

INDUSTRI  VÄRDEN

2020

Business Review and
Annual Report

Business Review and Annual Report 2020



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The 2020 Annual Report submitted by the CEO and Board of Directors is presented on pages 43–67. The Sustainability Report is presented on pages 24–27 and 75–80.

This publication is a translation of the Swedish original.

Company in brief

Industrivärden is a long-term asset manager with a concentrated portfolio of listed Swedish companies with good value potential. Shareholder value is created mainly through active ownership aimed at contributing to the portfolio companies' operational and strategic development, and through a professional investment operation.

The business model is based on Industrivärden's relative strengths, including a long-term investment perspective, strong positions of influence, a well-developed ownership model, depth of industrial knowledge and experience, financial strength and an extensive network. Industrivärden's influence in its portfolio companies is based on sizable ownership positions and extensive reputation capital.

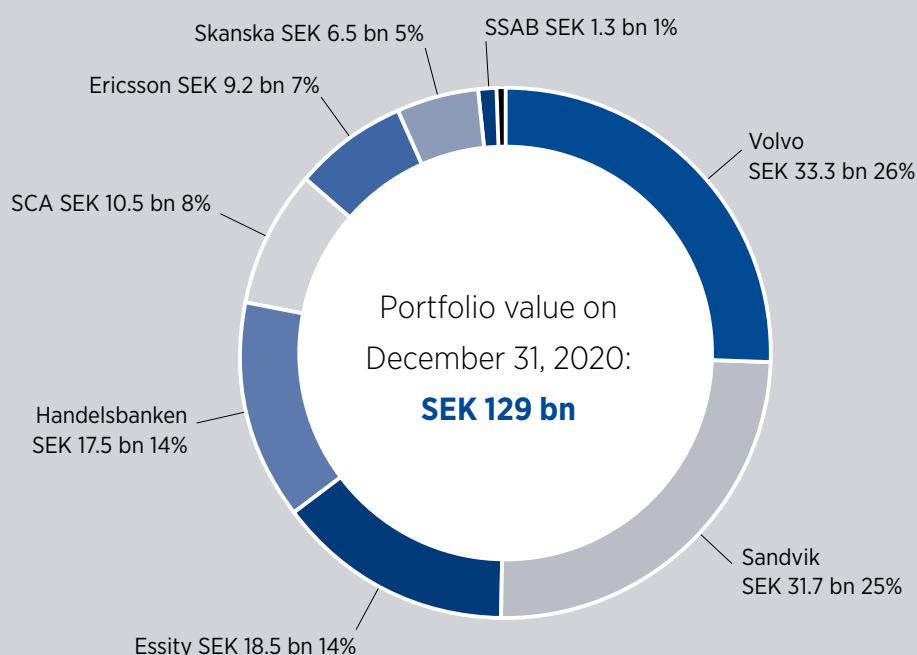
In its ownership role Industrivärden strives to contribute to the portfolio companies' work on establishing and strengthening leading positions in their respective industries over time. Strong emphasis is put on clear leadership, focus and flexibility. Active ownership is exercised mainly through involvement in nominating committee work, board representation and continuous dialogue with the portfolio companies. In addition, continuous evaluation is conducted of the companies and their boards, CEOs and managements. The various measures that are considered to enhance shareholder value are defined in Industrivärden's action plans, which serve as the foundation of the Company's influence work.

The long-term objective is to increase net asset value and thereby generate a total return for Industrivärden's shareholders which over time is higher than the Stockholm Stock Exchange's total return index (SIXRX).

The equities portfolio is made up of investments in Volvo, Sandvik, Essity, Handelsbanken, SCA, Ericsson, Skanska and SSAB. The portfolio companies have strong positions in their respective markets, and the assets they represent are judged to have long-term attractive return potential with balanced risk.

Many companies today are encountering an increasingly complex world around them, growing competition and formidable challenges. This pertains to everything from shifting sustainability aspects and macroeconomic conditions in their respective geographic markets to threats and opportunities borne out of tumultuous and tightly intertwined megatrends. This development is creating growing opportunities for engaged and knowledgeable owners that have a keen understanding of their portfolio companies and the world around them. Having active owners that can set clear demands and be challenging – but also support their portfolio companies – is therefore a distinct competitive advantage that benefits both our portfolio companies and us as asset manager. This is where our strengths lie, with a professional organization and proven capacity to deliver favorable returns. It is our ambition to further develop this position.

Equities portfolio



Industrivärden as an investment



High quality equities portfolio

Exposure to a concentrated portfolio of quality companies with good value potential and balanced risk exposure through portfolio companies with leading positions in their respective industries, great operational and financial flexibility as well as good capability to generate cash flows.



Active ownership

With a foundation in strong positions of influence and substantial knowledge about the portfolio companies and the environments they work in, Industrivärden makes an active contribution in their operational and strategic development by evaluating, making demands, influencing and providing support.



Long-term and sustainable perspective

Industrivärden's long-term ownership perspective entails natural focus on sustainable development and long-term value creating measures in the portfolio companies.



Competitive return

Industrivärden's stock has generated a competitive return with balanced risk over both the medium and long terms.



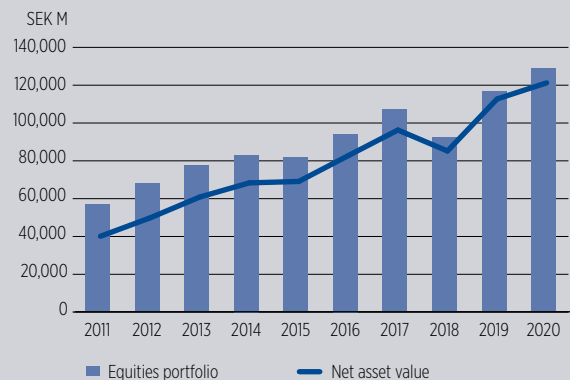
Low management cost

Industrivärden offers professional asset management at a low cost.

Net asset value

Net asset value consists of the market value of the equities portfolio less interest-bearing net debt. During the last ten-year period net asset value including reinvested dividend grew by an average of 9% per year, compared with 11% for the Stockholm Stock Exchange's total return index (SIXRX).

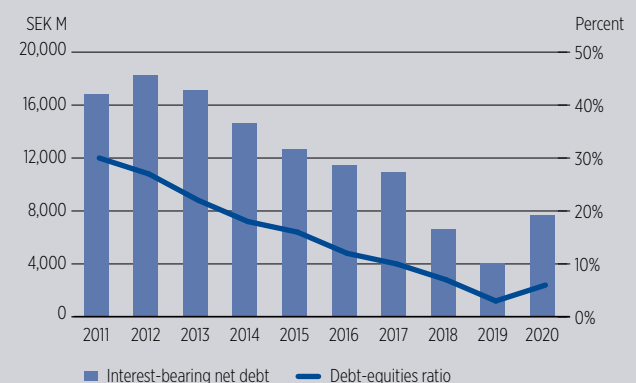
Net asset value on December 31, 2020, was SEK 121.2 billion, corresponding to SEK 279 per share.



Net debt

A strong financial position provides financial flexibility to take advantage of investment opportunities and support the portfolio companies over time. In recent years Industrivärden has reduced its gearing significantly in order to increase its financial flexibility.

As per December 31, 2020, interest-bearing net debt was SEK 18 per share, corresponding to a debt-equities ratio of 6%.

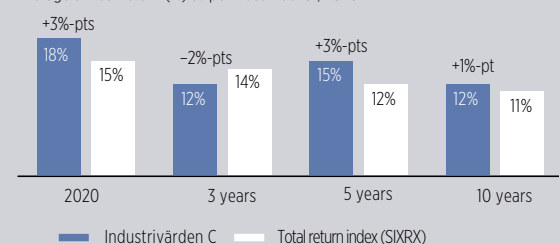


Industrivärden's stock

Industrivärden's stock is listed on the Stockholm Stock Exchange's Large Cap list (Nasdaq OMX Nordic Stockholm). Over longer periods of time Industrivärden's stock has generated higher a total return than the Stockholm Stock Exchange.

In 2020 Industrivärden's Class C shares generated a total return of 18%, which is 3 percentage points above the Stockholm Stock Exchange's total return index (SIXRX).

Average annual return (%) as per December 31, 2020



Highlights 2020

Industrivärden

- The total return was 18% for the Class A and Class C shares, compared with 15% for the total return index (SIXRX)
- Net asset value at year-end was SEK 279 per share, an increase during the year of 8%, including reinvested dividend
- The value of the equities portfolio, adjusted for purchases and sales, increased by SEK 8.0 billion to SEK 128.9 billion. The total return was 7%
- During the year, shares were purchased in Volvo A for SEK 2.1 billion, Essity B for SEK 0.9 billion, Handelsbanken A for SEK 0.6 billion, SCA B for SEK 0.4 billion and Sandvik for SEK 0.3 billion. In addition, shares were sold in Essity A for SEK 0.2 billion.
- The debt-equities ratio was 6%
- On account of the uncertain situation in the world in 2020 arising out of the Covid-19 pandemic, the Board of Directors proposed that no dividend be paid, which was adopted by the Annual General Meeting

Value as per December 31

	2020	2019
Total return, Industrivärden's stock		
Class A shares (%)	18	30
Class C shares (%)	18	30
Total return index, SIXRX (%)	15	35
Equities portfolio		
Market value (SEK M)	128,893	116,750
Total return (%)	7	33
Interest-bearing net debt		
Value (SEK M)	-7,654	-4,032
Debt-equities ratio (%)	6	3
Net asset value		
Value (SEK M)	121,239	112,718
Net asset value per share (SEK)	279	259
Growth incl. reinvested dividend (%)	8	35
Equity ratio (%)	94	96
Dividend		
Dividend per share (SEK)	8.25	0.00

On account of the uncertain situation in the world arising out of the Covid-19 pandemic, the Board of Directors proposed to the AGM 2020 that no dividend be paid for 2019. Ahead of the 2021 Annual General Meeting the Board proposes an ordinary dividend of SEK 6.25 per share (0.00) and an extra dividend of SEK 2.00 per share.

Net asset value

(SEK per share)

279

Total return

(Industrivärden Class C)

18%

Proposed dividend 2021

(SEK per share)

8.25

Portfolio companies

Volvo

- Good volume and cost flexibility enabled good profitability, despite significant challenges due to the Covid-19 pandemic
- Large-scale production of fuel cells through joint-venture with Daimler Trucks and collaboration with several partners in the area of hydrogen gas
- Strategic alliance with Isuzu Motors in commercial vehicles to capitalize on opportunities in the ongoing industry transformation, including Isuzu Motors' acquisition of UD Trucks from the Volvo Group for approximately SEK 20 billion
- Accelerated development of electric drivelines and vehicles for lower emissions and reduced noise levels
- Launch of complete range of electric trucks in Europe in 2021
- Launch of new generation of heavy-duty trucks with focus on the driver environment, safety and productivity
- Adaptation measures to a weaker market
- No dividend paid out



Sandvik

- Strong resilience despite 11% drop in revenue as a result of the Covid-19 pandemic resulted in an adjusted operating margin of 17%
- Stefan Widing new President and CEO on February 1, 2020
- Numerous value-creating add-on acquisitions, including the company DSI Underground in ground support and reinforcement products, continued refinement through divestments of Sandvik Drilling and Completions and the Exploration business, among other measures
- Adaptation measures in response to weaker market
- Formation of new business segment, Sandvik Manufacturing Solutions, for greater focus on growth opportunities in metal cutting and related areas
- Establishment of new business area, Sandvik Rock Processing Solutions, to further accelerate profitable growth in rock crushing and screening
- Board decision to proceed with plans for potential stock market listing of Sandvik Materials Technology in 2022
- No dividend paid out



Essity

- Strengthened profitability despite negative sales impact due to the Covid-19 pandemic
- Target for adjusted return on capital employed raised to above 17%, where accelerated digital transformation and further streamlining of production and logistics are central components
- Continued measures for higher cost and capital efficiency
- Continuous innovative development for stronger competitiveness, such as sensor-based solutions for incontinence care
- Development in Medical Solutions, including through acquisitions
- Dividend of SEK 6.25 per share paid out



Handelsbanken

- Stable earnings and historically low credit loss level, despite a sharp economic downturn due to the Covid-19 pandemic
- Intensified adaptation to changed customer behaviors through accelerated pace of digital development and consolidation to a few number of branches
- Measures taken to lower costs and general overheads will lead to approximately 15% cost reduction for full year 2023
- Process started to look into possible sale of subsidiary Ecster and its card acquiring operations
- During 2020 the bank's Swedish operations had the highest growth, among the larger banks, for home mortgages and mutual funds
- No dividend paid out



SCA

- Negative market impact due to Covid-19 pandemic pressured sales and earnings, but good resilience and cash flow generation supported transformative investment projects
- Further investments in thermomechanical pulp and discontinuation of publication papers business
- Investment in growth areas, such as capacity investments in containerboard, continuing according to plan
- No dividend paid out



Ericsson

- Good organic growth and the company's successful strategy execution contributed to an operating margin of just over 12%, entailing that the goal of at least a 10% operating margin was achieved
- Strengthened market position in next generation of mobile networks (5G), with 127 commercial contracts with unique telecom operators
- New, long-term EBITA margin target of 15%–18%
- Acquisition of American company Cradlepoint for approximately SEK 10 billion, specializing in wireless WAN edge solutions for the enterprise market
- Strong 5G momentum in China and increased software sales
- Dividend of SEK 1.50 per share paid out



Skanska

- Strengthened earnings and cash flow with an increased margin in the construction operations and establishment in new markets within project development
- Continued favorable performance in commercial property development, with several major divestments, despite negative impacts from Covid-19 pandemic
- Dividend of SEK 3.25 per share paid out



SSAB

- A challenging market as a result of the Covid-19 pandemic with lower volumes and prices contributed to lower sales and earnings. However, the volume fluctuations were parried well
- Start of world's first pilot plant for fossil-free sponge iron within framework of HYBRIT
- No dividend paid out



Our history

The limited company Industrivärden was registered on February 21, 1944. The name, which means “industrial values,” was chosen to signify the major value in the industrial companies that were transferred to this company that was newly formed by Handelsbanken. In the years that have passed, operations have been successfully adapted to prevailing developments in the external business environment, and many changes have taken place. The ability to develop operations over time has enabled Industrivärden to deliver competitive returns and has laid a solid foundation for the future.



1940s

Industrivärden is founded in 1944 by Handelsbanken to manage the shareholdings taken over by the bank during the economic crisis in the 1920s and '30s. The equities portfolio consists of eight portfolio companies active primarily in forestry, power generation, textiles, steel and telecommunications, through Ericsson. In 1945 the Company is listed on the stock exchange and its shares are distributed to Handelsbanken's shareholders.

1950s

In post-war Europe, demand for industrial products and input components rises sharply. Against this background, Industrivärden strengthens its ownership positions in attractive portfolio companies and carries out new acquisitions in sectors such as forest products, gas and steel. SCA becomes a new portfolio company.

1960s

Continued strong growth and extensive housing construction lead to investments in engineering and construction companies. Even though the five largest holdings account for most of the portfolio value, the equities portfolio becomes differentiated to include more than 60 portfolio companies and a number of wholly owned subsidiaries.

1970s

Falling productivity and growing international competition put demands on structural measures and stronger competitiveness. Industrivärden formulates a clear investment strategy with the ambition to exercise its ownership in a more structured way. Numerous, large structural and equity deals are carried out. The Company begins to build up a holding in Handelsbanken.

1980s

The model for active ownership is developed, and in pace with this the equities portfolio is sharply concentrated at the same time that the unlisted holdings are gathered into a wholly owned industrial and real estate business.

1990s

Consolidation of the wholly owned businesses continues, culminating in the formation of the industrial company Inductus, the industrial trading company Indutrade, and the property company Fundament. The equities portfolio is changed with the divestment of the holdings in PLM and AGA, new purchases are made in SSAB and Sandvik, and the holding in Skanska is doubled.

2000s

A globalized capital market and mounting competition drive towards specialization. Industrivärden focuses on its area of strength: active ownership in large, listed companies. The portfolio is refined through the sale of the remaining subsidiaries. Industrivärden further develops its ownership strategy.

2010s

At the start of the decade Industrivärden becomes the largest shareholder in Volvo. Many industrial companies struggle with lingering effects from the financial crisis of the 2000s, and focus is directed primarily on various measures in existing portfolio companies. Growing competition in the capital market combined with greater polarization of active and passive management puts greater demands on asset managers. Against this background, in February 2016 Industrivärden unveils a refined strategy for stronger asset management focus and active ownership coupled with increased financial flexibility. With a foundation on the development steps taken during the latter half of the decade, the Company strengthens its capacity for long-term value creation.

2020

Industrivärden enters the 2020s with favorable prospects to conduct continued, competitive asset management through active ownership.

Chairman's message



2020 was dominated by the viral disease Covid-19. During the first half of the year, countries around the world shut down parts of their societies, with ensuing sharp drops in GDP. Worries and uncertainty spread quickly, and stock markets around the world plummeted during the first quarter. Extensive financial and monetary policy measures were taken in many countries. As early as the second quarter, however, the stock markets began recovering. The extremely low interest rates and lack of investment alternatives are key explanations for this. At the same time, the pandemic continued to claim many lives and the number of infections accelerated. The pandemic levelled out during the summer, but during the fourth quarter spread of the disease starting rising again. New lockdowns were mandated in our societies, and the burden on health care systems once again rose. In December and early 2021, Covid-19 vaccines were approved in several countries. The hope now is that the vaccine will put a halt to the spread and gradually overcome the dangerous virus.

Certain parts of the business sector have been extremely hard-hit by the pandemic. Airlines, hotels, tourism and physical retail can be named in particular. For manufacturing industries, order intake fell dramatically at the end of the first quarter and during the second quarter. It is impressive to note how companies handled this. Quickly and effectively, overheads and ways of working were adapted. During the second half of the year, order intake rebounded for many companies. For the most exposed sectors, however, major problems have continued.

Following the drop in share prices during the first quarter, the Swedish stock market recovered and posted a total return of 15% for the full year 2020. Industrivärden's net asset value grew 8%, and the total return for Industrivärden's stock was 18%. Looking back on the past year's drama, I am very pleased with the outcome.

The stock market offers attractive opportunities for favorable returns. This has always been the case over time, and it continues to apply now and will in the future. Industrivärden's portfolio companies are among some of the best companies we have in Sweden. However, the preconditions for various sectors vary over time, which makes it desirable to balance this through holdings in several companies. But with the capital base we have, we cannot be a large owner in all too many companies. Nor should our ownership stakes in the respective portfolio companies be too low. This is so we can optimize the effects of our active ownership, which aims to create value in the portfolio companies. During the year we therefore continued to invest in a number of our portfolio companies at attractive levels. Some may ask why we do not choose to invest in companies that are new for us. The answer is simple. Our portfolio companies continue to be attractively valued and are among the foremost in their respective sectors, so there is no reason to cross the stream to get water. Moreover, the wealth of knowledge we gain about our portfolio companies means a lot and is something that takes place gradually over time.

In recent years our determined work as an active owner has yielded positive results. Today all of the portfolio companies are clearly stronger than they were five years ago. This applies for their vital leadership as well as their financial positions, but even in terms of their competitiveness. We see continued good opportunities for value creation over time.

Industrivärden's financial position remains strong. The debt-equities ratio was 6% at year-end, which is well within the interval of our gearing policy.

In 2020 the Board chose not to propose a dividend to our shareholders. This was due to the uncertainty surrounding the Covid-19 pandemic as well as to the fact that many of the portfolio companies withheld their dividends in 2020. We now propose to the 2021 Annual General Meeting that we resume paying a dividend. This is based on the favorable earnings in 2020 as well as on the fact that we once again expect to receive dividends from the portfolio companies in 2021. The Board thus proposes an ordinary dividend of SEK 6.25 per share. In addition, the Board proposes an extra dividend of SEK 2.00 per share, which is justified by the extra dividends we expect to receive in 2021.

During the past year, board work at Industrivärden has been exceptional. We held eleven board meetings as well as several meetings of the Compensation and Audit Committees. A number of CEOs from our portfolio companies were invited to our board meetings and gave presentations on their respective companies. At every meeting our CEO, Helena Stjernholm, shared her views on the macroeconomic situation as well as on our portfolio companies. In addition, the impacts of the Covid-19 pandemic were analyzed and discussed.

Under the difficult conditions that prevailed in 2020, Helena has done an outstanding job. This goes for her role as a board member in the portfolio companies as well. On behalf of the Board I want to extend a great and warm thanks to Helena and Industrivärden's other employees.

I also want to thank my colleagues on the Board for a fruitful and enjoyable cooperation.

Similarly, I want to thank the boards and management teams of the portfolio companies for their many wise decisions and their exceptionally thorough work during the past year.

Stockholm, February 2021

Fredrik Lundberg

CEO's message

The past year 2020 was largely dominated by the Covid-19 pandemic, which had significant impacts on large parts of society. The number of deaths and infections has been high, and people's daily lives as well as company operations have been impacted to a high degree. Development of the real economy has been erratic, with sharp swings and large variations between sectors and geographies. The restrictive measures enacted to slow transmission of the virus have been followed by substantial stimulus measures. In the U.S., consumer demand has been strong. The U.S. economy is generally more dynamic, and from an economic perspective the country has therefore fared better than Europe, even though European export industries have performed relatively well. China and parts of Asia have nearly returned to their normal growth trend,

In all cases it has involved us increasing our ownership in prominent companies with strong market positions, a proven ability to adapt and develop, and sustainable solutions for the future

especially in the manufacturing and construction industries. From a geopolitical perspective, the year was characterized by relations between China and the U.S., and the effects of the U.S. election. Here in Europe, focus was on Brexit and how the UK's exit from the EU will affect the union more long-term. On the macroeconomic plane, a recovery is forecast for 2021. However, the pace of the recovery will be strongly dependent on the pandemic's continued progression and at present we are in the midst of the pandemic's second wave, at the same time that vaccinations are getting under way.

The stock market was especially volatile in 2020. Following a steep decline in March caused by uncertainty surrounding the effects of the pandemic, the stock market rebounded significantly, and the Stockholm Stock Exchange total return index (SIXRX) delivered a full 15% return for the year. An improved economy, reduced uncertainty following the completed U.S. election and positive signs surrounding Covid-19 vaccines successively dampened the market's volatility and contributed to hopes for a fast recovery. The stock market was also positively affected by continued low real interest rates and government stimulus measures, which resulted in a favorable environment for long-term equity investments.

At the same time that the pandemic created a difficult situation for individuals, businesses and society in general, the crisis has also led to innovation, various types of collaborations and new ways of working. One example is the rapid development of new vaccines; another is the extensive digitalization of society, with greater prevalence of working from home and e-commerce. Several of these trends had begun before the pandemic, but they accelerated during the past year and in certain cases have contributed to a reshaping of entire sectors.

The Covid-19 pandemic and its effects have impacted all of Industrivärden's portfolio companies, but to varying degrees. In general the companies have handled the challenges very well and quickly adapted their operations to the new conditions. For Industrivärden's part, the

pandemic entailed intensified work on the portfolio companies' boards, where we are represented in our capacity as an active owner, as well as in our continuous dialogues with the companies. Owing to the uncertain situation, most of the portfolio companies decided to not pay any dividend in 2020. Industrivärden therefore received a lower amount of dividend income than

expected. In total, SEK 657 M was received from Essity, Ericsson and Skanska. Given the prevailing circumstances, Industrivärden's board decided to not propose any dividend in 2020.

From an investment perspective, we were active in 2020 and invested a net total of SEK 4 billion in Volvo, Essity, Handelsbanken, SCA and Sandvik. These investments are a clear expression of our strategy to invest in a concentrated portfolio of holdings with long-term competitive value potential. In all cases it has involved us increasing our ownership in prominent companies with strong market positions, a proven ability to adapt and develop, and sustainable solutions for the future – in other words, companies with inherent potential to generate competitive value. With time it has become increasingly clear for us that we create the greatest value for Industrivärden's shareholders by developing our portfolio companies and that it is hard to find better companies for active value creation. A stable portfolio composition with few new investments or divestments is therefore a natural consequence of the strategy we have chosen. Given how our portfolio companies have performed in recent years, I can say that our actions based on this strategy have been spot on.

Our work is thus mainly focused on taking an active engagement in the companies we own in the aim of supporting their operational and strategic development. In doing so we contribute to value creation in the portfolio companies and favorable growth in Industrivärden's net asset value. This said, I would like to share a few brief comments on important events in the portfolio companies during the past year.

Volvo did a superb job at handling the dramatic decline in demand in spring 2020, as well as the subsequent rapid recovery in the market. Here the flexibility and efficiency improvement measures taken by the company in recent years played a key role. Volvo's strength is reflected not least in its financial performance in 2020 relative to its industry peers. The company has a distinct sustainability focus and prominent position in future transport solutions. For example, in 2021 the company plans to launch a complete series of electric trucks in Europe. During the past year Volvo also advanced its positions in a number of strategic areas, including large-scale production of fuel cells through the creation of a joint venture company with Daimler Trucks. Volvo has also announced a strategic alliance with Isuzu Motors in commercial vehicles, which includes the divestment of UD Trucks.

