB develops high strength steels and provides services to enhance the performance of customers' products, which enables sustainable products with clear competitive advantages. The overall goal is to attain industry-leading profitability. This is achieved by SSAB's leading position in high strength steel and value-added services on a global scale, and by market leadership in its home markets.

SSAB is a leading producer in the global market for Advanced High-Strength Steels (AHSS) and Quenched & Tempered (Q&T) Steels. SSAB's steels and services help to make end products lighter and increase their strength and lifespan. In the Nordic market SSAB is the market leader in strip, plate and tubular products as well as in construction solutions. In North America SSAB is the leading producer of plate.

EARNINGS AND KEY DATA



FOCUS AREAS FOR VALUE CREATION

- Continuous efficiency improvement for industry-leading profitability
- Focus on growth in high strength steels
- Expand service business and increase service content of the offering

IMPORTANT EVENTS IN 2017

- Continued earnings improvement along with growth initiatives in high strength steels that developed better than expected
- Work on strengthening capital structure continued according to plan
- SSAB, LKAB and Vattenfall formed joint venture company for fossil-free steel production

SSAB has a cost-efficient and flexible production system. The company's production plants in Sweden, Finland and the U.S. have annual steel production capacity of 8.8 million tons. The company also has capacity to process and finish various steel products in China and a number of other countries. In Sweden and Finland, production is integrated into a blast furnace process. In the U.S., electric arc furnaces are used for a scrap-based production process.

SSAB is structured across three steel divisions: SSAB Special Steels, SSAB Europe, and SSAB Americas, and two subsidiaries: Tibnor and Ruukki Construction.

CEO: Martin Lindqvist

Chairman: Bengt Kjell

Key data	2017	2016
Earnings per share, SEK	2.23	1.04
Dividend per share, SEK	1.00 ¹⁾	0.00
Share price on December 31, SEK:		
Class A shares	44.90	34.58
Class B shares	36.61	28.79

1) Proposed by the board of directors.



HOLDING

Shares: 86,052,615 Class A shares,
1,000,000 Class B shares

Market value: SEK 4,636 M

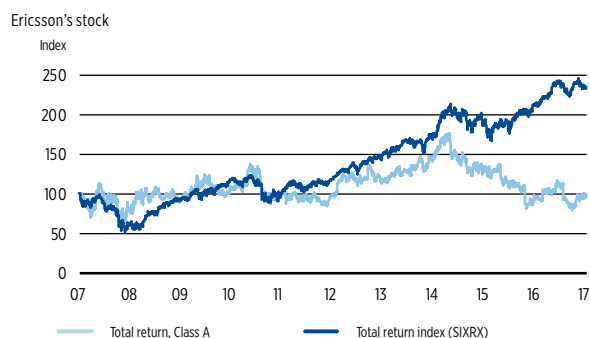
Share of votes 15.1%

Share of capital 2.6%

Share of equities portfolio 4%

Total return 2017: SEK 0.1 billion

GROWTH IN VALUE



FOCUS AREAS FOR VALUE CREATION

- Implementation of focused strategy for higher profitability and increased efficiency
- Uphold and develop strength positions and regain technical leadership

IMPORTANT EVENTS IN 2017

- Reported earnings fell sharply owing to impairment losses, provisions and customer project adjustments
- Intensified measures for lowering costs
- New targets for 2020: net sales of SEK 190-200 billion and operating margin of at least 10%
- Börje Ekholm took over as new CEO and Ronnie Leten was proposed as new Chairman of the Board

OPERATIONS

Ericsson is a global ICT (Information and Communications Technology) actor that provides infrastructure, services and software to the telecom industry and other sectors in more than 180 countries.

The company delivers customer value by continuously evolving its business portfolio through its core assets: technology and services, global scale, and skills. This has given Ericsson profound technology and services leadership, which is exemplified by the fact that 40% of the world's mobile traffic is carried over Ericsson networks.

Ericsson's business is conducted in three business areas: Networks, Digital Services, and Managed Services. Networks develops hardware and software for operators of radio and transport networks as well as solutions for the next generation of mobile networks, such as 5G. Ericsson has one of the industry's strongest patent portfolios with more than 42,000 granted patents. Digital Services provides core networks and IT systems that help

telecom operators meet the challenges they are facing ahead of the ongoing digital transformation, including cloud-based virtual networks. Managed Services offers operational services for communications networks and IT systems to fixed-line and mobile telephony operators.

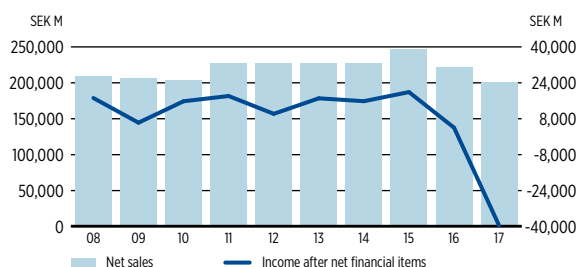
The company is facing substantial operational and financial challenges. To restore profitability and create a base for future growth in value, an extensive cost and efficiency program is currently under way, and has been expanded to adapt the organization to lower sales volumes.

CEO: Börje Ekholm (new CEO effective January 17, 2017)

Chairman: Leif Johansson

(Ronnie Leten has been proposed for election as new Chairman of the Board at the company's Annual General Meeting in March 2018)

EARNINGS AND KEY DATA



Key data	2017	2016
Earnings per share, SEK	-10.61	0.52
Dividend per share, SEK	1.00 ¹	1.00
Share price on December 31, SEK:		
Class A shares	53.25	53.00
Class B shares	53.85	53.50

1) Proposed by the board of directors.

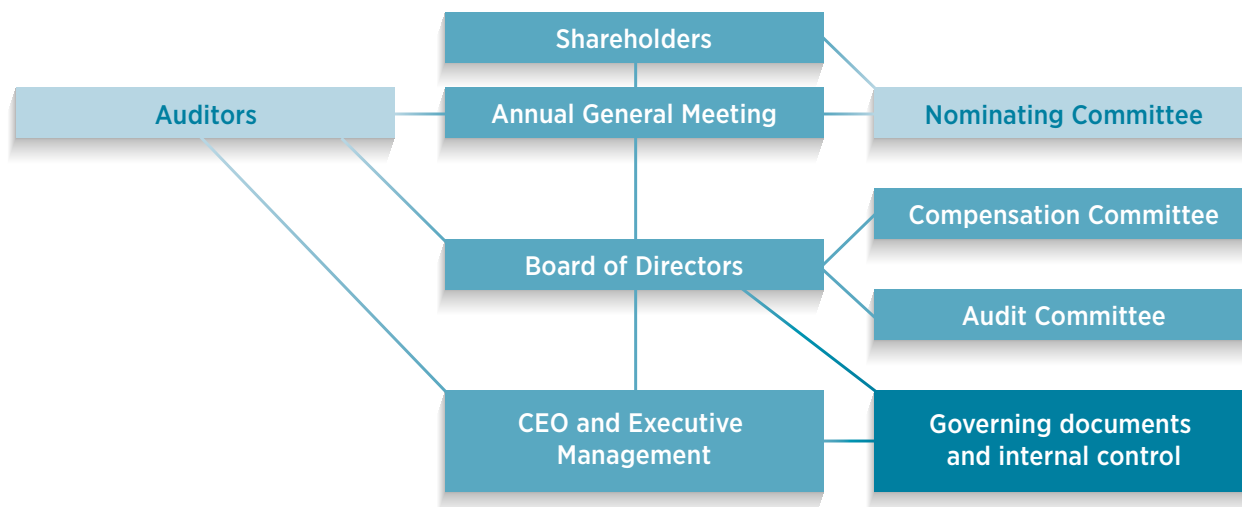
BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO of AB Industrivärden (publ), corporate identity number 556043-4200, herewith submit the annual report and consolidated financial statements for the 2017 fiscal year (January 1–December 31, 2017) which has been audited by the Company's auditor.

The Board of Directors' registered office is in Stockholm, Sweden.

Industrivärden is a long-term asset manager and active owner in listed Nordic companies.

CORPORATE GOVERNANCE REPORT



STARTING POINT

Good corporate governance, risk management and internal control are central parts of a successful business and decisive for a company's ability to uphold the trust of its stakeholders. Industrivärden has high ambitions for its corporate governance.

CORPORATE GOVERNANCE STRUCTURE

Industrivärden's governing bodies are the general meeting, the Board of Directors, the CEO and the auditor. At the permanent general meeting, which is held within six months after the end of the fiscal year (Annual General Meeting), the shareholders elect the Board of Directors and auditor. The Board of Directors appoints the CEO. The auditor reviews the annual report and the Board's and CEO's administration. The Nominating Committee is tasked with recommending board members, the Chairman of the Board and the auditor for election at the Annual General Meeting.

Industrivärden applies the Swedish Corporate Governance Code (the Code), which is available at www.bolagsstyrning.se.

The Corporate Governance Report pertains to the 2017 fiscal year and has been reviewed by the Company's auditor. During 2017 Industrivärden did not have any departures from the Code.

SHAREHOLDERS

Information on Industrivärden's shares and shareholders is provided on pages 39–40.

GENERAL MEETINGS

General meetings of shareholders are Industrivärden's highest governing body. At the Annual General Meeting (AGM), resolutions are made concerning recommendations and proposals set forth by the Nominating Committee, the Board of Directors and shareholders. Among other items of business, the income statements and balance sheets are adopted, a decision is made regarding the dividend, and the Board of Directors are elected, which according to the Articles of Association shall consist of a minimum of three and a maximum of nine members. In addition, the auditor

is elected and the auditor's fee is determined, and other items of legally ordained business are conducted.

NOMINATING COMMITTEE

In accordance with a resolution for the Nominating Committee made by the 2011 Annual General Meeting, which applies until further notice, the Chairman of the Board is assigned the task of contacting four shareholders from among the largest registered shareholders in terms of votes in Euroclear Sweden AB's printout of the shareholder register as per the last business day in August, who each appoints one representative who is not a director on the Company's board, to form together with the Chairman of the Board a Nominating Committee for the time until a new Nominating Committee has been appointed. The Nominating Committee appoints a committee chair from among its members. The composition of the Nominating Committee shall be made public not later than six months before the next Annual General Meeting. No fee is payable for work on the Nominating Committee.

If a member leaves the Nominating Committee before its work has been completed, and if the Nominating Committee is of the opinion that there is a need to replace the departing member, the Nominating Committee shall appoint a new member. Any changes in the Nominating Committee's composition shall be made public immediately.

The Nominating Committee for conducting preparatory work for the election of directors, etc., ahead the 2017 AGM consisted of Mats Guldbrand (committee chair – L E Lundberg-företagen), Håkan Sandberg (Handelsbanken Pension Foundation and others), Mikael Schmidt (SCA Pension Foundation and others), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation, and others), and Fredrik Lundberg (Chairman of the Board of Industrivärden).

The Nominating Committee's reasoned statement ahead of the 2017 AGM certifies that in formulating its recommendations for members of the Board of Directors, the Nominating Committee relied on Rule 4.1 of the Code as its diversity policy.

The goal of the policy is that the Board shall have a suitable composition in respect of the Company's operations, phase of development and conditions in general, distinguished by a diversity and breadth of expertise, experience and backgrounds, and that an even gender balance shall be strived for. The 2017 AGM resolved to elect board members in accordance with the Nominating Committee's recommendation, entailing that eight directors were elected, of whom three are women and five are men.

