

INTERIM REPORT 6M:2019

January 1 – June 30, 2019

- Net asset value on June 30, 2019, was SEK 104.2 billion, or SEK 239 per share, an increase during the first half of the year of SEK 43 per share. Including reinvested dividend, net asset value increased by 25%.
- The total return for the first half of 2019 was 19% for the Class A shares and 18% for the Class C shares, compared with 21% for the Stockholm Stock Exchange's total return index (SIXRX).
- Earnings per share during the first half of 2019 were SEK 49.10 per share.
- During the first half of 2019 shares were acquired in Volvo for 0.8 billion, in Skanska for SEK 0.4 billion and in Sandvik for SEK 0.3 billion.
- During the first half of 2019 exchangeable holders called for redemptions corresponding to SEK 4.1 billion, whereby shares in ICA Gruppen were delivered. On May 15, 2019 the exchangeable bond matured and Industrivärden has thereafter sold the remaining shares in ICA Gruppen.
- The debt-equities ratio as per June 30, 2019, was 2%, a decrease since year-end of 5 percentage points.

VALUE PERFORMANCE

Annual average change as per June 30, 2019

	Net asset value*	Total return	
		Industrivärden C	Index (SIXRX)
6M:2019	25%	18%	21%
1 year	11%	22%	11%
3 years	17%	18%	13%
5 years	12%	13%	10%
7 years	14%	17%	14%
10 years	15%	16%	13%

*Including reinvested dividend.



CEO's message

EXTERNAL FACTORS

The first half of 2019 has been characterized by continued global economic growth, but with diminishing strength. Despite low unemployment and high capacity utilization in many developed countries, inflationary pressure remains weak, with low interest rates as a result. The rate of growth in the U.S. has slowed, while Europe's economic slowdown continues. The Chinese economy is showing a somewhat weaker growth and is facing challenges associated with necessary reforms and structural measures. At an overarching level, growth expectations are thus more dampened, but no signs are yet showing of any sharp decline in the major economies. It can be noted that the manufacturing industries, which are more dependent on global trade, are showing a larger slowdown than the domestically oriented service industries in most countries.

The historically low real interest rates are buttressing asset prices and providing continued support for long-term investments. Against this background, the stock market has performed well. At the same time, there are a number of areas of concern that, together with the economic trend, may lead to an increase in volatility going forward.

PORTFOLIO COMPANIES

During the month of July our portfolio companies will publish their half-year reports. A few companies have already communicated a number of activities during the second quarter of 2019, which I would like to comment on here.

As part of its continuing development, *Sandvik* has presented new financial and sustainability targets. The company has also initiated an internal separation of Sandvik Materials Technology in order to increase its independence, put greater focus on its future development and create flexibility.

Volvo has decided to make a flexibility- and efficiency-enhancing investment of SEK 1.6 billion in its Skövde plant, which supplies the entire group with cast products. During the second quarter certain capacity adjustments were announced in light of the slightly weaker market situation.

Handelsbanken's new CEO, Carina Åkerström, has presented a new and more concentrated Executive Management team as well as thoughts about the bank's future strategy. As part of focusing the bank's business, the operations in the Baltic countries are being discontinued.

During the second quarter *Ericsson* won additional contracts for 5G networks, where it has a strong position. The estimated growth rate for the 5G market has also been adjusted upward.

SCA has bought forest land for approximately SEK 0.7 billion in Latvia and Estonia as part of the company's ambition to expand its raw material base in the Baltic countries.

SEVERAL TRANSACTIONS DURING THE YEAR

On May 15 the exchangeable issued in 2014 for ICA Gruppen shares matured. Since selling a fourth of our holding in ICA Gruppen in November 2018 we have successively delivered our remaining shares worth SEK 4.4 billion to exchangeable bond holders in pace with their calls for redemption. We have thereby concluded our ownership position in ICA Gruppen, which has been a very rewarding deal for Industrivärden.

