

2018

INDUSTRI  VÄRDEN

ANNUAL REPORT

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

Industrivärden is a public company (publ), and its shares are quoted on the Stockholm Stock Exchange's (Nasdaq Stockholm) large cap list.

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

Shareholder information

ANNUAL GENERAL MEETING 2019

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

Time: Wednesday, April 17, 2019, 2 p.m.

The doors will open at 1 p.m.

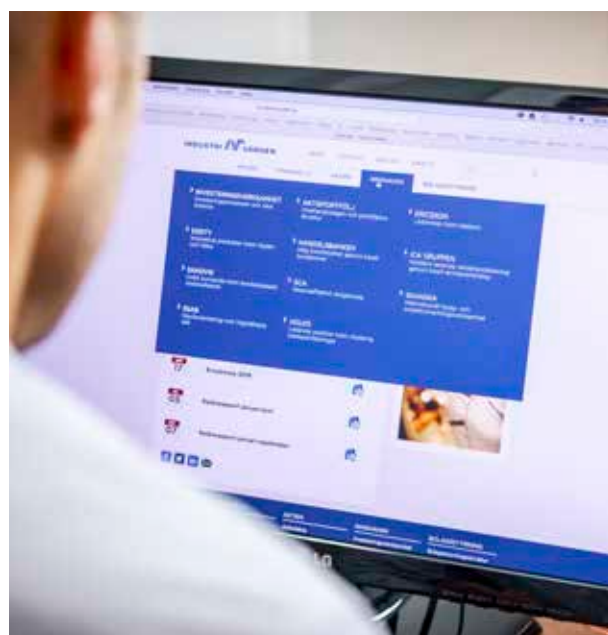
Notification of attendance

Notification to attend the Annual General Meeting (AGM) must be made not later than April 11, 2019, using the electronic form on Industrivärden's website, www.industrivarden.net; by phone at +46-8-402 92 86 or by mail to AB Industrivärden, "AGM 2019," c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden.

In addition, shareholders who wish to participate in the AGM must be listed in the shareholder register maintained by Euroclear Sweden as per April 11, 2019. A shareholder whose shares are registered in a nominee's name, in order to have the right to participate in the AGM, must request that the nominee registers the shares in the shareholder's own name in the shareholder register maintained by Euroclear Sweden. Such registration may be temporary. The shareholder must inform the nominee well in advance of April 11, 2019, at which time such registration must be effective.

Dividend

The Board of Directors proposes a dividend of SEK 5.75 per share. The last day to buy shares that carry entitlement to the dividend is April 17, 2019, entailing that Industrivärden shares will be traded ex-rights on April 18, 2019. Provided that the AGM resolves in favor of the proposal, it is expected that dividends will be sent out by Euroclear Sweden on April 26, 2019.



FINANCIAL CALENDAR 2019

April 9: Interim report January–March

April 17: Annual General Meeting, Stockholm

July 5: Interim report January–June

October 7: Interim report January–September

FINANCIAL REPORTING

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

QUERIES, REQUESTS AND SUSCRIPTIONS

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

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

ANNUAL REPORT 2018

This publication constitutes the Annual Report for AB Industrivärden (publ), corporate identity number SE 556043-4200. Printed copies of the Annual Report will be distributed to shareholders and other stakeholders upon request. Digital copies are available on the company's website.

This Annual Report is a translation of the Swedish original.

OVERVIEW

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

Industrivärden at a glance

DEVELOPMENT

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

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

BUSINESS MISSION

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

OBJECTIVE

The long-term objective is to increase net asset value and thereby generate a return for Industrivärden's shareholders that exceeds the market's required rate of return. Taking into account the risk profile of the portfolio's investments, the shareholders are to be given a total return which over time is higher than the average for the Stockholm Stock Exchange (Nasdaq Stockholm).

STRATEGY

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

INVESTMENT FOCUS

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

ACTIVE OWNERSHIP IN PRACTICE

Active ownership is exercised mainly through work on nominating committees, through board representation, and through dialog with and evaluations of boards, CEOs and company managements.

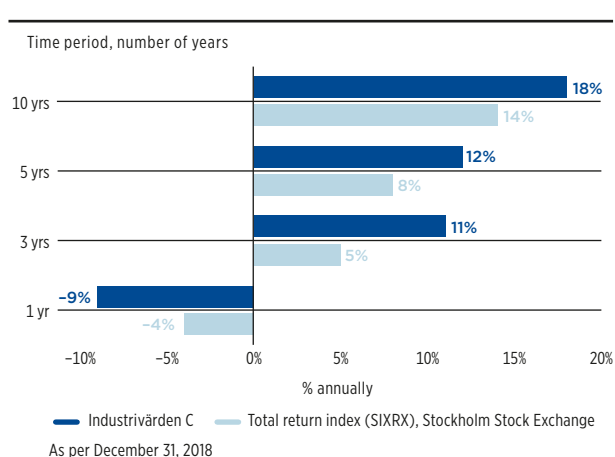
A globalized and rapidly changing world puts great demands on companies to be focused, receptive and flexible. Salient trends in the operating environment such as disruptive technologies, digitalization, changing customer patterns and sustainability entail threats as well as opportunities. In this challenging reality it is a clear advantage for companies to have knowledgeable and engaged shareholders. Industrivärden monitors and carries on a dialog with its portfolio companies, and when necessary – through their boards – influences their overall development. In this way Industrivärden contributes to the portfolio companies' growth in value over time. In its role as active owner, Industrivärden provides:

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

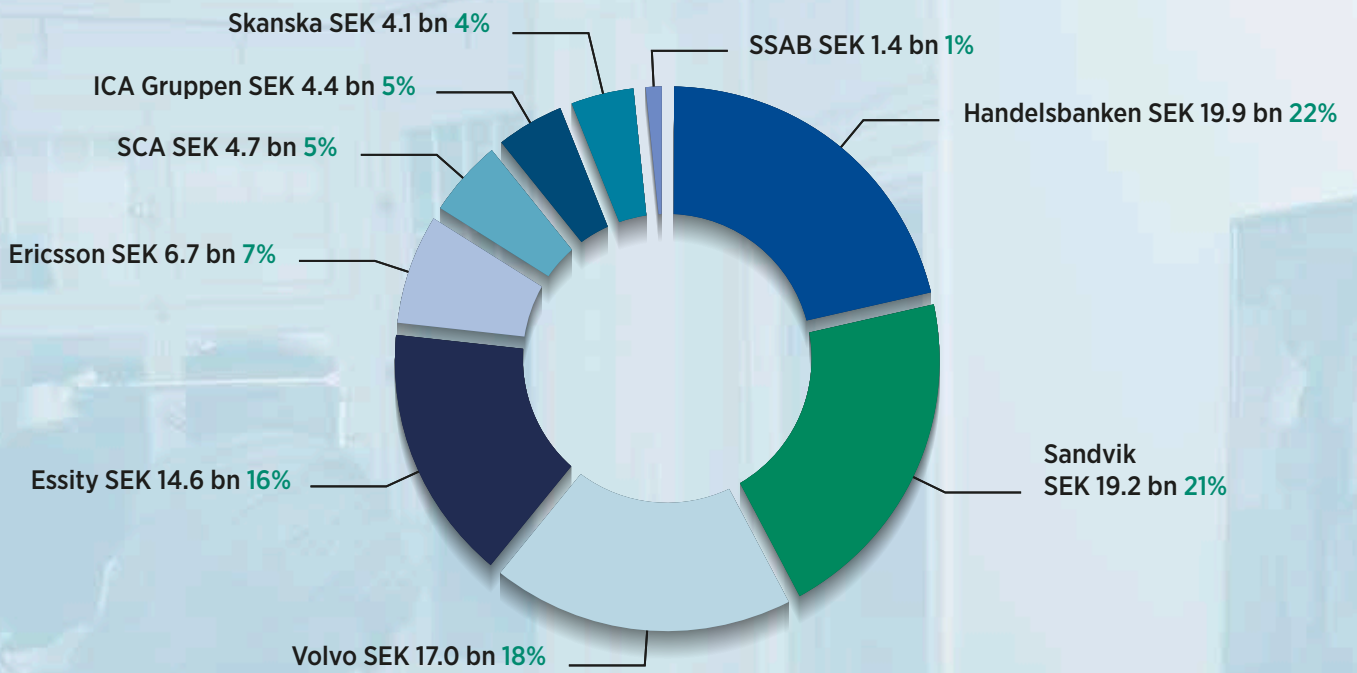
VALUE CREATION

During the last three-, five- and ten-year periods Industrivärden's stock has delivered a higher total return than the Stockholm Stock Exchange, which has performed well from an international perspective. In 2018 Industrivärden's Class C shares generated a total return of -9%, which is 5 percentage points lower than the Stockholm Stock Exchange's total return index (SIXRX).

TOTAL RETURN - INDUSTRIVÄRDEN SHARES



Equities portfolio



Portfolio value on December 31, 2018: SEK 92.2 bn

Highlights 2018

INDUSTRIVÄRDEN'S PERFORMANCE

EQUITIES PORTFOLIO

The value of the equities portfolio – adjusted for purchases and sales – decreased by SEK 11.9 billion to SEK 92.2 billion (107.3). The total return was –8%.

INVESTMENT ACTIVITIES

- In April shares in SSAB were sold for SEK 3.1 billion, for a favorable return.
- In November shares in ICA Gruppen were sold for SEK 1.7 billion for a favorable return, and a divestment was enabled of the remaining holding in May 2019.
- During the year, shares were bought in Handelsbanken for SEK 0.7 billion, in Sandvik for SEK 0.6 billion, and in Volvo for SEK 0.6 billion.

ACTIVE OWNERSHIP

During the year, Industrivärden exercised an active ownership role in its portfolio companies with the goal of creating value over time.

NET ASSET VALUE

Net asset value at year-end was SEK 196 per share (221), a decrease of 12% for the year and 9% including reinvested dividend.

TOTAL RETURN - INDUSTRIVÄRDEN SHARES

The total return was –11% for Industrivärden's Class A shares and –9% for the Class C shares, compared with –4% for the total return index (SIXRX).

GEARING

The debt-equities ratio was 7%, a decrease of 3 percentage points during the year.

PROPOSED DIVIDEND

The Board of Directors proposes a dividend of SEK 5.75 (5.50) per share.

“IN 2018 WE CARRIED OUT A NUMBER OF INVESTMENT ACTIVITIES THAT HAVE FURTHER STRENGTHENED OUR ABILITY TO GENERATE GOOD FUTURE GROWTH IN VALUE”

Helena Stjernholm, CEO

A SELECTION OF STRATEGIC ACTIVITIES IN PORTFOLIO COMPANIES

SANDVIK

Sandvik's acquisitions in measurement technology as well as in round tools have strengthened and broadened Sandvik Machining Solutions' customer offering. Sandvik Mining & Rock Technology expanded its important aftermarket business and created a leading offering for mines of the future that includes self-driving loaders and trucks, among other things. Sandvik has also invested in a new plant for making fine metal powders, strengthening its position in the rapidly growing market for metal powders and metal additive manufacturing. As part of the refinement of Sandvik's operations, the company has divested remaining parts of its Other Operations business area, its welding wire business, and its ownership in the joint venture company Fagersta Stainless.



SCA

SCA's expanded pulp mill in Östrand began operating in June 2018 according to plan. The mill will double the production capacity and is expected to be one of Europe's most competitive and environment-friendly pulp mills. SCA also made investments in increasing production capacity for more refined products (white-top kraftliner) in Munksund while at the same time optimizing production of kraftliner at the mill in Obbola.



SKANSKA

Based on a strategic review Skanska is carrying out extensive restructuring in order to focus and decentralize its operations for improved profitability, particularly in the construction operations. Skanska also has a clear ambition to grow its successful project business, which has shown good profitability over time.





Chairman's message

During the first three quarters of 2018 the world's major economies and stock markets performed well. In the fourth quarter, uncertainty grew about trade wars – especially between the U.S. and China – the development in China, geopolitical conflicts and the effects of Brexit. This led to major uncertainty in stock markets around the world, and a sharp correction took place. Worries about a looming recession grew.

The Swedish stock market dropped more than 14% during the fourth quarter, and the export-dependent engineering and forest industries were hit hard. Order intake remained favorable for the companies, however, and activity was high.

Since Industrivärden's portfolio companies consist mainly of global, export-dependent companies, their share prices fell relatively sharply. As a result, Industrivärden's net asset value decreased by 17% during the final quarter of the year. For 2018 as a whole, Industrivärden's total return fell below that of the general stock market. However, it can be noted that the total return during the last three years taken together is considerably higher than the equity index. Owing to our strong financial position and positive cash flow, the Board of Directors proposes an increase in the dividend from SEK 5.50 to SEK 5.75 per share.

During 2018 a number of positive changes took place in our portfolio companies, and their work was characterized by greater focus on leadership, decentralization and financial position. The management teams of the portfolio companies are of high quality, and we have great confidence in them. We chose to continue concentrating our investments in our existing portfolio companies and did not add any new companies. The potential is great in many of the companies. At the same time, we can note that the alternative investments we evaluated during the year have had weak performance. Our focus in the coming year will be to concentrate on the portfolio

companies we already own at the same time that we also evaluate potential alternative investments. We have chosen to reduce our exposure in SSAB and to enable a divestment of our shares in ICA Gruppen during 2019. In doing so we have further reduced our gearing, in accordance with our financial targets. This gives us great room to maneuver going forward, which we will use above all to strengthen our ownership in the portfolio companies, since our ownership stakes over time are too low. Through the active ownership strategy it is desirable to receive a greater share of the value creation taking place. As a consequence of the Board's decision in February 2016 regarding the Company's financial position, we now have a significantly positive cash flow in Industrivärden after payment of our dividend to the shareholders. This means that we can continue to invest with our own funds. This is an important change that has taken place in Industrivärden.

Several of our portfolio companies are world leaders in their respective areas, and we believe that they have great opportunities for continued favorable development and refinement. We are gradually building up additional competence surrounding these, which is necessary as an active long-term owner. This will create value for the shareholders over time.

The financial sector is currently undergoing a transformation. New niche actors are gaining a foothold in parts of the market, and digitalization is making a big impact. Despite this, we continue to believe in Handelsbanken's decentralized business model and its proven ability to meet customers' needs. It has been successful for a long time and will create value also in the future.

Skanska was a disappointment in 2018. The new CEO, Anders Danielsson, is now dealing with the company's somewhat jumbled structure and is increasing Skanska's focus on its core businesses. Skanska has a very strong company culture and talented people, which makes its prospects for success good going forward. The successful commercial property development business is gaining increased emphasis and importance.

During the past year, board work at Industrivärden has worked superbly. We held 11 board meetings plus a number of meetings of the Compensation and Audit Committees. A number of CEOs from the portfolio companies have paid visits to our board meetings. Industrivärden's CEO, Helena Stjernholm, presented her views on the macro economy as well as on our portfolio companies at every board meeting. Helena did an outstanding job in 2018 and has earned great respect in her role as CEO. She has also continued her work on refining and strengthening our organization. On behalf of the Board, I want to extend a large and warm thanks to Helena and her colleagues.

I also want to thank my colleagues on the Board for their good cooperation. Likewise, I want to thank the boards and company managements of our portfolio companies for their engaged and exceptionally thorough work during the past year.

Stockholm, February 2019

Fredrik Lundberg
Chairman of the Board



CEO's message

The past year was characterized by continued good operational development in most of our portfolio companies. However, volatility increased in the stock market, and some of our holdings had weak share price performance. Within Industrivärden the activity level was high, with several value-creating transactions and a strong focus on active ownership in the portfolio companies.

NET ASSET DEVELOPMENT SLIGHTLY BELOW THE MARKET INDEX

During 2018, net asset value decreased by SEK 11.1 billion, or -9% including reinvested dividend, compared with a -4% drop for the Stockholm Stock Exchange total return index (SIXRX). At the same time, the total return for the Class A and C shares was -11% and -9%, respectively. The equities portfolio's relatively large exposure to companies that are sensitive to economic swings affected performance during the year. Looking at the equities portfolio's total return in 2018, the largest contributors were Ericsson, with an increase of SEK 2.2 billion, or 48%, and ICA Gruppen, with an increase of SEK 0.6 billion, or 10%.

COMPETITIVE RETURN SINCE REFINEMENT OF OUR STRATEGY

Our respective portfolio companies work in different sectors, which naturally affects their returns during a given calendar year. However, viewed over a longer time period, it is important that our equities portfolio generates a higher total return than the average for the Stockholm Stock Exchange, which is an important prerequisite for us to be able to achieve our goal of delivering a favorable return to Industrivärden's shareholders. Against this background

it is gratifying to note that we succeeded in generating a competitive total return over the last three-year period based on the refined strategy that we presented in February 2016. During this period of time the Class C shares generated an average total return that outperformed the total return index by 6 percentage points per year. Measured against our low management costs, this is a fine performance.

HIGH ACTIVITY IN INVESTMENT OPERATIONS

During 2018 we carried out a number of investment activities that further strengthened our ability to generate good future growth in value. In April we sold just over half of our shareholding in SSAB for SEK 3.1 billion, which was a good deal in which we were able to realize part of the value increase in our SSAB holding. It is particularly gratifying that we earned a favorable return from our participation in SSAB's new issue in 2016, which strengthened the company in a challenging market situation.

In November we carried out another major transaction through the sale of slightly more than a quarter of our holding in ICA Gruppen to ICA-handlarnas Förbund, for SEK 1.7 billion. By acquiring a put option from the same counterparty, this enables us to proceed with a full divestment of our remaining holding in May 2019. The transactions ensure an annual total return of 22% during the holding period, which makes ICA Gruppen a very good investment.

On top of these divestments of approximately SEK 4.8 billion, we carried out investments worth a total of SEK 1.8 billion. We bought shares in Handelsbanken, Sandvik and Volvo – companies we know well and in which we see clear value potential. It is important to note that these purchases were made after a thorough analysis against potential alternative investments in new companies. For us this is a clear proof of the relative strength in several of our portfolio companies. Through further investments in the portfolio companies we also increase the financial leverage of our active ownership at the same time that we strengthen our ownership positions in globally attractive companies.

On the whole we have realized built-up value and laid the foundation for future growth in value. Through a decrease in borrowing we have also increased our flexibility in a more uncertain economic situation. During the year our debt-equities ratio decreased from 10% to 7%, and with a future divestment of the holding in ICA Gruppen, Industrivärden will have a low leverage.

GREATER DEMANDS ON ENGAGED OWNERS CREATE OPPORTUNITIES

Companies today are facing ever-tougher challenges. This applies to everything from shifting macroeconomic conditions in the companies' respective geographic markets to new threats and opportunities sprung out of tumultuous and tightly interwoven megatrends. This can involve everything from urbanization, digitalization and

evolving customer behaviors to demands for sustainable business models. This is driving companies to focus their operations on areas in which they have a strength advantage, but also to be quick and adaptable in the face of constantly changing conditions. Greater demands on companies are also putting higher demands on company boards and the shareholders who elect the boards. Long-term owners that succeed in finding and attracting talented board members and continuously adapting the board's composition to the company's shifting needs will play an increasingly important role over time. Similarly, owners can provide key insights in strategic considerations. This development is creating greater opportunities for engaged and knowledgeable owners who have a keen understanding of their portfolio companies and their operating environments. Active owners who can make clear demands and raise questions, but who also buttress their portfolio companies, are therefore a distinct competitive advantage that benefits both the companies and us as asset managers. It is here that we have our position of strength with a professional organization and proven ability to generate favorable returns. It is our absolute ambition to further develop this position.

VALUE CREATING ACTIVITIES IN THE PORTFOLIO COMPANIES

Given the conditions that today's companies have to conduct themselves in, it is not surprising that the pace of change in our portfolio companies remained high in 2018. As an active owner we engage ourselves especially in our portfolio companies' governance and strategic development, with focus on their value potential. From this perspective I would like to briefly comment on the respective portfolio companies.

With a foundation in a clear focus on customer satisfaction and decentralized decision-making, *Handelsbanken* continues to develop its business in all its home markets. During 2018 several initiatives were taken to improve efficiency and further develop the business against the backdrop of developments taking place in the financial sector. In February 2019, it was announced that Carina Åkerström will take the position as new CEO on March 27, 2019.