For conducting preparatory work for the election of directors, etc., ahead of the 2018 AGM, the following Nominating Committee has been appointed: Mats Guldbrand (committee chair – L E Lundbergföretagen), Håkan Sandberg (Handelsbanken Pension Foundation and others), Mikael Schmidt (SCA Pension Foundation and others), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation, and others), and Fredrik Lundberg (Chairman of the Board of Industrivärden).

BOARD OF DIRECTORS

The Board of Directors has a central role in Industrivärden's business model for long-term asset management and active ownership. It is responsible for, among other things, issues related to major purchases and sales of listed stocks, the design and execution of active ownership, and overarching ownership matters concerning the portfolio companies. The Board has ultimate responsibility for Industrivärden's organization and administration. The members of the Board of Directors and information about their independence conditions are shown in the table below, and a presentation of the board members is provided on page 63.

The Board's duties are laid out in the Board's Rules of Procedure and follow a yearly plan. Every board meeting follows an agenda that has been distributed to the board members supported by relevant background documentation.

In addition to the statutory board meeting, which is held in conjunction with the Annual General Meeting, the Board normally meets eight times per year (regular meetings, including

meetings in connection with the publication of interim and year-end reports). Extra meetings are convened when necessary. In 2017 the Board held a total of nine meetings.

The statutory meeting deals with adoption of the Board's Rules of Procedure, designation of the Company's signatories, appointment of persons to check the minutes of board meetings, and appointment of committee members.

Each year the Board evaluates Industrivärden's financial reporting and makes demands on its content and structure to ensure it maintains a high level of quality. In connection with the board meeting that deals with the annual financial statements, the Board of Directors' Report, the proposed distribution of earnings and the year-end report, the Company's auditor submits a report on the auditors' observations and assessments from their audit.

The regular board meetings cover a number of set items of business. These include, among other things, a report on the financial result of operations, the development of net asset value and performance of the equities portfolio, and on equity transactions that have been carried out. Reporting also includes a description of the portfolio companies' performance and macroeconomic conditions. In addition, a special review is normally conducted of one or more of the portfolio companies and of potential investments or divestments. At several board meetings during the year, the CEO from a portfolio company make a presentation on the company's development.

All board decisions are based on extensive documentation and are made following a discussion that is led by the Chairman. The Board's work is evaluated yearly in a structured process conducted under the direction of the Chairman of the Board. The 2017 evaluation was conducted by means of a questionnaire that each board member was requested to complete, in the aim of gaining an idea about the directors' views on, among other things, how the board work has been conducted and which measures could be taken to improve the board work as well as which matters the directors feel should be given more attention and in which areas it could possibly be suitable to have

ATTENDANCE, FEES AND INDEPENDENCE CONDITIONS

The table pertains to the board members elected at the 2017 Annual General Meeting.

Name	Born	Year elected	Role on Board	Audit Committee	Compensation Committee	Attendance at meetings			Fee 2017 SEK 000s
						Board	Audit Committee	Compensation Committee	
Fredrik Lundberg	1951	2004	Chairman	Member	Chair	All	All	All	2,000
Pär Boman	1961	2013	Vice Chairman	Chair	-	All	All	-	1,200
Christian Caspar	1951	2011	Director	Member	-	All	All	-	600
Bengt Kjell	1954	2015	Director	-	-	All	-	-	600
Nina Linander	1959	2014	Director	Member	-	All	All	-	600
Annika Lundius	1951	2014	Director	-	Member	All	-	All	600
Lars Pettersson	1954	2015	Director	-	Member	All	-	All	600
Helena Stjernholm	1970	2016	Director	-	-	All	-	-	-
Total									6,200

Prior to the 2017 AGM the Nominating Committee made the following determination regarding directors' independence: Pär Boman has not been found to be independent in relation to the Company and the Executive Management, nor in relation to major shareholders. Fredrik Lundberg and Lars Pettersson have been found to be independent in relation to the Company and Executive Management, but not in relation to major shareholders. Helena Stjernholm has been found to be independent in relation to major shareholders but not in relation to the Company and Executive Management. Other board members have been found to be independent in relation to the Company and Executive Management as well as in relation to major shareholders. The Board's composition meets the Code's requirements for independent directors.

additional expertise on the Board. The results of this evaluation were reported on by the Chairman, followed by a discussion within the Board. In addition, the Chairman's work on the Board was evaluated with him not being present. The Chairman of the Board gave an oral report to the Nominating Committee on the conclusions of these evaluations and discussions.

BOARD COMMITTEES

The Board has appointed an audit committee and a compensation committee tasked with conducting drafting work for audit and compensation issues, respectively, for decision by the Board. The composition of the committees and attendance at committee meetings are shown in the table on page 34.

AUDIT COMMITTEE

The Audit Committee serves in an oversight role with respect to the Company's risk management, governance and control, and financial reporting. The committee shall also keep itself informed about the Swedish Inspectorate of Auditors' quality control, inform the Board about the audit's contribution to the reliability of the financial reporting, maintain regular contact with the auditor to ensure that the Company's internal and external reporting meet the requirements placed on a listed company and to discuss the scope and focus of the audit work. The auditor reports his observations to the Audit Committee on a regular basis and attended three board meetings during the year. The Audit Committee held four meetings in 2017. No fees have been paid to the board members for their work on the committee.

COMPENSATION COMMITTEE

The Compensation Committee addresses matters concerning principles for compensation and other terms of employment for the CEO and members of the Executive Management, monitors variable compensation programs for Company executives, and monitors and evaluates application of the compensation guidelines that have been set by the Annual General Meeting. The Compensation Committee held three meetings in 2017. No fees have been paid to the board members for their work on the committee.

CHIEF EXECUTIVE OFFICER

The CEO is responsible for Industrivärden's operative activities in accordance with the adopted strategy and the CEO's instructions set by the Board. These cover, among other things, investment rules for equities and derivative instruments which indicate the maximum amounts for the CEO's authority between board meetings to decide on purchases and sales of stocks and derivative instruments. The CEO makes regular presentations to the Board of Directors on the performance of operations.

THE BOARD'S PROPOSED GUIDELINES FOR COMPENSATION OF SENIOR EXECUTIVES

The Board of Directors proposes that the 2018 Annual General Meeting resolve in favor of the following guidelines: Compensation paid to the CEO and other members of the Executive Management shall consist of a base salary, a variable salary, other benefits and pension. The total compensation should be

competitive and in line with the going rate in the market, and shall be commensurate with the executive's responsibilities and authority. The variable salary portion consists of a short-term variable salary component (yearly) and a long-term variable salary component. The short-term variable salary component is based on individually defined targets, shall have a cap, and never exceed 50% of base salary. The long-term variable salary component is based on the long-term performance of the Company's stock and shall have a cap. None of the variable components shall be pensionable. Upon termination of an executive's employment contract by the Company, a maximum two-year notice period applies. No severance pay should be payable. Pension benefits shall be defined-contribution in all essential respects and give the members of the Executive Management the right to receive benefits from 60 or 65 years of age, depending on their position. The Board may depart from these guidelines if there are special reasons for doing so in individual cases. The proposal is largely consistent with the guidelines approved by the 2017 Annual General Meeting.

AUDITOR

The auditor audits the annual report, the bookkeeping and the Board's and CEO's administration, and reports to the Annual General Meeting. At the 2017 Annual General Meeting, PricewaterhouseCoopers AB was elected as auditor for a term lasting through the 2018 Annual General Meeting. The chief auditor is Magnus Svensson Henryson (b. 1969), Authorized Public Accountant. In 2017 he was also chief auditor of the listed company SSAB. In 2017 the half-year interim report and year-end report were reviewed by the Company's auditor.

GOVERNANCE DOCUMENTS AND INTERNAL CONTROL

Industrivärden has transparent operations and established control systems. Each year the Board adopts governance documents in the form of the CEO's instructions, the investment policy and the finance policy. The CEO's instructions lay out central guidelines and clarify which decisions are to be made by the Board and which are made by the CEO. The investment policy specifies and sets the framework for investments in financial instruments, and the finance policy sets the framework for financing and management of financial risks.

Against the background of Industrivärden's operations, organizational structure and how the financial reporting has been organized in general, the Board finds no need for a dedicated review function in the form of an internal audit unit. The Board regularly evaluates the financial reporting that is received in connection with board meetings and which pertains to the equities portfolio, the Company's debt and other important conditions. The Audit Committee carries on a continuous dialog with the Company's auditor about the scope and quality of the Company's financial reporting.

Internal control over financial reporting is described in more detail on pages 46–47. Further information about corporate governance at Industrivärden can be found on the Company's website.

VALUE CREATION

Net asset value

Industrivärden's 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 portfolio investments, the shareholders will be given a total return which over time is higher than the average for the Stockholm Stock Exchange's total return index (SIXRX).

Net asset value is a measure of the shareholders' total net worth in the Company, defined as the market value of the equities portfolio less interest-bearing net debt. Net asset value at year-end 2017 was SEK 96.3 billion (82.8), or SEK 221 per share (191).

COMPOSITION OF NET ASSET VALUE AND TOTAL RETURN FOR PORTFOLIO COMPANIES AS PER DECEMBER 31, 2017

Holding	No. shares	Ownership, %		Share of value, %	Market value		Total return, SEK M	Net purchases (+) / net sales (-) per holding, SEK M	Total return for the stock, %
		Capital	Votes		SEK M	SEK/share			
Handelsbanken A	196,423,948	10.1	10.3	21	22,039	51	-1,913	169	-8
Volvo A	142,154,571	6.7	22.0	20	21,764	50	7,093	-	47
Sandvik	147,584,257	11.8	11.8	20	21,208	49	4,992	-	30
Essity A	35,000,000	9.5	29.8	14	8,110	36	2,263	-	17
Essity B	31,800,000				7,409			-	
ICA Gruppen	20,625,000	10.3	10.3	6	6,144	14	632	-	11
SCA A	35,000,000	9.5	29.7	6	3,325	14	2,546	-	79
SCA B	31,800,000				2,689			-	
Skanska A	12,667,500	6.9	23.9	5	2,153	11	-1,107	-	-18
Skanska B	16,343,995				2,778			-	
SSAB A	63,105,972	11.4	18.2	5	2,833	11	1,078	-	30
SSAB B	54,633,318				2,000			-	
Ericsson A	86,052,615	2.6	15.1	4	4,582	11	105	-	2
Ericsson B	1,000,000				54			-	
Other				0	200	0	59	-66	
Equities portfolio				100	107,289¹	247	15,748	103	17
Interest-bearing net debt					-10,930	-25			
Adjustment pertaining to exchangeable					-60	-0			
Net asset value					96,299	221			
Debt-equities ratio						10 %			

1) The Group's total cost as per 12/31/2017 was SEK 46,137 M.

The total returns for Essity and SCA have been calculated as the respective companies' share of the original company SCA's total return before the split (based on share of value at the time of the split) and thereafter based on the value performance of the respective companies. The split was carried out on June 9, and the first day of trading in Essity shares was June 15, 2017.

GROWTH OF NET ASSET VALUE

Net asset value grew 18% in 2017, compared with a 9% increase for the Stockholm Stock Exchange's total return index (SIXRX). During the last five- and ten-year periods, net asset value including reinvested dividends grew by an average of 15% and 8% per year, respectively, compared with 14% and 9%, respectively, for the Stockholm Stock Exchange's total return index (SIXRX).

