



Long-term asset manager
and active owner of inter-
nationally active Nordic
quality companies

www.industrivarden.net

Interim Report

January 1–June 30, 2015

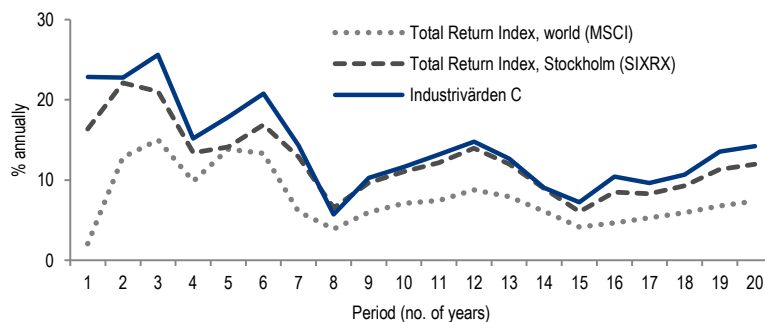
- > **The total return** for the first half of the year was 18% for the Class A shares and 19% for the Class C shares, compared with 10% for the SIXRX total return index.
- > **Net asset value** on June 30, 2015, was SEK 175/share, representing an increase of 14% including reinvested dividend since the start of the year. Earnings per share for the first half of the year were SEK 21.43 (11.63).
- > **Fredrik Lundberg** was elected at the Annual General Meeting on May 6, 2015 as new Chairman of the Board.
- > **The holding in Kone** was sold for SEK 1.2 billion, generating an annual total return of 15% for the holding period.

NET ASSET VALUE



During the last twenty-year period, net asset value has increased by 7% per year, and by 11% per year incl. reinvested dividends.

AVERAGE ANNUAL TOTAL RETURN FOR EACH TIME PERIOD



CEO's message

Moderate growth with large geographic differences

Halfway into the year, indications are strong that global GDP growth will remain moderate for the full-year 2015. The IMF projects global growth in 2015 at 3.5%, which is a marginal rise compared with 2013 and 2014. At the regional level, however, the changes are greater. Overall, growth in the developed economies is expected to strengthen, while growth in emerging markets is expected to be lower than previously. In the U.S., the recovery is continuing, with greater activity and lower unemployment. Indications are also strong for a gradual normalization of monetary policy. Europe is still struggling with major challenges, even though the weakening of the euro against the U.S. dollar and dollar-related currencies is helping export companies. The market for corporate credit is also improving, which is a precondition for increased investment and future growth. A recovery in Europe will likely require support from the European Central Bank for a longer period of time. A very topical issue is the Greek referendum and its impact on the country's possible exit from the currency union and the payment of debts. Another dark cloud is the UK's skepticism to deepened integration with the EU. Performance on the whole is better in northern Europe, while the southern European economies continue to struggle with substantial problems. Several countries have taken strong measures. One example is Spain, where GDP growth for 2015 is expected to amount to 4% and unemployment is falling steadily. China's economic slowdown has continued during the year. Support measures that have been carried out and announced point to a stabilization of China's growth during the second half of the year.

Work on change for a stronger Industrivärden

Two intensive months have now passed since I took office as acting CEO of Industrivärden. For me this has been a very positive reunion, since I previously served for more than eight years in the management of Industrivärden's investment operations. Industrivärden has an equity portfolio of very high quality, and committed and competent employees. At the same time, recent events and turbulence have shown that the company is facing several major challenges. My assignment is to begin a long-term change process aimed at strengthening Industrivärden and its ability to create shareholder value. In short, it is a matter of finding different ways to build trust in Industrivärden as a serious, perceptive and value-creating asset manager. To achieve this, we are striving to strengthen and clarify our corporate governance model, deepen our cooperation and dialog with other owners, and broaden our network. Parallel with this, work is under way to recruit a new CEO for Industrivärden, who the Board hopes to be able to present during the third quarter. The work on developing and strengthening Industrivärden is in full swing, and it will be the new CEO's task to drive this work forward.

