



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

www.industrivarden.net

Interim Report

January 1–September 30, 2015

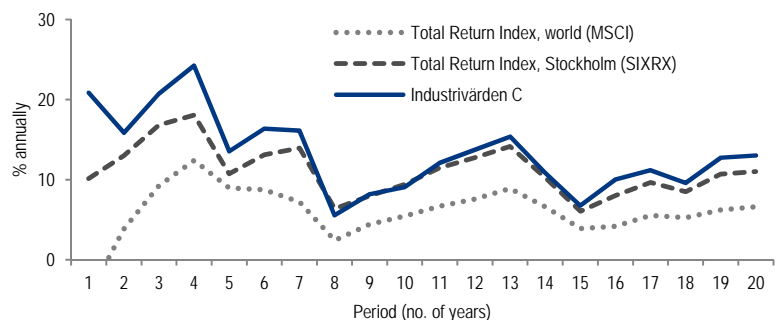
- > **The total return** for the first nine months of the year was 15% for the Class A shares and 12% for the Class C shares, compared with 4% for the SIXRX total return index.
- > **Net asset value** on September 30, 2015, was SEK 159/share, representing an increase of 4% including reinvested dividend since the start of the year. Earnings per share for the first nine months of the year were SEK 6.15 (7.54).
- > **Helena Stjernholm new President and CEO from September 1, 2015.**

NET ASSET VALUE



During the last twenty-year period, net asset value has increased by 7% per year, and by 10% per year incl. reinvested dividend.

AVERAGE ANNUAL TOTAL RETURN FOR EACH TIME PERIOD



CEO's message

Continued development of Industrivärden for greater value creation

Just over a month has passed since I took office as CEO of Industrivärden. I am very excited to have been entrusted with leading and developing the company at the same time that I have a great deal of respect for the task ahead. Industrivärden is a great company with committed employees and a portfolio of first-rate companies. It is now my task to continue developing Industrivärden into a long-term asset manager with even greater focus on enhancing growth in net asset value. As support in this work I have a background of experience in active ownership and investment activity from many years in the private equity business. Our work going forward will rely on a clear business focus, structured advocacy processes, focus on results and close follow-up, but also on effective cooperation with different stakeholders. A good team embodies strong transformational power. Toward this end I can also contribute an outside perspective. I am now working intensively on immersing myself in Industrivärden and in the portfolio companies' operations in parallel with my efforts to meet with a broad range of stakeholders. This is important work that has strengthened me in my conviction that we have a solid foundation to build further on.

The transformational work that is now in progress can be summarized in three points: *a stronger corporate governance structure, refined work models, and deeper collaborations.*

Industrivärden has taken numerous steps towards strengthening its governance structure. The board nomination process is now headed by representatives from Industrivärden's board or by me as CEO – people who represent the company's highest decision-making bodies with respect to ownership issues. Conducting preparatory work for the nomination of board members ahead of AGM elections is one of our most important ownership duties. It is against this background that I have taken the role as nominating committee chair for Handelsbanken, SCA, Skanska and SSAB. Another important change is that we have taken a structured approach to expanding the base of potential candidates for nomination to board elections. Parallel with this, a clear intention has been communicated to avoid personal constellations, etc. on the boards of the companies in which Industrivärden is an active owner.

The second development point involves strengthening our work models in order to be a more focused asset manager and active owner. This work has now been started.

To be a relevant actor with power to act we must have highly developed collaborative relationships with our most important stakeholder groups. The third development point is therefore to deepen our collaboration with other owners of our portfolio companies and other stakeholders, and to broaden our networks.

Greater uncertainty over global growth

Development of the world economy remains staggered, with considerable regional differences between the major emerging market economies and several of the developed countries. Although growth in countries like China and India is relatively good, it continues to be on a downward slope, while several Western countries like the U.S. and the UK are performing well. The euro area is also showing growth, but here, too, the regional differences are great. The recovery in Europe and the U.S. is fragile, however, and is partly reliant on stimulus measures.

As a result of falling commodity prices and lower business activity, global trade activity is decreasing, mainly due to weaker growth in emerging markets.



A key factor at present is the extent to which China succeeds at halting its economic slowdown and further stimulating its economy without risking an overheating situation in the equity or real estate markets. China's leadership has the tools to implement structural reforms and adapt finance and monetary policy, but it is a tough balancing act.

The U.S. is performing well, but the anticipated interest rate hike in September did not transpire, which indicates some uncertainty about the economic trend. There are also fears in the U.S. over the weakened economic development in China and other important emerging market countries.