Sandvik has continued to streamline and decentralize its core businesses and has established a model for continuous improvements. During the year a number of well-considered acquisitions were made to further strengthen the customer offering. Sandvik also made a number of divestments in 2018 of non-core businesses. The actions taken have improved the company's operating margin, lowered its gearing and created a solid foundation for future growth.

As a result of recent years' clear focus on the core business and concerted efficiency improvement work, *Volvo* has increased both its sales and profitability. In parallel with greater operational flexibility, the company has also strengthened its financial position. Volvo is now working

for continued organic growth through an intensified customer focus and by driving innovation in areas such as self-driving, connected and electrified vehicles.

Essity's business is based on an innovation focus and growth through strong brands. The company is working with a distinct efficiency and cost focus, and has been adept at meeting challenges, such as higher raw material costs in 2018.

In recent years *Ericsson* has successfully executed its strategic plan aimed at focusing the core business and exploiting selected positions of strength. Ericsson has made great progress towards its financial targets for 2020 and is well-positioned in the next generation of mobile networks.

SCA continues to work on improving the efficiency of its processes and growing the business in selected segments. The expanded pulp mill in Östrand, Sweden, is now in operation and will allow a doubling of production capacity over time.

ICA Gruppen is a well-managed retail company with a strong market position in which we have been an active owner since 2013. It is now our ambition to divest the remainder of our holding in May 2019, thereby enabling us to realize good growth in value for a successful investment.

During 2018 *Skanska* carried out extensive restructuring in order to focus its business and improve profitability under the direction of the newly installed CEO Anders Danielsson. This work is continuing with full intensity.

SSAB performed well thanks to good demand and a favorable price picture, which led to higher sales and operating income. The company's specialization strategy is creating good future opportunities.

GOOD GROWTH, BUT GREATER UNCERTAINTY

The underlying economy developed well during the first nine months of 2018, but during the fourth quarter, uncertainty grew and the pace of growth slowed. The growth rate increased for the full year in the U.S., but it decreased in Europe and large parts of Asia. During 2018 we saw rising geopolitical tensions, growing protectionism and worries over an economic slowdown, rising interest rates and a scaling back of financial stimulus measures. Altogether this had a damping effect on the stock market, which had very negative performance during the fourth quarter.

During the beginning of 2019, the stock market has turned in a positive direction. The underlying areas of concern remain, however. In January 2019 the IMF lowered its forecast for global GDP growth in 2019 by 0.2 percentage points, to 3.5%. We are thus entering 2019 in a more uncertain situation.

STRONG POSITION FOR THE FUTURE

Industrivärden's portfolio companies have very good market positions and clear value potential. In recent years several of the companies have put great energy into strengthening both their operational and financial flexibility. Today they have room to maneuver and a greater ability to deal with a changed market situation. With this as a foundation and the extensive changes that have taken place in Industrivärden and several of

the portfolio companies, I can assert that we have a strong position ahead of the future. We therefore begin Industrivärden's 75th operational year with great confidence.

Stockholm, February 2019

Helena Stjernholm
CEO



ASSET MANAGEMENT

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

Business model

Asset management is conducted in two main processes – the investment process and the active ownership process. These two main processes are tightly interwoven.

The *investment process* aims to maximize Industrivärden's long-term return and is based on internal analysis, analysis of external documentation, and business intelligence. Based on these analyses, decisions are made on margin transactions in existing investments – the so-called portfolio companies – divestments of entire holdings, or alternative investments. The estimated return potential for existing investments is to be compared with the return potential for alternative investments under evaluation, taking into account continuity and long-term objectives.

The *active ownership process* is focused on creating value in existing investments. Through active ownership, Industrivärden aims to gain depth of knowledge about its portfolio companies and their business environments, and where necessary to influence their strategic development. The chosen business model entails a natural concentration in a limited number of portfolio companies with sizable ownership positions. Active ownership is exercised mainly through work on nominating committees, through board representation, and through dialogs with and evaluations of boards, CEOs and company managements. Industrivärden

monitors and – where necessary – influences the portfolio companies' overall development.

A key success factor is Industrivärden's contribution of high-quality and value-creating analyses, for which Industrivärden can gain a listening ear from the portfolio companies' nominating committees and boards.

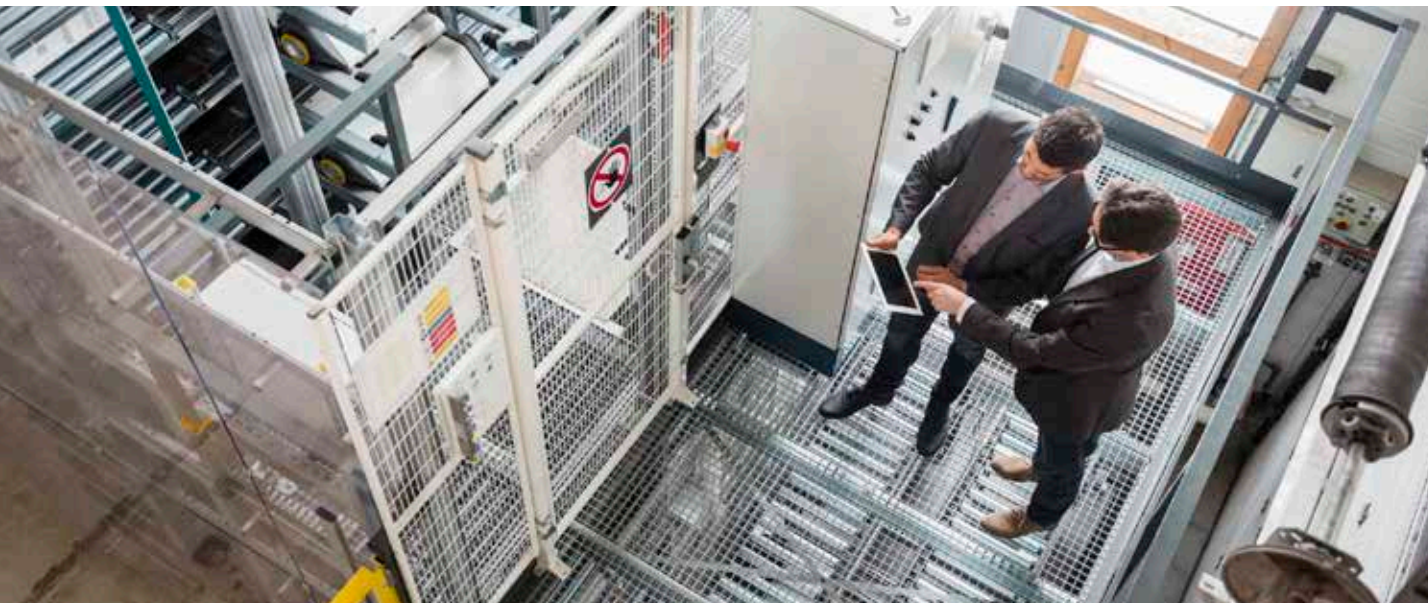
A globalized and rapidly changing world puts great demands on companies to be focused, receptive and flexible. Salient trends in the operating environment such as disruptive technologies, digitalization, changing customer patterns and sustainability entail threats as well as opportunities. In this challenging reality it is a clear advantage for companies to have knowledgeable and engaged shareholders who have a clear understanding of the long-term value potential.

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

ORGANIZATION

Industrivärden has a professional and cost-efficient organization that is characterized by high flexibility and short decision-making channels. Operations, which are conducted at the head offices in Stockholm, involve slightly less than





20 employees, eight board members and an extensive network. Internal work is project-oriented, and most employees are involved in both the investment and active ownership processes.

OUR PEOPLE

Professional and successful asset management requires competent and committed employees as well as an attractive and dynamic workplace. Major emphasis is therefore put on recruiting processes, competence development and a good company culture. Industrivärden's ethical values and ambitions as an employer are set out in the Company's Code of Conduct. This Code, which is available on Industrivärden's website, addresses areas such as the work climate, diversity and business ethics. The employees' total compensation shall be competitive and in line with the going rate in the market.

Board of Directors

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

Executive Management

The Executive Management handles the Company's day-to-day administration, which includes strategic, organizational and finance matters as well as control and follow-up, among other things. Members of the Executive Management participate in the asset management activities and can provide specialist expertise. Certain members of the Executive Management also serve on portfolio companies' nominating committees and boards.

The members of the Executive Management, together with representatives from the investment and analysis organization, form Industrivärden's investment committee. The committee monitors activities on a continuing basis, makes investment decisions and adopts Industrivärden's action plans for the portfolio companies.

Investment and analysis organization

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

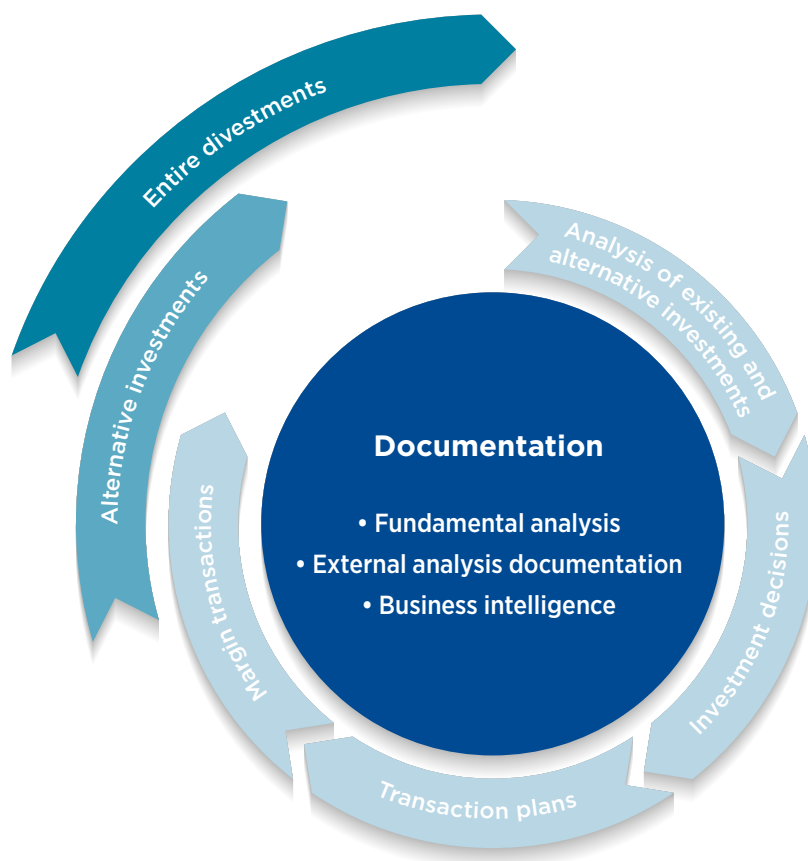
Operations are organized into teams, which monitor and evaluate developments in the portfolio companies. Each investment team is led by a team manager. The teams continuously perform investment and company analyses that culminate in a so-called fundamental analysis. In this way the investment and analysis organization builds up deep, fact-based knowledge about the respective portfolio companies and their operating environments. Important external factors include market conditions, competitors, customers and megatrends.

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

APPROACH

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

INVESTMENT PROCESS



Investment process

GENERAL

The investment process is built upon a structured method of continuous analysis of *existing* and *alternative* investments with focus on the respective investments' long-term return potential.

Within the investment process, transaction plans are continuously updated with the aim to optimize long- and short-term timing and the forms of prospective stock purchases and sales. Corresponding plans are drawn up for new investments or complete divestments.

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

INVESTMENT UNIVERSE

Industrivärden invests in listed Nordic companies with clear return potential, where it can exercise active influence through a strong, ownership-based position of trust. Industrivärden's share of ownership should therefore amount to at least 10% of the number of votes and provide for board representation.

Investments are to be made in established businesses in which Industrivärden can identify long-term attractive return potential.

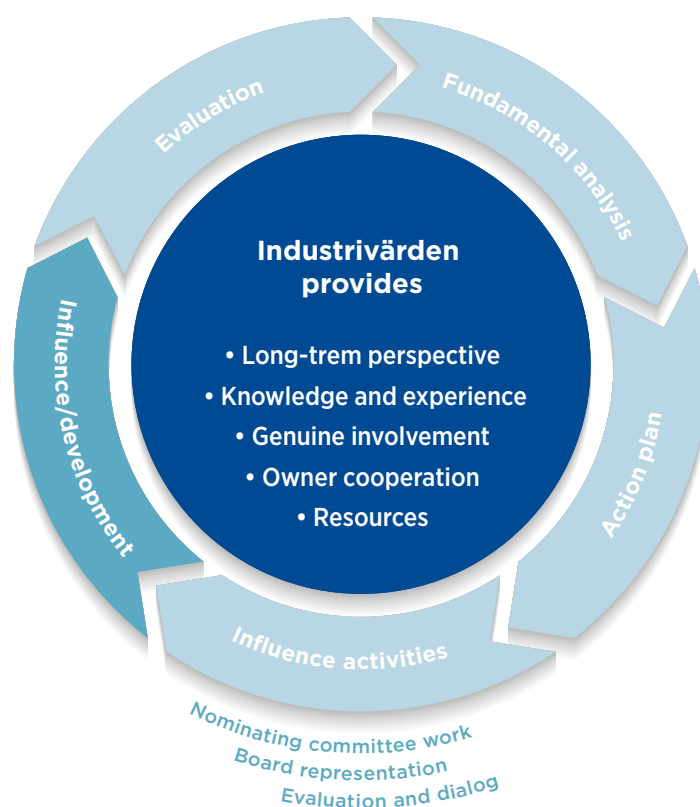
The overarching investment criteria are:

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

INVESTMENT PERSPECTIVE

A natural consequence of Industrivärden's strategy is that the main focus is on long-term value creation in the portfolio companies. The return potential for investments in the portfolio companies is evaluated on a continuous basis with a three- to five- year time horizon. Major emphasis is put on comparisons against an estimated return potential for other investment alternatives, taking into account continuity and a long-term objective.

A long-term investment perspective means that considerable work is dedicated to analyzing important changes in the business environment. These can concern everything from macroeconomic development and innovations to megatrends such as digitalization, new material technologies, and long-term sustainable development. Having a keen understanding of these trends is of major importance for the ability to assess the portfolio companies' long-term value potential and the opportunities and challenges that the portfolio companies are facing.



EQUITIES MARKET FUNCTION

Industrivärden's equities market function executes investment decisions and provides information on the market and macro-environment. To generate added returns and build knowledge, smaller investments are also made to a limited extent in listed Nordic equities. The function has one employee, who is also active in the analysis and investment organization.

Active ownership process

GENERAL

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

Active ownership is grounded in continuous evaluation of the composition of the respective portfolio companies' boards and Industrivärden's action plans for value creation. This work is conducted from an overarching ownership perspective with focus on the portfolio companies' boards and managements as well as on strategic matters such as

corporate governance, company strategy, company and capital structure, sustainability focus and so on.

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

NOMINATING COMMITTEE WORK

A well composed board with competent directors is crucial for a company's success. Industrivärden therefore puts strong emphasis on participating on its portfolio companies' nominating committees and is represented by members from Industrivärden's executive management and board.

Access to qualified, potential board members is a central success factor, which is why Industrivärden works actively to identify suitable individuals and maintain the company's network. Industrivärden invests in portfolio companies with various types of operations and varying needs, which requires a broad network of individuals with various types of expertise. Industrivärden's representation on the portfolio companies' respective nominating committees is shown in a table on page 16.

INDUSTRIVÄRDEN'S NOMINATING COMMITTEE REPRESENTATIVES

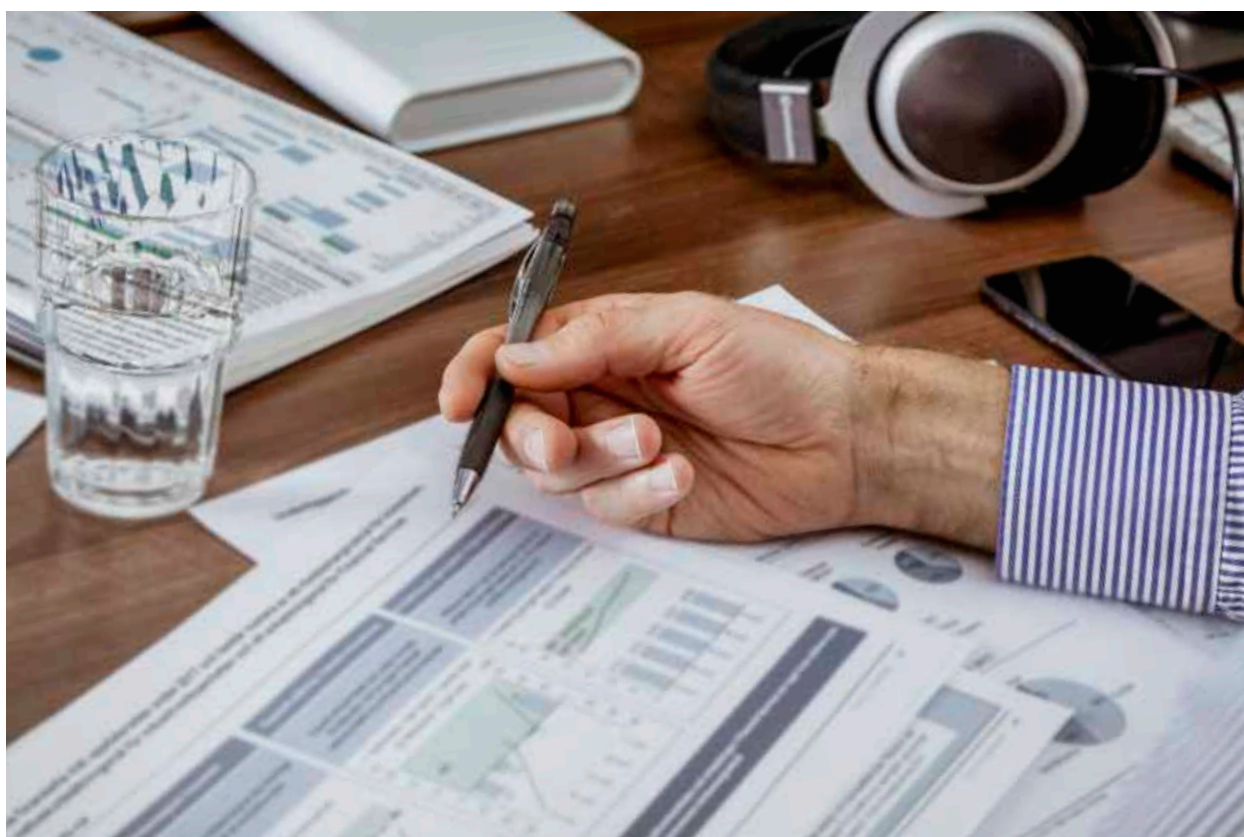
Portfolio company	Nominating committee representative	Role
Handelsbanken	Helena Stjernholm	Chair
Sandvik	Fredrik Lundberg	Chair
Volvo	Bengt Kjell	Chair
Essity	Helena Stjernholm	Chair
Ericsson	Bengt Kjell	Member
SCA	Karl Åberg	Chair
ICA Gruppen	Annika Lundius	Member
Skanska	Helena Stjernholm	Chair
SSAB	Lars Pettersson	Chair

BOARD REPRESENTATION

Active ownership is also exercised through board representation. Industrivärden's board members and executives, who also serve as AGM-elected directors for Industrivärden's portfolio companies, must have a current and clear picture of Industrivärden's views of the respective companies.

CONTINUOUS EVALUATION AND INFLUENCE

Industrivärden continuously evaluates the portfolio companies' operations and development. When necessary, Industrivärden communicates its views of the company and its management first with the chairman of the respective portfolio company's board. An open dialog is also conducted with the respective companies' CEOs and other senior executives.