Sandvik took a number of measures during the year to adapt its operations to the poorer market conditions. The declining volumes in 2020 were parried in a very good manner. Despite a drop in revenue, Sandvik showed strong resilience in its operating margin and cash flow. The company also took measures to strengthen its business over the long term. These included a number of well-considered add-on acquisitions and divestments as well as the formation of new business areas for sharper focus and future growth opportunities. Sandvik has superior competence in its core businesses and is well positioned to take advantage of opportunities emerging from rapidly emerging trends in areas like industrial production, materials technology and electrification. During the year Sandvik's board decided to proceed with the process of an eventual stock market listing of Sandvik Materials Technology in 2022. In December the company announced that it had signed an agreement to acquire DSI Underground, the leading global supplier of ground support and reinforcement products, systems and solutions for tunneling and mining operations.

Early in 2020 *Essity* had higher demand for certain product categories, while other categories, such as tissue products for restaurants and other public facilities, were hurt by the pandemic. During 2020 Essity intensified the work on increasing its cost and capital efficiency. The company also carried out some smaller acquisitions in Medical Solutions, such as the company ABIGO Medical,



which is active in advanced wound care. A strong financial position is enabling a faster pace of acquisitions. In addition, Essity raised its required return on capital employed, where a faster digital transformation and further efficiency improvements are key measures.

Despite the challenging situation in the world, *Handelsbanken* performed well in 2020, with stable earnings and low credit losses. Through an accelerated pace of digital development and consolidation to fewer branches, the adaptation to changed customer behaviors is now being intensified. The bank has also taken further measures to cut costs and clarified its ambitions by introducing a cost cap.

During the year *Ericsson* further strengthened its market position in 5G, the next generation of mobile networks, with 127 commercial contracts with unique telecom operators. The company's financial performance was very favorable, and in 2020 it exceeded the targets it had set in 2017 by a wide margin. During the year Ericsson completed its acquisition of the U.S. firm Cradlepoint, active in Wireless Edge WAN enterprise solutions, for approximately SEK 10 billion.

In recent years *SCA* has carried out a number of long-term capacity investments in growth areas and announced continued investments in containerboard. The company has been successful at adapting its business to changed customer behaviors and moving away from segments with a poorer outlook to growth segments. In 2020 SCA decided to discontinue its publication paper operations in Ortviken and announced further investments in chemically pre-treated thermo-mechanical pulp.

Skanska has continued to execute its strategic plan for greater focus on its core construction and project development businesses. An example of this is the divestment of the infrastructure services business in the UK in 2020. Performance remained favorable in commercial property development, with several large divestments during the

year. The company's earnings and cash flow strengthened during 2020. Skanska is well positioned in green construction of sustainability-oriented buildings and structures, where it has many years of experience.

The steel market has been impacted by challenging market conditions as a result of the pandemic. This is reflected in SSAB's financial performance in 2020, even though the company parried the fluctuating volumes well. SSAB plays a driving role in the HYBRIT collaboration project for steel production of the future, where the world's first pilot plant for production of fossil-free sponge iron was started during the year.

The situation in 2020 underscores the importance of sound finances, operational flexibility to be able to deal with unforeseen events and a long-term approach to sustainable business

In recent years Industrivärden has dedicated great energy to becoming an even clearer – but also more demanding – owner. In our ownership role we aim to be able to provide financial support, but above all we want to contribute with a value-creating dialogue where we share our views on strategically important issues. Our portfolio companies are active in diverse industries and face varying opportunities and challenges. However, there are important capabilities that we believe successful companies must develop over time.

One such success factor that Industrivärden has driven in the portfolio companies in recent years is flexibility and a greater ability to adapt, that is, in a changing world, the ability to adapt to changed conditions. The measures taken by the portfolio companies in recent years aim to create greater financial and operational flexibility, among other things. From a financial perspective this entails, among other measures, strengthening the balance sheet to be able to handle periods with poorer market conditions or unforeseen crises. It is also important to create financial room to maneuver and thereby be able to act and invest for future value creation. A few current examples here are Volvo's announced investment in a joint venture company with Daimler Trucks and Sandvik's announced acquisition of DSI Underground. These are both future-oriented investments that the companies managed to make despite market conditions that in general were not very favorable. In the same way, it is important to ensure operational flexibility in the continuing business. This can involve everything from enabling swift adaptation of production processes to decentralizing decision-making

in order to facilitate continuing adaptations to customers' needs.

Another success factor that we believe is decisive for competitive strength over time is highly integrated sustainability work. Society in general and the business sector in particular are currently undergoing a rapid and revolutionary transition in sustainability, digitalization and a number of other change trends. Understanding and addressing these shifts is paramount for enduring success. As an active owner we therefore expect that the companies we invest in act in a sustainable manner. They must minimize their risks and capitalize on value-creating opportunities. This can entail, for example, reducing their carbon footprint or leveraging digitalization, automation and electrification of products and processes. It is also important that companies meet their stakeholders' growing demands for transparency and clarity regarding what they are doing and above all how they are doing it. Here Industrivärden plays a key role as a demanding owner with

focus on the portfolio companies' material sustainability issues. This is work that goes hand-in-hand with our strategy to contribute to long-term value creation.

Further information about how Industrivärden integrates the sustainability perspective in its daily work and ownership role can be found in the description of our asset management model in this annual report and in our sustainability report. There we also report on our fundamental view of sustainability and on our contribution to a sustainable world through the UN's Global Compact, whose ten principles Industrivärden continues to support and actively promote.

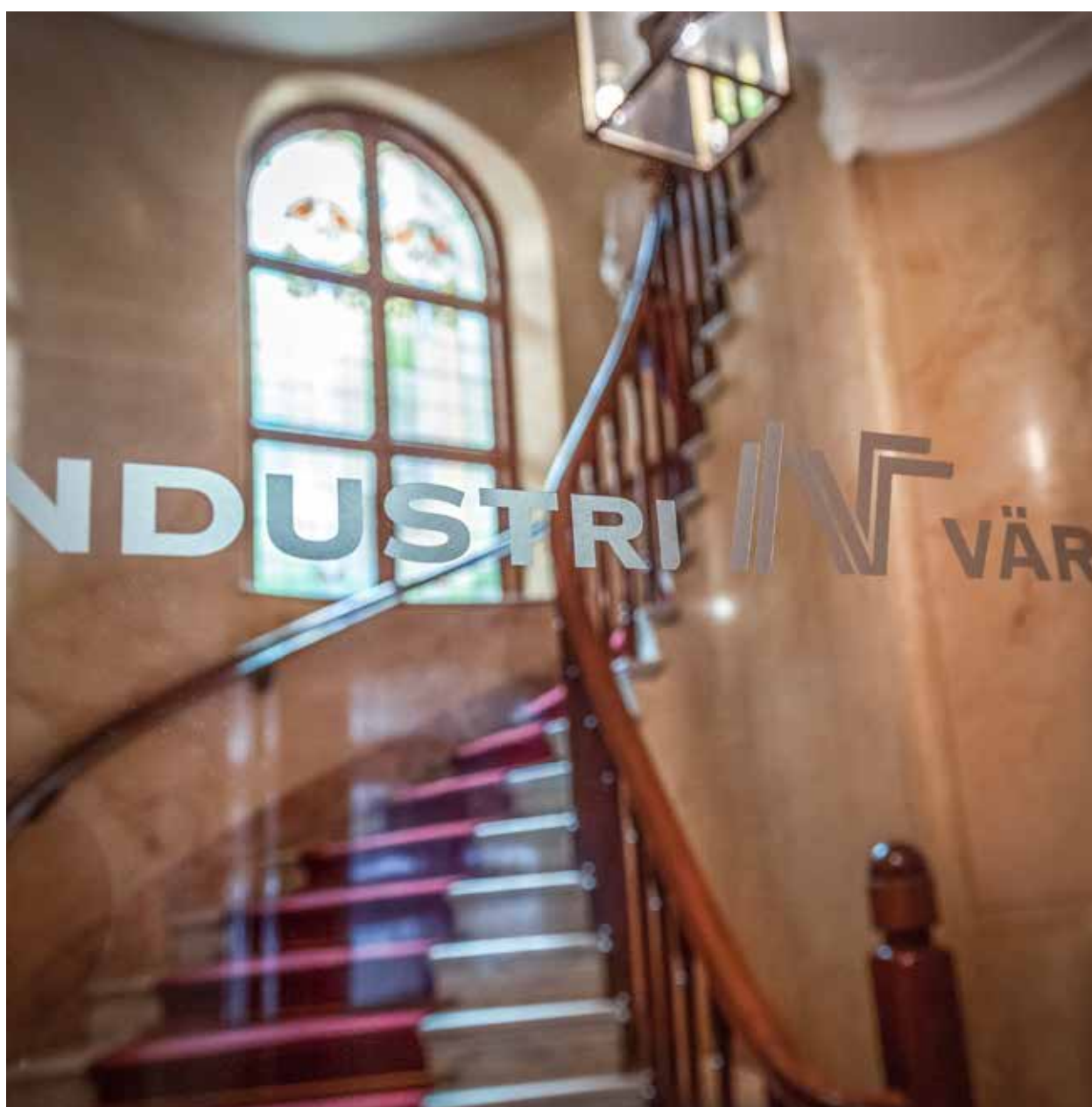
In recent years our portfolio companies have worked with focus on both increasing their ability to adapt and integrating sustainability into their operations. Naturally, this is a result of determined efforts in the respective companies, but I can assure that Industrivärden has been a driving force behind these matters. And there is no doubt that these steps toward change have created value. Our portfolio companies have managed the Covid-19 pandemic's impacts well, and all of the companies today have recognized, prominent positions in integrated sustainability. Given the steps that have been taken and continue to be taken by the respective companies, I feel that they are well positioned to meet the challenges and opportunities of tomorrow.

For the full year 2020 Industrivärden's net asset value grew SEK 20 per share to SEK 121.2 billion in total. This corresponds to an increase of 8% including reinvested dividend. During the same period, the total return index (SIXRX) increased by 15%. The largest contributors

were the shareholdings in Volvo, with SEK 6.1 billion, corresponding to a total return of 24%, SCA, with SEK 3.5 billion, or 52%, and Sandvik, with SEK 3.0 billion, or 11%. The holdings in Handelsbanken, SSAB, Essity and Skanska showed considerably lower total returns than the total return index and thereby weighed down the portfolio as a whole. The total return for Industrivärden's Class A and C shares was 18% in 2020. The difference between growth in net asset value and Industrivärden's stock price reflects a narrower discount to net asset value during the year. From a longer time perspective, Industrivärden's stock has performed well, with a total return for the Class C shares of 15% and 12%, respectively, during the last five- and ten-year periods.

The situation in 2020 underscores the importance of sound finances, operational flexibility to be able to deal with unforeseen events and a long-term approach to sustainable business. The current external situation in our environment entails continued uncertainty going forward. However, with a portfolio comprising a few of Sweden's foremost companies in their respective areas, I feel strong confidence for the future.

Stockholm, February 2021
Helena Stjernholm



Asset management

Mission, objective, strategy and values



Business mission

To conduct long-term value-creating asset management through active ownership. The mission is based on Industrivärden's relative strengths, including a long-term investment perspective, strong positions of influence, a well-developed ownership model, depth of industrial knowledge and experience, 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. The total return for Industrivärden's stock over time is presented on page 30.



Strategy

The business mission is based on the Company's investment activities and active ownership role.

- *The investment operations* are built upon a structured process of continuous analysis and evaluation of existing and potential investment alternatives. The estimated return potential for existing investments is to be compared with the return potential for possible investment alternatives under evaluation, taking into account continuity and long-term perspective.
- Industrivärden shall conduct *active ownership* in the respective portfolio companies with a view to contribute to competitive growth in value over time.

The forms of implementing this strategy are presented on pages 15–27.



Values

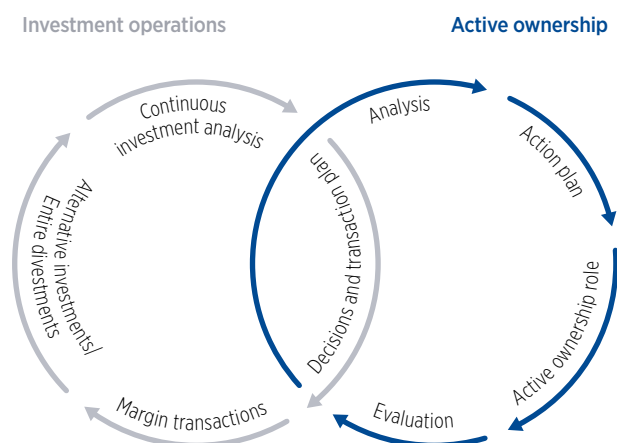
Operations shall be conducted with high integrity and a sustainable approach. The Sustainability Report is presented on pages 24–27. The Code of Conduct is available at www.industrivarden.net under the menu Corporate Governance.

Business model

Areas of operation

Industrivärden's business mission entails that shareholder value is created mainly through active ownership aimed at contributing to the portfolio companies' operational and strategic development, and through a professional investment operation. Asset management is conducted in two areas of operation – the *investment operations* and *active ownership* – which are tightly intertwined. The investment operations aim to maximize Industrivärden's long-term return through divestments and investments in new and existing portfolio companies. The aim of active ownership is to contribute to long-term value creation in the portfolio companies through significant positions of influence and depth of knowledge about the companies and their business environments.

The chosen business model presupposes a long-term perspective and results in relatively low portfolio turnover. It also entails a natural concentration in large ownership stakes and a limited number of portfolio companies with clear value potential that can be realized through active ownership.



Analysis

Investment decisions as well as decisions to exercise active ownership are based on extensive industrial and financial analysis as well as on assessments by the Board of Directors and management. This analysis forms the foundation for both investment decisions and action plans to exercise active ownership. The action plans summarize the strategic value drivers in the portfolio companies that Industrivärden believes to be most important during the coming three to five years. See also pages 18–23.

Organization

Structure

Industrivärden has a professional and cost-efficient organization that is characterized by high flexibility and short decision-making channels. The organization has a depth of cumulative experience and pertinent competence. Operations involve some 15 employees at the offices in Stockholm plus eight board members and an extensive network. Internal work is project-oriented and based on well-developed processes.

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 on Industrivärden's board are represented on the portfolio companies' boards and participate actively in the portfolio companies' 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 actively in the asset management activities and provide specialist expertise. Certain members of the Executive Management also serve on the nominating committees and boards of portfolio companies.

Employees

Professional and successful asset management requires competent and committed employees as well as an attractive and dynamic workplace. Major emphasis is therefore put on the recruiting process, 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, which addresses areas such as the work environment, diversity and business ethics. The employees' total compensation shall be competitive and in line with the going rate in the market.

Investment Committee

The members of the Executive Management form Industrivärden's Investment Committee. Representatives from the investment and analysis organization participate when necessary. The committee monitors activities on a continuing basis, makes investment decisions and adopts Industrivärden's action plans for the exercise of active ownership in the portfolio companies.

Investment and analysis organization

The investment and analysis organization is organized into company teams. Each team is led by a team manager, and employees are normally active on two to three teams.

The company teams are responsible for the continuous monitoring of their respective portfolio companies, updating Industrivärden's action plans for exercising active ownership and for conducting specific investigative projects related to strategic issues in the portfolio companies. They also make recommendations for margin transactions in the portfolio companies as well as alternative investments and entire divestments.

Industrivärden's equity market function executes investment decisions and supports the organization with market and macro information.

Investment operations

Process

Industrivärden's business model entails sizable ownership positions in a concentrated portfolio of listed companies with favorable value potential. Over time the respective investments shall contribute to growth in net asset value with a view to generate a total return for Industrivärden's stock that is higher than the average for the Stockholm Stock Exchange. Industrivärden therefore has a company focus rather than an index focus.

The long-term ownership perspective entails a natural focus on sustainable development and long-term value-creating measures in the portfolio companies.

The investment operations are built upon a structured process of continuous analysis of existing and alternative investments with focus on the respective investments' long-term return potential. This analysis is grounded in Industrivärden's investment criteria.

Towards the goal of achieving Industrivärden's long-term objectives, each individual portfolio investment shall over time contribute to a total return that is higher than the average for the Stockholm Stock Exchange. The active ownership strategy conveys a longer investment horizon. The return potential for investments in the portfolio companies is therefore continuously evaluated with a time horizon of three to five years. Major emphasis is put on comparisons with the estimated return potential for investment alternatives, taking into account continuity and long-term perspective.

With a foundation in Industrivärden's analysis, transaction plans for future stock purchases and sales are continuously updated. These plans cover margin transactions in existing portfolio companies as well as divestments of entire holdings or investments in new portfolio companies.

Shareholdings

On December 31, 2020, the investments in Industrivärden's equities portfolio consisted of sizable shareholdings in Volvo, Sandvik, Essity, Handelsbanken, SCA, Ericsson, Skanska and SSAB. The portfolio's current composition and historical performance are shown in the adjacent tables and charts. Further information about the respective portfolio companies is presented on pages 34–41.

Investment activities 2020

During the year, shares were purchased in Volvo A for SEK 2.1 billion, Essity B for SEK 0.9 billion, Handelsbanken A for SEK 0.6 billion, SCA B for SEK 0.4 billion and Sandvik for SEK 0.3 billion. In addition, shares were sold in Essity A for SEK 0.2 billion.

Investment criteria

Company

- Listed Nordic companies
- Proven business model
- Strong market positions
- Clear potential for profitable growth

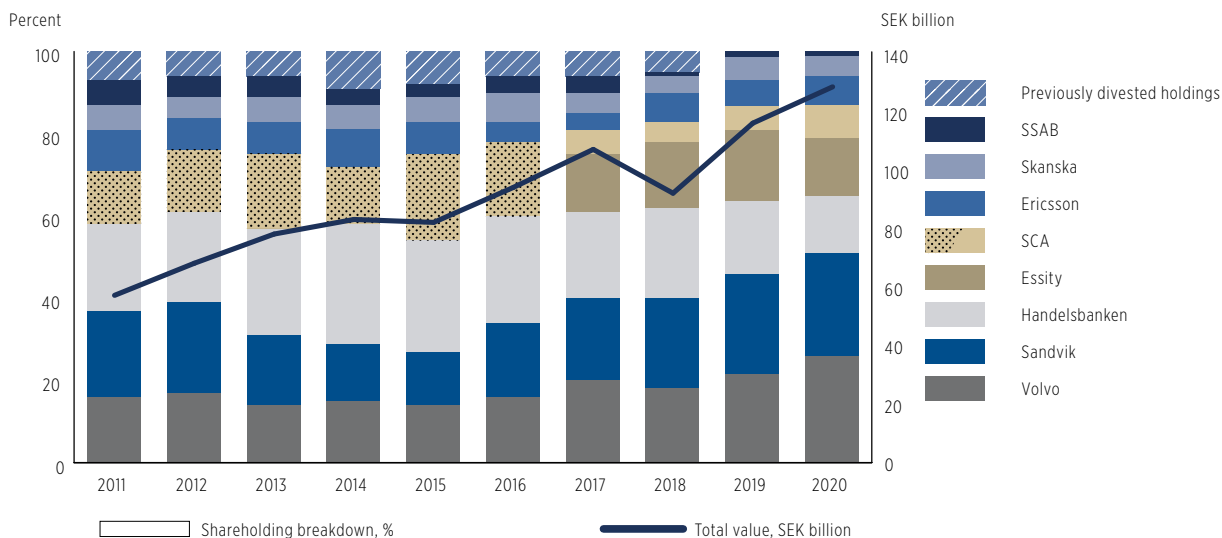
Ownership position

- Significant influence: at least 10% of votes and representation on nominating committee and board

Return potential

- Long-term attractive return potential that can be realized through active ownership
- Good balance between risk and reward

Breakdown of shareholdings



Shareholdings

Composition of equities portfolio

Holding	12/31/2020						2020
	No. shares	Ownership, %		Market value		Share of value, %	Net purchases (+)/net sales (-), SEK M
		Capital	Votes	SEK M	SEK/share		
Volvo A	166,600,000	8.4	27.5	33,251	76	26	2,127
Volvo B	3,600,000						-
Sandvik	157,400,000	12.5	12.5	31,685	73	25	307
Essity A	33,257,000	9.8	29.3	18,492	42	14	-205
Essity B	35,900,000						863
Handelsbanken A	212,200,000	10.7	10.9	17,528	40	14	587
SCA A	33,785,290	10.3	29.3	10,482	24	8	-
SCA B	38,300,000						355
Ericsson A	86,052,615	2.6	15.1	9,168	21	7	-
Ericsson B	1,000,000						-
Skanska A	12,667,500	7.4	24.3	6,536	15	5	-
Skanska B	18,500,000						-
SSAB A	44,334,933	4.3	11.8	1,299	3	1	-
Other				453	1	0	73
Equities portfolio				128,893	296	100	4,106

Share of ownership over five years

	12/31/2020		12/31/2019		12/31/2018		12/31/2017		12/31/2016	
	Ownership, %		Ownership, %		Ownership, %		Ownership, %		Ownership, %	
	Capital	Votes	Capital	Votes	Capital	Votes	Capital	Votes	Capital	Votes
Volvo	8.4	27.5	7.4	24.1	6.9	22.2	6.7	22.0	6.7	21.7
Sandvik	12.5	12.5	12.4	12.4	12.1	12.1	11.8	11.8	11.8	11.8
Essity	9.8	29.3	9.5	29.2	9.5	29.9	9.5	29.8	-	-
Handelsbanken	10.7	10.9	10.3	10.5	10.4	10.6	10.1	10.3	10.0	10.2
SCA	10.3	29.3	9.7	29.0	9.5	29.7	9.5	29.7	9.5	29.7
Ericsson	2.6	15.1	2.6	15.1	2.6	15.1	2.6	15.1	2.6	15.1
Skanska	7.4	24.3	7.4	24.3	6.9	23.9	6.9	23.9	6.9	23.9
SSAB	4.3	11.8	4.3	11.8	4.3	11.8	11.4	18.2	11.4	18.2

Active ownership

Process

Active ownership aims to contribute to the portfolio companies' strategic development and long-term value creation. Industrivärden's influence is grounded in sizable ownership stakes, strong positions of trust, representation on nominating committees and boards, and depth of knowledge about the companies and their business environments. Industrivärden strives to help the portfolio companies establish and strengthen leading positions in their respective industries over time. Major emphasis is put on clear leadership, focus and flexibility. Active ownership is exercised mainly through involvement in nominating committee work, board representation and active dialogue with the portfolio companies. In addition, continuous evaluation is conducted of the companies and their boards, CEOs and company managements. The various measures that are considered to create the most value over time are defined in Industrivärden's action plan, which serves as the foundation of the Company's influence work.

In its role as active owner, Industrivärden adds value through:

- Engaged ownership through representation on nominating committees and boards, with substantial knowledge and an ability to evaluate, make demands, influence and provide support
- A long-term sustainability perspective with focus on competitive growth in value over time
- Owner collaborations through consensus-building on key issues with other owners
- Resources in the form of financial strength and an extensive network

Continuous evaluation and influence

Industrivärden's investment and analysis organization continuously evaluates the portfolio companies' governance, operations and development. Work is conducted from an overarching ownership perspective with focus on the portfolio companies' boards and management teams, financial development and matters such as strategy, market position, efficiency and capital structure. Analyses are conducted from a broad, business environment perspective and cover everything from customers, competitors and markets to prevailing megatrends such as digitalization, new technology and long-term sustainable development. A keen understanding of these trends is essential for being able to assess the portfolio companies' long-term value potential as well as the opportunities and challenges they face.

In this way the investment and analysis organization builds a foundation of deep, fact-based knowledge about the respective portfolio companies and their business environments.

With a foundation in this analysis, an action plan for value creation is continuously updated, which summarizes the strategic value drivers that Industrivärden considers to be most important for value creation during the coming three to five years. The aim is to identify and describe various opportunities for value growth and well as strategic measures for realizing this value.

Industrivärden communicates its views of the company and its management primarily with the chairman of the company's board. An active dialogue is also conducted with the respective companies' CEOs and other senior executives.

Nominating committee representatives and board members with ties to Industrivärden

Portfolio company	Industrivärden's nominating committee representatives	Role	Board members with ties to Industrivärden	Role
Volvo	Bengt Kjell	Chair	Helena Stjernholm	Director
Sandvik	Fredrik Lundberg	Chair	Helena Stjernholm Marika Fredriksson	Director Director
Essity	Helena Stjernholm	Chair	Pär Boman	Chairman
Handelsbanken	Helena Stjernholm	Chair	Pär Boman Fredrik Lundberg	Chairman Vice Chairman
SCA	Helena Stjernholm	Chair	Pär Boman	Chairman
Ericsson	Karl Åberg	Member	Helena Stjernholm	Vice Chairman
Skanska	Helena Stjernholm	Chair	Fredrik Lundberg Pär Boman	Director Director
SSAB	Lars Pettersson	Chair	Bengt Kjell Marika Fredriksson	Chairman Director

Nominating committee work and board composition

It is of central importance that the portfolio companies' boards have the combined competence and experience required to manage the respective company's current situation and long-term ambitions. Industrivärden therefore puts strong emphasis on participating and exercising influence in the portfolio companies' board nomination processes. With a foundation of extensive knowledge about the portfolio companies and their respective business environments along with a keen understanding of their long-term challenges and opportunities, Industrivärden can contribute to their board nomination work. Industrivärden's nominating committee representatives consist of board members and members of the Executive Management.

