

YEAR-END REPORT 2019

January 1 – December 31, 2019

- Net asset value on December 31, 2019, was SEK 112.7 billion, or SEK 259 per share, an increase during 2019 of SEK 63 per share. Including reinvested dividend, net asset value increased by 35%. On February 6, 2020, net asset value was SEK 271 per share.
- The total return for 2019 was 30% for the Class A shares as well as for the Class C shares, compared with 35% for the Stockholm Stock Exchange's total return index (SIXRX).
- Earnings per share during 2019 were SEK 68.56.
- During 2019 shares were acquired in Volvo, Class A for SEK 1.6 billion, in Sandvik for SEK 0.5 billion, in Skanska, Class B for SEK 0.4 billion, in Essity, Class B for SEK 0.3 billion, in SCA, Class B for SEK 0.2 billion and in Handelsbanken, Class A for SEK 0.2 billion. Furthermore, shares were divested in, Essity, Class A for SEK 0.3 billion and SCA, Class A for SEK 0.1 billion.
- On May 15 the exchangeable bond in the ICA Gruppen share matured preceded by exchangeable holders calling for redemptions in 2019 worth SEK 4.1 billion. During the second quarter of 2019 the remaining shares in ICA Gruppen were sold.
- The debt-equities ratio as per December 31, 2019, was 3%, a decrease during the year of 4 percentage points.
- The Board of Directors proposes a dividend of SEK 6.00 per share (5.75).

VALUE PERFORMANCE

Annual average change as per December 31, 2019

	Net asset value*	Total return	
		IndustriVärden C	Index (SIXRX)
2019	35%	30%	35%
3 years	13%	13%	12%
5 years	13%	14%	11%
7 years	14%	15%	14%
10 years	12%	15%	12%

*Including reinvested dividend.



CEO's message

EXTERNAL FACTORS

The global economy slowed in 2019, albeit with large variations between geographies and sectors. The economy continued to perform well in North America, while a slowdown transpired primarily in Europe and Asia. Looking at various sectors, manufacturing showed declining growth, while the service sector performed relatively well. Despite a developing economic slowdown in 2019 and weaker outlook for 2020, the stock market performed very well during the previous year. The Stockholm Stock Exchange generated a total return of 35%. The historically low real interest rates continued to buttress the stock market. However, external areas of concern, such as rising geopolitical tension, trade barriers and Brexit, resulted in periods of higher volatility.

INDUSTRIVÄRDEN'S PERFORMANCE

During 2019 Industrivärden's net asset value grew by SEK 63 per share to SEK 112.7 billion. This represents an increase of 35% including reinvested dividend, which is on par with the Stockholm Stock Exchange's total return index, which grew 35%.

The total return for Industrivärden's stock in 2019 was 30% for both the Class A and Class C shares. The difference between growth in net asset value and the share price reflects a wider discount to net asset value during the year. At the same time one can note that the stock has performed well over time with an excess annual return for the Class C shares of 1 and 3 percentage points, respectively, during the last three- and five-year periods.

2019 was yet another eventful year. During the spring we sold our remaining ownership position in ICA Gruppen and can thereby look back on what was a good deal for Industrivärden, with an average annualized total return of 22% during the holding period. At the same time, the transaction reduced our debt and increased our financial flexibility. For the full year the debt-equities ratio decreased by 4 percentage points to 3%. With this as a starting point, in 2019 we took advantage of opportunities on a number of occasions to increase our exposure to portfolio companies that we believe have long-term attractive value potential. During the year we invested a net total of SEK 2.7 billion in our portfolio companies, of which SEK 1.6 billion in Volvo, SEK 0.5 billion in Sandvik, SEK 0.4 billion in Skanska and SEK 0.2 billion in Handelsbanken. We also carried out transactions in Essity and SCA, most of which were made to shift Class A shares to Class B shares and thereby create scope to maneuver and increase our equity stakes over time.

