



ANNUAL REPORT 2013

INDUSTRI  VÄRDEN

Overview	page
Industrivärden at a glance	4
The Industrivärden sphere	6
CEO's message	9
Highlights 2013	10
Operations	
Business model	12
Investments	13
Active ownership	14
Board work	15
Company analysis and management decisions	16
Equity trading	17
Corporate governance	19
Value creation	
Net asset value	21
Industrivärden share data	24
Portfolio companies	
Handelsbanken	26
SCA	27
Sandvik	28
Volvo	29
Ericsson	30
Skanska	31
ICA Gruppen	32
SSAB	33
Financial statements	
Income statements and balance sheets	34
Shareholders' equity	35
Statements of cash flows	36
Proposed distribution of earnings	37
Accounting policies	38
Financial risk management	39
Financing	40
Notes	43
Audit report	49
Board of Directors	50
Executive Management	51
Team Managers	52
Stock market information	52
Tax rules and convertible loans	53
Definitions	54
2014 Annual General Meeting	55



ANNUAL REPORT 2013

Board of Directors' report including financial statements for AB Industrivärden (publ), reg. no. SE 556043-4200. The company applies the Swedish Corporate Governance Code. The corporate governance report for 2013, which is an integral part of the Board of Directors' report, has been reviewed by the company's auditor.

PERFORMANCE 2013

- The value of the equities portfolio, adjusted for purchases and sales, rose 20% (including reinvested dividends) to SEK 77.4 billion.
- Net asset value, reinvested dividends included, increased by 24% to SEK 155 per share.
- The total return for the Class A and C shares was 23% and 18%, respectively, compared with 28% for the return index.
- Profit from short-term trading totaled SEK 140 M.
- The Board of Directors proposes a dividend of SEK 5.50 (5.00) per share.



FINANCIAL CALENDAR 2014

Interim reports

- January–March, April 7
- January–June, July 4
- January–September, October 6

All reports are also published on Industrivärden's website: www.industrivarden.net.

This Annual Report is a translation of the Swedish original.

Industrivärden is one of the leading industrial development companies in the Nordic region

- with 69 years of experience in value-creating long-term ownership,
- with active ownership in eight listed portfolio companies with leading positions and SEK 1 trillion in combined sales,
- with SEK 77 billion in managed assets and management costs of 0.17%.
- ▶ This has over time enabled a ~2 percentage point annual excess return compared with the Stockholm Stock Exchange, which has performed well in comparison with other global markets.

The proposed dividend of SEK 5.50/share corresponds to a dividend yield of 4.5%.

Industrivärden at a glance

Industrivärden is a listed holding company and one of the leading industrial development companies in the Nordic region.

PRECONDITIONS

Many listed companies, both in Sweden and internationally, lack engaged owners with substantial influence and long-term perspective. Industrivärden is a responsible and financially stable owner that takes a clearly active ownership role and in doing so gives its portfolio companies a competitive edge to the benefit of their and Industrivärden's growth in value. With seventy years of experience in active ownership, Industrivärden has built up unique expertise in creating long-term value in listed Nordic companies.

BUSINESS MISSION AND OBJECTIVE

To generate high growth in net asset value through active ownership and thereby give the shareholders a total return which, over the long term, is higher than the average for the Stockholm Stock Exchange (NASDAQ OMX Nordic, Stockholm).

STRATEGY

Industrivärden creates value through long-term active ownership and a professional investment operation. Active ownership is exercised mainly through board representation and is based on Industrivärden's model for value creation in the portfolio companies. The investment operation is built upon a structured process of continuous analysis of existing and potential new holdings.

Investments are made in a limited selection of mid- and large cap listed Nordic companies with favorable long-term value potential through active ownership.

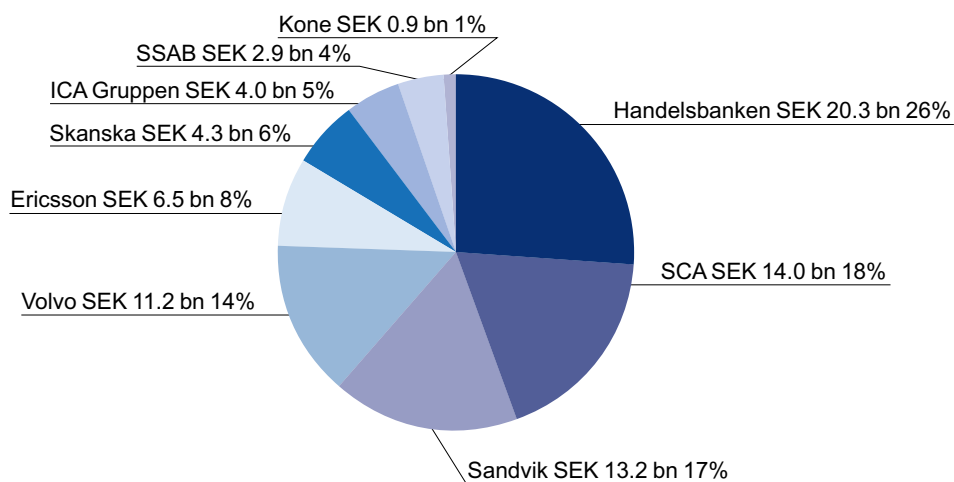
INDUSTRIVÄRDEN'S INVESTMENT CRITERIA

- **Demonstrated ability:** Proven business models with strong brands.
- **Strategic focus:** Leading positions in selected market segments.
- **Scalability:** Business models that can be applied in several markets.
- **Financial growth:** Good ability to generate growth in cash flow.
- **Strong corporate culture and strong leadership.**

Favorable exposure to global growth

Industrivärden invests in listed Nordic companies – companies that generally have a considerable international presence. Roughly two-thirds of the portfolio companies' total sales come from developed markets, mainly in Western Europe and North America. About a third of sales are derived from growth regions primarily in Asia, South America and Eastern Europe. With operations in as many as 180 countries, the portfolio companies in the equities portfolio offer favorable exposure to global growth.

EQUITIES PORTFOLIO



Portfolio value: SEK 77.4 billion

OWNER FOCUS

Industrivärden has a continuously evolving set of action plans for value creation, focusing on matters such as strategy, company structure, market position, capital structure, sustainability, corporate governance, and more.

ACTIVE OWNERSHIP IN PRACTICE

In its role as active owner, Industrivärden provides:

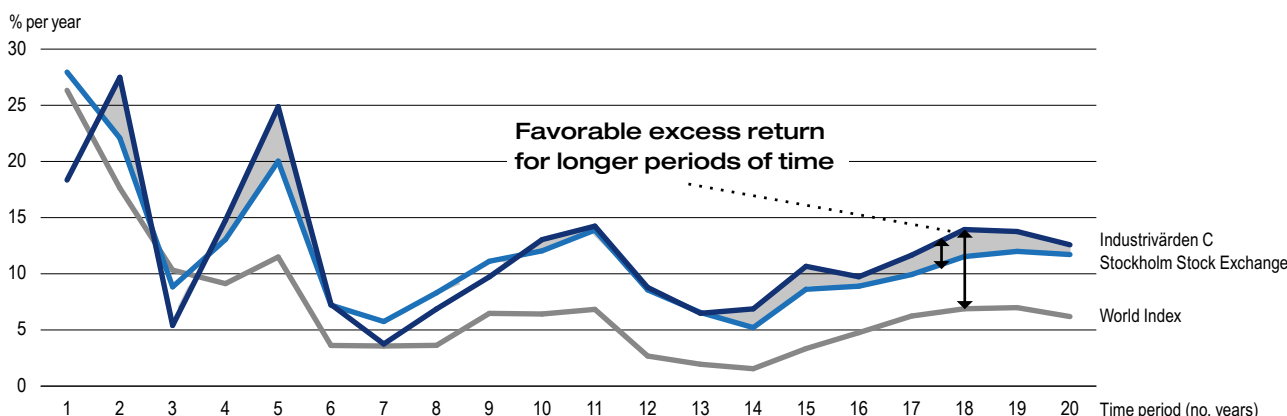
- **A long-term perspective:** Seeks to optimize long-term growth in value over time.
- **Influence:** Ability to support or initiate strategic decisions.
- **Knowledge and experience:** Professional board members with access to high-quality networks and analysis support.
- **Involvement:** Evaluates, discusses, lends support and makes clear demands.
- **Resources:** Financial strength and extensive networks.

PERFORMANCE

Based on its model for value creation, Industrivärden has shown favorable growth in net asset value. For both short and longer periods of time, Industrivärden's stock has generated a competitive return at a low cost and with limited risk.

For the longer 5-, 10-, 15- and 20-year periods, Industrivärden's stock has generated an excess return compared with the Stockholm Stock Exchange (NASDAQ OMX Nordic, Stockholm). The stock's performance is even better in comparison with the Europe and World Indexes (MSCI).

Total return for different periods of time



Yearly excess return	1 year	5 years	10 years	15 years	20 years
Industrivärden A vs. Stockholm Stock Exchange (SIXRX)	-5%-pts	+3%-pts	0%-pts	+2%-pts	+1%-pt
Industrivärden C vs. Stockholm Stock Exchange (SIXRX)	-10%-pts	+5%-pts	+1%-pt	+2%-pts	+1%-pt
Industrivärden A vs. World Index (MSCI)	-3%-pts	+11%-pts	+6%-pts	+7%-pts	+6%-pts
Industrivärden C vs. World Index (MSCI)	-8%-pts	+13%-pts	+7%-pts	+7%-pts	+6%-pts

ORIGINS IN HANDELSBANKEN

Industrivärden was established by Handelsbanken in 1944 as a means of gathering the shareholdings the bank had received following the 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 form of managing pension capital for employees of Handelsbanken and SCA.

Through Industrivärden's proven ability to create enduring shareholder value at a low cost, its ownership became broadened over time to include a large number of public and private pension managers, foundations, other long-term investors and a large number of personal investors.

The Industrivärden sphere

Handelsbanken







VOLVO

Investment case

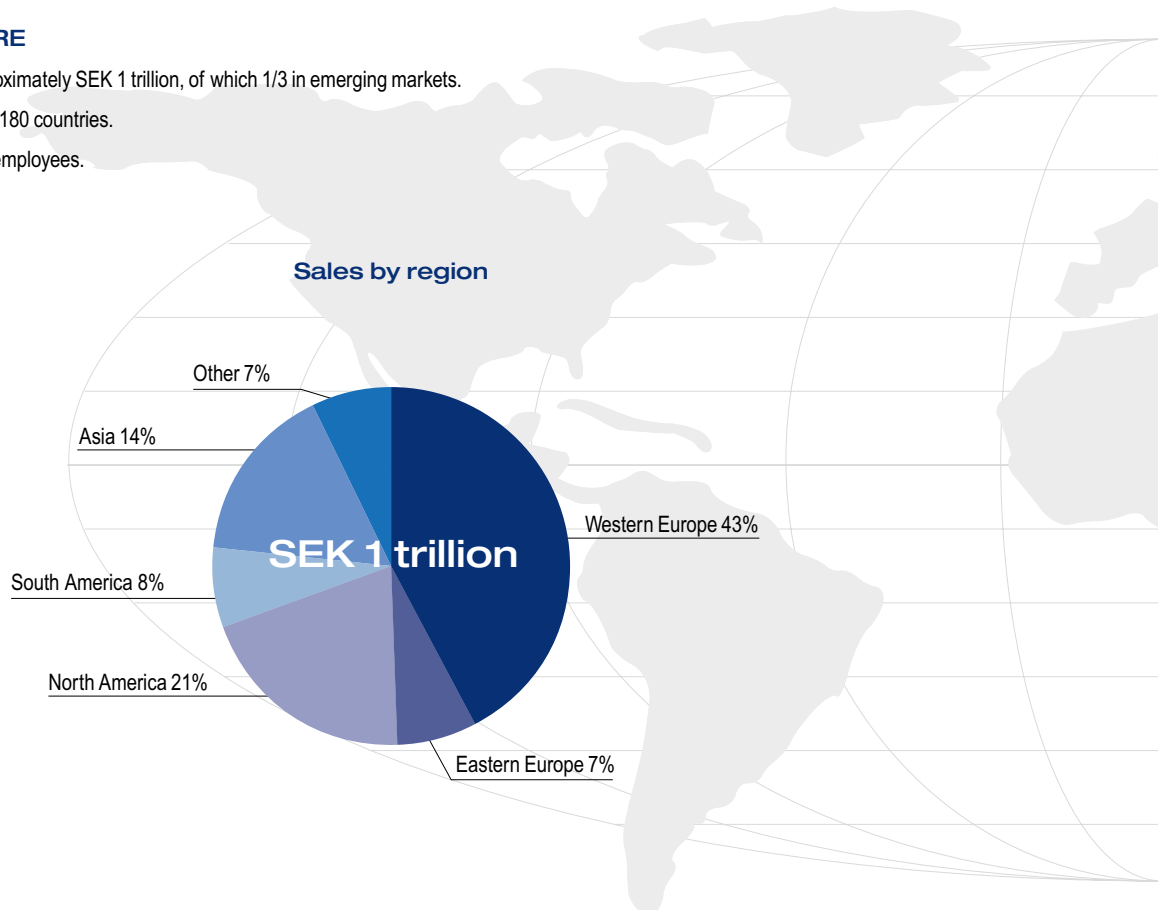
<p>A well developed universal banking business and decentralized branch network with local customer responsibility contribute to high customer satisfaction and good profitability.</p>	<p>A leading global hygiene and forest products company with a rapidly growing offering of personal care products. Europe's largest private forest owner.</p>	<p>Through a niche focus and strong R&D position, Sandvik has established a world-leading position in materials technology with products primarily for the manufacturing, mining and construction industries.</p>	<p>Through innovative, customer-adapted product development and high quality, Volvo has attained a world-leading position in commercial transport solutions.</p>
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Influence position

<p> 10% of votes</p> <ul style="list-style-type: none"> Chairman of the Board, two vice chairmen and one board member with ties to Industrivärden. Active owner since 1985. 	<p> 29% of votes</p> <ul style="list-style-type: none"> Chairman of the Board and two board members with ties to Industrivärden. Active owner since 1976. 	<p> 12% of votes</p> <ul style="list-style-type: none"> Chairman of the Board and one board member with ties to Industrivärden. Active owner since 1997. 	<p> 19% of votes</p> <ul style="list-style-type: none"> One board member with ties to Industrivärden. Active owner since 2009.
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GLOBAL EXPOSURE

- Combined sales of approximately SEK 1 trillion, of which 1/3 in emerging markets.
- Operations in more than 180 countries.
- Approximately 400,000 employees.







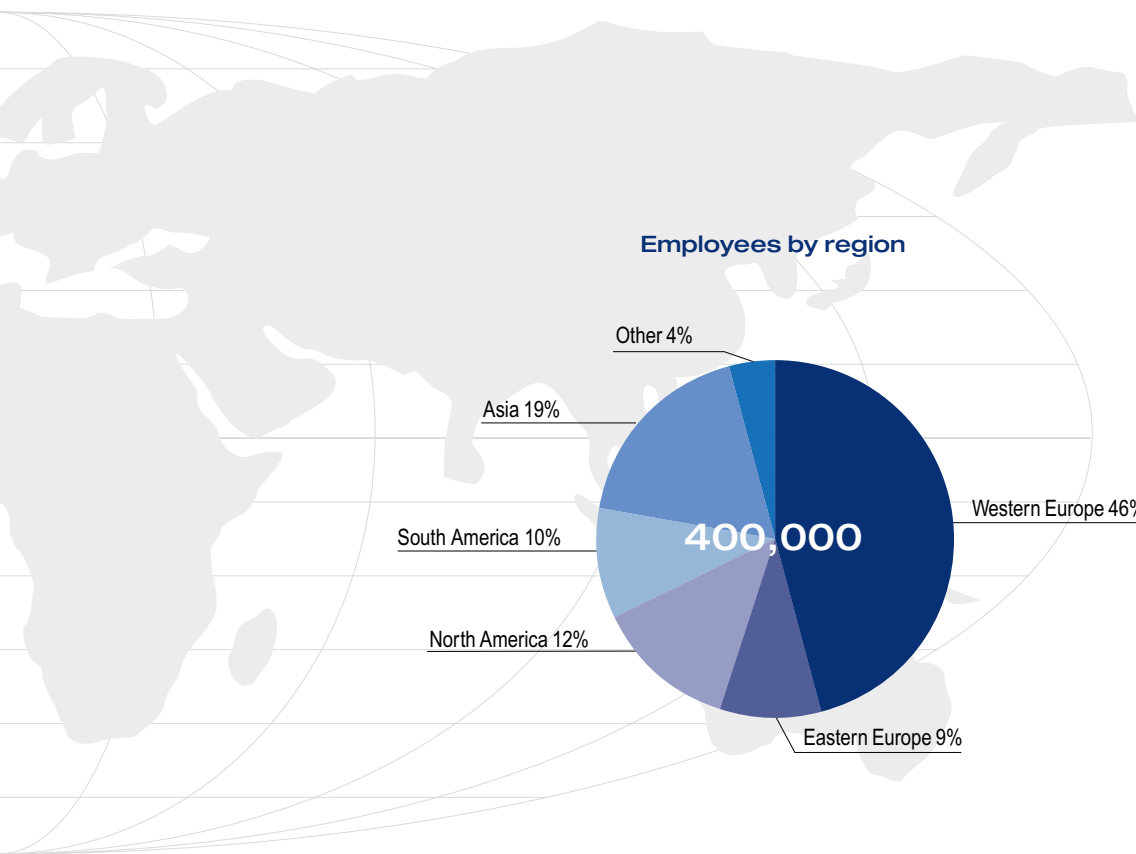


Investment case

<p>The market's largest and most profitable supplier of mobile telecom infrastructure and services.</p>	<p>Unique turnkey know-how in construction combined with a process focus has created a leading construction services company with world-class value-creating project development.</p>	<p>The Nordic region's leading retail company with a unique business model and strong brand.</p>	<p>World-leading position in high strength steel sheet niche creates solid foundation for growth and good profitability.</p>
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Influence position

<p> 15% of votes</p> <ul style="list-style-type: none"> ■ One vice chairman and one board member with ties to Industrivärden. ■ Active owner since 1944. 	<p> 25% of votes</p> <ul style="list-style-type: none"> ■ Chairman of the Board and three board members with ties to Industrivärden. ■ Active owner since 1987. 	<p> 10% of votes</p> <ul style="list-style-type: none"> ■ One board member with ties to Industrivärden. ■ Active owner since 2013. 	<p> 23% of votes</p> <ul style="list-style-type: none"> ■ Chairman of the Board and one board member with ties to Industrivärden. ■ Active owner since 1994.
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New investment in ICA Gruppen: SEK 2.4 billion → worth SEK 4 billion at year-end 2013



Sale of Indutrade: SEK 3.3 billion

Sale of Höganäs: SEK 1.5 billion



New investment in Kone: SEK 0.5 billion

CEO's message

As 2013 progressed it grew clearer that the world economy is returning to a period of improved growth, even though this development was weaker than anticipated in emerging markets. What is particularly interesting and which benefits Industrivärden's investments, is that it is now the developed economies that are showing increasingly stronger signs that the effects of the worst financial crisis in our time are beginning to trail off. These signs of higher growth are most apparent in the U.S. In Japan we can also see positive effects of the country's expansionary policies – the so-called Abenomics – even though consumers are still clutching hard to their wallets. From a global economic perspective, it is good that inflation is now rising in Japan and that the country's economy appears to have removed the threat of deflation. In euroland, the negative trend has slowed, and signs of a turnaround could be seen not only in Germany, but also in the countries hit most severely by the financial crisis, such as Spain. France, on the other hand, is still a major source of concern, with an increasingly stagnant economy and lack of necessary reforms toward a clearer market economy. It is positive to see that the UK is showing signs of a stronger recovery than anticipated.