Good access to qualified board members is a key success factor. Against this background, Industrivärden works actively to identify suitable individuals and maintain the Company's network. Industrivärden invests in companies active in various sectors and with varying needs, which requires a broad network of individuals with various types of expertise and experience.

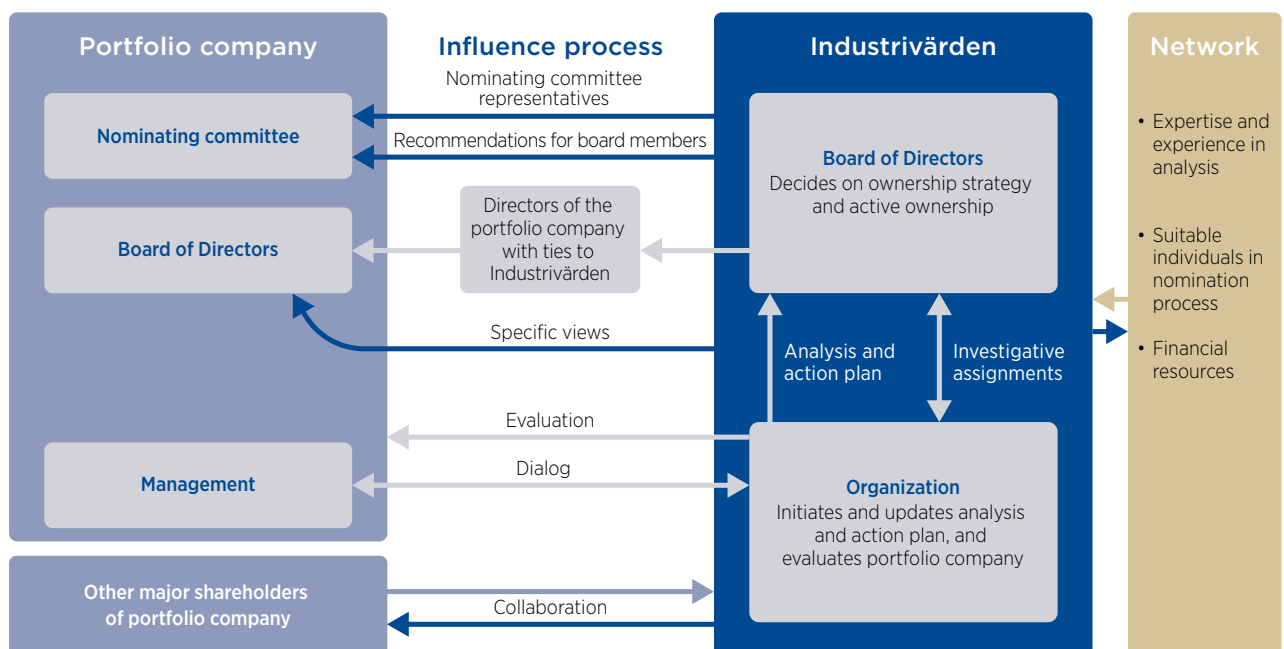
Board representation

Industrivärden exercises influence through representation on its portfolio companies' boards. Industrivärden's board members and members of the Executive Management who serve as AGM-elected directors for Industrivärden's portfolio companies are considered to have ties to Industrivärden. They are to have a current and clear picture of the value-creating measures that have been identified in the respective portfolio companies. Against this background,



Industrivärden's action plans for the portfolio companies are discussed on a regular basis within Industrivärden's board. Where needed, the analysis organization also conducts investigative assignments on specific matters.

Active ownership in brief



Active ownership in practice

In its capacity as a long-term active owner, Industrivärden engages itself in the portfolio companies' strategic development. Against the backdrop of the Company's business model, this concerns mainly matters pertaining to the portfolio companies' boards and management teams, financial development and matters such as strategy, market position, efficiency, capital structure and more.

Following are a few examples of important corporate governance matters and significant strategic activities for long-term value creation that the respective portfolio companies have taken in recent years, where Industrivärden has played an active role through work on the board and nomination committees. For a more detailed description of the respective portfolio companies' businesses and development, see pages 34–41.

Volvo

Value-creating measures

- Appointment of Martin Lundstedt as CEO in 2015
- Numerous new directors elected to board
- Organizational changes with business focus (incl. move towards separate brands in Trucks), decentralization and faster decision-making processes
- Clear focus on transformation to future transport needs, e.g., electromobility, automation and connectivity
- Strategic partnerships to accelerate key development steps, e.g., with Daimler Trucks in fuel cells, Samsung SDI in batteries, and Isuzu Motors in commercial vehicles
- Organic growth through stronger customer focus and development of service business
- Improved flexibility, productivity and efficiency through continuous improvements
- Developed strategy and new financial targets

26% of portfolio value



Result

- Significantly stronger ability to address market fluctuations compared with historically
- Leading position in meeting electrification trend
- Stronger financial position and improved profitability

Sandvik

Value-creating measures

- Election of Johan Molin as Chairman in 2015
- Appointments of Björn Rosengren as CEO in 2015 and Stefan Widing as CEO in 2019
- Numerous new directors elected to board
- Consolidation of company structure and implementation of decentralized governance model
- Developed strategy and refinement of operations
- Adoption of new financial targets
- Implementation of new sustainability targets with focus on circularity, climate, safety and fair play
- Initiation of internal separation of Sandvik Materials Technology for stock market listing in 2022, subject to shareholder approval and provided that the circumstances are considered to be right at the time
- Establishment of new business area, Sandvik Rock Processing Solutions, with a view for further accelerate profitable growth in rock crushing and screening
- Formation of new business segment, Sandvik Manufacturing Solutions, for stronger focus on growth opportunities in metal cutting and related areas
- Capitalization of growth opportunities in core businesses, including through a number of value-creating acquisitions

25% of portfolio value



Result

- Stronger financial position and improved profitability
- Focused operation with strengthened positions
- Significantly strengthened capacity to meet market fluctuations compared with historically

Essity

Value-creating measures

- Formation of company in 2017 through refinement and split of former SCA Group into two listed companies, with stronger focus on core businesses
- Election of Pär Boman as Chairman in 2016
- Numerous new directors elected to board
- Appointment of Magnus Groth as CEO in 2016
- Establishment of new business area through acquisition of BSN medical, active in wound care and compression therapy
- Structural measures for higher cost- and capital efficiency
- Stronger innovation and sustainability focus with distinct focus on highly integrated sustainability work with lifecycle effects as key part of innovation process. Ambitious targets set to reduce carbon footprint and develop new solutions for a circular society
- Adoption of new financial targets

14% of portfolio value



Result

- Clear cost reductions and improved result
- Stronger platform for value-creating growth

Handelsbanken

Value-creating measures

- Election of Pär Boman as Chairman in 2015
- Numerous new directors elected to board
- Appointment of Carina Åkerström as CEO in 2019
- Appointment of new and more concentrated executive management team
- Focusing of business and stronger focus on costs
- Strategic initiatives for business development and efficiency improvement
- Adaptation to changed customer behaviors through faster pace of development and consolidation to fewer number of branches
- Adoption of higher sustainability requirements, covering approximately 90% of fund volume
- Successful development of business in UK and of savings business
- Higher growth ambitions in core home mortgage business
- Good adaptation to regulatory changes and increased capital requirements

14% of portfolio value



Result

- Greater focus on cost efficiency and opportunities provided by digitalization
- Higher earnings and stronger platform for value-creating growth

SCA

Value-creating measures

- Formation of company in 2017 through refinement and split of former SCA Group into two listed companies, with stronger focus on the core businesses
- Election of Pär Boman as Chairman in 2015
- Numerous new directors elected to board
- Appointment of Ulf Larsson as CEO in 2017
- Efficiency through continuous improvements
- Strengthened focus on innovation with base of forest raw material
- Distinct focus on the forest's climate benefit with positive substitution effects from the company's renewable products; targets set for reduced carbon footprint from own operations
- Substantial investments in paper mills in Obbola and Munksund, and in pulp mill in Östrand
- Discontinuation of publication papers business and investments in thermomechanical pulp
- Revaluation of the company's forest assets unveils higher value

8% of portfolio value



Result

- Stronger financial position
- Tangible cost reductions
- Investments for greater exposure to attractive market segments and stronger competitiveness

Ericsson

Value-creating measures

- Appointment of Börje Ekholm as CEO in 2017
- Election of Ronnie Leten as Chairman in 2018
- Implementation of new organization and company structure, adoption of new targets
- Focused strategy for higher profitability through improvements in efficiency and competitiveness
- Regained technical leadership and stronger market positions
- Work towards leading position in next generation of mobile networks (5G)
- Implementation of strong program for ethics and compliance
- Integration of sustainability strategy with focus on responsible business, environmental sustainability and digital inclusion

7% of portfolio value



Result

- Significantly improved profitability and stronger financial position
- Improved cost position
- Well-positioned to capitalize on 5G growth opportunities

Skanska

Value-creating measures

- Election of Hans Biörck as Chairman in 2016
- Numerous new directors elected to board
- Appointment of Anders Danielsson as CEO in 2018
- Implementation of new management organization
- Extensive restructuring to focus the business, improve profitability and reduce project risks
- Reduction of central costs
- Decentralization measures and refinement aimed at increasing operational efficiency
- Successful growth in commercial property development
- Strong sustainability focus exemplified by, e.g., sustainability certified properties and successful measures to reduce carbon emissions

5% of portfolio value



Result

- Stronger financial position
- Reduced risk in construction business and higher earnings from property development

SSAB

Value-creating measures

- Election Bengt Kjell as Chairman in 2015
- Numerous new directors elected to board
- Continuous efficiency improvement work for industry-leading profitability
- Participation in HYBRIT, an initiative for fossil-free steel production, with the world's first pilot plant for fossil-free sponge steel
- Implementation of successful growth initiative in high-strength steel and developed service offering
- Distinct focus on sustainability with goal that SSAB will be entirely fossil-free by 2045

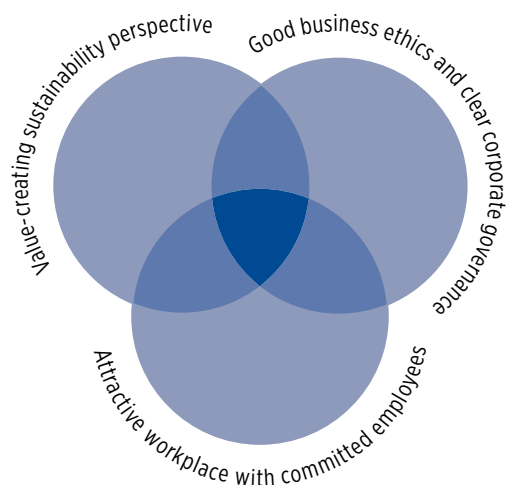
1% of portfolio value



Result

- Stronger financial position with good cash flow generation
- Well-positioned in sustainable development of fossil-free steel

Sustainability Report



Industrivärden's view of sustainability

Industrivärden's mission is to conduct long-term value-creating asset management through active ownership. The long-term horizon entails that adherence to the sustainability principles in the portfolio companies is crucial for Industrivärden's opportunities to achieve enduring growth in value. Industrivärden is therefore an owner that sets requirements and has high ambitions to contribute to sustainable businesses that benefit the communities in which they operate. This entails minimizing sustainability-related risks as well as capitalizing on sustainability-related opportunities. 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 natural involvement in the portfolio companies' strategic development. By contributing to the development of long-term competitive companies, growth in value over time and sustainable development are made possible.

The global pandemic in 2020 has affected the portfolio companies' operations in many different ways, which is described in general on pages 7 and 10–13. However, the work conducted in recent years to strengthen the portfolio companies' flexibility and ability to adapt have proven to be a clear strength in an uncertain world. The companies' increased resilience and flexibility are in many ways a key aspect of sustainable business.

Central frameworks

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. The 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,
- the Company repudiates all forms of discrimination and believes that diversity in all its forms enhances knowledge, dynamism and the quality of operations, and
- the Company shall apply and integrate the UN Global Compact and its ten principles in the areas of human rights, labor, anti-corruption and the environment.

In its sustainability work Industrivärden also adheres to global initiatives such as the OECD's Guidelines for Multinational Enterprises and the ILO's eight fundamental conventions. From a sustainability perspective, the business sector has a central role in creating a sustainable world. Industrivärden has therefore signed and works for realization of the UN Global Compact. Yearly development steps are outlined in this sustainability report, which also makes up our Communication on Progress (COP) to the Global Compact for the full year 2020. Industrivärden's commitments for 2020/2021 are stated in the CEO's message on pages 10–13.



Stakeholders and focus areas

Industrivärden's sustainability-related focus areas have been identified and concretized with a foundation in a materiality analysis. This analysis draws from Industrivärden's abilities to influence through its ownership role, a materiality perspective, and a stakeholder analysis based on continuous stakeholder dialogues. Within the framework of the stakeholder analysis, Industrivärden engages shareholders and potential investors, other large owners of the portfolio companies, representatives from the portfolio companies, Industrivärden's employees, and authorities, legislative bodies and non-governmental organizations.

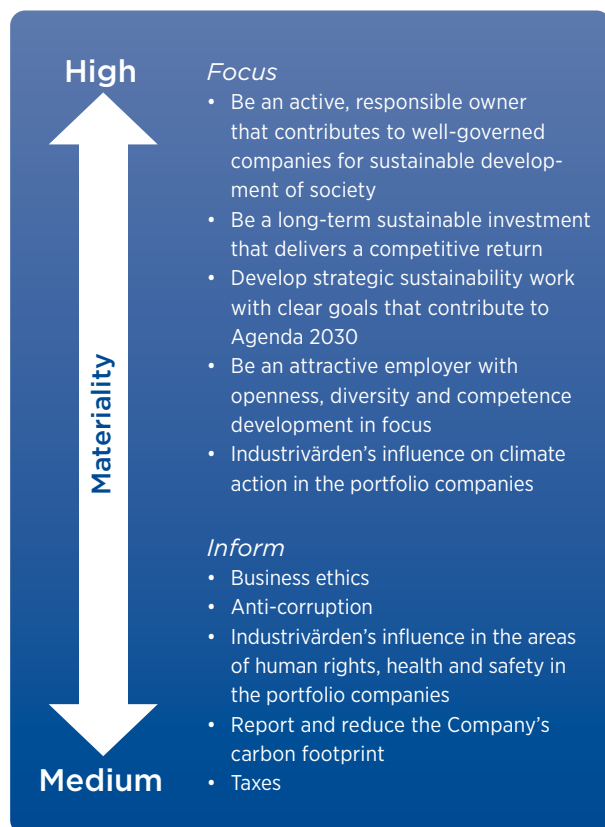
With a base in the sustainability analysis, four sustainability-related focus areas have been identified, which Industrivärden actively drives through its ownership role. These are:

- Long-term sustainable production and innovation in support of development of sustainable products and services
- Responsible businesses and organizations that create sustainable economic growth through diversity, good business ethics, good working conditions and respect for human rights
- Minimized negative climate and environmental impacts
- A long-term sustainable role in society that contributes to positive development in the communities in which the companies work

Based on these focus areas, relevant goals have been concretized with support of the UN's Agenda 2030

framework for the Global Sustainable Development Goals (SDGs). From an influence perspective, SDGs 5, 8, 9, 12, 13 and 16 relate to Industrivärden's portfolio companies within the framework of Industrivärden's active ownership. SDGs 5 and 13 also pertain to the Company's own operations. Goal formulations along with illustrative indicators and examples of goal achievement are provided in the tables on pages 26–27.

Stakeholder analysis



Active ownership

Industrivärden requires that the portfolio companies have a sustainable approach in all aspects of their operations. This results in competitive companies, enables growth in value and promotes sustainable development in society. Particular impetus is put on material sustainability risks and sustainability-related opportunities from risk minimization and value-creating perspectives. Industrivärden's overarching ambition is to:

- be a well-informed owner that sets requirements with a clear sustainability perspective that contributes to long-term successful portfolio companies for the benefit of sustainable development of society, and
- 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 (SIXRX).

To materialize these ambitions, Industrivärden conducts the following:

- Continuous analysis and follow-up of the respective portfolio companies in accordance with Industrivärden's integrated sustainability analysis

- Formulation of action plans for the respective portfolio companies and influencing efforts in accordance with Industrivärden's business model. Industrivärden's action plans and influencing activities are described in more detail on pages 18–23
- Dialogues with prioritized stakeholders aimed at soliciting views in support of further development of Industrivärden's sustainability work

Industrivärden's sustainability analysis

Being able to conduct a qualitative analysis of the portfolio companies' sustainability work requires that Industrivärden has deep knowledge about the respective companies' operations and sustainability-related matters. Industrivärden's sustainability analysis is an integrated part of the fundamental analysis that is conducted of the respective portfolio companies. This analysis is performed from an overarching owner perspective and covers the portfolio companies' organizations, structures, risk management, utilization of value-creating opportunities and communication. The portfolio companies shall have the boards, leadership, organizations and resources needed to integrate sustainable business practices and thereby long-term value creation in their business models, processes and offerings. Industrivärden's material sustainability risks exist in the portfolio companies, which manage these within the framework of their respective operations. Industrivärden's risk analysis in its active ownership is described on pages 14–19 and page 65.



Sustainability work in the portfolio companies

The portfolio companies are active in a wide range of industries and are in various stages of development. They therefore face different material challenges and opportunities. From an overall perspective it is Industrivärden's expectation that:



- they view sustainability as a key strategic issue and conduct first-rate sustainability work within their respective sectors, where sustainability aspects are integrated in their business models, business cultures strategies, processes and product offerings;
- they develop and strengthen their sustainability work in a structured manner with support from relevant guidelines and measurable goals; and that
- they monitor, evaluate and communicate the progress of their sustainability work, and convey the manner in which they are contributing to long-term sustainable development in the communities in which they operate.

The portfolio companies all face general as well as company-specific sustainability challenges. This pertains to everything from reducing their carbon footprints and changing over to more resource-efficient production – with sustainable products – to ensuring healthy, inclusive and equal opportunity workplaces both in their own operations and down the supply chain, and countering corruption. On the whole they have made great progress in capitalizing on the values created by conducting sustainable business and measure up well in comparison with their industry peers.


Sustainable production and innovation

Industrivärden's goals	The companies' sustainability work	Current examples
 <p>Industrivärden's portfolio companies shall have high aspirations to conduct sustainable production and increase their competitiveness by developing sustainable innovations that are at the forefront of their industries.</p>	<p>The portfolio companies have a long tradition of promoting sustainable industrialization and innovation. They contribute in various ways with innovations for sustainable industry, and several are leading the transition in their respective industries.</p>	<ul style="list-style-type: none"> In 2020 Sandvik became a constituent of the prestigious FTSE4Good Index Series, for companies that demonstrate strong sustainability performance in the Environmental, Social and Governance dimensions Volvo has partnered with Daimler Trucks AG to lead development of sustainable transports by developing large-scale production of fuel cells for electrification of heavy-duty trucks Ericsson has strengthened its leading position in 5G, which is paving the way to cost-effective global infrastructure in large parts of the world Skanska has taken an innovative step towards climate-neutral asphalt by using bioadhesives instead of bitumen, which is a derivative of fossil-based crude oil SSAB – together with LKAB and Vattenfall – has taken a decisive step towards fossil-free steel production through the start of HYBRIT's unique pilot plant
 <p>The portfolio companies shall offer long-term sustainable products and services that contribute to sustainable production and consumption. They shall have ambitious goals in this area and be at the forefront of resource-efficiency and circular business models.</p>	<p>The portfolio companies strive to offer sustainable products and to actively contribute to the development of circular solutions. They have set high aspirations to be leaders, using sustainability as a competitive advantage.</p>	<ul style="list-style-type: none"> Sandvik has set new sustainability goals, including 90% circularity by 2030, by driving the shift to circular business models, better resource efficiency and closed loops for products Essity has set a target that 85% of the company's packaging will be made of renewable or recycled material by 2025 Handelsbanken issued its second green bond for EUR 500 M, enabling the funding of projects in e.g., sustainable forestry, green buildings and environment-friendly transports SCA's innovation work is aimed at contributing to a fossil-free and circular society. Recently the company launched a stronger type of pulp that features higher productivity and lower energy consumption


Responsible businesses and organizations

Industrivärden's goals	The companies' sustainability work	Indicators
 <p>The portfolio companies shall all conduct ambitious and well-grounded work for diversity and equality. They shall actively strive for an even gender balance and promote diversity in a targeted manner in all parts of the company.</p>	<p>All of the portfolio companies put strong emphasis on diversity and equality, and work continuously on being an inclusive employer that offers equal opportunities to all employees.</p>	<ul style="list-style-type: none"> 100% of the portfolio companies have anti-discrimination principles stipulated in their Codes of Conduct or policies The portfolio companies' boards consist of 37% women and 63% men The portfolio companies' management teams consist of 26% women and 74% men
 <p>Sustainable economic growth is a precondition for development of responsible companies that can create value over time. Against this background, the portfolio companies shall conduct their operations with focus on long-term value creation and good business ethics, and guarantee a safe workplace for all employees.</p>	<p>All of the portfolio companies generate sustainable value creation and have contributed to economic growth over time. The companies adhere to international conventions on human rights and working conditions, and conduct ambitious preventive work on ensuring a safe work environment and minimizing accidents.</p>	<ul style="list-style-type: none"> 100% of the portfolio companies have signed the UN Global Compact 75% of the portfolio companies report workplace injuries. 100% of the companies that have reported this during the last three years (Dec. 2017-Dec. 2020), have decreased workplace injuries

Minimized negative climate and environmental impact

Industrivärden's goals	The companies' sustainability work	Indicators
 <p>Achieving a reduced carbon footprint is a precondition for sustainable value creation and a healthy planet. The portfolio companies shall have high aspirations in the climate area, with clear goals and prominent positions regarding minimizing carbon emissions in their own production and value chains.</p>	<p>The portfolio companies have stated ambitions to reduce their carbon footprints and have set clear goals for reducing their greenhouse gas emissions. See pages 75–80 for further information.</p>	<ul style="list-style-type: none"> 100% of the portfolio companies have implemented measures to reduce their carbon emissions During the last three years, the carbon footprint from Industrivärden's portfolio has decreased by slightly more than 20% (Dec. 2017 – Dec. 2020, Industrivärden's Scope 3, i.e., indirect emissions from portfolio companies) 5 of 8 portfolio companies have committed themselves to setting scientific climate targets in accordance with the Science Based Targets Initiative, of which 3 have had their targets approved



Long-term sustainable societal role

Industrivärden's goals	The companies' sustainability work	Indicators
 <p>The portfolio companies shall contribute to inclusive and sustainable societies by working within the framework of their own operations to promote human rights and sustainable societal development. In addition, they shall conduct ambitious anticorruption work.</p>	<p>The portfolio companies contribute to inclusive and peaceful societies by promoting long-term sustainable development of society. All of the companies have Codes of Conduct for their employees and suppliers aimed at upholding good business ethics and combating corruption.</p>	<ul style="list-style-type: none"> 100% of the portfolio companies have an anticorruption policy 100% of the portfolio companies have a Code of Conduct and whistleblower function 100% of the portfolio companies provide training to their employees in the company's Code of Conduct

Own operations

Industrivärden shall serve as a model and work with a clear sustainability focus in its own operations. Proactive sustainability work shall be an integral part of the daily activities that are conducted by approximately 15 employees at the 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 analysis in the respective portfolio companies.

	Industrivärden's ambition	Industrivärden's goal	Activities
	Industrivärden shall be a workplace in which the employees enjoy their work, feel good and can develop. Toward this end, continuous dialogue is carried out on matters pertaining to the workplace, forms of cooperation and personal development.	Be an attractive employer with focus on competence development, openness and diversity, and attract, recruit and retain competent employees.	<ul style="list-style-type: none"> • Implement processes for broadened competence and diversity • Provide further training to all employees on the Company's sustainability strategy, Code of Conduct and policy documents • Conduct performance reviews with particular focus on the work environment and competence development • Continuously evaluate development opportunities for all employees
	Even though Industrivärden's organization is small, the Company shall set a good example by minimizing its own carbon footprint and environmental impact.	Reduce own negative climate and environmental impacts over time, and compensate for all actual greenhouse gas emissions through offsets.	<ul style="list-style-type: none"> • Measure and follow up Industrivärden's environmental impacts and carbon footprint • Report Industrivärden's carbon footprint to the CDP and compensate for the Company's footprint through offsets

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 dialogue is conducted on matters related to the workplace, forms of cooperation and personal development. All employees have undergone training in the Company's view of value creation and how goals are to be achieved. This includes set policies for the environment and climate, diversity and gender equality, anticorruption and the Code of Conduct. Industrivärden believes that better results are achieved at a workplace characterized by gender equality and diversity.

to create long-term value for its shareholders and pursue its strategy of supporting the portfolio companies over time. Industrivärden's financial performance is described on pages 53–66, and the performance of Industrivärden's stock is shown on pages 30–31.