NET ASSET VALUE 10 YEARS



NET ASSET VALUE

SEK billion	Dec 31. 2017	Dec 31. 2016	Dec 31. 2015	Dec 31. 2014	Dec 31. 2013
Equities portfolio	107.3	94.2	81.8	83.1	78.0
Interest-bearing net debt	-10.9	-11.5	-12.6	-14.6	-17.1
Of which, convertible bond	-	-5.3	-4.9	-5.0	-8.4
Adjustment pertaining to exchangeable bond	-0.1	-	-0.1	-0.1	-
Net asset value	96.3	82.8	69.1	68.3	60.9
Net asset value per share, SEK	221	191	160	158	155
Yearly growth incl. reinvested dividend, % ¹	18	23	5	9 ²	24
Debt-equities ratio, %	10.2	12.2	15.5	17.6	21.9

1) The value assumes reinvestment of the dividend to enable a comparison with the Stockholm Stock Exchange's total return index (SIXRX).

2) Adjusted for conversions.

EQUITIES PORTFOLIO

The equities portfolio is made up of large shareholdings in Handelsbanken, Volvo, Sandvik, Essity, ICA Gruppen, SCA, Skanska, SSAB and Ericsson, all of in which Industrivärden serves as a long-term active owner.

The equities portfolio, which is valued at the companies' market prices as per December 31, 2017, had a market value of SEK 107,289 M (94,250). The market value of the equities portfolio corresponded to SEK 247 (218) per Industrivärden share.

PERFORMANCE OF THE EQUITIES PORTFOLIO IN 2017

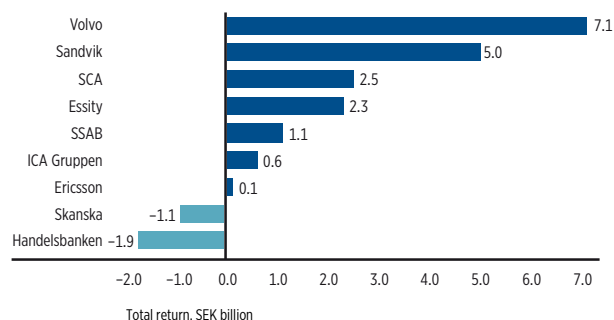
Adjusted for purchases and sales, the value of the equities portfolio increased by 14% during the year, compared with the Stockholm Stock Exchange's market index (OMXSPI), which increased by 6%.

Dividends received from portfolio companies during the year amounted to a combined total of SEK 2,786 M

(3,078). Industrivärden distributed SEK 2,285 M (2,162) in dividends to the shareholders during the year.

The contributions of the respective portfolio holdings to the portfolio's total performance in 2017 are shown in the chart below. The total return for longer periods of time is shown in the table on page 22.

CONTRIBUTION ANALYSIS OF SHAREHOLDINGS



INVESTMENT ACTIVITIES 2017

During the year, shares were bought in Handelsbanken for SEK 169 M. On April 5, 2017, the Annual General Meeting of SCA resolved to distribute all of the shares in Essity (formerly SCA Hygiene) to SCA's shareholders. The dividend to the shareholders was carried out in accordance with the so-called Lex Asea rule, entailing that the dividend was tax-exempt. One Class A share in SCA carried entitlement to one Class A share in Essity, and one Class B share in SCA carried entitlement to one Class B share in Essity. The first day of trading was June 15, 2017. Industrivärden's holdings in Essity and SCA are shown in the table on page 36.

BORROWING

Through available borrowing, Industrivärden enhances its flexibility over time.

Debt policy

Industrivärden's debt policy is that the debt-equities ratio shall be in the range of 0%–10%, but may periodically exceed or fall below this interval.

Interest-bearing net debt

The debt portfolio consists primarily of an exchangeable bond, bank borrowings, MTN program and commercial paper. Interest-bearing net debt amounted to SEK 10.9 billion at year-end 2017 (11.5), corresponding to SEK 25 per Industrivärden share.

The debt-equities ratio at year-end 2017 was 10% (12%).

Interest-bearing liabilities had an average capital duration of approximately 2.5 years and carried an average interest rate of 0.1%.

Outstanding exchangeable

In 2014 an exchangeable bond of SEK 4.4 billion was issued as part of the continuous refinancing of the equities portfolio. The bond matures in 2019 and was issued at a premium of approximately 38% to ICA Gruppen's share price at the time of issue and carries no interest. See Note 16 for further information.

Convertible bond

In January 2011 Industrivärden issued a six-year convertible bond of EUR 550 M, which matured on February 27, 2017.

The time period during which owners of convertibles could demand conversion has passed, and approximately 9% of the convertible bond, corresponding to EUR 50.9 M, was converted to 2,868,606 new Class C shares.

MANAGEMENT COST

Industrivärden's management cost in 2017 amounted to SEK 111 M (112). The management cost corresponded to 0.10% (0.12%) of the equities portfolio's value on December 31, 2017.

SUSTAINABILITY REPORT

A sustainability report has been prepared and is presented on pages 17–21.

Industrivärden share data

Industrivärden's stock and shareholders

Industrivärden's Class A and Class C shares are listed on the Stockholm Stock Exchange. Industrivärden's stock is listed in the large cap segment, consisting of companies with a market capitalization higher than EUR 1 billion. Industrivärden has approximately 75,000 shareholders (69,000). Foreign shareholders' share of the capital amounts to 19% (18%). Each A-share carries entitlement to one vote, and each C-share carries entitlement to 1/10 of a vote. All shares carry equal entitlement to the Company's assets, earnings and dividends.

Trading volume of Industrivärden shares in 2017 totaled SEK 55 billion (42), of which the Stockholm Stock Exchange accounted for 53%, Cboe BXE for 23%, LSE for 9%, Cboe CXE for 7%, Turquoise for 2%, Paris for 2%, and other marketplaces for 4%. Trading volume of Industrivärden shares on the Stockholm Stock Exchange totaled SEK 55 billion (42), corresponding to a turnover rate of 27% (36%) for the Class A shares and 120% (112%) for the Class C shares. Average daily trading volume was approximately 200,000 Class A shares and approximately 550,000 Class C shares.

Industrivärden's Class A and Class C shares had standard deviations of 13.9% and 14.4%, respectively, and beta values of 1.17% and 1.20%, respectively, for the full year 2017.

INDUSTRIVÄRDEN'S STOCK AS PER DECEMBER 31, 2017

Share class	Number of shares*	Number of votes	Capital %	Votes %
A (1 vote)	268,184,340	268,184,340	61.6	94.1
C (1/10 vote)	167,025,537	16,702,553	38.4	5.9
Total	435,209,877	284,886,893	100.0	100.0

*At expiration in February 2017 part of the convertible bond was converted, corresponding to 2,868,606 Class C shares.

Return

During the last ten-year period the average annual total return for Industrivärden's Class A and C shares was 11% and 11%, respectively, compared with 9% for the total return index (SIXRX). During the same period, the MSCI World Index generated an annualized total return of 6%.

DIVIDEND

	2017	2016	2015	2014	2013
Dividend, SEK	5.50 ¹	5.25	5.00	6.25	5.50
Annual growth in dividend, %	5	5	neg	14	10

1) Proposed by the Board of Directors.

In 2017 the price of Industrivärden's Class A shares rose 17%, from SEK 180.20 to SEK 211.60, and the price of Industrivärden's Class C shares rose 19%, from SEK 169.80 to SEK 202.50. The total return for the Class A shares was 20%, and the total return for the Class C shares was 22%, compared with 9% for the total return index (SIXRX).

TOTAL RETURN, INDUSTRIVÄRDEN

	Average annual change	
	Industrivärden C	Index (SIXRX)
1 year	22%	9%
3 years	18%	10%
5 years	18%	14%
7 years	12%	10%
10 years	11%	9%

Dividend

Industrivärden's dividend policy is that the Company shall generate a positive cash flow before portfolio changes and after dividends paid, in order to build investment capacity over time and be able to support portfolio companies when needed. The dividend is to be well-balanced with respect to the goals, scope and risk of operations.

The Board of Directors has proposed that the 2018 Annual General Meeting declare a dividend of SEK 5.50 (5.25) per share.

Employee ownership in Industrivärden

Industrivärden encourages its employees to make personal investments in Industrivärden shares, as this aligns the interests of the Company's employees with other shareholders. The long-term incentive program that was adopted by the Annual General Meeting makes up part of the employees' total compensation and also aims to increase employees' ownership of stock in the Company. Information on the incentive program and on shareholdings of board members, members of the Executive Management is provided on pages 51 and 63–64.

Conversion of A-shares to C-shares

At the 2011 Annual General Meeting, a share conversion clause was added to Industrivärden's Articles of Association in the aim of giving shareholders greater flexibility. Shareholders have the right at any time to request

conversion of Class A shares to Class C shares. Conversion forms are available on Industrivärden's website under the "Share data" menu. A total of 1,090 Class A shares were converted to Class C shares in 2017.

OWNERSHIP STRUCTURE AT DECEMBER 31, 2017¹

Largest shareholders	Registration country	Number of shares, M	Percentage of	
			Capital stock	Votes
L E Lundbergföretagen	Sweden	71.6	16.5	23.7
Handelsbankens Pension Foundation	Sweden	30.9	7.1	10.8
Jan Wallanders and Tom Hedelius Foundation	Sweden	26.5	6.1	9.3
SCA Pension Foundation	Sweden	17.5	4.0	6.2
Swedbank Robur funds	Sweden	14.4	3.3	1.8
Spiltan funds	Sweden	10.5	2.4	0.5
Fredrik Lundberg incl. companies	Sweden	9.2	2.1	3.0
SCA Vorsorge-Treuhand	Germany	9.0	2.1	3.2
Handelsbankens Pension Fund	Sweden	8.7	2.0	3.0
Norges Bank Investment Management	USA	8.0	1.8	1.6
Alecta Pensionsförsäkring	Sweden	7.2	1.7	1.2
SCA Pension Foundation for salaried employees and foremen	Sweden	7.0	1.6	2.5
Carnegie funds	Sweden	6.0	1.4	0.2
J P Morgan Chase Bank	UK	5.5	1.3	1.0
SEB funds	Sweden	5.2	1.2	0.7
Total above		237.1	54.5	68.7
Other shareholders		198.1	45.5	31.3
Total Industrivärden		435.2	100.0	100.0

1) Source: Euroclear Sweden.

PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors proposes a dividend of SEK 5.50 per share (5.25). The proposed dividend corresponds to 4.5% of the Parent Company's equity and 2.5% of the Group's equity. Of shareholders' equity, 51%, or SEK 27.5 billion in the Parent Company, and 64%, or SEK 61.1 billion in the Group, is attributable to market valuation of assets and liabilities. The Board is of the opinion that the proposed dividend is well balanced in view of the objectives, scope and risks of the business as well as with respect to the ability to meet the Company's future obligations. Based on the total number of shares, SEK 2,394 M (2,285) is paid according to the dividend proposal.

According to the Parent Company balance sheet, profits totaling SEK 51,497 M are at the disposal of the Annual General Meeting.

The Board of Directors and CEO propose that the earnings be disposed of as follows:

To the shareholders, a dividend of SEK 5.50 per share, totaling	SEK 2,394 M
Balance carried forward	SEK 49,103 M
	<hr/>
	SEK 51,497 M

The Board of Directors and CEO certify that the Annual Report has been prepared in accordance with generally accepted accounting principles, that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of July 19, 2002, on application of International Financial Reporting Standards, that disclosures herein give a true and fair view of the Parent Company's and Group's financial position and results of operations, and that the statutory Administration Report provides a fair review of the Parent Company's and Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Group's and Parent Company's earnings and position in general are shown in the income statements, balance sheets, statements of changes in shareholders' equity, statements of cash flows and notes to the financial statements. Adoption of the Consolidated and Parent Company Income Statements and Balance Sheets will take place at the Annual General Meeting on April 17, 2018.