Owing to uncertainty over global economic development combined with mounting geopolitical tensions, the stock markets are showing major volatility. The Stockholm Stock Exchange has also been shaky, and since hitting a high point in April, it has fallen by nearly 16%.

Varied price trend in Industrivärden's equities portfolio

Industrivärden's shareholdings have generated varying returns during the last three-year period. SCA, Handelsbanken, Skanska and ICA Gruppen have performed well compared to the return index. Ericsson has performed slightly lower than the stock market as a whole. Volvo, Sandvik and SSAB have clearly been underperformers, with weak value development.

Value development

During the first nine months, net asset value grew to SEK 68.5 billion, or SEK 159 per share, representing an increase of 4% if one includes reinvested dividend. During the same period, sales of stocks net, were SEK 2.2 billion. On September 30 the portfolio was worth SEK 81.0 billion, and net debt was SEK 12.4 billion, corresponding to a debt-equities ratio of 15%. The total return for the Class A and Class C shares was 15% and 12%, respectively, compared with 4% for the total return index.

Ongoing transformational work in some of the portfolio companies

The portfolio companies are currently in various phases. Volvo and Sandvik are working with extensive strategic development and cost-cutting programs, and both companies have new CEOs who are taking office during the fourth quarter. At SSAB, work on realizing all of the synergies from the acquisition of Rautaruukki is proceeding according to plan with the goal of annual savings of SEK 1.4 billion from the second half of 2016.

As a long-term investor it is important that we closely monitor our portfolio companies and that we have a clear understanding of them from both the company and investment perspectives. Combining these perspectives is a central challenge in our business as a long-term asset manager.

The long-term work on strengthening Industrivärden's focus on shareholder value continues, and I look forward to leading this endeavor.

Stockholm, October 5, 2015



Helena Stjernholm

Overview

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

Portfolio companies	09/30/2015						9M: 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	29	23,259	54	573	2
SCA A	40,500,000	10.0	29.6	20	9,388	38	4,928	41
SCA B	30,300,000				7,084			
Volvo A	142,154,571	6.7	21.3	14	11,358	26	-439	-4
Sandvik	147,584,257	11.8	11.8	13	10,508	24	-402	-3
Ericsson A	86,052,615	2.6	15.2	8	6,527	15	-854	-11
ICA Gruppen	21,125,000	10.5	10.5	7	5,978	14	-296	-5
Skanska A	12,667,500	7.1	24.0	6	2,076	11	72	1
Skanska B	17,343,995				2,843			
SSAB A	58,105,972	10.7	17.7	2	1,665	4	-997	-37
SSAB B	754,985				19			
Other				0	265	1	124	
Equities portfolio				100	80,971	187	2,708	3
Interest-bearing net debt					-12,429	-29	Index:	4
of which, convertible loan					-5,008	-12		
Net asset value					68,542	159		
Net debt-equities ratio						15%		
Net asset value after full conversion						159		
Net debt-equities ratio after full conversion						9%		

*Refers to value per Industrivärden share.

DEVELOPMENT OF NET ASSET VALUE

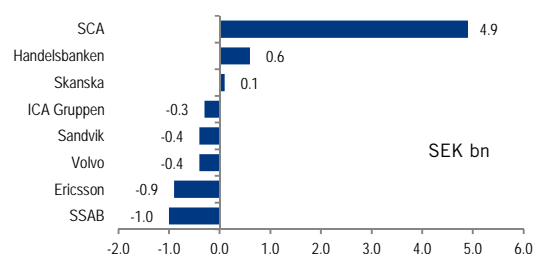
SEK/share	09/30/2015	06/30/2015	03/31/2015	12/31/2014	9/30/2014
Equities portfolio	187	203	217	192	186
Interest-bearing net debt	-29	-28	-30	-34	-34
of which, convertible loans	-12	-11	-11	-11	-11
Net asset value	159	175	186	158	152
Net debt-equities ratio	15%	14%	14%	18%	18%
Net asset value after full conversion	159	173	184	158	152
Net debt-equities ratio after full conversion	9%	8%	9%	12%	12%

Performance

Net asset value

During the first nine months of the year 2015, net asset value increased by SEK 0.2 billion to SEK 68.5 billion. Net asset value per share increased by SEK 1 to SEK 159, which amounts to a rise of 4% including reinvested dividend, compared with a 4% rise for the total return index (SIXRX). On September 30, 2015, net asset value amounted to SEK 159 per share after full conversion of the convertible loan maturing in 2017.