Development of sustainability work 2020

Further development of Industrivärden's sustainability analysis

With a base in Industrivärden's integrated framework for its sustainability analysis, during 2020 a more in-depth review of the portfolio companies' sustainability work was begun. This process will continue in 2021. Influencing activities are conducted within the framework of active ownership.

Environmental and carbon footprinting work

Even though Industrivärden's organization is small, the Company shall set a good example by minimizing its own environmental impact and carbon footprint. Industrivärden has an ambition to reduce its own carbon footprint over time and compensates for all of 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 (Carbon Disclosure Project) framework. Greenhouse gas emissions for 2020 have been calculated using the market-based method of the GHG Protocol and are shown in the GRI Index on pages 75–78. Further information on the Company's indirect carbon footprint is provided on pages 79–80.



Indicators for monitoring the portfolio companies' sustainability work

As part of Industrivärden's sustainability reporting, indicators and examples have been drawn up regarding the portfolio companies' sustainability work. These are presented in the table on page 26. The aim is to be able to monitor development in central areas over the long term.

More in-depth stakeholder dialogues

During 2020 Industrivärden's stakeholder dialogues were broadened with respect to target groups and levels. This work has increased the Company's own knowledge and ensures an accurate picture of expectations from the outside world on Industrivärden as a long-term owner. These dialogues in 2020 have resulted in, among other things, a clearer description of the Company's carbon footprint.

Financial results

Favorable earnings performance and financial strength are necessary prerequisites for Industrivärden to be able

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.

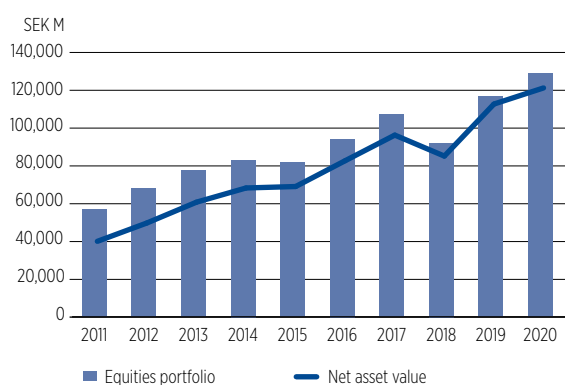
Net asset value is a measure of the shareholders' total net worth in the Company, defined as the market value of the equities portfolio less interest-bearing net debt. Net asset value at year-end 2020 was SEK 121.2 billion (112.7), or SEK 279 per share (259).

During 2020 net asset value grew by 8% including reinvested dividend, compared with 15% 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 14% and 9% per year, respectively, compared with 12% and 11%, respectively, for the Stockholm Stock Exchange's total return index (SIXRX).

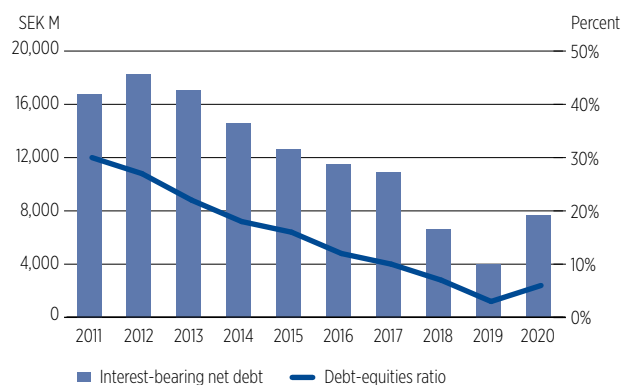
Composition of equities portfolio and net asset value

Holding	No. shares	12/31/2020		Market value		Share of value, %	2020		
		Ownership, %		SEK M	SEK/share		Net purchases (+)/net sales (-) SEK M	Total return, holding	
		Capital	Votes					SEK M	%
Volvo A	166,600,000	8.4	27.5	32,554	76	26	2,127	6,102	24
Volvo B	3,600,000			698			-		
Sandvik	157,400,000	12.5	12.5	31,685	73	25	307	2,994	11
Essity A	33,257,000	9.8	29.3	8,996	42	14	-205	-1,896	-9
Essity B	35,900,000			9,496			863		
Handelsbanken A	212,200,000	10.7	10.9	17,528	40	14	587	-3,733	-18
SCA A	33,785,290	10.3	29.3	4,993	24	8	-	3,467	52
SCA B	38,300,000			5,488			355		
Ericsson A	86,052,615	2.6	15.1	9,070	21	7	-	1,888	25
Ericsson B	1,000,000			98			-		
Skanska A	12,667,500	7.4	24.3	2,656	15	5	-	55	1
Skanska B	18,500,000			3,879			-		
SSAB A	44,334,933	4.3	11.8	1,299	3	1	-	-157	-11
Other				453	1	0	73	6	
Equities portfolio				128,893	296	100	4,106	8,725	7
Interest-bearing net debt				-7,654	-18				
Net asset value				121,239	279				
Debt-equities ratio				6%					

Growth in net asset value



Development of net debt



Equities portfolio

The equities portfolio is made up of large shareholdings in portfolio companies in which Industrivärden exercises long-term active ownership. On December 31, 2020, the equities portfolio had a market value of SEK 128,893 M (116,750), corresponding to SEK 296 (268) per Industrivärden share.

The value of the equities portfolio, adjusted for purchases and sales, increased by SEK 8.0 billion to SEK 128.9 billion. The total return was 7%. Changes in ownership shares in the portfolio companies over time are shown in a table on page 17.

Cash flow

Investment activities

During the year, shares were purchased in Volvo A for SEK 2.1 billion, Essity B for SEK 0.9 billion, Handelsbanken A for SEK 0.6 billion, SCA B for SEK 0.4 billion and Sandvik for SEK 0.3 billion. In addition, shares were sold in Essity A for SEK 0.2 billion.

Dividends paid and received

On account of the uncertain situation in the world in 2020 as a result of the Covid-19 pandemic, the Board of Directors recommended that no dividend be paid, which was approved by the Annual General Meeting. In 2019 a dividend of SEK 5.75 per share was paid, corresponding to SEK 2,502 M. During 2020 dividends were received from the portfolio companies Essity, Ericsson and Skanska for a combined total of SEK 657 M (4,093). Industrivärden's dividend policy is presented on page 30.

Management cost

Industrivärden's management cost in 2020 amounted to SEK 130 M (115). The management cost corresponded to 0.10 % (0.10%) of the equities portfolio's value on December 31, 2020.

Financing

A strong financial position provides financial flexibility to take advantage of investment opportunities and support the portfolio companies 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 range.

Interest-bearing net debt

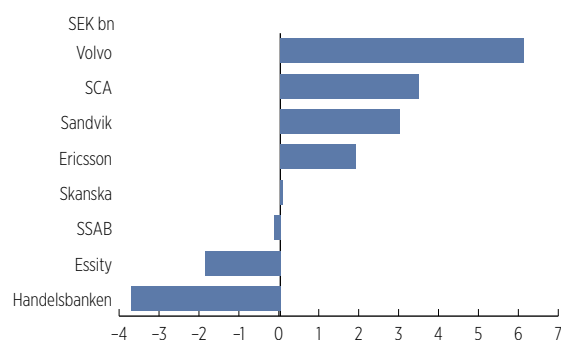
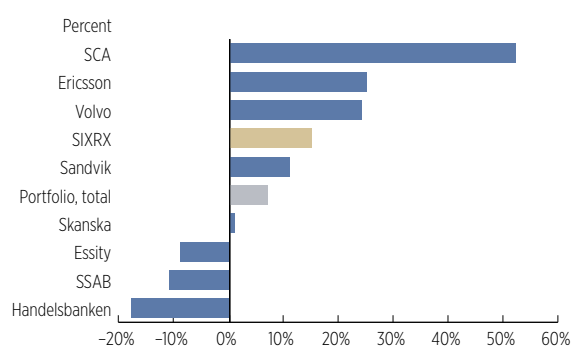
Interest-bearing net debt amounted to SEK 7.7 billion at year-end 2020 (4.0), corresponding to SEK 18 per Industrivärden share. The debt-equities ratio at year-end 2020 was 6% (3%).

The debt portfolio consists primarily of an MTN program and commercial paper. During the first quarter of 2020 two new bonds totaling SEK 2.0 billion were issued within the framework of the existing MTN program. The loans pertain mainly to refinancing and have tenors of three and five years, respectively. During the second quarter, investment capacity was further strengthened by a total of SEK 1.5 billion through the expansion of existing bonds with remaining tenors of two and three years, respectively. The terms of the bonds are available on the Company's website. No part of Industrivärden's financing is conditional upon any covenants.

Credit rating

S&P Global Ratings has assigned Industrivärden a credit rating of A+/Stable/A-1.

Contribution analysis, total return



Industrivärden's stock

Industrivärden's stock

Industrivärden's Class A and Class C shares are listed on the Stockholm Stock Exchange (Nasdaq OMX Nordic Stockholm), Large Cap segment. At year-end 2020 Industrivärden's market capitalization was SEK 118 billion. Trading volume in Industrivärden shares on the Stockholm Stock Exchange in 2020 totaled SEK 55 billion (51), corresponding to a turnover rate of 31% (28%) for the Class A shares and 93% (104%) for the Class C shares. Average daily trading volume was approximately 334,000 Class A shares and approximately 644,000 Class C shares.

Industrivärden's Class A and Class C shares had standard deviations of 35.0% and 35.2%, respectively, and beta values of 1.02% and 1.02%, respectively, for the full year 2020.

Shareholders and share structure

Industrivärden has approximately 104,000 (88,000) shareholders. Foreign shareholders own 24% (21%) of the capital. A significant majority of the number of shareholders are private persons, while a significant share of the capital is owned by institutional owners such as pension and asset management companies, and foundations.

At year-end 2020 the share capital totaled SEK 1,088 M, distributed among 435,209,877 registered shares with a share quota value of SEK 2.50. Each Class A-share carries entitlement to one vote, and each Class C-share carries entitlement to 1/10 of a vote. All shares carry equal entitlement to the Company's assets, earnings and dividends.

Share structure

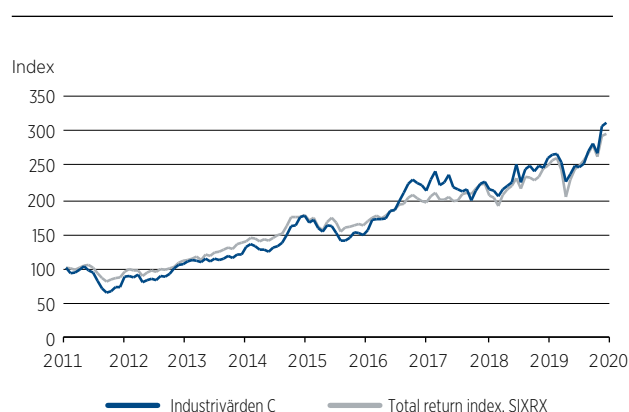
Share Class	No. shares	No. votes	Capital, %	Votes, %
A (1 vote)	267,111,784	267,111,784	61.4	94.1
C (1/10 votes)	168,098,093	16,809,809	38.6	5.9
Total	435,209,877	283,921,593	100.0	100.0

Return

In 2020 the price of Industrivärden's Class A shares increased by 18.2%, from SEK 232.00 to SEK 274.20, and the price of the Class C shares increased by 17.5%, from SEK 225.90 to SEK 265.50. The highest price paid for the Class A and C shares was SEK 277.20 and SEK 268.50, respectively, and the lowest price paid was SEK 169.00 and SEK 169.25, respectively. The total return for the Class A and C shares was 18%, compared with 15% for the total return index (SIXRX).

During the last ten-year period the average annual total return for Industrivärden's Class A and C shares was 12%, compared with 11% for the total return index (SIXRX). During the same period, the MSCI World Index generated an annualized total return of 11%.

Total return over time, Industrivärden



Dividend policy

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 shall be well-balanced with respect to the goals, scope and risk of operations.

Proposed dividend

The Board of Directors has proposed that the 2021 Annual General Meeting declare an ordinary dividend of SEK 6.25 per share (0.00) and an extra dividend of SEK 2.00 per share. The total dividend will amount to SEK 8.25 per share, corresponding to SEK 3,590 M. The dividend yield on December 31, 2020, was 3.0% for Industrivärden's Class A shares and 3.1% for the Class C shares.

Employee ownership

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 programs adopted by the Annual General Meeting make up part of the employees' total compensation and also aim to increase employees' ownership of stock in the Company. Information on the incentive programs and on shareholdings of board members and members of the Executive Management is provided on pages 50–51 and in Note 7 on pages 59–60.

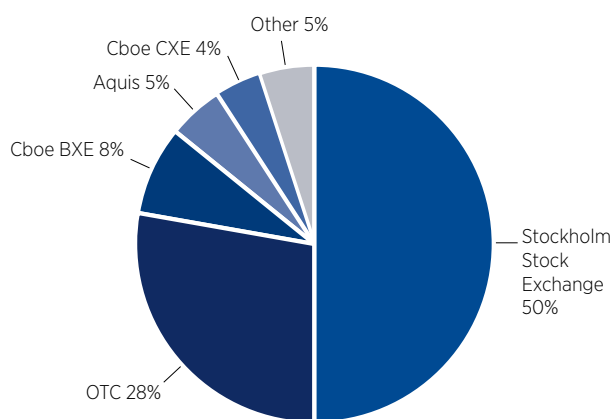
Conversion of Class A-shares to Class C-shares

At the 2011 Annual General Meeting a share conversion clause was added to Industrivärden's Articles of Association 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. During 2020, 1,071,556 Class A shares were converted to Class C shares.

Investor relations

Industrivärden's investor contacts and analysts who monitor the Company are presented on page 72.

Trading per marketplace



Pertains to Class C shares. Source: Bloomberg.

Shareholder structure

No. shares	No. shareholders	Capital, %
1-500	83,140	2
501-1 000	9,003	2
1 001-5 000	9,359	5
5 001-10 000	1,317	2
10 001-15 000	394	1
15 001-20 000	210	1
20 001-	685	87

Source: Euroclear.

Largest shareholders

12/31/2020	Capital, %	Votes, %
L E Lundbergföretagen	17.7	24.0
Handelsbanken Pension Foundation	7.1	10.9
Jan Wallander and Tom Hedelius Foundation	6.3	9.7
Spiltan Funds	4.2	0.9
Fredrik Lundberg incl. companies	2.4	3.1
Vanguard	2.4	2.1
BlackRock	2.1	1.5
SCA Pension Foundation	2.1	3.2
Essity Vorsorge-Treuhand	2.1	3.2
Handelsbankens Pension Fund	2.0	3.1
Essity Pension Foundation	1.9	3.0
Norges Bank Investment Management	1.7	1.5
Alecta Pension Insurance	1.3	1.1
Handelsbanken Funds	1.0	0.8
SEB Funds	0.9	0.9

Source: Industrivärden and Holdings.

Key ratios, dividend and return

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Dividend/share, SEK	8.25	0.00	5.75	5.50	5.25	5.00	6.25	5.50	5.00	4.50
Dividend growth, %	n/a	neg	5	5	5	neg	14	10	11	13
Dividend yield Class C shares, %	3.1	-	3.2	2.7	3.1	3.4	4.6	4.5	4.6	5.5
Total return Class C shares, %	18	30	-9	22	21	11	16	18	37	-28
Share price at 31 Dec., Class C shares, SEK	265.50	225.90	179.20	202.50	169.80	145.10	136.10	122.30	107.70	82.10

Key ratios – ten-year overview

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net asset value										
Equities portfolio										
market value (SEK M)	128,893	116,750	92,170	107,289	94,250	81,835	83,062	77,992	68,077	56,903
total return (%)	7	33	-8	17	20	4	8	20	22	-23
net purchases/sales (SEK M)	4,106	-1,163	-3,252	103	-834	-1,894	1,561	-1,389	1,114	4,461
Interest-bearing net debt										
value (SEK M)	-7,654	-4,032	-6,601	-10,930	-11,481	-12,648	-14,632	-17,094	-18,248	-16,780
debt-equities ratio (%)	6	3	7	10	12	15	18	22	27	29
Net asset value										
value (SEK M)	121,239	112,718	85,201	96,299	82,769	69,056	68,345	60,898	49,829	40,123
value per share (SEK)	279	259	196	221	191	160	158	155	129	104
growth incl. reinvested dividends (%)	8	35	-9	18	23	5	9	24	29	-28
Industrivärden's stock										
Number of shareholders	104,000	88,000	80,000	75,000	69,000	63,000	60,000	54,000	48,000	49,000
Industrivärden's market capitalization										
value (SEK M)	117,872	99,950	79,062	90,570	76,201	66,434	60,638	50,357	42,461	33,069
value per share (SEK)	271	230	182	208	176	154	140	129	110	86
Number of shares outstanding										
total (thousands)	435,210	435,210	435,210	435,210	432,341	432,341	432,341	391,769	386,271	386,271
of which, Class A shares (thousands)	267,112	268,183	268,183	268,184	268,185	268,185	268,186	268,530	268,530	268,530
of which, Class C shares (thousands)	168,098	167,026	167,026	167,025	164,155	164,155	164,155	123,239	117,740	117,740
Dividends paid										
value (SEK M)	3,590	0	2,502	2,394	2,285	2,162	2,702	2,282	1,950	1,738
value per share (SEK)	8.25	0.00	5.75	5.50	5.25	5.00	6.25	5.50	5.00	4.50
dividend growth (%)	n/a	neg	5	5	5	neg	14	10	11	13
dividend yield, Class C shares (%)	3.1	-	3.2	2.7	3.1	3.4	4.6	4.5	4.6	5.5
Total return, Industrivärden shares										
Class A shares (%)	18	30	-11	20	17	15	13	23	33	-25
Class C shares (%)	18	30	-9	22	21	11	16	18	37	-28
Total return index, SIXRX (%)	15	35	-4	9	10	10	16	28	16	-14
MSCI World (%)	17	28	-8	23	8	0	6	27	17	-5
Other key ratios										
Earnings per share (SEK)	19.39	68.56	-19.14	35.76	38.05	7.18	12.62	31.16	28.50	-40.51
Management cost (% of portfolio value)	0.10	0.10	0.13	0.10	0.12	0.17	0.18	0.17	0.18	0.18
Dividends received (SEK M)	657	4,093	3,764	2,786	3,078	3,184	2,984	2,504	2,391	2,403
Shareholders' equity (SEK M)	120,976	112,528	85,142	95,880	82,129	67,850	67,406	59,280	48,378	39,140
Equity ratio (%)	94	96	91	88	86	82	80	75	71	69

Values and calculations pertain to the respective year-end.

Dividend for 2020 according to the Board of Directors proposal. See page 30.

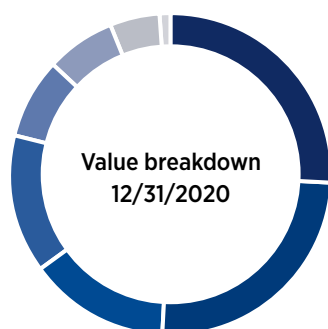
Values for the years 2011–2012 have not been recalculated according to the principle for investment entities.

Portfolio structure

The equities portfolio is made up of large shareholdings in eight portfolio companies with strong market positions and in which Industrivärden exercises long-term active ownership. At year-end 2020 the portfolio companies had combined sales of approximately SEK 1,100 billion and operations in more than 190 countries. A significant share of the equities portfolio is exposed to the industrial equipment, commercial vehicles, banking and consumer products sectors.

At December 31, 2020, the equities portfolio had a market value of SEK 128,893 M (116,750), or SEK 296 (268) per Industrivärden share. The value of the equities portfolio, adjusted for purchases and sales, increased by 7% during the year, compared with the Stockholm Stock Exchange's market index (OMXSPI), which gained 13%. Dividends received from portfolio companies during the year amounted to a combined total of SEK 657 M (4,093).

Further information about the equities portfolio is presented on pages 16–17.



Volvo	SEK 33.3 bn	(26%)
Sandvik	SEK 31.7 bn	(25%)
Essity	SEK 18.5 bn	(14%)
Handelsbanken	SEK 17.5 bn	(14%)
SCA	SEK 10.5 bn	(8%)
Ericsson	SEK 9.2 bn	(7%)
Skanska	SEK 6.5 bn	(5%)
SSAB A	SEK 1.3 bn	(1%)



Essity	SEK 425 M	(65%)
Ericsson	SEK 131 M	(20%)
Skanska	SEK 101 M	(15%)

On account of the uncertain situation in the world in 2020 as a result of the Covid-19 pandemic, the Annual General Meetings of Volvo, Sandvik, Handelsbanken, SCA and SSAB resolved to not pay any dividends.



Volvo	SEK 6,102 M	(24%)
SCA	SEK 3,467 M	(52%)
Sandvik	SEK 2,994 M	(11%)
Ericsson	SEK 1,888 M	(25%)
Skanska	SEK 55 M	(1%)
SSAB	SEK -157 M	(-11%)
Essity	SEK -1,896 M	(-9%)
Handelsbanken	SEK -3,733 M	(-18%)



Machinery	51%
Banking	14%
Consumer products	14%
Paper and forest products	8%
Communication systems	7%
Construction and technology	5%
Metal and mining	1%

Sector breakdown according to GICS level 2.

The Volvo Group is one of the world's leading manufacturers of trucks, construction equipment, buses, and marine and industrial engines. The company also provides complete solutions for financing and service.

Operations are global, with sales in 190 countries. The vision is to be the world's most desired and successful provider of sustainable transport solutions. 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. Business is conducted under several leading brands, which enables the company 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 Trucks 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 and SDLG brands. In addition, the company manufactures and sells buses and, through Volvo Penta, engines for marine and industrial applications.

The company conducts concerted innovation work in the areas of electrification, automation and connectivity to meet future needs for transport solutions. Volvo also has a distinct sustainability focus, where a number of important steps were taken in 2020.

Industrivärden's shareholding



	2020	2019
Shareholding, no. shares:		
Class A shares	166,600,000	154,600,000
Class B shares	3,600,000	3,600,000
Market value, SEK M	33,251	25,023
Share of votes, %	27.5	24.1
Share of capital, %	8.4	7.4
Total return, SEK M	6,102	8,037

Active ownership position since 2009

Key data	2020	2019
Net sales, SEK M	338,446	431,980
Earnings after financial items, SEK M	25,917	46,832
Earnings per share after dilution, SEK	9.50	17.64
Debt-equity ratio, net, %	-38	-29
Dividend per share, SEK	15.00 ¹⁾	0.00
Share price on December 31, SEK:		
Class A shares	195.40	158.20
Class B shares	193.80	156.90

1) Of which, extra dividend of SEK 9.00 per share.

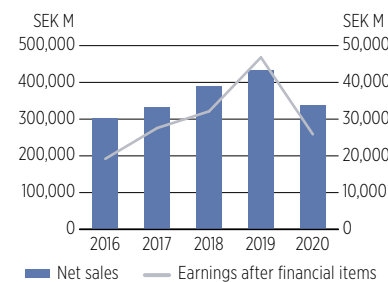
Largest shareholders December 31, 2020	Votes, %	Capital, %
Industrivärden	27.5	8.4
Geely Holding	15.9	8.2
AMF Pension & Funds	5.6	3.4
Alecta Pension Insurance	4.7	3.9
Norges Bank Investment Management	4.2	2.4
AFA Insurance	2.7	0.8
Fourth Swedish National Pension Fund (AP4)	1.8	0.8
BlackRock	1.6	4.8
Swedbank Robur Funds	1.4	3.2
Skandia Mutual Life Insurance Company	1.1	0.8

Source: Holdings.

CEO: Martin Lundstedt

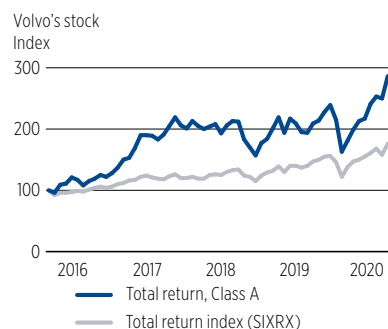
Chairman: Carl-Henric Svanberg

Net sales and earnings



Good volume and cost flexibility enabled good profitability, despite significant challenges due to the Covid-19 pandemic. Performance in 2020 is described further on page 7.

Growth in value





Sandvik is a high-tech global engineering group with sales in more than 160 countries, offering products and services that enhance customer productivity, profitability and sustainability.