Stockholm, February 8, 2018

Fredrik Lundberg
Chairman

Pär Boman
Vice Chairman

Christian Caspar
Director

Bengt Kjell
Director

Nina Linander
Director

Annika Lundius
Director

Lars Pettersson
Director

Helena Stjernholm
CEO and Director

Our Audit Report was submitted on February 15, 2018

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

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INCOME STATEMENTS

SEK M	Note	Group		Parent Company	
		2017	2016	2017	2016
Dividend income from stocks	1	2,786	3,078	1,387	1,516
Change in value of stocks, etc.	2	12,957	13,687	10,869	9,939
Management cost	5, 6, 7	-111	-112	-111	-112
Operating income		15,632	16,653	12,145	11,343
Financial income	4	12	21	12	21
Financial expenses	4	-89	-223	-36	-105
Income after financial items		15,555	16,451	12,121	11,259
Tax	8	-	-	-	-
Net income for the year		15,555	16,451	12,121	11,259
Earnings per share, SEK	9	35.76	38.05		
Earnings per share after dilution, SEK	9	35.76	34.93		

STATEMENT OF COMPREHENSIVE INCOME

Net income for the year	15,555	16,451	12,121	11,259
Items that are not to be reclassified in the income statement				
Actuarial gains and losses pertaining to pensions	-6	-10	-6	-10
Comprehensive income for the year	15,549	16,441	12,115	11,249

BALANCE SHEETS

SEK M	Note	Group		Parent Company	
		2017	2016	2017	2016
ASSETS					
Property, plant and equipment	10	12	13	12	13
Equities	11, 14	107,289	94,250	36,288	30,296
Shares in associated companies	11, 12, 14	-	-	25,831	20,874
Shares in subsidiaries	13, 14	-	-	1,752	1,949
Non-current receivables		-	201	-	201
Total non-current assets		107,301	94,464	63,883	53,333
Other current receivables	15	446	337	1,171	1,284
Cash and cash equivalents		613	823	850	-
Total current assets		1,059	1,160	2,021	1,284
TOTAL ASSETS		108,360	95,624	65,904	54,617
SHAREHOLDERS' EQUITY AND LIABILITIES					
Capital stock		1,088	1,081	1,088	1,081
Statutory reserve/Share premium reserve		7,233	6,754	7,233	6,754
Retained earnings		72,004	57,843	33,205	24,236
Net income for the year		15,555	16,451	12,121	11,259
Total shareholders' equity		95,880	82,129	53,647	43,330
Exchangeable bond	16, 18	4,355	4,260	4,355	4,260
Other non-current interest-bearing liabilities	17, 18	2,937	3,122	2,937	1,122
Non-current noninterest-bearing liabilities	19	368	414	368	414
Total non-current liabilities		7,660	7,796	7,660	5,796
Convertible bond	20	-	5,252	-	5,252
Current interest-bearing liabilities	20	4,523	173	4,501	-
Other current liabilities	21	297	274	96	239
Total current liabilities		4,820	5,699	4,597	5,491
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		108,360	95,624	65,904	54,617

Information about the Group's pledged assets and contingent liabilities can be found in Note 22.

SHAREHOLDERS' EQUITY

Group

	Capital stock ¹	Statutory reserve/ share premium reserve	Retained earnings	Net income for the year	Total share- holders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2015	1,081	6,754	56,911	3,104	67,850
Net income for the year	-	-	-	16,451	16,451
Actuarial gains and losses on pensions	-	-	-10	-	-10
Total comprehensive income	-	-	-10	16,451	16,441
Transfer of previous year's net income	-	-	3,104	-3,104	-
Dividend to shareholders	-	-	-2,162	-	-2,162
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2016	1,081	6,754	57,843	16,451	82,129
Net income for the year	-	-	-	15,555	15,555
Actuarial gains and losses pertaining to pensions	-	-	-6	-	-6
Total comprehensive income	-	-	-6	15,555	15,549
Transfer of previous year's net income	-	-	16,451	-16,451	-
Conversion of convertible bond and other	7	479	-	-	486
Dividend to shareholders ²	-	-	-2,285	-	-2,285
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2017	1,088	7,233	72,004	15,555	95,880

Parent Company

	Capital stock ¹	Statutory reserve/ share premium reserve	Retained earnings	Net income for the year	Total share- holders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2015	1,081	6,754	26,669	-261	34,243
Net income for the year	-	-	-	11,259	11,259
Actuarial gains and losses pertaining to pensions	-	-	-10	-	-10
Total comprehensive income	-	-	-10	11,259	11,249
Transfer of previous year's net income	-	-	-261	261	-
Dividend to shareholders	-	-	-2,162	-	-2,162
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2016	1,081	6,754	24,236	11,259	43,330
Net income for the year	-	-	-	12,121	12,121
Actuarial gains and losses pertaining to pensions	-	-	-6	-	-6
Total comprehensive income	-	-	-6	12,121	12,115
Transfer of previous year's net income	-	-	11,259	-11,259	-
Conversion of convertible bond and other	7	479	-	-	486
Dividend to shareholders ²	-	-	-2,285	-	-2,285
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2017	1,088	7,233	33,205	12,121	53,647³

1) As per December 31, 2017, there were 435,209,877 shares outstanding, of which 268,184,340 were Class A shares and 167,025,537 were Class C shares. The capital stock amounted to SEK 670.5 M for the Class A shares and SEK 417.6 M for the Class C shares. The share quota value is SEK 2.50.

2) The dividend in 2017 was SEK 5.25 per share.

3) Unrestricted equity in the Parent Company amounts to SEK 51,497 M.

STATEMENTS OF CASH FLOWS

SEK M	Note	Group		Parent Company	
		2017	2016	2017	2016
OPERATING ACTIVITIES					
Dividend income from stocks	1	2,786	3,078	1,387	1,516
Management cost paid		-125	-140	-125	-140
Other items affecting cash flow		10	129	10	122
Cash flow from operating activities before financial items		2,671	3,067	1,272	1,498
Interest received		18	34	16	33
Interest paid		-94	-248	-41	-132
Other financial items		-1	1	-1	-
CASH FLOW FROM OPERATING ACTIVITIES		2,594	2,854	1,246	1,399
INVESTING ACTIVITIES					
Purchases/sales of stocks	3, 14	-103	834	28	-481
CASH FLOW FROM INVESTING ACTIVITIES		-103	834	28	-481
FINANCING ACTIVITIES					
Loans raised and amortization of debt		-654	-1,114	1,497	-919
Investments		238	406	238	406
Change in financing of subsidiaries		-	-	126	1,752
Dividend paid		-2,285	-2,162	-2,285	-2,162
CASH FLOW FROM FINANCING ACTIVITIES		-2,701	-2,870	-424	-923
NET CASH FLOW FOR THE YEAR		-210	818	850	-5
Cash and cash equivalents at start of year		823	5	0	5
CASH AND CASH EQUIVALENTS AT END OF YEAR		613	823	850	0

Information on changes in the Group's interest-bearing net debt can be found in the table on page 48.

Financial risk management

GENERAL

The types of financial risks that the Industrivärden Group encounters in its business consist primarily of equities risk and – to a limited extent – other financial risks in the form of e.g., interest rate risk and liquidity risk.

EQUITIES RISK

Equities risk pertains mainly to share price risk, which is the entirely dominant risk in Industrivärden's operations. By share price risk is meant the risk of a decline in value caused by changes in prices in the stock market. Industrivärden's active ownership should reduce the relative equities risk in the portfolio companies and thus also in Industrivärden's portfolio. Moreover, the active ownership role provides good insight into the portfolio companies' operations, external operating environment and continuing development. Having a diversification of equities in the portfolio reduces volatility and contributes to a more stable return over time. Share price risk can be illustrated as such that a 1% change in the price of all listed shareholdings in Industrivärden's equities portfolio as per December 31, 2017, would have affected the market value by +/- SEK 1,100 M.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will vary due to changes in market interest rates. The financial instruments that are exposed to interest rate risk consist of loans with variable interest rates. Swap agreements may be used to limit interest expenses and to adjust maturities. Industrivärden's interest rate risk and its effect on earnings are judged to be low. At year-end 2017, two interest rate swap agreements were in effect under which a variable interest rate was swapped against a fixed interest rate. The agreements pertain to borrowings totaling SEK 1,250 M with a term of 9–20 months. At year-end 2017 the market value of the swap agreements was SEK –12 M. A parallel shift up or down in the interest rate curve by 1 percentage point would affect income after financial items in 2017 by approximately +/- SEK 50 M.

LIQUIDITY RISK AND REFINANCING RISK

Liquidity risk is the risk of encountering difficulties in accessing liquid assets in order to meet obligations associated with financial instruments. In accordance with Industrivärden's finance policy, at any given time the Group has a minimum of SEK 2 billion in committed credit facilities at its disposal. Refinancing risk is the risk of a company being unable to obtain financing or that financing can only be obtained at a considerably higher cost. In the aim of minimizing refinancing risk, loan maturities are distributed evenly over time to lower the likelihood of a large portion of loans being refinanced at the same date. Industrivärden's liquidity risk and refinancing

risk are judged to be low. With an equity ratio of 88% (86%) and an A-rating (S&P), Industrivärden has considerable financial flexibility.

CURRENCY RISK

Currency risk is the risk that the value of assets and liabilities will vary due to changes in exchange rates. Industrivärden's currency risk is mainly coupled to the currency exposures of its respective portfolio companies.

COUNTERPARTY RISK

Counterparty risk is the risk of a party in a transaction with a financial instrument not being able to meet its obligations and thereby causing loss to the other party. Internal rules set by Industrivärden prescribe that approved counterparties have high credit ratings with respect to investments, derivative transactions, etc., which is why counterparty risk is considered to be low. Where applicable, ISDA master agreements are used.

OPERATIONAL RISK

Operational risk is the risk of incurring a loss due to defects in internal routines and systems. Industrivärden's risk management rests on a foundation of internally adopted guidelines and rules, and of policies adopted by the Board of Directors. Important rules include investment rules, the risk policy, the insider policy and the finance policy. Matters pertaining to confidentiality and information security are of major importance for Industrivärden and are regulated by internal guidelines.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Against the background of the share price risk described above, the most important control process in Industrivärden's business consists of the continuous monitoring of value exposure in the equities portfolio. Industrivärden's internal control is therefore primarily focused on ensuring the reliability of valuations of outstanding equity and derivative positions and of the reporting of purchases and sales of stocks and other securities.

According to the Swedish Companies Act, the Board is responsible for internal control. The instructions regulating the division of duties between the Board and the CEO lay out investment rules for equities and derivative instruments as well as a finance policy. Decision-making channels, authority and responsibility are defined by a set of investment rules and by a risk policy. Industrivärden has a specially appointed investment committee that makes regular decisions on investment matters within the framework of the CEO's mandate. Other processes with a bearing on the financial reporting are regulated by Industrivärden's insider rules, the information policy and the confidentiality policy. Industrivärden's greatest risk consists of value exposure in the equities portfolio. The predominant risk in work processes pertains to potential

errors in the accounting and reporting of equity transactions. Industrivärden continuously assesses the risks in the handling of equity transactions, which are discussed with the auditor and affect the structure of internal risk control.

Control activities pertaining to the equities portfolio include, among other things, approval of all business transactions, daily registration in internal systems, follow-up of equity transactions to ensure that they are in accordance with decisions made by the Investment

Committee, and checks to make sure that the value of purchases and sales of stocks and of underlying stocks in derivative transactions is within the scope of established exposure limits. The Investment Committee, which is made up of the Executive Management together with representatives from the investment and analysis organization, continuously follows up investment decisions that have been made and checks to ensure that they have been executed correctly. Minutes are recorded of Investment Committee meetings.