Broadened network and new chairman at Sandvik

A central concern in our role as an influential, active owner is to participate in the nomination work ahead of the election of board members of our portfolio companies. Without a well composed board, it is hard to execute the best strategies. It is therefore gratifying that we have been able to play a role in the nomination of Johan Molin, who was elected as Chairman of the Board of Sandvik in May. We believe that Johan is highly suited to lead and develop the

work of Sandvik's board. The nomination of Johan Molin is also an expression of a stated ambition to broaden Industrivärden's network of highly qualified board members.

Overall favorable performance by portfolio companies

The portfolio companies develop overall well, and several of the companies that are working with strategic review, cost-cutting programs and management changes have had good growth in value during 2015. In October Martin Lundstedt will take office as President and CEO of Volvo. Martin has had a long and successful career at Scania and has a depth of knowledge about the heavy trucks market. SSAB's integration with Rautaruukki is continuing, and the work on realizing synergies is proceeding according to set goals.

Favorable performance during first half of year

During the first half of the year net asset value, including reinvested dividends, grew by 14% to SEK 75.5 billion, or SEK 175 per share. On June 30 the value of the portfolio was SEK 87.8 billion, and Industrivärden's debt amounted to SEK 12.3 billion, corresponding to a debt-equities ratio of 14%. Industrivärden's stock generated a favorable total return of 18% for the Class A shares and 19% for the Class C shares, compared with 10% for the total return index.

Sale of holding in Kone

Industrivärden's sales of stocks during the first half of 2015 amounted to SEK 2.0 billion, net. The largest sale was the divestment of the entire holding in the Finnish company Kone, for SEK 1.2 billion. During the time Industrivärden held Kone stock, the investment generated an annual total return of 15%.

Continued positive earnings performance for trading

Industrivärden's trading operation showed continued favorable performance, with a half-year profit of SEK 131 M (130). It is gratifying that we can take advantage of our market knowledge in this way to create additional shareholder value.

Organizational changes and major one-off costs

As a result of the changes I have described above, we carried out several organizational changes within Industrivärden during the first half of the year. Several executives and certain other employees have left Industrivärden, which has given rise to large one-off costs – mainly salary costs during the notice period and for social security charges and pensions. We have also gone through all consultancy and partner contracts, resulting in the conclusion of certain undertakings. Of total management costs of SEK 171 M during the first half of the year, approximately SEK 90 M consists of one-off costs.

Following a tumultuous year in many respects, we have now entered into a more stable work phase. I am convinced that as a result of the actions we have taken and the change work that is currently under way, we are well equipped to build an even stronger Industrivärden.

Stockholm, July 6, 2015

Bengt Kjell

Overview

COMPOSITION OF NET ASSET VALUE AND TOTAL RETURN FOR THE PORTFOLIO COMPANIES

Portfolio companies	06/30/2015						6M: 2015	
	No. of shares	Ownership in company, %		Share of value, %	Market value		Total return	TR for the stock
		Capital	Votes		SEK M	SEK/share*	SEK M	%
Handelsbanken A	193,985,037	10.2	10.3	27	23,472	54	799	3
SCA A	40,500,000	10.0	29.5	17	8,566	35	3,370	28
SCA B	30,300,000				6,387			
Volvo A	142,154,571	6.7	21.2	17	14,613	34	2,935	24
Sandvik	147,584,257	11.8	11.8	15	13,526	31	2,736	24
Ericsson A	86,052,615	2.6	15.2	8	6,970	16	-396	-5
ICA Gruppen	21,125,000	10.5	10.5	7	6,213	14	-54	-1
Skanska A	12,667,500	7.4	24.2	6	2,128	12	192	4
Skanska B	18,343,995				3,082			
SSAB A	58,105,972	10.7	17.7	3	2,517	6	-137	-5
SSAB B	754,985				28			
Other				0	254	0	112	
Equities portfolio				100	87,756	203	9,557	12
Interest-bearing net debt					-12,304	-28	Index:	10
of which, convertible loan					-4,874	-11		
Net asset value					75,452	175		
Net debt-equities ratio						14%		
Net asset value after full conversion						173		
Net debt-equities ratio after full conversion						8%		

*Refers to value per Industrivärden share.

