INDUSTRIVÄRDEN

Year-end report

January 1–December 31, 2011

- **Net asset value on December 31, 2011, was SEK 104 per share, compared with SEK 149 per share at the start of the year.** Net asset value on February 6, 2012, was SEK 128 per share, an increase of 23% during the year to date.
- **The equities portfolio was worth SEK 56.9 billion on December 31, 2011, compared with SEK 71.1 billion at the start of the year.** On February 6, 2012, the equities portfolio was worth SEK 66.2 billion, an increase during 2012 of 16%.
- **The total return for the year was -25% for the Class A shares and -28% for the Class C shares, compared with -14% for the return index.**
- **Income for the year was SEK -15.6 billion (14.9), or SEK -40.51 per share (38.50).**
- **During the year, shares were purchased in portfolio companies for a total of SEK 4.5 billion, net, including purchases of stock in Volvo, Handelsbanken and Sandvik.**
- **At the start of 2011 Industrivärden issued six-year convertible bonds worth EUR 550 M, for which the conversion price was set at a premium to net asset value.**
- **The Board of Directors proposes a dividend of SEK 4.50 (4.00) per share.**

Net asset value	Feb. 6, 2012	**Dec. 31, 2011**	Dec. 31, 2010
Equities portfolio, SEK billion	66.2	**56.9**	71.1
Interest-bearing net debt, SEK billion	-16.9	**-16.8**	-13.4
of which interest-bearing loans	-8.5	**-8.2**	-9.2
of which convertible loans	-8.4	**-8.6**	-4.2
Net asset value, SEK billion	49.3	**40.1**	57.7
Net asset value per share, SEK	128	**104**	149
Net asset value per share after full conversion, SEK	125	**106**	144

Total return	1 year	5 years	10 years	15 years
Class A shares (yearly average)	-25%	-5%	5%	10%
Class C shares (yearly average)	-28%	-4%	5%	10%
Benchmark index (SIXRX)	-14%	0%	6%	8%
Relative return for Class C shares, percentage points	-14%	-4%	-1%	2%

▶ ***Long-term industrial developer of listed Nordic companies***

Industrivärden is one of the Nordic region's largest holding companies, with ownership in a concentrated selection of listed Nordic companies with good development potential. The goal is to generate high growth in net asset value over time.

CEO's message

The second half of 2011 came to be overshadowed by two government financial crises – the euro crisis in Europe and the galloping federal budget deficit in the U.S. Serious crises create anxiety and feed pessimism for the future. This pattern is repeating itself and is now being expressed in two interrelated effects – downward adjustments of growth forecasts and falling stock prices. The world's stock markets, and the Swedish market in particular, fell sharply and as the crisis reached its culmination in early October 2011 there were many who feared a collapse, among other things as a result of the disintegrating euro cooperation. The stock markets, which normally focus on evaluating company-specific factors, now shifted over to judging macro risks, with sharply falling prices as a result. Now a growing number of observers believe that the actions taken as ECB's bank financing program and the euro pact are moving the development in the right direction. Signs of more normal growth figures in the U.S. is setting the stage for reduced budget deficits. A strengthened confidence is reflected in the stock market. Since hitting bottom in October 2011, the Stockholm Stock Exchange has gained 25%, and Industrivärden's Class C stock has risen more than 50%.

2011 was characterized by a high level of activity and a number of important events in our portfolio companies.

SCA announced in rapid succession the acquisition of Georgia Pacific's European tissue business and the sale of its European packaging operation. Through this shift SCA has obtained a fine operation that has substantial synergies with its other hygiene businesses. SCA has thereby become a consumer products company backed up by a well-run forest products business. Its ownership of Europe's largest private forest holdings is a vital source of raw material and tempers the sensitivity of fluctuations in commodity prices for the hygiene business.

Sandvik – under the direction of CEO Olof Faxander, who took office in February 2011 – has further developed its strategy. The objective is to achieve sharper profitability targets, efficiency improvements and greater synergies between the company's different business areas, mainly in administration. The announced ambition to divest Medtech and the acquisition of Seco Tools are clear expressions of Sandvik's efforts to strengthen its core business. The new group management that has been installed represents a rejuvenation with added international breadth.