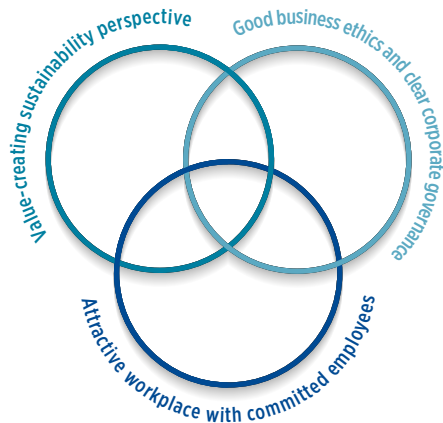


SUSTAINABILITY REPORT

INDUSTRIVÄRDEN'S VIEW OF SUSTAINABILITY

Industrivärden's view of sustainability is grounded in the Company's business mission to conduct long-term value-creating asset management through active ownership. From an overarching perspective, Industrivärden has the greatest sustainability influence through its role as an active owner in its portfolio companies. In addition, Industrivärden conducts sustainability work in its own operations, where focus is on being a responsible employer.

The active ownership role entails a long-term investment perspective and involves a natural involvement in the portfolio companies' strategic development. By helping to develop long-term competitive companies, Industrivärden enables growth in value over time and sustainable development, which benefits the communities in which the portfolio companies are active.



Industrivärden's operations are conducted in accordance with Company's Code of Conduct and policies. Through active ownership Industrivärden works to ensure that its values and ethical guidelines will also permeate the companies in which it is an active owner. Industrivärden's Code of Conduct has been adopted by the Board of Directors and is revised yearly. In short, it stipulates that;

- good business ethics and clear corporate governance with a genuine sustainability perspective contribute to long-term value creation and sustainable development in society,
- the workplace shall be distinguished by openness, receptiveness and mutual respect, and
- the Company repudiates all forms of discrimination and believes that diversity in all its forms enhances knowledge, dynamism and the quality of operations.



Sustainability focus

Industrivärden's sustainability work is conducted through two focus areas: drive sustainable company development through active ownership, and be a responsible employer. These areas have been identified and concretized with a foundation in the materiality analysis. This analysis is based on Industrivärden's opportunities to influence through its ownership role, a materiality perspective, and an ongoing stakeholder dialog.

Global initiatives and guidelines

As guidance in its sustainability work, Industrivärden adheres to global initiatives such as Agenda 2030, the OECD Guidelines for Multinational Enterprises, the ILO's eight fundamental conventions and the UN Global Compact. In addition, since 2015 annual progress reports are submitted to Global Compact in the areas of human rights, working conditions, the environment and anti-corruption.



Agenda 2030 and the Sustainable Development Goals

As part of Agenda 2030, the world's leaders have adopted 17 global Sustainable Development Goals (SDGs) for a better world. In 15 years' time the goals will contribute to social, environmental and economically sustainable development in all countries, and the business sector plays a decisive role in achieving these goals. With a base in Industrivärden's business, its influence opportunities in the portfolio companies and a previously performed materiality analysis, the following goals are in focus. From an influence perspective, SDGs 8, 9, and 12 apply for Industrivärden's portfolio companies within the framework of active ownership. SDGs 5 and 13 pertain mainly to Industrivärden's own operations.

Active ownership

Own operations



A. ACTIVE OWNERSHIP

The capital market has undergone major changes during the past two decades. Diversity has increased with respect to investment strategies and investment horizons. At the same time, polarization has also increased, where active owners have intensified their activity level at the same time that the share of passive investing, such as through algorithm and index trading, has increased significantly. This development has further highlighted the need for responsible and long-term owners.

Another trend is that many companies today are facing rapid changes in their external business environments along with revolutionary megatrends such as urbanization, digitalization and sustainability challenges. This has put higher demands on speed and flexibility among companies, but also a need for knowledgeable and engaged owners that can contribute and set clear demands. For investors that have the ability to successfully exercise responsibility and value creation in their ownership role, these development trends present potential business opportunities with distinct societal benefits.

As an active owner Industrivärden therefore contributes to the development of responsible companies that capitalize on sustainability-related opportunities. This creates competitive companies, enables growth in value and benefits sustainable societal development.

Against this background Industrivärden puts strong emphasis on ensuring that its portfolio companies have a sustainable approach to all aspects of their operations. Particular emphasis is put on material risks and opportunities – from influence and risk perspectives – since the companies are active in widely diverse industries and therefore face different challenges and opportunities. From an overall perspective it is Industrivärden's expectation that they:

- view sustainability as a key strategic issue;
- integrate sustainability aspects in their business models, business cultures, strategies, processes and product offerings;
- comply with applicable laws, rules and generally accepted principles for sustainable business;
- continuously improve their sustainability work with support of relevant guidelines and measurable goals; and
- communicate their sustainability work and the way in which they contribute to long-term sustainable development in the communities in which they work.

Active ownership is exercised primarily through representation on companies' nominating committees and boards, and by engaging in an ongoing dialog with the portfolio companies. Through extensive knowledge about the portfolio companies, their industries and important factors in their operating environments, Industrivärden has a good understanding of the portfolio companies' sustainability work, to the benefit of its active ownership. The analysis process is conducted from an overarching

ownership perspective and is built upon Industrivärden's sustainability analysis framework, which encompasses the portfolio companies' organizations, structures, risk management, utilization of value-creating opportunities and communication. Industrivärden's portfolio companies shall have the boards, management, organizations and resources needed to integrate sustainable business and thereby long-term value creation in their business models, processes and product offerings. Industrivärden shall be a well-informed and demanding owner with a clear sustainability perspective that contributes to sustainable development of its portfolio companies.

Strong starting point for sustainable value creation

Industrivärden's portfolio companies have generally made great progress in capitalizing on the value created by long-term sustainable business and measure up well in various comparisons with their industry peers. Following are a few examples of sustainability work currently being conducted by the portfolio companies.

Sandvik

In conjunction with the World Economic Forum 2018, for the first time Sandvik was included on the list of the 100 most sustainable companies and was ranked 65th overall. Among other initiatives, Sandvik is working together with Goldcorp to convert the Borden Lake project in Ontario, Canada, to the world's first fully electric mine by developing battery operated vehicles. Production is planned to start in 2019.

Handelsbanken

Handelsbanken is included in the analysis company RobecoSAM's "Sustainability Yearbook 2018" as a "Sustainability Yearbook Member". As such, Handelsbanken is among the top 15% of the world's banks in sustainability. During 2018 a framework was launched for projects that meet special sustainability criteria, and in June Handelsbanken issued its first green bond according to the set criteria.

Volvo

In 2018 Volvo Trucks unveiled several electric transport solutions. In May the FL Electric truck was launched, which can be driven in indoor terminals and in the most demanding environmental zones. The truck is virtually noise-free, which makes it suitable to drive in cities even at night. In September Vera was presented, a future transport system with self-driving electric vehicles that are monitored via a control center.

Essity

In May 2018, Essity, together with WSSCC, published a report with the goal to further promote the global dialog on hygiene and health issues, increase cooperation between organizations, industries and countries, and promote solutions for some of the challenges we face. In January 2018, Essity was named as one of the world's most sustainable companies by Corporate Knights.

Ericsson

Ericsson has halved its carbon emissions and during 2018 continued its ambitious work on reducing its carbon footprint. In September 2018 the "Exponential Climate Action Roadmap" report was presented at the Global Climate Action Summit in California by, among others, Ericsson, Professor Johan Rockström, Stockholm Resilience Center, Future Earth and WWF. The report lays out 33 solutions for reducing carbon emissions by 50% in a number of industries through strong industry collaboration and partnership.

SCA

For 2017 SCA's Ortviken paper mill reported the lowest fossil fuel emissions ever. This was made possible by a new combustion plant that has allowed the mill to replace oil and gasol with wood fiber. SCA's goal is to be entirely fossil-free over time.

ICA Gruppen

In April 2018 ICA launched "My climate target," a tool that enables customers to see the carbon footprint of their purchases with the help of modern technology and scientific calculations. In September ICA was the first grocery retailer in Sweden to have its climate targets approved by the Science Based Targets Initiative, based on a scientific method that ensures that ICA's targets are in line with the Paris agreement.

Skanska

It is Skanska's ambition to be an industry leader in sustainability; as an example, the company has made green building an integral and commercially successful part of operations. During 2018 the company's new, so-called circular asphalt was sold in the first projects.

SSAB

In February 2018 the HYBRIT pilot project received the green light to proceed. HYBRIT is a company jointly owned by SSAB, LKAB and Vattenfall with the goal to develop the world's first fossil-free steelmaking process with zero carbon emissions. Construction has begun of a pilot plant in Luleå and the ore fields in northern Sweden.

SUSTAINABILITY GOALS AND ACTIVITIES: ACTIVE OWNERSHIP

Goal	<ul style="list-style-type: none">• Be an active, responsible owner that contributes to long-term successful portfolio companies for the benefit of sustainable development in society• Be a long-term and sustainable investment that offers a competitive total return which over time is higher than the average for the Stockholm Stock Exchange (Nasdaq Stockholm)
Activities	<ul style="list-style-type: none">• Analyze and continuously monitor all portfolio companies in accordance with Industrivärden's integrated sustainability analysis• Formulate action plans for the respective portfolio companies and exercise influence in accordance with Industrivärden's business model• Engage in dialogs with prioritized stakeholders in order to solicit views for further development of Industrivärden's sustainability work
Agenda 2030	<ul style="list-style-type: none">• <i>SDG 8:</i> Sustainable economic growth is a central pillar in the work on contributing to the development of responsible and successful companies that can create competitive value over time• <i>SDG 9:</i> Promotion of sustainable industrialization and innovation is a clear focus of the portfolio companies and is encouraged within the framework of active ownership. By taking advantage of sustainability-related development opportunities the companies can stay at the forefront in their respective business areas• <i>SDG 12:</i> Sustainable consumption and production is a strategic perspective that is integrated in the portfolio companies' business models. The companies offer long-term sustainable and efficiently manufactured products and services that contribute to sustainable production and consumption. As a long-term owner Industrivärden views this as a prerequisite for being able to compete over time

B. OWN OPERATIONS

Industrivärden shall serve as a model and work with a clear sustainability focus both in its own operations and in the portfolio companies.

Proactive sustainability work shall be an integral part of the daily activities that are conducted by slightly less than 20 employees at the head offices in Stockholm. The CEO has overarching responsibility for Industrivärden's sustainability work, and the Head of Sustainability has functional responsibility for internal collaboration and external communication on sustainability issues. Team managers are responsible for the integrated sustainability analyses in the respective portfolio companies.

Industrivärden's employees

Industrivärden shall be a workplace in which the employees enjoy their work, feel good and can develop. Toward this end, evaluations are continuously conducted of performance and development opportunities for all employees. In addition, a continuous dialog is conducted on matters related to the workplace, ways of working and personal development. Industrivärden believes that better results are achieved at a workplace characterized by gender equality and diversity.

Environmental and carbon footprinting work

Even though Industrivärden's organization is small, the Company shall serve as a good example by minimizing its own environmental impact and carbon footprint. This is being achieved, for example, by prioritizing environment-friendly travel alternatives, using renewable energy in offices, and by continuously evaluating purchases from a sustainability perspective. Industrivärden has an ambition to reduce its own footprint over time and compensates for its actual greenhouse gas emissions through offsets. To be able to monitor and compare the Company's carbon footprint, Industrivärden has been conducting carbon footprint reporting since 2010 within the CDP framework. Current greenhouse gas emissions for 2018 have been calculated using the market-based method of the GHG Protocol (Greenhouse Gas Protocol), and are shown in the GRI Index on page 68.



FINANCIAL RESULTS

Favorable financial performance and financial strength are necessary prerequisites for Industrivärden to be able to create long-term value for its shareholders and pursue its strategy of supporting the portfolio companies over time. During the last three-, five- and ten-year periods, Industrivärden's stock has generated a higher total return than the Stockholm Stock Exchange. During 2018 Industrivärden's net asset value decreased from

SEK 96.3 billion to SEK 85.2 billion at year-end. Industrivärden's Class A and C shares generated total returns including reinvested dividend of -11% and -9%, respectively. A dividend of SEK 5.50 per share was paid to the shareholders, for SEK 2.4 billion in total. Industrivärden has a stable financial position with good credit ratings, and at year-end the debt-equities ratio was 7%.

DEVELOPMENT OF SUSTAINABILITY WORK 2018

Integration of strengthened sustainability analysis

In 2016 a development work was initiated to build up knowledge and strengthen analysis and the Company's ability to influence sustainability-related matters. This resulted in a new sustainability analysis framework, which was further developed in 2017 and fully integrated in Industrivärden's operational activities in 2018. Today Industrivärden has a solid foundation for value-creating sustainability analysis. The framework and work processes are being continuously developed as an integral part of Industrivärden's business model. See pages 12–16 for further information.

Clearer coupling to Agenda 2030

In 2018 work was conducted to more clearly explain how Industrivärden's prioritized sustainability issues are coupled to the global Sustainable Development Goals (SDGs) set out by the Agenda 2030 framework. This clarifies how Industrivärden is contributing to achievement of the global SDGs.

More in-depth stakeholder dialogs

Industrivärden is interested in and receptive to expectations on its operations by actors in its operating environment. Against this background a continuous dialog is conducted with the Company's stakeholders to learn about their perspectives and share knowledge.

"We receive many valuable views on our sustainability work, and the intensified stakeholder dialog has strengthened our understanding and ability"

Sverker Sivall, Head of Corporate Communication and Sustainability

The stakeholder dialog provides important support in the development of sustainability work, and in 2018 it was broadened with respect to target groups and levels. Further, Industrivärden participates in various public forums and presentations conducted under the sustainability theme – in part to emphasize the importance of active owners for sustainable societal development and in part to further conduct a dialog, gather views and learn from others.

SUSTAINABILITY GOALS AND ACTIVITIES: OWN OPERATIONS

Goal	<ul style="list-style-type: none"> • Measure and follow up Industrivärden's environmental impacts and carbon footprint • Be an attractive employer with competence development, openness and diversity in focus, and attract, recruit and retain competent employees
Activities	<ul style="list-style-type: none"> • Report Industrivärden's carbon footprint to CDP and compensate for the Company's footprint through offsets • Implement processes for broadened competence and diversity • Further train all employees on the sustainability strategy, Code of Conduct and policy documents • Conduct employee performance reviews with special attention paid to the work environment and competence development
Agenda 2030	<ul style="list-style-type: none"> • <i>SDG 5</i>: Diversity and gender equality is an important issue both in Industrivärden's own operations and in the portfolio companies since it strengthens the organizations' capabilities • <i>SDG 13</i>: Having a high ambition with respect to climate issues is an important issue both in Industrivärden's own operations and in the portfolio companies since it is a prerequisite for sustainable value creation

Practical implementation of values

With a foundation in Industrivärden's refined sustainability work, all employees have received training in the Company's view of value creation and how the set goals are to be implemented. This includes adopted policies for the environment and carbon footprinting, diversity and gender equality, anti-corruption and the Code of Conduct. Industrivärden makes a concerted effort to ensure that all employees feel involved in its operations.

AUDITOR'S STATEMENT ON THE STATUTORY SUSTAINABILITY REPORT

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

Stockholm, February 15, 2019
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

EQUITIES PORTFOLIO

Composition of the equities portfolio

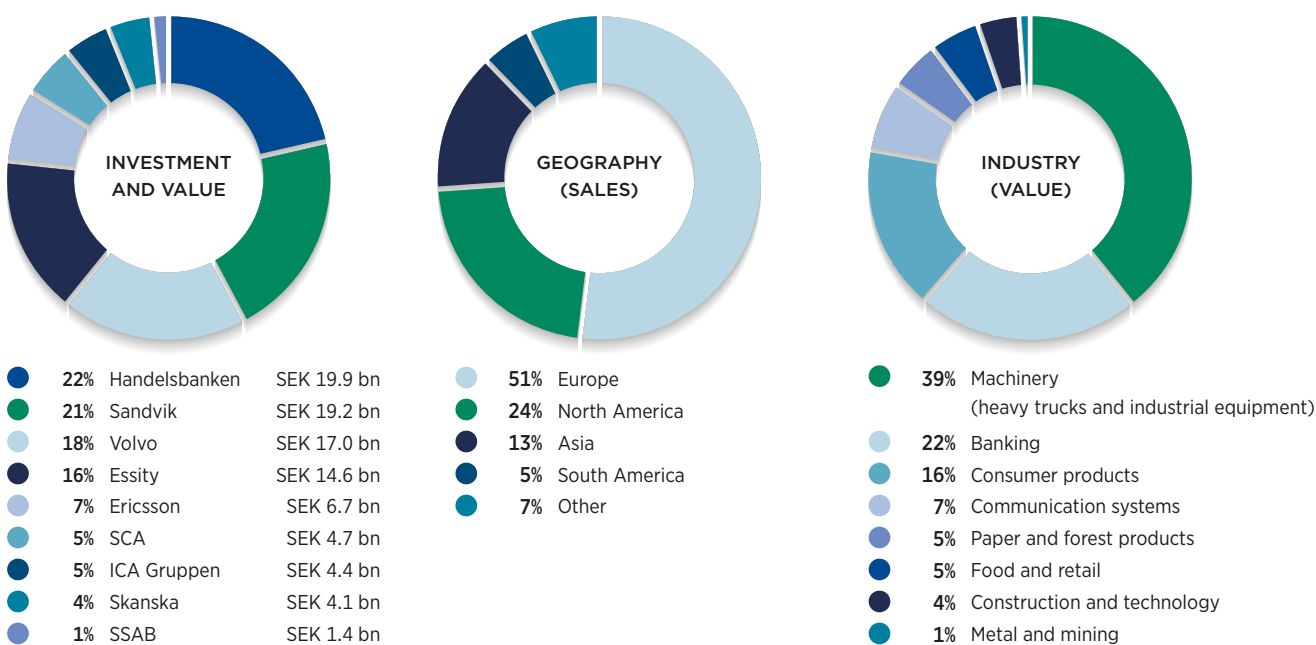
The equities portfolio is made up of large shareholdings in Handelsbanken, Sandvik, Volvo, Essity, Ericsson, SCA, ICA Gruppen, Skanska and SSAB, all of in which Industrivärden serves as a long-term active owner. At year-end 2018 the portfolio companies had combined sales of SEK 1,250 billion and operations in more than 180 countries.

The equities portfolio, which is valued at the companies' share prices as per December 31, 2018, had a market value of SEK 92,170 M (107,289). The market value of

the equities portfolio corresponds to SEK 212 (247) per Industrivärden share. Adjusted for purchases and sales, the value of the equities portfolio decreased by 11% during the year, compared with the Stockholm Stock Exchange's market index (OMXSPI), which decreased by 8%.

Dividends received from equities portfolio companies during the year amounted to a combined total of SEK 3,764 M (2,786). The portfolio's total return, i.e., growth in value including reinvested dividends, was -8%, compared with -4% for the total return index (SIXRX).

PORTFOLIO STRUCTURE



Industry breakdown according to GICS level 2.

TOTAL RETURN FOR PORTFOLIO COMPANIES

Stock	Average annual total return				
	2018	3 years	5 years	7 years	10 years
Handelsbanken	-6%	1%	4%	13%	14%
Sandvik	-10%	22%	10%	9%	13%
Volvo	-22%	16%	10%	10%	13%
Essity ¹⁾	-3%	6%	10%	19%	19%
Ericsson	48%	2%	4%	5%	6%
SCA ¹⁾	-23%	14%	14%	22%	21%
ICA Gruppen	10%	5%	13%	24%	19%
Skanska	-13%	-1%	6%	8%	12%
SSAB	-31%	22%	-4%	-5%	-4%
Total return index (SIXRX)	-4%	5%	8%	12%	14%

1) For calculation method, see Note 2, page 52.

