

YEAR-END REPORT 2018

January 1 – December 31, 2018

- Net asset value on December 31, 2018, was SEK 85.2 billion, or SEK 196 per share, a decrease of SEK 25 per share for the year. Including reinvested dividend, net asset value decreased by 9%. On February 7, 2019, net asset value was SEK 215 per share.
- The total return for 2018 was -11% for the Class A shares and -9% for the Class C shares, compared with -4% for the Stockholm Stock Exchange's total return index (SIXRX).
- Earnings per share during 2018 were SEK -19.14 per share.
- The debt-equities ratio as per December 31, 2018, was 7%, a decrease during the year of 3 percentage points.
- In April shares in SSAB were sold for SEK 3.1 billion with a good return.
- In November shares in ICA Gruppen were sold for SEK 1.7 billion with a favorable return, enabling a divestment of the remaining holding in May 2019.
- During the year shares were acquired in Handelsbanken for SEK 0.7 billion, in Sandvik for SEK 0.6 billion and in Volvo for SEK 0.6 billion.
- The Board of Directors proposes a dividend of SEK 5.75 per share (5.50).

VALUE PERFORMANCE

Annual average change as per December 31, 2018

	Net asset value*	Total return	
		IndustriVärden C	Index (SIXRX)
2018	-9%	-9%	-4%
3 years	10%	11%	5%
5 years	8%	12%	8%
7 years	13%	16%	12%
10 years	16%	18%	14%

*Including reinvested dividend.



CEO's message

EXTERNAL FACTORS

The underlying economy developed well during the first nine months of 2018, but during the fourth quarter, uncertainty mounted and the pace of growth slowed. The growth rate increased for the full year in the U.S., but it decreased in Europe and large parts of Asia. During 2018 we saw rising geopolitical tensions, growing protectionism and worries over an economic slowdown, rising interest rates and a scaling back of financial stimulus measures. Altogether this had a damping effect on the stock market, which had very negative performance during the fourth quarter. Thus far into the current year, the stock market has had a positive development. The underlying areas of concern remain, however, which is why we are entering 2019 in a more uncertain situation.

PORTFOLIO COMPANIES

Our portfolio companies are continuing their work with efficiency improvement and continuously adapting their operations to the markets' requirements. Volvo and Sandvik showed favorable financial development after a few years of extensive change work. The companies also have strong balance sheets and have increased their financial flexibility. Handelsbanken continues to develop a successful business model built upon a strong customer focus and decentralized decision-making. Recruitment of a new CEO is currently in progress, as the current CEO will be retiring in autumn 2019. Essity is dealing with higher raw material prices, among other things, through conscious efficiency improvement work. SCA and SSAB have specialized themselves in selected customer segments and are working continuously with their costs. During the year Ericsson and Skanska continued their work on focusing their respective businesses and improving profitability. Although work remains, a number of important steps have been taken in the right direction.

INDUSTRIVÄRDEN'S PERFORMANCE

Net asset value decreased by SEK 11.1 billion in 2018, or -9% including reinvested dividend, compared with -4% for the Stockholm Stock Exchange total return index (SIXRX). At the same time, the total return for the Class A and C shares was -11% and -9%, respectively. The equities portfolio's relatively large exposure to companies that are sensitive to market fluctuations affected its performance during the year. However, from a slightly longer perspective, it is gratifying to note that we – with a foundation in the refined strategy that we presented in February 2016 – generated a competitive total return during the last three-year period. During this period the Class C shares generated an average total return that is higher than the total return index by 6 percentage points per year.

In 2018 we conducted a number of investment activities that have further strengthened our ability to generate good future growth in value. In April we divested more than half of our shareholding in SSAB for SEK 3.1 billion, which was a good deal where we were able to realize part of the growth in value of our SSAB holding. In addition, in November we sold more than a fourth of our holding in ICA Gruppen to ICA-handlarnas Förbund for SEK 1.7 billion. By acquiring a put option from the same counterparty, we have enabled a full divestment of our remaining shareholding in May 2019. The transactions secure an annual total return of 22% during the holding period, which make ICA Gruppen a very good investment. In addition to these divestments of approximately SEK 4.8 billion, we made investments for a total of SEK 1.8 billion. These pertained to purchases in Sandvik, Volvo and Handelsbanken – companies that we know well and in which we see clear growth potential. All in all we realized built-up value and laid the foundation for future growth in value. Through a decrease in borrowing we have also increased our flexibility in a more uncertain economic situation. With a base in a good financial position, the Board of Directors proposes a dividend of SEK 5.75 per share, representing an increased dividend by 5%.

