

# INDUSTRI // VÄRDEN

# 2019

Business Review and  
Annual Report





# Business Review and Annual Report 2019





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The 2019 Annual Report submitted by the CEO and Board of Directors is presented on pages 39–63. The Sustainability Report is presented on pages 20–23 and 71–74.

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 through a professional investment operation and active ownership aimed at contributing to the portfolio companies' operational and strategic development and long-term value creation.**

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.

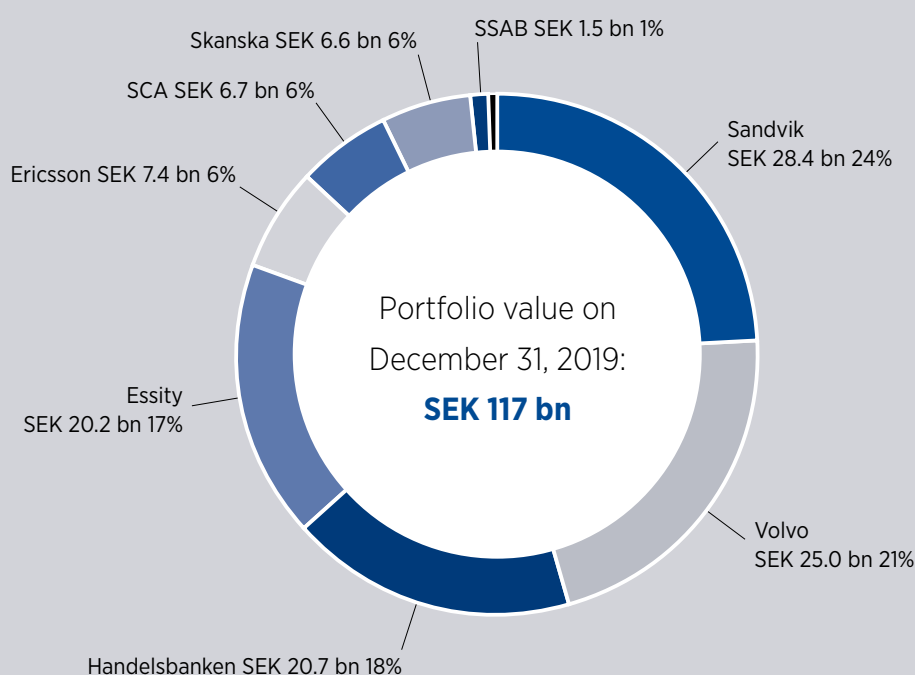
In its ownership role Industrivärden strives to contribute to the portfolio companies' work on establishing and strengthening leading positions in their respective industries over time. Strong emphasis is put on clear leadership, focus and flexibility. Active ownership is exercised mainly through involvement in nominating committee work, board representation and continuous evaluation of the companies and their boards, CEOs and company managements. The various measures that are considered to enhance shareholder value are defined in Industrivärden's action plan, which serves 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 includes investments in Sandvik, Volvo, Handelsbanken, Essity, Ericsson, SCA, Skanska and SSAB. These assets are judged to have long-term attractive return potential with balanced risk.

Many companies today are encountering an increasingly complex business environment, growing competition and formidable challenges. This pertains to everything from shifting macroeconomic conditions in their geographic markets to threats and opportunities borne out of tumultuous and tightly interwoven 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 position of strength lies, 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 through leading positions in their respective industries.



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



**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.



**Competitive return**  
Industrivärden's stock has generated a competitive return over both the medium and long terms.

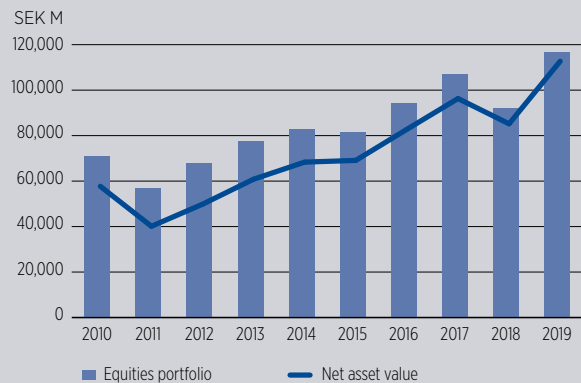


**Low management cost**  
Industrivärden offers professional asset management at a low cost.

## 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 12% per year, compared with 12% for the Stockholm Stock Exchange's total return index (SIXRX).

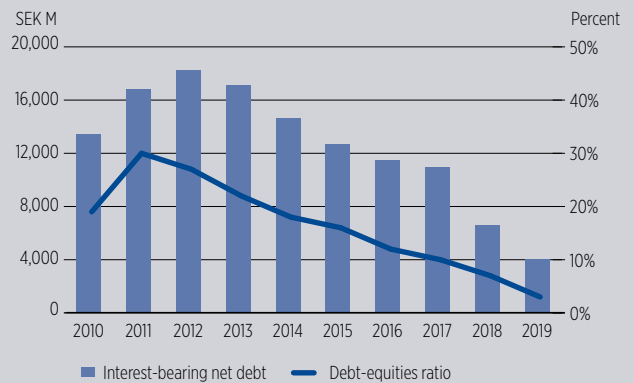
Net asset value on December 31, 2019, was SEK 259 per share.



## 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, 2019, interest-bearing net debt was SEK 9 per share, corresponding to a debt-equities ratio of 3%.

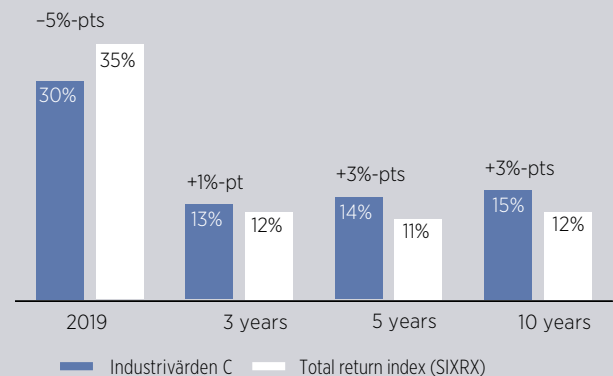


## Industrivärden's stock

Industrivärden's stock is listed on the Stockholm Stock Exchange's Large Cap list (Nasdaq OMX Nordic Stockholm). During the last three-, five- and ten-year periods, Industrivärden's stock has generated higher returns than the Stockholm Stock Exchange.

In 2019 Industrivärden's Class C shares generated a total return of 30%, which is 5 percentage points below the Stockholm Stock Exchange's total return index (SIXRX).

Average annual return (%) as per Dec. 31, 2019



# Highlights 2019

## Industrivärden

- The total return was 30% for the Class A and Class C shares, compared with 35% for the total return index (SIXRX)
- Net asset value at year-end was SEK 259 per share, an increase during the year of 32% and 35%, respectively, including reinvested dividend
- The value of the equities portfolio, adjusted for purchases and sales, increased by SEK 26.1 billion to SEK 116.7 billion. The total return was 33%
- During the year, shares were purchased in Volvo A for SEK 1.6 billion, Sandvik for SEK 0.5 billion, Skanska B for SEK 0.4 billion, Essity B for SEK 0.3 billion, SCA B for SEK 0.2 billion and Handelsbanken A for SEK 0.2 billion. In addition, shares were sold in Essity A for SEK 0.3 billion and in SCA A for SEK 0.1 billion. Shares in ICA Gruppen worth SEK 4.1 billion were delivered in connection with the redemption of outstanding exchangeable, after which the remaining shares were sold
- The debt-equities ratio was 3%, a decrease of 4 percentage points during the year
- The Board of Directors proposes an increase in the dividend to SEK 6.00 per share

### Value as per December 31

	2019	2018
<b>Total return, Industrivärden's stock</b>		
Class A shares (%)	30	-11
Class C shares (%)	30	-9
Total return index, SIXRX (%)	35	-4
<b>Equities portfolio</b>		
Market value (SEK M)	116,750	92,170
Total return (%)	33	-8
<b>Interest-bearing net debt</b>		
Value (SEK M)	-4,032	-6,601
Debt-equities ratio (%)	3	7
<b>Net asset value</b>		
Value (SEK M)	112,718	85,201
Net asset value per share (SEK)	259	196
Growth incl. reinvested dividend (%)	35	-9
<b>Equity ratio (%)</b>	96	91
<b>Dividend</b>		
Dividend per share (SEK)	6.00	5.75
Dividend growth (%)	4	5

## Net asset value

(SEK per share)

# 259

## Total return

(Industrivärden Class C)

# 30%

## Proposed dividend

(SEK per share)

# 6.00



## Portfolio companies



### Sandvik

- Record year for earnings as well as margins and cash flow
- Cost-cutting measures taken due to weaker market
- New financial and sustainability targets
- Internal separation of Sandvik Materials Technology for increased independence and greater flexibility
- Concentration of business, among other things through sale of Varel and a number of well-considered add-on acquisitions
- Strengthened financial position
- Stefan Widing new CEO on February 1, 2020



### Volvo

- Record year with continued favorable financial performance in all dimensions
- Investments in increased flexibility and efficiency, and capacity adjustments in weaker market situation
- Numerous initiatives for stronger future competitiveness, including in electrification and automation
- Memorandum of Understanding to form strategic alliance in commercial vehicles with Isuzu Motors, in order to create a combined heavy-duty truck business for Isuzu Motors and UD Trucks in Japan and across international markets



### Handelsbanken

- Higher income and slightly lower earnings for the year, but with earnings growth during fourth quarter
- Carina Åkerström new CEO in March 2019
- Strategic focus of operations on profitable businesses where the bank has clear strengths
- New, more concentrated Executive Management team
- Action program for lower costs



### Essity

- Higher growth and profitability in 2019 with base in implementation, higher prices and volumes, lower costs and an improved product mix
- Numerous measures taken to boost cost- and capital-efficiency
- Targeted work with innovation, product development and sustainability



### Ericsson

- Sales growth, margin expansion and strengthened cash flow
- Favorable development in next generation of mobile networks (5G), with several commercial rollouts and new contracts in a number of geographic markets
- Settlement reached with U.S. authorities on regulatory violations, with payment of approximately SEK 10 billion in penalties



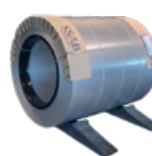
### SCA

- Continued profitable growth and investments in the future
- Revaluation of company's forest assets unveils higher value
- Startup of expanded Östrand pulp mill and completion of capacity investment in Munksund
- Decision to expand kraftliner capacity through investment of SEK 7.5 billion in Obbola mill



### Skanska

- Strengthened profitability in the construction operations and substantial value creation within project development
- Strategic plan for increased focus and simplified structure for improved profitability
- Continued favorable performance in commercial property development



### SSAB

- Earnings improved in North America, but weakened sharply in Europe
- Adaptation measures to create greater scope to maneuver in weaker market situation

# Industrivärden 75 years

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.

## 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.

## 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.

## 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, whereby the remaining subsidiaries are sold.

Industrivärden's ownership strategy is further refined.

## 2016-2019

Growing competition in the capital market combined with greater polarization between active and passive management puts greater demands on asset managers. Against this background, in February 2016 Industrivärden presents a refined strategy for a strong asset management focus and active ownership coupled with increased financial flexibility. Today Industrivärden has capacity to conduct competitive asset management through active ownership.

## 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.

## 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.

## 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.

## 2010-2015

In the early 2010s Industrivärden becomes the largest shareholder in Volvo. Many industrial companies have suffered from the financial crisis in the early part of the decade, and focus is directed primarily on various measures in existing portfolio companies.



# Chairman's message

Global growth remained stable in 2019, although at a slightly lower level than in 2018. During the year we noted a continued slowdown in Europe and China, while the U.S. economy performed well, with a continued strong job market. Concerns about the consequences of a Brexit decision had a negative effect on the U.K. economy. Geopolitical tensions fueled uncertainty in several parts of the world as did the trade conflict between the U.S. and China. However, in January 2020 an agreement (phase 1) was reached between the two countries, which gives hope for the future. The risk that the slowdown in many important economies would lead to a recession decreased during the fall. This had a positive effect on the stock markets and the still very low interest rates. The full year 2019 was a strong one for the stock markets, with large price increases on the world's bourses. The Stockholm Stock Exchange reached a new all-time high and delivered a total return of 35%.

Industrivärden's shareholders received a very favorable total return in 2019. Net asset value rose sharply and reached new top levels. Our portfolio companies performed well given the conditions in their respective industries. Many significant changes were carried out in the portfolio companies with the aim to strengthen their long-term competitiveness and create shareholder value over time. Industrivärden's ownership role is of great significance for the portfolio companies' long-term development. We exercise our ownership role on nominating committees and boards, but also in direct dialog with the companies. Long-term and competent action from our side is essential for creating continuity and the right conditions for the companies' development.

I am happy to note that we have good cooperation and interaction with other major shareholders of the portfolio companies. The large Swedish institutions can be mentioned in particular. This contributes to stability and predictability. The portfolio companies' boards can make decisions that are right for the long term but perhaps do not have any effect in the near term. To be successful, company development requires, at its core, a long-term perspective. The Board's role is important and has grown increasingly meaningful in recent years. The workload and responsibility have increased, among other things as a result of committee work and increasing regulation. The world we work in is growing increasingly complex, which also puts higher demands on board members. I can say with satisfaction that the boards of our portfolio companies are fulfilling their roles very well.

The utmost important duty of a board is to appoint the right CEO. The significance of this cannot be overstated. The experiences from the last five years' CEO appointments in our portfolio companies are good. But of course there are many other important decisions that boards have to deal with. For my part, I believe that leadership, decentralization and financial position are a few of the most crucial ones.

A strong balance sheet allows a company to take advantage of business opportunities while giving it resilience to weather tougher times. The organization can perform with greater self-confidence and strength, which affects its prospects for future development. The company can more easily secure financing, and at more favorable terms. For Industrivärden's part this reduces the risk of our investments while giving our portfolio companies greater prospects to maintain stable and growing dividends over time. Decentralization with a broad base of



responsibility creates value. Greater dynamism is created in the companies, and decisions can be made closer to the market and customers.

The CEOs of our portfolio companies are all very highly qualified and they have demonstrated an impressive level of commitment and undertaking. Our portfolio companies are among the leaders in their respective industries. The conditions for continued positive development are favorable and thus also for greater shareholder value in Industrivärden. Moreover, our low level of overheads compared with many other savings alternatives adds to our competitiveness. It is the Board's belief and ambition that we also in the future will be able to give our shareholders a competitive return.

Industrivärden's financial position has strengthened considerably in recent years. The debt-equities ratio is now 3%, which is well within the target range of 0%–10%. The divestment of our shares in ICA Gruppen in 2019 contributed to this. Our cash flow after paying the shareholder dividend, but before new investments, is positive and totaled SEK 1.4 billion in 2019. This creates good conditions for us to continue investing without increasing our level of debt above our target ceiling.

Against the background of this positive development, the Board of Directors proposes to the Annual General Meeting an increase in the dividend from SEK 5.75 to SEK 6.00 per share.

During the past year, board work at Industrivärden has been superb. We held nine meetings plus several meetings of the Compensation and Audit Committees. The CEOs of a number of our portfolio companies paid visits to our board meetings and presented their companies. Every meeting included a discussion on the general macro-economic situation. We receive continual reviews of developments in the portfolio companies, and their financial position is reported on at length.

Our CEO Helena Stjernholm is doing an outstanding job, and she has continued to adapt and strengthen our organization. In addition, through her important board roles in the portfolio companies she has done a fine job and earned continued respect. On behalf of the Board I want to express a great and warm thanks to Helena and her team. I also want to thank the board members and management teams of the portfolio companies for their exceptionally good work during the past year.

Finally, also warm thanks to my colleagues on the Board for their fruitful cooperation.

Stockholm, February 2020

*Fredrik Lundberg*  
Chairman of the Board

# CEO's message

**Industrivärden showed continued high activity in 2019, and a number of important steps were taken by the portfolio companies for increased value creation. The Stockholm Stock Exchange performed well, which is also reflected in Industrivärden's return. After several years of work on strengthening our preconditions, we are now well equipped to generate a competitive total return over time.**

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 slower growth, while the service sector performed relatively well. Global GDP grew approximately 3% during the past year, and for 2020 the IMF forecasts a slight recovery in GDP growth of just under 3.5% owing to more favorable development in a number of emerging economies. However, the major economies in the U.S., the euro area, China and Japan, which together account for just under half of global GDP, are expected to show weaker performance.

Despite an emergent economic slowdown in 2019 and weaker outlook for 2020, the stock market performed very well during the year, partly owing to the fact that the slowdown turned out to be not as sharp or prolonged as previously feared. The Stockholm Stock Exchange (OMXSPI) gained 30%. 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.

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 greatest contributors were the shareholdings in Sandvik, by SEK 9.3 billion, corresponding to a total return of 49%, Volvo, by SEK 8.0 billion, or 47%, and Essity, by SEK 6.1 billion, or 42%. The holdings in Handelsbanken, Ericsson and SSAB performed below the total return index and thereby weighed down the portfolio as a whole.

Looking at generated shareholder value, the total return for Industrivärden's stock in 2019 was 30% for both the Class A and Class C shares. This is a good achievement, as we at the same time reduced our debt and thereby our financial risk. The difference in growth between net asset value and the share price reflects a wider discount to net asset value during the year. From a longer perspective as well, our stock has performed well, with total returns for the Class C shares of 13% and 14% over the last three- and five-year periods, respectively. It is our genuine ambition to further strengthen long-term value creation over time.

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 very 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. Add-on investments in our existing portfolio companies are always made after taking into account the assessed, corresponding return potential in investment alternatives. In accordance with our strategy, today we have a concentrated portfolio with sizable positions in a limited number of companies. In terms of value the center of gravity in the portfolio lies in Sandvik, Volvo, Handelsbanken and Essity but we also have large ownership stakes in Ericsson, SCA, Skanska and SSAB.

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.

In summary I can affirm that we have increased our room to maneuver and our opportunities to act both with respect to increased equity stakes in our portfolio companies and participation in any new issues in these companies.