Handelsbanken



HOLDING

Shares: 202,900,000 Class A shares

Market value: SEK 19,945 M

Share of votes: 10.6%

Share of capital: 10.4%

Share of equities portfolio: 22%

Total return 2018: SEK -1.4 billion

GROWTH IN VALUE



FOCUS AREAS FOR VALUE CREATION

- Continued organic development of business in all home markets, with distinct focus on customer satisfaction
- Further develop business in the UK and the Netherlands
- Greater efficiency and support for scalable growth via digitalization

IMPORTANT EVENTS IN 2018

- Continued favorable underlying growth in most home markets
- Strategic initiatives for business development and efficiency improvement
- Completed formation of subsidiary in the UK creates stable platform regardless of Brexit outcome
- Carina Åkerström will take office as new CEO on March 27, 2019

OPERATIONS

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

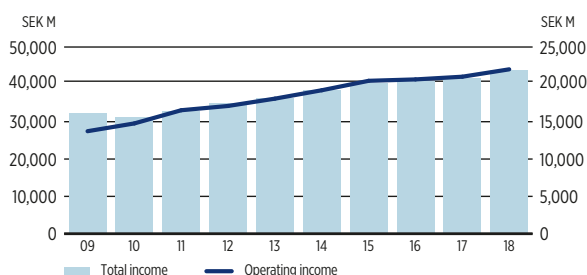
Handelsbanken has a decentralized work approach based on the core principle that responsibility for each customer rests with the local branch where the customer lives or does business. This enables close and enduring customer relationships that are characterized by availability, simplicity and a high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

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

The bank is run with long-term stable finances, low risk tolerance, low costs and focus on achieving the highest level of capital efficiency possible. A sustainable, keen ability to create value for customers, shareholders, employees and other stakeholders is a central component in Handelsbanken's work on running a modern and sustainable bank. For many years Handelsbanken has had more satisfied customers (according to EPSI Rating), lower loan losses and higher cost effectiveness and profitability than the average for its competitors.

Handelsbanken works consciously on continuously adapting its operations and product offering to changing market conditions.

EARNINGS AND KEY RATIOS



CEO: Anders Bouvin (Carina Åkerström as from March 27, 2019)

Chairman: Pär Boman

Key data	2018	2017
Earnings per share, SEK	8.93	8.28
Dividend per share, SEK	5.50 ¹	7.50 ²
Share price on December 31, SEK		
Class A shares	98.30	112.20
Class B shares	101.20	113.00

1) Proposed by the board of directors.
2) Of which, SEK 2.00 in extra dividend.



HOLDING

Shares: 152,300,000 shares

Market value: SEK 19,243 M

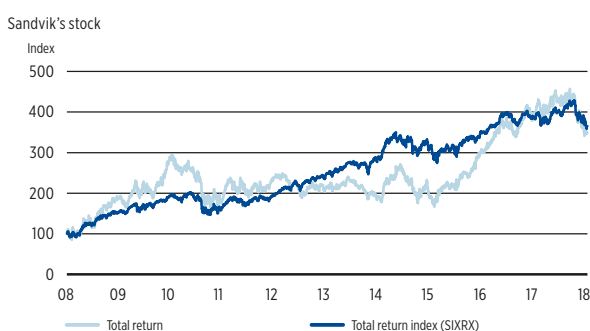
Share of votes: 12.1%

Share of capital: 12.1%

Share of equities portfolio: 21%

Total return 2018: SEK -2.2 billion

GROWTH IN VALUE



FOCUS AREAS FOR VALUE CREATION

- Sandvik Machining Solutions: continued growth in core areas and broadening in the future of manufacturing
- Sandvik Mining & Rock Technology: increased service penetration and profitability
- Sandvik Materials Technology: clearly improved profitability

IMPORTANT EVENTS IN 2018

- Significantly improved adjusted operating margin resulting from continued focus on efficiency and increased demand
- Stronger customer offering through acquisitions of Metrologic Group, Duramill and OSK (SMS), and Inrock (SMRT), and investment in new metal powders plant (SMT)
- Continued refinement through divestments of remaining part of Other Operations, the welding and stainless wire business, and the ownership stake in the joint venture company Fagersta Stainless
- Stronger financial position

OPERATIONS

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

Operations are organized into three business areas and are conducted in 19 product areas that have their own strategies and are entirely responsible for their own operations. The product areas deliver solutions mainly to six customer segments: mining, engineering, automotive, energy, construction and aerospace. The Sandvik Machining Solutions (SMS) business area specializes in manufacturing tools and tooling systems for advanced

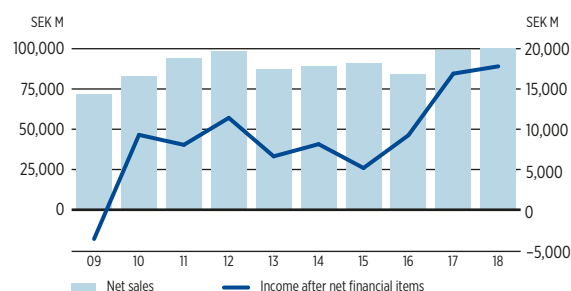
metal cutting. Products are manufactured in cemented carbide and other hard materials. Sandvik Mining & Rock Technology (SMRT) supplies equipment, tools, service and technical solutions for the mining and construction industries. Application areas include rock drilling, rock cutting, crushing and screening. Sandvik Materials Technology (SMT) manufactures advanced stainless steels, special alloys, titanium and other high performance materials. The product offering includes pipe, metal powders, strip steel and products for industrial heating.

Sandvik has a long history of successful, value-based sales with a focus on customers' processes and efficiency improvement opportunities. The company's strengths include unique expertise in materials technology, extensive knowledge about industrial processes, close customer cooperation and high capacity for innovation.

CEO: Björn Rosengren

Chairman: Johan Molin

EARNINGS AND KEY RATIOS



Key data	2018	2017
Earnings per share, SEK	10.14 ¹	10.50
Dividend per share, SEK	4.25 ²	3.50
Share price on December 31, SEK	126.35	143.70

1) Adjusted for dilutive effect 9.98 (7.99).

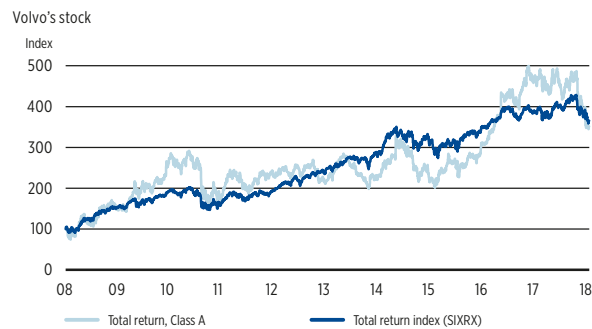
2) Proposed by the board of directors.



HOLDING

Shares: 142,600,000 Class A shares,
3,600,000 Class B shares
Market value: SEK 16,988 M
Share of votes: 22.2%
Share of capital: 6.9%
Share of equities portfolio: 18%
Total return 2018: SEK -4.9 billion

GROWTH IN VALUE



FOCUS AREAS FOR VALUE CREATION

- Continued focus on operational improvements for greater efficiency and flexibility
- Organic growth through increased customer focus and development of service business
- Drive transformation towards future transport needs

IMPORTANT EVENTS IN 2018

- Continued sales growth and higher profitability
- Unveiling of electric truck models that will enter production in 2019
- Stronger financial position
- Provision of SEK 7 billion for estimated costs to address issue of degrading emission control component

OPERATIONS

The Volvo Group is one of the world's leading manufacturers of trucks, construction equipment, buses and marine and industrial engines. The Group also provides complete solutions for financing and service. Operations are global, with sales in 190 countries. The vision is to be the most desired and successful transport solution provider in the world. The business model builds upon the company's strong brands, leading innovative ability and first-class service network aimed at providing competitive, reliable and effective products and services that create value for customers. During the past decade the company has grown to become a global player in heavy trucks and construction equipment.

Business is conducted under several leading brands, which enables the Group to penetrate many different customer and market segments in mature as well as

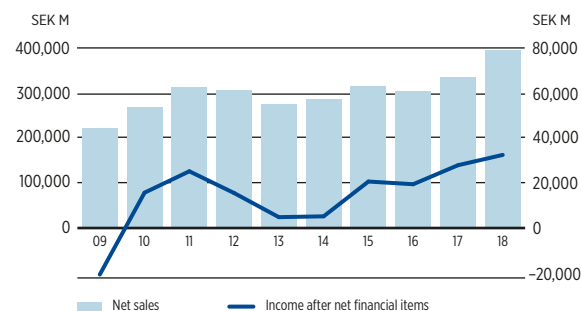
emerging markets. Trucks are sold under the Volvo, Renault Trucks, Mack and UD brands, under the Eicher brand by an Indian joint-venture company, and under the Dongfeng brand by a Chinese joint-venture company. The Volvo Group also sells construction equipment under the Volvo, SDLG and Terex brands.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

In recent years the Volvo Group has undergone an extensive transformation through reorganization, product renewal and greater customer focus while taking measures to improve internal efficiency. The company conducts concerted innovation work in the areas of electrification, automation and connectivity to meet future needs for transport solutions.

CEO: Martin Lundstedt

Chairman: Carl-Henric Svanberg

EARNINGS AND KEY RATIOS



Key data	2018	2017
Earnings per share, SEK	12.24	10.07
Dividend per share, SEK	10.00 ¹	4.25
Share price on December 31, SEK		
Class A shares	116.20	153.10
Class B shares	115.95	152.70

1) Proposed by the board of directors. Of which, SEK 5.00 in extra dividend.



HOLDING

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

Market value: SEK 14,550 M

Share of votes: 29.9%

Share of capital: 9.5%

Share of equities portfolio: 16%

Total return 2018: SEK -0.6 billion

GROWTH IN VALUE



FOCUS AREAS FOR VALUE CREATION

- Growth in attractive categories and geographies, both organically and through acquisitions
- Continued efficiency and cost focus to meet higher energy and raw material costs
- Focus on innovation and strong brands for future growth

IMPORTANT EVENTS IN 2018

- Conscious work on dealing with higher input costs
- Numerous measures taken to increase cost- and capital efficiency
- Successful integration of BSN medical in Personal Care business area

OPERATIONS

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

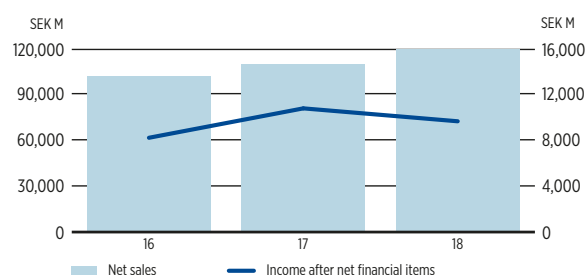
The innovation process plays a central role in Essity's strategy. It is based on current trends, customer and consumer insight, new technology and new business models. In this process Essity also takes sustainability aspects and product safety into account. Essity's presence in both

mature and emerging markets gives it keen insight into trends and needs.

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

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

EARNINGS AND KEY RATIOS



Pro forma for 2016.

CEO: Magnus Groth

Chairman: Pär Boman

Key data	2018	2017
Earnings per share, SEK	11.23	11.56
Dividend per share, SEK	5.75 ¹⁾	5.75
Share price on December 31, SEK		
Class A shares	218.00	231.70
Class B shares	217.60	233.00

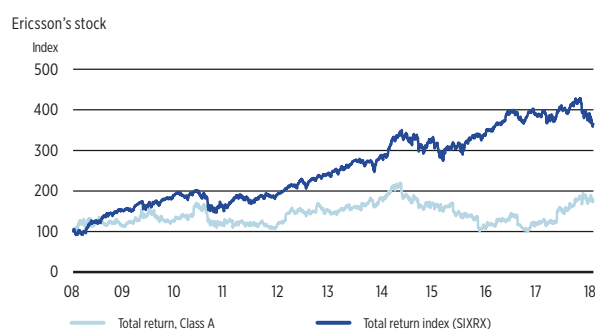
1) Proposed by the board of directors.



HOLDING

Shares: 86,052,615 Class A shares,
1,000,000 Class B shares
Market value: SEK 6,738 M
Share of votes: 15.1%
Share of capital: 2.6%
Share of equities portfolio: 7%
Total return 2018: SEK 2.2 billion

GROWTH IN VALUE



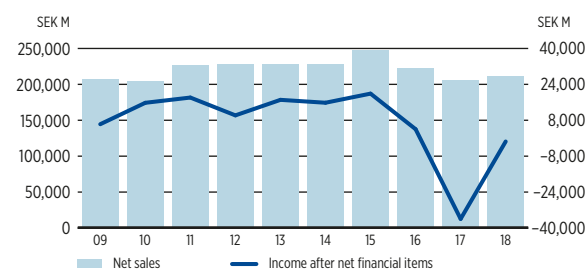
OPERATIONS

Ericsson is a global telecommunications company that provides infrastructure, services and software to customers in the telecom industry and other sectors in more than 180 countries.

The company delivers customer value by continuously developing its offering with focus on customers' priorities in the key areas of efficiency, the digital experience and new revenue streams. This work is based on Ericsson's strengths: technology leadership, product-led solutions, and global scale and skill. These factors have enabled a strong position in technology and services, which is illustrated by substantial investments in research and development and the world's strongest patent portfolio containing some 45,000 granted patents.

Ericsson's business is conducted in four segments: Networks, Digital Services, Managed Services and Emerging Business & Other. Networks develops hardware and software for operators of radio and transport networks as well as solutions for the next generation of mobile networks (5G).

EARNINGS AND KEY RATIOS



FOCUS AREAS FOR VALUE CREATION

- Continued focus on Networks segment with goal to achieve a leading position in next generation of mobile networks (5G)
- Achieve turnaround to profit for Digital Services and Emerging Business & Other segments
- Continue development of the company's strengths

IMPORTANT EVENTS IN 2018

- Significantly improved earnings and strong financial position
- Cost-cutting program of SEK 10 billion on annual basis concluded according to plan
- Higher market share in radio networks as result of competitive technology and cost level
- A number of important 5G orders
- Election of Ronnie Leten as new Chairman at the AGM

Customers' needs to be able to handle a growing volume of data with maintained quality and unchanged costs are creating momentum for the next generation of mobile networks, and Ericsson has a leading position within 5G. Digital Services provides IT systems, core networks and infrastructure that help telecom operators meet the challenges they are facing in the ongoing digital transformation, including cloud-based virtual networks. Managed Services offers operational and optimization services for communications networks and IT systems for operators. The Emerging Business & Other segment invests in strategic growth opportunities based on 5G and IoT. Initiatives are driven as startup projects.

Ericsson continues to carry out the focused business strategy that was decided on in 2017 and has made good progress towards the goal of reaching an operating margin of at least 10% by 2020.

CEO: Börje Ekholm
Chairman: Ronnie Leten

Key data	2018	2017
Earnings per share, SEK	-1.98	-9.94
Dividend per share, SEK	1.00 ¹⁾	1.00
Share price on December 31, SEK		
Class A shares	77.40	53.25
Class B shares	77.92	53.85

1) Proposed by the board of directors.



HOLDING

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

Market value: SEK 4,688 M

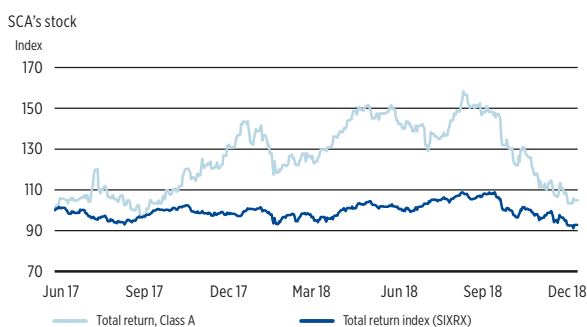
Share of votes: 29.7%

Share of capital: 9.5%

Share of equities portfolio: 5%

Total return 2018: SEK -1.2 billion

GROWTH IN VALUE



FOCUS AREAS FOR VALUE CREATION

- Increased efficiency through continuous improvement measures
- Selective growth in chosen segments
- Innovation aimed at developing new applications based on forest raw material

IMPORTANT EVENTS IN 2018

- Good growth and strong improvement of profitability
- Successful start of operations of the expanded pulp mill in Östrand
- Investment in higher production of white-top kraftliner in Munksund

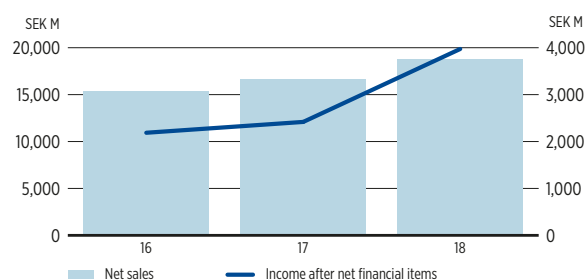
OPERATIONS

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

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

Operations are organized in four segments. The Forest segment manages SCA's forestland, of which 2 million hectares are used for timber production for SCA's forest industries. Roughly an equal amount of timber that is harvested from its own forests is purchased from other forest owners. The Timber segment includes five sawmills in Sweden, wood processing units with planing mills in Sweden, the UK and France, and distribution and wholesale operations. The Pulp segment produces sulfate pulp and chemi-thermomechanical pulp (CTMP), which is made at the Östrand pulp mill. The expansion project that was concluded in Östrand in 2018 will double the mill's capacity and create one of the most cost-efficient pulp mills in the world for manufacturing long-fiber sulfate pulp. The Paper segment produces containerboard in Obbola and Munksund, and publishing papers in Ortvikén, which are used for magazines, catalogs and advertising brochures.

EARNINGS AND KEY RATIOS



Pro forma for 2016.

CEO: Ulf Larsson

Chairman: Pär Boman

Key data	2018	2017
Earnings per share, SEK	5.21	2.67
Dividend per share, SEK	1.75 ¹	1.50
Share price on December 31, SEK		
Class A shares	71.50	95.00
Class B shares	68.72	84.55

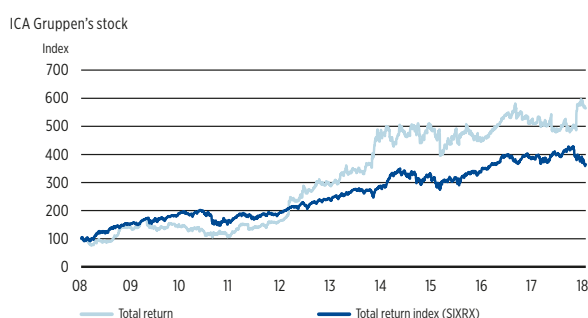
¹) Proposed by the board of directors.



HOLDING

Shares: 14,016,262 shares
 Market value: SEK 4,440 M
 Share of votes: 7.0%
 Share of capital: 7.0%
 Share of equities portfolio: 5%
 Total return 2018: SEK 0.6 billion

GROWTH IN VALUE



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

DIVESTMENT OF HOLDING IN ICA GRUPPEN

In November 2018 Industrivärden communicated its intention to divest its entire shareholding in ICA Gruppen. Against this background, in November 2018 approximately a quarter of the holding was sold to ICA-handlarnas Förbund for approximately SEK 1.7 billion, and in connection with this a put option was acquired from the same counterparty that enables a divestment of the remainder of the holding in May 2019. Industrivärden acquired its stake in ICA Gruppen in 2013 in connection with the company's formation followed by a new issue, and as an active owner Industrivärden contributed both to the original financing and ICA Gruppen's strategic development. ICA Gruppen's stock has been a good investment, delivering an annual total return of approximately 22%, compared with 11% for the Stockholm Stock Exchange's total return index (SIXRX) during the time Industrivärden owned the stock.

IMPORTANT EVENTS IN 2018

- Good growth in e-commerce for ICA Sweden
- Rimi Baltic focusing on organic growth following Lithuanian Competition Council's rejection of IKI acquisition

OPERATIONS

ICA Gruppen is a leading retail group with a focus on food and health. The Group includes ICA Sweden and Rimi Baltic, which conduct primarily grocery retail business; Apotek Hjärtat, which conducts pharmacy operations; ICA Real Estate, which owns and manages properties; and ICA Bank, which offers financial services. ICA Gruppen has approximately 1,900 Group- or retailer-owned stores and pharmacies.