Financing

ORGANIZATION

Industrivärden's financing and management of financial risks are conducted in accordance with guidelines set by the Board of Directors. Industrivärden's finance function works primarily with financing and investment of temporary surplus liquidity.

FINANCING

Industrivärden's financing is arranged through both short- and long-term borrowing. The credit facilities give Industrivärden the ability to act on attractive investment opportunities at short notice. No part of the financing is conditional upon any covenants. In addition, Industrivärden has unutilized committed bank loans totaling SEK 3,000 M.

CREDIT FACILITIES AS PER DECEMBER 31, 2017

	Amount, SEK M	Nominal amount, SEK M	Term
MTN program	8,000	2,800	2019-2021
Exchangeable bond	4,355	4,355	2019
Total long-term borrowing		7,155	
MTN program		500	
Commercial paper	3,000	3,000	
Bank loans	1,000	1,000	
Bank overdraft facility	500	23	
Total short-term borrowing		4,523	

AVERAGE INTEREST RATE AND CAPITAL DURATION

The average interest rate for Industrivärden's debt portfolio as per December 31, 2017, was 0.1% (1.8%). The average capital duration was 29 months (25).

CONVERTIBLE BOND

The six-year convertible bond of EUR 550 M that was issued in January 2011 matured on February 27, 2017. Approximately 9% of the convertible bond, corresponding to EUR 50.9 M, was converted to 2,868,606 new Class C shares.

LIQUIDITY ANALYSIS

Maturity structure for undiscounted, contracted interest-bearing liabilities along with future interest payments accruing therewith and derivative instruments with negative market values:

SEK M	2018	2019-2020	After 2020	Total
Interest-bearing liabilities	4,522	5,950	1,372	11,844
Derivative instruments	10	40	3	53
Total as per December 31, 2017	4,532	5,990	1,375	11,897

SEK M	2017	2018-2019	After 2019	Total
Interest-bearing liabilities	7,447	4,900	622	12,969
Derivative instruments	108	55	6	169
Total as per December 31, 2016	7,555	4,955	628	13,138

CHANGE IN GROUP'S INTEREST-BEARING NET DEBT

Net debt as per December 31, 2016	11,481
Dividends received and paid, net	-501
Purchases and sales of stocks, net	103
Management and interest expenses	202
Conversion of convertible bond	-482
Other	127
Net debt as per December 31, 2017	10,930

RATINGS

Industrivärden has been assigned an international corporate credit rating of A-/Stable/A-1 by Standard & Poor's which has also assigned the commercial paper program a credit rating of K-1.

FINANCIAL INSTRUMENTS BY CATEGORY

SEK M	December 31, 2017				December 31, 2016			
	Assets at fair value in the income statement	Loan receivables	Investments held to maturity	Total	Assets at fair value in the income statement	Loan receivables	Investments held to maturity	Total
ASSETS								
- Equities	107,289	-	-	107,289	94,250	-	-	94,250
- Derivatives, etc.	-	-	-	-	19	-	-	19
- Non-current receivables	-	-	-	-	-	-	201	201
- Current receivables	-	272	-	272	-	302	-	302
- Cash and cash equivalents	-	613	-	613	-	823	-	823
Total assets	107,289	885	-	108,174	94,269	1,125	201	95,595

SEK M	December 31, 2017			December 31, 2016		
	Liabilities at fair value in the income statement	Other financial liabilities	Total	Liabilities at fair value in the income statement	Other financial liabilities	Total
LIABILITIES						
- Non-current interest-bearing liabilities	-	7,292	7,292	-	7,382	7,382
- Other non-current liabilities	368	-	368	412	2	414
- Current interest-bearing liabilities	-	4,501	4,501	-	5,425	5,425
- Other current liabilities	3	-	3	126	1	127
Total liabilities	371	11,793	12,164	538	12,810	13,348

ESTIMATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

SEK M	December 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
- Equities	107,089	-	200	107,289	94,071	-	179	94,250
- Derivatives, etc.	-	-	-	-	-	19	-	19
Total assets	107,089	-	200	107,289	94,071	19	179	94,269

SEK M	December 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
LIABILITIES								
<i>Non-current liabilities</i>								
- Option portion of exchangeable bonds	-	318	-	318	-	321	-	321
- Derivatives, etc.	-	50	-	50	-	91	-	91
<i>Current liabilities</i>								
- Option portion of convertible bond	-	-	-	-	-	48	-	48
- Derivatives, etc.	-	3	-	3	43	35	-	78
Total liabilities	-	371	-	371	43	495	-	538

In accordance with IFRS 13, financial instruments are carried at fair value based on a 3-level hierarchy. The classification is based on the input data used in the valuation of the instruments.

Instruments in Level 1 are valued at 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. Input data used in the valuation models include interest rates, volatility and dividend estimates. Instruments in Level 3 are valued using a valuation technique based on input data which are not observable in a market.

Accounting policies

APPLIED RULES

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as adopted by the EU and with application of RFR 1 – Supplementary Accounting Rules for Groups. The annual report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act (Årsredovisningslagen (1995:1554)) and with application of RFR 2 – Accounting for Legal Entities. The most important accounting policies applied are specified below. Unless stated otherwise, these are unchanged compared with preceding years. New or revised IFRSs and IFRIC interpretations have not had any effect on the Group's or Parent Company's result of operations or position. Similarly, the assessment has been made that decided, forthcoming rules will not have any effect on the Group's or Parent Company's result of operations or position.

PRINCIPLES OF CONSOLIDATION

Industrivärden is classified as an Investment Entity and as such does not consolidate certain subsidiaries. Subsidiaries that serve in a supporting function for the Parent Company are consolidated in accordance with the acquisition method, while subsidiaries and associated companies that are investments (portfolio companies) are not consolidated, but are stated on a continuing basis at fair value.

PARENT COMPANY REPORTING

The Parent Company reports shares in subsidiaries at cost, while associated companies and other holdings are carried at market value. The capital gain or loss generated upon the sale of shares is calculated accordingly.

FOREIGN CURRENCY

The Group's and Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency. Transactions in foreign currency are translated to the functional currency using the exchange rates in effect on the transaction date. Assets and liabilities in foreign currency are translated to the functional currency using the exchange rate in effect on the balance sheet date.

DIVIDEND INCOME FROM EQUITIES

Dividend income is recognized when the right to receive the dividend has been determined.

Shares received in Essity are reported as revenue of SEK 16,120 M in the income statement on the line *Change in value of stocks, etc.* The corresponding negative change in the value of SCA shares is reported on the same line.

REPORTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are classified in the following categories: financial assets and liabilities at fair value in the income statement, loan receivables, and other financial liabilities carried at amortized cost. The classification depends on the purpose for which the financial item was acquired. Purchases and sales of financial instruments are reported as per the transaction date. Industrivärden has chosen to report continuing changes in value of all listed shareholdings and equity derivatives in the income statement.

EXCHANGEABLE BOND

The exchangeable bond, which is issued in SEK, consists of a host contract in the form of a bond and an issued option to either repay the loan with shares in ICA Gruppen or in cash.

The host contract was initially measured at fair value and thereafter at amortized cost using the effective interest method. This means that the loan is indexed over its term at nominal value. This indexing is recognized as a change in value in the income statement. The option component is measured on a continuing basis at fair value in the income statement in the item *Change in value of stocks, etc.* Transaction costs are allocated over the term of the bond and are included in the change in value recognized in the income statement.

ISSUED STOCK OPTIONS

Option premiums received are booked as a liability and are deducted from premiums paid upon repurchase. If an issued option expires without being exercised, the premium is recognized as income. Upon exercise of an issued option, the premium increases the exercise price upon the sale of shares or reduces the exercise price upon the purchase of shares. On the balance sheet date, the market value of issued options is determined, and the difference between the market value and provisioned premiums is recognized in income. The outstanding options are carried on the balance sheet as other current liabilities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include – in addition to cash and bank balances – short-term financial investments with remaining terms of less than three months.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is reported at cost less accumulated depreciation and any impairment losses. Depreciation is recognized on a straight-line basis over the asset's estimated useful life, which estimated to be three to five years. Estimation of an asset's residual value and useful life is done yearly.

EMPLOYEE COMPENSATION

Pensions

The Group has both defined contribution and defined benefit pension plans. Costs for defined contribution pension plans are expensed in pace with payment of premiums. Defined benefit pension plans with Alecta are reported as defined contribution plans, since insufficient information is available to report these as defined benefit plans. No current employees has defined benefit plans. The pension liability refers to defined benefit pension obligations for former CEOs calculated annually for the Group in accordance with IAS 19 with the assistance of an independent actuary. All changes in the pension liability are recognized immediately when they arise. Interest costs are recognized in the income statement, while remeasurements such as of actuarial gains and losses are recognized in other comprehensive income.

Tax rules for the Parent Company

Pursuant to the Income Tax Act, the Parent Company is classified as an investment company, for which special tax rules apply. To be defined as an investment company for tax purposes, the requirements are that the company is engaged exclusively or almost exclusively in the management of securities, that the company's stock is spread among a large number of shareholders, and that the portfolio of securities is well distributed.

Intermediaries

Investment companies, along with mutual funds, are usually classified as intermediaries. The principles of legislation in this area are:

- that neutrality between direct and indirect ownership requires that the intermediary shall not be subject to taxation,
- that indirect ownership shall not be more advantageous than direct ownership, and
- that taxation shall enable reinvestment of the intermediary's shareholdings.

MAIN PRINCIPLES OF TAXATION

The main principles concerning taxation of investment companies are that dividends received and interest income are taxable, while dividends paid, interest expenses and management costs are tax deductible. In addition, capital gains on sales of stocks are tax exempt, but in return, a standardized level of income, which amounts to 1.5% of the market value of the equities portfolio at the start of the fiscal year, is taxed. The basis for calculating the standardized level of income does not include

Long-term incentive programs

Industrivärden's long-term incentive programs are cash-settled programs in which the employees can invest a certain portion of their base salary in Industrivärden stock, and after three years receive performance and matching shares, provided that they are still employed. For more information about the programs, see Note 6. The cost of the programs is allocated over a three-year period and is reported under the item *Management cost*. The liability for the programs is remeasured at fair value in connection with each book-closing. Industrivärden has entered into a share swap to limit the cost. The share swap is remeasured on a continuing basis at fair value, and the change in value is reported under the item *Management cost*.

business-related shares, by which is meant unlisted shares as well as listed shares in which the holding corresponds to at least 10% of the number of votes. In order for listed business-related shares to be excluded from the standardized income calculation, they must have been held for at least one year.

TAX DEFICITS

The tax rules for investment companies entail that the Parent Company, as an intermediary, has the opportunity to avoid a taxable surplus by paying a dividend. Tax-loss carryforwards are deductible and may be accumulated in order to be deducted from future taxable surpluses.

The Parent Company does not report deferred tax assets for tax-loss carryforwards, since the purpose of taxation of investment companies is that the intermediary will not be taxed.

Tax computation

See Note 8 on page 54.

Notes

Amounts in millions of Swedish kronor (SEK M) unless stated otherwise.

NOTE 1. Dividend income from stocks

	Group	
	2017	2016
Ericsson	87	318
Handelsbanken	975	1,152
ICA Gruppen	217	206
Sandvik	406	369
SCA	401	384
Skanska	239	218
Volvo	462	431
Total	2,786	3,078

NOTE 3. Net purchases and sales (-) per holding

	Group	
	2017	2016
Ericsson	-	45
Handelsbanken	169	91
ICA Gruppen	-	-135
Sandvik	-	-81
SCA	-	-1,015
Skanska	-	-180
SSAB	-	670
Volvo	-	-136
Other	-66	-93
Total	103	-834

NOTE 2. Change in value of stocks, etc.