Starting in January 2021 operations are organized into four business areas and are conducted via 23 product areas with full profit responsibility. The product areas have their own areas of focus to secure leading global positions and be number one or two in their respective industries. Sandvik delivers solutions mainly to the mining, engineering, automotive, energy, construction and aerospace customer segments. The Sandvik Manufacturing and Machining Solutions business area specializes in manufacturing advanced metal cutting tools and tooling systems. It is currently expanding in digital solutions that optimize customers'

productivity and in additive manufacturing. Sandvik Mining and Rock Solutions supplies equipment, tools, service and technical solutions to the mining and construction industries. Application areas include rock drilling and rock cutting. Sandvik Rock Procession Solutions is a market leader in rock crushing and screening for the mining and construction industries, and Sandvik Materials Technology manufactures advanced stainless steels, special alloys and other high-performance materials.

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

Industrivärden's shareholding



25% of
portfolio value

	2020	2019
Shareholding, no. shares	157,400,000	155,400,000
Market value, SEK M	31,685	28,384
Share of votes, %	12.5	12.4
Share of capital, %	12.5	12.4
Total return, SEK M	2,994	9,346

Active ownership position since 1997

Key data	2020	2019
Net sales, SEK M	86,404	103,238
Earnings after financial items (adj.), SEK M	14,029	17,982
Earnings per share (adj.), SEK	8.61	10.96
Debt-equity ratio, net, %	4	18
Dividend per share, SEK	6.50 ¹⁾	0.00
Share price on December 31, SEK	201.30	182.65

1) Of which, extra dividend of SEK 2.00 per share.

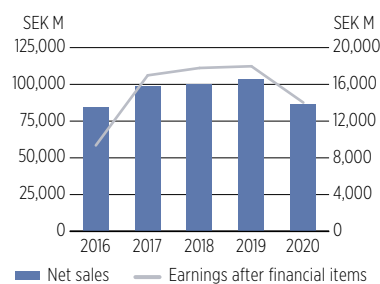
Largest shareholders December 31, 2020	Votes, %	Capital, %
Industrivärden	12.5	12.5
Alecta Pension Insurance	5.1	5.1
Swedbank Robur Funds	3.4	3.4
BlackRock	2.9	2.9
Vanguard	2.6	2.6
L E Lundbergföretagen	2.4	2.4
AMF Pension & Funds	2.3	2.3
SEB Funds	2.2	2.2
Norges Bank Investment Management	1.7	1.7
Handelsbanken Funds	1.5	1.5

Source: Holdings.

CEO: Stefan Widing, since February 1, 2020

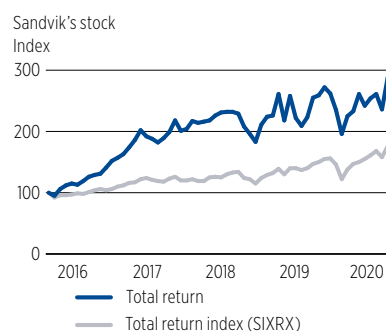
Chairman: Johan Molin

Net sales and earnings



Strong resilience despite 11% drop in revenue as a result of the Covid-19 pandemic resulted in an adjusted operating margin of 17%. Performance in 2020 is described further on page 7.

Growth in value



Essity is a leading global hygiene and health company that develops, produces, markets and sells products and services in the areas of Personal Care, Consumer Tissue and Professional Hygiene.

Value is created by developing leading hygiene and health products that improve people's well-being and quality of life. The innovation process plays a central role in Essity's strategy. It is based on current trends, customer and consumer insights, new technology, new business models and the company's ambition to contribute to a sustainable and circular society. Essity works with digitalization in all parts of operations, such as through online sales and development of digital solutions for customers and consumers. Through continuous efficiency improvement and focus on growing

profitable market positions and improving or exiting from low-performing positions, Essity works to improve profitability.

Operations are global, with sales in some 150 countries. The product offering covers a wide range of areas including incontinence products, feminine care products, baby diapers, wound care, compression therapy and orthopedics, professional hygiene, toilet paper and paper towels. Sales are made under own brands, of which several are global leaders, 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 JOBST, Leukoplast, Libero, Libresse, Lotus, Nosotras, Saba, Tempo, Vinda and Zewa. The company has a strong position in many emerging markets, including China, Latin America and Russia.

Industrivärden's shareholding



	2020	2019
Shareholding, no. shares:		
Class A shares	33,257,000	34,000,000
Class B shares	35,900,000	32,800,000
Market value, SEK M	18,492	20,150
Share of votes, %	29.3	29.2
Share of capital, %	9.8	9.5
Total return, SEK M	-1,896	6,056

Active ownership position since 2016

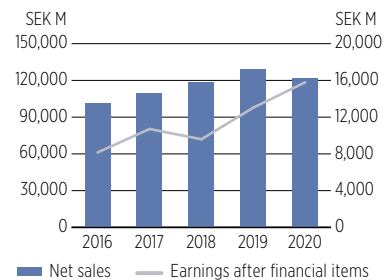
Key data	2020	2019
Net sales, SEK M	121,752	128,975
Earnings after financial items, SEK M	15,800	13,040
Earnings per share, SEK	14.56	13.12
Debt-equity ratio, net, %	67	81
Dividend per share, SEK	6.75	6.25
Share price on December 31, SEK:		
Class A shares	270.50	301.50
Class B shares	264.50	301.80

Largest shareholders December 31, 2020	Votes, %	Capital, %
Industrivärden	29.3	9.8
AMF Pension & Funds	7.3	4.4
Norges Bank Investment Management	6.8	4.0
MFS Investment Management	2.8	5.0
Swedbank Robur Funds	2.1	3.7
Skandia Mutual Life Insurance Company	1.9	0.7
T. Rowe Price	1.6	3.0
BlackRock	1.6	2.8
SEB Funds	1.5	2.6
Vanguard	1.4	2.4

Source: Holdings.

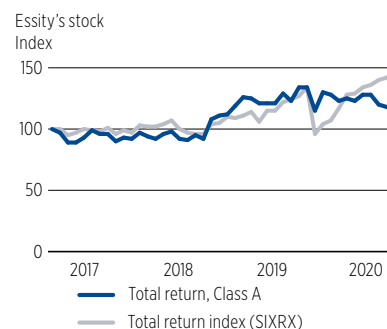
CEO: Magnus Groth
Chairman: Pär Boman

Net sales and earnings



Strengthened profitability despite negative sales impact due to the pandemic. Performance in 2020 is described further on page 7.

Growth in value



Handelsbanken offers high-quality financial services to private and corporate customers in Sweden, Norway, Denmark, Finland, the UK and the Netherlands. With a foundation in a distinct customer focus, the bank has established competitive profitability, a strong financial position, high customer satisfaction and leading market positions.

Handelsbanken's work approach is characterized by availability, simplicity and a high level of service. The bank's core customers include private persons, property companies and owner-led companies. Under the direction of the local branches, these customers are offered advice in person as well

as in virtual meetings and digital channels. The bank's offering is focused on various forms of financing solutions, savings and investment solutions, and payments.

Handelsbanken adheres to sustainability practices and 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 an industry-leading position with respect to customer satisfaction, credit losses, cost effectiveness and profitability.

Industrivärden's shareholding



14% of portfolio value

	2020	2019
Shareholding, no. shares:		
Class A shares	212,200,000	204,900,000
Market value, SEK M	17,528	20,674
Share of votes, %	10.9	10.5
Share of capital, %	10.7	10.3
Total return, SEK M	-3,733	1,665

Active ownership position since 1980

Key data	2020	2019
Income, SEK M	44,248	44,564
Earnings, SEK M	20,135	21,796
Earnings per share, SEK	7.87	8.65
Common equity tier 1 capital ratio, %	20.3	18.5
Dividend per share, SEK	4.10	0.00
Share price on December 31, SEK:		
Class A shares	82.60	100.90
Class B shares	92.20	103.40

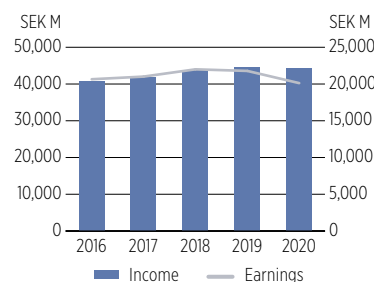
Largest shareholders December 31, 2020	Votes, %	Capital, %
Industrivärden	10.9	10.7
Oktogonen Foundation	10.3	10.2
L E Lundbergföretagen	2.8	2.8
BlackRock	2.8	2.7
Handelsbanken Funds	2.2	2.2
Vanguard	2.2	2.2
Swedbank Robur Funds	1.7	1.7
Baillie Gifford & Co	1.3	1.3
First Eagle Investment Management	1.3	1.3
Fidelity Investment Management	1.2	1.2

Source: Holdings.

CEO: Carina Åkerström

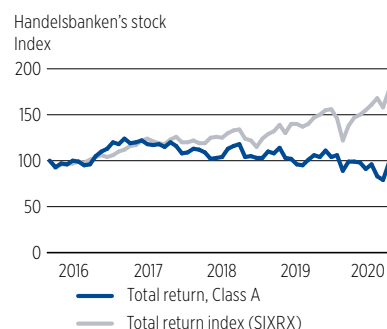
Chairman: Pär Boman

Income and earnings



Stable earnings and historically low credit loss level, despite a sharp economic downturn due to the Covid-19 pandemic. Performance in 2020 is described further on page 7.

Growth in value





SCA is a leading forest and forest products company that owns 2.6 million hectares of environmentally certified forestland in northern Sweden, and approximately 50,000 hectares of forestland in Estonia and Latvia, making up the largest private forest holdings in Europe.

With this unique resource as a foundation, SCA has developed a well-invested and resource-efficient industry designed to generate the highest possible value from the forest, where the entire tree is utilized. The company's products include solid-wood products, pulp, containerboard and renewable energy. SCA creates value and contributes to a circular society by providing customers sustainable products based on raw material from responsibly managed forests and a resource-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 along with wood processing, distribution and wholesale operations. The Pulp segment produces sulfate pulp and chemi-thermomechanical pulp, which is made at the Östrand pulp mill. The Containerboard segment produces containerboard in Obbola and Munksund. With growing forests and renewable products, SCA is helping absorb carbon dioxide and retain fossil material in the ground.

Industrivärden's shareholding



**8% of
portfolio value**

	2020	2019
Shareholding, no. shares:		
Class A shares	33,785,290	33,785,290
Class B shares	38,300,000	34,575,273
Market value, SEK M	10,482	6,660
Share of votes, %	29.3	29.0
Share of capital, %	10.3	9.7
Total return, SEK M	3,467	1,985

Active ownership position since 1950

Key data	2020	2019
Net sales, SEK M	18,410	19,591
Earnings after financial items, SEK M	2,722	3,577
Earnings per share, SEK	3.19	4.05
Debt-equity ratio, net, %	11	13
Dividend per share, SEK	2.00	0.00
Share price on December 31, SEK:		
Class A shares	147.80	99.90
Class B shares	143.30	95.00

Excl. the effect of changed accounting method for valuation of forest assets in 2019 and one-off items related to the discontinuation of publication paper operations in 2020.

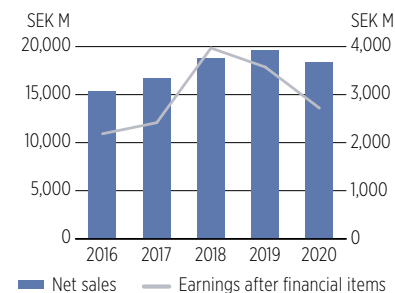
Largest shareholders December 31, 2020	Votes, %	Capital, %
Industrivärden	29.3	10.3
Norges Bank Investment Management	9.6	7.2
AMF Pension & Funds	6.9	10.0
Handelsbanken Pension Foundation	3.4	1.4
Alecta Pension Insurance	2.4	4.4
Swedbank Robur Funds	2.1	3.8
T. Rowe Price	1.8	3.3
BlackRock	1.7	3.2
Vanguard	1.5	2.5
Skandia Mutual Life Insurance Company	1.5	0.8

Source: Holdings.

CEO: Ulf Larsson

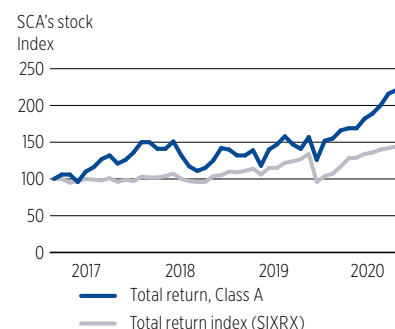
Chairman: Pär Boman

Net sales and earnings



Negative market impact due to Covid-19 pandemic pressured sales and earnings, but good resilience and cash flow generation supported transformative investment projects. Performance in 2020 is described further on page 7.

Growth in value





ERICSSON



www.ericsson.com

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 is a technological leader in 5G, the fifth generation of mobile networks.

Ericsson delivers value-added to customers 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, global scale and skill. These factors have given Ericsson a strong position in technology and services, which is illustrated by substantial investments in research and development and the market's strongest patent portfolio of 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 5G, the fifth generation of mobile networks. Customers' needs to be able to handle a growing volume of data with maintained quality and unchanged costs are creating momentum for 5G, where Ericsson has a leading position. 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 (Internet of Things).

Industrivärden's shareholding



7% of portfolio value

	2020	2019
Shareholding, no. shares:		
Class A shares	86,052,615	86,052,615
Class B shares	1,000,000	1,000,000
Market value, SEK M	9,168	7,430
Share of votes, %	15.1	15.1
Share of capital, %	2.6	2.6
Total return, SEK M	1,888	779

Active ownership position since 1944

Key data	2020	2019
Net sales, SEK M	232,390	227,216
Earnings after financial items, SEK M	27,212	8,762
Earnings per share, SEK	5.26	0.67
Debt-equity ratio, net, % ¹	-48	-42
Dividend per share, SEK	2.00	1.50
Share price on December 31, SEK:		
Class A shares	105.40	85.40
Class B shares	97.64	81.56

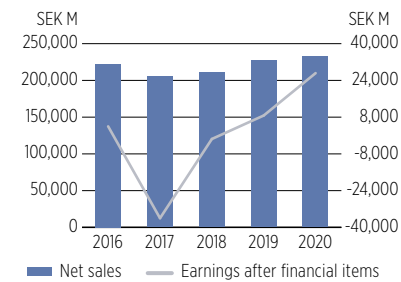
1) Excl. pensions and leasing.

Largest shareholders December 31, 2020	Votes, %	Capital, %
Investor	22.8	7.7
Industrivärden	15.1	2.6
Cevian Capital	3.2	5.5
Handelsbanken Pension Foundation	2.9	0.5
AMF Pension & Funds	2.6	2.1
Swedbank Robur Funds	2.3	3.9
PRIMECAP	2.2	3.7
AFA Insurance	2.0	0.5
BlackRock	2.0	3.3
Vanguard	1.9	3.0

Source: Holdings.

CEO: Börje Ekholm
Chairman: Ronnie Leten

Net sales and earnings



Good organic growth and the company's successful strategy execution contributed to an operating margin of just over 12%, entailing that the goal of at least a 10% operating margin was achieved. Performance in 2020 is described further on page 7.

Growth in value





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 three business streams: Construction, Residential Development and Commercial Property Development. Construction is Skanska's largest business stream and involves construction of buildings, industrial facilities, infrastructure and housing. 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. Skanska's diversification across its various operating areas strengthens its competitiveness and contributes to a balanced risk profile.

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.

Industrivärden's shareholding



5% of portfolio value

	2020	2019
Shareholding, no. shares:		
Class A shares	12,667,500	12,667,500
Class B shares	18,500,000	18,500,000
Market value, SEK M	6,536	6,598
Share of votes, %	24.3	24.3
Share of capital, %	7.4	7.4
Total return, SEK M	55	2,387
Active ownership position since 1987		

Key data	2020	2019
Net sales, SEK M	158,606	176,782
Earnings after financial items, SEK M	11,624	7,725
Earnings per share, SEK	22.46	15.46
Debt-equity ratio, net, %	-19	15
Dividend per share, SEK	9.50¹⁾	3.25
Share price, Class B shares, on December 31, SEK	209.70	211.70

1) Of which, extra dividend of SEK 3.00 per share.

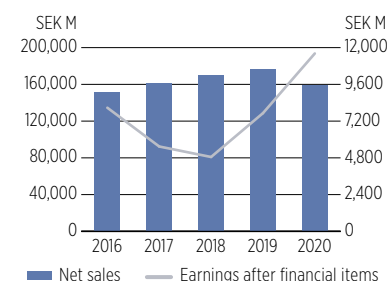
Largest shareholders December 31, 2020	Votes, %	Capital, %
Industrivärden	24.3	7.4
L E Lundbergföretagen	12.7	5.1
AMF Pension & Funds	4.0	5.8
Swedbank Robur Funds	2.3	3.3
Alecta Pension Insurance	2.2	3.1
BlackRock	2.0	2.8
Vanguard	1.7	2.4
Handelsbanken Funds	1.5	2.2
Norges Bank Investment Management	1.4	2.0
Skanska AB	1.3	1.8

Source: Holdings.

CEO: Anders Danielsson

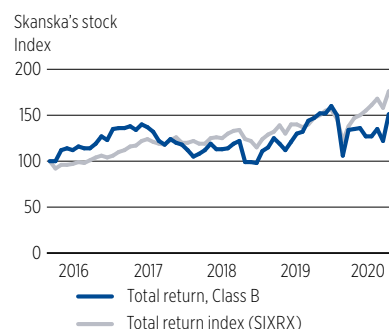
Chairman: Hans Biörck

Net sales and earnings



Strengthened earnings and cash flow with an increased margin in the construction operations and establishment in new markets within project development. Performance in 2020 is described further on page 7.

Growth in value



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 help to make end products lighter and

increase their strength and lifespan. In the Nordic market SSAB is the market leader in strip, plate and tubular products as well as in construction solutions. In North America SSAB is the leading producer of plate. In the long term SSAB is working to change over to fossil-free steel production and plans to be the first steel company in the world to offer customers fossil-free steel by 2026. SSAB is structured across three steel divisions: SSAB Special Steels, SSAB Europe, and SSAB Americas, and two subsidiaries: Tibnor and Ruukki Construction.

Industrivärden's shareholding



1% of
portfolio value

	2020	2019
Shareholding, no. shares:		
Class A shares	44,334,933	44,334,933
Market value, SEK M	1,299	1,456
Share of votes, %	11.8	11.8
Share of capital, %	4.3	4.3
Total return, SEK M	-157	164

Active ownership position since 1994

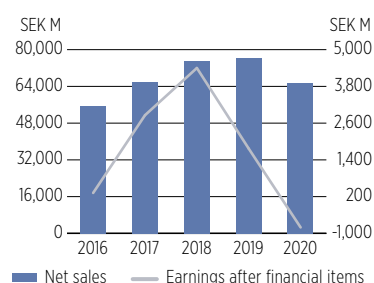
Key data	2020	2019
Net sales, SEK M	65,396	76,485
Earnings after financial items, SEK M	-802	1,770
Earnings per share, SEK	-0.50	1.04
Debt-equity ratio, net, %	19	19
Dividend per share, SEK	0.00	0.00
Share price, on December 31, SEK:		
Class A shares	29.30	32.85
Class B shares	26.18	30.52

Largest shareholders December 31, 2020	Votes, %	Capital, %
Industrivärden	11.8	4.3
LKAB	10.5	10.5
Solidium Oy	9.8	12.6
Lannebo Funds	2.5	1.2
Vanguard	2.4	2.2
Folksam	1.2	1.2
BlackRock	1.1	1.1
Carnegie Funds	1.1	0.4
Dimensional Fund Advisors	0.8	0.9
Swedbank Robur Funds	0.7	2.2

Source: Holdings.

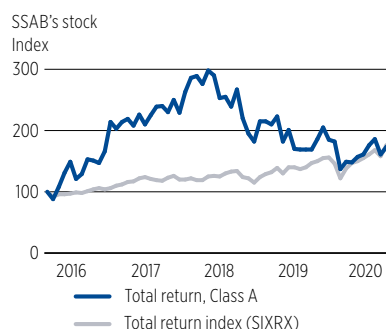
CEO: Martin Lindqvist
Chairman: Bengt Kjell

Net sales and earnings




A challenging market as a result of the Covid-19 pandemic with lower volumes and prices contributed to lower sales and earnings. However, the volume fluctuations were parried well. Performance in 2020 is described further on page 7.

Growth in value





2018

INDUSTRI  VÄRDEN
ÅRSREVISNING

2017

INDUSTRI  VÄRDEN

2020

Business Review and
Annual Report



INDUSTRI  VÄRDEN

Annual Report 2020

The Board of Directors and CEO of AB Industrivärden (publ), corporate identity number 556043-4200, herewith submit the annual report for the 2020 financial year for the Group and Parent Company.

The Company's Sustainability Report is presented on pages 24–27 and 75–80 in Industrivärden's business review and Annual Report for 2020.

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

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Administration of the Company

Operations

Industrivärden is a long-term asset manager that invests in listed Nordic companies. By exercising active ownership, Industrivärden contributes to the portfolio companies' strategic development and long-term value creation. Operations are conducted by the Parent Company AB Industrivärden (publ), where the wholly owned subsidiaries have a supporting function.

Important events

During the year shares were purchased for SEK 2.1 billion in Volvo A, SEK 0.9 billion in Essity B, SEK 0.6 billion in Handelsbanken A, SEK 0.4 billion in SCA B and SEK 0.3 billion in Sandvik. In addition, shares were sold for SEK 0.2 billion in Essity A. During the continuing Covid-19 pandemic, Industrivärden has been able to conduct its operations without major disruptions. The Company has a good financial position with considerable room to maneuver. The portfolio companies have been impacted to varying degrees and have continuously taken measures to deal with the situation. Against the background of the uncertainty prevailing in the world in general, the annual shareholder meetings of a number of the portfolio companies resolved to not pay any dividend in 2020. Given the prevailing circumstances, Industrivärden's Annual General Meeting voted in favor of the Board's recommendation to not pay any dividend.

Financial development

Net asset value

Net asset value on December 31, 2020, was SEK 279 per share, an increase of 8% during the year including reinvested dividend.

Equities portfolio

The value of the equities portfolio, adjusted for purchases and sales, increased by SEK 8.0 billion to SEK 128.9 billion. The total return was 7%. The composition and performance of the equities portfolio are presented on page 17 and in Note 11 on page 61.

Interest-bearing net debt

Interest-bearing net debt on December 31, 2020, was SEK 7.7 billion (4.0). The debt-equities ratio was 6% (3%).

Parent Company

The Parent Company's income after financial items at December 31, 2020, was SEK 10,409 M (19,846). Shareholders' equity was SEK 74,044 M (63,627).

Risks and uncertainties

Industrivärden's material risks consist of equities risk and to a smaller extent a few financial and operational risks. See Note 26 on page 65.

Expected future performance

Industrivärden has a strong financial position with good flexibility, a proven business model for long-term value creation through active ownership and sizable shareholdings in large, well-managed companies with good future opportunities.

Sustainability Report

The asset management operations are based on a sustainable approach. The Sustainability Report is presented on pages 24–27 and 75–80 and is separate from the 2020 Annual Report.

Industrivärden's stock

The number of shares outstanding in Industrivärden on December 31, 2020, was 435,209,877, of which 267,111,784 were Class A shares and 168,098,093 were Class C shares. During 2020 1,071,556 A-shares were converted to C-shares.

Return

The total return was 18% for both the Class A and Class C shares, compared with 15% for the total return index (SIXRX).

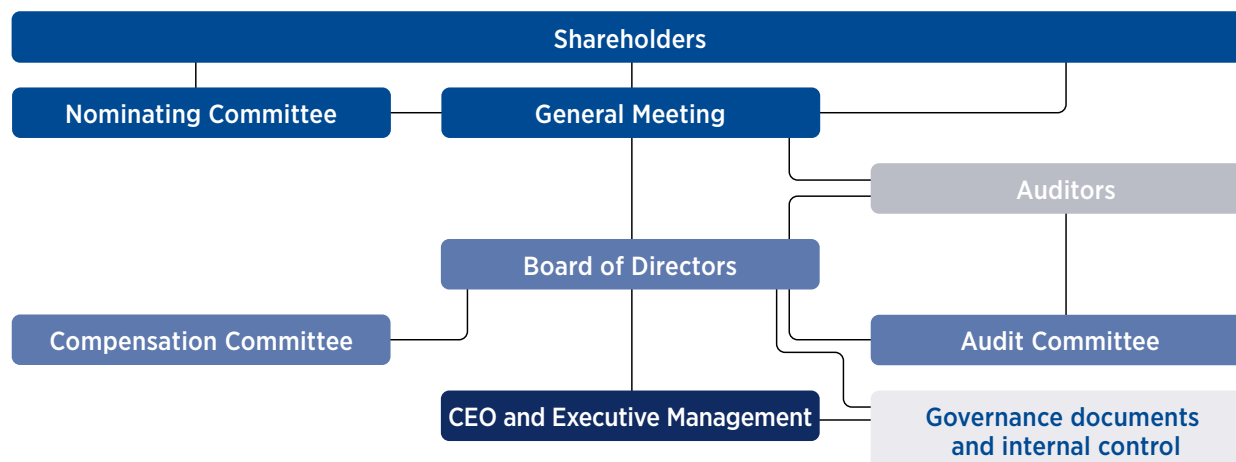
Guidelines for compensation of senior executives

For information on compensation of senior executives and ongoing long-term incentive programs, see Note 7 on pages 59–60. The guidelines for compensation of senior executives adopted by the 2020 Annual General Meeting, which continue to apply, are outlined in the same note.