Also Volvo, under the direction of its new CEO, Olof Persson, who took office in September 2011, has announced changes in the form of a new organization. Its goal has been to achieve efficiency improvements and a greater focus on profitability. The declared ambition to sell Volvo Aero is an expression of a greater concentration on the core business. Volvo's nominating committee has proposed Carl-Henrik Svanberg to succeed Louis Schweitzer as Chairman, who has declined re-election.

Handelsbanken continues to perform well. The bank is standing firmly on its own legs and did not need state support or subsidies to manage its funding during this bank crisis, either. It is worth noting that in 2011 alone, Handelsbanken paid SEK 1.1 billion in government fees, of which the Swedish Stability Fund accounted for the greater share. This is an added burden for the company and its shareholders. The new calculation bases for calculating the bank's capital adequacy, under Basel III, have now been set. It is gratifying and impressive that Handelsbanken, with slightly more than 14% in core tier 1 capital, is one of the most well capitalized banks in Europe. It would be unfortunate from a competition perspective if Handelsbanken and other Swedish banks would have greater demands from the Swedish FSA than their European competitors. Handelsbanken's organic growth with good profitability in the UK is a textbook example of how a company – step-by-step, with limited risk and a successful business model – can gain a foothold in a new market.

Ericsson is today an industry leader in mobile telecom systems and related services. While Ericsson has strengthened its position over time, most of its European and American competitors have been diminished or disappeared, and its lead over the Chinese competitors has widened. The company is today a major player in terms of both volume and profitability in the important U.S. market. During the year, Ericsson invested in capturing market shares in Europe at a time when the European operators were modernizing their networks. This investment in market shares has put pressure on profitability in the near term. Ericsson's sale of its 50% stake in Sony Ericsson to Sony and the acquisition of Telcordia are good examples of investments in the core business. In April 2011 Leif Johansson was elected as Ericsson's new chairman.

Skanska is pursuing further expansion – both in scope and geographically – of its highly successful project development business. Currently it is concluding the first commercial property development projects in the U.S., with good results. At the same time, Skanska's success, which is the result of a large and profitable construction operation combined with a successful project development business, has enabled the company to deliver a favorable total return over time.

A second convertible loan was successfully issued in January 2011. Through these loans we have obtained a favorable form of financing for stock purchases in quality companies with historically low multiples.

In 2011 we bought shares in portfolio companies worth SEK 4.5 billion, net. Among other things, we continued to strengthen our ownership position in Volvo – a portfolio company that we believe has good future opportunities with major value potential. In total we bought Volvo stock for SEK 2.9 billion, after which our ownership now amounts to slightly more than 15% of the votes.

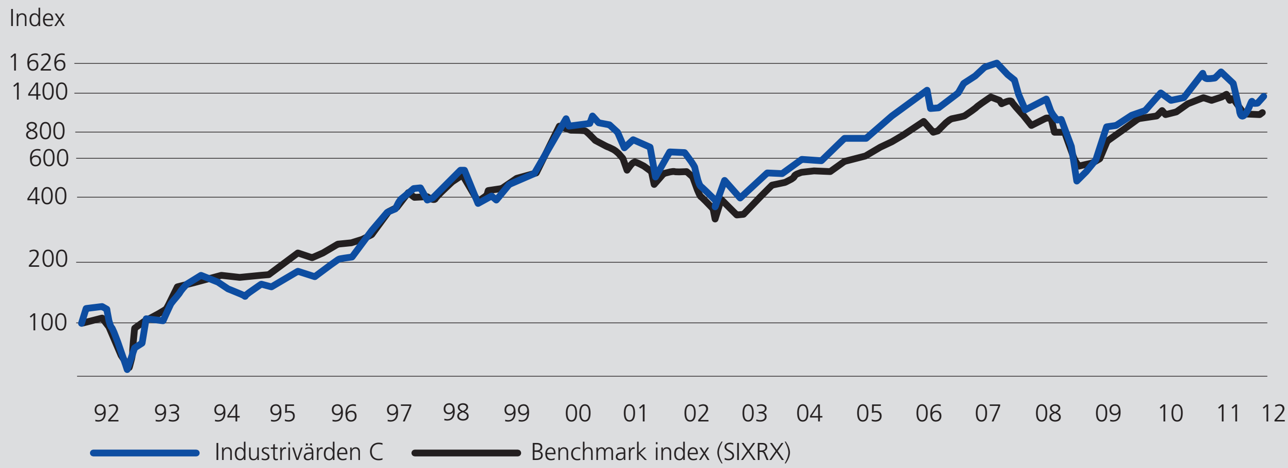
Earnings from our short-term trading amounted to SEK 152 M, compared with our management costs of SEK 105 M, or 0.18% of managed assets. We have now passed SEK 1 billion in profits from our short-term trading since the start in 2003.