During the first half of 2019 we bought shares for approximately SEK 1.5 billion in portfolio companies, which we believe have long-term favorable value potential. These include purchases in Volvo for SEK 0.8 billion, in Skanska for SEK 0.4 billion, and in Sandvik for SEK 0.3 billion.

INDUSTRIVÄRDEN'S PERFORMANCE

On June 30, 2019, net asset value was SEK 104.2 billion, or SEK 239 per share, which represents an increase of 25 percent during the first half of the year including reinvested dividend. The equity portfolio's value was SEK 106.8 billion at the end of the period and net debt was SEK 2.7 billion, corresponding to a debt-equities ratio of 2 percent. This means that the debt-equities ratio has decreased by 5 percentage points since the start of the year, mostly resulting from the divestment of the holding in ICA Gruppen.

During the first half of the year, the total return for the Class A and C shares was 19 and 18 percent respectively, compared with 21 percent for the return index (SIXRX). The difference between growth in net asset value and the share price reflects a larger discount to net asset value.

Industrivärden's portfolio companies have strong market positions and a clear focus on continuous improvement. In recent years several of the companies have carried out substantial measures that have increased their operational performance and strengthened the financial position. With a foundation on quality portfolio companies, a successful corporate governance model and strong financial position, there are good opportunities for continued value creation.

Helena Stjernholm
CEO

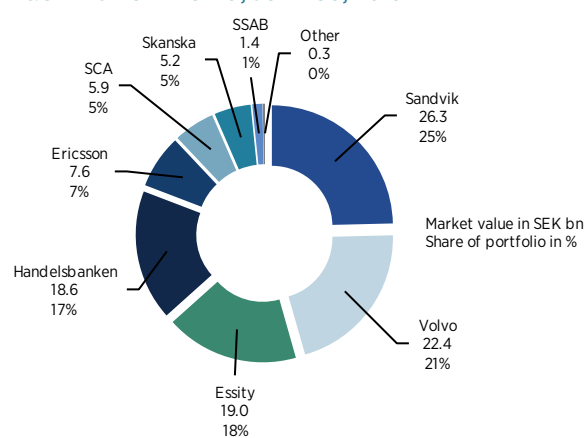
Overview

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, JUNE 30, 2019



COMPOSITION OF EQUITIES PORTFOLIO AND NET ASSET VALUE

	06/30/2019				6M:2019		TR for the stock	
	No. of shares	Share of ownership, %		Market value		Total return		
		Capital	Votes	Share of value, %	SEK M	SEK/share	SEK M	%
Portfolio companies								
Sandvik	154,200,000	12.3	12.3	25	26,307	60	7,433	38
Volvo A	148,600,000	7.2	23.2	21	21,859	51	6,069	35
Volvo B	3,600,000				530			36
Essity A	35,000,000	9.5	29.9	18	9,940	44	4,893	33
Essity B	31,800,000				9,076			34
Handelsbanken A	202,900,000	10.4	10.6	17	18,642	43	-279	-1
Ericsson A	86,052,615	2.6	15.1	7	7,555	18	994	15
Ericsson B	1,000,000				88			14
SCA A	35,000,000	9.5	29.7	5	3,297	13	1,292	34
SCA B	31,800,000				2,566			20
Skanska A	12,667,500	7.4	24.3	5	2,124	12	968	23
Skanska B	18,500,000				3,102			23
SSAB A	44,334,933	4.3	11.8	1	1,435	3	142	11
Other				0	311	1	-1	
Equities portfolio				100	106,834	245	21,511	23
Interest-bearing net debt					-2,669	-6	Index:	21
Net asset value					104,165	239		
Debt-equities ratio					2%			

Performance

NET ASSET VALUE

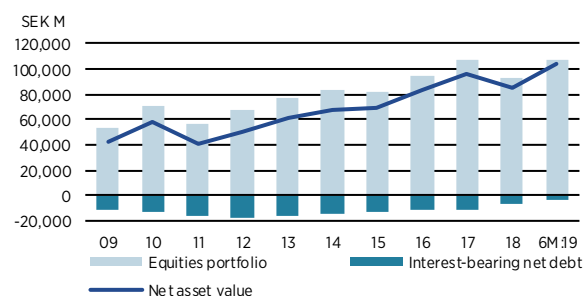
Net asset value on June 30, 2019, was SEK 104.2 billion, or SEK 239 per share, an increase of SEK 43 per share during the first half of 2019. Including reinvested dividend, net asset value increased by 25%. The Stockholm Stock Exchange's total return index (SIXRX) increased by 21% during the same period.