	Group	
	2017	2016
Ericsson	22	-2,259
Essity ¹	1,932	-
Handelsbanken	-2,807	2,686
ICA Gruppen	413	-627
Sandvik	4,575	5,711
SCA ¹	2 447	744
Skanska	-1,308	1,474
SSAB	1,078	1,757
Volvo	6,525	3,749
Other	59	14
Stocks	12,936	13,249
Convertible and exchangeable bonds		
Option portion's change in value	50	644
Revaluation	-94	-201
Transaction costs	-10	-20
Other, net	75	15
Total	12,957	13,687

1) Adjusted for the received dividend of shares in Essity, totaling SEK 16,120 M. For calculation method, see table on page 36.

NOTE 4. Financial income and expenses

	Group		Parent Company	
	2017	2016	2017	2016
Financial income				
Interest income				
- other	12	21	12	21
Total	12	21	12	21

	Group		Parent Company	
	2017	2016	2017	2016
Financial expenses				
Interest expenses				
- subsidiaries	-	-	-7	-4
- other	-87	-222	-27	-100
Other financial items	-2	-1	-2	-1
Total	-89	-223	-36	-105

NOTE 5. Average number of employees, Parent Company

Age group	2017		2016	
	Number of employees	Of whom, women	Number of employees	Of whom, women
-30	2	1	2	1
30-50	11	5	11	6
50-	4	2	4	2
Total	17	8	17	9

NOTE 6. Wages, salaries and other remuneration; social security costs

	2017				2016			
	Directors' fees	Wages, salaries and other remuneration	Social security costs	Of which, pension costs	Directors' fees	Wages, salaries and other remuneration	Social security costs	Of which, pension costs
Parent Company	6	42	30	10	6	40	31	10

Executive Management's compensation and pension costs for 2017

	Base salary	Variable salary	Share savings program	Other benefits	Pension costs
CEO Helena Stjernholm	10.0 ¹	4.0	2.3	0.1	4.0
Other members of the Executive Management (4 persons)	7.2	3.0	2.0	0.2	2.4
Total	17.2	7.0	4.3	0.3	6.4

1) The Company's cost amounts to SEK 6.8 M after deducting SEK 3.2 M for directors' fees paid by the portfolio companies.

Directors' fees and executive compensation

The Nominating Committee, which has been appointed in the manner decided by the Annual General Meeting (AGM), submits recommendations for directors' fees to the AGM. Fees have been paid to the Chairman of the Board and other directors in accordance with an AGM resolution. In accordance with the AGM's resolution in 2017, directors' fees totaling SEK 6.2 M were paid out. Of this amount, the Chairman of the Board received SEK 2.0 M, and the Vice Chairman received SEK 1.2 M. Other directors each received SEK 0.6 M. No fees are paid for committee work. Directors' fees were unchanged compared with the preceding year.

Compensation of the CEO and other members of the Executive Management is based on the guidelines adopted by the 2017 AGM. The Compensation Committee submits a recommendation to the Board on the CEO's compensation and draws up, in consultation with the CEO, criteria for compensation for the other members of the Executive Management. The members of the Executive Management receive a base salary, long-term and short-term variable salary, customary employment benefits and pension benefits.

CEO and members of the Executive Management

The CEO received a base salary of SEK 10.0 M (8.8). The Company's cost is reduced by SEK 3.2 M for directors' fees paid by portfolio companies for 2017. Her variable salary for 2017, which is based on the Board's annual evaluation, amounted to SEK 4.0 M (3.5), which will be paid out in 2018. Her vested portion of the ongoing share savings program was SEK 2.3 M for 2017 (1.1). The cost of defined contribution pension premiums was SEK 4.0 M for 2017 (3.5). Other benefits pertain to a company car. In the event the Company serves notice of her employment contract, a two-year notice period applies. For notice given by the CEO, a six-month notice period applies.

The four (two) other members of the Executive Management together received base salaries of SEK 7.2 M (5.4). The other members of the Executive Management are entitled to long-term and short-term variable salary. The outcome is based on the achievement of individually set goals as well as on joint targets for growth in net asset value. Variable salary for 2017 amounted to SEK 3.0 M (2.3) and will be paid out in 2018. The vested portion of the ongoing share savings program amounted to SEK 2.0 M for 2017 (1.5). The share savings program that expired in 2017 resulted in grants of 12,228 (10,953) Industrivärden Class C shares to the other members of the Executive Management, for a value of SEK 2.5 M (1.7). The combined cost of defined contribution pension premiums in 2017 was SEK 2.4 M (1.8). Other benefits pertain to company cars. In the event of the Company service notice of an executive's employment contract, a one or two-year notice period applies. For notice given by the executive, a six-month notice period applies.

Long-term incentive programs

The incentive programs are part of a competitive total compensation package in which the employee has the opportunity to receive matching shares and performance shares after three years, subject to investment of part of the employee's base salary in Industrivärden shares. The program aims to encourage Industrivärden's employees to increase their ownership of stock in the Company and thereby further emphasize long-term shareholder value. The Share Savings Program is expected to increase Industrivärden's opportunities to recruit and retain competent employees as well as the participants' interest in and commitment to Industrivärden's business and development. Against this background, the program is judged to have a positive impact on Industrivärden's continued development and thereby be beneficial for both the shareholders and Industrivärden's employees. In the outstanding programs, a maximum of 46,976 matching shares and 41,810 performance shares may be granted. Grants of matching shares require continued employment at the time of the match. Grants of performance shares are conditional upon an average annual total return for Industrivärden's Class C shares during the three-year lock-in period that is equal to or higher than the SIXRX index, and full grants of performance shares require an average annual total return for Industrivärden's Class C shares during the three-year lock-in period that exceeds the SIXRX index by 2 percentage points per year. The cost of incentive programs was SEK 5.3 M (1.3) in 2017. The total liability for the programs is SEK 11.3 M (15.6).

Long-term incentive program 2017

The 2017 AGM resolved to offer a long-term share savings program to a maximum of 22 employees in the Industrivärden Group. During 2017, 13,469 shares were bought within the program, which can qualify for a maximum grant of 6,735 matching shares and 22,397 performance shares.

Long-term incentive programs 2015 and 2016

The 2015 and 2016 incentive programs include a total of 46,197 purchased shares, which can qualify for grants of a maximum of 40,241 matching shares and 19,413 performance shares.

Long-term incentive program 2014

The Share Savings Program for 2014 expired in October 2017. In connection with this, a total of 64,405 Industrivärden Class C shares were granted for a value of SEK 13.4 M. The value is based on the price of Industrivärden's Class C shares on the grant date. The grant also include former members of the management team.

CEO's acquisition of call options (related-party transaction)

In 2016 the CEO purchased 75,000 call options for the same number of Industrivärden Class C shares from L E Lundbergföretagen at a premium of SEK 12 per share. The options expire on February 26, 2021, with an exercise price of SEK 151 per share. The transaction was carried out at market terms based on the Black & Scholes pricing model for call options.

NOTE 7. Auditors' fees

	Group ¹		Parent Company ¹	
	2017	2016	2017	2016
PWC				
Audit assignment	0.7	1.0	0.7	1.0
Auditing activities in addition to audit assignment	0.1	0.1	0.1	0.1
Tax consulting	0.4	0.5	0.4	0.5
Total	1.2	1.6	1.2	1.6

1) Including value-added tax (since investment companies are not subject to value-added tax and thereby cannot deduct value-added tax).

NOTE 8. Condensed tax computation for the Parent Company (see page 51)

	2017	2016
Market value of equities portfolio on January 1	51,170	41,193
Less: business-related shares	-49,578	-41,193
Basis for standardized income	1,592	0
Standardized income 1.5%	24	0
Dividends received during the respective years	1,387	1,516
Management cost, net financial items, etc.	-150	-196
Dividend paid out ¹	-2,394 ²	-2,285
Taxable income	-1 133	-965
Tax-loss carryforwards from previous years	-8,019	-7,054
Accumulated tax-loss carryforward	-9 152	-8,019

1) Payment is made during the following year, in accordance with an AGM resolution.

2) Proposed by the Board of Directors.

NOTE 9. Earnings per share

Income attributable to equity holders of the Parent Company	Group	
	2017	2016
Net income for the year	15,555	16,451
Change in value of convertible options	-	-283
Convertible interest	-	-99
Indexing of convertible	-	117
Income attributable to equity holders of the Parent Company after dilution	15,555	16,186

Earnings per share before dilution

The calculation of earnings per share before dilution is based on reported income attributable to equity holders of the Parent Company, amounting to SEK 15,555 M (16,451), and a weighted average number of shares outstanding, amounting to 434,974,101 (432,341,271).

Earnings per share after dilution

Calculation of earnings per share after dilution is based on reported income attributable to equity holders of the Parent Company after dilution, amounting to SEK 15,555 M (16,186), and a weighted average number of shares outstanding after the effect of the convertible bond, amounting to 434,974,101 (463,338,066). For the periods during which the convertible bond gives rise to a dilutive effect, it is assumed to have been converted to common shares, and earnings are adjusted to eliminate the earnings that the convertibles have generated. For calculation of earnings per share after dilution, the weighted average number of common shares outstanding is adjusted for the dilutive effect of all potential common shares with a dilutive effect – in Industrivärden's case the convertible bond.

NOTE 10. Property, plant and equipment

	Group		Parent Company	
	2017	2016	2017	2016
Accumulated cost, equipment				
Opening cost	14	-	14	-
Acquisitions during the year	-	14	-	14
Closing cost	14	14	14	14
Accumulated depreciation, equipment				
Opening depreciation	-1	-	-1	-
Depreciation for the year	-1	-1	-1	-1
Closing depreciation	-2	-1	-2	-1
Carrying amount, equipment	12	13	12	13

NOTE 11. Equities

	2017				2016	
	Number of shares	Share of capital, %	Share of votes, %	Market value ¹	Market value ¹	
Ericsson A	86,052,615	2.6	15.1	4,582	4,561	
Ericsson B	1,000,000			54	54	
Essity A	35,000,000	9.5	29.8	8,110	-	
Essity B	31,800,000			7,409	-	
Handelsbanken A	196,423,948	10.1	10.3	22,039	24,677	
ICA Gruppen	20,625,000	10.3	10.3	6,144	5,732	
Sandvik	147,584,257	11.8	11.8	21,208	16,633	
SCA A	35,000,000	9.5	29.7	3,325	8,971	
SCA B	31,800,000			2,689	8,182	
Skanska A	12,667,500	6.9	23.9	2,153	2,725	
Skanska B	16,343,995			2,778	3,516	
SSAB A	63,105,972	11.4	18.2	2,833	2,182	
SSAB B	54,633,318			2,000	1,573	
Volvo A	142,154,571	6.7	22.0	21,764	15,239	
Total, portfolio companies				107,089	94,043	
Other				200	207	
Group's holdings of equities				107,289²	94,250	
Less: associated companies				-25,831	-20,874	
Less: non-consolidated companies				-200	-179	
Less: holdings owned via subsidiaries				-44,970	-42,901	
Parent Company's holdings of equities, excluding shares in associated companies and subsidiaries				36,288	30,296	

1) The market value corresponds to the book value.

2) The Group's total cost as per December 31, 2017, was SEK 46,137 M.