Industrivärden has a proven ability to create shareholder value, and over the last fifteen years, Industrivärden has delivered an annual total return that is 2 percentage points higher than the Stockholm Stock Exchange, which for a long time has been a strong performer in an international comparison. In 2011 we were affected by the negative trend in the stock market and the portfolio's exposure to the industrial and banking sectors. The portfolio value fell by slightly more than SEK 14 billion, to SEK 57 billion, and net asset value was SEK 104 per share, or SEK 106 per share after full conversion. The total return for Industrivärden's stock was -28%, compared with -14% for the return index. During the start of 2012, the stock market has assigned a higher value to our portfolio companies, and to date this year Industrivärden's stock has risen by 25%, compared with 10% for the Stockholm Stock Exchange.

The Board proposes a dividend of SEK 4.50 per share, which entails that – as in previous years – we will fulfill our goal of paying a dividend yield that is higher than the average for the Stockholm Stock Exchange.

Anders Nyrén

Total return for the Industrivärden stock



Net asset value

Net asset value on December 31, 2011, was SEK 40.1 billion, a decrease of SEK 17.6 billion for the year. Net asset value per share decreased by SEK 45 to SEK 104, or -28% including reinvested dividends. During the same period, the total return index (SIXRX) fell by 14%. On February 6, 2012, net asset value amounted to SEK 49.3 billion, or SEK 128 per share, an increase of 23% during the year to date.

Equities portfolio

The value of the equities portfolio – adjusted for purchases and sales – decreased by SEK 18.7 billion in 2011, to SEK 56.9 billion. The total return for the portfolio during the same period was -23%, compared with -14% for the total return index (SIXRX). On February 6, 2012 the equities portfolio was worth SEK 66.2 billion, an increase during 2012 of 16%.

	December 31, 2011						December 31, 2010	
Portfolio		Ownership in company		Share of port-	Market value		Market value	
companies	No. of shares	Capital, %	Votes, %	folio value, %	SEK M	SEK/share	SEK M	SEK/share
Handelsbanken A	67,810,927	10.9	11.1	21	12,274	32	14,015	36
Sandvik	144,577,252	12.2	12.2	21	12,210	32	18,150	47
Volvo A	121,506,918	5.8	15.0	16	9,323	24	10,713	28
Volvo B	1,261,939							
SCA A	43,100,000	10.0	29.1	13	7,174	19	7,487	19
SCA B	27,700,000							
Ericsson A	80,708,520	2,5	14,3	10	5,613	14	5,748	15
SSAB A	56,105,972	17.6	22.6	6	3,443	9	6,347	17
SSAB B	754,985							
Skanska A	12,667,500	6,8	23,7	6	3,234	8	4,280	11
Skanska B	15,698,806							
Indutrade	14,727,800	36.8	36.8	5	2,695	7	3,417	9
Höganäs B	4,408,046	12.6	10.0	2	937	2	934	2
Equities portfolio				**100**	**56,903**	**147**	**71,092**	**184**
Interest-bearing net debt					**-16,780**	**-43**	**-13,401**	**-35**
of which interest-bearing loans					-8,225	-21	-9,246	-24
of which convertible loans					-8,555	-22	-4,155	-11
Net asset value					**40,123**	**104**	**57,691**	**149**
Net debt-equities ratio						29%		19%
Net asset value after full conversion						**106**		**144**
Net debt-equities ratio after full conversion						14%		13%

Market value pertains to Industrivärden's share of the respective portfolio companies' total market capitalization.