During the last five and ten-year periods, net asset value grew by 12% and 15%, respectively, per year including reinvested dividend. The total return index (SIXRX) increased by 10% and 13%, respectively, during the same periods.

Net asset value June 30, 2019

	06/30/2019		12/31/2018	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	106.8	245	92.2	212
Interest-bearing net debt	-2.7	-6	-6.6	-15
Adjustment exchangeable	-	-	-0.4	-1
Net asset value	104.2	239	85.2	196

Development of net asset value, 10 years

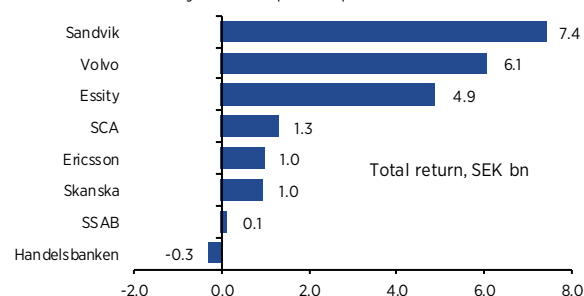


EQUITIES PORTFOLIO

During the first half of 2019 the value of the equities portfolio, adjusted for purchases and sales, increased by SEK 17.5 billion. On June 30, 2019 the equities portfolio was worth SEK 106.8 billion, or SEK 245 per share. The shareholdings in Sandvik, Volvo and Essity made a significant positive contribution to the equities portfolio's value performance.

During the first half of 2019 exchangeable holders called for redemptions corresponding to SEK 4.1 billion, whereby the shares in ICA Gruppen were delivered. On May 15, 2019 the exchangeable bond matured and Industrivärden has thereafter sold the remaining shares in ICA Gruppen. The transactions have not had any material impact on earnings.

Contribution analysis of equities portfolio 6M:2019



Performance of shareholdings, 3 years

Class of shares	Annual average total return, %
Sandvik	30
Volvo B	26
Volvo A	26
SSAB A	21
SCA A*	21
SCA B*	16
Ericsson A	14
Ericsson B	13
Total return index (SIXRX)	13
Essity A*	13
Essity B*	13
Skanska B	3
Handelsbanken A	2

*For calculation method, see page 9.

CASH FLOW

Investment activities

During the first half of 2019 shares were acquired in Volvo for SEK 822 M, in Skanska for SEK 351 M and in Sandvik for SEK 273 M.

Dividend paid out

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

Dividends received

During the first half of 2019 dividends received amounted to SEK 4 093 M (3 764).

Management cost

The management cost during the first half of 2019 was SEK 64 M (70), which on a yearly basis corresponds to 0.12% (0.14) of the equities portfolio's value on June 30, 2019.

FINANCING

Interest-bearing net debt

Interest-bearing net debt amounted to SEK 2.7 (7.2) billion on June 30, 2019. The debt-equities ratio was 2% (7), and the equity ratio was 97% (92). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

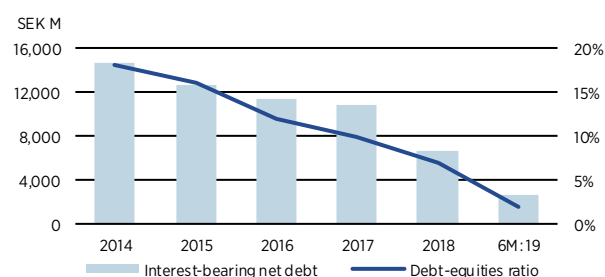
During the first half of 2019 a new bond of SEK 1.0 billion was issued within the framework of the existing MTN program. The bond was issued primarily for refinancing and has a tenor of three years.