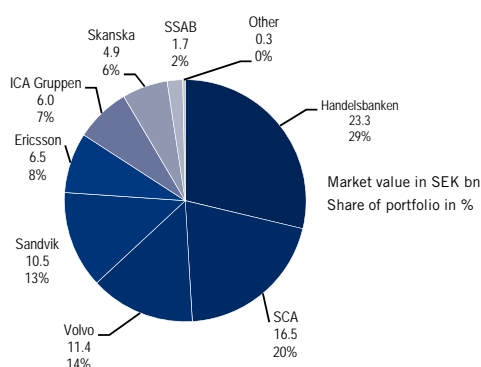
DEVELOPMENT OF EQUITIES PORTFOLIO INCL. REINVESTED DIVIDENDS, 9M:2015



Equities portfolio

During the first nine months of the year 2015 the value of the equities portfolio, adjusted for purchases and sales, decreased by SEK 0.1 billion to 81.0 billion. The shareholding in SCA generated higher total returns than the total return index. The total return for the portfolio was 3%, compared with 4% for the total return index.

SPLIT OF EQUITIES PORTFOLIO AS PER SEPTEMBER 30, 2015



Investment activities

During the first nine months of the year 2015, sales of stocks net, were SEK 2.2 billion. The largest sale pertained to Kone, where the entire holding was divested for SEK 1.2 billion.

Dividends

During the first nine months of the year 2015, dividends from the portfolio companies totaled to SEK 3.2 billion and Industrivärden distributed SEK 2.7 billion in dividends to the shareholders. The dividend of SEK 6.25 corresponded to a dividend yield of 4.3% for the Class C shares on September 30, 2015. At the same point in time the average dividend yield for the Stockholm Stock Exchange was 3.7%.

Net debt

Industrivärden's interest-bearing net debt amounted to SEK 12.4 billion on September 30, 2015. The debt-equities ratio was 15%, and the equity ratio was 82% (80%). Assuming full conversion of outstanding convertible loans, totaling SEK 5.0 billion, interest-bearing net debt amounted to SEK 7.4 billion, and the debt-equities ratio was 9%.

At the end of the quarter, interest-bearing liabilities had an average capital duration of slightly more than two years and carried an average interest rate of approximately 1.8%.

No part of the Group's borrowings is conditional on any covenants. Industrivärden's current credit rating is A-/Positive/A-2 (S&P).

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 9.41/EUR 1, it is profitable to convert when the share price exceeds SEK 167/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 nine months of the year 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

As part of its professional asset management activities, Industrivärden has an equity trading function that contributes with market information, market contacts and execution of transactions. To capitalize on this resource and on Industrivärden's long-term shareholdings, trading is conducted by issuing derivative instruments and related risk management, among other activities.

During the first nine months of 2015, the trading operation generated a profit of SEK 158 million (175).

Management cost

During the first nine months of the year 2015 the management cost amounted to SEK 201 million (108). The increase 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 September 30, 2015.

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 nine months of the year 2015, 770 Class A shares were converted. Following the conversions, the number of votes in the company is 284,601,014.1. The total number of registered shares in the company is 432,341,271, of which 268,185,430 are Class A shares and 164,155,841 are Class C shares.

New CEO in Industrivärden

On September 1, 2015, Helena Stjernholm (b. 1970), M. Sc. Econ., started as new President and CEO of Industrivärden. Stjernholm was previously a partner in the private equity firm IK Investment Partners (former Industri Kapital) with responsibility for its Stockholm office. She was also a member of IK's Executive Committee. Stjernholm served in various positions with IK since 1998, and prior to that worked as a consultant for Bain & Company. She has many years and a broad base of experience in asset management and board work.