DEVELOPMENT OF NET ASSET VALUE

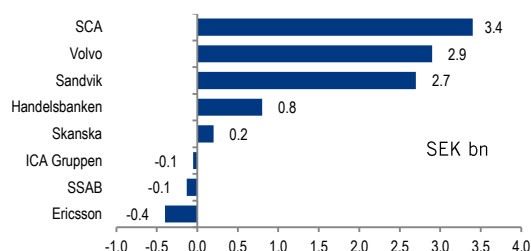
SEK/share	06/30/2015	03/31/2015	12/31/2014	9/30/2014	6/30/2014
Equities portfolio	203	217	192	186	188
Interest-bearing net debt	-28	-30	-34	-34	-32
of which, convertible loans	-11	-11	-11	-11	-11
Net asset value	175	186	158	152	156
Net debt-equities ratio	14%	14%	18%	18%	17%
Net asset value after full conversion	173	184	158	152	156
Net debt-equities ratio after full conversion	8%	9%	12%	12%	11%

Performance

Net asset value

During the first half of the year, net asset value increased by SEK 7.1 billion to SEK 75.5 billion. Net asset value per share increased by SEK 16 to SEK 175, which amounts to a rise of 14% including reinvested dividend, compared with a 10% rise for the total return index (SIXRX). On June 30, 2015, net asset value amounted to SEK 173 per share after full conversion of the convertible loan maturing in 2017.

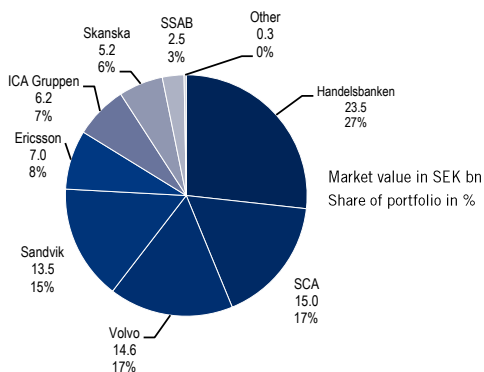
DEVELOPMENT OF EQUITIES PORTFOLIO INCL. REINVESTED DIVIDENDS, 6M:2015



Equities portfolio

During the first half of the year the value of the equities portfolio, adjusted for purchases and sales, increased by SEK 6.6 billion to 87.8 billion. The shareholdings in SCA, Sandvik and Volvo generated higher total returns than the total return index. The total return for the portfolio was 12%, compared with 10% for the total return index.

SPLIT OF EQUITIES PORTFOLIO AS PER JUNE 30, 2015



Investment activities

During the first half of the year, sales of stocks net, were SEK 2.0 billion. The largest sale pertained to Kone, where the entire holding was divested in June 2015 for SEK 1.2 billion. Including received dividends and related trading during the holding period of approximately two years, Industrivärden's annual total return was 15%.

Dividends

Dividends from the portfolio companies totaled to SEK 3.2 billion during the first half of the year. Following the Annual General Meeting in May 2015, Industrivärden has distributed SEK 2.7 billion in dividends to the shareholders. The dividend of SEK 6.25 corresponded to a dividend yield of 4.0% for the Class C shares on June 30, 2015. At the same point in time the average dividend yield for the Stockholm Stock Exchange was 3.5%.

Net debt

Industrivärden's interest-bearing net debt amounted to SEK 12.3 billion on June 30, 2015. The debt-equities ratio was 14%, and the equity ratio was 83% (80%). Assuming full conversion of outstanding convertible loans, totaling SEK 4.9 billion, interest-bearing net debt amounted to SEK 7.4 billion, and the debt-equities ratio was 8%.

At the end of the first half of the year, interest-bearing liabilities had an average capital duration of approximately 2.5 years and carried an average interest rate of approximately 1.9%.

No part of the Group's borrowings is conditional on any covenants. Industrivärden's current credit rating is A-/Positive/A-2, after S&P on May 8, 2015, raised the outlook for Industrivärden's credit rating from stable to positive and confirmed the credit rating of A-.