ICA Gruppen's business model is based on extensive consumer and market insight that is combined with economies of scale to enable coordination gains, strong customer offerings, high customer loyalty, efficient processes, the right mix of channels and physical store networks. ICA Gruppen's core business is grocery retail. Surrounding this

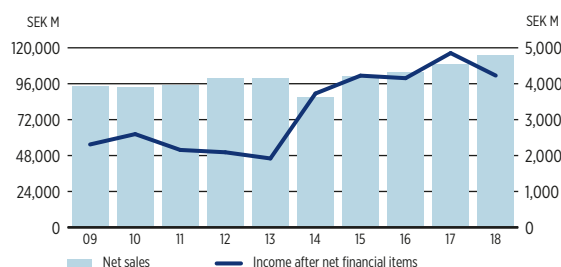
a number of businesses have been built up which individually and in cooperation contribute to an attractive customer offering and stable market position. All of the businesses are to be profitable and support the core business.

A clear trend in retailing is the ongoing digitalization, which affects all of ICA Gruppen's businesses. A central part of this is the rapid growth of e-commerce. Physical and digital channels will complement each other in entirely new ways, and having a strong position will be a critical success factor going forward. At year-end more than 250 stores in ICA Gruppen offered e-commerce (online shopping), and more than 600 stores offer ICA Matkassen, a meal kit concept marketed as ready-packed grocery bags complete with recipes.

CEO: Per Strömberg

Chairman: Claes-Göran Sylvén

EARNINGS AND KEY RATIOS



Net sales and earnings for 2009–11 are based on ICA, for 2012–13 on ICA Gruppen pro forma, and as from 2014 excluding ICA Norway.

Key data	2018	2017
Earnings per share, SEK	18.05	20.53
Dividend per share, SEK	11.50 ¹⁾	11.00
Share price on December 31, SEK	316.80	297.90

1) Proposed by the board of directors.

SKANSKA



HOLDING

Shares: 12,667,500 Class A shares,
16,343,995 Class B shares

Market value: SEK 4,091 M

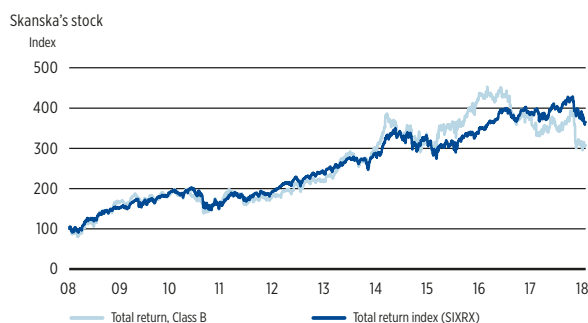
Share of votes: 23.9%

Share of capital: 6.9%

Share of equities portfolio: 4%

Total return 2018: SEK -0.6 billion

GROWTH IN VALUE



FOCUS AREAS FOR VALUE CREATION

- Increased profitability of construction operations
- Decentralization and improved operational efficiency
- Grow project development operations with balanced risk

IMPORTANT EVENTS IN 2018

- Challenging year with substantial impairment losses and margin pressure in construction operations
- Continued favorable development for Commercial Property Development
- Extensive restructuring to focus operations and improve profitability
- Anders Danielsson new CEO in January 2018

OPERATIONS

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

Operations are conducted through four business streams: Construction, Residential Development, Commercial Property Development and Infrastructure Development. Construction is Skanska's largest business stream and involves construction of buildings, industrial facilities, infrastructure and residences. The Construction operations generate cash flow that can be invested in value-creating project development. Residential Development develops housing for sale

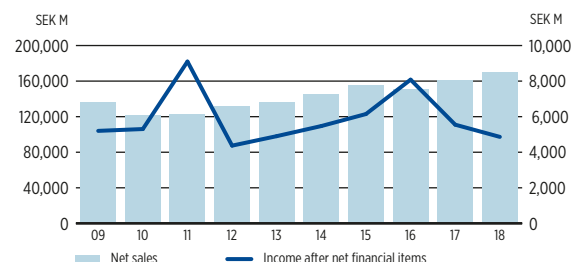
primarily to private home buyers. Commercial Property Development initiates, invests in, develops, leases out and sells commercial property projects. Infrastructure Development develops, invests in, operates and sells infrastructure projects, such as highways, hospitals and schools. A central focus is to enhance value creation through operational and financial synergies between Skanska's various business units.

Skanska's operations are based on the premise that value is created in the thousands of projects carried out every year. The company's overarching aspiration is to create industry-leading shareholder value by being the customers' preferred partner and the industry's most attractive employer, by taking a value-driven approach to sustainable solutions, by continuing to develop internal collaboration, and by continuously improving operational efficiency.

CEO: Anders Danielsson

Chairman: Hans Biörck

EARNINGS AND KEY RATIOS



Key data	2018	2017
Earnings per share, SEK	9.55	12.01
Dividend per share, SEK	6.00 ¹⁾	8.25
Share price on December 31, SEK	141.00	170.00

1) Proposed by the board of directors.

SSAB



HOLDING

Shares: 44,334,933 Class A shares

Market value: SEK 1,352 M

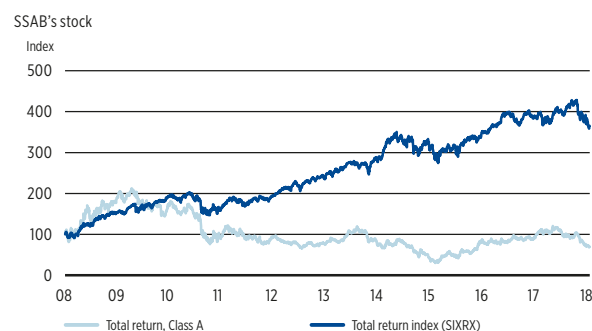
Share of votes: 11.8%

Share of capital: 4.3%

Share of equities portfolio: 1%

Total return 2018: SEK -0.4 billion

GROWTH IN VALUE



OPERATIONS

SSAB is a highly specialized global steel company driven by close customer relationships. SSAB develops high strength steels and provides services to enhance the performance of customers' products, which enables sustainable products with clear competitive advantages. The overall goal is to attain industry-leading profitability and generate stable cash flows. This is achieved by ensuring that SSAB has a leading position in high strength steels and value-added services on a global scale, and by being a market leader in its home markets.

SSAB is a leading producer in the global market for Advanced High-Strength Steels and Quenched & Tempered Steels. SSAB's steels and services enables to make end products lighter and increase their strength and lifespan. In the Nordic market SSAB is the market leader in strip, plate and

FOCUS AREAS FOR VALUE CREATION

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

IMPORTANT EVENTS IN 2018

- Good demand and favorable prices led to higher sales and operating income
- Start of construction for part-owned HYBRIT, a pilot plant for fossil-free steel production
- Acquisition of Sanistål's distribution operation by subsidiary Tibnor
- Stronger financial position

tubular products as well as in construction solutions. In North America SSAB is the leading producer of plate.

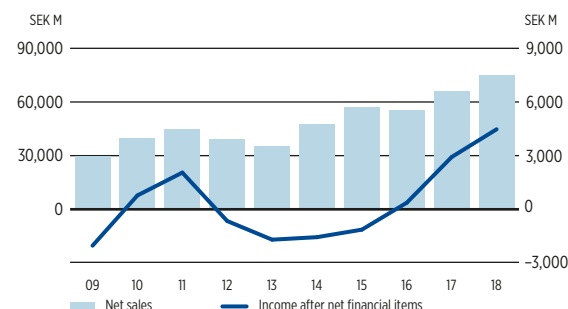
SSAB has a cost-efficient and flexible production system. The company's production plants in Sweden, Finland and the U.S. have annual steel production capacity of 8.8 million tons. The company also has capacity to process and finish various steel products in China and a number of other countries. In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

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

CEO: Martin Lindqvist

Chairman: Bengt Kjell

EARNINGS AND KEY RATIOS



Key data	2018	2017
Earnings per share, SEK	3.45	2.23
Dividend per share, SEK	1.50 ¹	1.00
Share price on December 31, SEK		
Class A shares	30.49	44.90
Class B shares	24.92	36.61

1) Proposed by the board of directors.



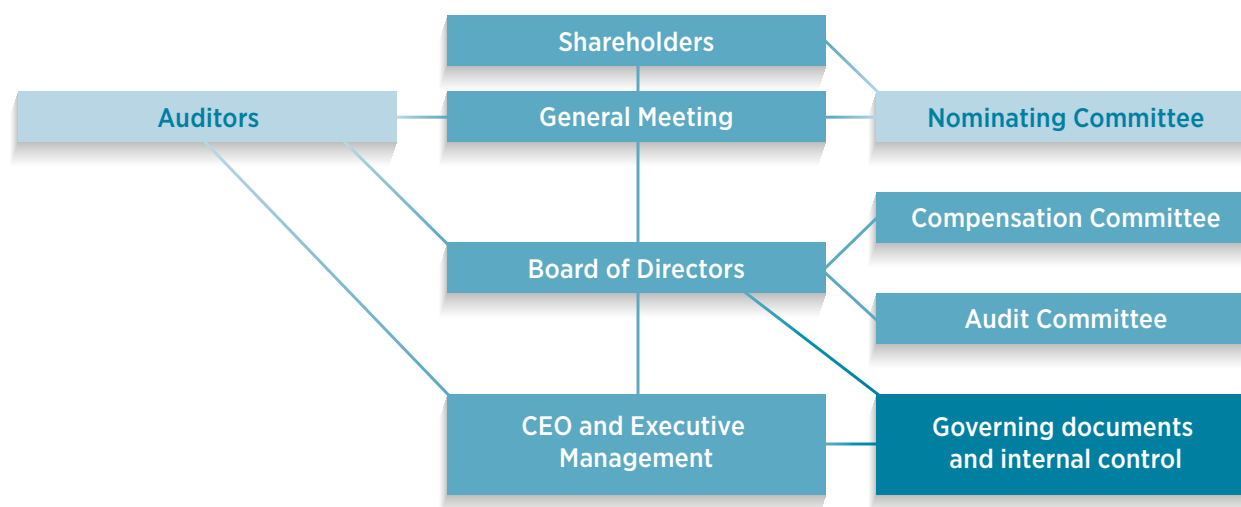
BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO of AB Industrivärden (publ), corporate identity number 556043-4200, herewith submit the annual report and consolidated financial statements for the 2018 fiscal year (January 1–December 31, 2018), which has been audited by the Company's auditor.

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

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

CORPORATE GOVERNANCE REPORT



FUNDAMENTAL PRINCIPLES

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

CORPORATE GOVERNANCE STRUCTURE

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

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

The Corporate Governance Report covers the 2018 fiscal year and has been audited by the Company's auditor. During 2018 Industrivärden did not have any departures from the Code.

SHAREHOLDERS

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

GENERAL MEETINGS

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

fee is determined, and other items of legally ordained business are conducted.

NOMINATING COMMITTEE

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

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

The Nominating Committee ahead the 2018 AGM consisted of Mats Guldbrand (committee chair – L E Lundbergföretagen), Håkan Sandberg (Handelsbanken Pension Foundation and others), Mikael Schmidt (SCA Pension Foundation and others), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation, and others), and Fredrik Lundberg (Chairman of the Board of Industrivärden).

The Nominating Committee's reasoned statement ahead of the 2018 AGM certifies that in formulating its recommendations for members of the Board of Directors, the Nominating Committee relied on Rule 4.1 of the Code as its diversity policy. The goal of the policy is that the Board shall have a suitable composition in respect of the Company's operations, phase of

development and conditions in general, distinguished by a diversity and breadth of expertise, experience and backgrounds, and that an even gender balance shall be strived for. The 2018 AGM resolved to elect board members in accordance with the Nominating Committee's recommendation, entailing that eight directors were elected, of whom three are women and five are men.

Ahead of the 2019 AGM the following Nominating Committee has been appointed: Mats Guldbrand (committee chair – L E Lundbergföretagen), Håkan Sandberg (Handelsbanken Pension Foundation and others), Mikael Schmidt (SCA Pension Foundations and others), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation, and others), and Fredrik Lundberg (Chairman of the Board of Industrivärden).

BOARD OF DIRECTORS

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

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

In addition to the statutory board meeting, which is held in conjunction with the AGM, the Board normally meets eight times per year (regular meetings, including meetings in connection with the publication of interim and year-end reports). Extra board meetings are convened

when necessary. In 2018 the Board held a total of 11 meetings.

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

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

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

All board decisions are based on extensive documentation and are made following a discussion that is led by the Chairman. The Board's work is evaluated yearly in a structured process conducted under the direction of the Chairman of the Board. The 2018 evaluation was conducted by means of a questionnaire that each board member was requested to complete, in the aim of gaining an idea about the directors' views on, among other things, how the board work has been conducted and which measures could be taken to improve the board work as well as which matters the directors feel should be given more

ATTENDANCE, FEES AND INDEPENDENCE CONDITIONS

The table pertains to the board members elected at the 2018 Annual General Meeting.

Name	Born	Year elected	Role on Board	Audit Committee	Compensation Committee	Attendance at meetings			Decided fee 2018 SEK 000s
						Board	Audit Committee	Compensation Committee	
Fredrik Lundberg	1951	2004	Chairman	Member	Chair	10	3	2	2,000
Pär Boman	1961	2013	Vice Chairman	Chair	-	11	4	1	1,200
Christian Caspar	1951	2011	Director	Member	-	11	4	-	600
Bengt Kjell	1954	2015	Director	-	-	8	-	-	600
Nina Linander	1959	2014	Director	Member	-	11	4	-	600
Annika Lundius	1951	2014	Director	-	Member	10	-	3	600
Lars Pettersson	1954	2015	Director	-	Member	11	-	3	600
Helena Stjernholm	1970	2016	Director	-	-	11	-	-	-
Total									6,200

Prior to the 2018 AGM the Nominating Committee made the following determination regarding directors' independence: Pär Boman has not been found to be independent in relation to the Company and the Executive Management, nor in relation to major shareholders. Fredrik Lundberg and Lars Pettersson have been found to be independent in relation to the Company and Executive Management, but not in relation to major shareholders. Helena Stjernholm has been found to be independent in relation to major shareholders but not in relation to the Company and Executive Management. Other board members have been found to be independent in relation to the Company and Executive Management as well as in relation to major shareholders. The Board's composition meets the Code's requirements for independent directors.

attention and in which areas it could possibly be suitable to have additional expertise on the Board. The results of this evaluation were reported and discussed by the Board. In addition, the Chairman's work on the Board was evaluated with him not being present. The conclusions of these evaluations and discussions were reported orally to the Nominating Committee.

BOARD COMMITTEE

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

AUDIT COMMITTEE

The Audit Committee serves in an oversight role with respect to the Company's risk management, governance and control, and financial reporting. The committee shall also keep itself informed about the Swedish Inspectorate of Auditors' quality control, inform the Board about the audit's contribution to the reliability of the financial reporting, maintain regular contact with the auditor to ensure that the Company's internal and external reporting meet the requirements placed on a listed company and to discuss the scope and focus of the audit work. The auditor reports his observations to the Audit Committee on a regular basis and attended three board meetings during the year. The Audit Committee held four meetings in 2018. No fees have been paid to the board members for their work on the committee.

COMPENSATION COMMITTEE

The Compensation Committee deals with matters concerning principles for compensation and other terms of employment for the CEO and members of the Executive Management, monitors variable compensation programs for senior executives, and monitors and evaluates application of the compensation guidelines that have been set by the AGM. The Compensation Committee held three meetings in 2018. No fees have been paid to the board members for their work on the committee.

CHIEF EXECUTIVE OFFICER

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

THE BOARD'S PROPOSED GUIDELINES FOR COMPENSATION OF SENIOR EXECUTIVES

The 2018 AGM resolved in favor of the Board's recommendation to adopt the following guidelines for compensation of senior executives: 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 50% of base salary. The long-term variable salary component is based on the long-term performance of the Company's stock and shall have a cap. None of the variable components shall be pensionable. Upon termination of an executive's employment contract by the Company, a maximum two-year notice period applies. No severance pay should be payable. Pension benefits shall be defined-contribution solutions in all essential respects and give the members of the Executive Management the right to receive benefits from 60 or 65 years of age, depending on their position. The Board may depart from these guidelines if there are special reasons for doing so in individual cases.

The Board of Directors recommends that the 2019 AGM resolve in favor of guidelines that are unchanged compared with those approved by the 2018 AGM.

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 2018 AGM, PricewaterhouseCoopers AB was elected as auditor for a term lasting through the 2019 AGM. The chief auditor is Magnus Svensson Henryson (b. 1969), Authorized Public Accountant. In 2018 he was also chief auditor of the listed company SSAB. In 2018 the half-year interim report and year-end report were reviewed by the Company's auditor.

GOVERNANCE DOCUMENTS AND INTERNAL CONTROL

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

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

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

VALUE CREATION

Net asset value

Industrivärden's long-term goal is to increase net asset value and thereby generate a return for Industrivärden's shareholders that exceeds the market's required rate of return. Taking into account the risk profile of portfolio investments, the shareholders will be given a total return which over time is higher than the average for the Stockholm Stock Exchange's total return index (SIXRX).

Net asset value is a measure of the shareholders' total net worth in the Company, defined as the market value of the equities portfolio less interest-bearing net debt. Net asset value at year-end 2018 was SEK 85.2 billion (96.3), or SEK 196 per share (221).

COMPOSITION OF NET ASSET VALUE AND TOTAL RETURN FOR PORTFOLIO COMPANIES AS PER DECEMBER 31, 2018

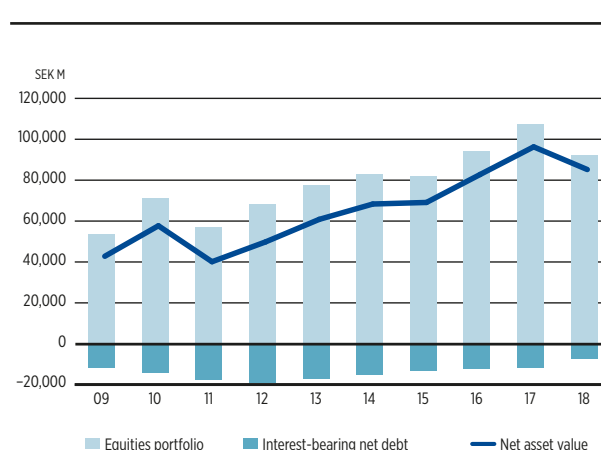
Holding	No. shares	Ownership, %		Share of value, %	Market value		Total return SEK M	Net purchases (+) / net sales (-) per holding, SEK M	Total return for the stock, %
		Capital	Votes		SEK M	SEK/share			
Handelsbanken A	202,900,000	10.4	10.6	22	19,945	46	-1,356	680	-6
Sandvik	152,300,000	12.1	12.1	21	19,243	44	-2,182	653	-10
Volvo A	142,600,000	6.9	22.2	18	16,570	39	-4,857	70	-22
Volvo B	3,600,000				417			489	-24
Essity A	35,000,000	9.5	29.9	16	7,630	33	-584	-	-3
Essity B	31,800,000				6,920			-	-4
Ericsson A	86,052,615	2.6	15.1	7	6,660	15	2,227	-	48
Ericsson B	1,000,000				78			-	47
SCA A	35,000,000	9.5	29.7	5	2,503	11	-1,243	-	-23
SCA B	31,800,000				2,185			-	-17
ICA Gruppen	14,016,262	7.0	7.0	5	4,440	10	603	-2,060	10
Skanska A	12,667,500	6.9	23.9	4	1,786	9	-629	-	-13
Skanska B	16,343,995				2,305			-	-13
SSAB A	44,334,933	4.3	11.8	1	1,352	3	-359	-903	-31
SSAB B	-				-			-2,122	-14
Other				0	136	0	-4	-59	
Equities portfolio				100	92,170¹	212	-8,384	-3,252	-8
Interest-bearing net debt					-6,601	-15			
Adjustment pertaining to exchangeable					-368	-1			
Net asset value					85,201	196			
Debt-equities ratio						7%			

1) The Group's total cost as per 12/31/2018 was SEK 45,233 M.

GROWTH OF NET ASSET VALUE

Net asset value decreased by -9% in 2018, including reinvested dividend, compared with a decline of -4% for the Stockholm Stock Exchange's total return index (SIXRX). During the last five- and ten-year periods, net asset value including reinvested dividends grew by an average of 8% and 16% per year, respectively, compared with 8% and 14%, respectively, for the Stockholm Stock Exchange's total return index (SIXRX).