Proposed distribution of earnings

According to the Parent Company balance sheet, earnings totaling SEK 71,893 M are at the disposal of the Annual General Meeting. The Board of Directors Proposes that these earnings be distributed as follows: Payment of a dividend to the shareholders of SEK 8.25 per share, or a total SEK 3,590 M. The balance to be carried forward next year is SEK 68,303 M. The Board's complete proposal for distribution of earnings is provided on page 67.

Corporate Governance Report



Corporate governance structure

Good corporate governance is of major importance for maintaining correct, transparent and trust-instilling management and control. Industrivärden's corporate governance is conducted on the basis of laws, the Stockholm Stock Exchange's Rule Book for Issuers (www.nasdaqomxnordic.com), the Swedish Corporate Governance Code ("the Code"), rules for compensation of senior executives and for incentive programs (www.bolagsstyrning.se), and other applicable external rules and regulations. Among the internal governance documents that Industrivärden's corporate governance is based on are Industrivärden's Articles of Association, the instructions and Rules of Procedure for the Board of Directors, the Board's committees and the Chief Executive Officer (CEO), and various policies and guidelines for the Company's operations and organization.

The foundation for Industrivärden's corporate governance is made up of the central company bodies: the general meeting of shareholders, the Nominating Committee, the Board of Directors and its committees, the CEO and the auditor. At the Annual General Meeting (AGM), which is held within six months after the end of the financial year, 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, among other things, recommending board members, the Chairman of the Board and the auditor for election at the AGM.

Through the Articles of Association the shareholders have stipulated the object of the Company's business, the minimum and maximum number of board members, and the forms of conducting general meetings of shareholders. Industrivärden's Articles of Association and further information about the Company's corporate governance model

are provided on Industrivärden's website under the menu Corporate Governance.

This Corporate Governance Report for the 2020 financial year has been prepared in accordance with the Annual Accounts Act and the Code, and has been reviewed by the Company's auditor. During 2020 Industrivärden did not depart from the Code.

Shareholders

Industrivärden had approximately 104,000 shareholders on December 31, 2020. Two shareholders each hold more than 10% of the number of votes: L E Lundbergföretagen owns 24% of the number of votes, and the Handelsbanken Pension Foundation owns 11% of the number of votes in the Company. For further information on the ownership structure, see pages 30–31.

General meetings

The shareholders' influence over Industrivärden's affairs is exercised at general meetings of shareholders, which are the Company's highest governing body. Class A shares carry entitlement to one vote, and Class C shares carry entitlement to one-tenth of a vote. Apart from what is prescribed by law regarding the shareholders' right to participate at general meetings, the Articles of Association prescribe that advance notification shall be made within a period of time stated in the AGM notice.

At the AGM, resolutions are made concerning recommendations and proposals set forth by the Nominating Committee, the Board and the shareholders, and other legally ordained matters are addressed. Among other things, the income statement and balance sheet are adopted, a decision is made regarding the dividend, the Board of Directors and auditor are elected and their fees are set, and a decision is made on whether to discharge the directors and the CEO from liability. Guidelines for

compensation of senior executives are adopted at least every four years.

At the AGM on April 24, 2020, the following resolutions were made, among others:

- Dividend of SEK 0 per share
- Election of Marika Fredriksson as a new director.
Re-election of the other board members except for Nina Linander, who declined re-election
- Re-election of Deloitte AB as auditor
- Guidelines for compensation of senior executives
- A long-term share savings program for Industrivärden employees

Further information on Industrivärden's 2020 AGM is available on Industrivärden's website under the menu Corporate Governance.

Industrivärden's 2021 Annual General Meeting will be held on April 21, 2021. For more information, see page 73 and Industrivärden's website under the menu Corporate Governance.

Nominating Committee

The Nominating Committee is responsible for performing the duties prescribed to it by the Code, and as a drafting body shall draw up recommendations for, among other things, election of the members of the Board of Directors, the Chairman of the Board and auditor, and for directors' and the auditor's fees, for decision by the Annual General Meeting.

In accordance with the 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's composition ahead of the 2020 AGM and the Nominating Committee's report and reasoned statement is available on Industrivärden's website under the menu Corporate Governance.

The Nominating Committee ahead of the 2021 AGM has the following composition: Mats Guldbbrand (L E Lundbergföretagen), Stefan Nilsson (Handelsbanken Pension Foundation and others), Mikael Schmidt (SCA and Essity Pension Foundations and others), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation and others), and Fredrik Lundberg (Chairman of the Board of Industrivärden). Mats Guldbbrand has been appointed as committee chair.

Board of Directors

The Board's role, composition and fees

The Board of Directors has ultimate responsibility for Industrivärden's organization and administration, and plays a central role in Industrivärden's business model for exercising long-term active ownership. It is responsible for, among other things, the Company's strategy, matters involving major purchases and sales of securities, formulation and application of the methods for active ownership, and overarching ownership matters concerning the portfolio companies. The Articles of Association stipulate that the Board shall consist of a minimum of three and

Attendance, fees and independence conditions

Board members elected at the 2020 Annual General Meeting

Name	Role			Independent in relation to		Attendance at meetings			Decided fee 2020, SEK 000s
	Role on Board	Audit Committee	Compensation Committee	The company and Executive Management	Major shareholders	Board	Audit Committee	Compensation Committee	
Fredrik Lundberg	Chairman	Member	Chair	x	-	11	3	3	2,060
Pär Boman	Vice Chairman	Chair	-	x	-	11	3	-	1,240
Christian Caspar	Director	Member	-	x	x	11	3	-	620
Marika Fredriksson ¹	Director	-	-	x	x	6	-	-	620
Bengt Kjell	Director	-	-	x	x	10	-	-	620
Annika Lundius	Director	-	Member	x	x	11	-	3	620
Lars Pettersson	Director	-	Member	x	-	11	-	3	620
Helena Stjernholm	Director	-	-	-	x	11	-	-	-
Total									6,400

¹ Elected as new board member at the 2020 Annual General Meeting.

a maximum of nine directors. The Board's composition, the directors' attendance at board and committee meetings, and directors' fees are shown in the table below. For a more detailed presentation of the board members, see page 50 and Industrivärden's website, under the menu Corporate Governance.

The Nominating Committee's reasoned statement ahead of the 2020 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, whereby an even gender balance shall be strived for. The 2020 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.

The composition of Industrivärden's board meets the Code's requirement for independent directors. The Nominating Committee's assessment regarding the directors' independence conditions ahead of the 2020 AGM is outlined in the table on the preceding page.

The Board has appointed an audit committee and a compensation committee tasked with conducting preparatory work for audit and compensation matters, respectively, for decision by the Board. The aim of the committees is to take a more in-depth look at, streamline and quality-assure the Board's work on these matters. The committees are described in more detail below.

The Board's work

The Board's duties are laid out in the Rules of Procedure (incl. the CEO's instruction), which are adopted yearly at the statutory board meeting. The Rules of Procedure and the CEO's instruction regulate and structure the Board's duties during the year, clarify internal decision-making processes and prescribe the division of responsibility vis-à-vis the CEO.

In addition to the Rules of Procedure, the Board adopts a number of governance documents for the Company's operations. For further information, see the section "Internal control over financial reporting" on pages 48–49. Every board meeting follows an agenda that has been distributed to the directors along with relevant documentation. All board decisions are based on extensive documentation and are made following a discussion that is led by the Chairman of the Board. Minutes of board meetings are recorded by the Company's General Counsel.

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 2020 the Board held a total of 11 meetings.

The regular board meetings cover a number of set agenda items. 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. Industrivärden's action plans for the portfolio companies are also updated on a continuous basis and are reported to the Board. Through representation on the portfolio companies' boards and nominating committees, Industrivärden's board members and executive management play a central role in exercising active ownership. Senior executives of Industrivärden participate at board meetings to give presentations on specific matters. During 2020, within the framework of active ownership and as in earlier years, a significant part of the Board's work consisted of hearing reports from members of the Executive Management covering Industrivärden's more in-depth view and action plan for a couple of the portfolio companies, and discussing and evaluating these action plans. In addition, the CEOs of several of the portfolio companies gave presentations on their respective companies' operations and development.

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 its observations and assessments from the performed audit.

Evaluation of the Board's work

The Board's work is evaluated yearly in a structured process conducted under the direction of the Chairman of the Board. The 2020 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 can be taken to improve the board work as well as which matters the directors feel should be given more attention and in which areas it could possibly be suitable to have additional expertise on the Board. The results of this evaluation were reported to 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 that the board work was considered to work very well, which was reported on in the Nominating Committee.

Audit Committee

The Audit Committee serves in a preparatory and oversight role with respect to the Company's risk management, governance and control over financial reporting. The committee maintains regular contact with the auditor to ensure that the Company's internal and external reporting meet the requirements placed on a listed company, monitor the effectiveness of the Company's internal control over financial reporting, stay informed about the audit of the annual report and consolidated financial statements, and to discuss the scope and focus of the audit work with the auditor. In addition, the Audit Committee reviews and oversees the auditor's impartiality and independence, issues guidelines for which other services than auditing may be procured from the Company's auditor and, where applicable, handles procurement of services from the auditor. The auditor reports on its observations to the Audit Committee on a regular basis.

The Audit Committee held three meetings in 2020. The Company's auditor participated at all three meetings. The members of the Audit Committee are listed in the table on page 46. No fees have been paid to the board members for their work on the committee.

Compensation Committee

The Compensation Committee has a preparatory role ahead of the Board's decisions on matters concerning principles for compensation and other terms of employment for the CEO and senior executives, and evaluates variable compensation programs for members of the Executive Management, application of the compensation guidelines for senior executives that the AGM decides on, and applicable compensation structures and compensation levels in the Company.

The Compensation Committee held three meetings in 2020. The members of the Compensation Committee are listed in the table on page 46. No fees have been paid to the board members for their work on the committee.

CEO and Executive Management

The CEO is responsible for Industrivärden's operating activities in accordance with the objectives and strategies set by the Board of Directors as well as in accordance with the division of responsibilities laid out in the CEO's instruction. The CEO's duties include, among other things, leading and structuring the investment and analysis operations, deciding on equity transactions, preparing action plans, and responsibility for personnel, finance and business administration matters.

The CEO organizes the operations and appoints the senior executives who make up Industrivärden's Executive Management. Other members of the Executive Management support the CEO in her assignment. The CEO reports to the Board of Directors on a regular basis on the performance of operations in order to facilitate

well-informed board decisions. The Board continuously evaluates the CEO's work by monitoring performance of the operations based on set goals, and a comprehensive evaluation is performed yearly. For a more detailed presentation of Industrivärden's CEO and Executive Management, see page 51 and Industrivärden's website under the menu Corporate Governance.

Compensation

Directors' fees 2020

The 2020 AGM resolved on directors' fees in accordance with the table on page 46.

Guidelines for compensation of senior executives 2020

The guidelines for compensation of senior executives that were adopted by the 2020 AGM and information on compensation of senior executives in 2020 are provided in Note 7 on pages 59–60.

Guidelines for compensation of senior executives 2021

The guidelines for compensation of senior executives are to be adopted at least every four years. The Board of Directors has not found any reason to recommend changes in the guidelines that were adopted by the 2020 AGM, which therefore continue to apply without change.

Remuneration report 2020

A remuneration report will be published on Industrivärden's website under the menu Corporate Governance.

Auditor

The Annual General Meeting appoints the Company's auditor yearly. The auditor audits the annual report, the bookkeeping and the Board's and CEO's administration of the Company, and reports to the Annual General Meeting.

At the 2020 AGM, Deloitte AB was re-elected as auditor for a term lasting through the 2021 AGM. The chief auditor is Hans Warén (born 1964), Authorized Public Accountant, who has been active as an auditor since 1987. In addition to his assignment for Industrivärden, in 2020 Hans Warén was chief auditor for the listed companies Axfood, Castellum, Lindab, and Trelleborg, among others.

In 2020 the Company's auditor reviewed the half-year report and year-end report, and audited the annual report and consolidated financial statements. The auditor has submitted written as well as oral reports to the Audit Committee and the Board. The auditor's report for 2020 is provided on pages 68–70, and the auditor's fee is shown in Note 8 on page 60.

Internal control over financial reporting

Control environment

Internal control at Industrivärden aims primarily to ensure a correct valuation of outstanding equity positions as well as effective and reliable controls in the reporting of purchases and sales of shares and other securities.

Industrivärden's control environment is built upon a clear division of duties and responsibilities between the Company's various bodies and functions, a sound corporate culture and transparent operations. Relevant policies and guidelines are decided on and evaluated on a continuing basis by the Company's board and management. These frameworks, together with internal, formal process descriptions, are well-established and known by the pertinent employees.

Relevant governance documents adopted by the Board of Directors include, among others, the CEO's instructions, which stipulate the division of responsibility between the Board and the CEO, and the Investment and Finance Policy, which lays out the frameworks for investments in financial instruments, financing and management of financial risks. Decision-making channels, authority and responsibility at the operational level are defined in more detail by the CEO in Investment Rules, the Risk Policy and Authorization Instructions.

Risk assessment

Industrivärden continuously identifies, assesses and manages risks for material errors in the financial reporting. This process is fundamental for ensuring that the financial reporting is reliable. The Company's assessments and measures are reported on a regular basis to the Audit Committee. Risk management is described in more detail in Note 26 on page 65.

Control activities

Industrivärden has established a number of different control activities aimed at ensuring the effectiveness of the measures taken to prevent material errors in the financial reporting. Relevant control and monitoring activities make up an integral part of Industrivärden's business, decision-making and accounting processes.

The Board of Directors continuously evaluates the financial reporting that is received in connection with board meetings and which covers the equities portfolio, gearing and other important conditions. The Audit Committee carries on a continuous dialogue with the Company's auditor on the scope and quality of the Company's financial reporting.

Against the background of Industrivärden's operations, organizational structure and how the financial reporting in other respects is organized, in 2020 the Board did not find a need for a dedicated audit function in the form of internal audit.

Internal control activities concerning the financial reporting are described in more detail in Note 26 on page 65.



Information and communication

Industrivärden's communication of external information is regulated by an Information Policy that is adopted by the Company's board. In addition, internal guidelines are in place to ensure information security, and correct and reliable communication of information.

Monitoring

Industrivärden's board and management continuously evaluate the effectiveness and quality of internal control over financial reporting. Management reports on the Company's operational and financial development to the Board on a regular basis in connection with forthcoming interim reporting, and board and Audit Committee meetings. Between such occasions, reporting is conducted as needed. The Company's auditor reports its observations to the Audit Committee on a continuing basis.

Board of Directors



FREDRIK LUNDBERG (1951)

Chairman of the Board since 2015
Director since 2004
B.Sc. Eng., B.Sc. Econ., Honorary Ph.D. in Economics, Honorary Ph.D. in Technology
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 person 20,000 and closely related legal entities 79,451,750*



PÄR BOMAN (1961)

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



CHRISTIAN CASPAR (1951)

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



MARIKA FREDRIKSSON (1963)

Director since 2020
B.Sc. Econ.
CFO of Vestas Vind Systems A/S
Former CFO of Gambro, Autoliv and Volvo Construction Equipment
Director of Sandvik and SSAB.
Shareholding: -



BENGT KJELL (1954)

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



ANNIKA LUNDIUS (1951)

Director since 2014
LL.M.
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 3,954, closely related legal entities 1,500



LARS PETERSSON (1954)

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



HELENA STJERNHOLM (1970)

President and CEO since 2015
Director since 2016
M.Sc. Business Administration
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 71,700, closely related natural person 1,000 and 75,000 call options

Holdings as per February 10, 2021. The information is published annually in conjunction with the publication of the Company's Corporate Governance Report/Annual Report and also the notice of Annual General Meeting. At other times in connection with major changes.

*Pertains to holdings in L E Lundbergföretagen (77,100,000) and Förvaltnings AB Lunden (2,351,750).

Executive Management



HELENA STJERNHOLM (1970)

*President and CEO since 2015
Director since 2016
M.Sc. Business Administration
Vice Chairman of Ericsson. Director of Sandvik and Volvo. Professional experience: Former partner and Chief Investment Officer at IK Investment Partners. Prior to this she served as a strategic consultant at Bain & Company.
Shareholding: Own 71,700, closely related natural person 1,000 and 75,000 call options*



KARL ÅBERG (1979)

*Head of Investment and Analysis Organization
M.Sc. Business Administration
Industrivärden employee since 2017
Professional experience: Partner and company head at Zeres Capital, partner at CapMan, various roles at Handelsbanken Capital Markets.
Shareholding: Own 7,670*



JAN ÖHMAN (1960)

*Chief Financial Officer
Economics degree
Industrivärden employee since 2019
Professional experience: CFO at IPCO and Indutrade, several leading positions at Sandvik and Boliden.
Shareholding: Own 8,000*



SVERKER SIVALL (1970)

*Head of Corporate Communications and Sustainability
M.Sc. Business Administration
Industrivärden employee since 1997
Professional experience: Head of Investor Relations for Industrivärden and Investment Controller at AstraZeneca.
Shareholding: Own 16,000*



JENNIE KNUTSSON (1976)

*General Counsel
LL.M.
Industrivärden employee since 2015
Professional experience: Legal Counsel at Industrivärden and Legal Associate at Mannheimer Swartling Advokatbyrå.
Shareholding: Own 4,000*

Financial statements

INDUSTRI // VÄRDEN

Interim Report 12M:2020

January 1–December 30, 2020

- Net asset value on September 30, 2020, was SEK 117.2 billion, or SEK 238 per share, a decrease during the first nine months of the year of SEK 1 per share. Including reinvested dividend, the change in net asset value was 0%.
 - The total return for the first nine months of 2020 was 2% for the Class A shares and 4% for the Class C shares, compared with 8% for the Stockholm Stock Exchange's total return index (SXXSX).
 - Earnings per share for the period were SEK -0.08.
- During the first nine months of 2020, shares were purchased in Value A for SEK 0.7 billion, in Handselbanken A for SEK 0.4 billion, in NCA B for SEK 0.4 billion, in Handelsbanken B for SEK 0.3 billion and in Equity B for SEK 0.3 billion.
- The debt-equity ratio as per September 30, 2020, was 8%.
- The company is not expected to pay any dividend, which was announced by the COVID-19 pandemic.

Income statement

SEK M	Note	Group		Parent Company	
		2020	2019	2020	2019
Dividend income from shares	2	657	4,093	232	2,403
Change in value of shares, etc.	3	8,008	25,983	10,355	17,588
Management cost	6, 7, 8	-130	-115	-130	-115
Operating income		8,535	29,961	10,457	19,876
Financial income	5	1	1	1	1
Financial expenses	5	-49	-32	-49	-31
Income after financial items		8,487	29,930	10,409	19,846
Tax	9	-47	-93	-	-
Net income for the year		8,440	29,837	10,409	19,846
Earnings per share (there is no dilution effect), SEK		19.39	68.56		

Statement of comprehensive income

Net income for the year	8,440	29,837	10,409	19,846
Items that are not to be reclassified in the income statement				
Actuarial gains and losses pertaining to pensions	0	51	0	51
Comprehensive income for the year	8,440	29,888	10,409	19,897

Balance sheet

SEK M	Note	Group		Parent Company	
		Dec. 31 2020	Dec. 31 2019	Dec. 31 2020	Dec. 31 2019
ASSETS					
Property, plant and equipment	10	21	14	21	14
Equities	11, 14	128,893	116,750	41,786	36,908
Shares in associated companies	11, 12, 14	-	-	38,597	30,657
Shares in subsidiaries	13, 14, 28	-	-	1,735	1,735
Total non-current assets		128,914	116,764	82,138	69,314
Other current receivables	15	196	191	156	149
Cash and cash equivalents		0	56	-	-
Total current assets		196	247	156	149
TOTAL ASSETS		129,110	117,011	82,294	69,463
SHAREHOLDERS' EQUITY AND LIABILITIES					
Share capital		1,088	1,088	1,088	1,088
Other capital contributions/Statutory reserve		1,063	1,063	1,063	1,063
Retained earnings		110,385	80,540	61,484	41,630
Net income for the year		8,440	29,837	10,409	19,846
Total shareholders' equity		120,976	112,528	74,044	63,627
Non-current interest-bearing liabilities	17	4,507	2,255	4,507	2,255
Provision for pensions	18	42	68	42	68
Deferred tax liability	9	140	93	-	-
Other non-current liabilities		73	44	73	44
Total non-current liabilities		4,762	2,460	4,622	2,367
Current interest-bearing liabilities	19	3,269	1,932	3,539	3,390
Other current liabilities	20	103	91	89	79
Total current liabilities		3,372	2,023	3,628	3,469
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		129,110	117,011	82,294	69,463

Information about the Group's pledged assets and contingent liabilities is provided in Note 21.

Shareholders' equity

Group

SEK M	Share capital ¹	Other capital contributions	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2018	1,088	1,063	91,321	-8,330	85,142
Net income for the year	-	-	-	29,837	29,837
Actuarial gains and losses pertaining to pensions	-	-	51	-	51
Total comprehensive income	-	-	51	29,837	29,888
Transfer of previous year's net income	-	-	-8,330	8,330	-
Dividend to shareholders	-	-	-2,502	-	-2,502
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2019	1,088	1,063	80,540	29,837	112,528
Net income for the year	-	-	-	8,440	8,440
Actuarial gains and losses pertaining to pensions	-	-	0	-	0
Total comprehensive income	-	-	0	8,440	8,440
Transfer of previous year's net income	-	-	29,837	-29,837	-
Dividend to shareholders ²	-	-	-	-	-
Share savings program	-	-	8	-	8
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2020	1,088	1,063	110,385	8,440	120,976

Parent Company

SEK M	Share capital ¹	Statutory reserve	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2018	1,088	1,063	49,089	-5,007	46,233
Net income for the year	-	-	-	19,846	19,846
Actuarial gains and losses pertaining to pensions	-	-	51	-	51
Total comprehensive income	-	-	51	19,846	19,897
Transfer of previous year's net income	-	-	-5,007	5,007	-
Dividend to shareholders	-	-	-2,502	-	-2,502
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2019	1,088	1,063	41,630	19,846	63,627
Net income for the year	-	-	-	10,409	10,409
Actuarial gains and losses pertaining to pensions	-	-	0	-	0
Total comprehensive income	-	-	0	10,409	10,409
Transfer of previous year's net income	-	-	19,846	-19,846	-
Dividend to shareholders ²	-	-	-	-	-
Share savings program	-	-	8	-	8
SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2020	1,088	1,063	61,484	10,409	74,044

1) As per December 31, 2020, there were 435,209,877 shares outstanding, of which 267,111,784 were Class A shares and 168,098,093 were Class C shares. The share capital amounted to SEK 667.8 M for the Class A shares and SEK 420.2 M for the Class C shares. The share quota value is SEK 2.50.

2) The dividend in 2020 was SEK 0 per share.

Statement of cash flows

SEK M	Note	Group		Parent Company	
		2020	2019	2020	2019
Operating activities					
Dividend income from shares	2	657	4,093	232	2,403
Management cost paid		-133	-155	-133	-155
Other items affecting cash flow		-	-36	-	-36
Cash flow from operating activities before financial items		524	3,902	99	2,212
Interest received		1	1	1	1
Interest paid		-27	-25	-27	-25
Other financial items		-7	-6	-7	-6
Cash flow from operating activities		491	3,872	66	2,182
Investing activities					
Purchases/sales of shares	4, 14	-4,106	1,163	-2,434	1,638
Cash flow from investing activities		-4,106	1,163	-2,434	1,638
Financing activities					
Loans raised		4,375	3,155	4,375	2,999
Amortization of debt		-816	-6,426	-804	-6,426
Investments		-	8	-	8
Change in financing of subsidiaries		-	-	-1,203	2,091
Dividend paid		-	-2,502	-	-2,502
Cash flow from financing activities		3,559	-5,765	2,368	-3,830
NET CASH FLOW FOR THE YEAR		-56	-730	0	-10
Cash and cash equivalents at start of year		56	786	-	10
CASH AND CASH EQUIVALENTS AT END OF YEAR		0	56	-	-

Information on the Group's interest-bearing net debt is provided in the table on page 65.

Notes to the financial statements

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

Note 1. Accounting policies

Conformity with norms and laws

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the EU. In addition, Swedish Financial Reporting Board recommendation RFR 1, Supplementary Reporting Rules for Groups, has been applied. The annual report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and with application of RFR 2 – Accounting for Legal Entities.