In recent years we have resolutely strengthened both our ability to exercise a value-creating ownership role and our processes for evaluating the portfolio companies. These are important development steps in a rapidly changing world. We – like our portfolio companies – must continuously strengthen our ability to minimize risks and take advantage of opportunities arising out of changes in the world around us, such as digitalization, electrification and sustainability. For us as a long-term active owner it is therefore natural that we put great emphasis on our portfolio companies' ability to conduct their businesses in a sustainable way and create value over time. This makes up the very foundation of competitive companies and sustainable growth in value. Even though our portfolio companies are facing a number of different challenges, it is gratifying that they have high ambitions, a clear focus and have all made great progress in their work on conducting sustainable business. Industrivärden is a knowledgeable and resolute owner with significant influence in the portfolio companies' governance and strategic development. Against this background I am happy to see the many steps taken



by the portfolio companies during the past year. I want to briefly comment here on the respective companies, but can also refer to the “Active ownership” section in the Annual Report, which describes developments in the respective portfolio companies over a longer period of time.

*Sandvik* continued its efficiency improvement work and presented new financial and sustainability targets. Owing to a weaker market, the company has taken a number of measures to adapt its costs to lower volumes. During the year a number of structure measures were carried out, such as the sale of Varel and the start of the internal separation of Materials Technology. Sandvik has also 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 and efficiency while adjusting its capacity to a weaker market situation. Through successful development of operations with improved profitability and a strong cash flow, the company has managed to create substantial shareholder value. Volvo has its focus on the major transformation that the automotive industry is facing, and in 2019 several initiatives were taken to strengthen its competitiveness, including in electrification and automation. At the end of the year the company announced that it had signed a Memorandum of Understanding with the intent to establish a combined heavy-duty truck business for Isuzu Motors and UD Trucks in Japan and across international markets.

Under the leadership of its new CEO, Carina Åkerström, *Handelsbanken* is carrying 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. This work is being driven under the direction of a new and more concentrated executive management team.

*Essity* has taken a number of measures to boost its cost- and capital efficiency, which together with a good capacity to execute, has laid the foundation for favorable financial performance. The company has a clear direction towards innovation, product development and sustainability.

*Ericsson* has strengthened its margin, and is growing organically in its core businesses. The company has been successful in 5G – the next generation of mobile networks – with several commercial rollouts and new contracts. As a result of regulatory violations, a settlement was reached in 2019 with the U.S. authorities, which among other things resulted in penalties totaling approximately SEK 10 billion.

*SCA* has continued its targeted efficiency improvement work at the time that it has worked with capacity increases for further growth and value creation. During 2019 the expanded pulp mill in Östrand became operational, the investment in Munksund was completed, and the decision was taken on a substantial investment in the kraftliner



*In recent years we have resolutely strengthened both our ability to exercise a value-creating ownership role and our processes for evaluating the portfolio companies*

mill in Obbola. At year-end SCA changed the accounting method for valuation of the company’s forest assets, recognizing substantial 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, while the commercial property development business had continued good performance.

Finally, *SSAB* encountered more challenging conditions in 2019. The company is taking various adaptation measures to give it greater room to maneuver in a weaker market situation and is continuing its work with the ambition to produce fossil-free steel in the future.

Now that we have put our 75th year in operation behind us, I can affirm that Industrivärden has established a strong position to conduct a successful asset management business through active ownership. With a foundation on Industrivärden’s organization and business model, a strong balance sheet and a portfolio of high-quality portfolio companies, we have good conditions to continue creating shareholder value.

Stockholm, February 2020  
*Helena Stjernholm*  
CEO

## Asset management

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# Mission, objective, strategy and values



### Business mission

To conduct long-term value-creating asset management through active ownership. This mission is based on Industrivärden's relative strengths, including a long-term investment perspective, 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 26.



### Strategy

The business mission is carried out with a foundation in 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 a 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 13–23.



### Values

Operations shall be conducted with high integrity and a sustainable approach. The Sustainability Report is presented on pages 20–23. The Code of Conduct is available at [www.industrivarden.net](http://www.industrivarden.net) under the menu Corporate Governance.

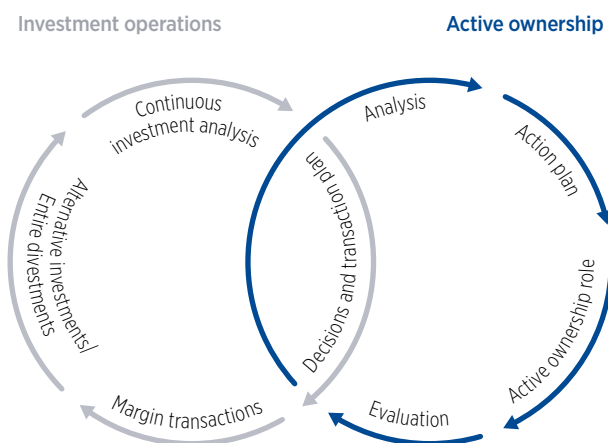


# Business model

## Areas of operation

Asset management is conducted in two areas of operation – the *investment operations* and *active ownership* – which are tightly interwoven. The investment operations aim to maximize Industrivärden's long-term return through divestments and alternative 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 entails a long-term perspective with low portfolio turnover and a natural concentration in large ownership stakes in a limited number of portfolio companies with distinct 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 16–19.

## Organization

### Structure

Industrivärden has a professional and cost-efficient organization that is characterized by high flexibility and short decision-making channels. The organization has long record 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 can provide specialist expertise. Certain members of the Executive Management also serve on portfolio companies' nominating committees and boards.

### 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 climate, 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, together with representatives from the investment and analysis organization, form Industrivärden's Investment Committee. The committee monitors activities on a continuing basis, makes investment decisions and adopts Industrivärden's action plans for the 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 recommend 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. To generate excess returns, smaller investments are also made to a limited extent in listed Nordic companies where favorable return potential has been identified.

# 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 increased 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, every 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 a long-term perspective.

With a base in Industrivärden's analysis, transaction plans for future share 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, 2019, the investments in Industrivärden's equities portfolio consisted of sizable shareholdings in Sandvik, Volvo, Handelsbanken, Essity, Ericsson, SCA, Skanska and SSAB. The portfolio's current composition and historical development over time are shown in the adjacent tables and charts. Further information about the respective portfolio companies is presented on pages 30–37.

## Investment activities 2019

During the year, shares were purchased in Volvo A for SEK 1.6 billion, Sandvik for SEK 0.5 billion, Skanska B for SEK 0.4 billion, Essity B for SEK 0.3 billion, SCA B for SEK 0.2 billion and Handelsbanken A for SEK 0.2 billion. In addition, shares were sold in Essity A for SEK 0.3 billion and in SCA A for SEK 0.1 billion.

On May 15 the exchangeable bond in ICA Gruppen matured after bondholders in 2019 called for redemptions of SEK 4.1 billion in exchangeables. During the second quarter of 2019 the remaining shares in ICA Gruppen were sold.

## Investment criteria

### Company

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

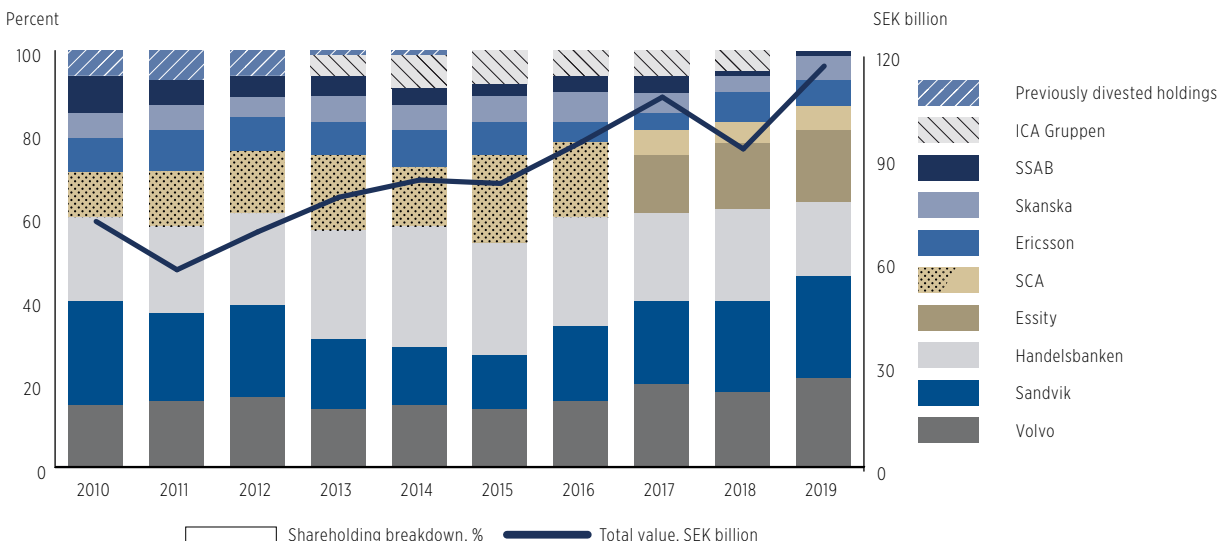
### Ownership position

- 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	No. shares	12/31/2019					Share of value, %	2019 Net purchases (+)/net sales (-), SEK M
		Ownership, %		Market value				
		Capital	Votes	SEK M	SEK/share			
Sandvik	155,400,000	12.4	12.4	28,384	65	24	482	
Volvo A	154,600,000	7.4	24.1	25,023	57	21	1,598	
Volvo B	3,600,000						-	
Handelsbanken A	204,900,000	10.3	10.5	20,674	48	18	189	
Essity A	34,000,000	9.5	29.2	20,150	46	17	-288	
Essity B	32,800,000						285	
Ericsson A	86,052,615	2.6	15.1	7,430	17	6	-	
Ericsson B	1,000,000						-	
SCA A	33,785,290	9.7	29.0	6,660	15	6	-98	
SCA B	34,575,273						215	
Skanska A	12,667,500	7.4	24.3	6,598	15	6	-	
Skanska B	18,500,000						351	
SSAB A	44,334,933	4.3	11.8	1,456	3	1	-	
Other				374	1	0	173	
<b>Equities portfolio</b>				<b>116,750</b>	<b>268</b>	<b>100</b>	<b>2,906</b>	

### Share of ownership over five years

	12/31/2019		12/31/2018		12/31/2017		12/31/2016		12/31/2015	
	Ownership, %		Ownership, %		Ownership, %		Ownership, %		Ownership, %	
	Capital	Votes	Capital	Votes	Capital	Votes	Capital	Votes	Capital	Votes
Sandvik	<b>12.4</b>	<b>12.4</b>	12.1	12.1	11.8	11.8	11.8	11.8	11.8	11.8
Volvo	<b>7.4</b>	<b>24.1</b>	6.9	22.2	6.7	22.0	6.7	21.7	6.7	21.3
Handelsbanken	<b>10.3</b>	<b>10.5</b>	10.4	10.6	10.1	10.3	10.0	10.2	10.2	10.3
Essity	<b>9.5</b>	<b>29.2</b>	9.5	29.9	9.5	29.8	-	-	-	-
Ericsson	<b>2.6</b>	<b>15.1</b>	2.6	15.1	2.6	15.1	2.6	15.1	2.6	15.2
SCA	<b>9.7</b>	<b>29.0</b>	9.5	29.7	9.5	29.7	9.5	29.7	10.0	29.6
Skanska	<b>7.4</b>	<b>24.3</b>	6.9	23.9	6.9	23.9	6.9	23.9	7.1	24.1
SSAB	<b>4.3</b>	<b>11.8</b>	4.3	11.8	11.4	18.2	11.4	18.2	10.7	17.7
ICA Gruppen	-	-	7.0	7.0	10.3	10.3	10.3	10.3	10.5	10.5

# 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 continuous evaluation 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 and sustainable perspective with focus on competitive growth in value over time
- Owner collaborations through consensus 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. An analysis consists of a broad, business environment perspective and covers everything from customers, competitors and market to key megatrends such as digitalization, new material technology and long-term sustainable development. A keen understanding of these trends is highly important 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 ongoing dialog 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
Sandvik	Fredrik Lundberg	Chair	Helena Stjernholm	Member
Volvo	Bengt Kjell	Chair	Helena Stjernholm	Member
Handelsbanken	Helena Stjernholm	Chair	Pär Boman Fredrik Lundberg	Chairman Vice Chairman
Essity	Helena Stjernholm	Chair	Pär Boman	Chairman
Ericsson	Karl Åberg	Member	Helena Stjernholm	Vice Chairman
SCA	Karl Åberg	Chair	Pär Boman	Chairman
Skanska	Helena Stjernholm	Chair	Fredrik Lundberg Pär Boman	Member Member
SSAB	Lars Pettersson	Chair	Bengt Kjell	Chairman



## Nominating committee work and board composition

It is of central importance that the portfolio companies' boards have the combined competence and experience required to handle 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 central 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.

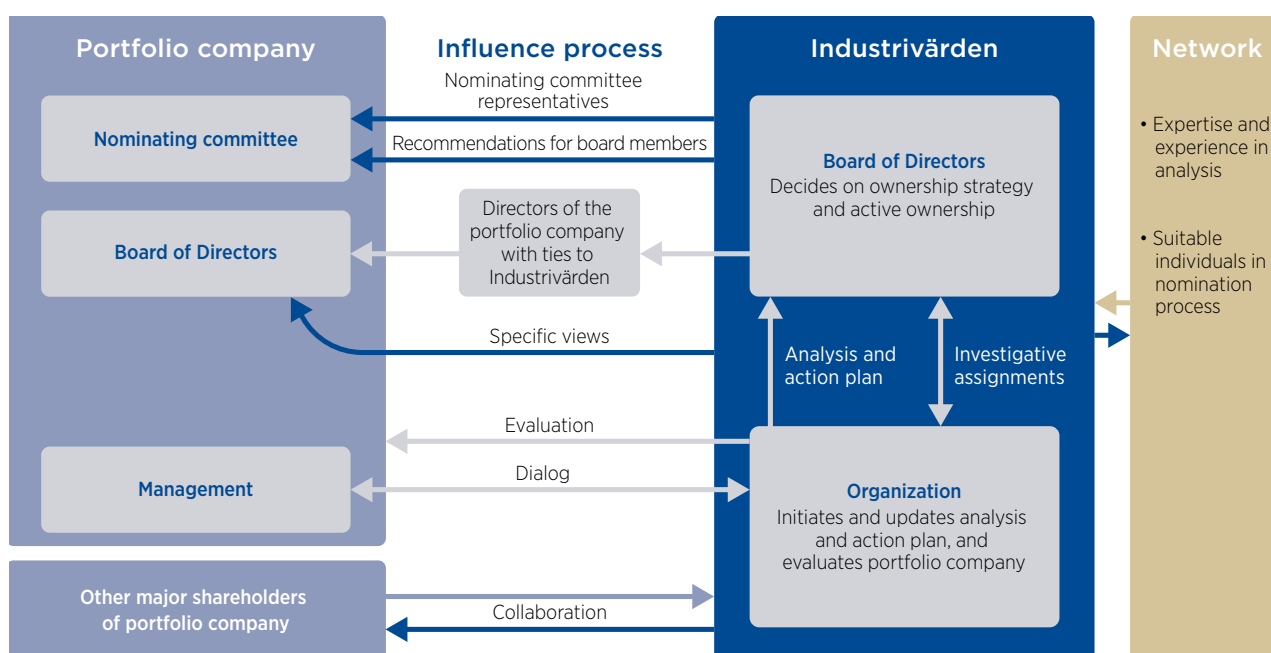
## Board representation

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

## Active ownership in brief



## Active ownership in practice

In its capacity as 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 significant activities for long-term value creation that the respective portfolio companies have taken during the last five-year period, where Industrivärden has played an active role. The total return for the companies' shares has been compared with the STOXX Europe 600 total return sector index. For a more detailed description of the respective portfolio companies' businesses and development, see pages 30–37.