Sweden has managed relatively well through the crisis, despite the fact that the Central Bank of Sweden has kept short-term interest rates unnecessarily high, which has hampered the country's export industries through an excessively strong Swedish krona, all else unchanged. Swedish growth could have been stronger in 2013, and the high level of unemployment could thereby have been lower.

In pace with investors' ever-brighter outlook for the future, the world's stock markets – led by the U.S. – performed very well in 2013. In addition, there are two other factors – both functions of the prevailing views on economic growth – that have been at least as significant for the positive development. First, risk aversion has subsided, entailing that the willingness to invest in higher risk assets has risen. Second, long-term interest rates have begun rising, albeit from a very low level. Added to this is the fact that the U.S. Federal Reserve Bank has started tapering the QE stimulus program. Taken together, these factors indicate that the bond rally that has continued during the entire crisis is now on its way to an end. As a result, a large volume of liquidity will now be searching for returns in other assets. This is good news for equities, which have not performed as well as bonds, commodities and gold since the turn of the millennium.

In 2013 the Stockholm Stock Exchange rose 23%, while in the U.S., the S&P 500 index gained a full 30%. For Industrivärden's Class A stock the price increase was 18%, mainly owing to weaker performance for Volvo, Sandvik and SSAB. Industrivärden's net asset value, including reinvested dividends, grew 24% to SEK 155 per share. The total return for the Class A and C shares was 23% and 18%, respectively, compared with 28% for the return index. However, our business is long-term in nature, and our performance should therefore be evaluated from a longer time perspective. For the longer 5-, 10-, 15- and 20-year periods, Industrivärden's stock has generated a higher average annual total return than the Stockholm Stock Exchange. This comparison is even stronger in comparison with a European or world index.



In this relatively favorable stock market climate, Industrivärden has carried out a number of good deals that have contributed to growth in net asset value and created better balance in the portfolio. In 2013 we sold our holdings in Höganäs and Indutrade for SEK 1.5 billion and SEK 3.3 billion, respectively, which freed up a total of SEK 4.8 billion. Of these funds, we invested SEK 2.4 billion, including SEK 0.5 billion in a rights issue, in ICA Gruppen, and SEK 0.5 billion in the Finnish company Kone.

In early 2013 Industrivärden was given the opportunity to acquire 10% of the shares in the new ICA Gruppen. Through our total investment of SEK 2.4 billion we are now a part-owner of one of the leading retail companies in the Nordic countries. The total return for ICA Gruppen's stock was 81%, and the holding today is worth SEK 4.0 billion.

We have also built up a small holding in the Finnish elevator manufacturer Kone. The company matches our investment criteria in many respects, and the investment was made in consensus with Kone's principal owner.

In early 2013 we divested our shares in Indutrade, a company that we built up ourselves and introduced on the stock market in 2005. We stayed on as an owner until 2013, and during the 24 years that we served as an active owner in Indutrade, the company's sales grew from SEK 1 billion to SEK 8 billion, with good profitability. This favorable development is also reflected in our return on the investment. Based on a modest investment of approximately SEK 300 M, we have received total,

aggregate cash flows of approximately SEK 6.7 billion, of which roughly SEK 1.7 billion consisted of dividends and Group contributions, etc.

The second major deal during the early part of last year was the sale of our holding in Höganäs. In connection with a decision by the company's principal owner, Lindéngruppen, together with a partner to make a public offer for Höganäs in order to further develop the company outside of the stock market, we opted to sell our shares. During the nine years that we served as an active owner of Höganäs, our growth in value was SEK 0.7 billion on an investment of SEK 0.8 billion.

To be sure, the business of investing is a central part of an investment company's mission. Industrivärden's most important duty, however, is to serve as a long-term active owner in order to influence and support the development of its portfolio companies. This is mainly achieved through active board work and other contact interfaces in the respective companies. During 2013 our holdings were characterized operationally as well as in terms of their stock performance by the divergent economic trend we have seen during the last 18 months. Overall, the economy has performed well during this period. But in our traditional industrial companies, like Sandvik, Volvo and SSAB, order bookings have fallen since the euro crisis gained new momentum in summer 2011. This negative trend continued until September 2013. This stands in contrast to the financial sector, where the banking systems have rebounded and activity has increased, with favorable performance for the banking sector.

Handelsbanken's Swedish branch operations are performing well, with good profitability, and the bank scores considerably higher in customer satisfaction surveys than the industry as a whole. Outside Sweden, the bank has continued to grow organically on the merits of Handelsbanken's tried-and-tested model for growth. Handelsbanken now has 161 branches in the UK and 18 in the Netherlands. The new branches are based on Handelsbanken's decentralized organizational model and have quickly shown good profitability. Handelsbanken's stock performed strongly during the year and closed the year at a new all-time high. We think it is unfortunate that the Swedish government has shown a clear unwillingness to make necessary adjustments to Swedish corporate governance principles in the implementation of the EU's CRD IV bank-

ing directive. By strictly limiting the number of permissible directorships for a board member of a bank, the scope for action is being restricted in a well-working corporate governance model. This will hurt not only the banks, but the industrial sector as a whole.

SCA's stock also performed well, owing to the accomplishments of the major transformation carried out by the company in recent years, and rose 40% in 2013 to an entirely new level and all-time high at year-end. This happened in tandem with the company's revaluation as a consumer and hygiene products company. SCA has managed to successfully integrate the European tissue operations it acquired from Procter & Gamble and Georgia Pacific, with substantial synergy effects. Moreover, the company has strengthened its cost effectiveness, considerably accelerated its pace of innovation, and adapted its forest products business to changed market conditions. The cash flow that is generated in the European operations can now be used for continued expansion in emerging markets. It is therefore gratifying that SCA, through its public offer on the Hong Kong Stock Exchange, secured majority ownership of slightly more than 50% in the Asian tissue company Vinda. This creates a platform for further expansion in China, one of the world's largest and fastest growing markets for tissue products.

Sandvik is currently in the midst of a change process aimed at accelerating growth and strengthening profitability, while dampening the effects of future economic swings. In 2013 the Machining Solutions and Materials Technology business areas showed favorable earnings and signs of improved demand. Through its Sandvik Mining business area, Sandvik has large exposure to the international mining sector. The business has experienced a sharp decline in order bookings over a number of quarters in pace with cuts in investments being made by mining companies. This is ultimately an untenable situation, since existing mining operations are in need of extensive replacement and development investments. In the long term, Sandvik Mining is without a doubt a business area with good prospects for growth and high profitability. The restructuring that is now being carried out – including both short-term capacity adjustments and long-term structural measures – bodes well for Sandvik's prospects to benefit from the fundamentally favorable development potential for the business area. In the Construction and Mining business

HIGHLIGHTS 2013

Net asset value

- Net asset value at year-end was SEK 155 per share (129), an increase of 24% (29%) for the year including reinvested dividends.

Total return

- The total return for Industrivärden's Class A shares was 23%, which is 5 percentage points less than the return index.
- The total return for Industrivärden's Class C shares was 18%, which is 10 percentage points less than the return index.
- For the longer 5-, 10-, 15- and 20-year periods, Industrivärden's Class C shares have generated a higher total return than the Stockholm Stock Exchange. This performance is even better in comparison with the European and World indexes.

Equity transactions during the year

- Stocks were purchased for SEK 6,916 M (3,262) and sold for SEK 8,305 M (2,149). Stocks were sold for a net amount of SEK 1,389 M (-1,114).
- In order to build net asset value and to create a better balance in the portfolio, a number of major transactions were carried out in 2013:
 - *New, long-term ownership position in ICA Gruppen*
Acquisition of 10% of the votes and capital in ICA Gruppen, one of the leading retail companies in the Nordic region. The investment totaled SEK 2.4 billion. At year-end 2013, the market value of the holding was SEK 4.0 billion.

areas, where demand has been very weak, restructuring programs are currently under way to adapt operations to the market and to develop an improved customer offering.

Modern-day Volvo has been created through a series of major acquisitions – in both the trucks and construction equipment segments – financed by the sale of Volvo Cars in 1999. Volvo is now in the midst of a major phase of change, with the introduction of a new, functional organization and improvements in cost effectiveness. The aim of these measures is to better capitalize on the efficiency improvement and synergy effects created by a global manufacturing and business system, with a number of different brands. The ultimate aim is to increase Volvo's profitability while making the Group more resilient to cyclical fluctuations. For Volvo, order bookings for trucks have stabilized at the same time that the group's largest model renewal programs for the Volvo, Renault, UD Trucks and Eicher brands have been very well received by customers. The market for construction equipment has gone through a tough period, and Volvo has taken measures to make the necessary adaptations.

Through a determined effort Ericsson is today one of the few companies that can offer end-to-end solutions for all major standards for mobile communication. The company has been especially successful in the profitable services segment, which today accounts for roughly half of Ericsson's total sales. In 2013 Ericsson won several important contracts for the fourth generation mobile network (LTE), where it has a leading position. The scope of the recently announced patent settlement with Samsung illustrates the value of Ericsson's substantial R&D activities.

Skanska continues to further develop its proven successful model for international construction and project development activities. Following an expansion of its construction business in the U.S., Skanska has now also established the company's model for infrastructure and commercial real estate development projects in the U.S.

SSAB, like the European steel industry as a whole, has struggled with high commodity costs, overcapacity and soft demand. The merger with Rautaruukki is therefore a logical deal that will generate tangible cost

“Industrivärden’s most important duty is to serve as a long-term active owner in order to influence and support the development of its portfolio companies.”

synergies. SSAB is issuing new shares and acquiring Rautaruukki. Industrivärden has declared its intent to stay on as a principal owner in the new company.

During the past year Industrivärden's Class C stock reached price levels that make it profitable to convert our convertible loan 2010–2015. During 2013, 12% of the convertible loan 2010–2015 was converted to new Class C shares.

Our short-term trading posted a strong profit of SEK 140 M during the year, which again exceeded our management costs, which corresponded to 0.17% of managed assets. Our short-term trading has now earned roughly SEK 1.2 billion since the start in 2003.

The Board of Directors proposes a dividend of SEK 5.50 per share, which entails that – as in previous years – we have achieved our goal of paying a dividend yield that is higher than the average for the Stockholm Stock Exchange.

2014 marks 70 years since Industrivärden was founded, and Industrivärden's stock has performed well since the company's stock market introduction. Given our know-how and resources, combined with our portfolio of well-positioned quality companies, I see great potential for continued, competitive growth in value for Industrivärden.

Stockholm, February 2014



Anders Nyrén
President and CEO

■ Holding in Höganäs sold

Sale of entire holding in Höganäs for SEK 1.5 billion to H Intressenter. Industrivärden's total return during the time of its holding was 11% per year, compared with 10% per year for the total return index.

■ Holding in Indutrade sold

Sale of entire holding in Indutrade for SEK 3.3 billion. During the holding period since 1989, Industrivärden's initial investment of approximately SEK 0.3 billion generated receipt of cash flows totaling SEK 6.7 billion.

■ New investment in Kone

A shareholding has been built up in the Finnish elevator manufacturer Kone. The market value of the holding is SEK 0.9 billion.

Favorable profit from short-term trading

■ Short-term trading generate a profit of SEK 140 M, and the management cost was SEK 130 M, or 0.17% of managed assets.

Conversion begun of first convertible loan

■ In 2013, 5.5 million new Class C shares were issued, corresponding to 12% of the convertible loan 2010–2015, as a result of requests to convert convertibles to stock.

Proposed dividend

■ The Board of Directors proposes a dividend of SEK 5.50 per share (5.00), corresponding to a dividend yield of 4.5% (4.6%) for the Class C shares, compared with 3.7% (3.5%) for the Stockholm Stock Exchange.

Operations

Industrivärden invests in listed Nordic companies with good potential for growth in value and contributes to continuous creation of value in its portfolio companies through active ownership. The active ownership role requires significant ownership influence and entails a long-term investment horizon.

BUSINESS MODEL

Industrivärden has many years of experience in structured value creation and works successfully with a well proven business model. An active ownership perspective fosters a keen understanding of the portfolio companies' businesses, operating environments and continuing development. Contributing to value creation in the portfolio companies increases asset values at the same time that active involvement and knowledge about the companies reduces Industrivärden's equities risk. Industrivärden's success can ultimately be credited to its employees, work processes and positions of trust.

Industrivärden conducts its work through the processes Investments and Active Ownership, with most resources focused on value-creating active ownership.

The investment process involves evaluating existing investments against set targets and providing a continuous and current picture of new investments that meet the set investment criteria. Active ownership is exercised primarily through board representation and aims at creating value-added in the portfolio companies.

The Board decides on Industrivärden's ownership strategy, and board members and/or members of the Executive Management represent Industrivärden in the portfolio companies.

Industrivärden has a cost-efficient organization that is distinguished by high flexibility and short decision-making channels. The Company has approximately 30 employees, seven board members and an extensive contact network with specialist knowledge. Operations are project-oriented and involve personnel from both the investment organization and staff functions.

The Executive Management handles the Company's day-to-day administration and serves as an investment committee. The analysis function contributes through continuous evaluation of investments and external factors, and through revision of Industrivärden's action plans for value creation. The equity trading function contributes market information, generates excess returns and executes investment decisions.

BUSINESS MODEL AT A GLANCE



Substantial structural capital

- Professional organization
- Experienced board members
- Well proven and effective work methods
- Extensive network
- Good financial resources

Proven corporate governance model

- Well developed owner strategy
- Close dialog with portfolio companies
- Long-term focus enhances potential

Strong exchange of influence

- Significant influence in eight listed companies
- Collaboration with other owners
- Strong positions of trust

High-quality portfolio companies

- Professional selection process
- Companies with substantial value potential

BUSINESS PROCESSES

Board work



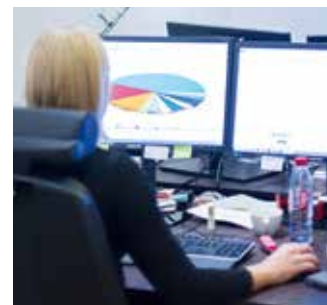
Ownership strategy and board representation

Company analysis and management decisions



Analysis and action plans

Equity trading



Market knowledge and excess returns

Investments



Evaluate holdings and new investments

Active ownership



Create enduring value-added in the holdings

INVESTMENTS

Each portfolio company is analyzed with respect to potential growth in value. Quantitative goals are evaluated on a continuous basis, as are various options for a future exit. The portfolio companies' potential for value creation is evaluated continuously from the perspective of a 5–8 year time horizon.

Strong emphasis is put on continuous comparisons with alternative long-term investments in other listed companies. Industrivärden's focus encompasses the more than 800 listed companies in the major Nordic stock markets. Of the approximately 50 companies that meet the set investment criteria, the 20 most interesting companies are analyzed continuously.

Investments are made in a limited selection of mid- and large-cap listed Nordic companies which, through Industrivärden's active ownership, have long-term favorable value potential.

Industrivärden's investment criteria are:

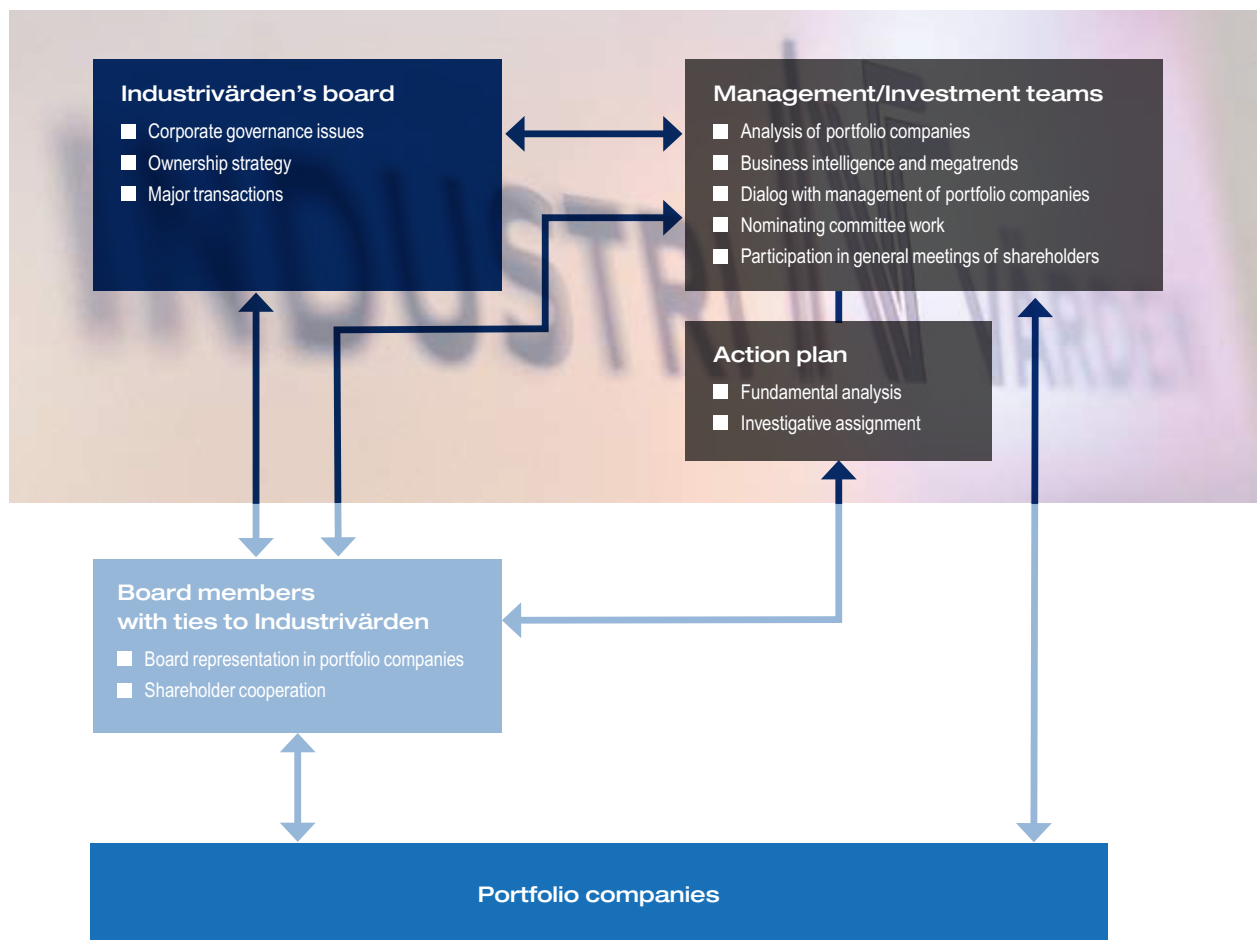
- **Demonstrated ability:** Proven business models with strong brands.
- **Strategic focus:** Leading positions in selected market segments.
- **Scalability:** Business models that can be applied in several markets.
- **Financial growth:** Good ability to generate growth in cash flow.
- **Strong company culture and strong leadership.**

Apart from decisions on new investments or divestments of an entire holding, the investment process forms the foundation for decisions to hold, increase or decrease existing holdings.