NET ASSET VALUE 10 YEARS



NET ASSET VALUE

SEK billion	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Equities portfolio	92.2	107.3	94.2	81.8	83.1
Interest-bearing net debt	-6.6	-10.9	-11.5	-12.6	-14.6
of which, convertible bond	-	-	-5.3	-4.9	-5.0
Adjustment pertaining to exchangeable bond	-0.4	-0.1	-	-0.1	-0.1
Net asset value	85.2	96.3	82.8	69.1	68.3
Net asset value per share, SEK	196	221	191	160	158
Yearly growth incl. reinvested dividend, % ¹	-9	18	23	5	9 ²
Debt-equities ratio, %	7.2	10.2	12.2	15.5	17.6

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

2) Adjusted for conversions.

EQUITIES PORTFOLIO

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

The equities portfolio, which is valued at the companies' market prices as per December 31, 2018, had a market value of SEK 92,170 M (107,289). The market value of the equities portfolio corresponded to SEK 212 (247) per Industrivärden share.

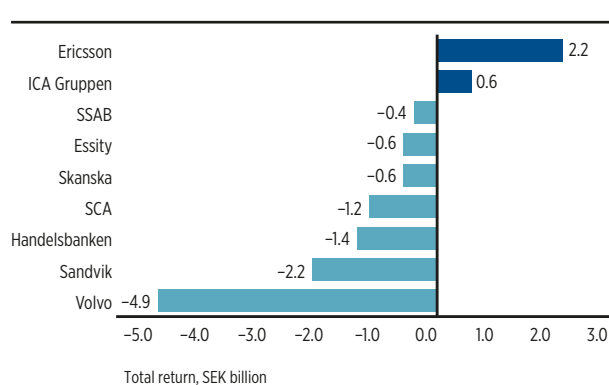
PERFORMANCE OF THE EQUITIES PORTFOLIO IN 2018

Adjusted for purchases and sales, the value of the equities portfolio decreased by 11% during the year, compared with the Stockholm Stock Exchange's market index (OMXSPI), which decreased by 4%.

Dividends received from portfolio companies during the year amounted to a combined total of SEK 3,764 M (2,786). Industrivärden distributed SEK 2,394 M (2,285) in dividends to the shareholders during the year.

The contributions of the respective portfolio holdings to the portfolio's total performance in 2018 are shown in the chart below. A total return for longer periods of time is shown in the table on page 22.

CONTRIBUTION ANALYSIS OF SHAREHOLDINGS



INVESTMENT ACTIVITIES

During 2018 Industrivärden conducted a number of investment activities.

Equities

- In April, shares in SSAB were sold for SEK 3.1 billion, generating a favorable return
- In November, shares in ICA Gruppen were sold for SEK 1.7 billion, generating a favorable return, and a divestment was enabled of the remaining shareholding in May 2019
- During the year, shares were bought in Handelsbanken for SEK 0.7 billion, in Sandvik for SEK 0.6 billion, and in Volvo, for SEK 0.6 billion

Other

In November a put option was acquired from ICA-handlarnas Förbund for Industrivärden's remaining holding of 15,138,385 shares in ICA Gruppen, corresponding to 7.5% of the capital and votes. The put option, which was acquired for a total of SEK 106 M, gives Industrivärden the right to sell the remainder of its shareholding to ICA-handlarnas Förbund for SEK 290.52 per share on May 17, 2019. The strike price under the put option is the same as under the exchangeable bonds for ICA Gruppen shares issued by Industrivärden in 2014, due on May 15, 2019.

FINANCING

Through borrowing, Industrivärden enhances its flexibility over time.

Gearing policy

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

Interest-bearing net debt

The debt portfolio consists primarily of an exchangeable bond, an MTN program and commercial paper. Interest-bearing net debt amounted to SEK 6.6 billion at year-end 2018 (10.9), corresponding to SEK 15 per Industrivärden share.

The debt-equities ratio at year-end 2018 was 7% (10%). Interest-bearing liabilities had an average capital duration of approximately 1 year and carried an average interest rate of 0.2%.

Outstanding exchangeable

In 2014 an exchangeable bond of SEK 4.4 billion was issued as part of the continuous refinancing of the equities portfolio. The bond matures on May 15, 2019, and was issued at a premium of approximately 38% to ICA Gruppen's share price at the time of issue and carries no interest. In 2018 the bondholder demanded redemption corresponding to SEK 0.3 billion, whereby shares in ICA Gruppen were delivered. See Note 16 for further information.

Credit rating

In May 2018, S&P Global Ratings upgraded Industrivärden's credit rating to A+/Stable/A-1 from A/Stable/A-1.

MANAGEMENT COST

Industrivärden's management cost in 2018 amounted to SEK 121 M (111). The management cost corresponded to 0.13% (0.10%) of the equities portfolio's value on December 31, 2018.

SUSTAINABILITY REPORT

A sustainability report that describes Industrivärden's work with sustainable value creation is provided on pages 17–21 and also on the company's website at www.industrivarden.net

Industrivärden share data

INDUSTRIVÄRDEN'S STOCK AND SHAREHOLDERS

Industrivärden's Class A and Class C shares are listed on the Stockholm Stock Exchange. Industrivärden's stock is listed in the large cap segment, consisting of companies with a market capitalization higher than EUR 1 billion. Industrivärden has approximately 80,000 (75,000) shareholders. Foreign shareholders' share of the capital amounts to 20% (19%). Each A-share carries entitlement to one vote, and each C-share carries entitlement to 1/10 of a vote. All shares carry equal entitlement to the Company's assets, earnings and dividends.

Trading volume of Industrivärden shares in 2018 totaled SEK 36 billion (55), of which the Stockholm Stock Exchange accounted for 54%, Cboe APA for 17%, Cboe BXE for 12%, Cboe CXE for 6%, LSE MTF for 5%, Turquoise for 2%, and other marketplaces for 5%. Industrivärden shares were traded for a total value of SEK 36 billion (55), corresponding to a turnover rate of 19% (27%) for the Class A shares and 82% (120%) for the Class C shares. Average daily trading volume was approximately 200,000 Class A shares and approximately 550,000 Class C shares.

Industrivärden's Class A and Class C shares had standard deviations of 20.3% and 20.2%, respectively, and beta values of 1.19% and 1.16%, respectively, for the full year 2018.

INDUSTRIVÄRDEN'S STOCK AS PER DECEMBER 31, 2018

Share class	No. shares	No. votes	Capital %	Votes %
A (1 vote)	268,183,457	268,183,457	61.6	94.1
C (1/10 vote)	167,026,420	16,702,642	38.4	5.9
Total	435,209,877	284,886,099	100.0	100.0

RETURN

During the last ten-year period the average annual total return for Industrivärden's Class A and C shares was 16% and 18%, respectively, compared with 14% for the total return index (SIXRX). During the same period, the MSCI World Index generated an annualized total return of 11%.

In 2018 the price of Industrivärden's Class A shares decreased by -13%, from SEK 211.60 to SEK 183.20, and the price of Industrivärden's Class C shares decreased by -12%, from SEK 202.50 to SEK 179.20. The total return for the Class A shares was -11%, and the total return for the Class C shares was -9%, compared with -4% for the total return index (SIXRX).

DIVIDEND

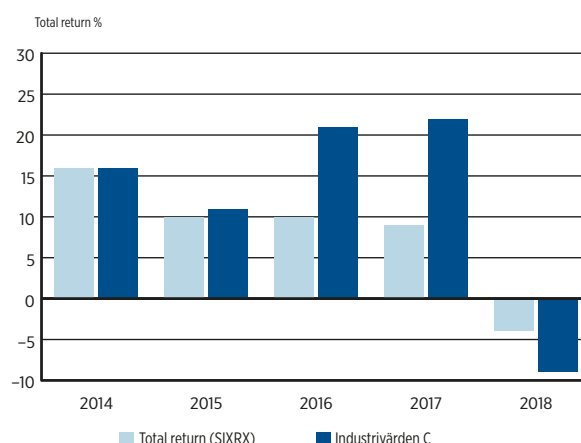
	2018	2017	2016	2015	2014
Dividend, SEK	5.75 ¹	5.50	5.25	5.00	6.25
Annual growth in dividend, %	5	5	5	neg	14

1) Proposed by the Board of Directors.

TOTAL RETURN, INDUSTRIVÄRDEN

	Average annual change	
	Industrivärden C	Index (SIXRX)
1 year	-9%	-4%
3 years	11%	5%
5 years	12%	8%
7 years	16%	12%
10 years	18%	14%

TOTAL RETURN



DIVIDEND

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

The Board of Directors has proposed that the 2019 Annual General Meeting declare a dividend of SEK 5.75 (5.50) per share.

EMPLOYEE OWNERSHIP IN INDUSTRIVÄRDEN

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

CONVERSION OF A-SHARES TO C-SHARES

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

request conversion of Class A shares to Class C shares. Conversion forms are available on Industrivärden's website under the "Share data" menu. A total of 869 Class A shares were converted to Class C shares in 2018.

OWNERSHIP STRUCTURE ON DECEMBER 31, 2018¹

Largest shareholders	Registration country	Number of shares, million	Percentage of	
			Capital stock	Votes
L E Lundbergsföretagen	Sweden	71.6	16.5	23.7
Handelsbanken Pension Foundation	Sweden	30.9	7.1	10.8
Jan Wallander and Tom Hedelius Foundation	Sweden	27.5	6.3	9.7
Swedbank Robur funds	Sweden	13.6	3.1	1.4
State Street Bank and Trust	USA	10.6	2.4	1.0
Fredrik Lundberg incl. companies	Sweden	10.2	2.3	3.1
Spiltan funds	Sweden	9.6	2.2	0.5
SCA Pension Foundation	Sweden	9.1	2.1	3.2
SCA Vorsorge-Treuhand	Germany	9.0	2.1	3.2
Norges Bank Investment Management	USA	8.9	2.0	1.6
Handelsbanken Pension Fund	Sweden	8.7	2.0	3.0
Essity Pension Foundation for salaried employees and foremen	Sweden	8.5	1.9	3.0
J P Morgan Chase Bank	UK	8.0	1.8	1.2
Alecta Pensionsförsäkring	Sweden	6.6	1.5	1.2
AFA Sjukförsäkring	Sweden	5.4	1.2	0.2
Total above		238.0	54.6	66.8
Other shareholders		197.2	45.4	33.2
Total Industrivärden		435.2	100.0	100.0

1) Source: Euroclear Sweden.

PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors proposes a dividend of SEK 5.75 per share (5.50). The proposed dividend corresponds to 5.4% of the Parent Company's equity and 2.9% of the Group's equity. Of shareholders' equity, 41%, or SEK 18.7 billion in the Parent Company, and 55%, or SEK 46.9 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 according to the proposed dividend, based on the number of shares outstanding after conversion of the convertible bond, is SEK 2,502 M (2,394).

According to the Parent Company balance sheet, profits totaling SEK 44,083 M are at the disposal of the Annual General Meeting.

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

To the shareholders, a dividend of SEK 5.75 per share, totaling	SEK 2,502 M
Balance carried forward	SEK 41,581 M
	<hr/>
	SEK 44,083 M

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

The Group's and Parent Company's earnings and position in general are shown in the income statements, balance sheets, statements of changes in shareholders' equity, statements of cash flows and notes to the financial statements. Adoption of the Consolidated and Parent Company Income Statements and Balance Sheets will take place at the Annual General Meeting on April 17, 2019.

Stockholm, February 8, 2019

Fredrik Lundberg

Chairman

Pär Boman

Vice Chairman

Christian Caspar

Director

Bengt Kjell

Director

Nina Linander

Director

Annika Lundius

Director

Lars Pettersson

Director

Helena Stjernholm

CEO and Director

Our Audit Report was submitted on February 15, 2019

PricewaterhouseCoopers AB

Magnus Svensson Henryson

Authorized Public Accountant

DELÅRSRAPPORT 9M:2018

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INCOME STATEMENTS

SEK M	Note	Group		Parent Company	
		2018	2017	2018	2017
Dividend income from stocks	1	3,764	2,786	1,753	1,387
Change in value of stocks, etc.	2	-11,954	12,957	-6,623	10,869
Management cost	5, 6, 7	-121	-111	-121	-111
Operating income		-8,311	15,632	-4,991	12,145
Financial income	4	3	12	3	12
Financial expenses	4	-22	-89	-19	-36
Income after financial items		-8,330	15,555	-5,007	12,121
Tax	8	-	-	-	-
Net income for the year		-8,330	15,555	-5,007	12,121
Earnings per share, SEK	9	-19.14	35.76		

STATEMENT OF COMPREHENSIVE INCOME

Net income for the year	-8,330	15,555	-5,007	12,121
Items that are not to be reclassified in the income statement				
Actuarial gains and losses pertaining to pensions	-14	-6	-14	-6
Comprehensive income for the year	-8,344	15,549	-5,021	12,115

BALANCE SHEETS

SEK M	Note	Group		Parent Company	
		Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017
ASSETS					
Property, plant and equipment	10	11	12	11	12
Equities	11, 14	92,170	107,289	31,483	36,288
Shares in associated companies	11, 12, 14	-	-	20,371	25,831
Shares in subsidiaries	13, 14	-	-	1,735	1,752
Total non-current assets		92,181	107,301	53,600	63,883
Other current receivables	15	273	446	778	1,171
Cash and cash equivalents		786	613	10	850
Total current assets		1,059	1,059	788	2,021
TOTAL ASSETS		93,240	108,360	54,388	65,904
SHAREHOLDERS' EQUITY AND LIABILITIES					
Capital stock		1,088	1,088	1,088	1,088
Statutory reserve/Share premium reserve		7,233	7,233	7,233	7,233
Retained earnings		85,151	72,004	42,919	33,205
Net income for the year		-8,330	15,555	-5,007	12,121
Total shareholders' equity		85,142	95,880	46,233	53,647
Exchangeable bond	16, 18	-	4,355	-	4,355
Other non-current interest-bearing liabilities	17, 18	2,170	2,937	2,170	2,937
Non-current noninterest-bearing liabilities	19	36	368	36	368
Total non-current liabilities		2,206	7,660	2,206	7,660
Exchangeable bond	16, 20	4,069	-	4,069	-
Current interest-bearing liabilities	20	1,325	4,523	1,250	4,501
Other current liabilities	21	498	297	630	96
Total current liabilities		5,892	4,820	5,949	4,597
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		93,240	108,360	54,388	65,904

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

SHAREHOLDERS' EQUITY

Group

	Capital stock ¹	Statutory reserve share premium reserve	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2016	1,081	6,754	57,843	16,451	82,129
Net income for the year	-	-	-	15,555	15,555
Actuarial gains and losses on pensions	-	-	-6	-	-6
Total comprehensive income	-	-	-6	15,555	15,549
Transfer of previous year's net income	-	-	16,451	-16,451	-
Conversion of convertible bond and other	7	479	-	-	486
Dividend to shareholders	-	-	-2,285	-	-2,285
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2017	1,088	7,233	72,004	15,555	95,880
Net income for the year	-	-	-	-8,330	-8,330
Actuarial gains and losses pertaining to pensions	-	-	-14	-	-14
Total comprehensive income	-	-	-14	-8,330	-8,344
Transfer of previous year's net income	-	-	15,555	-15,555	-
Dividend to shareholders ²	-	-	-2,394	-	-2,394
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2018	1,088	7,233	85,151	-8,330	85,142

Parent Company

	Capital stock ¹	Statutory reserve/ share premium reserve	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2016	1,081	6,754	24,236	11,259	43,330
Net income for the year	-	-	-	12,121	12,121
Actuarial gains and losses pertaining to pensions	-	-	-6	-	-6
Total comprehensive income	-	-	-6	12,121	12,115
Transfer of previous year's net income	-	-	11,259	-11,259	-
Conversion of convertible bond and other	7	479	-	-	486
Dividend to shareholders	-	-	-2,285	-	-2,285
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2017	1,088	7,233	33,205	12,121	53,647
Net income for the year	-	-	-	-5,007	-5,007
Actuarial gains and losses pertaining to pensions	-	-	-14	-	-14
Total comprehensive income	-	-	-14	-5,007	-5,021
Transfer of previous year's net income	-	-	12,121	-12,121	-
Dividend to shareholders ²	-	-	-2,394	-	-2,394
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2018	1,088	7,233	-42,919	-5,007	46,233³

1) As per December 31, 2019, there were 435,209,877 shares outstanding, of which 268,183,457 were Class A shares and 167,026,420 were Class C shares. The capital stock amounted to SEK 670.5 M for the Class A shares and SEK 417.6 M for the Class C shares. The share quota value is SEK 2.50.

2) The dividend in 2018 was SEK 5.50 per share.

3) Unrestricted equity in the Parent Company amounts to SEK 44,083 M.

STATEMENTS OF CASH FLOWS

SEK M	Note	Group		Parent Company	
		2018	2017	2018	2017
OPERATING ACTIVITIES					
Dividend income from stocks	1	3,764	2,786	1,753	1,387
Management cost paid		-137	-125	-138	-125
Other items affecting cash flow		-106	10	-106	10
Cash flow from operating activities before financial items		3,521	2,671	1,509	1,272
Interest received		1	18	0	16
Interest paid		-19	-94	-20	-41
Other financial items		-11	-1	-11	-1
CASH FLOW FROM OPERATING ACTIVITIES		3,492	2,594	1,478	1,246
INVESTING ACTIVITIES					
Purchases/sales of stocks	3, 14	3,252	-103	3,819	28
CASH FLOW FROM INVESTING ACTIVITIES		3,252	-103	3,819	28
FINANCING ACTIVITIES					
Loans raised and amortization of debt		-4,043	-654	-4,322	1,497
Investments		-134	238	-134	238
Change in financing of subsidiaries		-	-	713	126
Dividend paid		-2,394	-2,285	-2,394	-2,285
CASH FLOW FROM FINANCING ACTIVITIES		-6,571	-2,701	-6,137	-424
NET CASH FLOW FOR THE YEAR		173	-210	-840	850
Cash and cash equivalents at start of year		613	823	850	0
CASH AND CASH EQUIVALENTS AT END OF YEAR		786	613	10	850

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

Financial risk management

GENERAL

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

EQUITIES RISK

Equities risk pertains mainly to share price risk, which is the entirely dominant risk in Industrivärden's operations. By share price risk is meant the risk of a decline in value caused by changes in prices in the stock market. Industrivärden's active ownership should reduce the relative equities risk in the portfolio companies and thus also in Industrivärden's portfolio. Moreover, the active ownership role provides good insight into the portfolio companies' operations, external operating environment and continuing development. Having a diversification of equities in the portfolio reduces volatility and contributes to a more stable return over time. Share price risk can be illustrated as such that a 1% change in the price of all listed shareholdings in Industrivärden's equities portfolio as per December 31, 2018, would have affected the market value by +/- SEK 900 M.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will vary due to changes in market interest rates. The financial instruments that are exposed to interest rate risk consist of loans with variable interest rates. Swap agreements may be used to limit interest expenses and to adjust maturities. Industrivärden's interest rate risk and its effect on earnings are judged to be low. At year-end 2018, one interest rate swap agreement was in effect under which a variable interest rate was swapped against a fixed interest rate. The agreement pertains to borrowings of SEK 750 M with a remaining term of 8 months. At year-end 2018 the market value of the swap agreement was SEK -4 M. A parallel shift up or down in the interest rate curve by 1 percentage point would affect income after financial items in 2018 by approximately +/- SEK 20 M.

LIQUIDITY RISK AND REFINANCING RISK

Liquidity risk is the risk of encountering difficulties in accessing liquid assets in order to meet obligations associated with financial instruments. In accordance with Industrivärden's finance policy, at any given time the Group has a minimum of SEK 2 billion in committed credit facilities at its disposal. Refinancing risk is the risk of a company being unable to obtain financing or that financing can only be obtained at a considerably higher cost. In the aim of minimizing refinancing risk, loan maturities are distributed evenly over time to lower the likelihood of a large portion of loans being refinanced at the same date. Industrivärden's liquidity risk and refinancing risk are judged to be low. With an equity ratio of 91% (88%) and an A+ rating (S&P), Industrivärden has considerable financial flexibility.