Net debt

Interest-bearing net debt amounted to SEK 16.8 billion at December 31, 2011. The debt-equities ratio was 29%, and the equity ratio was 69% (79%). After full conversion of outstanding convertible loans, corresponding to SEK 8.6 billion, the debt-equities ratio was 14%.

The convertible loans are hedged, entailing that translation effects do not affect net asset value.

At year-end, interest-bearing liabilities had an average interest and capital duration of approximately 3.5 years and carried an average interest rate of 3.5 %.

None of the Group's borrowings are conditional on a certain credit rating or actual debt-equities ratio.

Convertible bond issue

In January 2011 Industrivärden issued six-year convertible bonds worth EUR 550 M. The conversion price is SEK 162/share at a fixed euro exchange rate of SEK 8.8803, representing a premium of 35% and with an annual coupon of 1.875%.

Total return

Industrivärden's ownership has contributed to good growth in value for the portfolio companies, and Industrivärden's stock has been a good long-term investment with a higher total return than the return index.

In 2011 the shareholdings in SCA, Ericsson, Skanska and Handelsbanken generated a better return than the return index. On the whole, the total return for the equities portfolio was -23%, compared with -14% for the return index.

During the last five-year period, Indutrade, Höganäs, Skanska and Handelsbanken generated higher returns than the return index.

For the last ten-year period, all of the portfolio companies except Ericsson delivered total returns in excess of or level with the return index.

The total return for Industrivärden's stock for various time periods is shown in a table on the first page.

	Total return 2011		Average annual total return, %	
Portfolio companies	SEK billion	%	Five years	Ten years
SCA	0.0	0	0	5
Ericsson	-0.2	-3	-10	-9
Skanska	-0.3	-6	3	11
Handelsbanken	-1.9	-12	2	6
Höganäs	-0.2	-16	9	7
Indutrade	-0.6	-19	10	-
Volvo	-4.1	-32	-1	13
Sandvik	-6.4	-34	0	11
SSAB	-2.9	-45	-14	11
Equities portfolio	**-16.6**	**-23**		
Index (SIXRX)		**-14**	**0**	**6**
Industrivärden C		**-28**	**-4**	**5**

The total return in SEK billion pertains to the change in value including dividend income for the respective portfolio companies.

Indutrade became a listed company in October 2005.

Equity transactions

In 2011, shares were purchased for SEK 11,388 M and sold for SEK 6,927 M, a net purchase of SEK 4,461 M. Large net purchases were made in Volvo, for SEK 2,873 M, Handelsbanken, for SEK 728 M and Sandvik, for SEK 724 M.

Short-term trading and management costs

In 2011 Industrivärden's short-term trading generated a profit of SEK 152 M (114). Management costs amounted to SEK 105 M (94). Industrivärden's management cost was 0.18% of managed assets, which is considerably lower than for most comparable investment alternatives.

Active ownership

With more than 60 years of active ownership, Industrivärden has a unique position in creating long-term value in listed Nordic companies. The ambition is to work in a structured manner and thereby actively contribute to growth in value of the portfolio companies. Operations rest on a foundation of significant owner influence, extensive experience, knowledgeable employees, a strong business model and a large network. Our portfolio companies are leaders in their respective segments and all have strong global positions.

With Industrivärden, they have a professional and active owner, to the benefit of their as well as Industrivärden's long-term growth in value. Current overarching ownership matters include ensuring adherence to long-term growth plans, having preparedness for a possible drop in demand, and monitoring the companies' capital structures.

Following is a general description of Industrivärden's investment cases along with strategic options and activities in brief.

Handelsbanken

A well developed universal banking operation and decentralized branch network with local customer responsibility contribute to high customer satisfaction and good profitability.
www.handelsbanken.com

- Consistently applied business model.
- Organic growth in priority markets in the Nordic countries and UK.
- Favorable financial position and strengthened market position in a turbulent business environment.
- Strong capitalization with sizable liquidity reserve.

SANDVIK

Through a niche focus and strong R&D profile, Sandvik has established a world-leading position in materials technology with products primarily for the manufacturing, mining and construction industries.
www.sandvik.com

- Olof Faxander new CEO.
- Strategic focus and new organization.
- New executive management.
- Acquisition of Seco Tools.
- Consolidation of completed acquisitions.
- Strong positions in emerging markets.