PORTFOLIO COMPANIES

Sandvik continued its efficiency improvement work and presented new financial and sustainability targets. A number of structure measures were also carried out, such as the sale of Varel, at the same time that Sandvik strengthened its business areas through a number of well-considered smaller acquisitions. Stefan Widing took office on February 1, 2020, as new CEO. Volvo also carried out measures for greater flexibility as well as capacity adjustments to a weaker market situation. At the end of the year Volvo announced its intention to form a strategic alliance with Isuzu Motors, in order to create a stronger, combined heavy-duty truck business for Isuzu Motors and UD Trucks in Japan and across international markets. Essity has taken a number of efficiency improvement measures and delivered favorable earnings in line with its targets. Under the leadership of its new CEO, Carina Åkerström, Handelsbanken has carried out a focusing of its business on profitable areas in which the bank has clear strengths. It has also launched an action program for lower costs. Ericsson continued to strengthen both its profitability and cash flow, and is growing organically in its core businesses. The company's successful growth in 5G – the next generation of mobile networks – is a good example of this. As a result of investigations regarding regulatory violations, a settlement has been reached with the U.S. authorities, which among other things, resulted in penalties totaling approximately SEK 10 billion. SCA continued its targeted efficiency improvement work at the time that it has worked with capacity increases at its mills in Östrand, Munksund and Obbola. At year-end, SCA changed the accounting method used for valuation of the company's forest asset, recognizing significant value. At Skanska, the company has worked on implementation of a strategic plan aimed at sharpening its focus and simplifying its structure. Margins in the largest business stream, construction, have improved. Finally, SSAB encountered more challenging conditions in 2019 and has taken various adaptation measures to give it greater room to maneuver in a weaker market situation.

All-in-all I can affirm that our portfolio companies developed their operations in various ways in 2019 and took a number of measures to minimize risks and capitalize on opportunities arising out of changes in the external operating environment, such as digitalization, electrification and sustainability.

During the past years we have resolutely strengthened both our conditions to exercise a value-creating ownership role and our financial position. With this as a starting point, the Board of Directors proposes that the Annual General Meeting decide to increase the dividend to SEK 6.00 (5.75) per share.

Helena Stjernholm
CEO

Overview

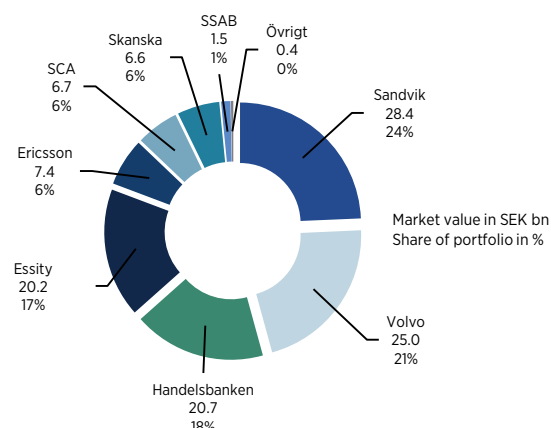
INDUSTRIVÄRDEN IN BRIEF

Industrivärden conducts long-term value-creating asset management through active ownership. The operation is conducted in two main processes, investment and active ownership. Active ownership is exercised primarily through involvement in nomination processes for board elections, through board representation and through evaluation of company boards, CEOs and Executive Management. Industrivärden monitors its portfolio companies continuously and where necessary, by influencing the portfolio companies' overall development through their respective boards. Through these measures Industrivärden contributes to the portfolio companies' growth in value over time.

Industrivärden's long-term objective is to increase net asset value and thereby generate a return for the 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.

More information can be found at www.industrivar-den.net.

