

# INTERIM REPORT 9M:2019

January 1 – September 30, 2019

- Net asset value on September 30, 2019, was SEK 100.7 billion, or SEK 231 per share, an increase during the first nine months 2019 of SEK 35 per share. Including reinvested dividend, net asset value increased by 21%.
- The total return for the first nine months 2019 was 24% for the Class A shares as well as for the Class C shares, compared with 23% for the Stockholm Stock Exchange's total return index (SIXRX).
- Earnings per share during the first nine months 2019 were SEK 41.34 per share.
- During the first nine months 2019 shares were acquired in Volvo, Class A for SEK 1.6 billion, in Skanska, Class B for SEK 0.4 billion, in Essity, Class B for SEK 0.3 billion, in Sandvik for SEK 0.3 billion and in SCA, Class B 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 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 September 30, 2019, was 3%, a decrease since year-end of 4 percentage points.

## VALUE PERFORMANCE

Annual average change as per September 30, 2019

	Net asset value*	Total return	
		IndustriVärden C	Index (SIXRX)
9M:2019	21%	24%	23%
1 year	0%	12%	6%
3 years	12%	14%	10%
5 years	12%	15%	11%
7 years	13%	16%	13%
10 years	12%	15%	12%

\*Including reinvested dividend.



# CEO's message

## EXTERNAL FACTORS

The global economy continues to slow, and GDP growth for the full year is expected to be approximately 3%. The rate of growth has clearly subsided during 2019, but with large variations between geographies and sectors. The global manufacturing industry has had more challenging conditions, while the service sector has performed relatively well. Recently signs of a continued slowdown have surfaced in Europe as well as Asia.

Looking forward, growth expectations have also become dampened, and focus has once again been directed to the central banks' actions. The historically low real interest rates have continued to buttress the stock market, which has performed relatively well. However, the weakened economic outlook combined with various areas of concern – such as greater trade barriers – has led to greater volatility as well as sector rotation between various industries.

## PORTFOLIO COMPANIES

The market situation in the sectors in which our portfolio companies work has been strong for several years, but there are now clear signs of a lower level of activity and weaker outlooks going forward. Against this background, our portfolio companies have for some time taken measures to adapt operations to the prevailing market situation.

In August *Sandvik's* CEO, Björn Rosengren, announced that he will be leaving the company in early 2020. The process of recruiting a new CEO is ongoing.

In September *SCA* announced that it had decided to expand its kraftliner capacity through an investment of SEK 7.5 billion in the Obbola paper mill.

Another important future-oriented activity is *Volvo's* new strategic alliance with Samsung on electromobility.

At the end of September *Ericsson* announced that as a result of investigations by U.S. authorities into regulatory violations, the company has made a SEK 12 billion provision during the third quarter.

## INDUSTRIVÄRDEN'S PERFORMANCE

The first nine months of 2019 were characterized by a continued high level of investment activity in the equities portfolio. During the first half of the year we concluded our ownership position in ICA Gruppen which allowed us to lower our debt and has strengthened our flexibility. We have used this greater scope to act to increase our ownership in a number of our portfolio companies, among other things. Thus far during the year we have invested net amounts of SEK 1.6 billion in Volvo, SEK 0.4 billion in Skanska and SEK 0.3 billion in Sandvik. We have also taken advantage of a favorable market opportunity to carry out transactions in Essity and SCA, where most entailed shifting Class A shares for Class B shares in order to create scope to maneuver and increase our equity stakes over time.

Net asset value at September 30, 2019, was SEK 100.7 billion, or SEK 231 per share. This corresponds to a 21% increase in net asset value during the first nine months of the year including reinvested dividend. At the end of the period the portfolio was worth SEK 104.4 billion and net debt was SEK 3.6 billion, corresponding to a debt-equities ratio of 3%. This means that the debt-equities ratio has decreased by 4 percentage points since the start of the year.

During the first nine months of the year the total return for the Class A and Class C shares was 24%, respectively, compared with 23% for the return index (SIXRX). The long-term return is good – a performance that we are making a determined effort to strengthen over time.