ACTIVE OWNERSHIP

Industrivärden's influence in its portfolio companies is grounded in sizable ownership stakes and a strong position of trust. From this foundation, Industrivärden takes an active ownership role by working together with other major owners in the aim of finding ways to build value in the shareholdings. Active ownership is exercised by board members in the portfolio companies who have ties to Industrivärden, through participation in the respective companies' nominating processes, and through direct dialog between Industrivärden's investment organization and senior representatives of the portfolio companies. Active ownership is conducted on a platform of continuous,

fundamental analysis and action plans for value creation. The work is conducted from an overarching ownership perspective and focuses on such matters as strategy, company structure, market potential, capital structure, corporate governance and so on. Through significant influence, depth of knowledge and close involvement, Industrivärden can evaluate measures, provide support and make clear demands. One of the most central duties of the respective companies' boards is to appoint the CEO and continuously evaluate the work of the company's management. Active ownership gives company management assurance to act with a long-term focus.



BOARD WORK

The Board monitors the portfolio companies' development and issues related to the exercise of active ownership in the portfolio companies. Active ownership is ultimately conducted through board representation, and at least one director on each portfolio company's board has ties to Industrivärden. The portfolio company's chairman normally has

ties to Industrivärden. Industrivärden's board representatives are normally directors on Industrivärden's board and/or members of the Executive Management. A detailed presentation of Industrivärden's board of directors and Executive Management can be found on pages 50–51.



Sverker Martin-Löf

Tech. Lic., Honorary Ph.D. Chairman of the Board of Industrivärden, SCA and SSAB. Vice Chairman of Svenska Handelsbanken and Ericsson. Director of Skanska. Former President and CEO of SCA, with experience from several executive positions at SCA.

Fredrik Lundberg

M.S. Eng., MBA, Honorary Doctor of Economics, Honorary Doctor of Engineering. President and CEO of L E Lundbergföretagen. Chairman of the Board of Holmen, Hufvudstaden and Indutrade. Vice Chairman of Svenska Handelsbanken. Director of L E Lundbergföretagen, Sandvik and Skanska. Active in L E Lundbergföretagen since 1977.

Stuart Graham

MBA. Chairman of the Board of Skanska. Director of PPL Corporation, Harsco Corporation and Brand Energy and Infrastructure Company. Former CEO of Skanska, Skanska USA and Sordoni Skanska, among others.

Boel Flodgren

J.S.D., Honorary Doctor of Economics and Business Administration. Senior Professor of Business Law and former President of Lund University. Director of NeuroVive Pharmaceutical.

Christian Caspar

MBA. Director of Stena and Bonnier. More than thirty years of experience in senior positions with McKinsey & Company.

Pär Boman

Engineering and Business/Economics degree. President and Group Chief Executive of Handelsbanken. Director of SCA. Former head of Handelsbanken Markets and senior positions with Handelsbanken since 1991.

Anders Nyström

MBA, U.S. MBA. President and CEO of Industrivärden. Chairman of the Board of Svenska Handelsbanken and Sandvik. Director of SCA, Volvo, the Stockholm School of Economics and the Stockholm School of Economics Association. Former Executive Vice President of Skanska, Nordbanken and Securum. Former CEO of OM International and other companies.

Nominating committee work

The composition of the boards of the portfolio companies is of central importance, which is why Industrivärden participates actively in the preparation work behind nominations of directors for company boards. Normally, the nominating committee chair for a portfolio company has

ties to Industrivärden, which as a rule is represented by at least one committee member. Industrivärden's General Counsel and Executive Vice President, Anders Nyberg, is responsible for corporate governance. Together with Carl-Olof By, he represents Industrivärden on the portfolio companies' nominating committees.

COMPANY ANALYSIS AND MANAGEMENT DECISIONS

Investment teams

Each portfolio company and potential new-investment candidate is monitored by an investment team. The investment team performs a fundamental company analysis that culminates in a so-called core analysis. Based on this analysis, the team continuously updates an action plan, which serves as a platform for the design, implementation 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 achieving this value. All action plans are set on a continuous basis by Industrivärden's Investment Committee, which is made up of the members of the Executive Management.

All analysis is based on public information material. Each investment team presents its action plan on a continuous basis to the director or directors with ties to Industrivärden serving on the board of the portfolio company. In this way, Industrivärden's representatives are provided with a current, in-depth picture of identified opportunities and measures. The investment teams also conduct an ongoing dialog with the company management of the respective portfolio companies. By working with well-researched ideas and proposals, Industrivärden can exert influence on the respective portfolio companies' boards. In this way, over time parts of the action plans can be put into concrete measures in the portfolio companies for future value creation.



ACTIVE OWNERSHIP EXAMPLE: Handelsbanken

Board work

Chairman of the Board Anders Nyrén, the two vice chairmen Sverker Martin-Löf and Fredrik Lundberg, and board member Pär Boman have ties to Industrivärden. Nine board meetings were held in 2013. Important issues and decisions included:

- Activities to improve cost- and capital-efficiency.
- Continued organic growth outside Sweden.
- Adaptations ahead of new regulations governing; capital, liquidity, funding, etc.
- Drafting of the dividend proposal.

Continuous dialog and company visits

In 2013 Industrivärden's company team held four meetings with senior executives at Handelsbanken. The team attended several of the capital market days held by major companies in the industry and made a number of company visits to industry players in the Nordic region.

Collaboration with other major shareholders

In 2013 an ongoing dialog was held in the customary manner with other major shareholders of Handelsbanken.

Recommendation for board members

- The nominating committee chair, Anders Nyberg, represents Industrivärden as a shareholder.
- During the 2012 calendar year, two nominating committee meetings were held, and the nominating committee's proposal for election of the board was presented in January 2013.
- At the Annual General Meeting in March 2013, the board members were elected in accordance with the nominating committee's recommendation.

Executive Management and Investment Committee

The CEO is responsible for Industrivärden's day-to-day administration, which is handled by the Company's Executive Management. This work involves strategic, organizational and financing matters as well as controls and follow-up, among other things. Industrivärden's Executive Management also serves as the Investment Committee, which adopts action plans and makes investment decisions within set mandates. Representatives of the Executive Management participate on the

investment teams with overarching responsibility, and can contribute specialist expertise. Industrivärden works with a lean and flexible organization, thus enabling the members of the Executive Management to participate actively in the operating activities within their respective areas. A substantial part of the CEO's work time is dedicated to board work within the framework of active ownership in the portfolio companies. A detailed presentation of the members of the Executive Management is provided on page 51.



On a visit to Handelsbanken's offices at Storgatan 1 in Stockholm.

Martin Hamner

Chief Financial Officer,
MBA.

Fredric Calles

Head of Short-Term Trading,
MBA.

Anders Nyrén

President and CEO,
MBA, U.S. MBA.
Chairman of the Board of Svenska
Handelsbanken and Sandvik.
Director of SCA and Volvo.

Pär Östberg

Executive Vice President and
Chief Investment Officer,
MBA.
Director of Ericsson, Skanska and SSAB.

Anders Nyberg

Executive Vice President and General Counsel,
LLB.
Head of Corporate Governance,
Company Secretary.

Sverker Sivall

Head of Corporate Communications,
MBA.

EQUITIES TRADING

Industrivärden has a separate equities trading function that supports the investment activities by providing market information and executing investment decisions. Short-term trading is conducted in equities and equity-related instruments in an effort to generate excess returns.

By monitoring the market's valuation of the portfolio companies over time, Industrivärden has gained good knowledge of the market's pricing of the portfolio companies' stocks. To utilize this knowledge,

short-term derivative transactions are conducted on margins on a continuous basis in Industrivärden's long-term equity investments.

Industrivärden's short-term trading has been highly successful, generating earnings of more than SEK 1.2 billion since the start in 2003. These profits have amply covered Industrivärden's management costs. In 2013, short-term trading generated a profit of SEK 140 M (118).

ACTIVE OWNERSHIP EXAMPLE: Sustainable responsibility

In its capacity as a long-term active owner, Industrivärden has a culture of corporate sustainability dating back many years. Corporate sustainability is a natural precondition for long-term value creation. We therefore regard matters such as safeguarding the environment, human rights and business ethics as important aspects of the portfolio companies' operations. We take a long-term involvement in the strategic development of our portfolio companies. This is a matter not only of risk management, but also of creating business opportunities. A fundamental value is that sustainability, in the form of social and environmental responsibility, contributes to enduring shareholder value over time. Against this background, we put major emphasis on ensuring that our portfolio companies have the boards, leadership, organization and the resources required to integrate sustainable value creation in their business models, processes and product offerings. Industrivärden's portfolio companies are active in a wide range of industries, and thus their conditions and actions naturally differ from each other. However, Industrivärden's overall ambition from a long-term ownership perspective is the same for all of the portfolio companies.

As an active owner, it is our ambition that the portfolio companies:

- integrate sustainability in their strategies, processes and product offerings,
- comply with applicable laws, regulations and generally accepted principles,
- continuously strive to improve their positions with the support of relevant guidelines and measurable results, and
- clearly communicate their sustainability work over time.

Like other strategic issues, sustainability is handled within the framework of Industrivärden's processes for exercising active ownership.

Industrivärden's portfolio companies have all made great progress in capitalizing on the value potential provided by long-term corporate sustainability and score highly in various industry peer comparisons. Following is sampling of some current examples from our portfolio companies. Additional examples and information can be found in the portfolio companies' sustainability reports.

Sustainability work in Industrivärden's portfolio companies – three examples

- **SCA's strategy** is based on a sustainable business model in which value creation for people and the environment is equated with growth and profitability to ensure the company's success in both the near and long term. Innovation work is guided by clear sustainability criteria. In 2013 SCA launched a special innovation portal aimed directly at external partners. By combining its own resources in R&D, marketing and sales with external expertise in specific areas, SCA is striving to both reduce the time from product idea to launch and broaden its offering, and thereby improve the well-being of customers and consumers.

- **Sandvik's strategy** is focused on achieving maximal value creation through higher growth and profitability, and thereby on making Sandvik an even more attractive company for customers, employees and shareholders. Sandvik strives to contribute to sustainable development by taking social and environmental responsibility, and on always striving to do business in an ethical manner. In 2013 Sandvik intensified its focus on CSR issues. A Group-wide coordination team for CSR was appointed at the same time that local teams were established in places like India and China. In addition, Sandvik started specific projects covering strategic development work and reviews of its code of conduct for both the Group and the company's vendors.

- **Volvo's strategy** is based on a long-term sustainability perspective, where corporate responsibility is included as an integral part of the company's ambition to be a world leader in sustainable transport solutions. In 2013 Volvo launched four new truck models, entailing that Volvo Trucks has now renewed its entire European model program. The trucks feature a better and safer envi-

ronment for drivers at the same time that Volvo has introduced new, innovative technology and new services that help save fuel. For example, the new Volvo FH can achieve fuel savings of up to 10% as a result of technological breakthroughs, like the new I-Torque driveline. In this way, Volvo gives its customers opportunities to improve their productivity and profitability while reducing their environmental impact.



Corporate Governance

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 in its corporate governance.

GENERAL MEETING

General meetings of shareholders are Industrivärden's highest governing body. At the Annual General Meeting (AGM), which is held within six months after the end of the fiscal year, resolutions are made concerning recommendations and proposals set forth by the Nominating Committee, the Board of Directors and the shareholders. Among other things, the income statements and balance sheets are adopted, a decision is made regarding the dividend, and the Board of Directors is elected, which according to the Articles of Association shall consist of a minimum of three and a maximum of nine members. In addition, when applicable the auditor is elected and the auditor's fee is determined, and other items of legally ordained business are conducted.

NOMINATING COMMITTEE

The members of the Nominating Committee ahead of the 2013 Annual General Meeting were Bo Damberg (the Jan Wallander and Tom Hedelius Foundation, and others), Ulf Lundahl (L E Lundbergföretagen), Sverker Martin-Löf, Chairman of the Board of Industrivärden, Mikael Schmidt (SCA Pension Foundations and others), and Håkan Sandberg, committee chair (Handelsbanken Pension Foundation and Handelsbanken Pension Fund). The same members have been appointed for nomination work ahead of the 2014 Annual General Meeting.

BOARD OF DIRECTORS

The Board of Directors has a central role in Industrivärden's business model for active ownership. It is responsible for, among other things, the design and execution of the Company's active ownership, overarching ownership matters concerning the portfolio companies, and issues related to major purchases and sales of listed stocks. See also page 15. The Board has ultimate responsibility for Industrivärden's organization and administration.

The Board's duties are laid out in the Board's work plan and follow

a yearly plan. Every board meeting follows an agenda supported by relevant background documentation.

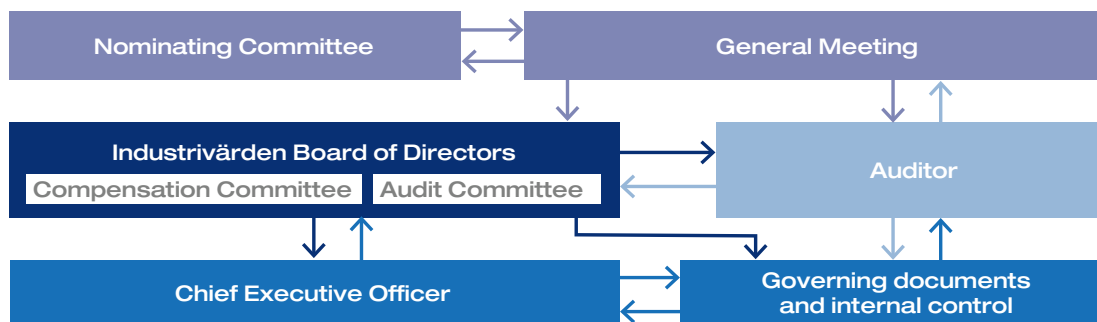
In addition to the statutory board meeting, which is held in conjunction with the Annual General Meeting, the Board normally meets five times a year (regular meetings). Extra meetings are called when necessary. In 2013 the Board met a total of seven times.

The statutory meeting deals with adoption of the Board's work plan, 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 remarks from their audit.

The regular meetings cover a number of set agenda items. These include, among other things, a report on the current financial result of operations and on the development of net asset value and the performance of the equities portfolio, including 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 one or more board meetings during the year, the management of one of the portfolio companies presents a report on their 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.



BOARD COMMITTEES

The Board has appointed a compensation committee and an audit committee, which are tasked with conducting drafting work for compensation and audit issues, respectively, for decision by the Board. The entire board, with the exception of the CEO, performs the duties that are incumbent upon the Compensation Committee and the Audit Committee. The Chairman of the Board chairs both of these committees.

Audit Committee

The Audit Committee serves in an oversight role with respect to the Company's risk management, governance and control, and financial reporting, and handles contacts with the Company's auditor. This entails maintaining 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 auditors report their observations to the Audit Committee in connection with the audit of the year-end financial statements. No fees have been paid to the board members for their work on the committee. The Audit Committee held four meetings in 2013.

Compensation Committee

The Compensation Committee handles matters concerning principles for compensation and other terms of employment for the CEO and members of the Executive Management, monitors and evaluates variable compensation programs for Company executives, and monitors and evaluates application of the compensation guidelines that have been set by the Annual General Meeting. No fees have been paid to the board members for their work on the committee. The Compensation Committee held two meetings in 2013.

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's most important duties are to lead the business and, in his capacity as a board representative, to exercise Industrivärden's active ownership in its portfolio companies. See also page 17.

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 2010 Annual General Meeting, PricewaterhouseCoopers AB was elected as auditor for a term lasting through the 2014 Annual General Meeting. The chief auditor is Magnus Svensson Henryson (b. 1969), Authorized Public Accountant. In 2013 he was chief auditor of the listed companies Industrivärden and SSAB, among others. The 2013 half-year and year-end interim reports 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 investment rules and the CEO's instructions. The investment rules specify and set the framework for all investments in financial instruments. The CEO's instructions lay out central guidelines and clarify which decisions are to be made by the Board and which can be made by the CEO.

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.

Internal control is described in more detail on page 40.

Further information about corporate governance at Industrivärden can be found on the Company's website.

Attendance, fees and independence conditions

Name	Year elected	Board	Audit Committee	Compensation Committee	Attendance at meetings			Fee 2013 SEK '000
					Board	Audit Committee	Compensation Committee	
Sverker Martin-Löf	2002	Chairman	Chairman	Chairman	All	All	All	1,860
Pär Boman	2013	Member	Member	Member	All	All	All	545
Christian Caspar	2011	Member	Member	Member	All	All	All	545
Boel Flodgren	2002	Member	Member	Member	All	All	All	545
Stuart Graham	2011	Member	Member	Member	All	All	All	545
Fredrik Lundberg	2004	Member	Member	Member	All	All	All	545
Anders Nyrén	2001	Member	Member	Member	All	-	-	-
Total								4,585

Anders Nyrén (CEO) and Pär Boman (Group Chief Executive of Handelsbanken, of which Anders Nyrén is Chairman) are non-independent in relation to Industrivärden and the Executive Management. All other board members are independent in relation to the Company and the Executive Management. Of these, Christian Caspar, Boel Flodgren, Stuart Graham and Sverker Martin-Löf are also independent in relation to the major shareholders of the Company. Fredrik Lundberg is CEO of L E Lundberg-företagen, which is a major shareholder of Industrivärden.