EQUITIES PORTFOLIO, DECEMBER 31, 2019



COMPOSITION OF EQUITIES PORTFOLIO AND NET ASSET VALUE

Portfolio companies	No. of shares	12/31/2019						12M:2019	
		Share of ownership, %		Market value		Share of value, %	Total return holdings		
		Capital	Votes	SEK M	SEK/share		SEK M	%	
Sandvik	155,400,000	12.4	12.4	28,384	65	24	9,346	49	
Volvo A	154,600,000	7.4	24.1	24,458	57	21	8,037	47	
Volvo B	3,600,000			565					
Handelsbanken A	204,900,000	10.3	10.5	20,674	48	18	1,665	8	
Essity A	34,000,000	9.5	29.2	10,251	46	17	6,056	42	
Essity B	32,800,000			9,899					
Ericsson A	86,052,615	2.6	15.1	7,349	17	6	779	12	
Ericsson B	1,000,000			82					
SCA A	33,785,290	9.7	29.0	3,375	15	6	1,985	42	
SCA B	34,575,273			3,285					
Skanska A	12,667,500	7.4	24.3	2,682	15	6	2,387	58	
Skanska B	18,500,000			3,916					
SSAB A	44,334,933	4.3	11.8	1,456	3	1	164	12	
Other				374	1	0	62		
Equities portfolio				116,750	268	100	30,481	33	
Interest-bearing net debt				-4032	-9				
Net asset value				112,718	259				
Debt-equities ratio				3%					

Performance

NET ASSET VALUE

Net asset value on December 31, 2019, was SEK 112.7 billion, or SEK 259 per share, an increase of SEK 63 per share during 2019. Including reinvested dividend, net asset value increased by 35%. The Stockholm Stock Exchange's total return index (SIXRX) increased by 35% during the same period.

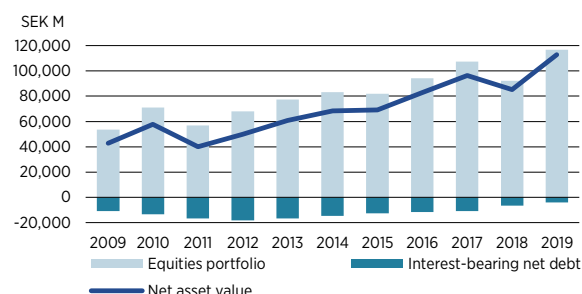
Net asset value was SEK 271 per share on February 6, 2020.

During the last five- and ten-year periods, net asset value grew annually by 13% and 12%, respectively, including reinvested dividend. The total return index (SIXRX) increased by 11% and 12%, respectively, during the same periods.

Net asset value, December 31, 2019

	12/31/2019		12/31/2018	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	116.7	268	92.2	212
Interest-bearing net debt	-4.0	-9	-6.6	-15
Adjustment exchangeable	-	-	-0.4	-1
Net asset value	112.7	259	85.2	196

Development of net asset value, 10 years

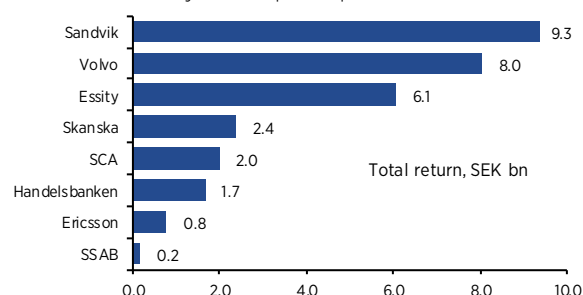


EQUITIES PORTFOLIO

During 2019 the value of the equities portfolio, adjusted for purchases and sales, increased by SEK 26.1 billion. On December 31, 2019 the equities portfolio was worth SEK 116.7 billion, or SEK 268 per share. The shareholdings in Sandvik, Volvo and Essity made a significant positive contribution to the equities portfolio's value performance.

On May 15 the exchangeable bond in the ICA Gruppen share matured preceded by exchangeable holders calling for redemptions in 2019 worth SEK 4.1 billion. During the second quarter of 2019 the remaining shares in ICA Gruppen were sold. The transactions have not had any material impact on earnings.