Stockholm, October 4, 2019

Helena Stjernholm  
CEO

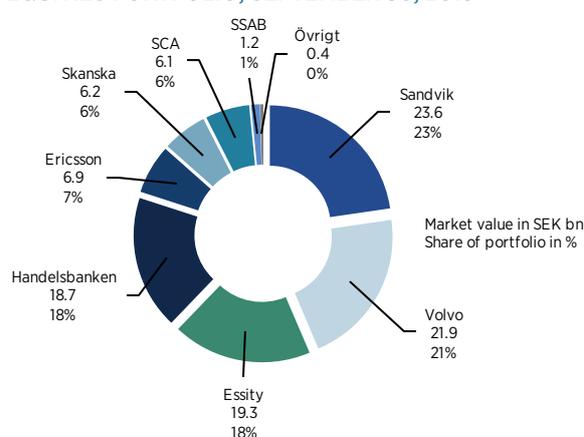
# Overview

## 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](http://www.industrivar-den.net).

## EQUITIES PORTFOLIO, SEPTEMBER 30, 2019



## COMPOSITION OF EQUITIES PORTFOLIO AND NET ASSET VALUE

	09/30/2019				9M:2019		TR for the stock	
	Share of ownership, %		Market value		Total return			
Portfolio companies	No. of shares	Capital	Votes	Share of value, %	SEK M	SEK/share	SEK M	%
Sandvik	154,200,000	12.3	12.3	23	23,647	54	4,708	24
Volvo A	154,600,000	7.4	24.1	21	21,366	50	4,676	27
Volvo B	3,600,000				498			28
Essity A	34,000,000	9.5	29.2	18	9,877	44	5,188	36
Essity B	32,800,000				9,423			35
Handelsbanken A	202,900,000	10.3	10.4	18	18,703	43	-215	-1
Ericsson A	86,052,615	2.6	15.1	7	6,781	16	201	3
Ericsson B	1,000,000				79			2
Skanska A	12,667,500	7.4	24.3	6	2,526	14	1,990	46
Skanska B	18,500,000				3,689			46
SCA A	33,785,290	9.7	29.0	6	3,098	14	1,448	31
SCA B	34,575,273				3,035			30
SSAB A	44,334,933	4.3	11.8	1	1,214	3	-88	-6
Other				0	432	1	120	
<b>Equities portfolio</b>				<b>100</b>	<b>104,368</b>	<b>240</b>	<b>18,028</b>	<b>20</b>
<b>Interest-bearing net debt</b>					<b>-3,629</b>	<b>-8</b>	<b>Index:</b>	<b>23</b>
<b>Net asset value</b>					<b>100,739</b>	<b>231</b>		
<b>Debt-equities ratio</b>					<b>3%</b>			

# Performance

## NET ASSET VALUE

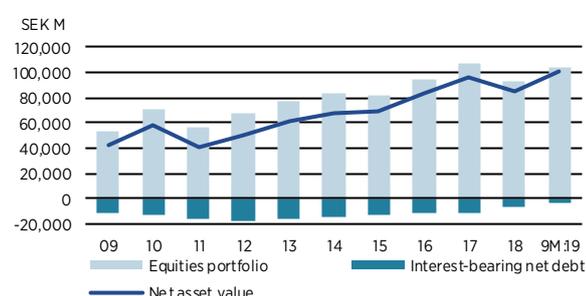
Net asset value on September 30, 2019, was SEK 100.7 billion, or SEK 231 per share, an increase of SEK 35 per share during the first nine months 2019. Including reinvested dividend, net asset value increased by 21%. The Stockholm Stock Exchange's total return index (SIXRX) increased by 23% during the same period.

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

Net asset value September 30, 2019

	09/30/2019		12/31/2018	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	104.4	240	92.2	212
Interest-bearing net debt	-3.6	-8	-6.6	-15
Adjustment exchangeable	-	-	-0.4	-1
<b>Net asset value</b>	<b>100.7</b>	<b>231</b>	<b>85.2</b>	<b>196</b>

Development of net asset value, 10 years

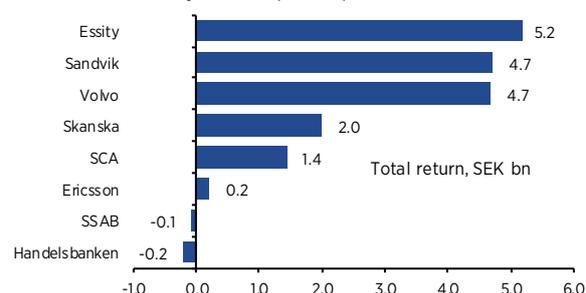


## EQUITIES PORTFOLIO

During the first nine months 2019 the value of the equities portfolio, adjusted for purchases and sales, increased by SEK 14.1 billion. On September 30, 2019 the equities portfolio was worth SEK 104.4 billion, or SEK 240 per share. The shareholdings in Essity, Sandvik and Volvo made a significant positive contribution to the equities portfolio's value performance.

On May 15 the exchangeable bond 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 9M:2019



Performance of shareholdings, 3 years

Class of shares	Annual average total return, %
SCA A*	22
SCA B*	22
Sandvik	20
Volvo B	17
Volvo A	17
Essity A*	16
Essity B*	15
Ericsson A	10
Ericsson B	10
Total return index (SIXRX)	10
SSAB A	5
Skanska B	4
Handelsbanken A	-3

\*For calculation method, see page 9.