Financial statements

INDUSTRIVÄRDEN GROUP

SEK M	2015 Jul.-Sep.	2014 Jul.-Sep.	2015 Jan.-Sep.	2014 Jan.-Sep.	2014 Jan.-Dec.
INCOME STATEMENT					
Dividend income from stocks	0	0	3,184	2,984	2,984
Change in value of stocks, etc.	-6,539	-1,504	-280	353	2,627
Short-term derivative transactions and equity trading	27	45	158	175	178
Management cost	-30	-34	-201	-108	-146
Operating income	-6,542	-1,493	2,861	3,404	5,643
Financial items	-64	-76	-201	-297	-378
Income after financial items	-6,606	-1,569	2,660	3,107	5,265
Tax	-	-	-	-	-
Net income for the period	-6,606	-1,569	2,660	3,107	5,265
Earnings per share, SEK	-15.28	-3.63	6.15	7.54	12.62
Earnings per share after dilution, SEK	-15.28	-3.75	6.15	6.57	11.39
STATEMENT OF COMPREHENSIVE INCOME					
Comprehensive income for the period	-6,596	-1,571	2,672	3,096	5,230
BALANCE SHEET as per end of period					
Equities			80,971	80,403	83,062
Non-current receivables			480	367	375
Total non-current assets			81,451	80,770	83,437
Cash and cash equivalents			153	115	0
Other current assets			405	529	622
Total current assets			558	644	622
Total assets			82,009	81,414	84,059
Shareholders' equity			67,376	65,272	67,406
Non-current interest-bearing liabilities			11,278	12,718	11,666
Non-current non interest-bearing liabilities*			885	337	858
Total non-current liabilities			12,163	13,055	12,524
Current interest-bearing liabilities			2,141	2,775	3,905
Other liabilities			329	312	224
Total current liabilities			2,470	3,087	4,129
Total shareholders' equity and liabilities			82,009	81,414	84,059
CASH FLOW					
Cash flow from operating activities			2,803	2,633	2,458
Cash flow from investing activities			2,195	-1,833	-1,561
Cash flow from financing activities**			-4,845	-1,175	-1,387
Cash flow for the period			153	-375	-490
Cash and cash equivalents at end of period			153	115	0

* Of which, the option portion of the convertible loan and exchangeable bond, totaling SEK 780 M (336), 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.-Sep.	2014 Jan.-Sep.	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	2,672	3,096	5,230
Conversion	0	5,169	5,169
Dividend	-2,702	-2,282	-2,282
Other	0	9	9
Closing shareholders' equity as per balance sheet	67,376	65,272	67,406
KEY DATA as per end of period			
Net asset value per share, SEK	159	152	158
Net asset value per share after full conversion, SEK	159	152	158
Share price (Class A), SEK	159	133	143
Share price (Class C), SEK	147	126	136
Number of shares (thousands)*	432,341	432,341	432,341
INTEREST-BEARING NET DEBT at end of period			
Cash and cash equivalents	153	115	0
Interest-bearing assets	837	795	939
Non-current interest-bearing liabilities**	11,278	12,718	11,666
Current interest-bearing liabilities	2,141	2,775	3,905
Interest-bearing net debt	12,429	14,583	14,632

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

** Of which, convertible loans of SEK 5 008 M (4 766).

INDUSTRIVÄRDEN PARENT COMPANY

SEK M	2015 Jan.-Sep.	2014 Jan.-Sep.	2014 Jan.-Dec.
INCOME STATEMENT			
Operating income	-1,025	2,543	3,044
Income after financial items	-1,119	2,359	2,816
Income for the period	-1,119	2,359	2,816
Comprehensive income for the period	-1,107	2,348	2,781
BALANCE SHEET AS PER END OF PERIOD			
Non-current assets	42,600	46,628	48,092
Current assets	3,307	3,831	2,813
Total assets	45,907	50,459	50,905
Shareholders' equity	33,355	36,731	37,164
Non-current liabilities	10,163	11,555	11,024
Current liabilities	2,389	2,173	2,717
Total shareholders' equity and liabilities	45,907	50,459	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 September 30, 2015, would have affected its market value by approximately +/- SEK 800 million.

Related party transactions

During the first nine months the year 2015, dividend income was received from associated companies.

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.

09/30/2015	Level 1	Level 2	Level 3	Total
Assets				
Equities	80,762	-	209	80,971
Derivatives	11	21	-	32
Total assets	80,773	21	209	81,003
Liabilities				
<i>Non-current liabilities</i>				
Option portion of convertible loan and exchangeable bond	-	780	-	780
Other derivatives	-	135	-	135
<i>Current liabilities</i>				
Derivatives	48	3	-	51
Total liabilities	48	918	-	966

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

Other

Financial calendar

Year-end report January–December: February 5, 2016

Interim report January–March: April 5, 2016

Annual General Meeting: May 9, 2016

Interim report January–June: July 6, 2016

Interim report January–September: October 6, 2016

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 10:00 a.m. (CET) on October 5, 2015.

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Contacts and further information

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This interim report has not been reviewed by the company's auditors.

INDUSTRI VÄRDEN