### Sandvik

**Corporate governance measures**

- Election of Johan Molin as Chairman in 2015
- Appointment of Björn Rosengren as CEO in 2015 and Stefan Widing as CEO in 2019

**Strategic measures**

- Adoption of new financial and sustainability targets
- Initiation of internal separation of Sandvik Materials Technology
- Capitalization of growth opportunities in core businesses, such as through acquisitions
- Efficiency improvement through continuous improvements

- Developed strategy
- Consolidation and decentralization of operations
- Focusing of business and refinement of company structure

**Result**

- Stronger financial position, higher earnings and improved profitability

**Stock's relative return 5 years: +9 percentage points yearly**  
 Total return: 22% per year vs.  
 SXP TR (Industrial Goods & Services Index): 13% per year

### Volvo

**Corporate governance measures**

- Appointment of Martin Lundstedt as CEO in 2015

**Strategic measures**

- Clear transformation towards future transport needs, such as in electromobility
- Organic growth through increased customer focus and development of service business
- Improved flexibility, productivity and efficiency through continuous improvements
- Developed strategy and new financial targets

- Organizational changes with decentralization and faster decision-making processes
- Focusing of business and simplification of company structure

**Result**

- Stronger financial position and higher profitability

**Stock's relative return 5 years: +4 percentage points yearly**  
 Total return, Class A shares: 17% per year vs.  
 SXP TR (Industrial Goods & Services Index): 13% per year

### Handelsbanken

**Corporate governance measures**

- Election of Pär Boman as Chairman in 2015
- Appointment of Carina Åkerström as CEO in 2019
- Appointment of new and more concentrated executive management team

**Strategic measures**

- Focusing of business and stronger cost focus
- Strategic initiatives for business development, digitalization and efficiency improvement

- Successful development of business in UK and the Netherlands, and of savings business
- Good adaptation to regulatory changes and increased capital requirements

**Result**

- Higher earnings and stronger platform for value-creating growth

**Stock's relative return 5 years: +1 percentage point yearly**  
 Total return, Class A shares: 1% per year vs.  
 SX7P TR (Banks Index): 1% per year

### Essity

**Corporate governance measures**

- Election of Pär Boman as Chairman in 2016
- Appointment of Magnus Groth as CEO in 2016

**Strategic measures**

- Structural measures for higher cost- and capital efficiency
- Stronger innovation and sustainability focus
- Successful acquisition and integration of BSN medical, active in wound care and compression therapy
- Adoption of new financial targets

- Formation of the company as part of the refinement and split of former SCA Group into two listed companies, with heightened focus on the core businesses

**Result**

- Clear cost reductions

**Stock's relative return 2 years: +9 percentage points yearly**  
 Total return, Class A shares: 19% per year vs.  
 SXQP TR (Personal & Household Goods Index): 9% per year

## Ericsson

### Corporate governance measures

- Appointment of Börje Ekholm as CEO in 2017
- Election of Ronnie Leten as Chairman in 2018

### Strategic measures

- Strengthened positions and regaining of technical leadership
- Focused strategy for higher profitability through strengthening of efficiency and competitiveness
- Implementation of new organization and company structure, and new targets

### Result

- Stronger financial position and improved earnings
- Strong cost reductions

### Stock's relative return 5 years: -14 percentage points yearly

Total return, Class A shares: 2% per year vs.  
SX8P TR (Technology Index): 15% per year

## SCA

### Corporate governance measures

- Election of Pär Boman as Chairman in 2015
- Appointment of Ulf Larsson as CEO in 2017

### Strategic measures

- Efficiency improvement through continuous improvements
- Strengthened focus on innovation with base of forest raw material
- Capacity investments in paper mills in Obbola and Munksund
- Investment in doubling of production capacity at Östrand pulp mill with leading cost efficiency

- Formation of the company as part of the refinement and split of former SCA Group into two listed companies, with heightened focus on the core businesses
- Revaluation of the company's forest assets unveils higher value

### Result

- Tangible cost reductions

### Stock's relative return 2 years: +2 percentage points yearly

Total return, Class A shares: 6% per year vs.  
SXPP TR (Basic Resources Index): 4% per year

## Skanska

### Corporate governance measures

- Election of Hans Biörck as Chairman in 2016
- Appointment of Anders Danielsson as CEO in 2018
- Implementation of new management organization

### Strategic measures

- 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 with distinct sustainability profile

### Result

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

### Stock's relative return 5 years: -5 percentage points yearly

Total return, Class B shares: 9% per year vs.  
SXOP TR (Construction & Materials Index): 14% per year

## SSAB

### Corporate governance measures

- Election of Bengt Kjell as Chairman in 2015

### Strategic measures

- Continuous efficiency improvement work for industry-leading profitability
- Participation in HYBRIT, an initiative for fossil-free steel production
- Implementation of successful growth initiative in high-strength steel and developed service offering

- Completion of new issue in 2016 in challenging market situation

### Result

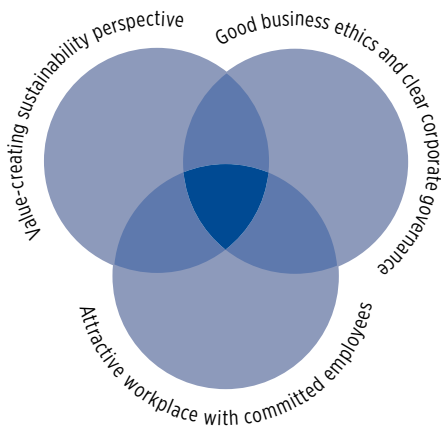
- Stronger financial position and improved earnings

### Stock's relative return 5 years: -10 percentage points yearly

Total return, Class A shares: 0% per year vs.  
SXPP TR (Basic Resources Index): 11% per year



# Sustainable approach



## Industrivärden's view of sustainability

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

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

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

In short, it stipulates that:

- good business ethics and clear corporate governance with a genuine sustainability perspective contribute to long-term value creation and sustainable development in society,
- the workplace shall be distinguished by openness, receptiveness and mutual respect,
- 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 ten principles of the UN Global Compact in the areas of human rights, labor, anti-corruption and the environment.

## Stakeholder analysis

### Focus

- Be an active, responsible owner that contributes to well-governed companies for sustainable development of society
- Be a long-term sustainable investment that delivers a competitive return
- Develop strategic sustainability work with clear goals going forward that contribute to Agenda 2030
- Be an attractive employer with openness, diversity and competence development in focus
- Report and reduce the Company's carbon footprint

### Inform

- Business ethics
- Anti-corruption
- Industrivärden's influence in the areas of human rights, health and safety in the portfolio companies
- Industrivärden's influence on climate work in the portfolio companies
- Taxes

high ← materiality → medium

## Sustainability focus

Industrivärden's sustainability-related focus areas have been identified and concretized based on a materiality analysis. This analysis is based on Industrivärden's opportunities to influence through its ownership role, a materiality perspective, and ongoing stakeholder dialogs. As part of the materiality analysis, the following main stakeholders have been identified and engaged:

- Shareholders and potential investors
- Other major owners of the portfolio companies
- The portfolio companies
- Industrivärden's employees
- Authorities, legislative bodies and NGOs

### *Global initiatives and guidelines*

As guidance in its sustainability work, Industrivärden adheres to global initiatives such as Agenda 2030, the OECD Guidelines for Multinational Enterprises, the ILO's eight fundamental conventions and the UN Global Compact. In addition, since 2015 annual progress reports are submitted to the Global Compact in the areas of human rights, labor, the environment and anti-corruption. The Business Review and Annual Report make up Industrivärden's annual Communication on Progress (COP) to the UN Global Compact and provide an account of how the Company is contributing to Agenda 2030 and the global Sustainable Development Goals.



### *Agenda 2030 and the Sustainable Development Goals*

The business sector plays a crucial role in the achievement of the 17 global Sustainable Development Goals (SDGs) set forth in Agenda 2030. With a base in Industrivärden's business, its influence opportunities in the portfolio companies and a completed materiality analysis, the following goals are in focus. From an influence perspective, SDGs 8, 9, and 12 apply for Industrivärden's portfolio companies within the framework of active ownership. SDGs 5 and 13 pertain mainly to Industrivärden's own operations. See the tables on pages 22–23.

### **Active ownership**

Industrivärden puts strong emphasis on ensuring that its portfolio companies have a sustainable approach in all aspects of their operations. This leads to competitive companies, enables growth in value and promotes sustainable development in society. Particular emphasis is put on material sustainability risks and sustainability-related opportunities from risk mitigation and value creation perspectives. The portfolio companies are active in widely diverse industries and are in different stages of development. They therefore face different challenges and opportunities. From an overall perspective it is Industrivärden's expectation that they:

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

Industrivärden's sustainability analysis makes up an integral part of the fundamental analysis of the respective portfolio companies. Any influence initiatives are conducted within the framework of Industrivärden's business model, which is described on pages 13–19. This analysis is performed from an overarching owner perspective and is

based on Industrivärden's framework for its sustainability analysis, which 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 and thereby long-term value creation in their business models, processes and product offerings. Industrivärden shall be a well-informed and demanding owner with a clear sustainability perspective that contributes to sustainable development of its portfolio companies.

### *Good starting point for sustainable value creation*

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

#### **Sandvik**

Sandvik Coromant's production unit in Gimo, Sweden, has been officially included in the World Economic Forum's network of manufacturing "lighthouses" that are technological leaders in the fourth industrial revolution with the citation that it "has created a digital thread through its production processes that has significantly raised labor productivity." All members of the network keep humans and sustainability at the heart of innovation and have agreed to share their knowledge with other manufacturing businesses.

#### **Volvo**

Volvo Trucks' two first fully electric Volvo FL Electric vehicles have now been put into operation in Gothenburg. The absence of engine noise and emissions is contributing to a better work environment and a quieter, cleaner urban environment. During the second half of 2019 series production of the FL Electric and its powerful sister model FE Electric began for the European market.

#### **Handelsbanken**

Handelsbanken launched its Hållbar Global Obligation ("Sustainable Global Bond") fund, which includes bonds issued specifically to fund improvements in the environment, climate, poverty, or any of the other global Sustainable Development Goals. In 2019 Handelsbanken's exclusion strategy for funds, called Criteria, added cannabis as a new exclusion criterion.

#### **Essity**

At year-end 2018 Essity's climate targets were approved by the Science Based Targets Initiative, a scientific method that certifies that an organization's climate targets are in line with the Paris Agreement. In February 2019 Essity was included in RobecoSAM's Sustainability Yearbook 2019 – a list of the top performing companies in their respective sectors.

### Ericsson

During 2019 Ericsson began the commercialization of 5G. The changeover to 5G has great potential to not only develop energy-efficient solutions for mobile networks, but also to help various sectors in society to reduce their environmental impact. An obligatory web-based program for countering corruption was launched in 2018, and more than 88,000 employees have now completed the training.

### SCA

In SCA's 2018 Annual Report the company reported its carbon footprint for the first time. The footprint is positive and corresponds to the carbon footprint of Sweden's total truck and domestic air traffic. During 2019 SCA was also an initiative-taker to ISO 14008, a new standard designed to help companies monetarily value and manage their environmental impact costs.

### Skanska

During 2019 Skanska increased its focus on safety issues. Skanska Safety Week, one of the world's biggest safety events in the private sector, was carried out in May by 250,000 people to spotlight and increase the employees' knowledge about workplace safety. Skanska's business processes include measures to support and drive human rights globally, local legislation and the company's Code of Conduct.

### SSAB

SSAB has taken yet another step in the transition towards carbon dioxide free steel production. In Oxelösund the coking plants and blast furnaces will be replaced with an electric arc furnace. The application for a new operational permit was submitted during the year, and the plan is that the electric arc furnace will be fully operational in 2025, thereby reducing carbon dioxide emissions by nearly 90%.

## Sustainability goals and activities: active ownership

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

### Own operations

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

Industrivärden shall be a workplace in which the employees enjoy their work, feel good and can develop. Toward this end, evaluations are continuously conducted of performance and development opportunities for all employees. In addition, a continuous dialog is conducted on matters related to the workplace, forms of cooperation and personal development. All employees have undergone training in the Company's view of value creation and how set goals are to be implemented. This includes set policies for the environment and climate, diversity and gender equality, anti-corruption and the Code of Conduct. Industrivärden believes that better results are achieved at a workplace characterized by gender equality and diversity.



### Environmental and carbon footprinting work

Even though Industrivärden's organization is small, the Company shall serve as a good example by minimizing its own environmental impact and carbon footprint. Industrivärden has an ambition to reduce its own footprint over time and compensates for its actual greenhouse gas emissions



through offsets. To be able to monitor and compare the Company's carbon footprint, Industrivärden has been conducting carbon footprint reporting since 2010 within the CDP (Carbon Disclosure Project) framework. Greenhouse gas emissions for 2019 have been calculated using the market-based method of the GHG Protocol and are shown in the GRI Index on pages 71–74.

### Sustainability goals and activities: own operations

Goal	<ul style="list-style-type: none"> <li>• Measure and follow up Industrivärden's environmental impacts and carbon footprint</li> <li>• Be an attractive employer with competence development, openness and diversity in focus, and attract, recruit and retain competent employees</li> </ul>
Activities	<ul style="list-style-type: none"> <li>• Report Industrivärden's carbon footprint to the CDP and compensate for the Company's footprint through offsets</li> <li>• Implement processes for broadened competence and diversity</li> <li>• Further train all employees on the sustainability strategy, Code of Conduct and policy documents</li> <li>• Conduct employee performance reviews with special attention paid to the work environment and competence development</li> </ul>
Agenda 2030	<div style="display: flex; flex-direction: column; gap: 10px;"> <div data-bbox="368 842 456 931"> </div> <div data-bbox="475 842 1316 902"> <ul style="list-style-type: none"> <li>• Diversity and gender equality are important issues both in Industrivärden's own operations and in the portfolio companies since they strengthen the organizations' capabilities</li> </ul> </div> <div data-bbox="368 938 456 1028"> </div> <div data-bbox="475 938 1356 999"> <ul style="list-style-type: none"> <li>• Having a high ambition with respect to climate issues is important both in Industrivärden's own operations and in the portfolio companies since it is a prerequisite for sustainable value creation</li> </ul> </div> </div>

### Financial results

Favorable financial performance and financial strength are necessary prerequisites for Industrivärden to be able to create long-term value for its shareholders and pursue its strategy of supporting the portfolio companies over time. During the last three-, five- and ten-year periods, Industrivärden's stock has generated a higher total return than the Stockholm Stock Exchange. The financial position has strengthened. During 2019 Industrivärden's net asset value grew from SEK 85.2 billion to SEK 112.7 billion at year-end. Industrivärden's Class A and C shares generated total returns of 30% including reinvested dividend. A dividend of SEK 5.75 per share was paid to the shareholders, or SEK 2.5 billion in total.

### Development of sustainability work 2019

#### Full application of developed sustainability analysis

In 2017 Industrivärden launched a new framework for its sustainability analysis in order to strengthen its knowledge about, its analysis of and influence opportunities in sustainability-related matters. This developed analysis was then integrated in the operational activities with full application in 2019. The framework and work processes are being continuously developed as an integral part of Industrivärden's business model.

#### Launch of new framework for analysis of anti-corruption

Industrivärden has been participating since 2016 in SISD (Swedish Investors for Sustainable Development), a collaboration project conducted under the auspices of the Swedish International Development Cooperation Agency (Sida). The aim is to obtain knowledge and share experiences. Within the framework of the project Industrivärden is part of a work group focusing on anti-corruption, which is a key issue under the UN's Sustainable Development Goal 16: Peace, Justice and Strong Institutions. During 2019 a framework for support of the analysis of companies' work with anti-corruption was launched.

#### More in-depth stakeholder dialogs

Industrivärden is interested in and receptive to expectations on its operations by actors in its business environment. Against this background a continuous dialog is conducted with the Company's stakeholders to learn about their perspectives and share knowledge. The stakeholder dialog provides important support in the development of sustainability work, and in 2018 and 2019 it was broadened with respect to target groups and levels. In addition, Industrivärden participates in various public forums and presentations conducted under the sustainability theme – in part to emphasize the importance of active owners for sustainable development in society and in part to further a dialog, gather views and learn from others.

## 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.

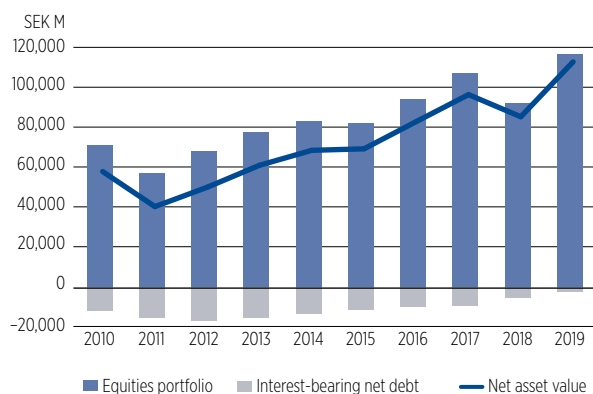
Net asset value is a measure of the shareholders' total net worth in the Company, defined as the market value of the equities portfolio less interest-bearing net debt. Net asset value at year-end 2019 was SEK 112.7 billion (85.2), or SEK 259 per share (196).

During 2019 net asset value grew by 35% including reinvested dividend, compared with 35% 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 13% and 12% per year, respectively, compared with 11% and 12%, respectively, for the Stockholm Stock Exchange's total return index (SIXRX).

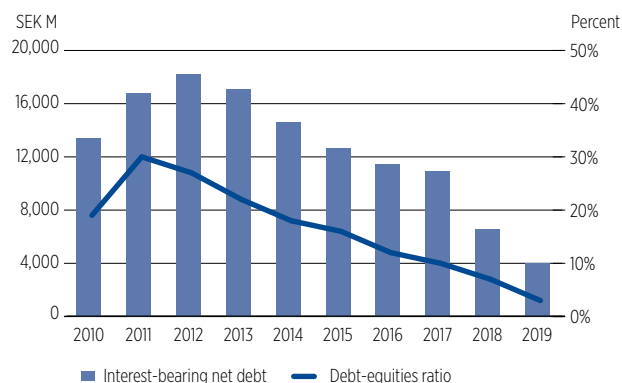
## Composition of equities portfolio and net asset value

Holding	No. shares	12/31/2019		Market value		Share of value, %	2019		
		Ownership, %		SEK M	SEK/share		Net purchases (+)/net-sales (-) SEK M	Total return, holding	
		Capital	Votes					SEK M	%
Sandvik	155,400,000	12.4	12.4	28,384	65	24	482	9,346	49
Volvo A	154,600,000	7.4	24.1	24,458	57	21	1,598	8,037	47
Volvo B	3,600,000			565			-		
Handelsbanken A	204,900,000	10.3	10.5	20,674	48	18	189	1,665	8
Essity A	34,000,000	9.5	29.2	10,251	46	17	-288	6,056	42
Essity B	32,800,000			9,899			285		
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	-98	1,985	42
SCA B	34,575,273			3,285			215		
Skanska A	12,667,500	7.4	24.3	2,682	15	6	-	2,387	58
Skanska B	18,500,000			3,916			351		
SSAB A	44,334,933	4.3	11.8	1,456	3	1	-	164	12
Other				374	1	0	173	62	
<b>Equities portfolio</b>				<b>116,750</b>	<b>268</b>	<b>100</b>	<b>2,906</b>	<b>30,481</b>	<b>33</b>
<b>Interest-bearing net debt</b>				<b>-4,032</b>	<b>-9</b>				
<b>Net asset value</b>				<b>112,718</b>	<b>259</b>				
<b>Debt-equities ratio</b>					<b>3%</b>				

## 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, 2019, the equities portfolio had a value of SEK 116,750 M (92,170), corresponding to SEK 268 (212) per Industrivärden share.

The value of the equities portfolio, adjusted for purchases and sales, increased by SEK 26.1 billion to SEK 116.7 billion. The total return was 33%. Changes in ownership shares in the portfolio companies over time are shown in a table on page 15.