Stockholm, February 8, 2019

Helena Stjernholm
CEO

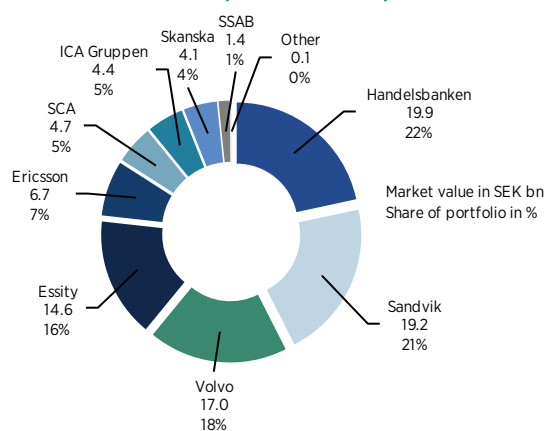
Overview

INDUSTRIVÄRDEN IN BRIEF

Industrivärden conducts long-term value-creating asset management through active ownership. The operation is conducted in two main processes, investment and active ownership. Active ownership is exercised primarily through involvement in nomination processes for board elections, through board representation and through evaluation of company boards, CEOs and executive management. Industrivärden monitors its portfolio companies continuously and where necessary, by influencing the portfolio companies' overall development through their respective boards. Through these measures Industrivärden contributes to the portfolio companies' growth in value over time. Industrivärden's long-term objective is to increase net asset value and thereby generate a return for the shareholders that exceeds the market's required rate of return. Taking into account the risk profile of the portfolio's investments, the shareholders are to be given a total return which over time is higher than the average for the Stockholm Stock Exchange.

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

EQUITIES PORTFOLIO, DECEMBER 31, 2018



COMPOSITION OF EQUITIES PORTFOLIO AND NET ASSET VALUE

Portfolio companies	No. of shares	12/31/2018				12M:2018		
		Share of ownership, %		Market value		Total return	TR for the stock	
		Capital	Votes	Share of value, %	SEK M	SEK/share	SEK M	%
Handelsbanken A	202,900,000	10.4	10.6	22	19,945	46	-1,356	-6
Sandvik	152,300,000	12.1	12.1	21	19,243	44	-2,182	-10
Volvo A	142,600,000	6.9	22.2	18	16,570	39	-4,857	-22
Volvo B	3,600,000				417			-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	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	-31
Other				0	136	0	-4	
Equities portfolio				100	92,170	212	-8,384	-8
Interest-bearing net debt					-6,601	-15	Index:	-4
Adjustment regarding exchangeable bond					-368	-1		
Net asset value					85,201	196		
Debt-equities ratio						7%		

Performance

NET ASSET VALUE

Net asset value on December 31, 2018, was SEK 85.2 billion, or SEK 196 per share, a decrease of SEK 25 per share for the year. Including reinvested dividend, net asset value decreased by 9%. The Stockholm Stock Exchange's total return index (SIXRX) decreased by 4% during the same period.

Net asset value was SEK 215 per share on February 7, 2019.

During the last five and ten-year periods, net asset value grew by 8% and 16%, respectively, per year including reinvested dividend. The total return index (SIXRX) increased by 8% and 14%, respectively, during the same periods.

EQUITIES PORTFOLIO

During 2018 the value of the equities portfolio, adjusted for purchases and sales, decreased by SEK 11.9 billion. On December 31, 2018 the equities portfolio was worth SEK 92.2 billion, or SEK 212 per share. The shareholdings in Ericsson and ICA Gruppen made a positive contribution to the equities portfolio's value performance while, in particular, the holding in Volvo were weakening developments.