## CASH FLOW

### Investment activities

During the first nine months 2019 shares were acquired in Volvo, Class A for SEK 1,598 M, in Skanska, Class B for SEK 351 M, in Essity, Class B for SEK 285 M, in Sandvik for SEK 273 M, and in SCA, Class B for SEK 215 M. Furthermore, Essity, Class A for SEK 288 M and SCA Class A, for SEK 98 M were divested.

### Dividend paid out

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 the first nine months 2019 dividends received amounted to SEK 4 093 M (3 764).

### Management cost

The management cost during the first nine months 2019 was SEK 92 M (90), which on a yearly basis corresponds to 0.12% (0.11) of the equities portfolio's value on September 30, 2019.

## FINANCING

### Interest-bearing net debt

Interest-bearing net debt amounted to SEK 3.6 (7.2) billion on September 30, 2019. The debt-equities ratio was 3% (7), and the equity ratio was 96% (93). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

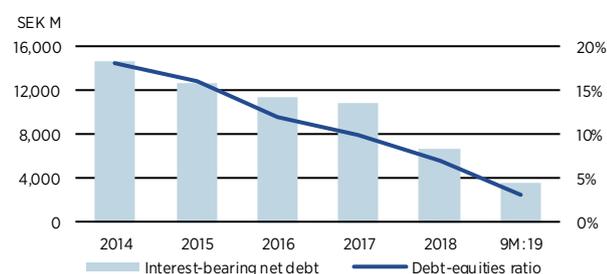
During the first nine months 2019 a new bond of SEK 1.0 billion was issued within the framework of the existing MTN program. The bond was issued primarily for refinancing and has a tenor of three years.

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

Interest-bearing net debt, September 30, 2019

	Credit facility, SEK M	Utilized amount, SEK M	Maturity
MTN-program	8,000	3,056	2020-2022
Commercial paper	3,000	600	
Pension debt		103	
Other liabilities		254	
<b>Total borrowing</b>		<b>4,013</b>	
Less:			
Interest-bearing receivables		167	
Cash and cash equivalents		217	
<b>Interest-bearing net debt</b>		<b>3,629</b>	

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.

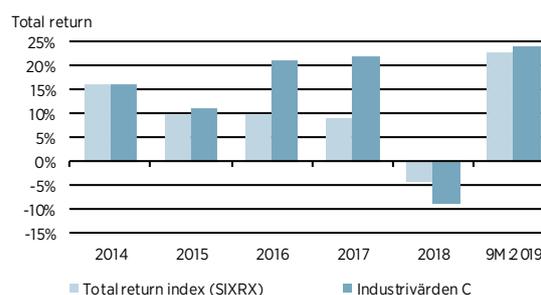
## INDUSTRIVÄRDEN SHARE DATA

The market prices for Industrivärden's Class A and C shares on September 30, 2019, were SEK 221.40 and SEK 215.50, respectively. The corresponding market prices on December 31, 2018, were SEK 183.20 and SEK 179.20, respectively.

The total return during the first nine months 2019 was 24%, respectively, for the Class A and C shares. The Stockholm Stock Exchange's total return index (SIXRX) was 23% 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 the first nine months 2019, 117 shares were converted.

Share structure, September 30, 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
<b>Total</b>	<b>435,209,877</b>	<b>284,885,993</b>	<b>100.0</b>	<b>100.0</b>

# Other

## FINANCIAL CALENDAR

Year-end report 2019: February 7, 2020  
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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## TICKER CODES