## Cash flow

### Investment activities

During the year, shares were purchased in Volvo A for SEK 1.6 billion, Sandvik for SEK 0.5 billion, Skanska B for SEK 0.4 billion, Essity B for SEK 0.3 billion, SCA B for SEK 0.2 billion and Handelsbanken A for SEK 0.2 billion. In addition, shares were sold in Essity A for SEK 0.3 billion and in SCA A for SEK 0.1 billion. During the second quarter of 2019 the remaining shares in ICA Gruppen were sold.

### Dividends paid and received

The 2019 Annual General Meeting resolved to pay a dividend of SEK 5.75 (5.50) per share, or SEK 2,502 M (2,394) in total. During 2019 dividends received from portfolio companies totaled SEK 4,093 M (3,764). Industrivärden's dividend policy is presented on page 26.

### Management cost

Industrivärden's management cost in 2019 amounted to SEK 115 M (121). The management cost corresponded to 0.10 % (0.13%) of the equities portfolio's value on December 31, 2019.

## 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 interval.

### Interest-bearing net debt

Interest-bearing net debt amounted to SEK 4.0 billion at year-end 2019 (6.6), corresponding to SEK 9 per Industrivärden share. The debt-equities ratio at year-end 2019 was 3% (7%).

The debt portfolio consists primarily of an MTN program and commercial paper. During the first quarter of 2019 a new bond of SEK 1.0 billion was issued within the framework of the existing MTN program. The loan pertains mainly to refinancing and has a tenure of three years. No part of Industrivärden's financing is conditional upon any covenants.

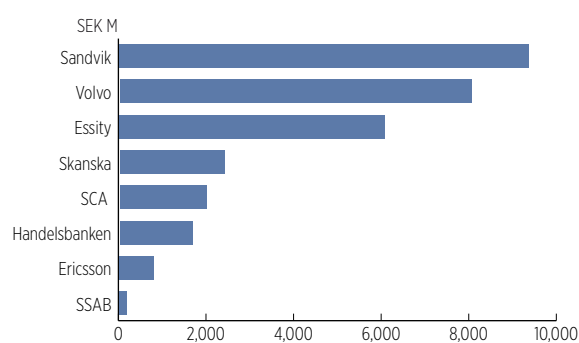
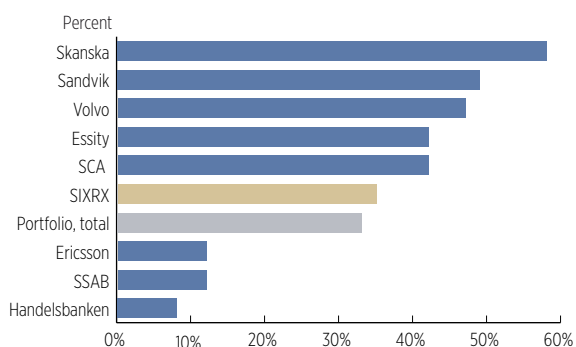
### Matured exchangeable

On May 15, 2019, the exchangeable bond of SEK 4.4 billion in ICA Gruppen that was issued in 2014 matured. During the redemption period in 2019, bondholders called for redemption, whereby shares in ICA Gruppen were delivered. See Note 19 on page 59 for further information.

### 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 2019 Industrivärden's market capitalization was SEK 100 billion. Trading volume in Industrivärden shares in 2019 totaled SEK 74 billion (36), corresponding to a turnover rate of 28% (19%) for the Class A shares and 104% (82%) for the Class C shares. Average daily trading volume was approximately 298,000 Class A shares and approximately 686,000 Class C shares. Slightly more than half of trading was conducted on the Stockholm Stock Exchange.

Industrivärden's Class A and Class C shares had standard deviations of 16.3% and 16.4%, respectively, and beta values of 1.12% and 1.10%, respectively, for the full year 2019.

## Shareholders and share structure

Industrivärden has approximately 88,000 (80,000) shareholders. Foreign shareholders' share of the capital amounts to 21% (20%). A significant majority of the number of shareholders consists of 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 2019 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 A-share carries entitlement to one vote, and each C-share carries entitlement to 1/10 of a vote. All shares carry equal entitlement to the Company's assets, earnings and dividends.

## Share structure

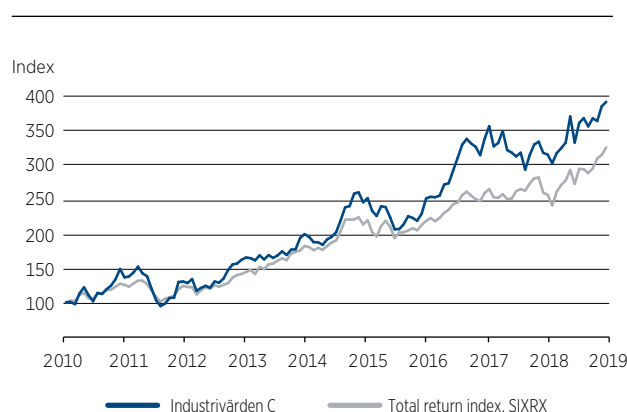
Share Class	No. shares	No. votes	Capital, %	Votes, %
A (1 vote)	268,183,340	268,183,340	61.6	94.1
C (1/10 vote)	167,026,537	16,702,635	38.4	5.9
<b>Total</b>	<b>435,209,877</b>	<b>284,885,993</b>	<b>100.0</b>	<b>100.0</b>

## Return

In 2019 the price of Industrivärden's Class A shares increased by 26.6%, from SEK 183.20 to SEK 232.00, and the price of the Class C shares increased by 26.1%, from SEK 179.20 to SEK 225.90. The highest price paid for the Class A and C shares was SEK 234.80 and SEK 228.30, respectively, and the lowest price paid was SEK 181.60 and SEK 177.50, respectively. The total return for the Class A and C shares was 30%, compared with 35% 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 14% and 15%, respectively, compared with 12% for the total return index (SIXRX). During the same period, the MSCI World Index generated an annualized total return of 10%.

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

## Proposed dividend

The Board of Directors has proposed that the 2020 Annual General Meeting declare a dividend of SEK 6.00 (5.75) per share, for a total dividend of SEK 2,611 M (2,502). The dividend yield on December 31, 2019, was 2.6% for the Class A shares and 2.7% 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 shares in the Company. Information on the incentive programs and on shareholdings of board members and members of the Executive Management is provided on pages 46–47 and in Note 7 on page 55.

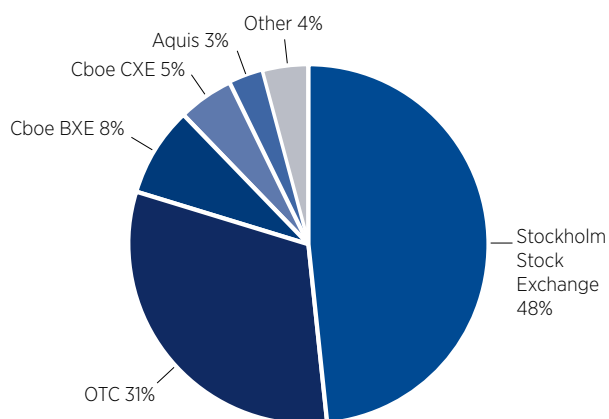
## Conversion of A-shares to C-shares

At the 2011 Annual General Meeting a share conversion clause was added to Industrivärden's Articles of Association in the aim of giving shareholders greater flexibility. Shareholders have the right at any time to request conversion of Class A shares to Class C shares. During 2019, 117 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 68.

## Trading per marketplace



Pertains to Class C shares. Source: Bloomberg.

## Shareholder structure

No. shares	No. shareholders	Capital, %
1-500	66,739	2
501-1,000	8,749	2
1,001-5,000	9,365	5
5,001-10,000	1,367	2
10,001-15,000	386	1
15,001-20,000	222	1
20,001-	742	87

Source: Euroclear.

## Largest shareholders

12/31/2019	Capital, %	Votes, %
L E Lundbergföretagen	17.1	23.8
Handelsbanken Pension Foundation	7.1	10.8
Jan Wallander and Tom Hedelius Foundation	6.3	9.7
Spiltan Funds	3.1	0.8
Vanguard	2.5	2.1
Fredrik Lundberg incl. companies	2.3	3.1
Norges Bank Investment Management	2.2	1.8
SCA Pension Foundation	2.1	3.2
Essity Vorsorge-Treuhand	2.1	3.2
Handelsbanken Pension Fund	2.0	3.0
Essity Pens. Found. sal. empl. & foremen	1.9	3.0
BlackRock	1.5	0.6
AFA Insurance	1.5	0.2
Alecta Pension Insurance	1.4	1.1
XACT Funds	1.2	1.0

Source: Industrivärden and Holdings.

## Key ratios, dividend and return

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Dividend/share, SEK	<b>6.00</b>	5.75	5.50	5.25	5.00	6.25	5.50	5.00	4.50	4.00
Dividend growth, %	<b>4</b>	5	5	5	neg	14	10	11	13	33
Dividend yield Class C shares, %	<b>2.7</b>	3.2	2.7	3.1	3.4	4.6	4.5	4.6	5.5	3.4
Total return Class C shares, %	<b>30</b>	-9	22	21	11	16	18	37	-28	48
Share price at 31 Dec., Class C shares, SEK	<b>225.90</b>	179.20	202.50	169.80	145.10	136.10	122.30	107.70	82.10	118.00

# Key ratios – ten-year overview

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Net asset value</b>										
Equities portfolio										
market value (SEK M)	<b>116,750</b>	92,170	107,289	94,250	81,835	83,062	77,992	68,077	56,903	71,092
total return (%)	<b>33</b>	-8	17	20	4	8	20	22	-23	31
net purchases/sales (SEK M)	<b>-1,163</b>	-3,252	103	-834	-1,894	1,561	-1,389	1,114	4,461	2,547
Interest-bearing net debt										
value (SEK M)	<b>-4,032</b>	-6,601	-10,930	-11,481	-12,648	-14,632	-17,094	-18,248	-16,780	-13,401
debt-equities ratio (%)	<b>3</b>	7	10	12	15	18	22	27	29	19
Net asset value										
value (SEK M)	<b>112,718</b>	85,201	96,299	82,769	69,056	68,345	60,898	49,829	40,123	57,691
value per share (SEK)	<b>259</b>	196	221	191	160	158	155	129	104	149
growth incl. reinvested dividends (%)	<b>35</b>	-9	18	23	5	9	24	29	-28	37
<b>Industrivärden's stock</b>										
Number of shareholders	<b>88,000</b>	80,000	75,000	69,000	63,000	60,000	54,000	48,000	49,000	49,000
Industrivärden's market capitalization										
value (SEK M)	<b>99,950</b>	79,062	90,570	76,201	66,434	60,638	50,357	42,461	33,069	46,090
value per share (SEK)	<b>230</b>	182	208	176	154	140	129	110	86	119
Number of shares outstanding										
total (thousands)	<b>435,209</b>	435,209	435,209	432,341	432,341	432,341	391,769	386,271	386,271	386,271
of which, Class A-shares (thousands)	<b>268,183</b>	268,183	268,184	268,185	268,185	268,186	268,530	268,530	268,530	268,547
of which, Class C-shares (thousands)	<b>167,026</b>	167,026	167,025	164,155	164,155	164,155	123,239	117,740	117,740	117,723
Dividends paid										
value (SEK M)	<b>2,611</b>	2,502	2,394	2,285	2,162	2,702	2,282	1,950	1,738	1,545
value per share (SEK)	<b>6.00</b>	5.75	5.50	5.25	5.00	6.25	5.50	5.00	4.50	4.00
dividend growth (%)	<b>4</b>	5	5	5	neg	14	10	11	13	33
dividend yield, Class C-shares (%)	<b>2.7</b>	3.2	2.7	3.1	3.4	4.6	4.5	4.6	5.5	3.4
<b>Total return, Industrivärden shares</b>										
Class A-shares (%)	<b>30</b>	-11	20	17	15	13	23	33	-25	40
Class C-shares (%)	<b>30</b>	-9	22	21	11	16	18	37	-28	48
Total return index, SIXRX (%)	<b>35</b>	-4	9	10	10	16	28	16	-14	27
MSCI World (%)	<b>28</b>	-8	23	8	0	6	27	17	-5	12
<b>Other key ratios</b>										
Earnings per share (SEK)	<b>68.56</b>	-19.14	35.76	38.05	7.18	12.62	31.16	28.50	-40.51	38.50
Management cost (% of portfolio value)	<b>0.10</b>	0.13	0.10	0.12	0.17	0.18	0.17	0.18	0.18	0.13
Dividends received (SEK M)	<b>4,093</b>	3,764	2,786	3,078	3,184	2,984	2,504	2,391	2,403	1,379
Shareholders' equity (SEK M)	<b>112,528</b>	85,142	95,880	82,129	67,850	67,406	59,280	48,378	39,140	56,327
Equity ratio (%)	<b>96</b>	91	88	86	82	80	75	71	69	79

Values and calculations pertain to the respective year-end.

Values for the years 2010–2012 have not been recalculated according to the principle for investment entities.



## Portfolio structure

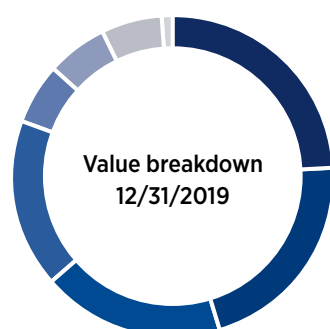
The equities portfolio is made up of large shareholdings in eight portfolio companies with strong market positions and in which Industrivärden exercises long-term active ownership. At year-end 2019 the portfolio companies had combined sales of SEK 1,200 billion and operations in more than 180 countries. A significant share of the equities portfolio is exposed to the industrial equipment, commercial vehicles, banking and consumer products sectors.

At December 31, 2019, the equities portfolio had a market value of SEK 116,750 M (92,170), or SEK 268 (212) per Industrivärden share. The value of the equities

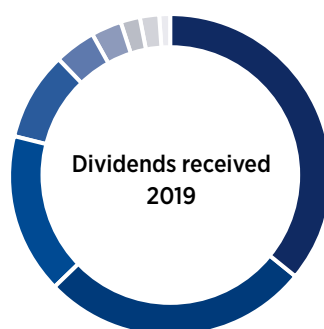
portfolio, adjusted for purchases and sales, increased by 28% during the year, compared with the Stockholm Stock Exchange's market index (OMXSPI), which gained 30%.

Dividends received from portfolio companies during the year amounted to a combined total of SEK 4,093 M (3,764). The portfolio's total return, i.e., growth in value including reinvested dividends, was 33%, compared with 35% for the total return index (SIXRX).

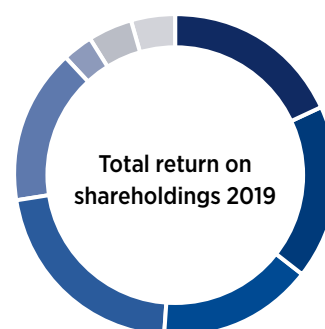
Further information about the equities portfolio is presented on pages 14–15.



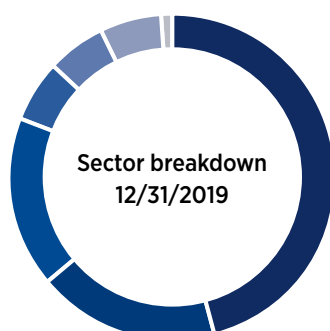
● Sandvik	SEK 28.4 bn	(24%)
● Volvo	SEK 25.0 bn	(21%)
● Handelsbanken	SEK 20.7 bn	(18%)
● Essity	SEK 20.2 bn	(17%)
● Ericsson	SEK 7.4 bn	(6%)
● SCA	SEK 6.7 bn	(6%)
● Skanska	SEK 6.6 bn	(6%)
● SSAB	SEK 1.5 bn	(1%)



● Volvo	SEK 1,462 M	(36%)
● Handelsbanken	SEK 1,116 M	(27%)
● Sandvik	SEK 655 M	(16%)
● Essity	SEK 384 M	(9%)
● Skanska	SEK 183 M	(4%)
● SCA	SEK 117 M	(3%)
● Ericsson	SEK 87 M	(2%)
● SSAB	SEK 67 M	(2%)
● ICA Gruppen	SEK 22 M	(1%)



● Sandvik	SEK 9,346 M	(49%)
● Volvo	SEK 8,037 M	(47%)
● Essity	SEK 6,056 M	(42%)
● Skanska	SEK 2,387 M	(58%)
● SCA	SEK 1,985 M	(42%)
● Handelsbanken	SEK 1,665 M	(8%)
● Ericsson	SEK 779 M	(12%)
● SSAB	SEK 164 M	(12%)



● Machinery (heavy trucks and industrial equipment)	46%
● Banking	18%
● Consumer products	17%
● Communication systems	6%
● Paper and forest products	6%
● Construction and technology	6%
● Metal and mining	1%

Sector breakdown according to GICS level 2.



**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.**

Operations are organized into three business areas and are conducted in 19 product areas that are entirely responsible for their own operations. The product areas have their own areas of focus to secure leading global positions and be number 1 or 2 in their respective industries. They deliver solutions mainly to the mining, engineering, automotive, energy, construction and aerospace segments. The Sandvik Machining Solutions (SMS) business area specializes in manufacturing tools and tooling systems for advanced metal cutting and offers digital solutions

for optimizing customers' productivity. Sandvik Mining and Rock Technology (SMRT) supplies equipment, tools, service and technical solutions to the mining and construction industries. Application areas include rock drilling and rock cutting, crushing and screening. Sandvik Materials Technology (SMT) 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 unique expertise in materials technology, extensive knowledge about industrial processes, close customer cooperation and high capacity for innovation.