NOTE 12. Shares in associated companies

	Reg. no.	Domicile	Shareholders' equity	Income after tax	Parent Company			Market value
					Share of capital, %	Share of votes, %	No. shares million	
Skanska	556000-4615	Stockholm	27,185	4,111	6.9	23.9	29.0	4,932
Volvo	556012-5790	Gothenburg	109,011	21,283	6.4	21.2	136.5	20,899
Total								25,831

NOTE 13. Shares in subsidiaries

	Reg. no.	Domicile	Share of capital, %	No. shares	Shareholders' equity	Parent Company
						Book value
Industrivärden Invest AB (publ) ¹	556775-6126	Stockholm	100	1,000	20,881	330
Industrivärden Förvaltning AB ¹	556777-8260	Stockholm	100	1,000	21,967	1,010
Investment AB Promotion ¹	556833-0525	Stockholm	100	100,000	1,189	395
Floras Kulle AB	556364-8137	Stockholm	100	10,000	17	17
Total						1,752

1) The subsidiaries serve in a supporting function for the Parent Company and are consolidated in the Group in accordance with the acquisition method.

NOTE 14. Change in equities

	Group	
	Equities	
	2017	2016
Opening value	94,250	81,835
Disposals at sales value	-66	-1,639
Purchases	169	805
Change in value	12,936	13,249
Closing value	107,289	94,250

	Parent Company							
	Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Opening value	30,296	25,197	20,874	15,996	1,949	1,944	53,119	43,137
Disposals at sales value	-	-	-	-180	-41	-	-41	-180
Purchases	-	655	-	-	-	-	-	655
Change in value	5,992	4,444	4,957	5,058	-	-	10,949	9,502
Shareholder contribution	-	-	-	-	-2	-	-2	-
Other	-	-	-	-	-154	5	-154	5
Closing value	36,288	30,296	25,831	20,874	1,752	1,949	63,871	53,119

NOTE 15. Other current receivables

	Group		Parent Company	
	2017	2016	2017	2016
Interest-bearing receivables	272	302	-	-
Receivables from subsidiaries	-	-	1,168	1,252
Prepaid expenses and accrued income	4	12	3	9
Other current receivables	170	23	-	23
Total	446	337	1,171	1,284

NOTE 16. Exchangeable bond

In 2014 an exchangeable bond of SEK 4.4 billion was issued as part of the continuous refinancing of the equities portfolio. 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. During 2017 the conversion

price was adjusted from SEK 296.34 to SEK 293.86 to compensate the exchange-able bondholders for dividends exceeding a stated dividend level at issuance. In the event of a potential future conversion there is a possibility to pay either with shares or with cash.

NOTE 17. Pensions

The Group's total reported pension costs amount to SEK 10 M (10). Interest on pension obligations of SEK 3 M (3) is reported in the income statement as Financial items. For 2018, the Group's pension costs are estimated to be approximately SEK 11 M.

Defined contribution plans

Defined contribution plans include retirement pensions, disability pensions and family pensions, and entail payment of premiums on a regular basis during the year to independent legal entities.

Defined benefit plans

Industrivärden's defined benefit plans include retirement pensions, disability pensions and family pensions, and ordinarily entail an obligation to pay lifetime benefits. No current employees has defined benefit plans. The pension obligation as per December 31, 2017, was SEK 186 M (188), the value of plan assets was SEK 64 M (66), and the net pension liability was SEK 122 M (122).

Actuarial assumptions	Group	
	2017	2016
Discount rate ¹ , %	1.7	2.1
Future salary increases, %	-	-
Anticipated inflation, %	1.6	1.6

¹) Swedish home mortgage bonds are used as a benchmark for the discount rate with a duration corresponding to the pension obligation.

NOTE 18. Non-current interest-bearing liabilities

	Group		Parent Company	
	2017	2016	2017	2016
Exchangeable bond	4,355	4,260	4,355	4,260
MTN program	2,815	1,000	2,815	1,000
Bank loans	-	2,000	-	-
Pension liability	122	122	122	122
Total	7,292	7,382	7,292	5,382

Market valuation of interest-bearing liabilities as per 12/31/2017 would increase noncurrent interest-bearing liabilities by SEK 63 M (53).

Maturity dates for loans	Group		Parent Company	
	2017	2016	2017	2016
- 2017 ¹	-	2,000	-	-
- 2018	-	500	-	500
- 2019	5,107	4,260	5,107	4,260
- 2020 or later ²	2,185	622	2,185	622
Total	7,292	7,382	7,292	5,382

2) Of which, pension liability

	122	122	122	122
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1) The loans are reported as long-term in view of the existing committed bank loans.

NOTE 19. Non-current noninterest-bearing liabilities

	2017	2016
Option portion of exchangeable bond	318	321
Other	50	93
Total	368	414

NOTE 20. Current interest-bearing liabilities

	Group		Parent Company	
	2017	2016	2017	2016
Commercial paper	3,000	-	3,000	-
MTN program	500	-	500	-
Convertible bond	-	5,252	-	5,252
Bank loans	1,000	-	1,000	-
Other	23	173	1	-
Total	4,523	5,425	4,501	5,252

Market valuation of interest-bearing liabilities as per December 31, 2017 would increase current interest-bearing liabilities by SEK 0 M (42).

NOTE 21. Other current liabilities

	Group		Parent Company	
	2017	2016	2017	2016
Option portion of convertible bond	-	48	-	48
Equities derivatives, etc.	1	2	1	2
Other derivatives	2	75	2	75
Other current liabilities	171	8	4	8
Accrued interest	-	9	-	9
Other accrued expenses	119	131	85	96
Accounts payable, trade	4	1	4	1
Total	297	274	96	239

NOTE 22. Pledged assets and contingent liabilities

	Group		Parent Company	
	2017	2016	2017	2016
Shares	1,242	753	1,242	753
Other	1	1	0	0
Total	1,243	754	1,242	753

Contingent liabilities in the Group amount to SEK 0 M (0). Contingent liabilities in the Parent Company amount to SEK 0 M (2,000) and pertain to bank loans in subsidiaries.

NOTE 23. Obligations to CEOs

The Group's non-current interest-bearing liabilities include SEK 111 M (113) in pension obligations and similar benefits for former CEOs. The corresponding amount for the Parent Company is SEK 111 M (113), as shown in the item Pension liability in Notes 17 and 18.

NOTE 24. Related-party transactions

Transactions with subsidiaries

Certain transactions have been made with wholly owned subsidiaries, such as rents for premises at market terms.

Transactions with associated companies

Dividends have been received from listed associated companies.



AUDITOR'S REPORT

To the general meeting of the shareholders of AB Industrivärden (publ),
corporate identity number 556043-4200

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of AB Industrivärden (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 32–57 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts and the corporate governance statement is consistent with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report regarding the annual accounts and the consolidated accounts are consistent with the contents of the additional report that has been submitted to the parent company's audit committee of AB Industrivärden (publ) in accordance with the Audit Regulation No 537/2014 Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgment, we determined quantitative thresholds for materiality in the audit of the financial statements as a whole. These, together with qualitative considerations, helped us determine the scope of our audit and the nature, timing and extent of our audit procedures. Quantitative thresholds for materiality are also used to evaluate the effect of any misstatement, both individually and in aggregate, on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Measurement of financial instruments

Industrivärden's investments consist in all material respects of listed shares. To a limited degree, derivatives are used to increase the performance of the portfolio and to manage exposure to financial risks such as currency risk, interest rate risk and price risk.

There are active markets with quoted prices for most of the financial instruments in which Industrivärden is a counterparty. To a lesser degree, there are holdings where the valuation is based on other market data than quoted prices in the same instrument.

In a portfolio of financial instruments such as the one held by Industrivärden, there normally are several considerations regarding the valuation that require conclusion in order to ensure a fair valuation in accordance with IFRS.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have tested and evaluated the design and effectiveness of Industrivärden's controls for pricing and monitoring of pricing of its financial instruments.

For listed instruments, we evaluated Industrivärden's controls for obtaining prices from external sources and we have performed our own tests though comparing prices used to external sources.

For unlisted instruments, we have evaluated the models used and the market data that Industrivärden has used for valuation purposes. We have also performed our own tests of fair values of unlisted instruments by comparing data used to independent sources.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and the consolidated accounts. Other information consists of pages 1–31 and 62–70 of this document and does not include the annual accounts, the consolidated accounts or our auditors' opinion. The Board of Directors and the CEO are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO

are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The audit committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things monitor the company's financial reporting.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of AB Industrivärden (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of AB Industrivärden (publ) by the general meeting of the shareholders on 9 May 2017 and has been the company's auditor since before 1994. According to the transition rules of the Audit Regulation (537/2014), PricewaterhouseCoopers AB can therefore not be reappointed after 17 June 2020.

Stockholm, February 15, 2018
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant



OTHER INFORMATION

Board of Directors



Lars Pettersson, Annika Lundius, Christian Caspar, Fredrik Lundberg, Helena Stjernholm, Pär Boman, Nina Linander, Bengt Kjell

FREDRIK LUNDBERG

B.Sc. Eng., B.Sc. Econ., Honorary Ph.D. in Economics, Honorary Ph.D. in Technology. Born 1951. Chairman of the Board since 2015. Director since 2004. President and CEO of L E Lundbergföretagen. Chairman of Holmen, Hufvudstaden and Indutrade. Vice Chairman of Svenska Handelsbanken. Director of L E Lundbergföretagen and Skanska. Active in L E Lundbergföretagen since 1977.

*Shareholding: Own 8,190,000; closely related natural persons 20,000 and closely related legal entities 72,600,000**

PÄR BOMAN

Engineering and Business/Economics degree. Honorary Ph.D. in Economics. Born 1961. Vice Chairman since 2015. Director since 2013. Chairman of Svenska Handelsbanken, Essity and SCA. Director of Skanska. Former President and Group Chief Executive of Svenska Handelsbanken.

Shareholding: Own 1,000

CHRISTIAN CASPAR

B.Sc. Econ. Born 1951. Director since 2011.

Director of Stena, Bonnier, Benteler International AG and Goodgrower SA. More than 30 years of experience from leading positions at McKinsey & Company.

Shareholding: Own 1,000

BENGT KJELL

B.Sc. Econ. Born 1954. Director since 2015.

Chairman of SSAB and Hemfosa Fastigheter. Vice Chairman of Indutrade. Director of ICA Gruppen and Pandox. Former acting President and former Executive Vice President of Industrivärden. President of AB Handel och Industri, partner of Navet.

Shareholding: Own 25,000

NINA LINANDER

B.Sc. Econ., MBA. Born 1959. Director since 2014.

Chairman of Awa Holding. Director of Skanska, Telia Company, Castellum and OneMed. Co-founder and former partner of Stanton Chase International. Prior to this she served in executive positions at Vattenfall and Electrolux.

Shareholding: Own 23,950, closely related natural person 8,000

ANNIKA LUNDIUS

LL.M. Born 1951. Director since 2014.

Director of SSAB. Former Deputy Director General of the Confederation of Swedish Enterprise, Legal Director and Financial Counselor in the Swedish Ministry of Finance, and CEO of Insurance Sweden.

Shareholding: Own 2,554, closely related legal entities 1,500

LARS PETTERSSON

M.Sc. Eng., Hon. Ph.D. Born 1954. Director since 2015.

Chairman of KP Komponenter A/S. Director of L E Lundbergföretagen, Indutrade, Husqvarna and Festo A.G. Former President and CEO of Sandvik, and previously held executive positions in the Sandvik Group.

Shareholding: Own 5,000

HELENA STJERNHOLM

M.Sc. Econ., Born 1970. Director since 2015.

President and CEO of Industrivärden. Director of Ericsson, Sandvik and Volvo. Former partner and Chief Investment Officer at IK Investment Partners. Prior to this she served as a strategic consultant at Bain & Company.

Shareholding: Own 26,100 and 75,000 call options

Holdings as per February 8, 2018. The information is published annually in conjunction with the publication of the Company's corporate governance report/annual report and notice of Annual General Meeting, and at other times in the event of major changes.