Value creation

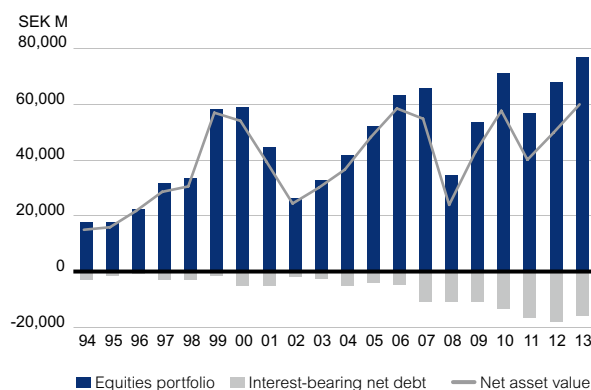
NET ASSET VALUE

Industrivärden's goal is to generate high growth in net asset value over time and thereby deliver a total return to the shareholders that is higher than the average for the Stockholm Stock Exchange (NASDAQ OMX Nordic, Stockholm) over long periods of time. This goal has been achieved by a good margin, and Industrivärden has generated strong growth in net asset value from the long-term perspective. This favorable performance, combined with the dividend policy to pay a dividend yield that is higher than the average for the Stockholm Stock Exchange, has given Industrivärden's shareholders a competitive total return.

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 2013 was SEK 60.8 billion (49.8), or SEK 155 per share (129).

Growth of net asset value

During the last 10-year period, net asset value including reinvested dividends grew 11% per year, compared with 12% for the Stockholm Stock Exchange's return index.

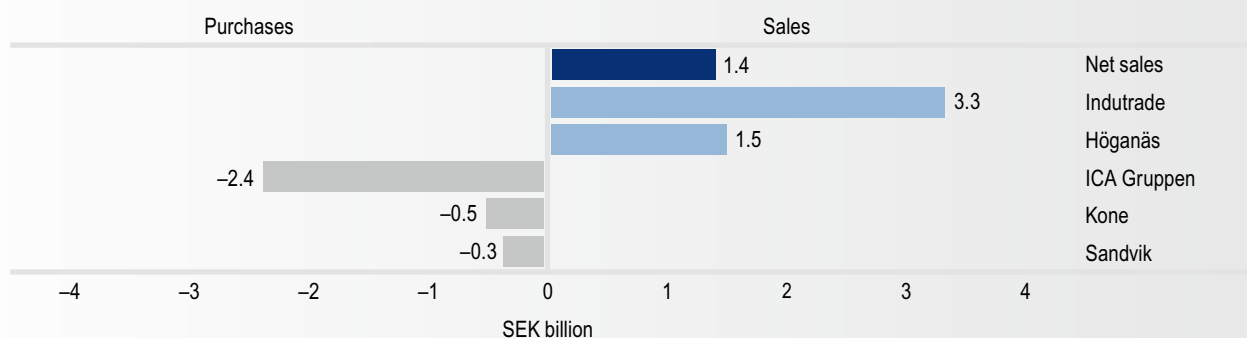


Net asset value

SEK billion	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Equities portfolio	77.4	68.1	56.9	71.1	53.5
Interest-bearing net debt	-16.6 ¹⁾	-18.3	-16.8	-13.4	-10.8
of which, convertible loans	-8.4	-8.4	-8.6	-4.2	-
Net asset value	60.8	49.8	40.1	57.7	42.8
Net asset value per share, SEK	155	129	104	149	111
Yearly growth, %	24	29	-28	37	87
Debt-equities ratio, %	21.4	26.8	29.5	18.9	20.1
Net asset value per share, SEK after full conversion	150	126	106	144	-
Debt-equities ratio, % after full conversion	10.6	14.4	14.5	13.0	-

1) The interest-bearing net debt has been adjusted for liabilities in short-term trading amounting to SEK 871 M. Short-term equity investments amounts to SEK 1,464 M.

Major transactions 2013



Equities portfolio

Industrivärden's equities portfolio comprises large shareholdings in Handelsbanken, SCA, Sandvik, Volvo, Ericsson, Skanska, ICA Gruppen and SSAB, all of in which Industrivärden serves as a long-term active owner. The companies are characterized by front positions in selected market segments, industry-leading positions and a high level of international business. Industrivärden is also a shareholder in the Finnish company Kone.

The equities portfolio, which is valued at market prices as per December 31, 2013, had a market value of SEK 77.4 billion (68.1), corresponding to SEK 198 (176) per Industrivärden share.

Investment activities 2013

During the year, stocks were sold for SEK 1,389 M (–1,114) net. The largest net purchases were in ICA Gruppen, for SEK 2,395 M, Kone for SEK 516 M and Sandvik, for SEK 251 M. The largest net sales pertained to Indutrade, for SEK 3,269 M, and Höganäs, for SEK 1,532 M.

In order to build net asset value and to create a better balance in the portfolio, a number of transactions were carried out during the year.

In February 2013 Industrivärden became a new, long-term owner with 10% of the votes and capital in ICA Gruppen, one of the leading retail companies in the Nordic region. The investment amounted to SEK 2.4 billion, including SEK 0.5 billion in a rights issue, in which Industrivärden subscribed for its allotment. At year-end 2013 the holding had a market value of SEK 4.0 billion.

Also in February 2013 Industrivärden sold its entire holding in Höganäs for SEK 1.5 billion to H Intressenter, a company jointly owned by Lindéngruppen and a partner, which at the same time made a public offer for Höganäs. Including dividends received and repurchases carried out during the holding period since 2004, Industrivärden's total return from the investment was 11% per year, compared with a 10% annual return for the total return index (SIXRX).

In 2013 Industrivärden sold its entire shareholding in Indutrade for SEK 3.3 billion. During the holding period since 1989, Industrivärden's initial investment of approximately SEK 0.3 billion generated receipt of cash flows totaling SEK 6.7 billion, of which approximately SEK 1.7 billion consisted of dividends received and Group contributions.

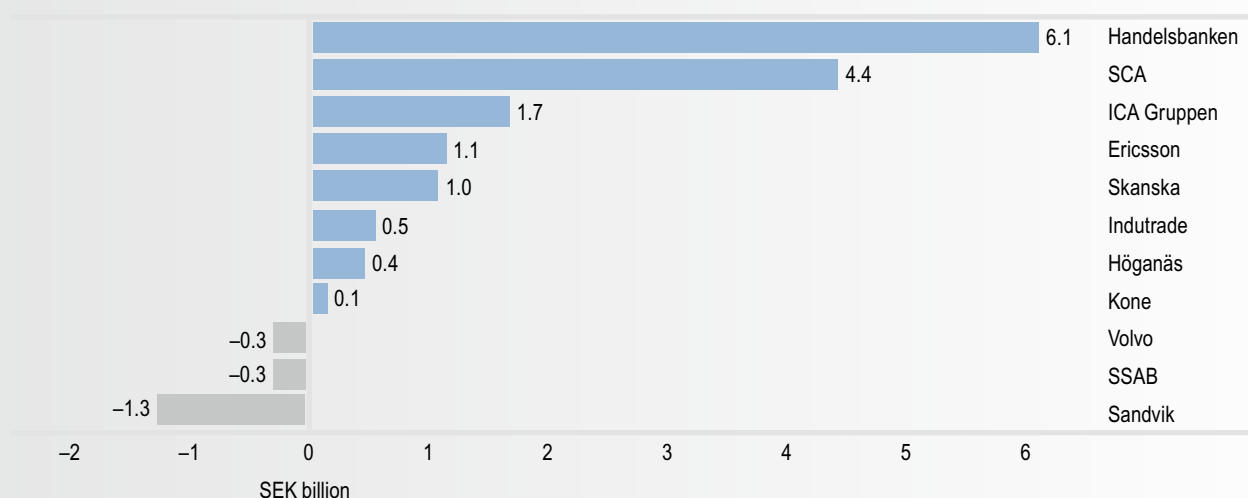
In recent years Industrivärden has built up a shareholding in the Finnish elevator manufacturer Kone. The company is showing favorable growth and profitability, and has a strong market position with global coverage. At year-end 2013, Industrivärden's holding had a market value of SEK 0.9 billion.

Performance of the equities portfolio in 2013

The market value of the equities portfolio at year-end 2013 was SEK 77,435 M (68,077), which exceeded cost by SEK 33,403 M (27,714). Taking purchases and sales into account, the value of the equities portfolio increased by 16% during the year (18%), while the Stockholm Stock Exchange's market index (OMXSPI), increased by 23% (12%).

Dividends received during the year totaled SEK 2,504 M (2,391), while a dividend of SEK 1,950 M (1,738) was distributed to the shareholders. The total return for the portfolio, i.e., the growth in value including reinvested dividends, was 20% (22%), compared with 28% (16%) for the total return index (SIXRX).

Total return of equities portfolio 2013



Short-term trading

Short-term derivative transactions and short-term equity trading are conducted on a regular basis to enhance the return of the equities portfolio while covering the Company's management costs. Combined earnings from Industrivärden's short-term derivative transactions and equity trading totaled SEK 140 M (118).

Management costs

Management costs in 2013 amounted to SEK 130 M (123), corresponding to 0.17% (0.18%) of managed assets.

Borrowing

Balanced borrowing increases Industrivärden's flexibility while creating leverage in the equities portfolio.

Issues of convertibles

In January 2010 and January 2011 Industrivärden issued a five-year and a six-year convertible loan, respectively, worth EUR 500 M and EUR 550 M. The aim was to take advantage of strong market conditions and good credit quality to obtain attractive financing with the opportunity to issue new equity. The capital has been used for investments in portfolio companies with favorable dividend yields and potential for growth in value – mainly Volvo, Handelsbanken and Sandvik. In December 2013 the convertible loan that matures in 2015 was "in the

money," entailing that it is profitable for convertible owners to convert to shares. Taking into account the fixed exchange rate (for SEK to EUR), it became profitable to convert when the share price exceeded SEK 97 per share. The share price at the same time was SEK 122/share. For the convertible loan that matures in 2017, it was profitable at the same date to convert when the share price exceeded SEK 161 per share. The convertible loans are described in more detail on page 53.

Interest-bearing net debt

Interest-bearing net debt amounted to SEK 17.5 billion at year-end 2013 (adjusted for liabilities in short-term trading, SEK 16.6 billion), corresponding to SEK 42 (47) per Industrivärden share. Of total net debt, SEK 8.4 billion consists of the loan portion of the convertible bonds that were issued in January 2010 and January 2011. Upon conversion, the debt is transformed to equity.

The current level of debt in absolute terms is considered to be well-balanced in view of the underlying assets' size, their good liquidity and the fact that half of the debt amount consists of long-term convertible loans.

The debt-equities ratio at year-end 2013 was 23% (adjusted, 21%), or 12% (adjusted, 11 %) after full conversion of the convertible loans.

Interest-bearing liabilities had an average fixed interest and principal period of approximately 2.0 years and carried an average interest rate of 3.1%.

Composition of net asset value and total return for portfolio companies as per December 31, 2013

Holding	No. shares	Ownership, %		Share of value, %	Cost, SEK M	Market value		Total return SEK M	TR for the stock %
		Capital	Votes			SEK M	SEK/share		
Handelsbanken A	64,351,679	10.1	10.3	26	7,024	20,335	52	6,142	41
SCA A	40,500,000	10.0	29.2	18	706	8,019	36	4,439	44
SCA B	30,300,000				2,076	5,999			
Sandvik	145,274,257	11.6	11.6	17	8,348	13,176	34	-1,328	-9
Volvo A	131,506,918	6.2	19.3	14	11,748	11,112	29	-304	-2
Volvo B	1,000,000				89	84			
Ericsson A	86,052,615	2.6	15.2	8	3,915	6,411	16	1,125	21
Ericsson B	500,000				39	39			
Skanska A	12,667,500	7.9	24.5	6	600	1,665	11	1,043	31
Skanska B	20,343,995				1,975	2,673			
ICA Gruppen	20,125,000	10.0	10.0	5	2,395	4,045	10	1,650	81
SSAB A	58,105,972	18.2	23.4	4	4,179	2,865	7	-350	-11
SSAB B	754,985				72	31			
Kone	2,900,000	0.6	0.2	1	776	851	2	90	23
Indutrade	-	-	-	-	-	-	-	452	41
Höganäs B	-	-	-	-	-	-	-	436	41
Other				0	91	129	0	23	
Equities portfolio				100	44,032	77,435	198	13,420	20
Interest-bearing net debt¹						-16,601	-42		
– of which, convertible loans						-8,410	-21		
Net asset value						60,834	155		
Debt-equities ratio							21%		
Net asset value after full conversion							150		
Debt-equities ratio after full conversion							11%		

1) The interest-bearing net debt has been adjusted for liabilities in short-term trading amounting to SEK 871 M. Short-term equity investments amounts to SEK 1,464 M.

INDUSTRIVÄRDEN SHARE DATA

Industrivärden as an investment

Industrivärden's stock (Class A and C shares) has generated a competitive return over both short and long periods of time at a low cost and limited risk.

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 in excess of EUR 1 billion. Industrivärden has 54,000 shareholders (48,000). Foreign ownership in the Company is 13% (12%). 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 dividend.

Trading volume of Industrivärden shares in 2013 was SEK 31 billion (21), where the Stockholm Stock Exchange accounted for 49%, Boat for 28%, BATS Chi-X for 12% and other market places for 11% of the share trading. Trading volume of Industrivärden shares on the Stockholm Stock Exchange was SEK 15 billion (10), corresponding to a turnover rate of 11% (11%) for the Class A shares and 83% (64%) for the Class C shares. Average daily trading volume was 122,000 Class A shares and 403,000 Class C shares.

Return

Industrivärden has demonstrated a long tradition of long-term value creation. Since its market introduction 69 years ago, Industrivärden's stock has generated an excess return of 1 percentage point per year over the Stockholm Stock Exchange. One Swedish krona invested in Industrivärden in 1945 is today worth SEK 8,400, compared to SEK 4,200 for the market index.

During the last ten-year period, the total return including reinvested dividends was 219%, or 12% per year for the Class A shares and 241%, or 13% per year for the Class C shares. During the same period, the Stockholm Stock Exchange as a whole gained 212%, or 12% per

year. In 2013 the total return was 23% for the Class A shares and 18% for the Class C shares, compared with 28% for the Stockholm Stock Exchange as a whole.

Dividend

Industrivärden's dividend policy is to pay the shareholders a dividend yield that is higher than the average for the Stockholm Stock Exchange (NASDAQ OMX Nordic, Stockholm). This goal has been achieved every year during the last ten-year period. 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 2014 Annual General Meeting declare a dividend of SEK 5.50 (5.00) per share, corresponding to a dividend yield of 4.2% for the Class A shares and 4.5% for the Class C shares.

Employee shareholdings in Industrivärden

Information on shareholdings of board members, members of the Executive Management and other senior executives is provided on pages 50–52.

Conversion of Class A shares to Class C shares

At the 2011 Annual General Meeting, a share conversion clause was added to Industrivärden's articles of association. Shareholders have the right at any time to convert Class A shares to Class C shares. Conversion forms are available on Industrivärden's website under the "Share data" menu. No Class A shares were converted to Class C shares in 2013.

Conversion to Class C shares

The issues of convertible bonds that were carried out in 2010 and 2011 may increase the number of underlying shares by 71 million new Class C shares upon full conversion. In 2013, 5,498,739 new Class C shares, corresponding to 12% of the convertible loan 2010–2015, were issued as a result of requests to convert to new shares. The convertible loans are described in more detail on page 53.

Industrivärden's stock as per December 31, 2013

Number of shares and convertibles	Capital stock, SEK M	Percentage of	
		votes	shares
268,530,640 Class A shares	671.3	96	69
123,239,323 Class C shares	308.1	4	31
391,769,963 shares	979.4	100	100

At full conversion, 70.9 million new Class C shares will be issued.

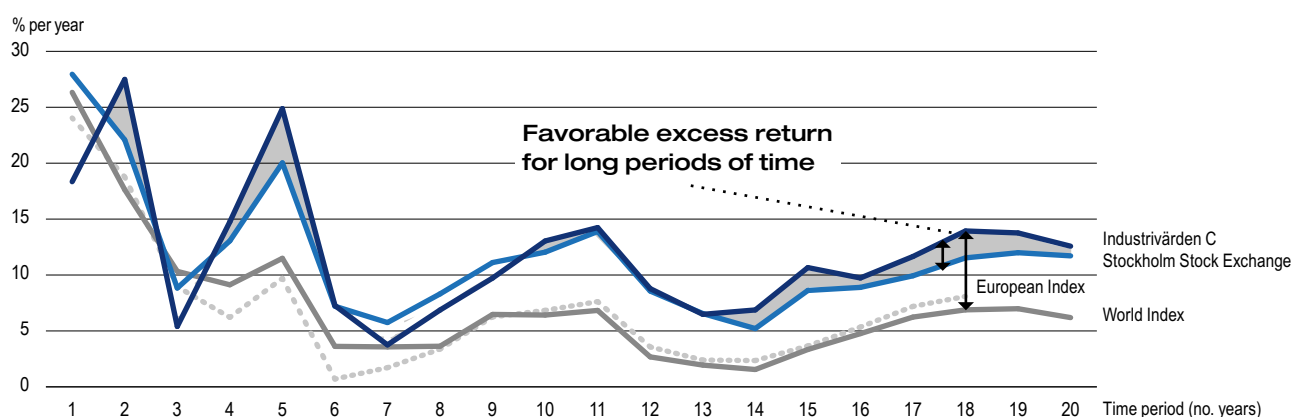
Dividend

SEK	2013	2012	2011	2010	2009
Dividend	5.50 ¹	5.00	4.50	4.00	3.00
Annual growth in dividend, %	10	11	13	33	-33
Dividend yield, Class A shares, %	4.2	4.5	5.2	3.3	3.4
Dividend yield, Class C shares, %	4.5	4.6	5.5	3.4	3.6
Dividend yield for Stockholm Stock Exchange, %	3.7 ²	3.7	3.8	3.2	2.8

1) Proposed by the Board of Directors.

2) Source: Bloomberg. Preliminary figures for 2013 as per February 2014.