*Industrivärden's shareholding*



	2019	2018
Shareholding, no. shares	155,400,000	152,300,000
Market value, SEK M	28,384	19,243
Share of votes, %	12.4	12.1
Share of capital, %	12.4	12.1
Total return, SEK M	9,346	-2,182

Active ownership position since 1997

Key data	2019	2018
Net sales, SEK M	103,238	100,072
Earnings after financial items (adj.), SEK M	17,982	17,795
Earnings per share (adj.), SEK	11.12	10.39
Debt-equity ratio, net, %	18	20
Dividend per share, SEK	4.50	4.25
Share price on December 31, SEK	182.65	126.35

*Largest shareholders December 31, 2019*

	Votes, %	Capital, %
Industrivärden	12.4	12.4
Alecta Pension Insurance	6.6	6.6
Swedbank Robur Funds	4.4	4.4
BlackRock	2.8	2.8
AMF Insurance & Funds	2.6	2.6
Vanguard	2.5	2.5
L E Lundbergföretagen	2.4	2.4
SEB Funds	2.3	2.3
Norges Bank Investment Management	1.8	1.8
Nordea Funds	1.4	1.4

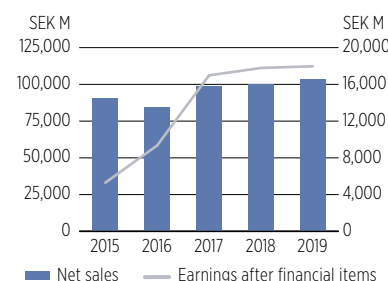
Source: Holdings.

CEO: Stefan Widing, since February 1, 2020

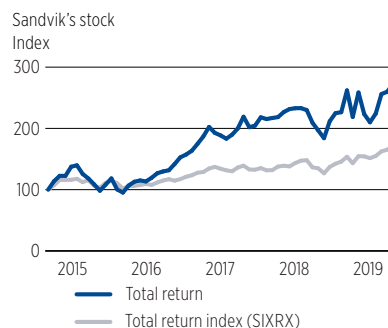
Chairman: Johan Molin

www.sandvik.com

*Net sales and earnings*



*Growth in value*





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

Operations are global, with sales in 190 countries. The vision is to be the 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 Group to penetrate many different customer and market

segments in mature as well as emerging markets. Trucks are sold under the Volvo, Renault Trucks, Mack and UD brands, under the Eicher brand by an Indian joint-venture company, and under the Dongfeng brand by a Chinese joint-venture company. The Volvo Group also sells construction equipment under the Volvo and SDLG brands. In addition, the Group 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.

### Industrivärden's shareholding



21% of portfolio value

	2019	2018
Shareholding, no. shares:		
Class A-shares	154,600,000	142,600,000
Class B-shares	3,600,000	3,600,000
Market value, SEK M	25,023	16,988
Share of votes, %	24.1	22.2
Share of capital, %	7.4	6.9
Total return, SEK M	8,037	-4,857

Active ownership position since 2009

Key data	2019	2018
Net sales, SEK M	431,980	390,834
Earnings after financial items, SEK M	46,832	32,148
Earnings per share after dilution, SEK	17.64	12.24
Debt-equity ratio, net, %	-29.3	-25.7
Dividend per share, SEK	13.00 <sup>1</sup>	10.00 <sup>1</sup>
Share price on December 31, SEK:		
Class A-shares	158.20	116.20
Class B-shares	156.90	115.95

1) Of which, extra dividend of SEK 7.50 per share (5.00).

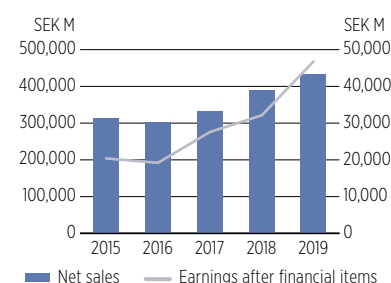
### Largest shareholders December 31, 2019

	Votes, %	Capital, %
Industrivärden	24.1	7.4
Geely Holding	15.0	7.9
AMF Insurance & Funds	5.0	3.3
Alecta Pension Insurance	4.8	4.3
AB Volvo	4.4	4.5
Norges Bank Investment Management	4.0	1.6
AFA Insurance	2.7	1.1
Swedbank Robur Funds	2.0	4.7
Fourth Swedish National Pension Fund (AP4)	1.8	0.9
BlackRock	1.6	4.8

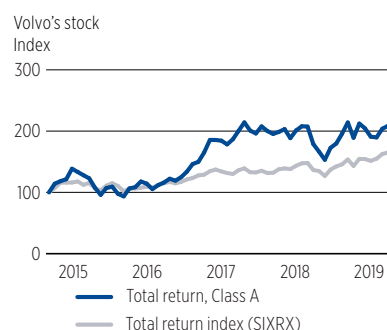
Source: Holdings.

CEO: Martin Lundstedt  
Chairman: Carl-Henric Svanberg  
www.volvogroup.com

### Net sales and earnings



### Growth in value





**Handelsbanken offers high-quality financial services to private and corporate customers in Sweden, Norway, Denmark, Finland, the UK and the Netherlands. The bank has a local presence and nationwide branch networks in its respective home markets.**

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

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

Handelsbanken 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, loan losses, cost effectiveness and profitability.

### Industrivärden's shareholding



	2019	2018
Shareholding, no. shares:		
Class A-shares	204,900,000	202,900,000
Market value, SEK M	20,674	19,945
Share of votes, %	10.5	10.6
Share of capital, %	10.3	10.4
Total return, SEK M	1,665	-1,356

Active ownership position since 1980

Key data	2019	2018
Income, SEK M	44,564	43,770
Earnings, SEK M	21,796	22,013
Earnings per share, SEK	8.65	8.93
Common equity tier 1 capital ratio, %	18.5	16.8
Dividend per share, SEK	5.50	5.50
Share price on December 31, SEK:		
Class A-shares	100.90	98.30
Class B-shares	103.40	101.20

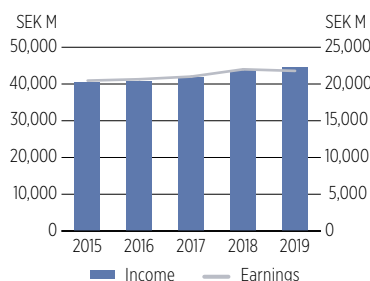
### Largest shareholders December 31, 2019

	Votes, %	Capital, %
Industrivärden	10.5	10.3
Oktogonen Foundation	10.3	10.2
BlackRock	3.0	2.9
Baillie Gifford & Co	2.7	2.7
L E Lundbergföretagen	2.6	2.5
Vanguard	2.3	2.3
Swedbank Robur Funds	2.1	2.1
Fidelity Investment Management	1.9	1.9
First Eagle Investment Management	1.6	1.6
JP Morgan Asset Management	1.6	1.5

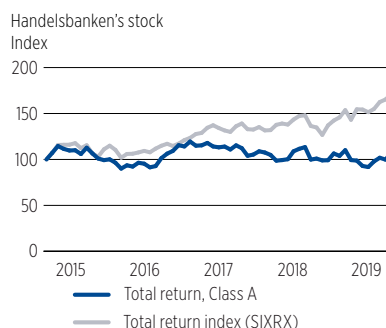
Source: Holdings.

CEO: Carina Åkerström  
Chairman: Pär Boman  
[www.handelsbanken.com](http://www.handelsbanken.com)

### Income and earnings



### 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 enhance 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 insight, new technology, new business models and Essity's ambition to contribute to a sustainable and circular society. Essity works with digitalization in all parts of operations, such 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 leaving 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 and Tempo. The company has a strong position in many emerging markets, including China, Latin America and Russia.

#### Industrivärden's shareholding



17% of  
portfolio value

	2019	2018
Shareholding, no. shares:		
Class A-shares	34,000,000	35,000,000
Class B-shares	32,800,000	31,800,000
Market value, SEK M	20,150	14,550
Share of votes, %	29.2	29.9
Share of capital, %	9.5	9.5
Total return, SEK M	6,056	-584

Active ownership position since 2016

Key data	2019	2018
Net sales, SEK M	128,975	118,500
Earnings after financial items, SEK M	13,040	9,602
Earnings per share, SEK	13.12	11.23
Debt-equity ratio, net, %	81	99
Dividend per share, SEK	6.25	5.75
Share price on December 31, SEK:		
Class A-shares	301.50	218.00
Class B-shares	301.80	217.60

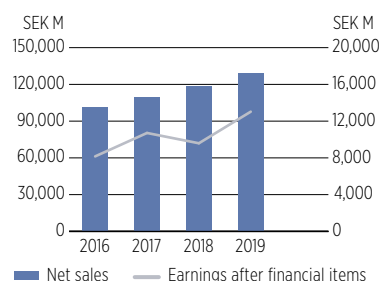
#### Largest shareholders December 31, 2019

	Votes, %	Capital, %
Industrivärden	29.2	9.5
Norges Bank Investment Management	6.8	3.6
AMF Insurance & Funds	4.2	3.4
MFS Investment Management	2.7	5.0
Oktogonen Foundation	2.1	0.4
Skandia Mutual Life Insurance Company	1.8	0.7
Swedbank Robur Funds	1.7	3.1
T. Rowe Price	1.6	3.0
BlackRock	1.4	2.6
Vanguard	1.4	2.5

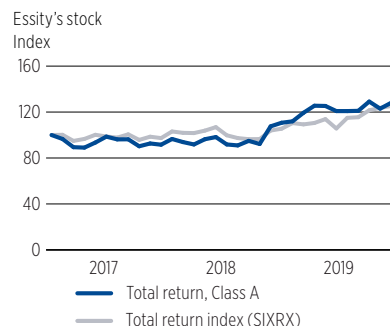
Source: Holdings.

CEO: Magnus Groth  
Chairman: Pär Boman  
www.essity.com

#### Net sales and earnings



#### Growth in value





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

The company delivers 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 enabled 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 the next generation of mobile networks (5G). 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.

*Industrivärden's shareholding*



**6% of portfolio value**

	2019	2018
Shareholding, no. shares:		
Class A-shares	<b>86,052,615</b>	86,052,615
Class B-shares	<b>1,000,000</b>	1,000,000
Market value, SEK M	<b>7,430</b>	6,738
Share of votes, %	<b>15.1</b>	15.1
Share of capital, %	<b>2.6</b>	2.6
Total return, SEK M	<b>779</b>	2,227

Active ownership position since 1944

Key data	2019	2018
Net sales, SEK M	<b>227,216</b>	210,838
Earnings after financial items, SEK M	<b>8,762</b>	-1,463
Earnings per share, SEK	<b>0.67</b>	-1.98
Debt-equity ratio, net, % <sup>1</sup>	<b>-42</b>	-41
Dividend per share, SEK	<b>1.50</b>	1.00
Share price on December 31, SEK:		
Class A-shares	<b>85.40</b>	77.40
Class B-shares	<b>81.56</b>	77.92

1) Excl. pensions and leasing.

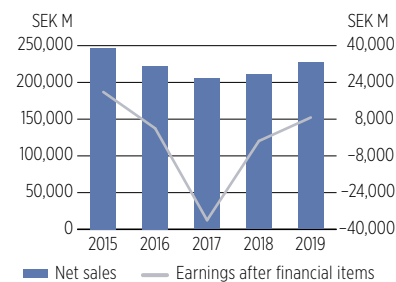
*Largest shareholders December 31, 2019*

	Votes, %	Capital, %
Investor	22.5	7.2
Industrivärden	15.1	2.6
Cevian Capital	5.0	8.4
Handelsbanken Pension Foundation	2.9	0.5
AMF Insurance & Funds	2.7	2.3
Swedbank Robur Funds	2.3	3.9
AFA Insurance	2.1	0.7
PRIMECAP	2.0	3.5
Vanguard	2.0	3.1
BlackRock	1.8	3.0

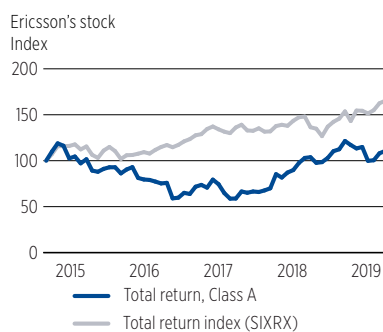
Source: Holdings.

CEO: Börje Ekholm  
Chairman: Ronnie Leten  
www.ericsson.com

*Net sales and earnings*



*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 30,000 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 used to create value. The company's products include solid-wood products, pulp, kraftliner, publication papers and renewable energy. SCA creates value and contributes to a circular 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, wood processing units with planing mills in Sweden, the UK and France, and distribution and wholesale operations. The Pulp segment produces sulfate pulp and chemi-thermomechanical pulp (CTMP), which is made at the Östrand pulp mill. The Paper segment produces containerboard in Obbola and Munksund, and publishing papers in Ortviken, which are used for magazines, catalogs and advertising brochures.

#### Industrivärden's shareholding



**6% of  
portfolio value**

	2019	2018
Shareholding, no. shares:		
Class A-shares	<b>33,785,290</b>	35,000,000
Class B-shares	<b>34,575,273</b>	31,800,000
Market value, SEK M	<b>6,660</b>	4,688
Share of votes, %	<b>29.0</b>	29.7
Share of capital, %	<b>9.7</b>	9.5
Total return, SEK M	<b>1,985</b>	-1,243

Active ownership position since 1950

Key data	2019	2018
Net sales, SEK M	<b>19,591</b>	18,755
Earnings after financial items, SEK M	<b>3,577</b>	3,973
Earnings per share, SEK	<b>4.05</b>	5.21
Debt-equity ratio, net, %	<b>12.5</b>	18.0
Dividend per share, SEK	<b>2.00</b>	1.75
Share price on December 31, SEK:		
Class A-shares	<b>99.90</b>	71.50
Class B-shares	<b>95.00</b>	68.72

Excl. the effect of changed accounting method for valuation of forest assets.

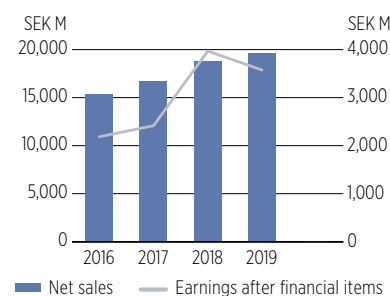
#### Largest shareholders December 31, 2019

	Votes, %	Capital, %
Industrivärden	29.0	9.7
Norges Bank Investment Management	9.6	7.2
AMF Insurance & Funds	7.4	11.1
Handelsbanken Pension Foundation	3.4	1.4
Swedbank Robur Funds	3.0	5.5
Alecta Pension Insurance	2.4	4.4
Aberdeen Standard Investments	2.3	1.0
Skandia Mutual Life Insurance Company	1.6	1.1
Vanguard	1.5	2.5
Handelsbankens Pension Fund	1.3	0.7

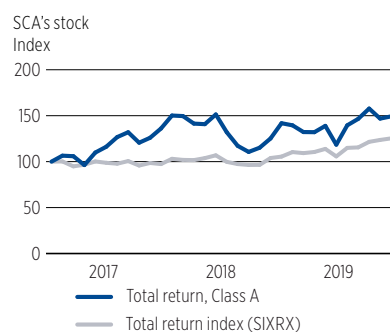
Source: Holdings.

CEO: Ulf Larsson  
Chairman: Pär Boman  
www.sca.com

#### Net sales and earnings



#### 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 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



	2019	2018
Shareholding, no. shares:		
Class A-shares	<b>12,667,500</b>	12,667,500
Class B-shares	<b>18,500,000</b>	16,343,995
Market value, SEK M	<b>6,598</b>	4,091
Share of votes, %	<b>24.3</b>	23.9
Share of capital, %	<b>7.4</b>	6.9
Total return, SEK M	<b>2,387</b>	-629
Active ownership position since 1987		

Key data	2019	2018
Net sales, SEK M	<b>176,782</b>	170,494
Earnings after financial items, SEK M	<b>7,725</b>	4,863
Earnings per share, SEK	<b>15.46</b>	9.55
Debt-equity ratio, net, %	<b>14.9</b>	-11.0
Dividend per share, SEK	<b>6.25</b>	6.00
Share price, Class B-shares, on December 31, SEK	<b>211.70</b>	141.00

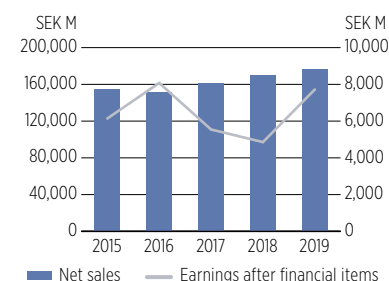
### Largest shareholders December 31, 2019

	Votes	Capital, %
Industrivärden	24.3	7.4
L E Lundbergföretagen	12.5	4.8
AMF Insurance & Funds	3.3	4.6
Swedbank Robur Funds	2.8	4.0
Alecta Pension Insurance	2.7	3.8
BlackRock	1.9	2.7
Vanguard	1.8	2.5
Skanska AB	1.4	2.0
Norges Bank Investment Management	1.3	1.9
Carnegie Funds	1.1	1.6

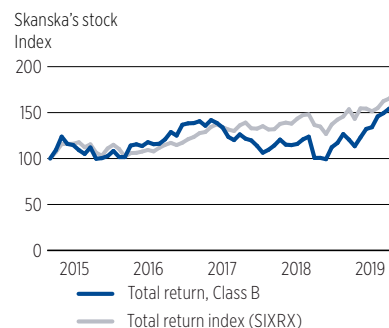
Source: Holdings.

CEO: Anders Danielsson  
Chairman: Hans Björck  
[www.skanska.com](http://www.skanska.com)

### Net sales and earnings



### 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 helps 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 has plans as 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

	2019	2018
Shareholding, no. shares:		
Class A-shares	<b>44,334,933</b>	44,334,933
Market value, SEK M	<b>1,456</b>	1,352
Share of votes, %	<b>11.8</b>	11.8
Share of capital, %	<b>4.3</b>	4.3
Total return, SEK M	<b>164</b>	-359

Active ownership position since 1994

Key data	2019	2018
Net sales, SEK M	<b>76,485</b>	74,941
Earnings after financial items, SEK M	<b>1,572</b>	4,403
Earnings per share, SEK	<b>1.04</b>	3.45
Debt-equity ratio, net, %	<b>19</b>	18
Dividend per share, SEK	<b>1.50</b>	1.50
Share price, on December 31, SEK:		
Class A-shares	<b>32.85</b>	30.49
Class B-shares	<b>30.52</b>	24.92

### Largest shareholders December 31, 2019

	Votes, %	Capital, %
Industrivärden	11.8	4.3
Government of Finland	9.8	12.6
LKAB	3.6	2.3
Lannebo Funds	2.8	1.0
Vanguard	2.3	2.3
Norges Bank Investment Management	1.8	2.2
Swedbank Robur Funds	1.8	3.5
Invesco	1.1	1.3
Folksam	1.1	1.1
BlackRock	1.0	1.0

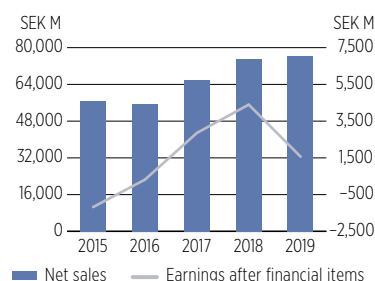
Source: Holdings.