Convertible loan

The conversion price for Industrivärden's outstanding convertible loan 2011-2017 is SEK 157.57 (corresponding to EUR 17.74/share), whereby a maximum of 31.0 million Class C shares would be added upon full conversion. Conversion is done at a fixed exchange rate of SEK 8.8803/EUR 1, entailing that at an actual exchange rate of SEK 9.22/EUR 1, it is profitable to convert when the share price exceeds SEK 164/share.

Upon conversion of the loan, the debt is converted to equity, and the number of shares outstanding increases. Conversion does not give rise to any financial dilution, since the loan is invested in the equities portfolio, and the conversion price has been set at a premium to net asset value.

Exchangeable bond

In 2014 a SEK 4.4 billion exchangeable bond, based on ICA Gruppen's stock, was issued as part of the continuous refinancing of the equities portfolio. The bond matures in 2019 and was issued at a premium of approximately 38% to ICA Gruppen's, at that time, existing share price and carries no interest. During the first half of 2015 the conversion price was adjusted from SEK 300 to SEK 298.52, to compensate the exchangeable bondholders for dividend exceeding a stated dividend level at issuance. At a potential future conversion there is a possibility to pay either with shares or with cash equivalents.

Trading

During the first half of the year, Industrivärden's trading generated a profit of SEK 131 million (130).

Management cost

The management cost amounted to SEK 171 million (74). The increase during the first half of the year pertains mainly to one-off costs of approximately SEK 90 million for organizational changes, including a reduction in executives and some other staff and cancellation of consultancy/partner contracts.

Industrivärden's management cost excluding one-off costs was 0.18% of the value of the equities portfolio as per June 30, 2015, which is considerably lower than for most comparable investment alternatives.

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.

During the first half of the year, 150 Class A shares were converted. Following the conversions, the number of votes in the company is 284,601,572. The total number of registered shares in the company is 432,341,271, of which 268,186,050 are Class A shares and 164,155,221 are Class C shares.

Financial statements

INDUSTRIVÄRDEN GROUP

SEK M	2015 Apr.-Jun.	2014 Apr.-Jun.	2015 Jan.-Jun.	2014 Jan.-Jun.	2014 Jan.-Dec.
INCOME STATEMENT					
Dividend income from stocks	2,019	1,884	3,184	2,984	2,984
Change in value of stocks, etc.	-4,341	-2,751	6,259	1,857	2,627
Short-term derivative transactions and equity trading	66	48	131	130	178
Management cost	-110	-38	-171	-74	-146
Operating income	-2,366	-857	9,403	4,897	5,643
Financial items	-66	-94	-137	-221	-378
Income after financial items	-2,432	-951	9,266	4,676	5,265
Tax	-	-	-	-	-
Net income for the period	-2,432	-951	9,266	4,676	5,265
Earnings per share, SEK	-5.63	-2.31	21.43	11.63	12.62
Earnings per share after dilution, SEK	-5.63	-2.31	20.90	10.33	11.39
STATEMENT OF COMPREHENSIVE INCOME					
Comprehensive income for the period	-2,431	-955	9,268	4,667	5,230
BALANCE SHEET as per end of period					
Equities			87,756	81,428	83,062
Non-current receivables			645	367	375
Total non-current assets			88,401	81,795	83,437
Cash and cash equivalents			793	959	0
Other current assets			468	431	622
Total current assets			1,261	1,390	622
Total assets			89,662	83,185	84,059
Shareholders' equity			73,972	66,834	67,406
Non-current interest-bearing liabilities			11,120	13,173	11,666
Non-current non interest-bearing liabilities*			1,207	617	858
Total non-current liabilities			12,327	13,790	12,524
Current interest-bearing liabilities			3,042	2,302	3,905
Other liabilities			321	259	224
Total current liabilities			3,363	2,561	4,129
Total shareholders' equity and liabilities			89,662	83,185	84,059
CASH FLOW					
Cash flow from operating activities			2,975	2,684	2,458
Cash flow from investing activities			2,020	-1,228	-1,561
Cash flow from financing activities**			-4,202	-988	-1,387
Cash flow for the period			793	468	-490
Exchange rate difference in cash and cash equivalents			0	1	0
Cash and cash equivalents at end of period			793	959	0

* Of which, the option portion of the convertible loan and exchangeable bond, totaling SEK 1 091 M (607), which at the times of issue amounted to a combined total of SEK 934 M.