VOLVO

Through innovative, customer-adapted product development and high quality, Volvo has a world-leading position in commercial transport solutions.
www.volvogroup.com

- Olof Persson new CEO.
- Strategic focus and new organization.
- New financial targets.
- Strong position in Asia, among other growth markets.

SCA

The European leader in hygiene products – with a fast-growing line of personal care products – and in forest products. Europe's largest private forest owner.
www.sca.com

- Acquisition of Georgia-Pacific's European tissue business for SEK 13 billion on a debt-free basis.
- Strengthened presence in hygiene segment in Brazil, Russia and Turkey.
- Business in Australasia sold to a co-owned joint venture, freeing approx. SEK 3 billion in capital.
- The packaging operations are being divested for approx. SEK 15 billion on a debt-free basis.

ERICSSON

The market's largest and most profitable supplier of mobile telecom infrastructure, with a leading position in telecom development.
www.ericsson.com

- Leading position ahead of operators' investments in the next generation of telecom systems (4G).
- North America's leading supplier of network systems through selective acquisitions.
- Acquisition of U.S. company Telcordia for SEK 7 billion strengthens offering of operational support for telecom operators.
- Interest in Sony Ericsson sold to Sony for approx. SEK 9.5 billion.

SSAB

World-leading position in high strength steel sheet niche creates solid foundation for growth and sustained high profitability.
www.ssab.com

- Martin Lindqvist new CEO.
- Stronger focus on highly profitable specialty products.
- Strategic investment program to increase capacity in quenched steels and strengthen presence in China.

SKANSKA

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.
www.skanska.com

- Efficient construction operations generate good cash flows.
- Successful model for value-creating project development.
- Acquisition of construction company in Indiana, U.S., for approx. SEK 0.9 billion.
- Ownership in New Karolinska construction and operating consortium, worth SEK 14.5 billion.

Indutrade

The combination of sales of high-tech industrial consumables, good organic growth and a highly refined model for acquisition-based growth has resulted in strong profitability growth.
www.indutrade.com

- Continued growth through acquisitions.
- Flexibility through decentralized business model.

Höganäs

Market leader in growing niche of metal powders, used primarily for component manufacturing in the automotive industry.
www.hoganas.com

- Increased activity in emerging markets, such as Asia and Brazil.
- Focus on collaboration with customers on development of new components.

Other information

Dividend

The Board of Directors proposes a dividend of SEK 4.50 (4.00) per share and May 9, 2012, as the record date, for a total dividend payout of SEK 1,738 M.

Accounting policies

This year-end 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 revised IFRSs as well as 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 December 31, 2011, would have affected their market value by approximately +/– SEK 600 M.

Related party transactions

In 2011, dividend income was received from associated companies.

In May 2011, Industrivärden exchanged 2,432,000 Class A shares in Skanska for 10% more Class B shares in Skanska, from L E Lundbergföretagen.

Stockholm, February 8, 2012

Anders Nyrén, President and CEO

Auditors' Review Report

Report of Review of Interim Financial Information.

Introduction

We have reviewed this report for the period January 1, 2011 to December 31, 2011 for AB Industrivärden (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 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 International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, February 8, 2012

PricewaterhouseCoopers AB
Anders Lundin
Authorized Public Accountant

Further information

For further information, please visit Industrivärden's website: www.industrivarden.net.

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Industrivärden's complete contact information can be found on page 12.

Ticker codes

INDUC SS in Blomberg
INDUc.ST in Reuters

Publication

The information provided in this year-end report is such that AB Industrivärden (publ) is obligated to publish pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. Submitted for publication at 12:00 a.m. on February 8, 2012.