CEO: Martin Lindqvist

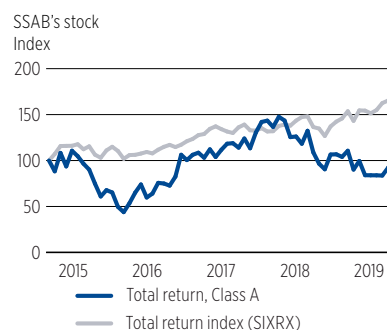
Chairman: Bengt Kjell

www.ssab.com

### Net sales and earnings



### Growth in value





INDUSTRI VÄRDEN  
2019  
Business Review and  
Annual Report  
75  
INDUSTRIVÄRDEN 1944-2019 • 75  
YEARS OF VALUE CREATION

# Annual Report 2019

The Board of Directors and CEO of AB Industrivärden (publ), corporate identity number 556043-4200, herewith submit the annual report for the 2019 fiscal year for the Group and Parent Company.

The Company's Sustainability Report is presented on pages 20–23 and 71–74 in Industrivärden's business review and Annual Report for 2019.

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

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# Administration of the Company

### Operations

Industrivärden is an asset management company 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 1.6 billion in Volvo A, SEK 0.5 billion in Sandvik, SEK 0.4 billion in Skanska B, SEK 0.3 billion in Essity B, SEK 0.2 billion in SCA B and SEK 0.2 billion in Handelsbanken A. In addition, shares were sold for SEK 0.3 billion in Essity A and SEK 0.1 billion in SCA A. Shares in ICA Gruppen worth SEK 4.1 billion were delivered in connection with the redemption of the outstanding exchangeable, whereby the remaining shares were sold.

### Financial development

#### *Net asset value*

Net asset value on December 31, 2019, was SEK 259 per share, an increase of 35% during the year including reinvested dividend.

#### *Equities portfolio*

The value of the equities portfolio, adjusted for purchases and sales, increased by SEK 26.1 billion to SEK 116.7 billion. The total return was 33%. The composition and performance of the equities portfolio are presented on page 24 and in Note 11 on page 57.

#### *Interest-bearing net debt*

Interest-bearing net debt on December 31, 2019, was SEK 4.0 billion (6.6). The debt-equities ratio was 3% (7%).

#### *Parent Company*

The Parent Company's income after financial items at December 31, 2019, was SEK 19,846 M (-5,007). Shareholders' equity was SEK 63,627 M (46,233).

### 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 61.

### 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 20–23 and 71–74 and is separate from the 2019 Annual Report.

### Industrivärden's stock

The number of shares outstanding in Industrivärden on December 31, 2019, was 435,209,877, of which 268,183,340 were Class A shares and 167,026,537 were Class C shares. During 2019 117 Class A-shares were converted to Class C-shares.

#### *Return*

The total return was 30% for both the Class A and Class C shares, compared with 35% for the total return index (SIXRX).

### Guidelines for compensation of senior executives

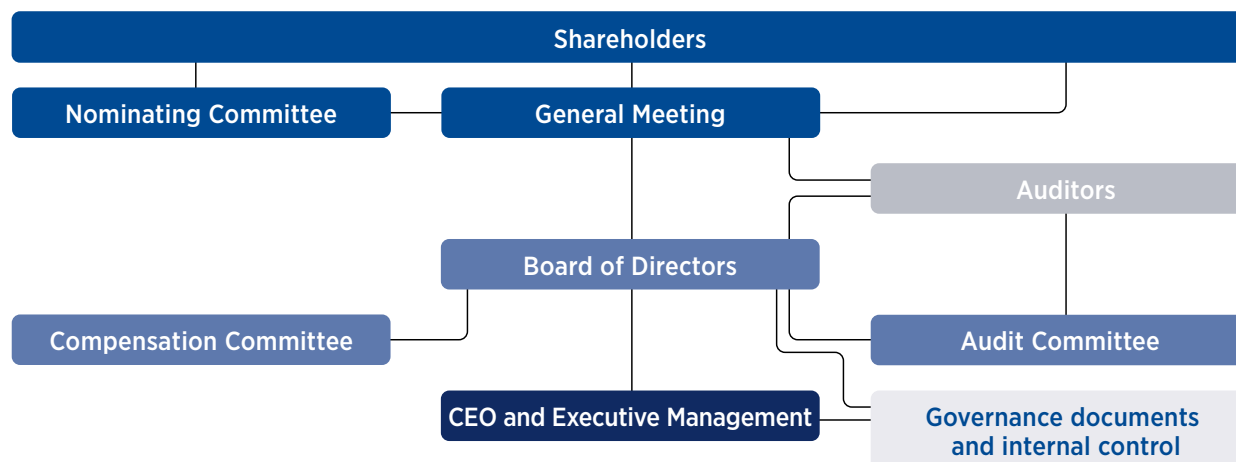
For information on compensation of senior executives and ongoing long-term incentive programs, see Note 7 on page 55. The guidelines for compensation of senior executives adopted by the 2019 Annual General Meeting are outlined in the same note. The Board of Directors' recommendation for guidelines for resolution by the 2020 Annual General Meeting is presented on pages 44–45.

### Proposed distribution of earnings

According to the Parent Company balance sheet, earnings totaling SEK 61,476 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 6.00 per share, or a total SEK 2,611 M. The balance to be carried forward next year is SEK 58,865 M. The Board's complete proposal for distribution of earnings is provided on page 63.



# 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](http://www.nasdaqomxnordic.com)), the Swedish Corporate Governance Code ("the Code") ([www.bolagsstyrning.se](http://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 fiscal 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 2019 fiscal year has been prepared in accordance with the Annual Accounts Act and the Code, and has been examined by the Company's auditor. During 2019 Industrivärden did not depart from the Code.

## Shareholders

As per December 31, 2019, Industrivärden had approximately 88,000 shareholders. Two shareholders each hold more than 10% of the number of votes: L E Lundbergföretagen owns 23.8% of the number of votes, and the Handelsbanken Pension Foundation owns 10.8% of the number of votes, in the Company. For further information on the ownership structure, see pages 26–27.

## 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 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, a decision is made on whether to discharge the directors and the CEO from liability, and the guidelines for compensation of senior executives are adopted.

At the AGM on April 17, 2019, the following resolutions were made, among others:

- To pay a dividend of SEK 5.75 per share
- To re-elect all board members
- To elect Deloitte AB as new auditor
- To adopt the guidelines for compensation of senior executives
- To approve a long-term share savings program for Industrivärden employees

Further information on Industrivärden's 2019 AGM is available on Industrivärden's website under the menu Corporate Governance.

Industrivärden's 2020 Annual General Meeting will be held on April 24, 2020. For more information, see page 69 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 2019 AGM and the Nominating Committee's report is available on Industrivärden's website under the menu Corporate Governance.

The Nominating Committee ahead of the 2020 AGM has the following composition: Mats Guldbrand (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 Guldbrand 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 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 46 and Industrivärden's website, under the menu Corporate Governance.

The Nominating Committee's reasoned statement ahead of the 2019 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. The 2019 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 2019 AGM is outlined in the table below.

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.

## Attendance, fees and independence conditions

Board members elected at the 2019 Annual General Meeting

Name	Role			Independent in relation to		Attendance at meetings			Decided fee 2019, 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		9	3	3	2,060
Pär Boman	Vice Chairman	Chair	-			9	3	-	1,240
Christian Caspar	Director	Member	-	x	x	9	3	-	620
Bengt Kjell	Director	-	-	x	x	9	-	-	620
Nina Linander	Director	Member	-	x	x	9	3	-	620
Annika Lundius	Director	-	Member	x	x	9	-	3	620
Lars Pettersson	Director	-	Member	x		8	-	3	620
Helena Stjernholm	Director	-	-		x	9	-	-	-
<b>Total</b>									<b>6,400</b>

### *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 instructions 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 subheading "Internal control over financial reporting" on page 45. Every board meeting is conducted in accordance with 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 are recorded of board meetings 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 2019 the Board held a total of nine meetings.

The regular board meetings cover a number of set agenda points. 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 presented 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 2019, within the framework of active ownership and as in earlier years, a significant part of the Board's work consisted of hearing presentations 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.

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 2019 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 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 to the Nominating Committee.

### *Audit Committee*

The Audit Committee serves 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 2019. The Company's auditors participated at all three meetings, of which the departing auditor PricewaterhouseCoopers AB participated at one meeting, and the new auditor elected at the 2019 AGM, Deloitte AB, participated at two meetings. The members of the Audit Committee are listed in the table on page 42. 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 program 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 2019. The members of the Compensation Committee are listed in the table on page 42. 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 instructions. The CEO's duties include, among other things, leading and structuring the investment and analysis operations, deciding on share 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 makes regular presentations to the Board of Directors 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 47 and Industrivärden's website under the menu Corporate Governance.

## Compensation

### *Directors' fees*

The 2019 AGM resolved on directors' fees in accordance with the table on page 42.

### *Compensation of senior executives 2019*

The guidelines for compensation of senior executives that were adopted by the 2019 AGM and information on compensation of senior executives in 2019 are provided in Note 7 on pages 54–55.

### *Guidelines for compensation of senior executives 2020*

The Board of Directors recommends that the 2020 AGM resolve in favor of the following guidelines for compensation of senior executives.

These guidelines pertain to Industrivärden's CEO and other members of the Executive Management. The guidelines are to be applied for compensation agreed upon, and changes made to already agreed upon compensation, after the guidelines have been adopted by the 2020 AGM. Compensation decided by the AGM is not covered.

Compared with the guidelines decided upon by the 2019 AGM, the proposal below has been updated to meet the requirements arising out of implementation of the EU's Shareholder Rights Directive.

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

The Company's business mission is to be a long-term asset manager and active owner of listed Nordic companies. The mission, objectives and strategy are presented in more detail on Industrivärden's website [www.industrivarden.net](http://www.industrivarden.net).

Successful and sustainable execution of the Company's mission, objectives 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 business 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 (1)% of fixed annual cash salary, and for other senior executives they may amount to four (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](http://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 non compete 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.

### **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 2019 AGM, Deloitte AB was elected as new auditor for a term lasting through the 2020 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 2019 Hans Warén was chief auditor, for among other things, the listed companies Axfood, Castellum, Trelleborg, Gunnebo and Lindab.

In 2019 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 2019 is provided on pages 64–66, and the auditor's fee is shown in Note 8 on page 56.

### **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 61.

#### *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 dialog 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 2019 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 61.

#### *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 77,600,000\*



**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, Benteler International AG and Goodgrower SA. More than 30 years of experience from leading positions at McKinsey & Company.  
Shareholding: Own 1,000



**BENGT KJELL** (1954)

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



**NINA LINANDER** (1959)

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



**ANNIKA LUNDIUS** (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 2,554, closely related legal entities 1,500



**LARS PETTERSSON** (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)

Director since 2016, President and CEO since 2015  
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 64,000, closely related natural person 1,000 and 75,000 call options

Holdings as per February 14, 2020. The information is published annually in conjunction with the publication of the Company's Corporate Governance Report/Annual Report and notice of Annual General Meeting, and at other times in connection with major changes.

\*Pertains to holdings in L E Lundbergföretagen (75,600,000) and Förvaltnings AB Lunden (2,000,000).

# Executive Management



**HELENA STJERNHOLM** (1970)

*President and CEO since 2015*  
*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 64,000, 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 5,200*



**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 2,000*



**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 15,000*



**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 3,000*

Financial statements





# Income statement

SEK M	Note	Group		Parent Company	
		2019	2018	2019	2018
Dividend income from shares	2	4,093	3,764	2,403	1,753
Change in value of shares, etc.	3	25,983	-11,954	17,588	-6,623
Management cost	6, 7, 8	-115	-121	-115	-121
<b>Operating income</b>		<b>29,961</b>	<b>-8,311</b>	<b>19,876</b>	<b>-4,991</b>
Financial income	5	1	3	1	3
Financial expenses	5	-32	-22	-31	-19
<b>Income after financial items</b>		<b>29,930</b>	<b>-8,330</b>	<b>19,846</b>	<b>-5,007</b>
Tax	9	-93	-	-	-
<b>Net income for the year</b>		<b>29,837</b>	<b>-8,330</b>	<b>19,846</b>	<b>-5,007</b>
<b>Earnings per share, SEK</b>		<b>68.56</b>	<b>-19.14</b>		

## Statement of comprehensive income

Net income for the year	29,837	-8,330	19,846	-5,007
<b>Items that are not to be reclassified in the income statement</b>				
Actuarial gains and losses pertaining to pensions	51	-14	51	-14
<b>Comprehensive income for the year</b>	<b>29,888</b>	<b>-8,344</b>	<b>19,897</b>	<b>-5,021</b>

# Balance sheet

SEK M	Note	Group		Parent Company	
		Dec. 31 2019	Dec. 31 2018	Dec. 31 2019	Dec. 31 2018
<b>ASSETS</b>					
Property, plant and equipment	10	14	11	14	11
Equities	11, 14	116,750	92,170	36,908	31,483
Shares in associated companies	11, 12, 14	-	-	30,657	20,371
Shares in subsidiaries	13, 14, 28	-	-	1,735	1,735
<b>Total non-current assets</b>		<b>116,764</b>	<b>92,181</b>	<b>69,314</b>	<b>53,600</b>
Other current receivables	15	191	273	149	778
Cash and cash equivalents		56	786	-	10
<b>Total current assets</b>		<b>247</b>	<b>1,059</b>	<b>149</b>	<b>788</b>
<b>TOTAL ASSETS</b>		<b>117,011</b>	<b>93,240</b>	<b>69,463</b>	<b>54,388</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
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		80,540	91,321	41,630	49,089
Net income for the year		29,837	-8,330	19,846	-5,007
<b>Total shareholders' equity</b>		<b>112,528</b>	<b>85,142</b>	<b>63,627</b>	<b>46,233</b>
Non-current interest-bearing liabilities	16	2,255	2,059	2,255	2,059
Provision for pensions	17	68	111	68	111
Deferred tax liability	9	93	-	-	-
Other non-current liabilities		44	36	44	36
<b>Total non-current liabilities</b>		<b>2,460</b>	<b>2,206</b>	<b>2,367</b>	<b>2,206</b>
Current interest-bearing liabilities	18	1,932	1,325	3,390	1,250
Exchangeable bond	18, 19	-	4,069	-	4,069
Other current liabilities	20	91	498	79	630
<b>Total current liabilities</b>		<b>2,023</b>	<b>5,892</b>	<b>3,469</b>	<b>5,949</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>117,011</b>	<b>93,240</b>	<b>69,463</b>	<b>54,388</b>

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

# Shareholders' equity

## Group

SEK M	Share capital <sup>1</sup>	Other capital contributions	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2017	1,088	1,063	78,174	15,555	95,880
Net income for the year	-	-	-	-8,330	-8,330
Actuarial gains and losses pertaining to pensions	-	-	-14	-	-14
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-14</b>	<b>-8,330</b>	<b>-8,344</b>
Transfer of previous year's net income	-	-	15,555	-15,555	-
Dividend to shareholders	-	-	-2,394	-	-2,394
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2018</b>	<b>1,088</b>	<b>1,063</b>	<b>91,321</b>	<b>-8,330</b>	<b>85,142</b>
Net income for the year	-	-	-	29,837	29,837
Actuarial gains and losses pertaining to pensions	-	-	51	-	51
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>51</b>	<b>29,837</b>	<b>29,888</b>
Transfer of previous year's net income	-	-	-8,330	8,330	-
Dividend to shareholders <sup>2</sup>	-	-	-2,502	-	-2,502
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2019</b>	<b>1,088</b>	<b>1,063</b>	<b>80,540</b>	<b>29,837</b>	<b>112,528</b>

## Parent Company

SEK M	Share capital <sup>1</sup>	Statutory reserve	Retained earnings	Net income for the year	Total shareholders' equity
Shareholders' equity as per adopted balance sheet at December 31, 2017	1,088	1,063	39,375	12,121	53,647
Net income for the year	-	-	-	-5,007	-5,007
Actuarial gains and losses pertaining to pensions	-	-	-14	-	-14
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-14</b>	<b>-5,007</b>	<b>-5,021</b>
Transfer of previous year's net income	-	-	12,121	-12,121	-
Dividend to shareholders	-	-	-2,394	-	-2,394
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2018</b>	<b>1,088</b>	<b>1,063</b>	<b>49,089</b>	<b>-5,007</b>	<b>46,233</b>
Net income for the year	-	-	-	19,846	19,846
Actuarial gains and losses pertaining to pensions	-	-	51	-	51
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>51</b>	<b>19,846</b>	<b>19,897</b>
Transfer of previous year's net income	-	-	-5,007	5,007	-
Dividend to shareholders <sup>2</sup>	-	-	-2,502	-	-2,502
<b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2019</b>	<b>1,088</b>	<b>1,063</b>	<b>41,630</b>	<b>19,846</b>	<b>63,627</b>

1) As per December 31, 2019, there were 435,209,877 shares outstanding, of which 268,183,340 were Class A shares and 167,026,537 were Class C shares. The share capital amounted to SEK 670.5 M for the Class A shares and SEK 417.6 M for the Class C shares. The share quota value is SEK 2.50.

2) The dividend in 2019 was SEK 5.75 per share.