Contribution analysis of equities portfolio 12M:2019



Performance of shareholdings, 3 years

	Annual average total return, %
Class of shares	
SCA A*	25
SCA B*	24
Sandvik	20
Ericsson A	19
Volvo A	19
Volvo B	19
Essity A*	17
Ericsson B	17
Essity B*	16
Total return index (SIXRX)	12
Skanska B	4
SSAB A	0
Handelsbanken A	-2

*For calculation method, see page 9.

CASH FLOW

Investment activities

During 2019 shares were acquired in Volvo, Class A for SEK 1,598 M, in Sandvik for SEK 482 M, in Skanska, Class B for SEK 351 M, in Essity, Class B for SEK 285 M, in SCA, Class B for SEK 215 M and in Handelsbanken, Class A for SEK 189 M. Furthermore shares were divested in, Essity, Class A for SEK 288 M and SCA, Class A for SEK 98 M.

Dividend paid out 2019

The Annual General Meeting on April 17, 2019 approved the Board of Director's proposed dividend of SEK 5.75 per share (5.50). The total dividend amounted to SEK 2 502 M (2 394).

Dividends received

During 2019 dividends received amounted to SEK 4 093 M (3 764).

Board of Directors' dividend proposal 2020

The Board of Directors proposes a dividend of SEK 6.00 per share (5.75) and April 28, 2020, as the record date. The total dividend payout will amount to SEK 2 611 M.

Management cost

The management cost during 2019 was SEK 115 M (121), which on a yearly basis corresponds to 0.10% (0.13) of the equities portfolio's value on December 31, 2019.

FINANCING

Interest-bearing net debt

Interest-bearing net debt amounted to SEK 4.0 (6.6) billion on December 31, 2019. The debt-equities ratio was 3% (7), and the equity ratio was 96% (91). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

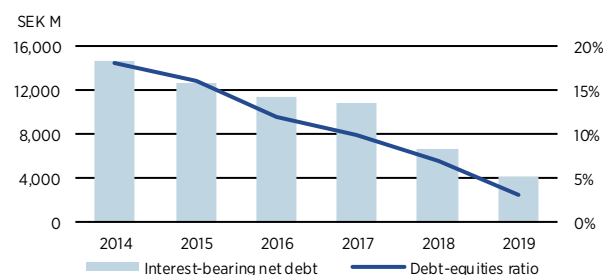
During 2019 a new bond of SEK 1.0 billion was issued within the framework of the existing MTN program. The bond was issued primarily for refinancing and has a tenor of three years.

No part of Industrivärden's borrowings is conditional upon any covenants.

Interest-bearing net debt, December 31, 2019

	Credit facility, SEK M	Utilized amount, SEK M	Maturity
MTN-program	8,000	3,055	2020-2022
Commercial paper	3,000	900	
Pension debt		68	
Other liabilities		232	
Total borrowing		4,255	
Less:			
Interest-bearing receivables		167	
Cash and cash equivalents		56	
Interest-bearing net debt		4,032	

Development of interest-bearing net debt, 5 years



Credit rating

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

Exchangeable in ICA Gruppen's stock

On May 15, 2019 the SEK 4.4 billion exchangeable bond that was issued in 2014 based on ICA Gruppen's stock matured. During the first half of 2019, exchangeable holders called for redemptions corresponding to SEK 4.1 billion, whereby shares in ICA Gruppen were delivered.

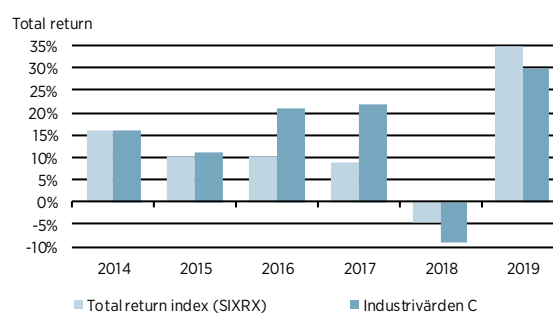
INDUSTRIVÄRDEN SHARE DATA

The market prices for Industrivärden's Class A and C shares on December 31, 2019, were SEK 232.00 and SEK 225.90, respectively. The corresponding market prices on December 31, 2018, were SEK 183.20 and SEK 179.20, respectively.