Total return over different periods of time



Yearly excess return	1 year	5 years	10 years	15 years	20 years
Industrivärden A vs. Stockholm Stock Exchange (SIXRX)	-5%-pts	+3%-pts	0%-pts	+2%-pts	+1%-pt
Industrivärden C vs. Stockholm Stock Exchange (SIXRX)	-10%-pts	+5%-pts	+1%-pt	+2%-pts	+1%-pt
Industrivärden A vs. European Index (MSCI)	-1%-pt	+13%-pts	+5%-pts	+7%-pts	n.a.
Industrivärden C vs. European Index (MSCI)	-6%-pts	+15%-pts	+6%-pts	+7%-pts	n.a.
Industrivärden A vs. World Index (MSCI)	-3%-pts	+11%-pts	+6%-pts	+7%-pts	+6%-pts
Industrivärden C vs. World Index (MSCI)	-8%-pts	+13%-pts	+7%-pts	+7%-pts	+6%-pts

Ownership structure at December 31, 2013¹

Largest shareholders	Number of shares	Percentage of	
		capital stock	votes
L E Lundbergföretagen	50,000,000	12.8	17.8
Handelsbanken Pension Foundation	29,800,000	7.6	10.6
Handelsbanken Pension Fund	29,350,000	7.5	10.5
Jan Wallander and Tom Hedelius Foundation	25,800,000	6.6	9.2
SCA Pension Foundation	17,526,642	4.5	6.2
SCA Group Holding	12,108,723	3.1	4.3
SCA Vorsorge-Treuhand	9,514,630	2.4	3.4
Norges Bank Investment Management	8,260,512	2.1	1.4
Swedbank Robur mutual funds	7,548,885	1.9	0.4
SCA Pension Foundation for salaried employees and foremen	6,969,682	1.8	2.5
Svenska Handelsbanken	6,674,260	1.7	2.4
Carnegie mutual funds (Sweden)	5,250,000	1.3	0.2
Fredrik Lundberg	5,240,000	1.3	1.9
SEB mutual funds (Sweden)	4,773,067	1.2	0.8
Tore Browaldh Foundation	3,410,000	0.9	1.2
AMF Pension	2,915,000	0.7	0.1
Spiltan Aktiefond Investmentbolag	2,776,206	0.7	0.1
J P Morgan Chase Bank	2,768,460	0.7	0.4
Handelsbanken mutual funds	2,650,457	0.7	0.7
Oktogonen	2,600,000	0.7	0.9
Skandia Liv	2,469,059	0.6	0.1
Total above	238,405,583	60.9	75.1
Other shareholders	153,364,380	39.1	24.9
Total Industrivärden	391,769,963	100.0	100.0

1) Source: Euroclear.

High customer satisfaction through local customer responsibility



Handelsbanken

Holding

Shares: 64,351,679 Class A shares

Market value: SEK 20,335 M

Share of votes: 10.3%

Share of capital: 10.1%

Share of equities portfolio: 26%

Total return 2013: SEK 6.1 billion

Board members with ties to Industrivärden: Anders Nyrén (Chairman), Fredrik Lundberg (Vice Chairman), Sverker Martin-Löf (Vice Chairman) and Pär Boman.

Nominating committee representative: Anders Nyberg (committee chair).

CEO: Pär Boman.

Industrivärden's team manager: Erik Røjvall.

Key data	2013	2012
Earnings per share, SEK	22.52	22.34
Dividend per share, SEK	16.50 ¹	10.75
Share price on December 31, SEK		
Class A shares	316.00	232.40
Class B shares	301.50	221.70

1) Proposed by the board of directors.

Operations

Handelsbanken is a full-service bank whose business concept is to offer a comprehensive range of high quality financial services to private and corporate customers in the Nordic countries, the U.K. and the Netherlands. The bank has nationwide branch networks in its respective home markets. A fundamental tenet 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 availability, simplicity and a high standard of service. The branches set locally adapted priorities with respect to their customer categories and product areas. Through consistent application of this highly effective business model, Handelsbanken has established a strong financial position and stronger market positions over time. Low risk appetite has contributed to considerably lower loan losses than the industry as a whole and favorable dividends even during financial crises, without the need for new issues and/or government support. In all, Handelsbanken has slightly more than 11,000 employees and does business in 24 countries. It has a particularly strong position in the Swedish market, with 462 branches. In the other Nordic countries the bank has a total of 150 branches, plus 161 branches in the U.K. and 18 in the Netherlands. The business is growing internationally in pace with establishment and development of the business model in selected markets.

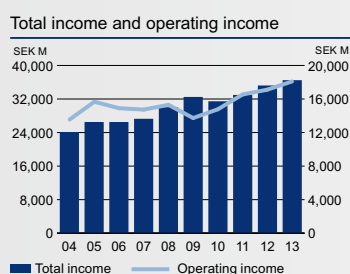
Handelsbanken has the most satisfied customers while achieving higher cost effectiveness than its peer competitors. Profitability is always prioritized above volume, and for the 42th year in a row, Handelsbanken has had higher profitability than the average for its competitors in its home markets.

» **Operating income in 2013 increased by 6% to SEK 18.1 billion** «

Owner perspective – strategic considerations

- Profitability is prioritized above volume.
- Consistently applied business model.
- Organic growth in prioritized home markets in the Nordic countries, the UK and the Netherlands.
- Strong capitalization and substantial liquidity buffer.

www.handelsbanken.com



Total return (% per year on average)

Period	2013	5 years	10 years	20 years
A shares	41	25	13	16
Index (SIXRX)	28	20	12	12

Innovative hygiene and forest products



Holding

Shares: 40,500,000 Class A shares, 30,300,000 Class B shares

Market value: SEK 14,018 M

Share of votes: 29.2%

Share of capital: 10.0%

Share of equities portfolio: 18%

Total return 2013: SEK 4.4 billion

Board members with ties to Industrivärden: Sverker Martin-Löf (Chairman), Anders Nyrén and Pär Boman.

Nominating committee representative: Carl-Olof By (committee chair).

CEO: Jan Johansson.

Industrivärden's team manager: Erik Röjvall.

Key data	2013	2012
Earnings per share, SEK	7.90	7.06
Dividend per share, SEK	4.75 ¹	4.50
Share price, December 31, SEK		
Class A shares	198.00	141.10
Class B shares	198.00	141.00

1) Proposed by the board of directors.

Operations

SCA is a leading, global hygiene and forest products company that develops and produces personal care products, tissue and forest products. Value is created by combining keen consumer insight and knowledge about local market conditions with global experience, strong brands, efficient production and innovation. SCA is Europe's largest private forest owner.

Operations are global, with sales in more than 100 countries. SCA produces innovative and increasingly high value-added products and services. Roughly 80% of sales are hygiene products such as toilet paper, kitchen rolls, facial tissue, incontinence care products, feminine care products and baby diapers. SCA is the global market leader in incontinence care products and tissue for the away-from-home (AFH) market. SCA's sales are based on a portfolio of strong brands along with products sold under retailers' private labels. The company has two global brands – TENA for incontinence care products and Tork for tissue for the AFH market – each generating more than EUR 1 billion in annual sales. In 2013 SCA acquired a majority stake in Hong Kong-based Vinda, the third-largest tissue company in China.

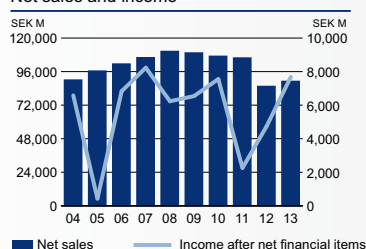
» **Operating income in 2013 increased by 44% to SEK 8.7 billion** «

Owner perspective – strategic considerations

- Restructured product portfolio with focus on growth in the hygiene segment (acquisition of Georgia-Pacific's European tissue business, divestment of packaging operations, etc.).
- Well established global and regional brands.
- Higher efficiency and faster pace of innovation.
- High level of ambition in integrated sustainable development.

www.sca.com

Net sales and income



SCA's stock



Total return (% per year on average)

Period	2013	5 years	10 years	20 years
A shares	44	29	11	12
Index (SIXRX)	28	20	12	12

Unique know-how in customer adapted materials technology



Holding

Shares: 145,274,257 shares
Market value: SEK 13,176 M
Share of votes: 11.6%
Share of capital: 11.6%
Share of equities portfolio: 17%
Total return 2013: SEK -1.3 billion

Board members with ties to Industrivärden: Anders Nyrén (Chairman) and Fredrik Lundberg.

Nominating committee representative: Anders Nyberg (committee chair).

CEO: Olof Faxander.

Industrivärden's team manager: Peter Sigfrid.

Key data	2013	2012
Earnings per share, SEK	4.00	6.51
Dividend per share, SEK	3.50 ¹⁾	3.50
Share price on December 31, SEK	90.70	103.50

1) Proposed by the board of directors.

Operations

Sandvik is a high-technology, global engineering group with sales in more than 130 countries that offers products, services and technical solutions that improve customers' productivity, profitability and safety while reducing their environmental impact. The company has leading positions in cemented carbide tools and components, machinery and tools for the mining and construction industries, and high value-added products in advanced metals and ceramics.

To ensure effective, long-term development, operations are structured in five business areas that are responsible for R&D, production, marketing and sales of their respective products. Sandvik Machining Solutions specializes in productivity-enhancing ceramic carbide products and solutions for advanced industrial metalcutting. Sandvik Mining focuses mainly on products, solutions and service for the mining industry, and Sandvik Construction offers the corresponding products in selected niches in the construction industry. Sandvik Materials Technology manufactures high value-added, advanced metal products in selected niches, including the offshore oil and gas industry. The fifth business area, Sandvik Venture, mainly comprises slightly smaller but attractive businesses with ties to Sandvik's core businesses.

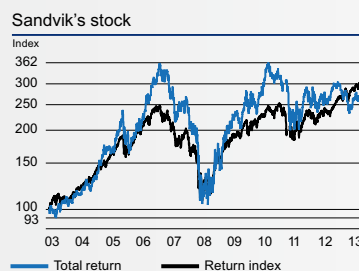
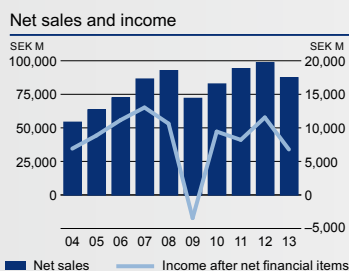
Sandvik has a long history of successful, value-based sales with a focus on customers' processes and efficiency improvement opportunities. The company's strength factors include extensive know-how in materials technology based on a keen understanding of customers' processes, a distinct innovative ability and a strong company culture. Sandvik aspires for world class in its core areas, increased speed in all processes, greater focus in selected core businesses and a more global approach with strong local ties.

» **Strategic focusing for enhanced profitability is continuing according to plan, with full effect by 2015** «

Owner perspective – strategic considerations

- Strategic focusing of operations and resource allocation.
- Measures taken to lower costs and tied-up capital while increasing flexibility and profitability.
- Measures taken for greater innovation and stronger presence in emerging markets.

www.sandvik.com



Total return (% per year on average)

Period	2013	5 years	10 years	20 years
Shares	-9	17	10	11
Index (SIXRX)	28	20	12	12

Leading position in modern transport solutions



Holding

Shares: 131,506,918 Class A shares, 1,000,000 Class B shares

Market value: SEK 11,197 M

Share of votes: 19.3%

Share of capital: 6.2%

Share of equities portfolio: 14%

Total return 2013: SEK -0.3 billion

Board member with ties to Industrivärden: Anders Nyren.

Chairman: Carl-Henric Svanberg.

Nominating committee representative: Carl-Olof By (committee chair).

CEO: Olof Persson.

Industrivärden's team manager: Madeleine Wallmark.

Key data	2013	2012
Earnings per share, SEK	1.76	5.61
Dividend per share, SEK	3.00 ¹	3.00
Share price on December 31, SEK		
Class A shares	84.50	89.40
Class B shares	84.45	88.80

1) Proposed by the board of directors.

Operations

The Volvo Group is a world-leading provider of commercial transport solutions, with sales in more than 190 markets. The business concept is to offer reliable, customer-adapted and safe products with a high level of efficiency and low environmental impact. In the core diesel engines business, the Group coordinates its production and R&D based on a joint architecture and shared technology. The Volvo Group has experienced favorable development during the past decade and has grown to become a truly global and leading player. The Volvo Group is today one of the world's largest manufacturers of construction equipment, with a market-leading position in wheel loaders and excavators in China.

Trucks are sold under the Volvo, Renault Trucks, Mack and UD Trucks brands, and under the Eicher brand by an Indian joint-venture company. The Volvo Group also offers construction equipment through the Volvo Construction Equipment unit. The Group also manufactures and sells buses and engines for marine and industrial applications, and offers financing and service solutions.

Following the acquisition of the Japanese company UD Trucks, the Chinese construction machinery manufacturer Lingong, the joint venture with the Indian company Eicher in trucks and buses, and the coming alliance with the Chinese company Dongfeng – which makes Volvo the largest in the world in heavy trucks – the Group's positions have grown stronger in many markets in Asia. The Volvo Group also has strong positions in emerging markets in Eastern Europe and South America.

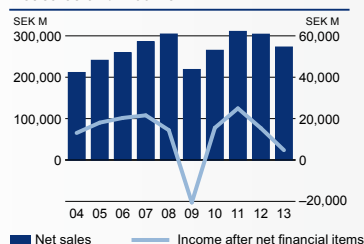
» Markets outside Western Europe and North America account for approximately half of Volvo's total sales «

Owner perspective – strategic considerations

- Strategic focus and new brand positioning.
- Strategic cooperation agreements strengthen presence and growth opportunities in Asia.
- Efficiency improvement program designed to raise efficiency and strengthen competitiveness.
- World's most modern heavy trucks through new model series.
- New truck for emerging markets broadens offering.

www.volvogroup.com

Net sales and income



Volvo's stock



Total return (% per year on average)

Period	2013	5 years	10 years	20 years
A shares	-2	17	12	12
Index (SIXRX)	28	20	12	12

Leadership in telecom



Holding

Shares: 86,052,615 Class A shares, 500,000 Class B shares

Market value: SEK 6,450 M

Share of votes: 15.2%

Share of capital: 2.6%

Share of equities portfolio: 8%

Total return 2013: SEK 1.1 billion

Board members with ties to Industrivärden: Sverker Martin-Löf (Vice Chairman) and Pär Östberg.

Chairman: Leif Johansson.

Nominating committee representative: Carl-Olof By (committee chair).

CEO: Hans Vestberg.

Industrivärden's team manager: Peter Nyström.

Key data	2013	2012
Earnings per share, SEK	3.69	1.78
Dividend per share, SEK	3.00 ¹⁾	2.75
Share price on December 31, SEK		
Class A shares	74.50	63.90
Class B shares	78.50	65.10

1) Proposed by the board of directors.

Operations

Ericsson is the world's leading supplier of communication networks, telecom services and support solutions for telecom operators. The company is a global player with customers in more than 180 countries and one of the few companies that can offer end-to-end solutions for all major mobile communication standards. Ericsson is the world leader in mobile networks and is a market leader in the global mobile broadband standard. Through long-term relationships with all major operators, Ericsson has a leading market share; 40% of the world's mobile traffic passes through Ericsson networks. Today Ericsson has a strong product portfolio in mobile systems, business support systems and telecom services. Operations are conducted primarily in four business units. Networks develops and supplies equipment and software for mobile and fixed-line networks. Support Solutions develops and supplies software-based solutions for TV, media applications, and business support systems for telecom operators. Global Services offers services in installation, integration, operation, consulting and support. The services segment, in which Ericsson has a leading position, accounts for nearly 50% of consolidated sales. The fourth segment, Modems, develops modems and sells modem platforms.

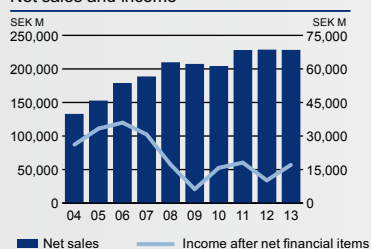
» Earnings per share in 2013 doubled to SEK 3.69 per share «

Owner perspective – strategic considerations

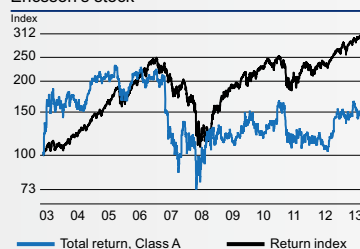
- Technological leadership and global economies of scale.
- Through successful utilization of market dynamics, Ericsson has further strengthened its position in mobile broadband.
- North America's leading supplier of network systems with major upgrade and development contracts.
- Service and support business continues to develop strongly and now accounts for nearly 50% of Ericsson's sales.

www.ericsson.com

Net sales and income



Ericsson's stock



Total return (% per year on average)

Period	2013	5 years	10 years	20 years
A shares	21	8	3	4
Index (SIXRX)	28	20	12	12

International construction and project development business



SKANSKA

Holding

Shares: 12,667,500 Class A shares, 20,343,995 Class B shares

Market value: SEK 4,338 M

Share of votes: 24.5%

Share of capital: 7.9%

Share of equities portfolio: 6%

Total return 2013: SEK 1.0 billion

Board members with ties to Industrivärden: Stuart Graham (Chairman), Pär Östberg, Sverker Martin-Löf and Fredrik Lundberg.

Nominating committee representative: Carl-Olof By (committee chair).

CEO: Johan Karlström.

Industrivärden's team manager: Erik Röjvall.

Key data	2013	2012
Earnings per share, SEK	8.43	8.00
Dividend per share, SEK	6.25 ¹⁾	6.00
Share price on December 31, SEK		
Class B shares	131.40	106.20

1) Proposed by the board of directors.

Operations

Skanska is one of the world's leading construction and project development companies, with leading positions in selected home markets of the Nordic countries, the rest of Europe and the U.S. Its mission is to develop, build and maintain the physical environment for living, traveling and working. The company strives to be an industry leader in sustainable development, particularly with respect to work environments, safety, the environment and ethics. Skanska's overall goals are to generate customer and shareholder value, to be a market-leading builder in its home markets in terms of size and profitability, and to be a leading project developer in selected areas. Skanska's size and global presence create opportunities for operational synergies through economies of scale and coordination. Financial synergies are created by investing cash flow from the construction operations in the company's project development business, generating a favorable return on capital. Operations are conducted through four business units: Construction, Residential Development, Commercial Property Development and Infrastructure Development. Construction involves residential and non-residential building construction and is Skanska's largest business stream. The other business units work with value-creating project development. Residential Development develops homes for sale primarily to private persons. Commercial Property Development initiates, develops, leases and sells commercial property projects, with a focus on office buildings, shopping malls and logistics properties. Infrastructure Development develops and invests in public-private partnership infrastructure projects, such as highways, hospitals, schools and power plants.

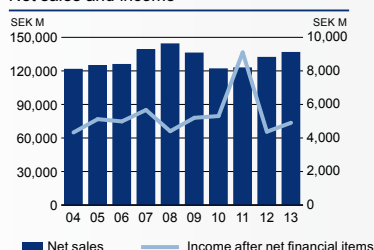
» Operating income in 2013 increased by 12% to SEK 5.1 billion «

Owner perspective – strategic considerations

- Efficient construction operation based on comprehensive know-how generates favorable cash flows.
- Heightened focus on a proven successful model for value-creating project development.
- Expansion in the U.S. of the company's construction operations and model for infrastructure projects and commercial property development.

www.skanska.com

Net sales and income



Skanska's stock



Total return (% per year on average)

Period	2013	5 years	10 years	20 years
B shares	31	18	14	12
Index (SIXRX)	28	20	12	12

The Nordic region's leading retail company through local entrepreneurship



Holding

Shares: 20,125,000 shares

Market value: SEK 4,045 M

Share of votes: 10.0%

Share of capital: 10.0%

Share of equities portfolio: 5%

Total return 2013: SEK 1.7 billion

Board member with ties to Industrivärden: Bengt Kjell.