During the last three-year period the shareholdings in Sandvik, SSAB, Volvo and SCA generated higher total returns than the total return index (SIXRX). Essity and ICA Gruppen performed in line with the total return index. The shareholdings in Ericsson, Handelsbanken and Skanska had lower total returns than the total return index (SIXRX).

CASH FLOW

Investment activities

In April shares in SSAB were sold for SEK 3.1 billion. In November, shares in ICA Gruppen were sold for SEK 1.7 billion and a put option was acquired that enables the sale of the remaining holding in May 2019. In 2018, part of the outstanding exchangeable was redeemed by SEK 0.3 billion through the delivery of ICA Gruppen shares. See page 5 for further information.

During the year shares were acquired in Handelsbanken for SEK 0.7 billion, in Sandvik for SEK 0.6 billion and in Volvo for SEK 0.6 billion.

Dividend paid out 2018

The Annual General Meeting on April 17, 2018, approved the Board of Directors' proposed dividend of SEK 5.50 per share (5.25). The total dividend payout amounted to SEK 2,394 M (2,285).

Board of Directors' dividend proposal 2019

The Board of Directors proposes a dividend of SEK 5.75 per share (5.50) and April 23, 2019, as the record date. The total dividend payout will amount to SEK 2 502 M.

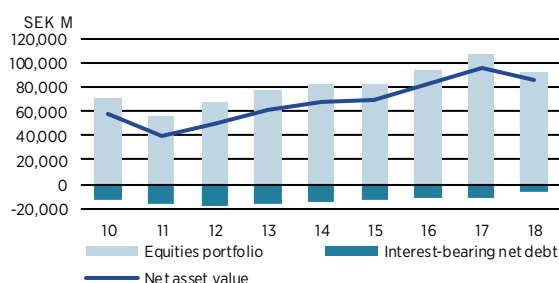
Management cost

The management cost during 2018 was SEK 121 M (111), which on a yearly basis corresponded to 0.13% of the equities portfolio's value on December 31, 2018.

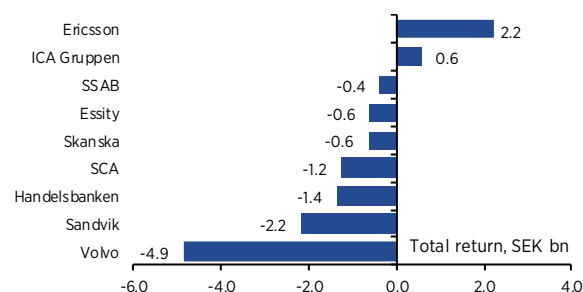
DEVELOPMENT OF NET ASSET VALUE 2018

	12/31/2018		12/31/2017	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	92.2	212	107.3	247
Interest-bearing net debt	-6.6	-15	-10.9	-25
Adjustment exchangeable	-0.4	-1	-0.1	0
Net asset value	85.2	196	96.3	221

DEVELOPMENT OF NET ASSET VALUE, 10 YEARS



CONTRIBUTION ANALYSIS OF SHAREHOLDINGS 2018



PERFORMANCE OF SHAREHOLDINGS, 3 YEARS

	Annual average total return, %
	3 years
Sandvik	22
SSAB	22
Volvo	16
SCA*	14
Essity*	6
ICA Gruppen	5
Ericsson	2
Handelsbanken	1
Skanska	-1
Total return index (SIXRX)	5

*For calculation methodology, see page 9.

FINANCING

Interest-bearing net debt

Interest-bearing net debt amounted to SEK 6.6 billion on December 31, 2018. The debt-equities ratio was 7% (10), and the equity ratio was 91% (88). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

On December 31, 2018, interest-bearing liabilities had an average capital duration of approximately 1 year, an average interest duration of approximately 4 months and carried an average interest rate of approximately 0.2%. Unused committed bank loans amount to SEK 3 billion.

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

Rating

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

Exchangeable and put option in ICA Gruppen's stock

In 2014 a SEK 4.4 billion exchangeable bond was issued based on ICA Gruppen's stock. 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. The strike price was SEK 290.52 per share as per December 31, 2018. In the event of a potential future exchange, there is a possibility to pay either with shares or with cash. In 2018, exchangeable holders called for redemptions corresponding to SEK 0.3 billion, whereby shares in ICA Gruppen were delivered.