New or revised IFRSs and interpretations from the IFRS Interpretation Committee (IFRIC) have not had any effect on the Group's or Parent Company's result of operations or financial position.

Principles of consolidation

In accordance with IFRS 10 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. Subsidiaries and associated companies that are investments (portfolio companies) are not consolidated, but are measured at fair value through profit and loss and are presented under the item Equities. For further information, see Notes 11 and 28.

Parent Company reporting

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

Functional currency and presentation currency

The financial statements are presented in Swedish kronor (SEK), which is the Parent Company's functional currency and also the presentation currency for the Parent Company and Group.

Foreign currency

Transactions in foreign currency are translated to the functional currency using the exchange rate 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 shares

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

Financial instruments

Financial assets and liabilities are classified in the following categories: financial assets and liabilities measured at amortized cost, and financial assets and liabilities measured at fair value through profit and loss. The classification is based on the Group's business model and the assets' contractual terms.

Industrivärden recognizes continuing changes in value of listed shareholdings and equity derivatives in the income statement. Purchases and sales of financial instruments are recognized as per the transaction date. For further information, see Note 3 and 4.

Exchangeable bond

In 2014 an exchangeable bond was issued, which matured on 15 May 2019. The exchangeable was issued in SEK and consisted 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. Change in value of shares, etc. is reported in the income statement as:

- Continuous measurement of the option at fair value
- Indexing of the loan at nominal value over its term
- Transaction costs that are allocated over the term of the bond

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 fair value of issued options is determined, and the difference between the fair value and provisioned premiums is recognized in income. The outstanding options are carried on the balance sheet as other non-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 is 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 current long-term incentive programs are in the form of a share savings program in which the employees can invest a certain portion of their fixed annual salary in Industrivärden shares, and after three years receive performance and matching shares, provided that they are still employed and outcome based on performance targets. For more information about the programs, see Note 7. At the end of the 2020 financial year the current programs in their entirety included conditions that entail that the share savings programs in accordance with IFRS 2 Share-based Payment shall be classified as equity-settled programs. Reporting of such share-based compensation programs entails that the instrument's fair value on the grant date is allocated over the term of the program and reported under the line Management cost in the income statement, with a corresponding adjustment of shareholders' equity. On every book-closing date during the vesting period, the expected number of granted shares and the effect of any change of previous assessment of the number of granted shares is reported in the income statement under the line Management cost with a corresponding adjustment of shareholders' equity. Social security costs attributable to the share savings program are expensed over the term of the program. Industrivärden has entered into a share swap agreement to limit the cost of the aforementioned programs. The share swap is remeasured on a continuing basis at fair value in accordance with IFRS 9, and the change in value is reported in the income statement under the line Management cost in the income statement.

Other

Unless specified otherwise, all amounts stated are rounded off to the nearest million Swedish kronor (SEK M), which means that tables and calculations do not always sum up. In text and tables, figures between 0 and 0.5 are reported as 0.

Note 2. Dividend income

	Group		Parent Company	
	2020	2019	2020	2019
Volvo	-	1,462	-	1,401
Sandvik	-	655	-	651
Essity	425	384	-	-
Handelsbanken	-	1,116	-	-
SCA	-	117	-	-
Ericsson	131	87	131	87
Skanska	101	183	101	183
SSAB	-	67	-	59
ICA Gruppen	-	22	-	22
Total	657	4,093	232	2,403

Note 3. Change in value of shares, etc.

	Group		Parent Company	
	2020	2019	2020	2019
Volvo	6,102	6,437	5,875	6,181
Sandvik	2,994	8,659	2,973	8,597
Essity	-2,317	5,604	-	-
Handelsbanken	-3,733	541	-	-
SCA	3,467	1,855	-	-
Ericsson	1,737	692	1,737	692
Skanska	-62	2,157	-62	2,157
SSAB	-157	105	-140	93
ICA Gruppen	-	-371	-	-371
Other	6	65	-	-
Shares	8,037	25,744	10,384	17,349
Exchangeable bond				
Option portion's change in value	-	371	-	371
Transaction costs	-	-3	-	-3
Other, net	-29	-129	-29	-129
Total	8,008	25,983	10,355	17,588

Note 4. Net purchases (+) and sales (-)

	Group		Parent Company	
	2020	2019	2020	2019
Volvo	2,127	1,598	2,127	1,598
Essity	658	-3	-	-
Handelsbanken	587	189	-	-
SCA	355	117	-	-
Sandvik	307	482	307	482
Skanska	-	351	-	351
SSAB	-	-	-	-
ICA Gruppen	-	-4,069	-	-4,069
Other	73	173	-	-
Total	4,106	-1,163	2,434	-1,638

Note 5. Financial income and expenses

	Group		Parent Company	
	2020	2019	2020	2019
Financial income				
Interest income	1	1	1 ¹	1
Total	1	1	1	1

	Group		Parent Company	
	2020	2019	2020	2019
Financial expenses				
Interest expenses	-40	-23	-40 ²	-23
Other financial expenses	-9	-9	-9	-8
Total	-49	-32	-49	-31

1) Of which, intra-Group interest income SEK - M (-).

2) Of which, intra-Group interest expenses SEK -1 M (-1).

Note 6. Average number of employees

Age group	2020		2019	
	Number of employees	Of whom, women	Number of employees	Of whom, women
-30	2	1	2	1
30-50	8	4	10	5
50-	5	2	3	1
Total	15	7	15	7

All employees in the Group are employed by the Parent Company.

Note 7. Wages, other compensation and social security costs

	2020				2019			
	Directors' fees	Wages and other compensation	Social security costs	Of which, pension costs	Directors' fees	Wages and other compensation	Social security costs	Of which, pension costs
Parent Company	6	50	32	10	6	41	28	10

Executive Management's compensation and pension costs for 2020

	Base salary	Variable salary	Incentive program	Other benefits	Pension costs
CEO Helena Stjernholm	11.3 ¹	4.3	2.4	0.1	4.5
Other members of the Executive Management (4 persons)	10.5	3.9	2.0	0.2	3.5
Total	21.8	8.2	4.4	0.3	8.0

1) The Company's cost amounts to SEK 8.1 M after deducting SEK 3.2 M for directors' fees paid by the portfolio companies.

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 2.1 M (2.1) was issued to the Chairman of the Board, and a fee of SEK 1.2 M (1.2) was issued to the Vice Chairman. A fee of SEK 0.6 M (0.6) was issued to each of the other directors. Total fees issued to the members of the Board of Directors in 2020 amounted to SEK 5.8 M (5.8). No fees are paid for committee work.

Compensation of the CEO and other members of the Executive Management is based on the guidelines adopted by the 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. A remuneration report for 2020 will be published on Industrivärden's website under the menu Corporate Governance.

CEO and members of the Executive Management

The CEO was paid a base salary of SEK 11.3 M (10.8). The Company's cost is reduced by SEK 3.2 M for directors' fees paid by portfolio companies for 2020. The CEO's variable salary for 2020, which is based on the Board's annual evaluation, amounted to SEK 4.3 M (4.3) and will be paid out in 2021. The earned portion in the current incentive program amounted to SEK 2.4 M (1.6). The incentive program that expired in 2020 resulted in a grant of 2,682 (13,873) Industrivärden Class C shares to the CEO, corresponding to a value of SEK 0.6 M (2.9). The cost of defined contribution pension premiums was SEK 4.5 M (4.3). Other benefits pertain to a company car, etc. In the event the Company serves notice of termination of the employment contract, a two-year notice period applies. For notice given by the CEO, a six-month notice period applies.

The other four (four) members of the Executive Management together received base salaries of SEK 10.5 M (10.1). The other members of the Executive Management are entitled to long-term and short-term variable salary. Short-term variable salary for 2020 amounted to SEK 3.9 M (4.2), which will be paid out in 2021. The outcome is based on the achievement of individually set goals. The vested portion of the ongoing incentive program amounted to SEK 2.0 M (0.8). The incentive program that expired in 2020 resulted in grants of 1,598 (2,756) Industrivärden Class C shares to the other members of the Executive Management, for a value of SEK 0.4 M (0.6). The combined cost of defined contribution pension premiums was SEK 3.5 M (3.2). Other benefits pertain to company cars, etc. In the event of the Company serves notice of termination 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.

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 programs aim to encourage Industrivärden's employees to increase their ownership of shares in the Company and thereby further emphasize long-term shareholder value. The incentive programs are 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 programs are 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 11,755 matching shares and 80,724 performance shares may be granted. Grants

of matching shares and performance shares require continued employment at the time of the grant. In addition, for the 2017, 2018 and 2019 incentive programs, grants of performance shares require an average annual total return for Industrivärden's Class C shares during the period that is 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. No matching shares may be granted for the 2020 incentive program. Grants of performance shares require that the total return for Industrivärden's Class C shares during the period is equal to or higher than 10%. Further, additional performance shares may be granted under the condition that the total return for Industrivärden's Class C shares during the period exceeds the SIXRX index. A full grant to the CEO and other senior executives requires that the average annual total return for Industrivärden's Class C shares during the lock-in period exceeds the SIXRX index by three and two percentage points, respectively. For 2020, costs of SEK 5.2 M (0.0) are reported under the line Management cost in the income statement.

Long-term incentive program 2020

The 2020 AGM resolved to offer a long-term incentive program for a maximum of 20 employees in the Industrivärden Group. During 2020, 12,177 shares were bought within the program, which can qualify for a maximum grant of 38,116 performance shares.

Long-term incentive programs 2018 and 2019

The 2018 and 2019 incentive programs include a total of 23,517 purchased shares, which can qualify for grants of a maximum of 11,755 matching shares and 42,608 performance shares.

Long-term incentive program 2017

The 2017 incentive program expired in October 2020. In connection with this, a total of 5,047 Industrivärden Class C shares were granted for a value of SEK 1.2 M. The value was calculated based on the price of Industrivärden Class C shares on the grant date.

Guidelines for compensation of senior executives decided by the 2020 AGM

The guidelines pertain to Industrivärden's Chief Executive Officer (CEO) and other members of the Executive Management. The guidelines shall apply for compensation that is agreed upon and changes made to already agreed-upon compensation after the guidelines were adopted by the 2020 AGM. Compensation decided by the AGM is not covered by the guidelines.

Compared with the guidelines decided by the 2019 AGM, the guidelines below have been updated to meet the requirements stipulated by the EU Shareholder Rights Directive.

The guidelines' promotion of the Company's mission, long-term interests and sustainability

The Company's mission is to be a long-term asset manager and active owner of listed Nordic companies. The mission, objective and strategy are presented in more details on Industrivärden's website: www.industrivarden.net.

Successful and sustainable execution of the Company's mission, objective and strategy for capitalizing on the Company's long-term interests requires that the Company can recruit and retain qualified employees. The guidelines contribute to this by ensuring that senior executives can be offered a going rate, competitive total compensation package that is commensurate with their responsibilities and authority.

Types of compensation, etc.

Compensation shall be in line with the going rate in the market and competitive, and be related to individual performance as well as the Company's development. Compensation may consist of the following components: fixed cash salary, short-term variable cash compensation, pension benefits and other benefits.

Short-term variable cash compensation may amount to a maximum of 50% of the executive's fixed annual cash salary. The compensation shall be coupled to fulfillment of individual criteria that are set yearly and that are evaluated according to the executive's work contribution and performance. The criteria may be financial or nonfinancial, or they may consist of individually adapted quantitative or qualitative goals. The criteria shall be formulated so that they have a clear coupling to value creation for the Company and promote the Company's mission and sustainable execution of the Company's long-term interests.

Fulfillment of criteria for payment of short-term variable cash compensation shall be measured during a period of one year. The Compensation Committee is responsible for assessing the extent to which the criteria for payment of short-term variable cash compensation to the CEO is fulfilled. The Board thereafter sets the CEO's compensation. The CEO is responsible for assessing the fulfillment of criteria for payment of short-term variable cash compensation for other senior executives. Short-term variable cash compensation shall not be pensionable. The Board shall have the opportunity pursuant to law or agreement, with the restrictions that may arise out of such, to fully or partly rescind variable cash compensation paid out on incorrect grounds.

Pension benefits, including disability insurance, (Sw. sjukförsäkring) shall be defined contribution solutions to the extent that the executive is not covered by a defined benefit pension under compulsory collective contract provisions, and shall entitle the executive to receive a pension from 60 or 65 years of age, depending on the position. For the CEO and other senior executives, premiums and other costs related to defined contribution pensions may amount to a combined maximum of 40% of the fixed annual cash salary, depending on the position.

Other benefits may include, among other things, life insurance, health insurance (Sw. sjukvårdsförsäkring), a car benefit and a wellness benefit. For the CEO, such benefits may amount to a maximum of one percent (1%) of fixed annual cash salary, and for other senior executives they may amount to four percent (4%) of fixed annual cash salary, depending on the position. In addition to the above, the general meeting of shareholders may – independently from these guidelines – decide on e.g. share-based and share price-related compensation. Since 2012 the Company has established share-based incentive programs approved by general meetings, of which the 2017–2019 programs are currently in effect. The programs cover all employees and require a personal shareholding and holding period of three (3) years. The outcome is based on performance targets that are related to the long-term growth in Industrivärden's share price. Approved share-based incentive programs are presented in more detail on Industrivärden's website www.industrivarden.net.

For notice of termination served by the Company, the notice period may be a maximum of two (2) years. Fixed cash salary paid during the notice period and severance pay may together not exceed an amount corresponding to two (2) years' fixed cash salary. For notice given by the executive, the notice period may be a maximum of six (6) months, without any right to severance pay.

Additionally, compensation may be payable for any noncompete obligation. Such payment shall compensate for possible loss of income and shall only be paid to the extent the former executive lacks entitlement to severance pay. Compensation shall amount to a maximum of 60% of fixed cash salary at the time notice was served, unless other terms apply under stipulations of a compulsory collective agreement. It shall be paid during the time the noncompete obligation applies, which shall be a maximum of 12 months after the end of employment.

Decision-making process for setting, revising and implementing the guidelines

The Compensation Committee's duties include conducting preparatory work for board decisions on proposed guidelines for compensation of senior executives. The Board shall draw up a recommendation for new guidelines at least every fourth year and present the recommendation for decision by the Annual General Meeting. The guidelines apply until new guidelines have been adopted by a general meeting. The Compensation Committee shall also monitor and evaluate variable compensation programs for members of the Executive Management, application of guidelines for compensation of senior executives and applicable compensation structures and compensation levels in the Company.

In the preparatory work for the Board's recommendation on these compensation guidelines, salary and terms of employment for the Company's other employees have been taken into account, whereby information on the employees' total compensation, the components of their compensation and the increase in their compensation and rate of growth over time have made up part of the Compensation Committee's and Board's decision-making documentation in evaluating the fairness of the guidelines and the limitations that arise out of these.

The Compensation Committee's members are independent in relation to the Company and Executive Management. In the Board's handling of and decisions on compensation-related matters, the CEO and other members of the Executive Management are not present to the extent they are the subject of the matters at hand.

Departures from the guidelines

The Board may decide to temporarily depart from the guidelines entirely or partly if in an individual case there are special reasons for doing so and a departure is necessary for safeguarding the Company's long-term interests or to ensure the Company's financial soundness. The Compensation Committee's duties include conducting preparatory work for the Board's decisions on compensation matters, which includes decisions to depart from the guidelines.

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 8. Auditor's fees

	Group		Parent Company	
	2020	2019	2020	2019
Deloitte				
Audit assignment	0.8	0.7	0.8	0.7
Auditing activities in addition to audit assignment	0.1	0.0	0.1	0.0
Total	0.9	0.7	0.9	0.7

Note 9. Taxes

	Group		Parent Company	
	2020	2019	2020	2019
Current tax	-	-	-	-
Deferred tax ¹	-47	-93	-	-
Total	-47	-93	-	-

1) Pertains in its entirety to deferred tax on temporary differences that do not affect cash flow. The total deferred tax liability amounts to SEK 140 (93) M.

Tax calculation

	Parent Company	
	2020	2019
Market value of equities portfolio on January 1	67,565	51,854
Less: business-related shares	-64,643	-46,538
Basis for standardized income	2,921	5,316
Standardized income 1.5%	44	80
Dividends received	232	2,403
Management cost, net financial items, etc.	-188	-172
Dividend paid out ¹	-3,590 ²	-
Taxable income	-3,502	2,311
Tax-loss carryforwards from previous years	-7,737	-10,048
Accumulated tax-loss carryforward	-11,240	-7,737

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

2) Proposed by the Board of Directors.

Note 9. Taxes, cont.

According to the Income Tax Act, the Parent Company is classified as an investment company. 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 shares 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 financial 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 shares to be excluded from the standardized income calculation, they must have been held for at least one year.

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.

Note 10. Property, plant and equipment

	Group		Parent Company	
	2020	2019	2020	2019
Accumulated cost				
Opening value	23	14	23	14
Investments	12	9	12	9
Disposals and sales	-9	-	-9	-
Closing cost	26	23	26	23
Accumulated depreciation				
Opening depreciation	-9	-3	-9	-3
Depreciation for the year	-5	-6	-5	-6
Disposals and sales	9	-	9	-
Closing depreciation	-5	-9	-5	-9
Book value	21	14	21	14

Note 11. Equities

Portfolio companies	2020				2019	
	Number of shares	Share of capital, %	Share of votes, %	Market value ¹	Market value ¹	
Volvo A	166,600,000			32,554	24,458	
Volvo B	3,600,000	8.4	27.5	698	565	
Sandvik	157,400,000	12.5	12.5	31,685	28,384	
Essity A	33,257,000			8,996	10,251	
Essity B	35,900,000	9.8	29.3	9,496	9,899	
Handelsbanken A	212,200,000	10.7	10.9	17,528	20,674	
SCA A	33,785,290			4,993	3,375	
SCA B	38,300,000	10.3	29.3	5,488	3,285	
Ericsson A	86,052,615			9,070	7,349	
Ericsson B	1,000,000	2.6	15.1	98	82	
Skanska A	12,667,500			2,656	2,682	
Skanska B	18,500,000	7.4	24.3	3,879	3,916	
SSAB A	44,334,933	4.3	11.8	1,299	1,456	
Total, portfolio companies				128,440	116,376	
Other				453	374	
Group's holdings of equities				128,893²	116,750	
Less: associated companies (see Note 12)				-38,597	-30,657	
Less: non-consolidated companies				-453	-374	
Less: holdings owned via subsidiaries				-48,057	-48,811	
Parent Company's holdings of equities, excluding shares in associated companies and subsidiaries				41,786	36,908	

1) The market value corresponds to the book value.

2) The Group's total cost as per December 31, 2020, was SEK 50,780 M.

Note 12. Shares in associated companies

	Reg. no.	Domicile	Shareholders' equity	Income after tax	Parent Company			Market value
					Share of capital, %	Share of votes, %	No. shares, million	
Volvo	556012-5790	Gothenburg	148,142	20,074	8.1	26.5	164	32,061
Skanska	556000-4615	Stockholm	38,717	9,897	7.4	24.3	31	6,536
Total								38,597

Note 13. Shares in subsidiaries

	Reg. no.	Domicile	Share of capital, %	No. shares	Shareholders' equity	Parent Company
						Book value
Industrivärden Invest AB (publ)	556775-6126	Stockholm	100	1 000	17,533	330
Industrivärden Förvaltning AB	556777-8260	Stockholm	100	1 000	29,692	1,010
Investment AB Promotion	556833-0525	Stockholm	100	100 000	1,166	395
Floras Kulle AB	556364-8137	Stockholm	100	10 000	16	0
Total						1,735

Note 14. Change in equities

	Group	
	Equities	
	2020	2019
Opening value	116,750	92,170
Disposals at sales value	-205	-4,455
Purchases	4,311	3,292
Change in value	8,037	25,744
Closing value	128,893	116,750

	Parent Company							
	Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Opening value	36,908	31,483	30,657	20,371	1,735	1,735	69,300	53,589
Disposals at sales value	-	-4,069	-	-	-	-	-	-4,069
Purchases	307	482	2,127	1,949	-	-	2,434	2,431
Change in value	4,571	9,011	5,813	8,338	-	-	10,384	17,349
Other	-	-	-	-	-	-	-	-
Closing value	41,786	36,908	38,597	30,657	1,735	1,735	82,117	69,300

Note 15. Other current receivables

	Group		Parent Company	
	2020	2019	2020	2019
Interest-bearing receivables	164	167	125	125
Prepaid expenses and accrued income	28	9	28	9
Other current receivables	4	15	3	15
Total	196	191	156	149

Note 16. Distribution of earnings

According to the balance sheet, earnings of the Parent Company totaling SEK 71,893,046,613 are at the disposal of the Annual General Meeting. The Board of Directors proposes that the Annual General Meeting on April 21, 2021, resolve to pay a dividend of SEK 8.25 per share, of which SEK 6.25 per share as ordinary dividend. The proposed dividend amounts to a total of SEK 3,590 M. In addition, the Board proposes that the remaining amount, SEK 68,302,565,128, be carried forward. In the preceding year a dividend of SEK 0 per share was paid, for a total amount of SEK 0 M.

Note 17. Non-current interest-bearing liabilities

	Group		Parent Company	
	2020	2019	2020	2019
MTN program	4,500	2,255	4,500	2,255
Other	7	-	7	-
Total	4,507	2,255	4,507	2,255

Maturity dates for loans	Group		Parent Company	
	2020	2019	2020	2019
2021	-	1,255	-	1,255
2022	1,504	1,000	1,504	1,000
2023 or later	3,003	-	3,003	-
Total	4,507	2,255	4,507	2,255

Measurement of interest-bearing liabilities at fair value as per December 31, 2020 would increase non-current interest-bearing liabilities by SEK 23 (13) M.

Note 18. Provision for pensions

The Group's total reported pension costs amount to SEK 10 M (10). Interest on pension obligations of SEK 1 M (2) is reported in the income statement as Financial items. For 2021, 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, 2020, was SEK 101 M (127), the value of plan assets was SEK 59 M (59), and the net pension liability was SEK 42 M (68).

	Group	
	2020	2019
Actuarial assumptions		
Discount rate ¹ , %	0.1	1.2
Future salary increases, %	-	-
Anticipated inflation, %	1.9	1.9

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

Note 19. Current interest-bearing liabilities

	Group		Parent Company	
	2020	2019	2020	2019
Commercial paper	1,800	900	1,800	900
MTN program	1,251	800	1,251	800
Other	218	232	488 ¹	1,690
Total	3,269	1,932	3,539	3,390

1) Of which SEK 484 M (1,687) consists of liability to Group companies.

Market valuation of interest-bearing liabilities as per December 31, 2020, would increase current interest-bearing liabilities by SEK 2 M (1).

Note 20. Other current liabilities

	Group		Parent Company	
	2020	2019	2020	2019
Accounts payable, trade	3	4	3	4
Other current liabilities	5	4	3	4
Other accrued expenses	95	83	83	71
Total	103	91	89	79

Note 21. Pledged assets and contingent liabilities

The Group has pledged assets of SEK - M (-) and contingent liabilities of SEK - M (-). The Parent Company has pledged assets of SEK - M (-) and contingent liabilities of SEK - M (-).

Note 22. Obligations to former CEOs

The Group's non-current interest-bearing liabilities include SEK 41 M (67) in pension obligations and similar benefits for former CEOs. The corresponding amount for the Parent Company is SEK 41 M (67), as shown in the item Provision for pensions in Note 18.

Note 23. 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.

Note 24. Significant assessments and estimations

In preparation of the financial statements, the Executive Management has determined that there are no significant areas that rely on large assessments and estimations that affect reported amounts.

Note 25. Financial instruments

Financial assets and liabilities per category

	December 31, 2020			December 31, 2019		
	Fair value through profit and loss	Amortized cost	Total	Fair value through profit and loss	Amortized cost	Total
Assets						
Equities	128,893	-	128,893	116,750	-	116,750
Other current receivables	-	165	165	-	167	167
Cash and cash equivalents	-	0	0	-	56	56
Total assets	128,893	165	129,058	116,750	223	116,973
Liabilities						
Non-current interest-bearing liabilities	-	4,507	4,507	-	2,255	2,255
Other non-current liabilities	73	-	73	44	-	44
Current interest-bearing liabilities	-	3,269	3,269	-	1,932	1,932
Total liabilities	73	7,776	7,849	44	4,187	4,231

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.

Financial instruments measured at fair value

	December 31, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Equities	128,440	-	453	128,893	116,376	-	374	116,750
Derivatives, etc.	-	1	-	1	-	-	-	-
Total assets	128,440	1	453	128,894	116,376	-	374	116,750
Liabilities								
<i>Non-current liabilities</i>								
Derivatives, etc.	-	73	-	73	-	44	-	44
Total liabilities	-	73	-	73	-	44	-	44

Note 26. Risk management

General

The types of financial risks that the Industrivärden Group encounters in its operations consist primarily of equities risk and – to a limited extent – other financial risks, such as financing risk and interest rate risk.