Chairman: Claes-Göran Sylvén.

Nominating committee representative: Anders Nyberg (committee member).

CEO: Per Strömberg.

Industrivärden's team manager: Peter Sigfrid.

Key data	2013	2012
Earnings per share, SEK	7.05	1.65
Dividend per share, SEK	8.00 ¹	0.00
Share price on December 31, SEK	201.00	118.30

1) Proposed by the board of directors.

Operations

With 2,400 own and retailer-owned stores in five geographic markets, ICA Gruppen is the leading retail company in the Nordic region. The company has more than 21,000 employees in Sweden, Norway and the Baltic countries. The core business is grocery. Other operations support the core business and are conducted mainly within ICA Bank and ICA Real Estate.

The ICA idea is based on individual retailers working in cooperation. The retailers each own and operate their own store and in that way can meet customers through locally adapted concepts and offerings. ICA originated from this idea, which at the same time means that individual retailers cooperate in areas such as sourcing and logistics to achieve the same economies of scale and efficiency as wholly owned chains. Basically, this involves utilizing synergies while adapting to local needs. Through this model, ICA has been able to build up substantial customer confidence, strong profitability and a leading position in the Swedish market.

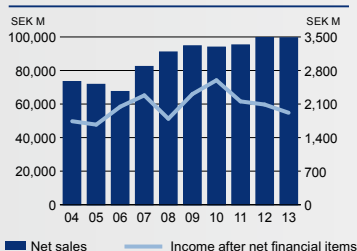
» Operating income in 2013 increased by 11% to SEK 3.0 billion «

Owner perspective – strategic considerations

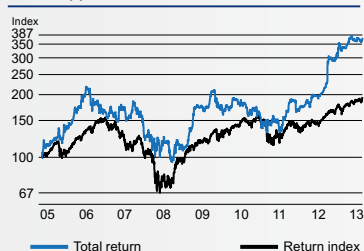
- Local entrepreneurship combined with economies of scale in purchasing and logistics.
- Firmly established business model based on customer focus, quality, flexibility and responsibility.
- Strategic support functions like ICA Bank and real estate operations strengthen the business model.

www.icagruppen.se

Net sales and income



ICA Gruppen's stock



Total return (% per year on average)

Period	2013	5 years	10 years	20 years
Shares	81	25	n.a.	n.a.
Index (SIXRX)	28	20	12	12

Net sales and Income for 04–11 are based on ICA, 12–13 shows ICA Gruppen pro forma. ICA Gruppen's stock consists of Hakon Invest's share price up to the ICA Gruppen's stock market listing in May 2013.

Niche focus on high-strength steel



SSAB

Holding

Shares: 58,105,972 Class A shares, 754,985 Class B shares

Market value: SEK 2,896 M

Share of votes: 23.4%

Share of capital: 18.2%

Share of equities portfolio: 4%

Total return 2013: SEK -0.3 billion

Board members with ties to Industrivärden: Sverker Martin-Löf (Chairman) and Pär Östberg.

Nominating committee representative: Anders Nyberg (committee chair).

CEO: Martin Lindqvist.

Industrivärden's team manager: Peter Nyström.

Key data	2013	2012
Earnings per share, SEK	-3.29	0.05
Dividend per share, SEK	0.00 ¹	1.00
Share price on December 31, SEK		
Class A shares	49.30	56.55
Class B shares	41.50	48.21

1) Proposed by the board of directors.

Operations

SSAB is a leading producer of high-strength steel with a base in the Nordic countries and North America. The company has a globally unique product portfolio in advanced wear steels and structural steels. The products are sold as a total solution in close cooperation with customers and encompass development, processing, logistics and service. Niche products in the form of high-strength steels account for approximately 37% of total deliveries, and the goal is to increase this share over time. In Sweden, production is integrated in blast furnace processes, while in the U.S., production is based on scrap metal and is conducted in modern, highly efficient electric arc furnaces.

SSAB's steel operations have been successfully developed through a conscious specialization strategy aimed at consolidating the company's position as a leading producer of high-strength steels. SSAB's steel creates productivity and environmental benefits by making customers' products lighter, stronger and more durable. SSAB has achieved strong market positions in its selected product segments. In the sheet segment, SSAB specializes in advanced high-strength sheet, which is used in the automotive industry and by container manufacturers, for example. In the plate segment, SSAB is the world's leading producer of quenched steels, i.e., plate with extra high strength and longevity, with good weldability and formability. Quenched steels are used in construction equipment, mining equipment and cranes, for example. SSAB works according to a goal-oriented strategy aimed at accelerating growth for its niche products and enhancing the profitability of existing plants.

The company is also striving to strengthen its positions in emerging markets, with special focus on Asia. A completed investment program for quenched steels creates a good base for continued expansion in North America and emerging markets.

In January 2014 SSAB announced its acquisition of the Finnish steel company Rautaruukki. The combination of both companies' operations will generate considerable synergies and increase flexibility.

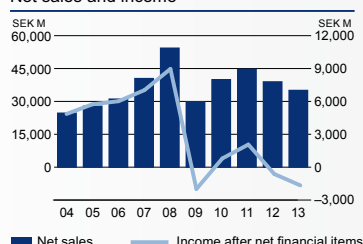
» Acquisition of Finnish Rautaruukki strengthens the new company's competitiveness significantly «

Owner perspective – strategic considerations

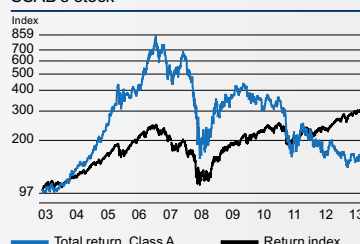
- Greater focus on high margin specialty products.
- Strategic investment program to increase capacity for quenched steels and strengthen presence in Asia.

www.ssab.com

Net sales and income



SSAB's stock



Total return (% per year on average)

Period	2013	5 years	10 years	20 years
A Shares	-11	-4	5	8
Index (SIXRX)	28	20	12	12

Financial statements

Income statements

SEK M	Note	Group		Parent Company	
		2013	2012	2013	2012
Dividend income from stocks	1	2,504	2,391	1,393	1,362
Change in value of stocks, etc.	2	10,198	9,205	284	2,751
Short-term derivative transactions and equity trading		140	118	113	110
Management costs	5, 6, 7	-130	-123	-130	-123
Other income and expenses		0	0	0	0
Operating income		12,712	11,591	1,660	4,100
Financial income	4	17	11	20	60
Financial expenses	4	-589	-594	-355	-311
Income after financial items		12,140	11,008	1,325	3,849
Tax	8	-	-	-	-
Net income for the year		12,140	11,008	1,325	3,849
Earnings per share, SEK	9	31.16	28.50		
Earnings per share after dilution, SEK	9	27.80	25.83		

Statement of comprehensive income

Net income for the year	12,140	11,008	1,325	3,849
<i>Items that are not to be reclassified in the income statement</i>				
Actuarial gains and losses pertaining to pensions	17	-39	17	-39
<i>Items that can subsequently be reclassified in the income statement</i>				
Change in hedging reserve	66	27	6	-3
Comprehensive income for the year	12,223	10,996	1,348	3,807

Balance sheets

SEK M	Note	Group		Parent Company	
		2013	2012	2013	2012
ASSETS					
Property, plant and equipment	10	84	85	-	-
Equities	11, 14	77,435	68,077	34,868	33,026
Shares in associated companies	11, 12, 14	-	-	7,234	6,926
Shares in subsidiaries	13, 14	-	-	4,961	4,937
Total non-current assets		77,519	68,162	47,063	44,889
Other current receivables	15	429	299	61	1,817
Short-term investments		1,464	86	-	-
Cash and cash equivalents		142	55	0	13
Total current assets		2,035	440	61	1,830
TOTAL ASSETS		79,554	68,602	47,124	46,719
SHAREHOLDERS' EQUITY AND LIABILITIES					
Capital stock		979	966	979	966
Statutory reserve/Share premium reserve		1,678	1,062	1,678	1,062
Fair value reserve		-1	-67	-1	-7
Retained earnings		44,484	35,409	27,506	25,590
Net income for the year		12,140	11,008	1,325	3,849
Total shareholders' equity		59,280	48,378	31,487	31,460
Convertible loans	16, 18	8,410	8,418	8,410	8,418
Other non-current interest-bearing liabilities	17, 18	5,393	5,817	2,393	3,540
Non-current noninterest-bearing liabilities	19	1,574	1,285	1,409	1,280
Total non-current liabilities		15,377	15,520	12,212	13,238
Current interest-bearing liabilities	20	4,153	4,305	3,197	1,595
Other current liabilities	21	744	399	228	426
Total current liabilities		4,897	4,704	3,425	2,021
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		79,554	68,602	47,124	46,719

Information about pledged assets and contingent liabilities can be found in note 22.

Shareholders' equity

Group

	Capital stock ¹	Statutory reserve/Share premium reserve	Fair value reserve ²	Retained earnings	Net income for the year	Total share- holders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2011	966	1,062	-94	52,853	-15,647	39,140
Change in accounting policies	-	-	-	-20	-	-20
ADJUSTED OPENING SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2011	966	1,062	-94	52,833	-15,647	39,120
Net income for the year	-	-	-	-	11,008	11,008
Actuarial gains and losses on pensions	-	-	-	-39	-	-39
Change in hedging reserve, fair value gains	-	-	27	-	-	27
Total comprehensive income	-	-	27	-39	11,008	10,996
Transfer of previous year's net income	-	-	-	-15,647	15,647	-
Dividend to shareholders	-	-	-	-1,738	-	-1,738
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2012	966	1,062	-67	35,409	11,008	48,378
Net income for the year	-	-	-	-	12,140	12,140
Actuarial gains and losses on pensions	-	-	-	17	-	17
Change in hedging reserve, fair value gains	-	-	66	-	-	66
Total comprehensive income	-	-	66	17	12,140	12,223
Transfer of previous year's net income	-	-	-	11,008	-11,008	-
Conversion of convertible loans	13	616	-	-	-	629
Dividend to shareholders ³	-	-	-	-1,950	-	-1,950
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2013	979	1,678	-1	44,484	12,140	59,280

Parent Company

	Capital stock	Statutory reserve/Share premium reserve	Fair value reserve	Retained earnings	Net income for the year	Total share- holders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2011	966	1,062	-4	40,346	-12,959	29,411
Change in accounting policies	-	-	-	-20	-	-20
ADJUSTED OPENING SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2011	966	1,062	-4	40,326	-12,959	29,391
Net income for the year	-	-	-	-	3,849	3,849
Actuarial gains and losses on pensions	-	-	-	-39	-	-39
Change in hedging reserve, fair value loss	-	-	-3	-	-	-3
Total comprehensive income	-	-	-3	-39	3,849	3,807
Transfer of previous year's net income	-	-	-	-12,959	12,959	-
Dividend to shareholders	-	-	-	-1,738	-	-1,738
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2012	966	1,062	-7	25,590	3,849	31,460
Net income for the year	-	-	-	-	1,325	1,325
Actuarial gains and losses on pensions	-	-	-	17	-	17
Change in hedging reserve, fair value gains	-	-	6	-	-	6
Total comprehensive income	-	-	6	17	1,325	1,348
Transfer of previous year's net income	-	-	-	3,849	-3,849	-
Conversion of convertible loans	13	616	-	-	-	629
Dividend to shareholders	-	-	-	-1,950	-	-1,950
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2013	979	1,678	-1	27,506	1,325	31,487⁴

1) As per December 31, 2013, there were 391,769,963 shares outstanding, of which 268,530,640 were Class A shares and 123,239,323 were Class C shares. The share quota value is SEK 2.50.

2) The hedging reserve pertains to fair valuation of interest swaps used for cash flow hedging.

3) The dividend for 2013 was SEK 5.00 per share.

4) Non-restricted equity in the Parent Company amounted to SEK 29,446 M.

Statements of cash flows

SEK M	Note	Group		Parent Company	
		2013	2012	2013	2012
OPERATING ACTIVITIES					
Dividend income from stocks	1	2,504	2,391	1,393	1,362
Cash flow from short-term derivative transactions and equity trading		-673	155	103	249
Management costs paid		-126	-106	-126	-106
Other items affecting cash flow		3	-63	-7	-12
Cash flow from operating activities before financial items		1,708	2,377	1,363	1,493
Interest received		9	11	9	7
Interest paid		-526	-579	-356	-277
CASH FLOW FROM OPERATING ACTIVITIES		1,191	1,809	1,016	1,223
INVESTING ACTIVITIES					
Purchases/sales of stocks	3, 14	1,389	-1,114	-1,328	-1,608
CASH FLOW FROM INVESTING ACTIVITIES		1,389	-1,114	-1,328	-1,608
FINANCING ACTIVITIES					
Loans raised and amortization of debt		-1,174	1,039	-418	2,026
Conversion of convertible loans		629	-	629	-
Change in financing of subsidiaries		-	-	2,038	55
Dividend paid		-1,950	-1,738	-1,950	-1,738
CASH FLOW FROM FINANCING ACTIVITIES		-2,495	-699	299	343
NET CASH FLOW FOR THE YEAR		85	-4	-13	-42
Cash and cash equivalents at start of year		55	57	13	53
Exchange rate difference in cash and cash equivalents		2	2	0	2
CASH AND CASH EQUIVALENTS AT END OF YEAR		142	55	0	13

Proposed distribution of earnings

The Board of Directors proposes a dividend of SEK 5.50 per share (5.00). The proposed dividend corresponds to 6.8% of the Parent Company's equity and 3.6% of the Group's equity. Of shareholders' equity, 27%, or SEK 8.4 billion in the Parent Company, and 56%, or SEK 33.0 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. The total amount to be paid out, with the current number of shares, according to the proposed dividend is SEK 2,155 M (1,950).

In accordance with the balance sheet for the Parent Company, profit totaling SEK 29,446 M is at the disposal of the Annual General Meeting.

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

To the shareholders, a dividend of SEK 5.50 per share, totaling	SEK 2,155 M
Balance carried forward	SEK 27,291 M
	<u>SEK 29,446 M</u>

The Board of Directors and President 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 May 6, 2014.

Stockholm, February 7, 2014

Sverker Martin-Löf
Chairman

Pär Boman
Director

Christian Caspar
Director

Boel Flodgren
Director

Stuart Graham
Director

Fredrik Lundberg
Director

Anders Nyrén
President and CEO, Director

Our Audit Report was submitted on February 14, 2014

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

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. The annual report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and with application of RFR 2. 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.

Basis of presentation

Industrivärden applies the cost method except for equity investments and derivative instruments, which are mainly stated at fair value through income statement. Industrivärden has elected to report continuing changes in the market value of all holdings of listed stocks and equity derivatives through income statement.

Principles of consolidation

The consolidated financial statements, which have been prepared using the purchase method, apply to the Parent Company as well as to all companies in which the Parent Company directly or indirectly has a controlling interest.

Effective January 1, 2014, IFRS 10 Consolidated Financial Statements, will be applied. This retrospective change will affect shareholders' equity marginally at year-end 2013.

Associate accounting

Associated companies are companies in which Industrivärden has a significant but not controlling interest. Shares in associated companies are carried at market value. The capital gain or loss generated upon the sale of shares in associated companies is calculated accordingly.

Recognition of income

Dividend income from stocks is recognized from the day on which trading takes place ex-rights. Changes in value of financial assets and derivative instruments are recognized on a current basis through profit or loss under the heading Change in value of stocks, etc.

Reporting of financial assets and liabilities

Financial assets and liabilities are classified in the following categories: financial assets and liabilities at fair value through profit or loss, loan receivables, and other financial liabilities. 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.

Reporting of convertible loans

The convertible loans, which are issued in euros, consist of a host contract in the form of a bond and an issued option to convert a set number of shares in Swedish kronor to a set amount in euros. The host contract was initially measured at fair value and thereafter at amortized cost, using the effective interest method, in accordance with IAS 39. This entails that the loan is indexed over its term at nominal value. This indexing is reported as a change in value in the income statement, while the coupon interest is reported as an interest expense. The con-

version right is classified as an embedded derivative, in accordance with IAS 39. The option component is reported as a liability instead of as an equity instrument, since the conversion price is in a currency that is different from the functional currency. The option is measured on a continuous basis at fair value through profit or loss in the item Change in value of stocks, etc. The value of the option portion is based on the current market price of the convertible. Transaction costs are allocated over the term of the loan and are included in the change in value reported in the income statement.

Assets and liabilities in foreign currency

Transactions, assets and liabilities in foreign currency are translated to the functional currency using the exchange rates in effect on the transaction date or on the day the items were restated. The Parent Company's functional currency is Swedish kronor (SEK).

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.

Hedging of fixed interest rates through cash flow hedges

The interest coupon portion is reported as a continuing interest expense, while other market value changes of the hedge (the swap) are reported directly against the hedging reserve in shareholders' equity, under the condition that the hedge is effective.

Non-current assets

Property, plant and equipment are carried at cost less accumulated depreciation.

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.

Borrowings

Borrowings are carried initially at fair value net of transaction costs and thereafter at amortized cost using the effective interest rate method.

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.

Pension liability refers to defined benefit pension obligations, calculated annually for the Group in accordance with IAS 19 with the assistance of an external actuary.

The amendment to IAS 19 Employee Benefits took effect on January 1, 2013. The amended standard eliminates the possibility of using the corridor method, and the expected return on plan assets is no longer used to calculate the return on pension plan assets. All changes in the net pension liability are recognized immediately when they arise. Service and interest costs are recognized in profit or loss, while remeasurements such as of actuarial gains and losses are recognized in other comprehensive income. The revised standard is applied retrospectively, and thus reported amounts for 2012 have been recalculated.

In accordance with IAS 19 (revised), in the opening balance for 2012, the reported pension liability increased by SEK 16 M. Shareholders' equity decreased by SEK 20 M, and comprehensive income for 2012 decreased by SEK 39 M.

Financial risk management

General

The types of financial risk 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 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 business. 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, 2013, would have affected the market value by +/- SEK 750 M. The option portion of issued convertible loans is reported as a noninterest-bearing liability and is stated at market value during the term of the loans. If the price of Industrivärden Class C shares rises, so does the carrying amount of the liability. A price increase of 10% is estimated to increase the liability by SEK 566 M and the value of the equities portfolio by SEK 7,700 M. Upon conversion, the liability is transferred from both the loan and option portions to shareholders' equity. The option portion does not affect Industrivärden's net asset value.