In November 2018 Industrivärden communicated its ambition to divest its entire shareholding in ICA Gruppen. Against this background approximately one-fourth of the shareholding was sold to ICA-handlarnas Förbund, and a put option was acquired from the same counterparty. The put option 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 put option is for the same number of shares as the exchangeable bond. Industrivärden is thereby guaranteed the opportunity of a full divestment at the terms and conditions applicable pursuant to the exchangeable bond.

INDUSTRIVÄRDEN SHARE DATA

The market prices for Industrivärden's Class A and C shares on December 31, 2018, were SEK 183.20 and SEK 179.20, respectively. The corresponding market prices on December 31, 2017, were SEK 211.60 and SEK 202.50 respectively.

The total return during the year 2018 was -11% for the Class A shares and -9% for the Class C shares. The Stockholm Stock Exchange's total return index (SIXRX) decreased by -4% during the same period. The total returns for Industrivärden's shares over longer periods of time are shown in the table on page 1 and for specific years in the table to the right.

At the 2011 Annual General Meeting, a share conversion clause was added to the Articles of Association. Shareholders have the right at any time to request conversion of Class A shares to Class C shares. During 2018, 883 shares were converted.

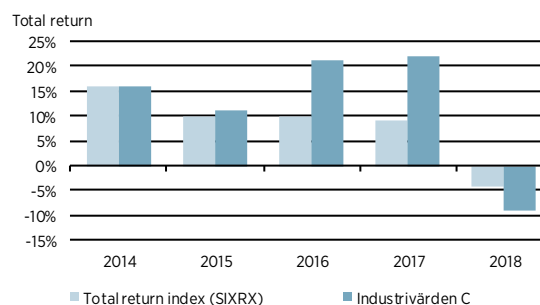
INTEREST-BEARING NET DEBT, DECEMBER 31, 2018

	Credit facility, SEK M	Utilized amount, SEK M	Maturity
Exchangeable bond		4,069	2019
MTN-program	8,000	2,809	2019-2021
Commercial paper	3,000	500	2019
Pension debt		111	
Other short-term borrowing		75	
Total borrowing		7,564	
Less:			
Interest-bearing receivables		177	
Cash and cash equivalents		786	
Interest-bearing net debt		6,601	

SHARE STRUCTURE, DECEMBER 31, 2018

Share class	No. of shares	No. of 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
Total	435,209,877	284,886,099	100.0	100.0

VALUE PERFORMANCE THE RESPECTIVE YEAR



Other

NOMINATING COMMITTEE'S RECOMMENDATION FOR BOARD OF DIRECTORS

The Nominating Committee proposes re-election of board members Pär Boman, Christian Caspar, Bengt Kjell, Nina Linander, Fredrik Lundberg, Annika Lundius, Lars Pettersson and Helena Stjernholm. In addition, Fredrik Lundberg is proposed for re-election as Chairman of the Board. The Nominating Committee's other recommendations will be made public in the notice of the Annual General Meeting.

FINANCIAL CALENDAR

Annual report 2018: February 21, 2019
Interim report January–March: April 9, 2019
Annual General Meeting: April 17, 2019, in Stockholm
Interim report January–June: July 5, 2019
Interim report January–September: October 7, 2019

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TICKER CODES

INDUC:SS, Bloomberg
INDUc.ST, Reuters
INDU C, NASDAQ OMX

PUBLICATION

This information is such that AB Industrivärden is required to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the Head of Corporate Communication and Sustainability stated above, at 11:00 a.m. CET on February 8, 2019.

AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the interim report for AB Industrivärden (publ) for the period January 1 – December 31, 2018. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

Conclusion

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

Stockholm, February 8, 2019
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Financial statements