# Statement of cash flows

SEK M	Note	Group		Parent Company	
		2019	2018	2019	2018
<b>Operating activities</b>					
Dividend income from shares	2	4,093	3,764	2,403	1,753
Management cost paid		-155	-137	-155	-138
Other items affecting cash flow		-36	-106	-36	-106
Cash flow from operating activities before financial items		3,902	3,521	2,212	1,509
Interest received		1	1	1	0
Interest paid		-25	-19	-25	-20
Other financial items		-6	-11	-6	-11
<b>Cash flow from operating activities</b>		<b>3,872</b>	<b>3,492</b>	<b>2,182</b>	<b>1,478</b>
<b>Investing activities</b>					
Purchases/sales of shares	4, 14	1,163	3,252	1,638	3,819
<b>Cash flow from investing activities</b>		<b>1,163</b>	<b>3,252</b>	<b>1,638</b>	<b>3,819</b>
<b>Financing activities</b>					
Loans raised		3,155	3,983	2,999	3,700
Amortization of debt		-6,426	-8,026	-6,426	-8,022
Investments		8	-134	8	-134
Change in financing of subsidiaries		-	-	2,091	713
Dividend paid		-2,502	-2,394	-2,502	-2,394
<b>Cash flow from financing activities</b>		<b>-5,765</b>	<b>-6,571</b>	<b>-3,830</b>	<b>-6,137</b>
<b>NET CASH FLOW FOR THE YEAR</b>		<b>-730</b>	<b>173</b>	<b>-10</b>	<b>-840</b>
Cash and cash equivalents at start of year		786	613	10	850
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>56</b>	<b>786</b>	<b>0</b>	<b>10</b>

Information on the Group's interest-bearing net debt is provided in the table on page 61.



# 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 position.

### Principles of consolidation

Industrivärden is classified as an Investment Entity and as such does not consolidate certain subsidiaries.

Subsidiaries that serve in a supporting function for the Parent Company are consolidated in accordance with the acquisition method. 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 Notes 3 and 4.

### Exchangeable bond

The exchangeable bond, which is issued in SEK, consists of a host contract in the form of a bond and an issued option to either repay the loan with shares in ICA Gruppen or in cash. The host contract was initially measured at fair value and thereafter at amortized cost using the effective interest method. 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 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 cash-settled programs in which the employees can invest a certain portion of their fixed annual salary in Industrivärden stock, and after three years receive performance and matching shares, provided that they are still employed. For more information about the programs, see Note 7. The cost of the programs is allocated over their respective terms and is reported in the income statement under the item *Management cost*. The liability for the programs is remeasured at fair value in connection with each book-closing. Industrivärden has entered into a share swap agreement to limit the cost. The share swap is remeasured on a continuing basis at fair value, and the change in value is reported in the income statement under the item *Management cost*.

#### Other

Unless specified otherwise, all amounts stated are rounded off to the nearest million 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	
	2019	2018	2019	2018
Sandvik	655	517	651	517
Volvo	1,462	604	1,401	580
Handelsbanken	1,116	1,488	-	-
Essity	384	384	-	-
Ericsson	87	87	87	87
SCA	117	100	-	-
Skanska	183	239	183	239
SSAB	67	118	59	108
ICA Gruppen	22	227	22	221
<b>Total</b>	<b>4,093</b>	<b>3,764</b>	<b>2,403</b>	<b>1,753</b>

## Note 3. Change in value of shares, etc.

	Group		Parent Company	
	2019	2018	2019	2018
Sandvik	8,659	-2,618	8,597	-2,595
Volvo	6,437	-5,336	6,181	-5,108
Handelsbanken	541	-2,774	-	-
Essity	5,604	-969	-	-
Ericsson	692	2,102	692	2,102
SCA	1,855	-1,326	-	-
Skanska	2,157	-841	2,157	-841
SSAB	105	-457	93	-395
ICA Gruppen	-371	356	-371	341
Other	65	-4	-	-
Stocks	25,744	-11,867	17,349	-6,496
Exchangeable bond				
Option portion's change in value	371	-53	371	-53
Indexing	-	-33	-	-33
Transaction costs	-3	-9	-3	-9
Other, net	-129	8	-129	-32
<b>Total</b>	<b>25,983</b>	<b>-11,954</b>	<b>17,588</b>	<b>-6,623</b>

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

	Group		Parent Company	
	2019	2018	2019	2018
Volvo	1,598	560	1,598	489
Sandvik	482	653	482	493
Skanska	351	-	351	-
Handelsbanken	189	680	-	-
SCA	117	-	-	-
ICA Gruppen	-4,069	-2,060	-4,069	-1,896
Essity	-3	-	-	-
SSAB	-	-3,025	-	-2,855
Other	173	-60	-	-50
<b>Total</b>	<b>-1,163</b>	<b>-3,252</b>	<b>-1,638</b>	<b>-3,819</b>

## Note 5. Financial income and expenses

	Group		Parent Company	
	2019	2018	2019	2018
Financial income				
Interest income	1	3	1 <sup>1</sup>	3 <sup>1</sup>
<b>Total</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>3</b>

	Group		Parent Company	
	2019	2018	2019	2018
Financial expenses				
Interest expenses	-23	-20	-23 <sup>2</sup>	-17 <sup>2</sup>
Other financial expenses	-9	-2	-8	-2
<b>Total</b>	<b>-32</b>	<b>-22</b>	<b>-31</b>	<b>-19</b>

1) There is no intra-Group interest income in the Parent Company.

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

## Note 6. Average number of employees

Age group	2019		2018	
	Number of employees	Of whom, women	Number of employees	Of whom, women
-30	2	1	2	-
30-50	10	5	9	5
50-	3	1	4	2
<b>Total</b>	<b>15</b>	<b>7</b>	<b>15</b>	<b>7</b>

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

## Note 7. Wages, other compensation and social security costs

	2019				2018			
	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	41	28	10	6	45	34	14

### Executive Management's compensation and pension costs for 2019

	Base salary	Variable salary	Incentive program	Other benefits	Pension costs
CEO Helena Stjernholm	10.8 <sup>1</sup>	4.3	1.6	0.1	4.3
Other members of the Executive Management (4 persons)	10.1	4.2	0.8	0.2	3.2
<b>Total</b>	<b>20.9</b>	<b>8.5</b>	<b>2.4</b>	<b>0.3</b>	<b>7.5</b>

1) The Company's cost amounts to SEK 7.2 M after deducting SEK 3.6 M for directors' fees paid by the portfolio companies.

## Note 7. Wages, other compensation and social security costs, cont.

### 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 were issued to the Chairman of the Board and other directors in accordance with an AGM resolution. A fee of SEK 2.1 M (2.0) 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 paid to the members of the Board of Directors in 2019 amounted to SEK 5.8 M (5.6). 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 2019 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.

### CEO and members of the Executive Management

The CEO was paid a base salary of SEK 10.8 M (10.4). The Company's cost is reduced by SEK 3.6 M for directors' fees paid by portfolio companies for 2019. Variable salary for 2019, which is based on the Board's annual evaluation, amounted to SEK 4.3 M (4.2), which will be paid out in 2020. The earned portion in the current incentive program amounted to SEK 1.6 M (1.9). The incentive program that expired in 2019 resulted in grants of 13,873 (17,196) Industrivärden Class C shares to the CEO, corresponding to a value of SEK 2.9 M (3.2). The cost of defined contribution pension premiums was SEK 4.3 M (4.2). 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 (three) members of the Executive Management together received base salaries of SEK 10.1 M (7.0). The other members of the Executive Management are entitled to long-term and short-term variable salary. Short-term variable salary for 2019 amounted to SEK 4.2 M (2.8), which will be paid out in 2020. The outcome is based on the achievement of individually set goals. The vested portion of the ongoing incentive program amounted to SEK 0.8 M (0.6). The incentive program that expired in 2019 resulted in grants of 2,756 (3,696) Industrivärden Class C shares to the other members of the Executive Management, for a value of SEK 0.6 M (0.7). The combined cost of defined contribution pension premiums was SEK 3.2 M (2.2). Other benefits pertain to company cars, etc. In the event of the Company service 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 program aims to encourage Industrivärden's employees to increase their ownership of shares in the Company and thereby further emphasize long-term shareholder value. The incentive program is expected to increase Industrivärden's opportunities to recruit and retain competent employees as well as the participants' interest in and commitment to Industrivärden's business and development. Against this background, the program is judged to have a positive impact on Industrivärden's continued development and thereby be beneficial for both the

shareholders and Industrivärden's employees. In the outstanding programs, a maximum of 17,961 matching shares and 62,352 performance shares may be granted. Grants of matching shares and performance shares require continued employment at the time of the match. In addition, grants of performance shares are conditional upon an average annual total return for Industrivärden's Class C shares during the three-year lock-in period that is equal to or higher than the SIXRX index, and full grants of performance shares require an average annual total return for Industrivärden's Class C shares during the three-year lock-in period that exceeds the SIXRX index by 2 percentage points per year. The cost of incentive programs in 2019 was SEK 0.0 M (0.8). The total liability for the programs is SEK 3.4 M (4.2).

### Long-term incentive program 2019

The 2019 AGM resolved to offer a long-term incentive program for a maximum of 20 employees in the Industrivärden Group. During 2019, 13,058 shares were bought within the program, which can qualify for a maximum grant of 6,529 matching shares and 22,821 performance shares.

### Long-term incentive programs 2017 and 2018

The 2017 and 2018 incentive programs include a total of 22,864 purchased shares, which can qualify for grants of a maximum of 11,432 matching shares and 39,531 performance shares.

### Long-term incentive programs 2016

The 2016 incentive program expired in October 2019. In connection with this, a total of 20,310 Industrivärden Class C shares were granted for a value of SEK 4.3 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 2019 AGM

Compensation paid to the CEO and other members of the Executive Management shall consist of a base salary, a variable salary, other benefits and pension. The total compensation should be competitive and in line with the going rate in the market, and shall be commensurate with the executive's responsibilities and authority. The variable salary portion consists of a short-term variable salary component (yearly) and a long-term variable salary component. The short-term variable salary component is based on individual performance, shall have a cap, and never exceed 50% of base salary. The long-term variable salary component is based on the long-term performance of the Company's stock and shall have a cap. None of the variable components shall be pensionable. Upon termination of an executive's employment contract by the Company, a maximum two-year notice period applies. No severance pay should be payable. Pension benefits shall be defined-contribution solutions in all essential respects and give the members of the Executive Management the right to receive benefits from 60 or 65 years of age, depending on their position. The Board may depart from these guidelines if there are special reasons for doing so in individual cases.

### 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. Auditors' fees

	Group		Parent Company	
	2019	2018	2019	2018
Deloitte				
Audit assignment	0.7	-	0.7	-
Auditing activities in addition to audit assignment	0.0	-	0.0	-
<b>Total</b>	<b>0.7</b>	<b>-</b>	<b>0.7</b>	<b>-</b>
PricewaterhouseCoopers				
Audit assignment	-	0.7	-	0.7
Auditing activities in addition to audit assignment	-	0.1	-	-
<b>Total</b>	<b>-</b>	<b>0.8</b>	<b>-</b>	<b>0.7</b>

## Note 9. Taxes

	Group		Parent Company	
	2019	2018	2019	2018
Current tax	-	-	-	-
Deferred tax <sup>1</sup>	-93	-	-	-
<b>Total</b>	<b>-93</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 93 M (-).

### Tax calculation

	Parent Company	
	2019	2018
Market value of equities portfolio on January 1	51,854	62,119
Less: business-related shares	-46,538	-62,119
<b>Basis for standardized income</b>	<b>5,316</b>	<b>0</b>
Standardized income 1.5%	80	0
Dividends received	2,403	1,753
Management cost, net financial items, etc.	-172	-147
Dividend paid out <sup>1</sup>	-2,611 <sup>2</sup>	-2,502
<b>Taxable income</b>	<b>-300</b>	<b>-896</b>
Tax-loss carryforwards from previous years	-10,048	-9,152
<b>Accumulated tax-loss carryforward</b>	<b>-10,348</b>	<b>-10,048</b>

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

2) Proposed by the Board of Directors.

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 fiscal year, is taxed. The basis for calculating the standardized level of income does not include business-related shares, by which is meant unlisted shares as well as listed shares in which the holding corresponds to at least 10% of the number of votes. In order for listed 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.

In recent years the concentration of equities in Industrivärden's portfolio in terms of value has increased. Industrivärden informed the Swedish Tax Agency of this condition during the second quarter of 2019 to obtain clarity about whether Industrivärden is to be taxed as an investment company or as a conventionally taxed company. During the third quarter of 2019 the Swedish Tax Agency notified that Industrivärden will continue to be taxed as an investment company.

## Note 10. Property, plant and equipment

	Group		Parent Company	
	2019	2018	2019	2018
<b>Accumulated cost</b>				
Opening value	14	14	14	14
Investments	9	-	9	-
<b>Closing cost</b>	<b>23</b>	<b>14</b>	<b>23</b>	<b>14</b>
<b>Accumulated depreciation</b>				
Opening depreciation	-3	-2	-3	-2
Depreciation for the year	-6	-1	-6	-1
<b>Closing depreciation</b>	<b>-9</b>	<b>-3</b>	<b>-9</b>	<b>-3</b>
<b>Book value</b>	<b>14</b>	<b>11</b>	<b>14</b>	<b>11</b>



## Note 11. Equities

Portfolio companies	2019				2018	
	Number of shares	Share of capital, %	Share of votes, %	Market value <sup>1</sup>	Market value <sup>1</sup>	
Sandvik	155,400,000	12.4	12.4	28,384	19,243	
Volvo A	154,600,000	7.4	24.1	24,458	16,570	
Volvo B	3,600,000			565	417	
Handelsbanken A	204,900,000	10.3	10.5	20,674	19,945	
Essity A	34,000,000	9.5	29.2	10,251	7,630	
Essity B	32,800,000			9,899	6,920	
Ericsson A	86,052,615	2.6	15.1	7,349	6,660	
Ericsson B	1,000,000			82	78	
SCA A	33,785,290	9.7	29.0	3,375	2,503	
SCA B	34,575,273			3,285	2,185	
Skanska A	12,667,500	7.4	24.3	2,682	1,786	
Skanska B	18,500,000			3,916	2,305	
SSAB A	44,334,933	4.3	11.8	1,456	1,352	
ICA Gruppen				-	4,440	
<b>Total, portfolio companies</b>				<b>116,376</b>	<b>92,034</b>	
Other				374	136	
<b>Group's holdings of equities</b>				<b>116,750<sup>2</sup></b>	<b>92,170</b>	
Less: associated companies (see Note 12)				-30,657	-20,371	
Less: non-consolidated companies				-374	-136	
Less: holdings owned via subsidiaries				-48,811	-40,180	
<b>Parent Company's holdings of equities, excluding shares in associated companies and subsidiaries</b>				<b>36,908</b>	<b>31,483</b>	

1) The market value corresponds to the book value.

2) The Group's total cost as per December 31, 2019, was SEK 46,552 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	141,678	36,495	7.1	23.2	152	24,059
Skanska	556000-4615	Stockholm	33,021	6,054	7.4	24.3	31	6,598
<b>Total</b>								<b>30,657</b>

## 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	21,266	330	
Industrivärden Förvaltning AB	556777-8260	Stockholm	100	1,000	28,116	1,010	
Investment AB Promotion	556833-0525	Stockholm	100	100,000	984	395	
Floras Kulle AB	556364-8137	Stockholm	100	10,000	16	0	
<b>Total</b>						<b>1,735</b>	

## Note 14. Change in equities

	Group	
	Equities	
	2019	2018
Opening value	92,170	107,289
Disposals at sales value	-4,455	-5,144
Purchases	3,292	1,892
Change in value	25,744	-11,867
<b>Closing value</b>	<b>116,750</b>	<b>92,170</b>

	Parent Company							
	Equities		Shares in associated companies		Shares in subsidiaries		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Opening value	31,483	36,288	20,371	25,831	1,735	1,752	53,589	63,871
Disposals at sales value	-4,069	-4,914	-	-	-	-	-4,069	-4,914
Purchases	482	656	1,949	489	-	-	2,431	1,145
Change in value	9,011	-547	8,338	-5,949	-	-	17,349	-6,496
Other	-	-	-	-	-	-17	-	-17
<b>Closing value</b>	<b>36,908</b>	<b>31,483</b>	<b>30,657</b>	<b>20,371</b>	<b>1,735</b>	<b>1,735</b>	<b>69,300</b>	<b>53,589</b>

## Note 15. Other current receivables

	Group		Parent Company	
	2019	2018	2019	2018
Interest-bearing receivables	167	177	125	133
Receivables from subsidiaries	-	-	-	551
Prepaid expenses and accrued income	9	6	9	6
Other current receivables	15	90	15	88
<b>Total</b>	<b>191</b>	<b>273</b>	<b>149</b>	<b>778</b>

## Note 16. Non-current interest-bearing liabilities

	Group		Parent Company	
	2019	2018	2019	2018
MTN program	2,255	2,059	2,255	2,059
<b>Total</b>	<b>2,255</b>	<b>2,059</b>	<b>2,255</b>	<b>2,059</b>

Maturity dates for loans	Group		Parent Company	
	2019	2018	2019	2018
2020	-	800	-	800
2021	1,255	1,259	1,255	1,259
2022	1,000	-	1,000	-
<b>Total</b>	<b>2,255</b>	<b>2,059</b>	<b>2,255</b>	<b>2,059</b>

Measurement of interest-bearing liabilities at fair value as per December 31, 2019 would increase non-current interest-bearing liabilities by SEK 13 M (9).

## Note 17. Provision for pensions

The Group's total reported pension costs amount to SEK 10 M (14). Interest on pension obligations of SEK 2 M (2) is reported in the income statement as Financial items. For 2020, 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, 2019, was SEK 127 M (170), the value of plan assets was SEK 59 M (59), and the net pension liability was SEK 68 M (111).