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

Interest-bearing net debt, June 30, 2019

	Credit facility, SEK M	Utilized amount, SEK M	Maturity
MTN-program	8,000	3,057	2020-2022
Commercial paper	3,000	-	
Pension debt		105	
Other liabilities		214	
Total borrowing		3,376	
Less:			
Interest-bearing receivables		126	
Cash and cash equivalents		581	
Interest-bearing net debt		2,669	

Development of interest-bearing net debt, 5 years



Credit rating

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

Exchangeable in ICA Gruppen's stock

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

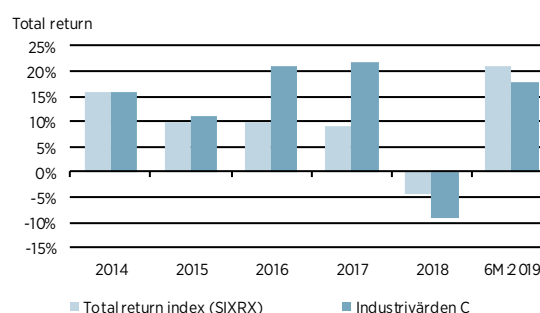
INDUSTRIVÄRDEN SHARE DATA

The market prices for Industrivärden's Class A and C shares on June 30, 2019, were SEK 211.80 and SEK 205.80, respectively. The corresponding market prices on December 31, 2018, were SEK 183.20 and SEK 179.20, respectively.

The total return during the first half of 2019 was 19% for the Class A shares and 18% for the Class C shares. The Stockholm Stock Exchange's total return index (SIXRX) increased by 21% during the same period. The so-called discount to net asset value has thus increased.

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

Value performance the respective year



At the 2011 Annual General Meeting, a share conversion clause was added to the Articles of Association. Shareholders have the right at any time to request conversion of Class A shares to Class C shares. During the first half of 2019, no shares were converted.

Share structure, June 30, 2019

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

Other

RESOLUTIONS AT ANNUAL GENERAL MEETING 2019

The 2019 Annual General Meeting was held on April 17, at which the following resolutions, among others, were made. The dividend was set at SEK 5.75 (5.50) per share. All board members and the Chairman of the board were re-elected. Deloitte AB was elected as new auditing firm.

FINANCIAL CALENDAR

Interim report January–September: October 4, 2019.
The report date has been changed from October 7, 2019 to October 4, 2019.

CONTACT PERSONS

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PUBLICATION

This information is such that AB Industrivärden is required to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the Head of Corporate Communication and Sustainability stated above, at 10:00 a.m. CET on July 5, 2019.

TICKER CODES

INDUC:SS, Bloomberg

INDUc.ST, Reuters

INDU C, NASDAQ OMX

Board's assurance and review report

BOARD'S ASSURANCE

The Board of Directors and CEO certify that the half-year interim report gives a true and fair presentation of the Parent Company's and Group's business, financial position and result of operations, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm July 5, 2019
AB Industrivärden (publ)

Fredrik Lundberg Chairman	Pär Boman Vice Chairman	Christian Caspar Director
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Bengt Kjell Director	Nina Linander Director	Annika Lundius Director
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Lars Pettersson Director	Helena Stjernholm CEO and director
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REVIEW REPORT

Introduction

We have reviewed the interim report for AB Industrivärden (publ) for the period January 1 - June 30, 2019. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the 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 Financial Information 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 has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Stockholm July 5, 2019
Deloitte AB