GROUP

SEK M	2018 Oct.-Dec.	2017 Oct.-Dec.	2018 Jan.-Dec.	2017 Jan.-Dec.
INCOME STATEMENT				
Dividend income from stocks	0	0	3,764	2,786
Change in value of stocks, etc.	-17,305	482	-11,954	12,957
Management cost	-31	-29	-121	-111
Operating income	-17,336	453	-8,311	15,632
Financial items	-7	-2	-19	-77
Income after financial items	-17,343	451	-8,330	15,555
Tax	-	-	-	-
Net income for the period	-17,343	451	-8,330	15,555
Earnings per share, SEK	-39.85	1.04	-19.14	35.76
STATEMENT OF COMPREHENSIVE INCOME				
Net income for the period	-17,343	451	-8,330	15,555
<i>Items that are not to be reversed in the inc. statement</i>				
Actuarial gains and losses on pensions	-14	-6	-14	-6
Comprehensive income for the period	-17,357	445	-8,344	15,549
BALANCE SHEET as per end of period				
Equities			92,170	107,289
Other non-current assets			11	12
Total non-current assets			92,181	107,301
Cash and cash equivalents			786	613
Other current assets			273	446
Total current assets			1,059	1,059
Total assets			93,240	108,360
Shareholders' equity			85,142	95,880
Non-current interest-bearing liabilities			2,170	7,292
Non-current non interest-bearing liabilities			36	368
Total non-current liabilities			2,206	7,660
Current interest-bearing liabilities			5,394	4,523
Other liabilities*			498	297
Total current liabilities			5,892	4,820
Total shareholders' equity and liabilities			93,240	108,360
CASH FLOW				
Cash flow from operating activities			3,492	2,594
Cash flow from investing activities			3,252	-103
Cash flow from financing activities**			-6,571	-2,701
Cash flow for the period			173	-210
Cash and cash equivalents at end of period			786	613

* Of which, the option component of the exchangeable bond, totaling SEK 371 M, which at the time of issue amounted to a total of SEK 335 M.

** Of which, dividends of SEK 2,394 M (2,285) paid to shareholders.

SEK M	2018	2017
	Jan.-Dec.	Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY		
Opening shareholders' equity as per balance sheet	95,880	82,129
Conversion and other	-	486
Comprehensive income for the period	-8,344	15,549
Dividend	-2,394	-2,285
Closing shareholders' equity as per balance sheet	85,142	95,880
INTEREST-BEARING NET DEBT at end of period		
Cash and cash equivalents	786	613
Interest-bearing assets	177	272
Non-current interest-bearing liabilities	2,170	7,292
Current interest-bearing liabilities	5,394	4,523
Interest-bearing net debt	6,601	10,930

PARENT COMPANY

SEK M	2018	2017
	Jan.-Dec.	Jan.-Dec.
INCOME STATEMENT		
Operating income	-4,991	12,145
Income after financial items	-5,007	12,121
Income for the period	-5,007	12,121
Comprehensive income for the period	-5,021	12,115
BALANCE SHEET as per end of period		
Non-current assets	53,600	63,883
Current assets	788	2,021
Total assets	54,388	65,904
Shareholders' equity	46,233	53,647
Non-current liabilities	2,206	7,660
Current liabilities	5,949	4,597
Total shareholders' equity and liabilities	54,388	65,904

Accounting policies and notes

ACCOUNTING POLICIES

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

ALTERNATIVE PERFORMANCE MEASURES

The definitions of the alternative performance measures net asset value, debt-equities ratio, equity ratio, market value of the equities portfolio and interest-bearing net debt are provided in the 2017 Annual Report. These alternative performance measures are essential for understanding and evaluating an investment company's business.

TOTAL RETURN ESSITY AND SCA

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

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Responsibility for the measurement of fair value rests with management. ISDA master agreements exist with pertinent counterparties.

12/31/2018	Level 1	Level 2	Level 3	Total
Assets				
Equities	92,034	-	136	92,170
Derivatives, etc.	-	88	-	88
Total assets	92,034	88	136	92,258
	Level 1	Level 2	Level 3	Total
Liabilities				
Option component of exchangeable bond	-	-371	-	-371
Derivatives, etc.	-	-40	-	-40
Total liabilities	-	-411	-	-411

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

RISKS AND UNCERTAINTIES

The dominant risk in Industrivärden's business is share price risk, i.e., the risk of a change in value caused by changes in share prices. A 1% change in the share price of the holdings in the equities portfolio as per December 31, 2018, would have affected its market value by approximately +/- SEK 900 M.

RELATED PARTY TRANSACTIONS

During 2018, dividend income was received from associated companies.