## Note 18. Current interest-bearing liabilities

	Group		Parent Company	
	2019	2018	2019	2018
Commercial paper	900	500	900	500
MTN program	800	750	800	750
Exchangeable bond	-	4,069	-	4,069
Other	232	75	1,690 <sup>1</sup>	-
<b>Total</b>	<b>1,932</b>	<b>5,394</b>	<b>3,390</b>	<b>5,319</b>

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

Market valuation of interest-bearing liabilities as per December 31, 2019, would increase current interest-bearing liabilities by SEK 1 M (3).

## Note 19. Exchangeable bond

In 2014 an exchangeable bond of SEK 4.4 billion was issued as part of the continuous refinancing of the equities portfolio. The exchangeable bond 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 loan was issued with a premium of approximately 38% to ICA Gruppen's share price at the time and carried no interest.

During the first half of 2019, the remaining bondholders called for redemption corresponding to SEK 4.1 billion, whereby the shares in ICA Gruppen were delivered. The exchangeable bond matured on May 15, 2019.

## Note 20. Other current liabilities

	Group		Parent Company	
	2019	2018	2019	2018
Option portion of exchangeable bond	-	371	-	371
Other derivatives	-	4	-	4
Accounts payable, trade	4	3	4	3
Other current liabilities	4	4	4	4
Payable to subsidiaries	-	-	-	146
Other accrued expenses	83	116	71	102
<b>Total</b>	<b>91</b>	<b>498</b>	<b>79</b>	<b>630</b>

	Group	
	2019	2018
Actuarial assumptions		
Discount rate <sup>1</sup> , %	1.2	1.6
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 21. Pledged assets and contingent liabilities

	Group		Parent Company	
	2019	2018	2019	2018
Equities	-	16	-	16
<b>Total</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>16</b>

Contingent liabilities in the Group amount to SEK 0 M (0). Contingent liabilities in the Parent Company amount to SEK 0 M (0).

## Note 22. Obligations to former CEOs

The Group's non-current interest-bearing liabilities include SEK 67 M (110) in pension obligations and similar benefits for former CEOs. The corresponding amount for the Parent Company is SEK 67 M (110), as shown in the item Provision for pensions in Note 17.

## 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, 2019			December 31, 2018		
	Fair value through profit and loss	Amortized cost	Total	Fair value through profit and loss	Amortized cost	Total
<b>Assets</b>						
Equities	116,750	-	116,750	92,170	-	92,170
Other current receivables	-	167	167	88	177	265
Cash and cash equivalents	-	56	56	-	786	786
<b>Total assets</b>	<b>116,750</b>	<b>223</b>	<b>116,973</b>	<b>92,258</b>	<b>963</b>	<b>93,221</b>
<b>Liabilities</b>						
Non-current interest-bearing liabilities	-	2,255	2,255	-	2,059	2,059
Other non-current liabilities	44	-	44	36	-	36
Current interest-bearing liabilities	-	1,932	1,932	-	5,394	5,394
Other current liabilities	-	-	-	375	-	375
<b>Total liabilities</b>	<b>44</b>	<b>4,187</b>	<b>4,231</b>	<b>411</b>	<b>7,453</b>	<b>7,864</b>

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, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Equities	116,376	-	374	116,750	92,034	-	136	92,170
Derivatives, etc.	-	-	-	-	-	88	-	88
<b>Total assets</b>	<b>116,376</b>	<b>-</b>	<b>374</b>	<b>116,750</b>	<b>92,034</b>	<b>88</b>	<b>136</b>	<b>92,258</b>
<b>Liabilities</b>								
<i>Non-current liabilities</i>								
Derivatives, etc.	-	44	-	44	-	36	-	36
<i>Current liabilities</i>								
Option portion of exchangeable bond	-	-	-	-	-	371	-	371
Derivatives, etc.	-	-	-	-	-	4	-	4
<b>Total liabilities</b>	<b>-</b>	<b>44</b>	<b>-</b>	<b>44</b>	<b>-</b>	<b>411</b>	<b>-</b>	<b>411</b>



## Note 26. Risk management

### General

The types of financial risks that the Industrivärden Group encounters in its business consist primarily of equities risk and – to a limited extent – other financial risks, such as interest rate risk and liquidity 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, 2019, by +/- SEK 1.2 billion.

### Interest-bearing net debt as per December 31, 2019

	2019	2018
Exchangeable bond	–	4,069
MTN program	3,055	2,809
Commercial paper	900	500
Provision for pensions	68	111
Other interest-bearing liabilities	232	75
<b>Total interest-bearing liabilities</b>	<b>4,255</b>	<b>7,564</b>
Less:		
Interest-bearing receivables	-167	-177
Cash and cash equivalents	-56	-786
<b>Total</b>	<b>4,032</b>	<b>6,601</b>

### Maturity structure

Maturity structure for undiscounted, contracted interest-bearing liabilities and derivative instruments with negative market values as per December 31, 2019:

	2020	2021	2022	2023-
Interest-bearing liabilities <sup>1</sup>	1,935	1,250	1,000	–
Derivative instruments	–	–	–	44
<b>Total</b>	<b>1,935</b>	<b>1,250</b>	<b>1,000</b>	<b>44</b>

1) Excluding pension provisions of SEK 68 M (111).

### 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 4,032 M (6,601) on December 31, 2019. 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 3.1 billion was utilized as per December 31, 2019.

In addition, within a commercial paper framework of SEK 3.0 billion, Industrivärden has utilized SEK 0.9 billion as per December 31, 2019.

The average capital duration, excluding pension provisions, was 13 months (9). The table above shows the maturity structure of financial liabilities. In addition to raised loans of SEK 4.0 billion, the Group has contracted long-term loan promises of SEK 3 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 96% (91%), 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. The interest rate swap agreement of SEK 750 M that was in effect at the start of 2019 has expired, and no new agreements was entered into. At year-end most of the Group's loans carried variable interest rates.

The average capital duration as per December 31, 2019, was 2 months (4).

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 2019 by approximately +/- SEK 25 M.

Industrivärden has low gearing, also with 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 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 shares and of underlying shares 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, %	
			12/31/2019	2019	2018
<b>Industrivärden Invest AB (publ)<sup>1</sup></b>	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
<b>Industrivärden Förvaltning AB<sup>1</sup></b>	Stockholm	Sweden	1,000	100	100
<b>Investment AB Promotion<sup>1</sup></b>	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 6.00 per share (5.75). The proposed dividend corresponds to 4.1% of the Parent Company's equity and 2.3% of the Group's equity. Of shareholders' equity, 53%, or SEK 33.9 billion in the Parent Company, and 62%, or SEK 70.2 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 2,611 M (2,502).

According to the Parent Company balance sheet, earnings totaling SEK 61,476 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 6.00 per share, totaling	SEK 2,611 M
Balance carried forward	SEK 58,865 M
	<hr/>
	SEK 61,476 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 24, 2020.

Stockholm, February 7, 2020

**Fredrik Lundberg**

Chairman

**Pär Boman**

Vice Chairman

**Christian Caspar**

Director

**Bengt Kjell**

Director

**Nina Linander**

Director

**Annika Lundius**

Director

**Lars Petterson**

Director

**Helena Stjernholm**

CEO

Director

Our Audit Report was submitted on February 14, 2020

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 2019, except for the corporate governance statement on pages 41–45. The annual accounts and consolidated accounts of the company are included on pages 39–63 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 2019 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 2019 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. Our opinions do not include the corporate governance statement on pages 41–45.

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.

### Other information

The audit of the annual accounts for the financial year 2018 was performed by another auditor who submitted an auditor's report dated 15 February 2019, with unmodified opinions in the Report on the annual accounts.

### 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 116,376 million as of December 31, 2019.

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 on page 53 and detailed disclosures regarding listed investments are included in Note 11 and the detailed description in Note 24 in section Measurement of financial instruments on page 60.

#### 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 reviewed disclosures relating to valuation of listed investments to verify compliance with IFRS.

### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–19, 24–38 and 68–70. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do

not express any form of assurance conclusion regarding this other information.

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

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

#### ***Responsibilities of the Board of Directors and the 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 Directors' 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](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 2019 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/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](https://www.revisorsinspektionen.se/rn/showdocument/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 17 April 2019 and has been the company's auditor since 17 April 2019.

#### **The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for that the corporate governance statement on pages 41–45 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 14 February 2020

Deloitte AB

Signature on Swedish original

*Hans Warén*

Authorized public accountant

## The 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 20–23 and 71–74, 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 14 February 2020

Deloitte AB

Signature on Swedish original

*Hans Warén*

Authorized public accountant





# 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](http://www.industrivarden.net). Printed copies of interim reports and annual reports are distributed to shareholders and other interested parties upon request.

## Annual Report 2019

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 2020

Interim report January–March	April 7
Annual General Meeting, Stockholm	April 24
Interim report January–June	July 7
Interim report January–September	October 6

## Orders and subscriptions

Financial reports and press releases can be ordered individually or by subscription by registering at [www.industrivarden.net](http://www.industrivarden.net), by email at [info@industrivarden.se](mailto: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](mailto:ssl@industrivarden.se) or by phone +46-8-666 64 19
- Jan Öhman, CFO  
email [jon@industrivarden.se](mailto:jon@industrivarden.se) or by phone +46-8-666 64 45

## Equity analysts who monitor Industrivärden

The following equity analysts monitored Industrivärden as per February 20, 2020:

- ABG Sundal Collier, Derek Laliberté, +46-8-566 286 78, [derek.laliberte@abgsc.se](mailto:derek.laliberte@abgsc.se)
- AlphaValue, Jorge Velandia, +33-1-70 61 10 56, [jvelandia@alphavalue.eu](mailto:jvelandia@alphavalue.eu)
- Bank of America Merrill Lynch, Philip Middleton,  
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# Annual General Meeting 2020

## Time and place

The Annual General Meeting will be held at 2 p.m. on Friday, April 24, 2020, at the Grand Hôtel in Stockholm, Vinterträdgården, (entrance at the corner of Stallgatan/Blasieholmsgatan). The doors will open at 1 p.m.

## Notification of attendance

Notification shall be made not later than April 20, 2020:

- using the digital form on Industrivärden's website [www.industrivarden.net](http://www.industrivarden.net),
- by phone at +46-8-402 92 86, or
- by mail to AB Industrivärden, "AGM 2020," c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden.

Shareholders who wish to participate in the AGM must be listed in the shareholder register maintained by Euroclear Sweden as per April 18, 2020.

A shareholder whose shares are registered in a nominee's name, in order to have the right to participate in the AGM, must request that the nominee registers the shares in the shareholder's own name in the shareholder register maintained by Euroclear Sweden AB. Such registration may be temporary. The shareholder must inform the nominee well in advance of April 18, 2020, at which time such registration must have been carried out.

Since the record date, Saturday, April 18, 2020, is not a Swedish business day, Euroclear Sweden's publication of the shareholder register for the AGM will pertain to the immediately preceding business day, i.e., Friday, April 17, 2020. This means that shareholders who wish to participate in the AGM must be listed and directly registered in the shareholder register on Friday, April 17, 2020.

## Dividend

The Board of Directors proposes a dividend of SEK 6.00 per share. The last day to buy shares that carry entitlement to the dividend is April 24, 2020, entailing that Industrivärden shares will be traded ex-rights on April 27, 2020.

Provided that the AGM resolves in favor of the proposal, it is expected that dividends will be sent out by Euroclear Sweden on May 4, 2020.



# Definitions

## **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.

## **Debt-equities ratio**

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

## **Dividend yield**

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

## **Earnings per share**

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

## **Equity ratio**

Shareholders' equity as a share of total assets.

## **Interest-bearing net debt**

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

## **Market's required rate of return**

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

## **Market value of equities portfolio**

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

## **Net asset value**

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

## **Net asset value including reinvested dividend**

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

## **Total return, 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.



# GRI Index

Industrivärden's sustainability report follows the most recent version of the Global Reporting Initiative (GRI) Standard, core level, with Financial Services sector supplement. This is Industrivärden's third 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 2019 (January 1–December 31, 2019). The ambition is to report yearly.

Industrivärden's operations are conducted by approximately 15 employees at the Company's head offices in Stockholm. During 2017 stakeholder dialogs were conducted with a subsequent materiality analysis to identify the highest priority issues in the area of sustainability. These

dialogs were continued on a regular basis in 2018 and 2019, and the updated analysis forms the basis of which disclosures are reported in this sustainability report. 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 report and Index describe 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 2019 Annual and Sustainability Report, on Industrivärden's website, and on [cdp.net](http://cdp.net) according to the respective GRI Index.

## GRI Standards Index, core level, financial services sector supplement

General disclosures	In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
<b>1. Organizational Profile</b>			
102-1	Name of the organization	Outside back cover	
102-2	Activities, brands, products and services	4-5, 12-19	
102-3	Location of headquarters	Outside back cover	
102-4	Location of operations	Outside back cover	
102-5	Ownership and legal form	26-27, 41-45	
102-6	Markets served	29-37	
102-7	Scale of the organization	12-19, 49-50, 54	
102-8	Information on employees and other workers	12-13, 54	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		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	21-23	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.

General disclosures		In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
102-13	Membership of associations	21		Confederation of Swedish Enterprise, Centre for Business and Policy Studies (SNS), Royal Swedish Academy of Engineering Sciences (IVA), Swedish Investors for Sustainable Development (SISD).

## 2. Strategy

102-14	Statement from senior decision-maker		9-11	
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## 3. Ethics and integrity

102-16	Values, principles, standards, and norms of behavior	20-23	12	
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## 4. Governance

102-18	Governance and Board of Directors		41-45, 46-47	The CEO has overarching responsibility for sustainability work, which is an integral part of the Company's operations. Team managers are responsible for sustainability analyses of the respective portfolio companies. The Head of Sustainability has functional responsibility for sustainability-related issues and processes. The Board of Directors is responsible for the Company's sustainability report.
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## 5. Stakeholder engagement

102-40	List of stakeholder groups	20		A compilation of our most important stakeholder categories is presented on <a href="http://www.industrivarden.net">www.industrivarden.net</a> .
102-41	Collective bargaining agreements			All employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	20		The process for identifying and defining the most important stakeholder categories is presented on <a href="http://www.industrivarden.net">www.industrivarden.net</a> .
102-43	Approach to stakeholder engagement	20, 23		Further information on the stakeholder dialog is presented on <a href="http://www.industrivarden.net">www.industrivarden.net</a> .
102-44	Key topics and concerns raised	20		A materiality analysis and compilation of priority issues is presented on <a href="http://www.industrivarden.net">www.industrivarden.net</a> .

## 6. Reporting practice

102-45	Entities included in the consolidated financial statements		57, 62	The report covers the Parent Company and all subsidiaries.
102-46	Defining report content and topic Boundaries		53	
102-47	List of material topics/sustainability issues	20-23		
102-48	Restatements of information			This is Industrivärden's third 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		39	
102-51	Date of most recent report			This is Industrivärden's third sustainability report in accordance with GRI. The most recent annual report with sustainability information was published on February 21, 2019.
102-52	Reporting cycle		71	
102-53	Contact point for questions regarding the report		68	Head of Corporate Communication and Sustainability, Sverker Sivall, <a href="mailto:ssl@industrivarden.se">ssl@industrivarden.se</a>

General disclosures		In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
102-54	Claims of reporting in accordance with the GRI Standards		71	
102-55	GRI content index		71-74	
102-56	External assurance		64-66	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.
<b>Material issues</b>				
<b>GRI 200: Economic</b>				
<b>GRI 201: Economic performance</b>				
103-1 - 103-3	Sustainability governance	20-23	12-14, 16-17	
201-1	Direct economic value generated and distributed	23	49-52, 55, 58	
<b>GRI 205: Anti-corruption</b>				
103-1 - 103-3	Sustainability governance	20-23	12-14, 16-17	
205-1	Operations assessed for risks related to corruption	20-23		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	22-23		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.
<b>GRI 300: Environment</b>				
<b>GRI 305: Emissions</b>				
103-1 - 103-3	Sustainability governance	20-23	12-13	
305-1	Direct GHG emissions (Scope 1)	23		Scope 1 emissions in 2019 amounted to 18 tonnes CO <sub>2</sub> e (0) (fuel for leased company cars) www.cdp.net: Industrivärden, CC 6.1
305-2	Energy indirect GHG emissions (Scope 2)	23		Carbon footprint in 2019 was 17 tonnes CO <sub>2</sub> e (18) in Scope 2 (energy consumption and district heating) www.cdp.net: Industrivärden, CC 6.3.
305-3	Other indirect GHG emissions (Scope 3)	23		Carbon footprint in 2019 was 27 tonnes CO <sub>2</sub> e (30) in Scope 3 (business travel, publications and office material) www.cdp.net: Industrivärden, CC 6.5.
<b>GRI 400: Social</b>				
<b>GRI 401: Employment</b>				
103-1 - 103-3	Sustainability governance	20-23		See also the Company's Code of Conduct.
401-1	New employee hires and employee turnover			The Company has 14 employees. Employee turnover for new hires is 7% (13%), and 13% departures (33%). One man in age group 50- newly hired.
401-3	Parental leave			During the period one man and one woman were on parental leave. One man and one woman returned to work after parental leave during the reporting period.
<b>Health and safety</b>				
103-1 - 103-3	Sustainability governance	20-23		
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 2%.

General disclosures		In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
<b>GRI 400: Training and education</b>				
103-1 – 103-3 Sustainability governance		20-23		
404-1	Average hours of training per year per employee			The average number of hours per employee was 16.
404-3	Percentage of employees receiving regular performance and career development reviews			All employees receive regular evaluations about their performance and career development.
<b>GRI 405: Diversity and equal opportunity</b>				
103-1 – 103-3 Sustainability governance		20-23	12-13	
405-1	Diversity of governance bodies and employees		42, 46-47, 54	
<b>GRI 419: Socioeconomic compliance</b>				
103-1 – 103-3 Sustainability governance		20-23	12-14, 16-17	
419-1	Non-compliance with laws and regulations in the social and economic area			Industrivärden has not been assessed any fines or other sanctions.
<b>Sector-specific standards, Financial Services</b>				
103-1 – 103-3 Sustainability governance		20-23		
FS 6	Percentage of the portfolio for business lines by specific region		29	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.









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