** Of which, dividends of SEK 2 282 M were paid to shareholders in 2014 and SEK 2 702 M in 2015.

SEK M	2015 Jan.-Jun.	2014 Jan.-Jun.	2014 Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY			
Opening shareholders' equity as per balance sheet	67,406	59,280	59,280
Comprehensive income for the period	9,268	4,667	5,230
Conversion	0	5,169	5,169
Dividend	-2,702	-2,282	-2,282
Other	0	0	9
Closing shareholders' equity as per balance sheet	73,972	66,834	67,406
KEY DATA as per end of period			
Net asset value per share, SEK	175	156	158
Net asset value per share after full conversion, SEK	173	156	158
Share price (Class A), SEK	162	141	143
Share price (Class C), SEK	156	132	136
Number of shares (thousands)*	432,341	432,341	432,341
INTEREST-BEARING NET DEBT at end of period			
Cash and cash equivalents	793	959	0
Interest-bearing assets	1,065	609	939
Non-current interest-bearing liabilities**	11,120	13,173	11,666
Current interest-bearing liabilities	3,042	2,302	3,905
Interest-bearing net debt	12,304	13,907	14,632

* Number of shares upon full conversion (thousands), 463 338.

** Of which, convertible loans of SEK 4 874 M (4 745).

INDUSTRIVÄRDEN PARENT COMPANY

SEK M	2015 Jan.-Jun.	2014 Jan.-Jun.	2014 Jan.-Dec.
INCOME STATEMENT			
Operating income	6,631	4,531	3,044
Income after financial items	6,561	4,392	2,816
Income for the period	6,561	4,392	2,816
Comprehensive income for the period	6,563	4,383	2,781
BALANCE SHEET AS PER END OF PERIOD			
Non-current assets	50,538	48,804	48,092
Current assets	3,583	2,962	2,813
Total assets	54,121	51,766	50,905
Shareholders' equity	41,025	38,757	37,164
Non-current liabilities	10,327	11,790	11,024
Current liabilities	2,769	1,219	2,717
Total shareholders' equity and liabilities	54,121	51,766	50,905

Accounting policies and notes

Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and the Swedish Annual Accounts Act. The Parent Company's financial statements have been prepared in accordance with RFR 2 – Accounting for Legal Entities, and the Swedish Annual Accounts Act.

New or amended IFRSs and IFRIC interpretations have not had any effect on the Group's or Parent Company's results of operations or financial position.

Risks and uncertainties

The dominant risk in Industrivärden's business is share price risk, i.e., the risk of a decrease in value caused by changes in share prices.

A 1% change in the share price of the holdings in the equities portfolio as per June 30, 2015, would have affected its market value by approximately +/- SEK 900 million.

Fair value measurement of financial instruments

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

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

06/30/2015	Level 1	Level 2	Level 3	Total
Assets				
Equities	87,562	-	194	87,756
Derivatives	-	35	-	35
Total assets	87,562	35	194	87,791
	Level 1	Level 2	Level 3	Total
Liabilities				
<i>Non-current liabilities</i>				
Option portion of convertible loan and exchangeable bond	-	1,091	-	1,091
Other derivatives	-	116	-	116
<i>Current liabilities</i>				
Derivatives	52	44	-	96
Total liabilities	52	1,251	-	1,303

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

Related party transactions

During the first half of the year 2015, dividend income was received from associated companies.

Other

Resolutions at Annual General Meeting

The 2015 Annual General Meeting was held on May 6, at which the following resolutions, among others, were made. The dividend was set at SEK 6.25 (5.50) per share. Pär Boman, Christian Caspar, Nina Linander, Fredrik Lundberg and Annika Lundius were re-elected as directors on the Board. Sverker Martin-Löf, Anders Ny-rén, Boel Flodgren and Stuart Graham declined re-election. Bengt Kjell and Lars Pettersson were elected as new directors. Bengt Kjell is acting CEO of Industrivärden and Chairman of SSAB, Hemfosa Fastigheter and Skånska Byggvaror among other board positions. Lars Pettersson is Chairman of KP Komponenter A/S and a director on the Board of L E Lundbergföretagen, Indutrade and Husqvarna among other board positions. Fredrik Lundberg was elected as new Chairman of the Board. At the statutory board meeting, Pär Boman was elected as Vice Chairman. In addition, an Audit Committee was elected, consisting of Pär Boman (committee chair), Fredrik Lundberg, Christian Caspar and Nina Linander, and a Compensation Committee was elected, consisting of Fredrik Lundberg (committee chair), Lars Pettersson and Annika Lundius.