The total return during the year 2019 was 30% for the Class A as well as for the Class C shares. The Stockholm Stock Exchange's total return index (SIXRX) was 35% during the same period.

The total return for Industrivärden's shares over longer periods of time are shown in the table on page 1 and for specific years in the table below.

Value performance the respective year



At the 2011 Annual General Meeting, a share conversion clause was added to the Articles of Association. Shareholders have the right at any time to request conversion of Class A shares to Class C shares. During 2019, 117 shares were converted.

Share structure, December 31, 2019

Share class	No. of shares	No. of votes	Capital, %	Votes, %
A (1 vote)	268,183,340	268,183,340	61.6	94.1
C (1/10 vote)	167,026,537	16,702,653	38.4	5.9
Total	435,209,877	284,885,993	100.0	100.0

Stockholm, February 7, 2020

Helena Stjernholm
CEO

Other

NOMINATING COMMITTEE'S RECOMMENDATION FOR BOARD OF DIRECTORS

The Nominating Committee of AB Industrivärden proposes re-election of Board members Pär Boman, Christian Caspar, Bengt Kjell, Fredrik Lundberg, Annika Lundius, Lars Pettersson and Helena Stjernholm, and new election of Marika Fredriksson. Nina Linander has declined re-election. In addition, Fredrik Lundberg is proposed for re-election as Chairman of the Board.

Marika Fredriksson, born 1963, Master of Business Administration, is CFO & Group Executive Vice President of Vestas Wind Systems since 2013. She was previously CFO of Gambro, CFO of Autoliv and has held several senior positions within the Volvo Group. She is a Board member in Sandvik and SSAB.

The Nominating Committee's other proposals will be made public in the notice of the Annual General Meeting of AB Industrivärden.

FINANCIAL CALENDAR

Annual report 2019: February 20, 2020

Interim report January-March: April 7, 2020

Annual General Meeting: April 24, 2020, in Stockholm

Interim report January-June: July 7, 2020

Interim report January-September: October 6, 2020

CONTACT PERSONS

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PUBLICATION

This information is such that AB Industrivärden is required to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the Head of Corporate Communication and Sustainability stated above, at 11:00 a.m. CET on February 7, 2020.

AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the interim report for AB Industrivärden (publ) for the period January 1 – December 31, 2019. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Stockholm, February 7, 2020

Deloitte AB

Hans Warén

Authorized Public Accountant

Financial statements in brief

GROUP

SEK M	2019 Oct.-Dec.	2018 Oct.-Dec.	2019 Jan.-Dec.	2018 Jan.-Dec.
INCOME STATEMENT				
Dividend income	0	0	4,093	3,764
Change in fair value of financial assets	11,968	-17,305	25,983	-11,954
Management cost	-23	-31	-115	-121
Operating income	11,945	-17,336	29,961	-8,311
Financial items	-8	-7	-31	-19
Income after financial items	11,937	-17,343	29,930	-8,330
Tax*	-93	-	-93	-
Net income for the period	11,844	-17,343	29,837	-8,330
Earnings per share, SEK	27.21	-39.85	68.56	-19.14
STATEMENT OF COMPREHENSIVE INCOME				
Net income for the period	11,844	-17,343	29,837	-8,330
<i>Items that are not to be reversed in the inc. statement</i>				
Actuarial gains and losses on pensions	51	-14	51	-14
Comprehensive income for the period	11,895	-17,357	29,888	-8,344
BALANCE SHEET as per end of period				
Equities			116,750	92,170
Other non-current assets			14	11
Total non-current assets			116,764	92,181
Cash and cash equivalents			56	786
Other current assets			191	273
Total current assets			247	1,059
Total assets			117,011	93,240
Shareholders' equity			112,528	85,142
Non-current interest-bearing liabilities			2,323	2,170
Non-current non interest-bearing liabilities			137	36
Total non-current liabilities			2,460	2,206
Current interest-bearing liabilities			1,932	5,394
Other liabilities			91	498
Total current liabilities			2,023	5,892
Total shareholders' equity and liabilities			117,011	93,240
CASH FLOW				
Cash flow from operating activities			3,872	3,492
Cash flow from investing activities			1,163	3,252
Cash flow from financing activities**			-5,765	-6,571
Cash flow for the period			-730	173
Cash and cash equivalents at end of period			56	786