INDUC:SS, Bloomberg

INDUc.ST, Reuters

INDU C, NASDAQ

## 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 10:00 a.m. CET on October 4, 2019.

*This interim report has not been reviewed by the Company's auditor.*

# Financial statements in brief

## GROUP

SEK M	2019 July-Sep.	2018 July-Sep.	2019 Jan.-Sep.	2018 Jan.-Sep.	2018 Jan.-Dec.
<b>INCOME STATEMENT</b>					
Dividend income	0	0	4,093	3,764	3,764
Change in fair value of financial assets	-3,339	6,397	14,015	5,351	-11,954
Management cost	-28	-20	-92	-90	-121
<b>Operating income</b>	<b>-3,367</b>	<b>6,377</b>	<b>18,016</b>	<b>9,025</b>	<b>-8,311</b>
Financial items	-8	-5	-23	-12	-19
<b>Income after financial items</b>	<b>-3,375</b>	<b>6,372</b>	<b>17,993</b>	<b>9,013</b>	<b>-8,330</b>
Tax	-	-	-	-	-
<b>Net income for the period</b>	<b>-3,375</b>	<b>6,372</b>	<b>17,993</b>	<b>9,013</b>	<b>-8,330</b>
Earnings per share, SEK	-7.75	14.64	41.34	20.71	-19.14
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
<b>Comprehensive income for the period</b>	<b>-3,375</b>	<b>6,372</b>	<b>17,993</b>	<b>9,013</b>	<b>-8,344</b>
<b>BALANCE SHEET as per end of period</b>					
Equities			104,368	110,003	92,170
Other non-current assets			16	11	11
<b>Total non-current assets</b>			<b>104,384</b>	<b>110,014</b>	<b>92,181</b>
Cash and cash equivalents			217	120	786
Other current assets			177	401	273
<b>Total current assets</b>			<b>394</b>	<b>521</b>	<b>1,059</b>
<b>Total assets</b>			<b>104,778</b>	<b>110,535</b>	<b>93,240</b>
Shareholders' equity			100,633	102,499	85,142
Non-current interest-bearing liabilities			2,359	2,174	2,170
Non-current non interest-bearing liabilities			27	62	36
<b>Total non-current liabilities</b>			<b>2,386</b>	<b>2,236</b>	<b>2,206</b>
Current interest-bearing liabilities			1,654	5,523	5,394
Other liabilities			105	277	498
<b>Total current liabilities</b>			<b>1,759</b>	<b>5,800</b>	<b>5,892</b>
<b>Total shareholders' equity and liabilities</b>			<b>104,778</b>	<b>110,535</b>	<b>93,240</b>
<b>CASH FLOW</b>					
Cash flow from operating activities			3,905	3,635	3,492
Cash flow from investing activities			1,560	2,525	3,252
Cash flow from financing activities*			-6,034	-6,653	-6,571
<b>Cash flow for the period</b>			<b>-569</b>	<b>-493</b>	<b>173</b>
<b>Cash and cash equivalents at end of period</b>			<b>217</b>	<b>120</b>	<b>786</b>

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

## GROUP, CONT.

SEK M	2019	2018	2018
	Jan.-Sep.	Jan.-Sep.	Jan.-Dec.
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>			
Opening shareholders' equity as per balance sheet	85,142	95,880	95,880
Comprehensive income for the period	17,993	9,013	-8,344
Dividend	-2,502	-2,394	-2,394
<b>Closing shareholders' equity as per balance sheet</b>	<b>100,633</b>	<b>102,499</b>	<b>85,142</b>
<b>INTEREST-BEARING NET DEBT at end of period</b>			
Cash and cash equivalents	217	120	786
Interest-bearing assets	167	391	177
Non-current interest-bearing liabilities	2,359	2,174	2,170
Current interest-bearing liabilities	1,654	5,523	5,394
<b>Interest-bearing net debt</b>	<b>3,629</b>	<b>7,186</b>	<b>6,601</b>

## PARENT COMPANY

SEK M	2019	2018	2018
	Jan.-Sep.	Jan.-Sep.	Jan.-Dec.
<b>INCOME STATEMENT</b>			
Operating income	11,212	6,729	-4,991
Income after financial items	11,190	6,720	-5,007
<b>Income for the period</b>	<b>11,190</b>	<b>6,720</b>	<b>-5,007</b>
<b>Comprehensive income for the period</b>	<b>11,190</b>	<b>6,720</b>	<b>-5,021</b>
<b>BALANCE SHEET as per end of period</b>			
Non-current assets	60,404	65,984	53,600
Current assets	134	275	788
<b>Total assets</b>	<b>60,538</b>	<b>66,259</b>	<b>54,388</b>
Shareholders' equity	54,921	57,974	46,233
Non-current liabilities	2,386	2,236	2,206
Current liabilities	3,231	6,049	5,949
<b>Total shareholders' equity and liabilities</b>	<b>60,538</b>	<b>66,259</b>	<b>54,388</b>

# 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.

09/30/2019	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	103,936	-	432	104,368
<b>Total assets</b>	<b>103,936</b>	<b>0</b>	<b>432</b>	<b>104,368</b>
<b>Liabilities</b>				
Derivatives, etc.	-	-27	-	-27
<b>Total liabilities</b>	<b>-</b>	<b>-27</b>	<b>-</b>	<b>-27</b>

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 September 30, 2019, would have affected its market value by approximately +/- SEK 1,000 M. 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, the Swedish Tax Agency announced that Industrivärden should continue to be taxed as an investment company.

## RELATED PARTY TRANSACTIONS

During the first nine months 2019, dividend income was received from associated companies.

## EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after September 30, 2019.