Board's assurance

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

Stockholm, July 6, 2015
AB Industrivärden (publ)

Fredrik Lundberg Chairman	Pär Boman Vice Chairman	Christian Caspar Director
Nina Linander Director	Annika Lundius Director	Lars Pettersson Director

Bengt Kjell
Acting President and CEO, director

Financial calendar

Interim report January–September: October 5, 2015

Publication

The information provided in this interim report is such that AB Industrivärden (publ) is obligated to publish pursuant to the Securities Market Act. Submitted for publication at 09:00 a.m. (CET) on July 6, 2015.

Contact persons

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Bengt Kjell, Acting President and CEO
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Contacts and further information

Industrivärden's complete contact information can be found on page 1. For further information, please visit Industrivärden's website: www.industrivarden.net.

Auditors' Review Report

Following is the auditors' review report of interim financial information prepared in accordance with IAS 34 and Ch. 9 of the Swedish Annual Accounts Act.

Introduction

We have reviewed the interim report for AB Industrivärden (publ) for the period January 1–June 30, 2015. The Board of Directors and President are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing (IAS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group, and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm, July 6, 2015
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Value creation

Active ownership – business concept and strategy

Industrivärden is a long-term asset manager and active owner of internationally active Nordic quality companies. Through a professional investment operation and active ownership, the business mission is to generate high growth in net asset value and thereby enable a long-term total return for the shareholders that is higher than the average for the Stockholm Stock Exchange. Based on substantive

knowledge in strategic company development and corporate governance, financial strength and an extensive network, active ownership is exercised through nomination work and board representation. Industrivärden thereby contributes to the portfolio companies' growth in value over time. Since its establishment seventy years ago, Industrivärden has generated long-term competitive shareholder value at a low cost and low risk.

Our view of SCA – case study



SCA is one of the world's largest companies in personal care products, the world's third-largest supplier of tissue and one of Europe's most profitable producers of forest products. The company has sales of more than SEK 100 billion in approximately 100 countries. The products are sold under SCA's global, regional and local brands, including TENA, TORK, Libero, Libresse, Lotus, Tempo and Vinda, and under retailers' private labels.

SCA's mission is to sustainably develop, produce, market and sell increasingly value-added products and services within SCA's business areas. Growth factors include keen customer and consumer insight, knowledge about local and regional market conditions, and superior ability to launch new products.

This, combined with global expertise, strong brands, efficient production and innovation, forms the foundation for long-term shareholder value.

In recent years SCA has undergone a successful transformation from a traditional paper and pulp company to a leading global hygiene company. During the last five-year period the company has sold its packaging operation, acquired Georgia-Pacific's European tissue operations, and carried out several investments in emerging markets (China, India, etc).

During the last five-year period SCA's Class A share has generated an annual return of 8 percentage points above the stock market index. During the past six months SCA's total return was 28%, compared with 10% for the Stockholm Stock Exchange.

Further information on the portfolio companies

Handelsbanken Full-service bank with a nationwide branch network in Sweden, the UK, Denmark, Finland, Norway and the Netherlands. www.handelsbanken.com



Leading global hygiene and forest products company with innovative products and strong brands.

www.sca.com

VOLVO

Leading global player in modern transport solutions.

www.volvogroup.com



Global industrial group with unique know-how in customer adapted materials technology.

www.sandvik.com

ERICSSON 

World leading supplier of complete solutions for telecommunications.

www.ericsson.com



The Nordic region's leading retail company through local entrepreneurship.

www.icagruppen.se

SKANSKA

Leading international player in sustainable construction and project development.

www.skanska.com

SSAB

Highly specialized global steel company with a niche focus on high-strength steel.

www.ssab.com