Industrivärden's financing and management of financial risks are conducted in accordance with guidelines set by the Board of Directors.

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 role as a long-term and active owner should reduce the relative equities risk in the portfolio companies and thus also in Industrivärden's portfolio. A change in the price of all listed shareholdings in Industrivärden's equities portfolio by one percentage point would have affected the market value of the equities portfolio on December 31, 2020, by +/- SEK 1.3 billion.

Interest-bearing net debt as per December 31, 2020

	2020	2019
MTN program	5,751	3,055
Commercial paper	1,800	900
Provision for pensions	42	68
Other interest-bearing liabilities	225	232
Total interest-bearing liabilities	7,818	4,255
Less:		
Interest-bearing receivables	-164	-167
Cash and cash equivalents	0	-56
Total	7,654	4,032

Maturity structure

Maturity structure for undiscounted, contracted interest-bearing liabilities and derivative instruments with negative market values as per December 31, 2020:

	2021	2022	2023	2024-
Interest-bearing liabilities ¹⁾	3,280	1,504	1,503	1,500
Derivative instruments	-	-	-	73
Total	3,280	1,504	1,503	1,573

1) Excluding pension provisions of SEK 42 M (68).

Financing risk

Financing risk is the risk that financing of the operations' capital need at any given time will be impeded or more costly.

Industrivärden's interest-bearing net debt amounted to SEK 7,654 M (4,032) on December 31, 2020. Under a Medium-Term Note (MTN) program Industrivärden has the opportunity to issue bonds in Swedish kronor (SEK) or euros (EUR) up to a framework amount of SEK 8.0 billion, of which SEK 5.7 billion was utilized as per December 31, 2020.

In addition, within a commercial paper framework of SEK 3.0 billion, Industrivärden has utilized SEK 1.8 billion as per December 31, 2020.

The average capital duration, excluding pension provisions, was 19 months (13). The table above shows the maturity structure of financial liabilities. In addition to raised loans of SEK 7.6 billion, the Group has contracted long-term loan promises of SEK 3.0 billion and short-term loan-promises in the form of an overdraft facility of SEK 500 M.

Industrivärden has a strong financial position, and its financing risk is considered to be very low. The credit rating agency Standard & Poor's has assigned the Group a long-term rating of A+/Stable outlook and short-term ratings of A-1 and K-1. With these high ratings combined with an equity ratio of 94% (96%), Industrivärden has great financial flexibility.

Interest rate risk

Interest rate risk is the risk that the financing cost 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 adjust the length of fixed interest periods and capital durations. At year-end 2020 there were no interest rate swap agreements in effect. Most of the Group's loans carried variable interest rates.

The average capital duration as per December 31, 2020, was 12 months (2).

Based on net debt and the capital duration at year-end, a change in the market interest rate by 1 percentage point would have affected income after financial items in 2020 by approximately +/- SEK 35 M.

With a low gearing Industrivärden also has limited interest rate risk.

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.

Industrivärden's internal rules and guidelines prescribe that approved counterparties have high credit ratings, which is why counterparty risk is considered to be low.

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.

Internal control

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 shares 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 consisting of members of the Executive Management and representatives from the investment and analysis organization. The Investment Committee makes decisions on investment matters on a regular basis within the framework of the CEO's mandate and continuously monitors decisions made and whether they have been executed correctly. Minutes are recorded of Investment Committee meetings.

Other processes with a bearing on the financial reporting are regulated by Industrivärden's Insider Policy and Information 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, follow-up to ensure that equity transactions are in accordance with decisions made, 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.

Note 27. Events after the balance sheet date

No events of significant importance have taken place after the balance sheet date.

Note 28. Group companies

Holdings in subsidiaries	Domicile	Country	No. shares	Share of capital, %	
			12/31/2020	2020	2019
Industrivärden Invest AB (publ)¹	Stockholm	Sweden	1,000	100	100
Nordinvest AB	Stockholm	Sweden	42	100	100
Fastighets AB Östermalm	Stockholm	Sweden	1,000	100	100
Cultus KB	Stockholm	Sweden	-	0.01	0.01
Industrivärden Förvaltning AB¹	Stockholm	Sweden	1,000	100	100
Investment AB Promotion¹	Stockholm	Sweden	100,000	100	100
Floras Kulle AB	Stockholm	Sweden	10,000	100	100
Cultus KB	Stockholm	Sweden	-	99.99	99.99

1) The subsidiaries serve in a supporting function for the Parent Company and are consolidated in the Group in accordance with the acquisition method. Other companies are not consolidated in the Group, but are measured at fair value.

Proposed distribution of earnings

The Board of Directors proposes a dividend of SEK 8.25 per share, of which SEK 6.25 per share (0.00) as ordinary dividend. The proposed dividend corresponds to 4.8% of the Parent Company's equity and 3.0% of the Group's equity. Of shareholders' equity, 60%, or SEK 44.3 billion in the Parent Company, and 65%, or SEK 78.1 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, is SEK 3,590 M (0).

According to the Parent Company balance sheet, earnings totaling SEK 71,893 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 8.25 per share totaling	SEK 3,590 M
Balance carried forward	SEK 68,303 M
	<hr/>
	SEK 71,893 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 21, 2021.

Stockholm, February 9, 2021

Fredrik Lundberg

Chairman

Pär Boman

Vice Chairman

Christian Caspar

Director

Marika Fredriksson

Director

Bengt Kjell

Director

Annika Lundius

Director

Lars Petterson

Director

Helena Stjernholm

CEO

Director

Our Audit Report was submitted on February 16, 2021

Deloitte AB

Hans Warén

Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of AB Industrivärden (publ) corporate identity number 556043-4200

This is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original, the latter shall prevail.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of AB Industrivärden (publ) for the financial year 2020, except for the corporate governance statement on pages 45–49. The annual accounts and consolidated accounts of the company are included on pages 43–67 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 the parent company as of 31 December 2020 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 2020 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. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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 on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (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.

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.

Accounting for listed investments

Description of risk

A substantial portion of Industrivärden's total assets is embedded in the holdings in listed investments. The total carrying value of listed investments amounted to SEK 128,440 million as of December 31, 2020.

In a portfolio of listed investments such as the one held by Industrivärden, there normally are several considerations regarding the accounting and valuation that need to be determined for a fair valuation in accordance with IFRS.

Industrivärden's principles for accounting for listed investments are described in Note 1 and detailed disclosures regarding listed investments are included in Note 11 Shares including the detailed description in Note 25 in section Measurement of financial instruments.

Our audit procedures

Our audit procedures included, but were not limited to:

- We have obtained an understanding of the accounting and valuation process and tested key controls.
- We have evaluated Industrivärden's controls for obtaining prices and volumes from external sources and we have verified prices and volumes to external sources.
- We have reviewed disclosures relating to valuation of listed investments for compliance with IFRS.

Other information than the annual accounts and consolidated accounts

The other information consists of the remuneration report as well as the pages 1–23, 28–42 and 71–74 in this document that also contains other information than the annual accounts and consolidated accounts. The Board of Directors and the Managing Director are responsible for this other information.

We expect to obtain the remuneration report after the date of this audit report.

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 Managing Director

The Board of Directors and the Managing Director 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 Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of the 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 Managing Director 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 Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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 Managing Director of AB Industrivärden (publ) for the financial year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director 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 Managing Director

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 Managing Director 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 Managing Director 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/show-document/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Deloitte AB was appointed auditor of AB Industrivärden (publ) by the general meeting of the shareholders on April 24, 2020 and has been the company's auditor since April 17, 2019.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 45–49 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, February 16, 2021
Deloitte AB

Hans Warén
Authorized Public Accountant

Auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders of AB Industrivärden (publ), corporate identity number 556043-4200

The Board of Directors is responsible for the statutory sustainability report on pages 24–27 and 75–80, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards

on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Stockholm, February 16, 2021
Deloitte AB

Hans Warén
Authorized Public Accountant

A photograph of a grand staircase with a red carpet and a wooden handrail, set against a wall with a stained glass window. The staircase is made of light-colored stone or marble steps, and the carpet is a deep red with a small white pattern. The handrail is made of dark wood and curves elegantly. The wall is a light, textured color, and a stained glass window is visible in the upper left corner. The overall atmosphere is classic and elegant.

Other information and appendices

Shareholder information and investor relations

Reporting

All interim reports, annual reports, press releases and more are available on Industrivärden's website: www.industrivarden.net. Printed copies of interim reports and annual reports are distributed to shareholders and other interested parties upon request.

Annual Report 2020

This publication constitutes the Annual Report for AB Industrivärden (publ). Printed copies of the Annual Report will be distributed to shareholders and others upon request. The Annual Report is also available in digital form on the Company's website.

Financial calendar 2021

Interim report January–March	April 9
Annual General Meeting, Stockholm	April 21
Interim report January–June	July 6
Interim report January–September	October 11

Orders and subscriptions

Financial reports and press releases can be ordered individually or by subscription by registering at www.industrivarden.net, by email at info@industrivarden.se, or by phone at +46-8-666 64 00.

Contact persons

Queries from shareholders, investors and others can be directed to:

- Sverker Sivall, Head of Corporate Communications and Sustainability
email: ssl@industrivarden.se or phone +46-8-666 64 19
- Jan Öhman, CFO
email: jon@industrivarden.se or phone +46-8-666 64 45

Equity analysts who monitor Industrivärden

The following equity analysts monitored Industrivärden as per February 20, 2021:

- ABG Sundal Collier, Derek Laliberté, +46-8-566 286 78, derek.laliberte@abgsc.se
- AlphaValue, Jorge Velandia, +33 1 70 61 10 56, jvelandia@alphavalue.eu
- Bank of America Merrill Lynch, Philip Middleton, +44 20 7996 1493, philip.middleton@bofa.com
- Danske Bank, Johan Sjöberg, +46-8-568 805 35, johan.sjoberg@danskebank.se
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Annual General Meeting 2021

The Annual General Meeting (AGM) will be held on Wednesday, April 21, 2021.

Right to participate and notification

Shareholders who wish to participate in the Annual General Meeting must be registered as a shareholder in the shareholder register maintained by Euroclear Sweden AB, based on the circumstances as per April 13, 2021, and must have notified the Company of their intention to participate in the AGM in accordance with the instructions in the AGM Notice.

To have the right to participate in the AGM, a shareholder whose shares are registered in a nominee's name must request that the nominee registers the shares in the shareholder's own name so that the shareholder is listed in the shareholder register as per April 13, 2021. Such registration may be temporary (so-called voting rights registration) and is requested from the nominee in accordance with the nominee's routines in such advance time as determined by the nominee. Voting rights registrations

made by nominees by not later than Thursday, April 15, 2021, will be taken into account in the current shareholder register.

Further instructions will be stipulated in the AGM notice, which will be published in March.

Dividend

The Board of Directors proposes an ordinary dividend of SEK 6.25 per share (0.00), and an extra dividend of SEK 2.00 per share. The last day to buy shares that carry entitlement to the dividend is April 21, 2021, entailing that Industrivärden shares will be traded ex-rights on April 22, 2021.

Provided that the AGM resolves in favor of the proposal, it is expected that dividends will be sent out by Euroclear Sweden AB on April 28, 2021.

Alternative Performance Measures and definitions

Industrivärden uses financial key ratios as a complement to measures based on IFRS regulations. These Alternative Performance Measures are used by the Company and other interests to describe the Group's operations. It should be noted that the APMs defined below may differ somewhat from other companies' definitions of the same terms.

Market value of equities portfolio

The value of the equities portfolio based on market prices on the balance sheet date. For calculation, see pages 17 and 28 and Note 11 on page 61.

Dividend yield

Dividend per share in relation to the share price on the balance sheet day.

Market's required rate of return

Risk-free interest (return on a government bond) plus a risk premium (excess return to compensate for the higher risk in an equity investment).

Earnings per share

Net income for the year divided by the total number of shares outstanding.

Interest-bearing net debt

Interest-bearing liabilities including pension liabilities less cash and cash equivalents and interest-bearing receivables. For calculation, see Note 26 on page 65.

Debt-equities ratio

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

Equity ratio

Shareholders' equity as a share of total assets.

Net asset value

The market value of the equities portfolio less interest-bearing net debt. For calculation, see page 28.

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, shares

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

Total return, shareholding

Change in value of a shareholding included reinvested dividend. Reported only for the current reporting period.

Change in value of shares

For shares 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 shares 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 shares 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.

GRI Index and TCFD reference

Industrivärden's sustainability report follows the most recent version of the Global Reporting Initiative (GRI) Standard, Core level, with the Financial Services sector supplement. This is Industrivärden's fourth 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 2020 (January 1–December 31, 2020). The ambition is to report yearly.

Industrivärden's operations are conducted by approximately 15 employees at the Company's head offices in Stockholm. Since 2017 stakeholder dialogues and subsequent materiality analyses have been conducted to identify the highest priority issues in the area of sustainability. These analyses form the basis for which disclosures are reported in Industrivärden's sustainability report and GRI Index. Industrivärden adheres to sustainable

business practices by adopting a clear sustainability perspective in its investment decisions and exercise of active ownership. The portfolio companies' sustainability reports are available on the respective companies' websites.

The GRI 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 2020 Annual and Sustainability Report, on Industrivärden's website, and on cdp.net according to the respective GRI Index.

In 2020 Industrivärden began implementing the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) for reporting climate-related risks, but at present does not report in accordance with the entire framework.

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		Inside back cover	
102-2	Activities, brands, products and services		4–5, 14–23	
102-3	Location of headquarters		Inside back cover	
102-4	Location of operations		Inside back cover	
102-5	Ownership and legal form		30–31, 45–49	
102-6	Markets served		33–41	
102-7	Scale of the organization		14–23, 53–54, 58	
102-8	Information on employees and other workers	27	14–15, 58	All employees are active at the head offices in Stockholm. Data does not include any consultants and advisors. Industrivärden is a small company with approximately 15 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 expected to comply with well-respected ethical business principles.
102-10	Significant changes to the organization and its supply chain			No major changes during the year.
102-11	Precautionary principle or approach	24		The precautionary principle is adhered to with respect to assessments and management of sustainability risks in the portfolio companies and new investments. Industrivärden is a signatory of the UN Global Compact, whose environmental risks cover the precautionary principle.
102-12	External initiatives	24–27		The 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. This year's Annual and Sustainability Report also constitutes Industrivärden's Communication on Progress (COP) for the UN Global Compact.
102-13	Membership of associations	24		Confederation of Swedish Enterprise, Centre for Business and Policy Studies (SNS), Royal Swedish Academy of Engineering Sciences (IVA), Swedish Investors for Sustainable Development (SISD).

General disclosures	In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
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2. Strategy

102-14	Statement from senior decision-maker		9-13	
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3. Ethics and integrity

102-16	Values, principles, standards, and norms of behavior	24-27	14	
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4. Governance

102-18	Governance and Board of Directors		45-51	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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Stakeholder engagement

102-40	List of stakeholder groups	24-25		A compilation of our most important stakeholder categories is presented on www.industrivarden.net .
102-41	Collective bargaining agreements			All employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	24-25		The process for identifying and defining the most important stakeholder categories is presented on www.industrivarden.net .
102-43	Approach to stakeholder engagement	24-25, 27		Further information on the stakeholder dialogue is presented on www.industrivarden.net .
102-44	Key topics and concerns raised	24-25		A materiality analysis and compilation of priority issues is presented on www.industrivarden.net .

6. Reporting scope and boundaries

102-45	Entities included in the consolidated financial statements		61, 66	The report covers the Parent Company and all subsidiaries.
102-46	Defining report content and topic Boundaries		57	
102-47	List of material topics/sustainability issues	24-27		
102-48	Restatements of information			This is Industrivärden's fourth 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		43	
102-51	Date of most recent report			This is Industrivärden's fourth sustainability report in accordance with GRI. The most recent annual report with sustainability information was published on February 21, 2020.
102-52	Reporting cycle		75	
102-53	Contact point for questions regarding the report		72	Head of Corporate Communication and Sustainability, Sverker Sivall, ssl@industrivarden.se
102-54	Claims of reporting in accordance with the GRI Standards		75	
102-55	GRI content index		75-78	
102-56	External assurance		68-70	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.

General disclosures	In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
Material issues			
GRI 200: Economic			
GRI 201: Economic performance			
103-1 - 103-3 Sustainability governance	24-27	14-16, 18-19	
201-1 Direct economic value generated and distributed	27	53-67	
GRI 205: Anti-corruption			
103-1 - 103-3 Sustainability governance	24-27	14-16, 18-19	
205-1 Operations assessed for risks related to corruption	24-27		No material risks have been identified in the Company's own operations. Questions related to the Company's sustainability analysis are addressed on a continuing basis within the framework of active ownership.
205-2 Training in anti-corruption policies and procedures	24-27		All employees receive training in the annually revised Code of Conduct, which covers all aspects of corporate social responsibility in accordance with the Global Compact's 10 principles, including anti-corruption. Through Swedish Investors for Sustainable Development (SISD), Industrivärden participates in a work group that develops analysis models for anti-corruption.
GRI 300: Environment			
GRI 305: Emissions			
103-1 - 103-3 Sustainability governance	24-27	14-16, 18-19	
305-1 Direct GHG emissions (Scope 1)	26		Scope 1 emissions in 2020 amounted to 20 tonnes CO ₂ e (18). www.cdp.net: Industrivärden, CC 6.1.
305-2 Energy indirect GHG emissions (Scope 2)	26-27		Carbon footprint in 2020 was 16 tonnes CO ₂ e (17) in Scope 2 (market based method). www.cdp.net: Industrivärden, CC 6.3.
305-3 Other indirect GHG emissions (Scope 3)	26-27	79-80	Carbon footprint in 2020 was 11 tonnes CO ₂ e (27) in Scope 3 (business travel, publications, etc). www.cdp.net: Industrivärden, CC 6.5.
GRI 400: Social			
GRI 401: Employment			
103-1 - 103-3 Sustainability governance	24-27		See also the Company's Code of Conduct.
401-1 New employee hires and employee turnover			The Company has 15 employees. Employee turnover for new hires is 13% (7%), and 13% departures (13%). One man in age group -30 yrs and one woman in age group 50- yrs newly hired.
401-3 Parental leave			During the period one man and two women were on parental leave. One man and one woman returned to work after parental leave during the reporting period.
Health and safety			
103-1 - 103-3 Sustainability governance	24-27		
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 0%.
GRI 400: Training and education			
103-1 - 103-3 Sustainability governance	24-27		
404-1 Average hours of training per year per employee			The average number of hours per employee was 7.
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	24-27	14-15	
405-1 Diversity of governance bodies and employees		46, 50-51, 58	

General disclosures		In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
GRI 419: Socioeconomic compliance				
103-1 – 103-3 Sustainability governance		24-27	14-16, 18-19	
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		24-27		
FS 6	Percentage of the portfolio for business lines by specific region		33	All of the portfolio companies are listed on Nasdaq OMX Nordic Stockholm.
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.

References to reporting in accordance with TCFD's recommendations

Industrivärden has started implementation of the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) on reporting climate-related risks, but currently does not report entirely in accordance with the framework.

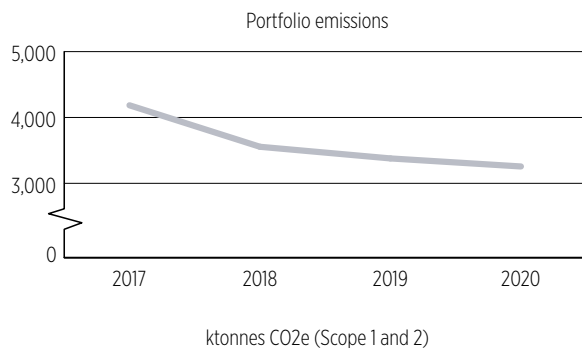
Category				
Reference	Governance	Strategy	Risk Management	Metrics and Targets
a)	45-49	24-25	18-23, 79	26-27, 79
b)	45-49	14, 24-25, 79	18-23, 79	77, 79
c)	not applicable	-	79	26-27

Climate impact

As a long-term asset manager, Industrivärden's largest carbon footprint is made through its ownership in the portfolio companies. Greenhouse gas emissions (CO₂e) from its own operations and from the equities portfolio have been measured since 2010, when Industrivärden also began reporting its carbon footprint to the CDP (formerly Carbon Disclosure Project).

Emissions from equities portfolio

The chart below shows the equities portfolio's yearly emissions over a three-year period. Data has been obtained from the portfolio companies' own disclosures of greenhouse gas emissions (GHG Protocol, market-based method), in proportion to Industrivärden's share of ownership (equity share approach). The portfolio's emissions are reported in Industrivärden's Scope 3 emissions (the GRI Index on page 77 only includes Industrivärden's own operation) and reflect the portfolio companies' Scope 1 and 2 emissions, based on Industrivärden's share of ownership (share of votes, which in Industrivärden's case corresponds to higher emissions owing to larger shares of votes than equity in several portfolio companies). Further information about the equities portfolio's composition and Industrivärden share of ownership is provided on pages 17 and 33–41.



Integrated sustainability analysis

Sustainability issues, such as climate-related risks in the portfolio companies, are handled like other strategic matters within the framework of Industrivärden's active ownership process. The analysis is based on Industrivärden's sustainability analysis framework and is part of the so-called fundamental analysis. The sustainability analysis covers the portfolio companies' organizations, structures, risk management, utilization of value-creating opportunities and communication. Influence in strategic sustainability matters is exercised where needed within the framework of Industrivärden's business model, which is described on pages 14–15.

Focus of climate issues

Achieving a reduced carbon footprint is a prerequisite for sustainable value creation and, by extension, a healthy planet. The portfolio companies shall have high ambitions in the climate area, with clear goals and prominent positions regarding minimizing carbon emissions in their own production and value chains. All of the portfolio companies have clear ambitions to reduce their carbon footprints and have set goals for reducing their greenhouse gas emissions. This contributes to competitive companies, enables long-term growth and promote sustainable development of society.



Science Based Target initiative

As per December 31, 2020, five of Industrivärden's eight portfolio companies had committed themselves to adopting science-based climate targets as part of their work on reducing their greenhouse gas emissions in accordance with the Science Based Target initiative (SBTi). This means that science-based calculation methods are used to set targets that are in line with the Paris Agreement's targets with respect to global warming. Essity, Ericsson and SSAB have had their targets validated and approved by SBTi, while Volvo and Skanska have undertaken to set targets in the coming year.

Skanska and Volvo Construction Equipment – partnership for reduced emissions

Industrivärden's portfolio companies Skanska and Volvo (via Volvo Construction Equipment, part of the Volvo Group) have partnered in an innovative collaboration to reduce and eliminate carbon dioxide emissions in quarrying operations. The construction sector accounts for approximately 40% of the world's energy-related carbon emissions; no other individual sector has a greater impact on emission volumes. The collaboration, dubbed Electric Site, is a Swedish R&D project aimed at making quarrying more efficient, more environment-friendly, and safer. The project is developing new machines and changed work methods along with control systems for quarrying operations. During the test period the project showed a 98% reduction in carbon emissions, a 70% reduction in energy cost and a 40% reduction in operator cost.

Essity – Sustainable circular solutions

As part of its Science Based Climate targets, Essity has committed itself not only to reducing its own emissions, but also to reducing emissions across the entire value chain. To help customers reduce their carbon footprints, Essity is investing in sustainable and circular solutions. Essity's innovative "Tork PaperCircle" both reduces the use of paper towels and recycles them. For its tissue manufacturing, Essity is investing in alternative fiber technology in Germany. The goal is to increase resource efficiency by making paper from plant-based agricultural by-products.

SSAB – HYBRIT: fossil-free steel production

Since 2016 the portfolio company SSAB has been working together with LKAB and Vattenfall on development of HYBRIT, an initiative that endeavors to revolutionize steel-making. HYBRIT aims to replace coking coal with hydrogen to achieve the world's first steel made with fossil-free technology. Success of the HYBRIT project will result in a 10% reduction in Sweden's total carbon emissions and 7% reduction in Finland's. In October 2020 SSAB had its science based climate targets approved by SBTi, where it committed itself to reducing its greenhouse gas emissions by 35% by 2032 (with 2018 as the base year). SSAB's overall goal is to be fossil-free by 2045, which can be made possible with this new technology.

Industrivärden's own emissions

Industrivärden has calculated the carbon footprint from its own operations during the last ten years. Emissions come mainly from electricity and district heating consumption in the Company's office building and from business travel. During 2020 travel-related emissions were very low due to the Covid-19 pandemic. To reduce greenhouse gas emissions, environmentally certified electricity from wind and hydro power is purchased, and the remainder is compensated through offsets. For more specific emissions data, see the GRI Index on page 77.

Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) was launched in 2017, which provides guidance to companies on how to better identify and report climate-related financial risks and opportunities. Industrivärden has reported climate-related information to the CDP since 2010. Today the TCFD's recommendations are integrated in the CDP's questionnaire on climate change. In 2020 Industrivärden began implementing the TCFD's recommendations on reporting climate-related risks, but currently is not reporting entirely in accordance with the framework. See page 78.

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