CURRENCY RISK

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

COUNTERPARTY RISK

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

OPERATIONAL RISK

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Control activities pertaining to the equities portfolio include, among other things, approval of all business transactions, daily registration in internal systems, follow-up of equity transactions to ensure that they are in accordance with decisions made by the Investment Committee, and checks to make sure that the value of purchases and sales of stocks and of underlying stocks in derivative transactions is within the scope of established exposure

limits. The Investment Committee, which is made up of the Executive Management together with representatives from the investment and analysis organization and equities market function, continuously follows up investment decisions that have been made and checks to ensure that they have been executed correctly. Minutes are recorded of Investment Committee meetings.

Financing

ORGANIZATION

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

FINANCING

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

CREDIT FACILITIES AS PER DECEMBER 31, 2018

	Amount, SEK M	Nominal amount, SEK M	Term
MTN-program	8,000	2,050	2020-2021
Total long-term borrowing		2,050	
MTN-program	-	750	
Exchangeable bond	4,069	4,069	
Commercial paper	3,000	500	
Bank overdraft facility	500	-	
Total short-term borrowing		5,319	

AVERAGE INTEREST RATE AND CAPITAL DURATION

The average interest rate for Industrivärden's debt portfolio as per December 31, 2018, was 0.2% (0.1%). The average capital duration was 12 months (29).

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	2019	2020-2021	After 2021	Total
Interest-bearing liabilities	5,398	2,050	111	7,559
Derivative instruments	4	24	12	40
Total as per December 31, 2018	5,402	2,074	123	7,599

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

CHANGE IN GROUP'S INTEREST-BEARING NET DEBT

Net debt as per December 31, 2017	10,930
Dividends received and paid, net	-1,370
Purchases and sales of stocks, net	-3,252
Management and interest expenses	140
Other	153
Net debt as per December 31, 2018	6,601

RATINGS

Industrivärden has been assigned an international corporate credit rating of A+/Stable/A-1 by S&P Global Ratings, which has also assigned the commercial paper program a credit rating of K-1.

FINANCIAL INSTRUMENTS BY CATEGORY

SEK M	December 31, 2018			December 31, 2017		
	Assets at fair value through profit and loss	Amortized cost	Total	Assets at fair value through profit and loss	Amortized cost	Total
ASSETS						
- Equities	92,170	-	92,170	107,289	-	107,289
- Derivatives, etc.	88	-	88	-	-	-
- Current receivables	-	177	177	-	272	272
- Cash and cash equivalents	-	786	786	-	613	613
Total assets	92,258	963	93,221	107,289	885	108,174

SEK M	December 31, 2018			December 31, 2017		
	Liabilities at fair value through profit and loss	Amortized cost	Total	Liabilities at fair value through profit and loss	Amortized cost	Total
LIABILITIES						
- Non-current interest-bearing liabilities	-	2,170	2,170	-	7,292	7,292
- Other non-current liabilities	36	-	36	368	-	368
- Current interest-bearing liabilities	-	5,394	5,394	-	4,501	4,501
- Other current liabilities	375	-	375	3	-	3
Total liabilities	411	7,564	7,975	371	11,793	12,164

ESTIMATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

SEK M	December 31, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
- Equities	92,034	-	136	92,170	107,089	-	200	107,289
- Derivatives, etc.	-	88	-	88	-	-	-	-
Total assets	92,034	88	136	92,258	107,089	-	200	107,289

SEK M	December 31, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
LIABILITIES								
<i>Non-current liabilities</i>								
- Option portion of exchangeable bond	-	-	-	-	-	318	-	318
- Derivatives, etc.	-	36	-	36	-	50	-	50
<i>Current liabilities</i>								
- Option portion of exchangeable bond	-	371	-	371	-	-	-	-
- Derivatives, etc.	-	4	-	4	-	3	-	3
Total liabilities	-	411	-	411	-	371	-	371

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

Instruments in Level 1 are valued at quoted prices for identical instruments in an active market. Instruments in

Level 2 are valued in a valuation model which uses input data that are directly or indirectly observable in the market. Input data used in the valuation models include interest rates, volatility and dividend estimates. Instruments in Level 3 are valued using a valuation technique based on input data which are not observable in a market.

Accounting policies

APPLIED RULES

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

PRINCIPLES OF CONSOLIDATION

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

PARENT COMPANY REPORTING

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

FOREIGN CURRENCY

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

DIVIDEND INCOME FROM EQUITIES

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

In 2017, shares were received in Essity, which are reported as revenue of SEK 16,120 M in the income statement on the line *Change in value of stocks, etc.* The corresponding expense corresponding to the negative change in the value of SCA shares is reported on the same line.

REPORTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are classified in the following measurement categories: financial assets and liabilities at amortized cost, and financial assets and liabilities at fair value through profit and loss. The classification of financial assets is based on the Company's business model for asset management and the assets' contractual terms. Industrivärden reports all holdings of listed equities in the income statement. Purchases and sales of financial instruments are reported as per the transaction date.

EXCHANGEABLE BOND

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

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

ISSUED STOCK OPTIONS

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

CASH AND CASH EQUIVALENTS

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

PROPERTY, PLANT AND EQUIPMENT

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

EMPLOYEE COMPENSATION

Pensions

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

Long-term incentive programs

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

Tax rules for the Parent Company

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

Intermediaries

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

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

MAIN PRINCIPLES OF TAXATION

The main principles concerning taxation of investment companies are that dividends received and interest income are taxable, while dividends paid, interest expenses and management costs are tax deductible. In addition, capital gains on sales of stocks are tax exempt, but in return, a standardized level of income, which amounts to 1.5% of the market value of the equities portfolio at the start of the fiscal year, is taxed. The basis for calculating

the standardized level of income does not include business-related shares, by which is meant unlisted shares as well as listed shares in which the holding corresponds to at least 10% of the number of votes. In order for listed business-related shares to be excluded from the standardized income calculation, they must have been held for at least one year.

TAX DEFICITS

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

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

Tax computation

See Note 8 on page 54.

Notes

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

NOTE 1. Dividend income from stocks

	Group	
	2018	2017
Handelsbanken	1,488	975
Sandvik	517	406
Volvo	604	462
Essity	384	-
Ericsson	87	87
SCA	100	401
ICA Gruppen	227	217
Skanska	239	239
SSAB	118	-
Total	3,764	2,786

NOTE 2. Change in value of stocks, etc.

	Group	
	2018	2017
Handelsbanken	-2,774	-2,807
Sandvik	-2,618	4,575
Volvo	-5,336	6,525
Essity ¹	-969	1,932
Ericsson	2,102	22
SCA ¹	-1,326	2,447
ICA Gruppen	356	413
Skanska	-841	-1,308
SSAB	-457	1,078
Other	-4	59
Stocks	-11,867	12,936
Exchangeable bond		
Option portion's change in value	-53	50
Indexing	-33	-94
Transaction costs	-9	-10
Other, net	8	75
Total	-11,954	12,957

1) Adjusted for the received dividend of shares in Essity, totaling SEK 16,120 M. The total returns for Essity and SCA have been calculated as the respective companies' shares of the original company SCA's total return before the split (based on the share of value at the time of the split) and thereafter based on the value performance for the respective companies. The split was carried out on June 9, and the first day for trading in Essity shares was June 15, 2017.

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

	Group	
	2018	2017
Handelsbanken	680	169
Sandvik	653	-
ICA Gruppen	-2,060	-
SSAB	-3,025	-
Volvo	560	-
Other	-60	-66
Total	-3,252	103

NOTE 4. Financial income and expenses

	Group		Parent Company	
	2018	2017	2018	2017
Financial income				
Interest income				
- other	3	12	3	12
Total	3	12	3	12

	Group		Parent Company	
	2018	2017	2018	2017
Financial expenses				
Interest expenses				
- subsidiaries	-	-	-1	-7
Interest expenses				
- other	-20	-87	-16	-27
Other financial items	-2	-2	-2	-2
Total	-22	-89	-19	-36

NOTE 5. Average number of employees, Parent Company

Age group	2018		2017	
	Number of employees	Of whom, women	Number of employees	Of whom, women
-30	2	0	2	1
30-50	9	5	11	5
50-	4	2	4	2
Total	15	7	17	8

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

	2018				2017			
	Directors' fees	Wages, salaries and other remuneration	Social security costs	Of which, pension costs	Directors' fees	Wages, salaries and other remuneration	Social security costs	Of which, pension costs
Parent Company	6	45	34	14	6	42	30	10

Executive Management's compensation and pension costs for 2018

	Base salary	Variable salary	Share savings program	Other benefits	Pension costs
CEO Helena Stjernholm	10.4 ¹⁾	4.2	1.9	0.1	4.2
Other members of the Executive Management (3 persons)	7.0	2.8	0.6	0.2	2.2
Total	17.4	7.0	2.5	0.3	6.4

1) The Company's cost amounts to SEK 7.1 M after deducting SEK 3.3 M for directors' fees paid by the portfolio companies, which have been delivered to Industrivärden.

Directors' fees and executive compensation

The Nominating Committee, which has been appointed in the manner decided by the Annual General Meeting (AGM), submits recommendations for directors' fees to the AGM. Fees have been issued to the Chairman of the Board and other directors in accordance with an AGM resolution. A fee of SEK 2.0 M was issued to the Chairman of the Board, and a fee of SEK 1.2 M was issued to the Vice Chairman. A fee of SEK 0.6 M was issued to each of the other directors. Total fees paid to the members of the Board of Directors in 2018 amounted to SEK 5.6 M. No fees are paid for committee work. Directors' fees were unchanged compared with the preceding year.

Compensation of the CEO and other members of the Executive Management is based on the guidelines adopted by the 2018 AGM. The Compensation Committee submits a recommendation to the Board on the CEO's compensation and draws up, in consultation with the CEO, criteria for compensation for the other members of the Executive Management. The members of the Executive Management receive a base salary, long-term and short-term variable salary, customary employment benefits and pension benefits.

CEO and members of the Executive Management

The CEO was paid a base salary of SEK 10.4 M (10.0). The Company's cost is reduced by SEK 3.3 M for directors' fees paid by portfolio companies for 2018. Her variable salary for 2018, which is based on the Board's annual evaluation, amounted to SEK 4.2 M (4.0), which will be paid out in 2019. Her vested portion of the ongoing share savings program was SEK 1.9 M for 2018 (2.3). The share savings program that expired in 2018 resulted in grants of 17,196 (0) Industrivärden Class C shares to the CEO, which corresponded to a value of SEK 3.2 M (0). The cost of defined contribution pension premiums was SEK 4.2 M for 2018 (4.0). Other benefits pertain to a company car. In the event the Company serves notice of her employment contract, a two-year notice period applies. For notice given by the CEO, a six-month notice period applies.

The other three (four) members of the Executive Management together received base salaries of SEK 7.0 M (7.2). The other members of the Executive Management are entitled to long-term and short-term variable salary. The outcome is based on the achievement of individually set goals as well as on joint targets for growth in net asset value. Variable salary for 2018 amounted to SEK 2.8 M (3.0) and will be paid out in 2019. The vested portion of the ongoing share savings program amounted to SEK 0.6 M for 2018 (2.0). The share savings program that expired in 2018 resulted in grants of 3,696 (12,228) Industrivärden Class C shares to the other members of the Executive Management, for a value of SEK 0.7 M (2.5). The combined cost of defined contribution pension premiums in 2018 was SEK 2.2 M (2.4). Other benefits pertain to company cars. In the event of the Company service notice of an executive's employment contract, a one or two-year notice period applies. For notice given by the executive, a six-month notice period applies.

A former member of the Executive Management received base salary of SEK 1.5 M for employment in 2018 and the subsequent notice period, corresponding to a cost of SEK 7.0 M. The former member of the Executive Management is covered by a defined contribution pension plan. The pension cost for 2018 up until the end of employment was SEK 3.0 M.

Long-term incentive programs

The incentive programs are part of a competitive total compensation package in which the employee has the opportunity to receive matching shares and performance shares after three years, subject to investment of part of the employee's base salary in Industrivärden shares. The program aims to encourage Industrivärden's employees to increase their ownership of stock in the Company and thereby further emphasize long-term shareholder value. The Share Savings Program is expected to increase Industrivärden's opportunities to recruit and retain competent employees as well as the participants' interest in and commitment to Industrivärden's business and development. Against this background, the program is judged to have a positive impact on Industrivärden's continued development and thereby be beneficial for both the shareholders and Industrivärden's employees. In the outstanding programs, a maximum of 16,802 matching shares and 55,171 performance shares may be granted. Grants of matching shares require continued employment at the time of the match. Grants of performance shares are conditional upon an average annual total return for Industrivärden's Class C shares during the three-year lock-in period that is equal to or higher than the SIXRX index, and full grants of performance shares require an average annual total return for Industrivärden's Class C shares during the three-year lock-in period that exceeds the SIXRX index by 2 percentage points per year. The cost of incentive programs in 2018 was SEK 0.8 M (5.3). The total liability for the programs is SEK 4.2 M (11.3).

Long-term incentive program 2018

The 2018 AGM resolved to offer a long-term share savings program for a maximum of 20 employees in the Industrivärden Group. During 2018, 12,096 shares were bought within the program, which can qualify for a maximum grant of 6,048 matching shares and 21,332 performance shares.

Long-term incentive programs 2016 and 2017

The 2016 and 2017 incentive programs include a total of 21,508 purchased shares, which can qualify for grants of a maximum of 10,754 matching shares and 33,839 performance shares.

Long-term incentive program 2015

The 2015 incentive program expired in October 2018. In connection with this, a total of 25,991 Industrivärden Class C shares were granted for a value of SEK 4.8 M. The value was calculated based on the price of Industrivärden Class C shares on the grant date.

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

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

NOTE 7. Auditors' fees

	Group ¹		Parent Company ¹	
	2018	2017	2018	2017
PWC				
Audit assignment	0.7	0.7	0.7	0.7
Auditing activities in addition to audit assignment	0.1	0.1	0.0	0.1
Tax consulting	0.0	0.4	-	0.4
Total	0.8	1.2	0.7	1.2

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

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

	2018	2017
Market value of equities portfolio on January 1	62,119	51,170
Less: business-related shares	-62,119	-49,578
Basis for standardized income	0	1,592
Standardized income 1.5%	0	24
Dividends received during the respective years	1,753	1,387
Management cost, net financial items, etc.	-147	-150
Dividend paid out ¹	-2,502 ²	-2,394
Taxable income	-896	-1,133
Tax-loss carryforwards from previous years	-9,152	-8,019
Accumulated tax-loss carryforward	-10,048	-9,152

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

2) Proposed by the Board of Directors.

NOTE 9. Earnings per share

The calculation of earnings per share is based on reported income attributable to equity holders of the Parent Company, amounting to SEK -8,330 M (15,555), and a weighted average number of shares outstanding, amounting to 435,209,877 (434,974,101).

Earnings per share after dilution

Calculation of earnings per share after dilution is based on reported income attributable to equity holders of the Parent Company after dilution, amounting to SEK -8,330 M (15,555), and a weighted average number of shares outstanding after the effect of the convertible bond, amounting to 435,209,877 (434,974,101). For the periods during which the convertible bond gives rise to a dilutive effect, it is assumed to have been converted to common shares, and earnings are adjusted to eliminate the earnings that the convertibles have generated. For calculation of earnings per share after dilution, the weighted average number of common shares outstanding is adjusted for the dilutive effect of all potential common shares with a dilutive effect - in Industrivärden's case the convertible bond.

NOTE 10. Property, plant and equipment

	Group		Parent Company	
	2018	2017	2018	2017
Accumulated cost, equipment				
Opening cost	14	14	14	14
Acquisitions during the year	-	-	-	-
Closing cost	14	14	14	14
Accumulated depreciation, equipment				
Opening depreciation	-2	-1	-2	-1
Depreciation for the year	-1	-1	-1	-1
Closing depreciation	-3	-2	-3	-2
Carrying amount, equipment	11	12	11	12

NOTE 11. Equities

	2018				2017	
	Number of shares	Share of capital, %	Share of votes, %	Market value ¹	Market value ¹	
Handelsbanken A	202,900,000	10.4	10.6	19,945	22,039	
Sandvik	152,300,000	12.1	12.1	19,243	21,208	
Volvo A	142,600,000	6.9	22.2	16,570	21,764	
Volvo B	3,600,000			417	-	
Essity A	35,000,000	9.5	29.9	7,630	8,110	
Essity B	31,800,000			6,920	7,409	
Ericsson A	86,052,615	2.6	15.1	6,660	4,582	
Ericsson B	1,000,000			78	54	
SCA A	35,000,000	9.5	29.7	2,503	3,325	
SCA B	31,800,000			2,185	2,689	
ICA Gruppen	14,016,262	7.0	7.0	4,440	6,144	
Skanska A	12,667,500	6.9	23.9	1,786	2,153	
Skanska B	16,343,995			2,305	2,778	
SSAB A	44,334,933	4.3	11.8	1,352	2,833	
SSAB B	-			-	2,000	
Total, portfolio companies				92,034	107,089	
Other				136	200	
Group's holdings of equities				92,170²	107,289	
Less: associated companies				-20,371	-25,831	
Less: non-consolidated companies				-136	-200	
Less: holdings owned via subsidiaries				-40,180	-44,970	
Parent Company's holdings of equities, excluding shares in associated companies and subsidiaries				31,483	36,288	

1) The market value corresponds to the book value.

2) The Group's total cost as per December 31, 2018, was SEK 45,233 M.

NOTE 12. Shares in associated companies

	Reg. no.	Domicile	Shareholders' equity	Income after tax	Share of capital, %	Parent Company		Market value
						Share of votes, %	No. shares million	
Volvo	556012-5790	Gothenburg	125,831	25,363	6.6	21.3	140	16,280
Skanska	556000-4615	Stockholm	29,347	4,594	6.9	23.9	29	4,091
Total								20,371

NOTE 13. Shares in subsidiaries

	Reg. no.	Domicile	Share of capital, %	No. shares	Shareholders' equity	Parent Company	
						Book value	
Industrivärden Invest AB (publ) ¹	556775-6126	Stockholm	100	1,000	19,610	330	
Industrivärden Förvaltning AB ¹	556777-8260	Stockholm	100	1,000	20,157	1,010	
Investment AB Promotion ¹	556833-0525	Stockholm	100	100,000	748	395	
Floras Kulle AB	556364-8137	Stockholm	100	10,000	16	0	
Total						1,735	

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

NOTE 14. Change in equities

	Group	
	Equities	
	2018	2017
Opening value	107,289	94,250
Disposals at sales value	-5,144	-66
Purchases	1,892	169
Change in value	-11,867	12,936
Closing value	92,170	107,289

	Parent Company							
	Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Opening value	36,288	30,296	25,831	20,874	1,752	1,949	63,871	53,119
Disposals at sales value	-4,914	-	-	-	-	-41	-4,914	-41
Purchases	656	-	489	-	-	-	1,145	-
Change in value	-547	5,992	-5,949	4,957	-	-	-6,496	10,949
Shareholder contribution	-	-	-	-	-	-2	-	-2
Other	-	-	-	-	-17	-154	-17	-154
Closing value	31,483	36,288	20,371	25,831	1,735	1,752	53,589	63,871

NOTE 15. Other current receivables

	Group		Parent Company	
	2018	2017	2018	2017
Interest-bearing receivables	177	272	133	-
Receivables from subsidiaries	-	-	551	1,168
Prepaid expenses and accrued income	6	4	6	3
Other current receivables	90	170	88	-
Total	273	446	778	1,171

NOTE 16. Exchangeable bond

In 2014 an exchangeable bond of SEK 4.4 billion was issued as part of the continuous refinancing of the equities portfolio. The bond matures on May 15, 2019 and was issued at a premium of approximately 38% to ICA Gruppen's share price at the time and carries no interest. During 2018 the conversion price was adjusted from SEK 293.86 to SEK 290.52 to

compensate the exchangeable bondholders for dividends exceeding a stated dividend level at issuance. In the event of a potential future conversion there is a possibility to pay either with shares or with cash. The redemption period runs until May 15, 2019.