*Pertains to holdings in L E Lundbergföretagen (71,600,000) and Karlsson & Wingsjö (1,000,000).

Executive Management



JENNIE KNUTSSON

General Counsel

Industrivärden employee since 2015. LL.M., born 1976

2015–2017 Legal Counsel, Industrivärden; 2006–2015 Legal Associate, Mannheimer Swartling Advokatbyrå.

Shareholding: Own 1,347

MARTIN HAMNER

Chief Financial Officer

Industrivärden employee since 2008. M.Sc. Business Administration, born 1964

1999–2007 Group Controller and Head of Investor Relations for ASSA ABLOY; 1987–1999 Authorized Public Accountant for PricewaterhouseCoopers.

Shareholding: Own 6,100

HELENA STJERNHOLM

Chief Executive Officer

Industrivärden employee since 2015. M.Sc. Business Administration, born 1970

1998–2015 employed by IK Investment Partners, as partner (2008–2015), and Chief Investment Officer (1998–2008); 1997–1998 strategic consultant at Bain & Company.

For directorships, see page 63.
Shareholding: Own 26,100 and 75,000 call options

KARL ÅBERG

Head of investment and analysis organization

Industrivärden employee since 2017. M.Sc. Business Administration, born 1979

2013–2017 employed by Zeres Capital as partner and company head; 2009–2013 partner at CapMan; 2002–2008 various roles in Handelsbanken Capital Markets.

Shareholding: Own 1,660

SVERKER SIVALL

Head of Corporate Communications and Sustainability

Industrivärden employee since 1997. M.Sc. Business Administration, born 1970

1997–2010 Head of Investor Relations for Industrivärden; 1994–1997 Investment Controller at AstraZeneca.

Shareholding: Own 12,750

Investment and analysis organization



Gustav Bengtsson, Madeleine Wallmark, Peter Sigfrid, Karl Åberg, Pontus Hjalmarsson, Peter Nyström, Beniam Poutiainen

Key ratios

Value at December 31	2017	2016	2015	2014	2013
Industrivärden shares					
Industrivärden's market cap, (SEK M)	90,570	76,201	66,434	60,638	50,357
Number of shares outstanding					
Class A shares (thousands)	268,184	268,185	268,185	268,186	268,531
Class C shares (thousands)	167,026	164,156	164,156	164,155	123,239
Total return A-/C-shares (%)	20/22	17/21	15/11	13/16	23/18
Total return indexes					
SIXRX (%)	9	10	10	16	28
MSCI World (%)	23	8	0	7	28
Net asset value					
Equities portfolio					
market value (SEK M)	107,289	94,250	81,835	83,062	77,992
total return (%)	17	20	4	8	20
Interest-bearing net debt					
value (SEK M)	-10,930	-11,481	-12,648	-14,632	-17,094
debt-equities ratio (%)	10	12	15	18	22
debt-equities ratio after full conversion (%)	-	7	9	12	11
Other					
adjustment pertaining to exchangeable bond	-60	-	-131	-85	-
Net asset value					
value (SEK M)	96,299	82,769	69,056	68,345	60,898
NAV per share (SEK)	221	191	160	158	155
Equity ratio	88	86	82	80	75

Definitions

Change in value of stocks – For stocks held at both the start and end of the year, the change in market value consists of the difference in value between these two points in time. For stocks sold during the year, the change in market value consists of the difference between the sales price of the shares and their value at the start of the year. For stocks acquired during the year, the change in market value consists of the difference between the cost of the shares and their value at the end of the year.

Debt-equities ratio – Interest-bearing net debt in relation to the market value of the equities portfolio.

Earnings per share – Net income for the year divided by the total number of shares outstanding.

Equity ratio – Shareholders' equity as a share of total assets.

Interest-bearing net debt – Interest-bearing liabilities and pension liabilities less cash and cash equivalents and interest-bearing receivables.

Market value of equities portfolio – The value of the equities portfolio based on market prices on the balance sheet date.

Net asset value – The market value of the equities portfolio less interest-bearing net debt.

Net asset value including reinvested dividend – To calculate the development of net asset value before dividends paid out, the dividends paid out by the Company are recalculated to take into account the performance of the listed portfolio. This gives a measure of how net asset value would have developed if Industrivärden had not paid any dividend.

Total return – Change in the share price taking into account reinvested dividends. The total return is compared against the return index (SIXRX), which indicates the price trend including reinvested dividends for stocks listed on the Stockholm Stock Exchange.

GRI INDEX

Industrivärden's sustainability report follows the most recent version of the Global Reporting Initiative Standard (GRI), core level, Financial Services sector. This is Industrivärden's first sustainability report produced in accordance with the GRI framework and draws from the GRI principles regarding content and quality. The report pertains to Industrivärden's own operations in 2017 (January 1–December 31, 2017). It is our ambition to report yearly.

Industrivärden's operations are conducted by approximately 20 employees at the Company's head offices in Stockholm. During 2017 we conducted stakeholder dialogs and a subsequent materiality analysis to identify

the highest priority issues in the area of sustainability. The analysis forms the basis of our disclosures and is reported in this sustainability report. We contribute by adopting a clear sustainability perspective in our asset management decisions and exercise of active ownership. The portfolio companies' sustainability reports are available from the respective companies' websites.

The GRI report and index describes Industrivärden's sustainability work based on the GRI Standards. The report consists of the information below, including the respective references, as well as the information reported in the 2017 Annual and Sustainability Report, on our website and on cdponet, according to the respective references in the GRI index.

GRI STANDARDS INDEX, CORE LEVEL, FINANCIAL SERVICES SECTOR SUPPLEMENT

General disclosures		In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
1. Organizational Profile				
102-1	Name of the organization		Inside back cover	
102-2	Activities, brands, products and services		4, 12–16	
102-3	Location of headquarters		12, Inside back cover	
102-4	Location of operations		12, Inside back cover	
102-5	Ownership and legal form		2, 39–40	
102-6	Markets served		22–31, 39	
102-7	Scale of the organization		12–16, 52	
102-8	Information on employees and other workers		12–13, 52	All employees are active at the head offices in Stockholm. Data does not include any consultants and advisors. Industrivärden is a small company with approximately 20 employees. Apart from regulatory requirements, we therefore do not disclose information that can be coupled to individual persons.
102-9	Supply chain	21		Purchases of goods and services are made for the office activities in Stockholm. Suppliers are primarily active in the Nordic countries.
102-10	Significant changes to the organization and its supply chain			No major changes during the year.
102-11	Precautionary principle or approach			The precautionary principle is adhered to with respect to assessments and management of sustainability risks in the portfolio companies and new investments. Industrivärden has signed the UN Global Compact, whose environmental risks cover the precautionary principle.
102-12	External initiatives	17–18		UN Global Compact; the Company's Code of Conduct is based on the OECD Guidelines for Multinational Enterprises and the ILO Fundamental Conventions.
102-13	Membership of associations			Confederation of Swedish Enterprise, Centre for Business and Policy Studies (SNS), Royal Swedish Academy of Engineering Sciences (IVA), Swedish Investors for Sustainable Development (SISD).

2. Strategy

102-14	Statement from senior decision-maker		8-11	
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3. Ethics and integrity

102-16	Values, principles, standards, and norms of behavior	17-21		
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4. Governance

102-18	Governance and Board of Directors	21	33-35, 63-64	The CEO has overarching responsibility for sustainability work, which is an integral part of the Company's operations. Team managers are responsible for sustainability analyses of the respective portfolio companies. The Head of Sustainability has functional responsibility for sustainability-related issues and processes.
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5. Stakeholder engagement

102-40	List of stakeholder groups	19		
102-41	Collective bargaining agreements			All employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	19		
102-43	Approach to stakeholder engagement	19		
102-44	Key topics and concerns raised	19-20		

6. Reporting practice

102-45	Entities included in the consolidated financial statements		55	The report covers the Parent Company and all subsidiaries.
102-46	Defining report content and topic Boundaries		50-51	
102-47	List of material topics	19-20	46-47	
102-48	Restatements of information			This is Industrivärden's first sustainability report in accordance with GRI.
102-49	Changes in reporting			This is Industrivärden's first sustainability report in accordance with GRI.
102-50	Reporting period		32	
102-51	Date of most recent report			This is Industrivärden's first sustainability report in accordance with GRI. Our last annual report with sustainability information was published on February 23, 2017.
102-52	Reporting cycle		66	
102-53	Contact point for questions regarding the report		3	Head of Corporate Communication and Sustainability, Sverker Sivall, ss@industrivarden.se
102-54	Claims of reporting in accordance with the GRI Standards		19	
102-55	GRI content index		66-68	
102-56	External assurance	21		The auditor has given a statement on the statutory sustainability report. Significant information is also included in the Company's Board of Directors' report, which is reviewed by Industrivärden's auditor.

Material issues

GRI 200: Economic

GRI 201: Economic performance

103-1 - 103-3	Sustainability governance	17-21		
201-1	Direct economic value generated and distributed	21		

GRI 205: Anti-corruption			
103-1 - 103-3 Sustainability governance	17-21		
205-1	Operations assessed for risks related to corruption	17-21	The own operation including all portfolio companies have been analyzed with respect to the risk for corruption.
GRI 300: Environment			
GRI 305: Emissions			
103-1 - 103-3 Sustainability governance	17-21		
305-1	Direct GHG emissions (Scope 1)	21	No Scope 1 emissions. www.cdp.net: Industrivärden, CC 7.1
305-2	Energy indirect GHG emissions (Scope 2)	21	Carbon footprint in 2017 was 17.5 tonnes CO ₂ e (26.7) in Scope 2 (energy consumption and district heating) www.cdp.net: Industrivärden, CC 14.1
305-3	Other indirect GHG emissions (Scope 3)	21	Carbon footprint has decreased by more than 60% since the peak level in 2013, and was 49.6 tonnes CO ₂ e (54.7) in Scope 3 (business travel, publications and office material) www.cdp.net: Industrivärden, CC 7.1
GRI 400: Social			
GRI 401: Employment			
103-1 - 103-3 Sustainability governance	17-21		
401-1	New employee hires and employee turnover		The Company has 18 employees. Employee turnover for new hires is 12% (16%), and 0% departures (22%). Two men in age group 30-39 newly hired.
401-3	Parental leave		During the period three men and one woman were on parental leave. Two men and one woman returned to work after parental leave during the reporting period. One man was on parental leave at the end of the reporting period.
Health and safety			
103-1 - 103-3 Sustainability governance	17-21		
403-2	Types of injury and rates of injury, and absenteeism		No occupational injuries during the period. Average absenteeism relative to total working time was 2%.
GRI 400: Training and education			
103-1 - 103-3 Sustainability governance	17-21		
404-1	Average hours of training per year per employee		The average number of hours per employee was 22.
404-3	Percentage of employees receiving regular performance and career development reviews		All employees receive regular evaluations about their performance and career development.
GRI 405: Diversity and equal opportunity			
103-1 - 103-3 Sustainability governance	17-21		
405-1	Diversity of governance bodies and employees		34, 52, 63-64
GRI 419: Socioeconomic compliance			
103-1 - 103-3 Sustainability governance	17-21		
419-1	Non-compliance with laws and regulations in the social and economic area		Industrivärden has not been assessed any fines or other sanctions.
Sector-specific standards, Financial Services			
103-1 - 103-3 Sustainability governance	17-21		
FS 6	Percentage of the portfolio for business lines by specific region.		22
FS 10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues		Sustainability issues are addressed in all portfolio companies within the framework of Industrivärden's analysis and influence activities.



INDUSTRI // VÄRDEN

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