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 and swap agreements with variable rates. Swap agreements may be used to limit interest expenses and to adjust maturities. Swaps are used to a limited extent to limit interest expenses. Industri-

Short-term trading

Industrivärden's short-term trading consists of trading in stock options, short-term equity investments and financial instruments coupled to short-term equity investments.

Long-term incentive program

Industrivärden's long-term incentive program is an annual share saving program in which the employees invest a certain portion of their fixed salary in Industrivärden stock, and after three years they receive matching shares, provided that they are still employed. For more information about the program, see Note 6.

The cost of the program is allocated over a three-year period and is reported under the heading Management costs. Industrivärden has entered into a share swap in order to limit the cost. The share swap's change in value and cash flows are reported under Management costs.

värden's interest rate risk and its effect on earnings are judged to be low. At year-end 2013, four 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 2,400 M with a term of approximately 2 to 56 months. At year-end 2013 the market value of the interest rate swap agreements was SEK -11 M. A parallel shift up or down in the interest rate curve by 1 percentage point would affect income after financial items in 2014 by approximately +/- SEK 22 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 treasury 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 the 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, the loans' 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 75% (71%) and an A-rating, 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 outstanding convertible loans of EUR 990 M. Most of the loans were hedged during the year, however, hedge accounting has not been applied. A 1% change in the value of the Swedish krona against EUR, all else unchanged, would have a marginal effect on income.

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 high creditworthiness of counterparties with respect to investments, derivative transactions, etc., which is why counterparty risk is considered to be low.

Operational risks

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 internal guidelines and rules, and of policies adopted by the Board of Directors. Important rules include investment rules and the treasury 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.

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 surplus liquidity.

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 treasury policy. Decision-making channels, authority and responsibility are defined by a set of investment rules and by treasury instructions. 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, information policy and 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, registration in internal systems in real-time, 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. All equity positions are followed up on a continuous basis in real time. The Investment Committee, which is made up of the Executive Management, 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

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.

Credit facilities as per December 31, 2013

	Amount, SEK M	Utilized amount, SEK M	Term
Convertible loans	8,410	8,410	2015–2017
Bank loans	4,500	3,500	2015–2017
MTN programs	8,000	1,800	2015–2016
Total long-term borrowing		13,710	
Bank loans	–	1,000	
MTN programs	–	2,100	
Commercial paper	2,000	698	
Bank overdraft facility	1,000	44	
Total short-term borrowing		3,842	

In addition, Industrivärden has unutilized committed bank loans totaling SEK 2,000 M.

Average interest rate and interest duration

The average interest rate for Industrivärden's debt portfolio as per December 31, 2013, was 3.1% (3.3%). The average interest duration was 24 months (32).

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	2014	2015–2016	After 2016	Total
Interest-bearing liabilities	4,310	6,807	8,102	19,219
Derivative instruments	525	255	–	780
Total as per December 31, 2013	4,835	7,062	8,102	19,999

SEK M	2013	2014–2016	After 2016	Total
Interest-bearing liabilities	4,511	8,835	7,093	20,439
Derivative instruments	0	202	–	202
Total as per December 31, 2012	4,511	9,037	7,093	20,641

Industrivärden's convertible loans

	Nominal value, EUR M	Conversion price, SEK	Fixed conversion rate, EUR/SEK	Max. no. of additional Class C shares, millions
Convertible loan 2010–2015	440	111.39	10.2258	40.4
Convertible loan 2011–2017	550	159.91	8.8803	30.5

Change in the Group's interest-bearing net debt

SEK M	Dec. 31, 2013	Change in borrowing	Other changes	Dec. 31, 2012
Cash and cash equivalents	142	–	87	55
Interest-bearing receivables	342	–	152	190
Non-current interest-bearing receivables	13,803	–432	–	14,235
Current interest-bearing receivables	4,153	–87	–65	4,305
Interest-bearing net debt	17,472	–519	–304	18,295

Ratings

Industrivärden has been assigned an international corporate credit rating of A–/Stable/A–2 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, 2013			December 31, 2012		
	Assets at fair value through the income statement	Loan receivables	Total	Assets at fair value through the income statement	Loan receivables	Total
ASSETS						
– Equities	78,742	–	78,742	68,160	–	68,160
– Derivatives	192	–	192	28	–	28
– Other current receivables	–	342	342	–	190	190
– Cash and cash equivalents	–	142	142	–	55	55
Total assets	78,934	484	79,418	68,188	245	68,433

Financial instruments by category, cont.

SEK M	December 31, 2013			December 31, 2012		
	Liabilities at fair value through the income statement	Other financial liabilities	Total	Liabilities at fair value through the income statement	Other financial liabilities	Total
LIABILITIES						
– Non-current interest-bearing liabilities	–	13,803	13,803	–	14,235	14,235
– Other non-current liabilities	1,574	–	1,574	1,285	–	1,285
– Current interest-bearing liabilities	–	4,153	4,153	–	4,305	4,305
– Other current liabilities	544	56	600	209	62	271
Total liabilities	2,118	18,012	20,130	1,494	18,602	20,096

Fair value of financial instruments

SEK M	December 31, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
– Equities	78,701	–	41	78,742	68,160	–	–	68,160
– Equity derivatives	29	140	–	169	25	–	–	25
– Other derivatives	8	15	–	23	3	–	–	3
Total assets	78,738	155	41	78,934	68,188	–	–	68,188

SEK M	December 31, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
LIABILITIES								
Other non-current liabilities								
– Option portion of convertible loans	–	1,319	–	1,319	–	1,076	–	1,076
– Equity derivatives	–	255	–	255	–	209	–	209
Other current liabilities								
– Equities	5	–	–	5	9	–	–	9
– Equity derivatives	29	467	–	496	21	–	–	21
– Derivative instruments used for hedging	–	1	–	1	–	75	–	75
– Other derivatives	21	21	–	42	31	73	–	104
Total liabilities	55	2,063	–	2,118	61	1,433	–	1,494

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.

For level 1, quoted prices on an active market are used, e.g., stocks listed on the Stockholm Stock Exchange. Financial instruments classified in level 2 lack quoted prices in an active market. Fair value is deter-

mined by valuation models based on input data which is observable in the market. Input data used in the valuation models are interest rates, volatility and dividend estimates. For level 3, fair value is determined using a valuation technique that is based on assumptions that are not supported by prices in observable data.

Netting agreements for financial assets and liabilities

SEK M	December 31, 2013	
	Financial assets	Financial liabilities
Reported gross amount	165	624
Amount covered by netting agreements	–165	–511
Net amount after netting agreements	0	113

ISDA agreements exist between the affected counterparties.

Notes

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

NOTE 1. Dividend income from stocks

	2013	2012
Ericsson	235	202
Handelsbanken	691	632
Höganäs	–	44
Indutrade	84	99
Kone	17	–
Sandvik	506	470
SCA	323	297
Skanska	180	164
SSAB	57	114
Volvo	411	368
Group	2,504	2,391

NOTE 2. Change in value of stocks, etc.

	2013	2012
Ericsson	889	–453
Handelsbanken	5,361	3,405
Höganäs	436	159
ICA Gruppen	1,650	–
Indutrade	368	206
Kone	65	–
Sandvik	–1,836	2,768
SCA	4,038	2,813
Skanska	827	–226
SSAB	–409	–242
Volvo	–695	1,638
Other	23	–6
Stocks	10,718	10,062
Option portion's change in value, convertible loans	–378	–557
Indexing of convertible loans	–156	–159
Other	14	–141
Group	10,198	9,205

For stocks held at both the start and end of the year, the change in value consists of the difference in the market value between these dates. For stocks acquired during the year, the change in value consists of the difference between the price paid and the market value at the end of the year. For stocks sold during the year, the change in value consists of the difference between the sales price received and the value of the stocks at the start of the year.

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

	2013	2012
Ericsson	149	252
Handelsbanken	42	–746
Höganäs	–1,532	–
ICA Gruppen	2,395	–
Indutrade	–3,269	–
Kone	516	–
Sandvik	251	–217
SCA	–7	–
Skanska	–206	709
SSAB	96	8
Volvo	135	795
Other	41	312
Group	–1,389	1,114

NOTE 4. Financial income and expenses

	Group		Parent Company	
	2013	2012	2013	2012
Financial income				
Interest income				
– subsidiaries	–	–	11	52
Interest income				
– other	9	11	9	8
Exchange gain	8	0	0	0
Total	17	11	20	60

	Group		Parent Company	
	2013	2012	2013	2012
Financial expenses				
Interest expenses				
– subsidiaries	–	–	–36	–23
Interest expenses				
– other	–588	–591	–318	–286
Bank charges	–1	–3	–1	–2
Total	–589	–594	–355	–311

NOTE 5. Average number of employees

	2013		2012	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	21	7	19	6
Subsidiaries	5	–	4	–
Group	26	7	23	6

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

	2013				2012			
	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	5	47	40	20	4	39	35	19
Subsidiaries	–	13	6	2	–	11	5	2
Total, Group	5	60	46	22	4	50	40	21

Executive management's compensation and pension costs for 2013

	Base salary	Variable salary	Share savings program	Other benefits	Pension cost
CEO	10.1 ¹⁾	2.0	1.6	0.2	10.9
Other members of Executive Management (5 persons)	15.5	9.2	1.8	0.8	6.4
Total, Group	25.6	11.2	3.4	1.0	17.3

1) The Company's cost amounts to SEK 2.9 M after deducting SEK 7.2 M for directors' fees from portfolio companies that were paid in to the Company.

Directors' fees and executive compensation

■ The Nominating Committee, which has been appointed in the manner decided by the Annual General Meeting, submits recommendations on directors' fees to the Annual General Meeting. Fees have been paid to the Chairman of the Board and other directors in accordance with a resolution by the Annual General Meeting. In accordance with the AGM's resolution in 2013, directors' fees totaling SEK 4.6 M (4.4) were paid out. Of this amount, the Chairman of the Board received SEK 1.9 M (1.8). Other directors, except for the CEO, each received SEK 0.5 M (0.5). No fee is paid for committee work.

■ Compensation of the CEO and other members of the Executive Management is based on the guidelines adopted by the 2013 Annual General Meeting. The Compensation Committee submits a recommendation to the Board on the CEO's compensation and decides on the 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, standard employment benefits and pension benefits.

The CEO received a base salary of SEK 10.1 M (9.8). The Company's cost amounted to SEK 2.9 M after deducting SEK 7.2 M for directors' fees paid in by the portfolio companies. Variable salary for 2013 amounted to SEK 2.0 M (2.0), which will be paid out in 2014. The CEO is entitled to pension benefits between 60 and 65 years of age equivalent to 70% of his average base salary during the three years prior to his sixtieth birthday, and to lifetime retirement pension benefits after 65 years of age equivalent to 60% of his average base salary during the three years prior to retirement, indexed from the date of retirement in the same manner that would apply for a pension from Alecia. Pension benefits are earned on a linear basis up until retirement and are vested, i.e., they are not conditional with respect to future employment. In addition, the CEO is entitled to disability pension equivalent to 50% of his base salary the year before such pension occasion, and his survivors are entitled to survivorship benefits equivalent to 35% of his base salary. The cost of defined benefit pension obligations in 2013 was SEK 10.9 M (12.8). The Company must give two years' notice if it cancels the CEO's employment contract. The other members of the Executive Management together received base salary of SEK 15.5 M (12.4). The Executive Vice President has received directors' fees of SEK 2.3 M, which has decreased the cost of salaries. 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 regarding growth in net asset value. Variable salary for 2013 amounted to SEK 9.2 M (7.3) and will be paid out in 2014. The other members of the Executive Management are covered mainly by defined contribution pension plans, whereby the amount of the pension benefits is dependent on the performance of their contracted pension plans. Defined benefit pensions are provided in exceptional cases. The total cost of the pension obligation in 2013 for these executives was SEK 6.4 M (6.3). In the event the Company cancels their employment contracts, these executives are entitled to two years' notice.

Long-term incentive program 2013

The 2013 Annual General Meeting resolved to offer a long-term share savings program for a maximum of 28 employees of the Industrivärden Group. The Share Saving Program, which in its design corresponds to the share savings program introduced by the 2012 Annual General Meeting to replace previous incentive programs, is an annually recurring program and forms a new type of long-term variable salary. The program is part of a competitive total compensation package in which the employee receives matching shares after three years, subject to investment of part of the employee's fixed salary in Industrivärden shares and subject to the employee remaining employed when matching occurs. The program is intended to encourage Industrivärden's employees to increase their ownership of stock in the Company and thereby further emphasize long-term shareholder value. The Share Saving 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 expected to have a positive impact on Industrivärden's continued development and thereby be beneficial for both the shareholders and Industrivärden's employees. During 2013, 31,200 shares were bought within the program, which can qualify for up to 81,300 matching shares.

NOTE 7. Auditors' fees

	Group ¹		Parent Company ¹	
	2013	2012	2013	2012
PWC				
Audit assignment	1.2	1.4	0.9	1.1
Auditing activities in addition to audit assignment	0.4	0.5	0.4	0.5
Tax consulting	1.1	1.3	1.1	1.3
Other services	–	–	–	–
Total	2.7	3.2	2.4	2.9

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 53)

	2013	2012
Market value of equities portfolio on January 1	39,952	34,760
Less: business-related shares	–38,098	–31,241
Basis for standardized income	1,854	3,519
Standardized income 1.5%	28	53
Dividends received during each year	1,393	1,362
Management costs, net financial items, etc.	–480	–352
Dividend paid out ¹	–2,155 ²	–1,950
Taxable income	–1,214	–887
Tax-loss carryforward from previous years	–3,401	–2,514
Accumulated tax-loss carryforward	–4,615	–3,401

1) Payment is made during the following year, in accordance with a decision by the AGM.
2) Proposed by the Board of Directors.

NOTE 10. Property, plant and equipment

	Group		
	Land and buildings	Equipment	Total property, plant and equipment
Opening cost	81	16	97
Investments during the year	0	2	2
Sales and disposals	–	0	0
Closing accumulated cost	81	18	99
Opening depreciation	–10	–2	–12
Depreciation for the year	–1	–2	–3
Sales and disposals	–	0	0
Closing accumulated depreciation	–11	–4	–15
Book value, 12/31/2013	70¹	14	84
Book value, 12/31/2012	71 ¹	14	85

1) Of which, land SEK 17 M (17).

NOTE 9. Earnings per share

	Group	
	2013	2012
Income attributable to equity holders of the Parent Company		
Net income for the year	12,140	11,008
Change in value of convertible options	378	557
Convertible interest	184	198
Indexing of convertible	156	159
Income attributable to equity holders of the Parent Company after dilution	12,858	11,922

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 12,140 M (11,008), and a weighted number of shares outstanding, amounting to 389,617,794 (386,271,224).

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, amounting to SEK 12,858 M (11,922), and a weighted average number of shares outstanding after the effect of convertible loans, amounting to 462,492,714 (461,591,538). For the periods during which the convertible loans give rise to a dilutive effect, they are 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 debentures. As per December 31, 2013, the number of potential common shares that would be created upon a future full conversion of the convertible loans is 70.9 million (75.8).

NOTE 11. Equities

	2013				2012	
	Number of shares	Share of capital, %	Share of votes, %	Cost	Market value ¹	Market value ¹
Ericsson A	86,052,615	2.6	15.2	3,915	6,411	5,413
Ericsson B	500,000			39	39	–
Handelsbanken A	64,351,679	10.1	10.3	7,024	20,335	14,932
Höganäs	–	–	–	–	–	1,095
ICA Gruppen	20,125,000	10.0	10.0	2,395	4,045	–
Indutrade	–	–	–	–	–	2,901
Kone	2,900,000	0.6	0.2	776	851	–
Sandvik	145,274,257	11.6	11.6	8,348	13,176	14,761
SCA A	40,500,000	10.0	29.2	706	8,019	6,081
SCA B	30,300,000			2,076	5,999	3,906
Skanska A	12,667,500	7.9	24.5	600	1,665	1,345
Skanska B	20,343,995			1,975	2,673	2,372
SSAB A	58,105,972	18.2	23.4	4,179	2,865	3,173
SSAB B	754,985			72	31	36
Volvo A	131,506,918	6.2	19.3	11,748	11,112	11,757
Volvo B	1,000,000			89	84	–
Total, portfolio companies				43,941	77,306	67,772
Other				91	129	305
Group's holdings of equities				44,032	77,435	68,077
Less: associated companies					–7,234	–6,926
Less: holdings owned via subsidiaries					–35,333	–28,125
Parent Company's holdings of equities, excluding shares in associated companies and subsidiaries					34,868	33,026

1) The market value corresponds to the book value.

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	21,339	3,474	7.9	24.5	33.0	4,338
SSAB	556016-3429	Stockholm	24,149	–1,066	18.2	23.4	58.9	2,896
Total								7,234

NOTE 13. Shares in subsidiaries

	Reg. no.	Domicile	Share of capital, %	No. shares	Shareholders' equity	Parent Company
						Book value
Industrivärden Invest AB (publ)	556775-6126	Stockholm	100	1,000	16,391	1,330
Industrivärden Förvaltning AB	556777-8260	Stockholm	100	1,000	12,445	1,510
Industrivärden Holding AB	556260-3067	Stockholm	100	10,000	3,263	1,500
Industrivärden Service AB	556364-7758	Stockholm	100	100,000	23	42
Investment AB Nils Dacke	556833-0558	Stockholm	100	500	0	0
Perbastra AB	556833-0533	Stockholm	100	500	400	400
Floras Kulle AB	556364-8137	Stockholm	100	10,000	94	155
AB Handus	556089-0484	Stockholm	100	2,000	3	24
Industrivärden Oy	2582893-9	Helsinki	100	25	0	0
Total						4,961

■ NOTE 14. Change in equities

	Group	
	Equities	
	2013	2012
Opening value	68,077	56,903
Disposals at sales value	-8,305	-2,149
Purchases	6,916	3,262
Change in value	10,747	10,062
Closing value	77,435	68,077

	Parent Company							
	Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Opening value	33,026	28,083	6,926	6,677	4,937	4,945	44,889	39,705
Disposals at sales value	-3,664	-1,926	-574	-222	-	-8	-4,238	-2,156
Purchases	5,078	2,825	464	940	9	-	5,551	3,765
Change in value	428	4,044	418	-469	-	-	846	3,575
Other	-	-	-	-	15	-	15	-
Closing value	34,868	33,026	7,234	6,926	4,961	4,937	47,063	44,889

■ NOTE 15. Other current receivables

	Group		Parent Company	
	2013	2012	2013	2012
Interest-bearing receivables	342	190	15	12
Receivables from subsidiaries	-	-	1	1,775
Prepaid expenses and accrued income	22	85	10	9
Other current receivables	65	24	35	21
Total	429	299	61	1,817

■ NOTE 16. Convertible loans

In January 2010 and January 2011, Industrivärden issued two convertible bonds with terms of five and six years, respectively, for a combined value of EUR 1,050 M. The conversion prices were set at premiums in relation to the share price and exceeded net asset value at the time of issue.

