



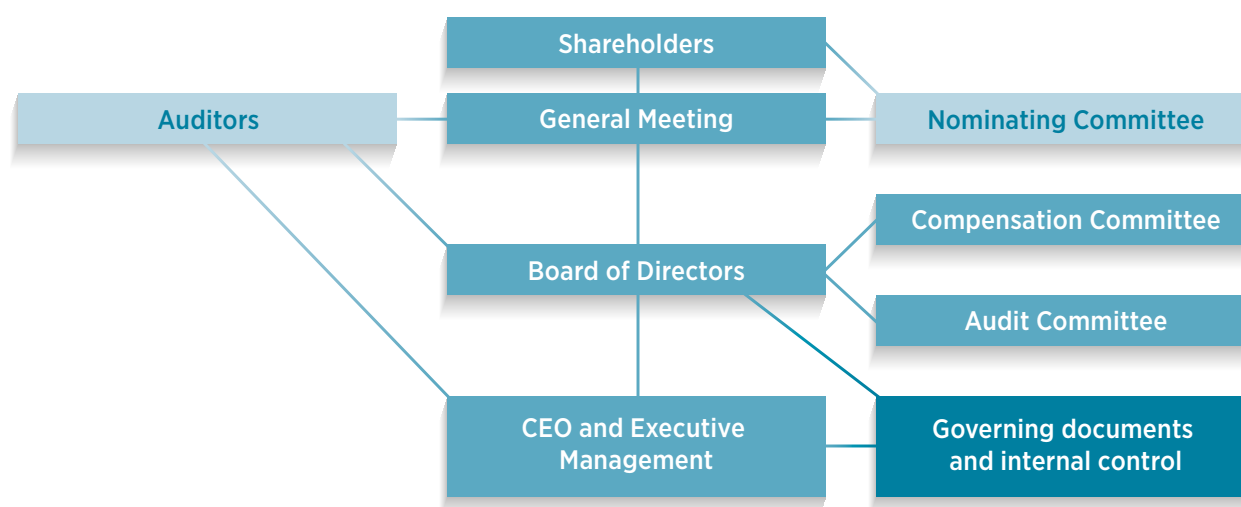
# BOARD OF DIRECTORS' REPORT

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

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

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

# CORPORATE GOVERNANCE REPORT



## FUNDAMENTAL PRINCIPLES

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

## CORPORATE GOVERNANCE STRUCTURE

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

Industrivärden applies the Swedish Corporate Governance Code (the Code), which is available at [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

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

## SHAREHOLDERS

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

## GENERAL MEETINGS

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

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

## NOMINATING COMMITTEE

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

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

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

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

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

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

## BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

## ATTENDANCE, FEES AND INDEPENDENCE CONDITIONS

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

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

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

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

## **BOARD COMMITTEE**

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

## **AUDIT COMMITTEE**

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

## **COMPENSATION COMMITTEE**

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

## **CHIEF EXECUTIVE OFFICER**

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

## **THE BOARD'S PROPOSED GUIDELINES FOR COMPENSATION OF SENIOR EXECUTIVES**

The 2018 AGM resolved in favor of the Board's recommendation to adopt the following guidelines for compensation of senior executives: Compensation paid to the CEO and other members of the Executive Management shall consist of a base salary, a variable salary, other benefits and pension. The total compensation should be competitive and in line with the going rate in the market, and shall be commensurate with the

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

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

## **AUDITOR**

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

## **GOVERNANCE DOCUMENTS AND INTERNAL CONTROL**

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

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

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

# VALUE CREATION

## Net asset value

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

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

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

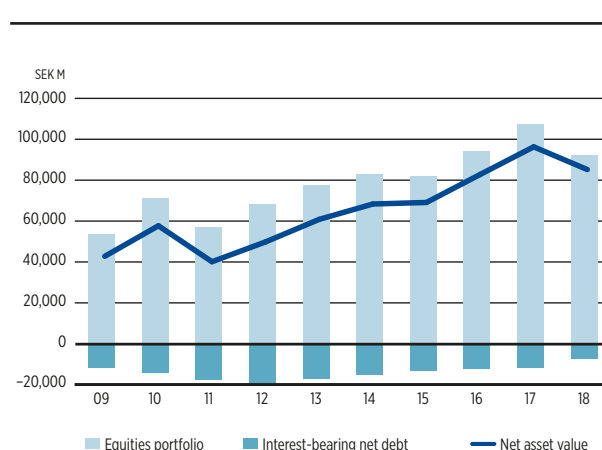
Holding	No. shares	Ownership, %		Share of value, %	Market value		Total return SEK M	Net purchases (+) / net sales (-) per holding, SEK M	Total return for the stock, %
		Capital	Votes		SEK M	SEK/share			
Handelsbanken A	202,900,000	10.4	10.6	22	19,945	46	-1,356	680	-6
Sandvik	152,300,000	12.1	12.1	21	19,243	44	-2,182	653	-10
Volvo A	142,600,000	6.9	22.2	18	16,570	39	-4,857	70	-22
Volvo B	3,600,000				417			489	-24
Essity A	35,000,000	9.5	29.9	16	7,630	33	-584	-	-3
Essity B	31,800,000				6,920			-	-4
Ericsson A	86,052,615	2.6	15.1	7	6,660	15	2,227	-	48
Ericsson B	1,000,000				78			-	47
SCA A	35,000,000	9.5	29.7	5	2,503	11	-1,243	-	-23
SCA B	31,800,000				2,185			-	-17
ICA Gruppen	14,016,262	7.0	7.0	5	4,440	10	603	-2,060	10
Skanska A	12,667,500	6.9	23.9	4	1,786	9	-629	-	-13
Skanska B	16,343,995				2,305			-	-13
SSAB A	44,334,933	4.3	11.8	1	1,352	3	-359	-903	-31
SSAB B	-				-			-2,122	-14
Other				0	136	0	-4	-59	
<b>Equities portfolio</b>				<b>100</b>	<b>92,170<sup>1</sup></b>	<b>212</b>	<b>-8,384</b>	<b>-3,252</b>	<b>-8</b>
<b>Interest-bearing net debt</b>					<b>-6,601</b>	<b>-15</b>			
<b>Adjustment pertaining to exchangeable</b>					<b>-368</b>	<b>-1</b>			
<b>Net asset value</b>					<b>85,201</b>	<b>196</b>			
<b>Debt-equities ratio</b>						<b>7%</b>			