NOTE 17. Pensions

The Group's total reported pension costs amount to SEK 14 M (10). Interest on pension obligations of SEK 2 M (3) is reported in the income statement as Financial items. For 2019, the Group's pension costs are estimated to be approximately SEK 10 M.

Defined contribution plans

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

Defined benefit plans

Industrivården's defined benefit plans include retirement pensions, disability pensions and family pensions, and ordinarily entail an obligation to pay lifetime benefits. No current employees have defined benefit plans.

The pension obligation as per December 31, 2018, was SEK 170 M (186), the value of plan assets was SEK 59 M (64), and the net pension liability was SEK 111 M (122).

Actuarial assumptions	Group	
	2018	2017
Discount rate ¹ , %	1.6	1.7
Future salary increases, %	-	-
Anticipated inflation, %	1.9	1.6

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

NOTE 18. Non-current interest-bearing liabilities

	Group		Parent Company	
	2018	2017	2018	2017
Exchangeable bond	-	4,355	-	4,355
MTN program	2,059	2,815	2,059	2,815
Pension liability	111	122	111	122
Total	2,170	7,292	2,170	7,292

Market valuation of interest-bearing liabilities as per December 31, 2018 would increase noncurrent interest-bearing liabilities by SEK 9 M (63).

Maturity dates for loans	Group		Parent Company	
	2018	2017	2018	2017
- 2019	-	5,107	-	5,107
- 2020	800	801	800	801
- 2021	1,259	1,262	1,259	1,262
- 2022 or later ¹	111	122	111	122
Total	2,170	7,292	2,170	7,292

1) Of which, pension liability

	111	122	111	122
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NOTE 19. Non-current noninterest-bearing liabilities

	2018	2017
Option portion of exchangeable bond	-	318
Other	36	50
Total	36	368

NOTE 20. Current interest-bearing liabilities

	Group		Parent Company	
	2018	2017	2018	2017
Commercial paper	500	3,000	500	3,000
MTN program	750	500	750	500
Exchangeable bond	4,069	-	4,069	-
Bank loans	-	1,000	-	1,000
Other	75	23	-	1
Total	5,394	4,523	5,319	4,501

Market valuation of interest-bearing liabilities as per December 31, 2018 would increase current interest-bearing liabilities by SEK 3 M (0).

NOTE 21. Other current liabilities

	Group		Parent Company	
	2018	2017	2018	2017
Option portion of exchangeable bond	371	-	371	-
Equities derivatives etc.	-	1	-	1
Other derivatives	4	2	4	2
Other current liabilities	4	171	4	4
Other accrued expenses	116	119	102	85
Payable to subsidiaries	-	-	146	-
Accounts payable, trade	3	4	3	4
Total	498	297	630	96

NOTE 22. Pledged assets and contingent liabilities

	Group		Parent Company	
	2018	2017	2018	2017
Shares	16	1,242	16	1,242
Other	-	1	-	0
Total	16	1,243	16	1,242

Contingent liabilities in the Group amount to SEK 0 M (0). Contingent liabilities in the Parent Company pertaining to bank loans in subsidiaries amount to SEK 0 M (0).

NOTE 23. Obligations to CEOs

The Group's non-current interest-bearing liabilities include SEK 110 M (111) in pension obligations and similar benefits for former CEOs. The corresponding amount for the Parent Company is SEK 110 M (111), as included in the item Pension liability in Notes 17 and 18.

NOTE 24. Related-party transactions

Transactions with subsidiaries

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

Transactions with associated companies

Dividends have been received from listed associated companies.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of AB Industrivärden (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 32–57 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts and the corporate governance statement is consistent with the Annual Accounts Act.

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

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

Basis for Opinions

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

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

Our approach

Audit scope

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

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

Materiality

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

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

Key audit matters

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

KEY AUDIT MATTER

Measurement of financial instruments

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

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

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

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

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

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

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

Other information than the annual accounts and consolidated accounts

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

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

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

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

Responsibilities of the Board of Directors and the CEO

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

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

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

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

Auditor's responsibility

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of AB Industrivärden (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the CEO

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

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

instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

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

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of AB Industrivärden (publ) by the general meeting of the shareholders on April 17, 2018 and has been the company's auditor since before 1994. According to the transition rules of the Audit Regulation (537/2014), PricewaterhouseCoopers AB can therefore not be reappointed after June 17, 2020.

Stockholm, February 15, 2019

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant



OTHER INFORMATION

Board of Directors



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

FREDRIK LUNDBERG

B.Sc. Eng., B.Sc. Econ., Honorary Ph.D. in Economics, Honorary Ph.D. in Technology. Born 1951. Chairman of the Board since 2015. Director since 2004. President and CEO of L E Lundbergföretagen. Chairman of Holmen and Hufvudstaden. Vice Chairman of Handelsbanken. Director of L E Lundbergföretagen and Skanska. Active in L E Lundbergföretagen since 1977.
*Shareholding: Own 8,190,000, closely related natural persons 20,000 and closely related legal entities 73,600,000**

PÄR BOMAN

Engineering and Business/Economics degree. Honorary Ph.D. in Economics. Born 1961. Vice Chairman since 2015. Director since 2013. Chairman of Handelsbanken, Essity and SCA. Director of Skanska. Former President and Group Chief Executive of Handelsbanken.
Shareholding: Shareholding: Closely related legal entities 10,000

CHRISTIAN CASPAR

B.Sc. Econ. Born 1951. Director since 2011. Director of Stena, Benteler International AG and Goodgrower SA. More than 30 years of experience from leading positions at McKinsey & Company.
Shareholding: Own 1,000

BENGT KJELL

B.Sc. Econ. Born 1954. Director since 2015. Chairman of SSAB, Hemfosa Fastigheter and Nyfosa. Vice Chairman of Indutrade and Pandox. Director of ICA Gruppen. Former acting President and former Executive Vice President of Industrivärden. President of AB Handel och Industri, partner of Navet.
Shareholding: Own 25,000

NINA LINANDER

B.Sc. Econ., MBA. Born 1959. Director since 2014. Chairman of Awa Holding. Director of Skanska, Telia Company, Castellum and OneMed. Co-founder and former partner of Stanton Chase International. Prior to this she served in executive positions at Vattenfall and Electrolux.
Shareholding: Own 23,950, closely related natural person 8,000

ANNIKA LUNDIUS

LL.M. Born 1951. Director since 2014. Director of SSAB. Former Deputy Director General of the Confederation of Swedish Enterprise, Legal Director and Financial Counselor in the Swedish Ministry of Finance, and CEO of Insurance Sweden.
Shareholding: Own 2,554, closely related legal entities 1,500

LARS PETERSSON

M.Sc. Eng., Hon. Ph.D. Born 1954. Director since 2015. Chairman of KP Komponenter A/S. Director of L E Lundbergföretagen, Indutrade, Husqvarna and Festo A.G. Former President and CEO of Sandvik, and previously held executive positions in the Sandvik Group.
Shareholding: Own 5,000

HELENA STJERNHOLM

M.Sc. Econ., Born 1970. Director since 2016. President and CEO of Industrivärden. Vice Chairman of Ericsson. Director of Sandvik and Volvo. Former partner and Chief Investment Officer at IK Investment Partners. Prior to this she served as a strategic consultant at Bain & Company.
Shareholding: Own 46,000, closely related natural person 1,000 and 75,000 call options

Holdings as per February 8, 2019. The information is published annually in conjunction with the publication of the Company's corporate governance report/annual report and notice of Annual General Meeting, and at other times in the event of major changes.

*Pertains to holdings in L E Lundbergföretagen (71,600,000) and Förvaltnings AB Lunden (2,000,000).

Executive Management



JAN ÖHMAN

Chief Financial Officer

*Industrivärden employee since 2019
Economics degree, born 1960*

2018 CFO of IPCO; 2014–2018 CFO of Indutrade; prior to this, several leading positions with Sandvik and Boliden.

Shareholding: Closely related natural person 1,000

SVERKER SIVALL

Head of Corporate Communications and Sustainability

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

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

Shareholding: Own 13,900

HELENA STJERNHOLM

Chief Executive Officer

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

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

For directorships, see page 63.
Shareholding: Own 46,000, closely related natural person 1,000 and 75,000 call options

KARL ÅBERG

Head of Investment and Analysis Organization

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

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

Shareholding: Own 3,500

JENNIE KNUTSSON

General Counsel

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

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

Shareholding: Own 2,163

Key ratios

Value on December 31	2018	2017	2016	2015	2014
Industrivärden shares					
Industrivärden's market cap, (SEK M)	79,062	90,570	76,201	66,434	60,638
Number of shares outstanding					
Class A shares (thousands)	268,183	268,184	268,185	268,185	268,186
Class C shares (thousands)	167,026	167,026	164,156	164,156	164,155
Total return					
A-share (%)	-11	20	17	15	13
C-share (%)	-9	22	21	11	16
Total return indexes					
SIXRX (%)	-4	9	10	10	16
MSCI World (%)	-9	23	8	0	7
Net asset value					
Equities portfolio					
market value (SEK M)	92,170	107,289	94,250	81,835	83,062
total return (%)	-8	17	20	4	8
Interest-bearing net debt					
value (SEK M)	-6,601	-10,930	-11,481	-12,648	-14,632
debt-equities ratio (%)	7	10	12	15	18
Net asset value					
value (SEK M)	85,201	96,299	82,769	69,056	68,345
NAV per share (SEK)	196	221	191	160	158
Equity ratio (%)	91	88	86	82	80

Definitions

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

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

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

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

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

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

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

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

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

GRI INDEX

Industrivärden's sustainability report follows the most recent version of the Global Reporting Initiative Standard (GRI), core level, with Financial Services sector supplement. This is Industrivärden's second sustainability report produced in accordance with the GRI framework and draws from the GRI principles regarding content and quality. The report pertains to Industrivärden's own operations in 2018 (January 1–December 31, 2018). The Group's ambition is to report yearly.

Industrivärden's operations are conducted by slightly less than 20 employees at the Company's head offices in Stockholm. During 2017 stakeholder dialogs were conducted with a subsequent materiality analysis to identify the highest priority issues in the area of sustainability.

These dialogs were continued in 2018 on a regular basis, and the updated analysis forms the basis of our disclosures and is reported in this sustainability report. Industrivärden adheres to sustainable business practices by adopting a clear sustainability perspective in its asset management decisions and exercise of active ownership. The portfolio companies' sustainability reports are available from the respective companies' websites.

The GRI report and Index describes Industrivärden's sustainability work based on the GRI Standards. The report consists of the information below including the references provided as well as the information reported in the 2018 Annual and Sustainability Report, on Industrivärden's website, and on cdp.net according to the respective GRI Index.

GRI STANDARDS INDEX, CORE LEVEL, FINANCIAL SERVICES SECTOR SUPPLEMENT

General disclosures		In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
1. Organizational Profile				
102-1	Name of the organization		Back cover	
102-2	Activities, brands, products and services		4, 12–16	
102-3	Location of headquarters		12, Back cover	
102-4	Location of operations		12, Back cover	
102-5	Ownership and legal form		2, 39–40	
102-6	Markets served		22–31, 39	
102-7	Scale of the organization		12–16, 52	
102-8	Information on employees and other workers		12–13, 52	All employees are active at the head offices in Stockholm. Data does not include any consultants and advisors. Industrivärden is a small company with slightly less than 20 employees. Apart from regulatory requirements, we therefore do not disclose information that can be coupled to individual persons.
102-9	Supply chain			Purchases of goods and services are made for the office activities in Stockholm. Suppliers are primarily active in the Nordic countries.
102-10	Significant changes to the organization and its supply chain			No major changes during the year.
102-11	Precautionary principle or approach			The precautionary principle is adhered to with respect to assessments and management of sustainability risks in the portfolio companies and new investments. Industrivärden has signed the UN Global Compact, whose environmental risks cover the precautionary principle.
102-12	External initiatives	17, 20–21		UN Global Compact, CDP and Global Reporting Initiative. The Company's Code of Conduct is based on the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Fundamental Conventions.
102-13	Membership of associations	19		Confederation of Swedish Enterprise, Centre for Business and Policy Studies (SNS), Royal Swedish Academy of Engineering Sciences (IVA), Swedish Investors for Sustainable Development (SISD).

2. Strategy

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

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

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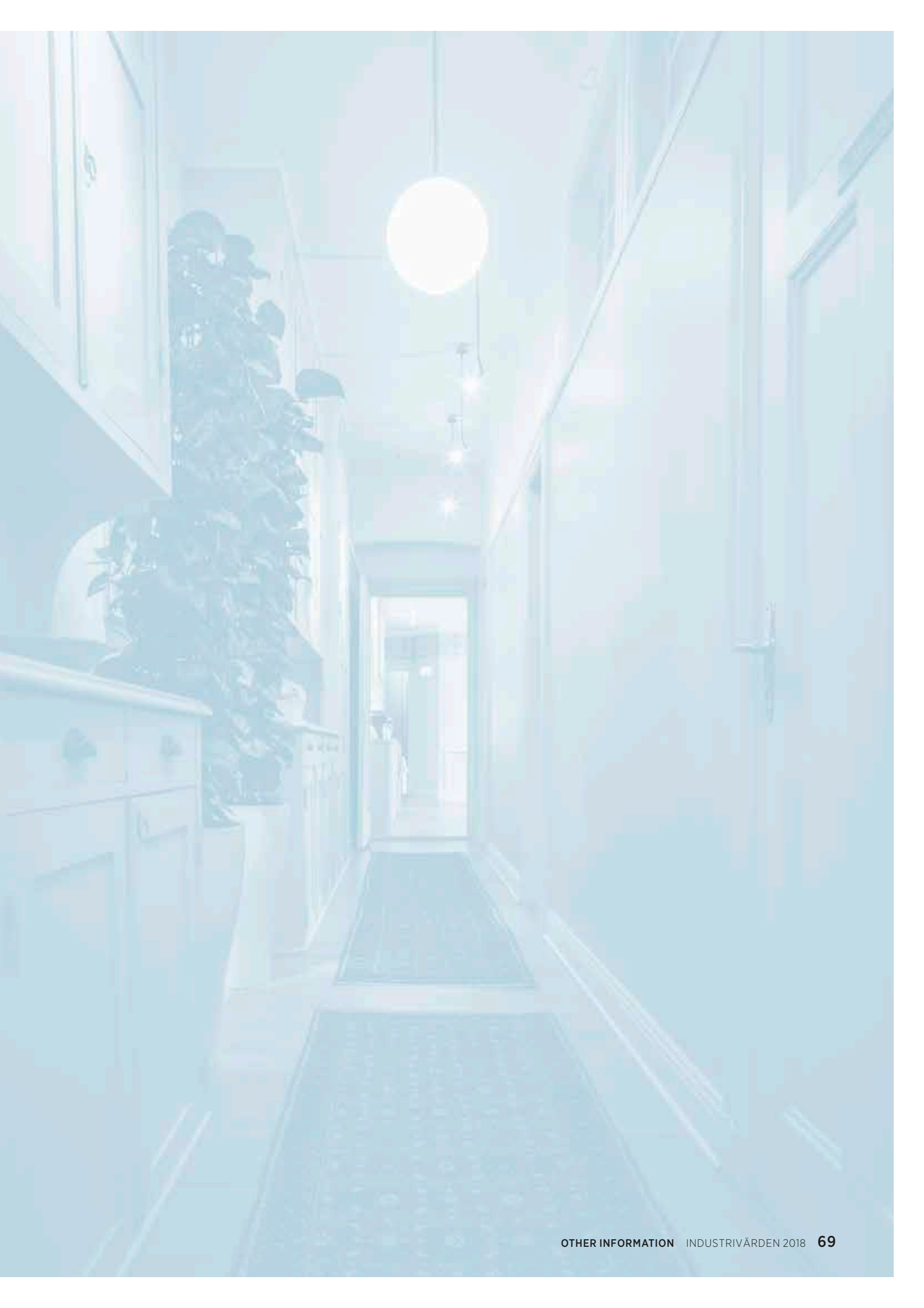
5. Stakeholder engagement

102-40	List of stakeholder groups			A compilation of our most important stakeholder categories is presented on www.industrivarden.se
102-41	Collective bargaining agreements			All employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders			The process for identifying and defining the most important stakeholder categories is presented on www.industrivarden.se
102-43	Approach to stakeholder engagement	19-21		
102-44	Key topics and concerns raised			A materiality analysis and compilation of priority issues is presented on www.industrivarden.se

6. Reporting practice

102-45	Entities included in the consolidated financial statements		55	The report covers the Parent Company and all subsidiaries.
102-46	Defining report content and topic Boundaries		50-51	
102-47	List of material topics	19-21	46-47	
102-48	Restatements of information			This is Industrivärden's second sustainability report in accordance with GRI.
102-49	Changes in reporting			No significant changes have taken place since the preceding report.
102-50	Reporting period		32	
102-51	Date of most recent report			This is Industrivärden's second sustainability report in accordance with GRI. The most recent annual report with sustainability information was published on February 22, 2018.
102-52	Reporting cycle		66	
102-53	Contact point for questions regarding the report		3	Head of Corporate Communication and Sustainability, Sverker Sivall, ssl@industrivarden.se
102-54	Claims of reporting in accordance with the GRI Standards		66	
102-55	GRI content index		66-68	
102-56	External assurance	21		The auditor has given a statement on the statutory sustainability report. Significant information is also included in the Company's Board of Directors' report, which is reviewed by Industrivärden's auditor.

Material issues			
GRI 200: Economic			
GRI 201: Economic performance			
103-1 - 103-3 Sustainability governance	17-21		
201-1	Direct economic value generated and distributed	21	
GRI 205: Anti-corruption			
103-1 - 103-3 Sustainability governance	17-21		
205-1	Operations assessed for risks related to corruption	17-21	The Company's own operations including all portfolio companies have been analyzed with respect to the risk for corruption.
GRI 300: Environment			
GRI 305: Emissions			
103-1 - 103-3 Sustainability governance	17-21		
305-1	Direct GHG emissions (Scope 1)	20	No Scope 1 emissions. www.cdp.net: Industrivärden, CC 6.1
305-2	Energy indirect GHG emissions (Scope 2)	20	Carbon footprint in 2018 was 17.8 tonnes CO2e (17.5) in Scope 2 (energy consumption and district heating) www.cdp.net: Industrivärden, CC 6.3
305-3	Other indirect GHG emissions (Scope 3)	20	Carbon footprint in 2018 was 30.2 tonnes CO2e (49.6) in Scope 3 (business travel, publications and office material) www.cdp.net: Industrivärden, CC 6.5
GRI 400: Social			
GRI 401: Employment			
103-1 - 103-3 Sustainability governance	17-21		
401-1	New employee hires and employee turnover		The Company has 15 employees. Employee turnover for new hires is 13% (12%), and 33% departures (0%). One man and one woman in age group up to 30 years were newly hired.
401-3	Parental leave		During the period one man and one woman were on parental leave. One man returned to work after parental leave during the reporting period. One woman was on parental leave at the end of the reporting period.
Health and safety			
103-1 - 103-3 Sustainability governance	17-21		
403-2	Types of injury and rates of injury, and absenteeism		No occupational injuries during the period. Average absenteeism relative to total working time was 1%.
GRI 400: Training and education			
103-1 - 103-3 Sustainability governance	17-21		
404-1	Average hours of training per year per employee		The average number of hours per employee was 14.
404-3	Percentage of employees receiving regular performance and career development reviews		All employees receive regular evaluations about their performance and career development.
GRI 405: Diversity and equal opportunity			
103-1 - 103-3 Sustainability governance	17-21		
405-1	Diversity of governance bodies and employees		34, 52, 63-64
GRI 419: Socioeconomic compliance			
103-1 - 103-3 Sustainability governance	17-21		
419-1	Non-compliance with laws and regulations in the social and economic area		Industrivärden has not been assessed any fines or other sanctions.
Sector-specific standards, Financial Services			
103-1 - 103-3 Sustainability governance	17-21		
FS 6	Percentage of the portfolio for business lines by region, size and industry.		22
FS 10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues		Sustainability issues are addressed in all portfolio companies within the framework of Industrivärden's analysis and influence activities.





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