* Pertains to deferred tax on temporary differences accounted for in subsidiaries that have no cash flow effect.

** Of which, dividends of SEK 2,502 M (2,394) paid to shareholders.

GROUP, CONT.

SEK M	2019 Jan.-Dec.	2018 Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY		
Opening shareholders' equity as per balance sheet	85,142	95,880
Comprehensive income for the period	29,888	-8,344
Dividend	-2,502	-2,394
Closing shareholders' equity as per balance sheet	112,528	85,142
INTEREST-BEARING NET DEBT at end of period		
Cash and cash equivalents	56	786
Interest-bearing assets	167	177
Non-current interest-bearing liabilities	2,323	2,170
Current interest-bearing liabilities	1,932	5,394
Interest-bearing net debt	4,032	6,601

PARENT COMPANY

SEK M	2019 Jan.-Dec.	2018 Jan.-Dec.
INCOME STATEMENT		
Operating income	19,876	-4,991
Income after financial items	19,846	-5,007
Income for the period	19,846	-5,007
Comprehensive income for the period	19,897	-5,021
BALANCE SHEET as per end of period		
Non-current assets	69,314	53,600
Current assets	149	788
Total assets	69,463	54,388
Shareholders' equity	63,627	46,233
Non-current liabilities	2,367	2,206
Current liabilities	3,469	5,949
Total shareholders' equity and liabilities	69,463	54,388

Accounting policies and other comments

ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and the Swedish Annual Accounts Act. The Parent Company's financial statements have been prepared in accordance with RFR 2 – Accounting for Legal Entities, and the Swedish Annual Accounts Act. New or amended IFRSs and IFRIC interpretations have not had any material effect on the Group's or Parent Company's earnings or financial position.

ALTERNATIVE PERFORMANCE MEASURES

The definitions of the alternative performance measures net asset value, debt-equities ratio, equity ratio, market value of the equities portfolio and interest-bearing net debt are provided in the 2018 Annual Report. These alternative performance measures are essential for understanding and evaluating an investment company's business.

TOTAL RETURN ESSITY AND SCA

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

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

12/31/2019	Level 1	Level 2	Level 3	Total
Assets				
Equities	116,376	-	374	116,750
Total assets	116,376	-	374	116,750
Liabilities				
Derivatives, etc.	-	44	-	44
Total liabilities	-	44	-	44

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

RISKS AND UNCERTAINTIES

The dominant risk in Industrivärden's business is share price risk, i.e., the risk of a change in value caused by changes in share prices. A 1% change in the share price of the holdings in the equities portfolio as per December 31, 2019, would have affected its market value by approximately +/- SEK 1.2 billion. Further information about risks and uncertainties are provided in the 2018 Annual Report.

TAX

In recent times, the value concentration in Industrivärden's equities portfolio has increased. During the second quarter of 2019 Industrivärden informed the Swedish Tax Agency about this fact, in order to clarify whether Industrivärden should be taxed as an investment company or a conventionally taxed company. During the third quarter 2019, the Swedish Tax Agency announced that Industrivärden should continue to be taxed as an investment company.

RELATED PARTY TRANSACTIONS

During 2019, dividend income was received from associated companies.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after December 31, 2019.