	Convertible loan 2010–2015	Convertible loan 2011–2017
Nominal amount, EUR M	440	550
Conversion price, SEK	111.39	159.91
Fixed exchange rate, EUR/SEK	10.2258	8.8803
Coupon, %	2.500	1.875
Maximum number of additional Class C shares, millions	40.4	30.5

If the dividend yield for Industrivärden's Class C shares exceeds 3.5% and 4.0%, respectively, the conversion prices will be adjusted using a standard formula. As a result of the dividend of SEK 5.00 per share approved by the 2013 Annual General Meeting, the conversion prices for Industrivärden's convertible loans have been adjusted in accordance with the contracts. For the convertible loan that matures in 2015, the conversion price has been adjusted from SEK 112.87 to SEK 111.39, whereby a maximum of 40.4 million Class C shares would be added upon full conversion. For the convertible loan that matures in 2017, the conversion price has not been adjusted.

In December 2013 the convertible loan that matures in 2015 had a conversion price above SEK 111.39/share (corresponding to EUR 10.89/share), entailing that it was profitable for convertible owners to convert to shares. Industrivärden has the right to demand conversion, provided that the value of the convertible exceeds the nominal value by 30%, over a 20-day period. Upon maturity, Industrivärden has an opportunity to convert part or all of the loan even if the current share price has not reached the conversion price. In such case, the convertible owners would be guaranteed to receive shares/cash corresponding to the nominal amount of the loan. The loans mature on February 27, 2015, and February 27, 2017, respectively.

NOTE 17. Pensions

The Group's total reported pension costs amount to SEK 22 M (21). Interest on pension obligations SEK 4 (3) M and the return on plan assets SEK 0 (0) M are reported in the income statement as Financial items in 2014. The Group's pension costs are estimated to amount to approximately SEK 20 M.

Defined contribution plans

The defined contribution plans include retirement pensions, disability pensions and family pensions and entail that premiums are paid 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. For more information, see Note 6. Earning of pension entitlement is based on the number of years in service and increases the employee's pension entitlement each year. The obligation is reported on a continuing basis through profit or loss and as a pension provision on the balance sheet.

The pension obligation as per December 31, 2013, amounted to SEK 141 M (89), the value of plan assets was SEK 48 M (4) and the net pension liability was 93 (93) M.

	Group	
	2013	2012
Actuarial assumptions		
Discount rate ¹ , %	3.75	3.2
Future salary increases, %	3.6	3.6
Anticipated inflation, %	1.6	1.6

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

NOTE 18. Non-current interest-bearing liabilities

	Group		Parent Company	
	2013	2012	2013	2012
Convertible loans	8,410	8,418	8,410	8,418
MTN program	1,800	2,900	1,800	2,900
Bank loans	3,500	2,777	500	500
Pension liability (see Note 17)	93	140	93	140
Total	13,803	14,235	10,803	11,958

Market valuation of current and long-term interest-bearing liabilities as per 12/31/2013 would increase current interest-bearing liabilities by SEK 27 M (51) and non-current interest-bearing liabilities by SEK 372 M (502).

Maturity dates of loans	Group		Parent Company	
	2013	2012	2013	2012
-2014	-	2,100	-	1,100
-2015	5,652	5,933	5,152	5,433
-2016 or later ¹	8,151	6,202	5,651	5,425
Total	13,803	14,235	10,803	11,958

1) Of which, pension liability 93 140 93 140

NOTE 19. Non-current noninterest-bearing liabilities

	2013	2012
Option portion of convertible loans	1,319	1,076
Other	255	209
Group	1,574	1,285

NOTE 20. Current interest-bearing liabilities

	Group		Parent Company	
	2013	2012	2013	2012
Commercial paper	698	1,295	698	1,295
MTN program	2,100	300	2,100	300
Bank loans	1,000	2,000	-	-
Bank overdraft facility	44	334	-	-
Interim payments	311	376	-	-
Liabilities to subsidiaries	-	-	399	-
Total	4,153	4,305	3,197	1,595

NOTE 21. Other current liabilities

	Group		Parent Company	
	2013	2012	2013	2012
Equities and equity derivatives	501	16	47	15
Other derivatives	44	75	38	178
Other current liabilities	14	126	8	6
Accrued interest	53	59	53	59
Other accrued expenses	129	120	79	74
Liabilities to subsidiaries	-	-	-	92
Accounts payable, trade	3	3	3	2
Total	744	399	228	426

NOTE 22. Pledged assets and contingent liabilities

	Group		Parent Company	
	2013	2012	2013	2012
Shares	337	-	337	-
Other	149	53	2	13
Total	486	53	339	13

Contingent liabilities of the Parent Company amounted to SEK 4,000 M (4,277) and relates to bank loans in subsidiaries.

NOTE 23. Obligations to board members and CEOs

The Group's non-current interest-bearing liabilities include SEK 93 M (93) for pension obligations and similar benefits for current and former board members and CEOs. The corresponding amount for the Parent Company is SEK 93 M (93), as shown in the item Pension liability in Notes 17 and 18.

NOTE 24. Related-party transactions

During 2013, 4,000,000 shares in Indutrade were sold to L E Lundbergföretagen.

Transactions with subsidiaries

Certain transactions have been made with wholly owned subsidiaries, such as rents for premises at market terms and internal loans. The size of these dealings as per 12/31/2013 is shown in the balance sheet and related notes.

Transactions with associated companies

Dividends have been received from listed associated companies. Members of the Executive Management have received directors' fees from listed associated companies, which have been paid to Industrivärden.

Auditor's report

To the annual meeting of the shareholders of AB Industrivärden (publ), 556043-4200

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of AB Industrivärden (publ) for the year 2013, except for the corporate governance statement on pages 19–20. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 2–53.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

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 the parent company as of December 31, 2013, and of its financial performance and its cash flows 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 December 31, 2013, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 19–20. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of AB Industrivärden for the year 2013. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act and that the corporate governance statement on pages 19–20 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual 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 President be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, February 14, 2014
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Board of Directors



SVERKER MARTIN-LÖF
Tech. Lic., Honorary Ph.D.
Born 1943, Stockholm.
Chairman of the Board since 2010.
Vice Chairman of the Board 2002–2010.
Director since 2002.
Chairman of SCA and SSAB.
Vice Chairman of Ericsson and Svenska Handelsbanken.
Director of Skanska.
Shareholding: 14,000.



PÄR BOMAN
Engineering and Business/
Economics degree.
Born 1961, Stockholm.
Director since 2013.
President and Group Chief
Executive of Handelsbanken.
Director of SCA.
Shareholding: 1,000.



CHRISTIAN CASPAR
MBA
Born 1951, Feusisberg.
Director since 2011.
Director of Stena and Bonnier.
Shareholding: 0.



BOEL FLODGREN
J.S.D., Honorary Doctor of
Economics and Business
Administration, Professor.
Born 1942, Lund.
Director since 2002.
Director of NeuroVive Pharmaceutical.
Shareholding: 1,900.



STUART GRAHAM
MBA
Born 1946, Vero Beach.
Director since 2011.
Chairman of Skanska.
Director of PPL Corporation,
Harsco Corporation and Brand
Energy and Infrastructure Company.
Shareholding: 2,000.



FREDRIK LUNDBERG
M.S. Eng., MBA, Honorary Doctor
of Economics, Honorary Doctor of
Engineering.
Born 1951, Djursholm.
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,
Sandvik and Skanska.
Shareholding: 5,260,000, through
related entities 50,000,000.



ANDERS NYSTRÖM
MBA, U.S. MBA.
Born 1954, Bromma.
President and Chief Executive Officer
of Industrivärden.
Director since 2001.
Chairman of Sandvik and Svenska
Handelsbanken.
Director of SCA, Volvo, the Stockholm
School of Economics and the Stock-
holm School of Economics Association.
Shareholding: 79,100.

Brief descriptions of the board members' professional experience is provided on page 15. More detailed biographies are provided on Industrivärden's website.

Executive Management



ANDERS NYSTRÖM

President and Chief Executive Officer, Industrivärden employee since 2001.

MBA, U.S. MBA, born 1954.

Chairman of Sandvik and Svenska Handelsbanken, director of SCA, Volvo, the Stockholm School of Economics and the Stockholm School of Economics Association. 1997–2001 Executive Vice President and CFO of Skanska; 1996–1997 executive of Nordbanken and member of the executive management; 1992–1996 Executive Vice President and CFO of Securum; 1987–1992 CEO of OM International.

Shareholding: 79,100.



PÄR ÖSTBERG

Executive Vice President and Chief Investment Officer, Industrivärden employee since 2012.

MBA, born 1962.

Director of Ericsson, Skanska and SSAB.

2005–2012 Executive Vice President and member of the Volvo Group's executive management team; 2011–2012 Executive Vice President of Volvo Truck Joint Ventures; 2008–2011 President of Volvo Trucks Asia; 2005–2008 CFO of the Volvo Group; 2004–2005 CFO of Renault Trucks; 2000–2004 as CFO of Volvo Trucks France; 1997–2000 CEO of Volvo Treasury Asia; 1994–1997 Volvo Treasury Sweden; 1991–1994 Renault SA.

Shareholding: 4,700.



ANDERS NYBERG

Executive Vice President and General Counsel, in charge of corporate governance, Industrivärden employee since 2012.

LLB, born 1951.

2000–2012 Senior Vice President and General Counsel of SCA, as well as member of the Corporate Senior Management Team and Secretary to the Board; 1993–2000 Deputy General Counsel of SCA; 1988–1993 Assistant General Counsel of SCA; 1987–1988 Committee Secretary on the Swedish Government's Ministry of Communication; 1985–1987 Judge at the Court of Appeal and the District Court in Sundsvall.

Shareholding: 14,000.



MARTIN HAMNER

Chief Financial Officer, Industrivärden employee since 2008.

MBA, born 1964.

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

Shareholding: 4,950.



SVERKER SIVALL

Head of Corporate Communications, Industrivärden employee since 1997.

MBA, born 1970.

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

Shareholding: 8,300.



FREDRIC CALLES

Head of Short-term Trading, Industrivärden employee since 2003.

MBA, born 1966.

1996–2003 Head of Trading for Alfred Berg Fondkommission; 1993–1996 Assistant Trading Manager at UBS Sweden.

Shareholding: 4,965.

Team Managers



ERIK RÖJVALL

Senior Investment Manager,
Industrivärden employee since 2000.
MBA, born 1973.

Responsible for Handelsbanken,
SCA and Skanska.

Shareholding: 5,000.



PETER SIGFRID

Investment Manager,
Industrivärden employee since 2005.
LL.M., M.Sc. L.A., born 1974.

Responsible for Sandvik and ICA
Gruppen.

Shareholding: 2,300.



PETER NYSTRÖM

Investment Manager,
Industrivärden employee since 2002.
M.Sc. Eng., born 1960.

Responsible for Ericsson and SSAB.

Shareholding: 894.



MADELEINE WALLMARK

Investment Manager,
Industrivärden employee since 2006.
MBA, born 1982.

Responsible for Volvo.

Shareholding: 1,680.

Stock market information

Industrivärden aspires to meet high demands for continuous communication with its shareholders and the stock market in general. Information provided to the market shall maintain a high standard of quality and be made quickly available to all recipients. Through a close dialog with market participants, Industrivärden strives to continuously develop and improve its communication.

Reporting dates 2014

Interim reports will be published on the following dates:

- April 7 for the period January–March
- July 4 for the period January–June
- October 6 for the period January–September

2014 Annual General Meeting

- Tuesday, May 6, in Stockholm

Information channels

Printed publications

Interim reports, year-end reports, annual reports and press releases can be ordered using any of the following alternatives:

- by post from AB Industrivärden (publ),
Box 5403, SE-114 84 Stockholm, Sweden
- by phone, at +46-8-666 64 00
- by registration on www.industrivarden.net
- by e-mail at: info@industrivarden.se

The Annual Report will be distributed to shareholders who have notified the Company that they would like to receive it in printed form.

Subscribing for publications

Subscriptions for Industrivärden's press releases, interim reports, year-end reports and annual reports can be arranged through registration of an e-mail address on Industrivärden's website.

Industrivärden online

All financial reports are published on Industrivärden's website, www.industrivarden.net, which is a central information channel for communicating with parties interested in the Company. The website presents current and historic information about the Company in a clear and simple format.

Investor Relations Officer



ANDERS GUSTAVSSON

IRO,
Industrivärden employee since 2012.
MBA, born 1981.

Anders Gustavsson served as a business controller for H&M in 2011, and from 2007 to 2010 he worked for Caterpillar as a strategic analyst.

Shareholding: 1,100.

Tel. +46-8-666 64 00

e-mail: info@industrivarden.se

Tax rules and convertible loans

Tax rules for investment companies

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 shareholding.

Tax rules

The main principles concerning taxation of investment companies are:

- that interest income is taxable, while interest expenses and management costs are tax deductible,
- that dividends received are taxable, while dividends rendered are tax deductible, and
- that 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 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

Tax-loss carryforwards are deductible and can be accumulated in order to be deducted from future taxable surpluses.

Calculation of taxes

See Note 8 on page 45.

Convertible loans

In 2010 and 2011 Industrivärden issued two convertible loans for a total of EUR 1,050 M. The aim was to take advantage of strong market conditions and good credit quality to obtain attractive financing with the opportunity to issue new equity. The capital has been used for investments in portfolio companies with favorable dividend yields and potential for growth in value – mainly Volvo, Handelsbanken and Sandvik.

In December 2013 the convertible loan that matures in 2015 had a conversion price above SEK 111.39/share (corresponding to EUR 10.89/share), entailing that it was profitable for convertible owners to convert to shares. Conversion is done at a fixed exchange rate of SEK 10.2258/EUR 1, entailing that at a fixed exchange rate of SEK 8.94/EUR 1, it is profitable to convert when the share price exceeds SEK 97 per share. For the convertible loan that matures in 2017, conversion is done at a fixed exchange rate of SEK 8.8803/EUR 1, entailing that it is profitable to convert when the share price exceeds SEK 161 per share.

When the investments that are financed by the convertible loan increase in value, the shareholders benefit by the leverage created by the loan. If the value decrease, then the shareholders would be put at a corresponding disadvantage. When the loans are converted, the debt is converted to equity, and the number of issued shares increases. Net asset value will therefore decrease, however, it would decrease even more if the shareholders had not benefited from the leverage provided by the convertible loan. Conversion entails no economic dilution, since the loan is invested in the equities portfolio, and the conversion price is set with a premium over net asset value. If the share price exceeds the conversion price by 30% over a 20-day period, the convertible loan may be redeemed early by Industrivärden. The complete terms and conditions for the convertible loans are available at Industrivärden's website under the menu Financial information/Credit matters.

Industrivärden's convertible loans	Nominal value, EUR M	Conversion price, SEK	Fixed conversion rate, EUR/SEK	Max. no. of additional Class C shares, millions
Convertible loan 2010–2015 (5 years)	440	111.39	10.2258	40.4
Convertible loan 2011–2017 (6 years)	550	159.91	8.8803	30.5

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 dates. 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.

Discount to net asset value – The difference between net asset value per share and the stock price, measured in proportion to net asset value.

Dividend yield – Dividend per share in relation to the share price on December 31.

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

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 dividends – 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.



2014 Annual General Meeting

Time and place

The Annual General Meeting will be held at 2 p.m. on Tuesday, May 6, 2014, at the Grand Hotel, Vinterträdgården room (entrance at the corner of Stallgatan/Blasieholmmsgatan), in Stockholm, Sweden. The doors will open at 1 p.m., and registration will take place until 2 p.m., at which time the doors will be closed.

Who is entitled to participate?

To be entitled to participate at the Annual General Meeting, shareholders must be listed in the shareholder register printed out by Euroclear Sweden on April 29, 2014, and give notice of their intention to participate in the Meeting no later than April 29, 2014.

How to become registered in the shareholder register

Shares are registered in the shareholder register maintained by Euroclear Sweden in the name of either the owner or the owner's nominee. Shareholders who have not arranged to have their shares registered in the nominee's name are registered in their own names. Shareholders whose shares are managed by a third party may have chosen to have their shares registered in the nominee's name. In order to be able to participate in the Meeting, such shareholders who own nominee-registered shares must request in advance that their shares be temporarily registered in their own names as per April 29, 2014. Shareholders are advised to contact their nominee well in advance before April 29, 2014.

Notice of attendance

Notice of intention to participate at the Meeting can be made using one of the following alternatives:

- by post to AB Industrivärden (publ),
Box 5403, SE-114 84 Stockholm, Sweden
- by phone at +46-8-666 64 00
- by fax at +46-8-661 46 28
- by e-mail at agm@industrivarden.se, which requires the Company's confirmation by e-mail (weekdays within 24 hours) that notification has been registered
- by filling in the form on Industrivärden's website, www.Industrivarden.net

Upon notification, shareholders must indicate their:

- name
- personal identity number (or corporate identity number)
- complete postal address and phone number
- where applicable: the number of assistants (max. two)

Notifications must be received by the Company no later than April 29, 2014.

Proxies

Shareholders may exercise their right to participate at the Meeting by proxy. Please use the proxy statement provided on the proxy form, which is available on Industrivärden's website. Proxy can also be arranged by providing the application information above for the shareholder as well as his/her representative. The proxy statement must also include the date and location for signature as well as the shareholder's signature and name printed out. For representation of legal persons by proxy, the proxy must be signed by an authorized signatory of the company/organization, and a copy of the registration certificate, which indicates the company's/organization's authorized signatories, must be attached. Proxy statements must be sent in or shown in original.

Proposed dividend

The Board of Directors proposes that the Annual General Meeting resolve in favor of a dividend of SEK 5.50 per share. The dividend will be paid to shareholders who are recorded in the shareholder register on the record date. The Board of Directors proposes May 9, 2014, as the record date. Provided that the Annual General Meeting approves the Board's proposal, taking into account the so-called three-day payment schedule (three business days), this entails that purchases of Industrivärden shares not later than the day of the AGM, May 6, 2014, will normally carry rights to the dividend (provided that the purchase was recorded in the shareholder register on May 9, 2014), and that payment of the dividend is expected to take place via Euroclear Sweden on May 14, 2014.

Proposed guidelines for compensation of senior executives

The Board of Directors proposes that the 2014 Annual General Meeting resolve in favor of the following guidelines as laid out in the Annual Report: 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 individual performance, shall have a cap, and never exceed the 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 cancellation of an executive's employment contract by the Company, a two-year notice period applies. No severance pay should be payable. Pension benefits shall be either defined-benefit or defined-contribution, or a combination of both, and give the members of the Executive Management the right to retire 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 consistent with the guidelines approved by the 2013 Annual General Meeting.