Financial calendar 2012

Interim report January–March: April 5
Annual General Meeting 2012: May 4, in Stockholm
Interim report January–June: July 5
Interim report January–September: October 5

Industrivärden Group

SEK M	**2011 Oct.–Dec.**	2010 Oct.–Dec.	**2011 Jan.–Dec.**	2010 Jan.–Dec.
Income statement				
Dividend income from stocks	**0**	0	**2,403**	1,379
Change in value of stocks, etc.	**4,694**	6,639	**-17,504**	13,991
Other income and expenses*	**26**	-10	**47**	22
Operating income	**4,720**	6,629	**-15,054**	15,392
Financial items	**-154**	-130	**-593**	-522
Income after financial items	**4,566**	6,499	**-15,647**	14,870
Tax	**–**	–	**–**	–
Net income for the year	**4,566**	6,499	**-15,647**	14,870
Earnings per share, SEK	**11.82**	16.82	**-40.51**	38.50
Earnings per share after dilution, SEK	**10.38**	16.37	**-40.51**	37.37
Statement of comprehensive income				
Income for the year	**4,566**	6,499	**-15,647**	14,870
Change in hedging reserve	**10**	44	**5**	72
Comprehensive income for the year	**4,576**	6,543	**-15,642**	14,942
Balance sheet as per end of year				
Equities			**56,903**	71,092
Other non-current assets			**52**	207
Total non-current assets			**56,955**	71,299
Short-term equity investments			**0**	176
Cash and cash equivalents			**57**	0
Other current assets			**104**	72
Total current assets			**161**	248
Total assets			**57,116**	71,547
Shareholders' equity			**39,140**	56,327
Non-current interest-bearing liabilities			**13,947**	11,123
Non-current noninterest-bearing liabilities**			**527**	1,344
Total non-current liabilities			**14,474**	12,467
Current interest-bearing liabilities			**2,923**	2,458
Other liabilities			**579**	295
Total current liabilities			**3,502**	2,753
Total shareholders' equity and liabilities			**57,116**	71,547
Cash flow				
Cash flow from operating activities			**2,072**	827
Cash flow from investing activities			**-4,461**	-2,547
Cash flow from financing activities***			**2,433**	1,810
Cash flow for the year			**44**	90
Exchange rate difference in cash and cash equivalents			**13**	-90
Cash and cash equivalents at the end of year			**57**	0

* Including short-term trading and management costs.

** Of which, the option portion of the convertible loan, totaling SEK 519 M (1,319), which at the time of issues amounted to a combined total of SEK 982 M (383).

*** Of which, dividend of SEK 1,545 M paid to the shareholders in 2011 and SEK 1,159 M in 2010.

SEK M	**2011 Jan.–Dec.**	2010 Jan.–Dec.
Changes in shareholders' equity		
Opening shareholders' equity as per balance sheet	**56,327**	42,544
Comprehensive income for the year	**-15,642**	14,942
Dividend	**-1,545**	-1,159
Closing shareholders' equity as per balance sheet	**39,140**	56,327
Key data as per end of year		
Net asset value per share, SEK	**104**	149
Net asset value per share after full conversion, SEK	**106**	144
Share price (Class A), SEK	**87**	120
Share price (Class C), SEK	**82**	118
Number of shares (thousands)	**386,271***	386,271
Interest-bearing net debt at end of year		
Cash and cash equivalents	**57**	0
Interest-bearing assets	**33**	180
Non-current interest-bearing liabilities**	**13,947**	11,123
Current interest-bearing liabilities	**2,923**	2,458
Interest-bearing net debt	**16,780**	13,401

* Number of shares upon full conversion (thousands), 460,688.

** Of which, convertible loans SEK 8,555 M (4,155).

Industrivärden – Parent Company

SEK M	**2011 Jan.–Dec.**	2010 Jan.–Dec.
Income statement		
Operating income	**-12,695**	11,614
Income after financial items	**-12,959**	11,141
Income for the year	**-12,959**	11,141
Statement of comprehensive income		
Income for the year	**-12,959**	11,141
Change in hedging reserve	**-4**	171
Comprehensive income for the year	**-12,963**	11,312
Balance sheet as per end of year		
Non-current assets	**39,705**	52,022
Current assets	**1,914**	972
Total assets	**41,619**	52,994
Shareholders' equity	**29,411**	43,919
Non-current liabilities	**9,763**	6,367
Current liabilities	**2,445**	2,708
Total shareholders' equity and liabilities	**41,619**	52,994

Long-term industrial developer of listed Nordic companies

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