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

## GROWTH OF NET ASSET VALUE

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

## NET ASSET VALUE 10 YEARS



## NET ASSET VALUE

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

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

2) Adjusted for conversions.

## EQUITIES PORTFOLIO

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

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

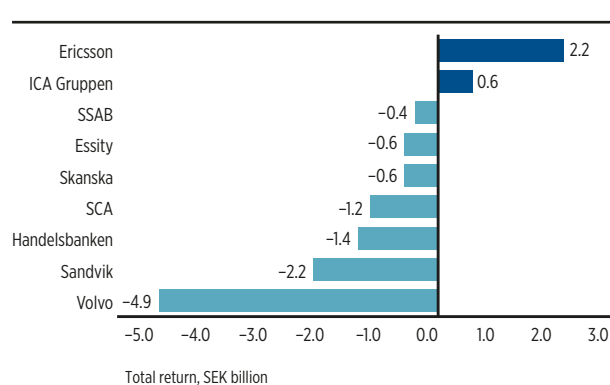
## PERFORMANCE OF THE EQUITIES PORTFOLIO IN 2018

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

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

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

## CONTRIBUTION ANALYSIS OF SHAREHOLDINGS





## INVESTMENT ACTIVITIES

During 2018 Industrivärden conducted a number of investment activities.

### Equities

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

### Other

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

## FINANCING

Through borrowing, Industrivärden enhances its flexibility over time.

### Gearing policy

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

## Interest-bearing net debt

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

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

## Outstanding exchangeable

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

## Credit rating

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

## MANAGEMENT COST

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

## SUSTAINABILITY REPORT

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

# Industrivärden share data

## INDUSTRIVÄRDEN'S STOCK AND SHAREHOLDERS

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

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

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

## INDUSTRIVÄRDEN'S STOCK AS PER DECEMBER 31, 2018

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

## RETURN

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

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

## DIVIDEND

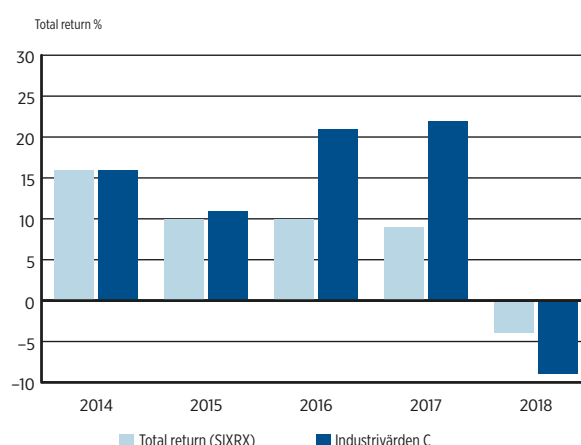
	2018	2017	2016	2015	2014
Dividend, SEK	5.75 <sup>1</sup>	5.50	5.25	5.00	6.25
Annual growth in dividend, %	5	5	5	neg	14

1) Proposed by the Board of Directors.

## TOTAL RETURN, INDUSTRIVÄRDEN

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

## TOTAL RETURN



## DIVIDEND

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

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

## EMPLOYEE OWNERSHIP IN INDUSTRIVÄRDEN

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



## CONVERSION OF A-SHARES TO C-SHARES

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

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

## OWNERSHIP STRUCTURE ON DECEMBER 31, 2018<sup>1</sup>

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

1) Source: Euroclear Sweden.

# PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors proposes a dividend of SEK 5.75 per share (5.50). The proposed dividend corresponds to 5.4% of the Parent Company's equity and 2.9% of the Group's equity. Of shareholders' equity, 41%, or SEK 18.7 billion in the Parent Company, and 55%, or SEK 46.9 billion in the Group, is attributable to market valuation of assets and liabilities. The Board is of the opinion that the proposed dividend is well balanced in view of the objectives, scope and risks of the business as well as with respect to the ability to meet the Company's future obligations. The total amount to be paid out according to the proposed dividend, based on the number of shares outstanding after conversion of the convertible bond, is SEK 2,502 M (2,394).

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

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

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

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

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

Stockholm, February 8, 2019

**Fredrik Lundberg**  
Chairman

**Pär Boman**  
Vice Chairman

**Christian Caspar**  
Director

**Bengt Kjell**  
Director

**Nina Linander**  
Director

**Annika Lundius**  
Director

**Lars Pettersson**  
Director

**Helena Stjernholm**  
CEO and Director

Our Audit Report was submitted on February 15, 2019

PricewaterhouseCoopers AB

**Magnus Svensson Henryson**  
Authorized Public Accountant