Hans Warén
Authorized Public Accountant

Financial statements in brief

GROUP

SEK M	2019 Apr.-Jun.	2018 Apr.-Jun.	2019 Jan.-Jun.	2018 Jan.-Jun.	2018 Jan.-Dec.
INCOME STATEMENT					
Dividend income	2,590	2,089	4,093	3,764	3,764
Change in fair value of financial assets	3,541	-910	17,354	-1,046	-11,954
Management cost	-34	-40	-64	-70	-121
Operating income	6,097	1,139	21,383	2,648	-8,311
Financial items	-9	-5	-15	-7	-19
Income after financial items	6,088	1,134	21,368	2,641	-8,330
Tax	-	-	-	-	-
Net income for the period	6,088	1,134	21,368	2,641	-8,330
Earnings per share, SEK	13.99	2.61	49.10	6.07	-19.14
STATEMENT OF COMPREHENSIVE INCOME					
Comprehensive income for the period	6,088	1,134	21,368	2,641	-8,344
BALANCE SHEET as per end of period					
Equities			106,834	103,595	92,170
Other non-current assets			17	11	11
Total non-current assets			106,851	103,606	92,181
Cash and cash equivalents			581	245	786
Other current assets			183	844	273
Total current assets			764	1,089	1,059
Total assets			107,615	104,695	93,240
Shareholders' equity			104,008	96,127	85,142
Non-current interest-bearing liabilities			2,363	2,178	2,170
Non-current non interest-bearing liabilities			16	60	36
Total non-current liabilities			2,379	2,238	2,206
Current interest-bearing liabilities			1,057	6,058	5,394
Other liabilities			171	272	498
Total current liabilities			1,228	6,330	5,892
Total shareholders' equity and liabilities			107,615	104,695	93,240
CASH FLOW					
Cash flow from operating activities			3,978	3,666	3,492
Cash flow from investing activities			2,451	2,525	3,252
Cash flow from financing activities*			-6,634	-6,559	-6,571
Cash flow for the period			-205	-368	173
Cash and cash equivalents at end of period			581	245	786

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

GROUP, CONT.

SEK M	2019	2018	2018
	Jan.-Jun.	Jan.-Jun.	Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY			
Opening shareholders' equity as per balance sheet	85,142	95,880	95,880
Comprehensive income for the period	21,368	2,641	-8,344
Dividend	-2,502	-2,394	-2,394
Closing shareholders' equity as per balance sheet	104,008	96,127	85,142
INTEREST-BEARING NET DEBT at end of period			
Cash and cash equivalents	581	245	786
Interest-bearing assets	170	833	177
Non-current interest-bearing liabilities	2,363	2,178	2,170
Current interest-bearing liabilities	1,057	6,058	5,394
Interest-bearing net debt	2,669	7,158	6,601

PARENT COMPANY

SEK M	2019	2018	2018
	Jan.-Jun.	Jan.-Jun.	Jan.-Dec.
INCOME STATEMENT			
Operating income	15,107	3,388	-4,991
Income after financial items	15,093	3,384	-5,007
Income for the period	15,093	3,384	-5,007
Comprehensive income for the period	15,093	3,384	-5,021
BALANCE SHEET as per end of period			
Non-current assets	63,510	62,612	53,600
Current assets	237	670	788
Total assets	63,747	63,282	54,388
Shareholders' equity	58,824	54,638	46,233
Non-current liabilities	2,379	2,238	2,206
Current liabilities	2,544	6,406	5,949
Total shareholders' equity and liabilities	63,747	63,282	54,388

Accounting policies and other comments

ACCOUNTING POLICIES

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

ALTERNATIVE PERFORMANCE MEASURES

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

TOTAL RETURN ESSITY AND SCA

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

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

06/30/2019	Level 1	Level 2	Level 3	Total
Assets				
Equities	106,523	-	311	106,834
Total assets	106,523	0	311	106,834
Liabilities				
Derivatives, etc.	-	-79	-	-79
Total liabilities	-	-79	-	-79

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 June 30, 2019, would have affected its market value by approximately +/- SEK 1,100 M. Further information about risks and uncertainties are provided in the 2018 Annual Report.

TAX

In recent times, the value concentration in Industrivärden's equities portfolio has increased. During the second quarter of 2019 Industrivärden has informed the Swedish Tax Agency about this fact and awaits notification of whether Industrivärden should be taxed as an investment company or a conventionally taxed company. Regardless of the outcome, this is not considered to have any material consequences for the company during the current year.

RELATED PARTY TRANSACTIONS

During the first half of 2019, dividend income was received from associated companies.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after June 30, 2019.

