

Year-End Report 2020

January 1–December 31, 2020

- Net asset value on December 31, 2020, was SEK 121.2 billion, or SEK 279 per share, an increase during the year of SEK 20 per share. Including reinvested dividend, net asset value increased by 8%. On February 8, 2021, net asset value was SEK 297 per share.
- The total return for 2020 was 18% for the Class A and the Class C shares, compared with 15% for the Stockholm Stock Exchange's total return index (SIXRX).
- Earnings per share during 2020 were SEK 19.39.
- During 2020, shares were purchased in Volvo A for SEK 2.1 billion, in Essity B for SEK 0.9 billion, in Handelsbanken A for SEK 0.6 billion, in SCA B for SEK 0.4 billion and in Sandvik for SEK 0.3 billion. Furthermore, shares were divested in, Essity A for SEK 0.2 billion.
- The debt-equities ratio as per December 31, 2020, was 6%.
- Due to the prevailing uncertainty caused by the COVID-19-pandemic the Annual General Meeting 2020 decided to not pay any dividend for 2019, in accordance with the Boards' proposal.
- The Board of Directors proposes an ordinary dividend of SEK 6.25 per share (0.00) and an extra dividend of SEK 2.00 per share.

Value performance

Average annual change as per December 31, 2020

	Net asset value*	Total return	
		Industri värden C	Index (SIXRX)
2020	8%	18%	15%
3 years	10%	12%	14%
5 years	14%	15%	12%
7 years	11%	15%	12%
10 years	9%	12%	11%

*Including reinvested dividend.

CEO's message

The past year 2020 was largely dominated by the Covid-19 pandemic, which had significant impacts on large parts of society. Development of the real economy has been erratic, with large variations between sectors and geographies. The stock market was volatile in 2020, but an improved economy, reduced uncertainty following the U.S. election and positive signs surrounding Covid-19 vaccines successively dampened the market's volatility and contributed to hopes of a fast recovery. The stock market was also positively affected by continued low real interest rates and government stimulus measures, which contributed to a favorable environment for long-term equity investments. However, the further course of the pandemic is unclear, which creates continued uncertainty in the future.

For the full-year 2020 Industrivärden's net asset value increased to SEK 121.2 billion in total, or SEK 279 per share. This represents an increase of 8% including reinvested dividend. The total return index (SIXRX) increased by 15% during the same period. The total return of Industrivärden's Class A and C shares was 18% in 2020.

The Covid-19 pandemic and its effects have impacted all of Industrivärden's portfolio companies, but to varying degrees. In general the companies have handled the challenges very well and quickly adapted their operations to the new conditions. Owing to the uncertain situation, most of the portfolio companies decided to not pay any dividend in 2020. Industrivärden therefore received a lower amount of dividend income than expected. In total, SEK 657 M was received from Essity, Ericsson and Skanska. Given the prevailing circumstances, Industrivärden's board decided to not propose any dividend in 2020. Ahead of the 2021 Annual General Meeting, the Board of Directors proposes that the AGM resolve to resume a dividend payment. An ordinary dividend of SEK 6.25 per share (0.00) has been proposed along with an extra dividend of SEK 2.00 per share.

From an investment perspective, we were active in 2020 and invested a net total of SEK 4.0 billion in Volvo, Essity, Handelsbanken, SCA and Sandvik. These investments are a clear expression of our strategy to invest in a concentrated portfolio of holdings with long-term competitive value potential. Here I would like to share a few brief comments on important events in the portfolio companies during the past year.

Volvo handled the dramatic decline and the subsequent recovery in demand in 2020 very well. A key factor was the flexibility and efficiency improvement measures taken by the company in recent years. During the past year Volvo advanced its positions in a number of strategic areas, including large-scale production of fuel cells together with Daimler Trucks, the divestment of UD Trucks, and a strategic alliance with Isuzu Motors in commercial vehicles. *Sandvik* took a number of measures during the year to adapt its operations to the poorer market conditions. Despite a

drop in revenue, Sandvik showed strong resilience in its operating margin and cash flow. The company also took measures to strengthen its business over the long term. These included a number of well-considered add-on acquisitions and divestments as well as the formation of new business areas for sharper focus and future growth opportunities.

Early in 2020 *Essity* had higher demand for certain product categories, while other categories, such as tissue products for restaurants and other public facilities, were hurt by the pandemic. During 2020 *Essity* intensified the work on increasing its cost and capital efficiency. The company has strengthened its financial position, enabling it to increase its pace of acquisitions going forward.

Handelsbanken performed well in 2020 with stable earnings and low credit losses. Through an accelerated pace of digital development and consolidation to fewer branches, the adaptation to changed customer behaviors is now being intensified.

During the year *Ericsson* further strengthened its market position in 5G, the next generation of mobile networks. The company showed continued favorable financial performance and exceeded the targets it had set in 2017 by a wide margin. During 2020 *Ericsson* completed its acquisition of the U.S. firm *Cradlepoint*, active in Wireless Edge WAN enterprise solutions, for approximately SEK 10 billion.

In recent years *SCA* has carried out a number of long-term capacity investments in growth areas and announced continued investments in containerboard. In 2020 the company decided to discontinue its publication paper operations in *Ortviken* and announced further investments in chemically pre-treated thermo-mechanical pulp.

Skanska has continued to execute its strategic plan for greater focus on its core construction and project development businesses. Performance remained favorable in commercial property development, with several large divestments during the year. *Skanska's* earnings and cash flow strengthened in 2020.

The steel market has been impacted by challenging market conditions as a result of the pandemic. This is reflected in *SSAB's* financial performance in 2020, even though the company parried the fluctuating volumes well.

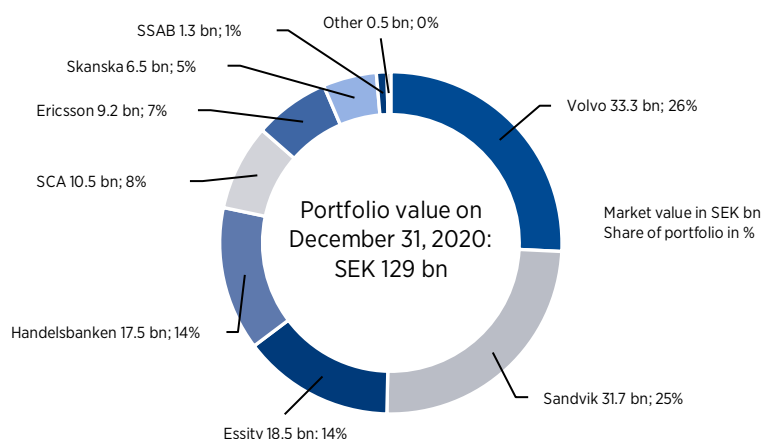
In recent years our portfolio companies have focused on achieving greater financial and operational flexibility and on integrating sustainability work. Given how well the portfolio companies managed the challenges during the past year, and their prominent positions in their respective areas, I see opportunities for continued good value creation.

Helena Stjernholm
Chief Executive Officer

Overview

Equities portfolio

The equities portfolio is made up of large shareholdings in eight portfolio companies with strong market positions and a good value potential, in which Industrivärden exercises long-term active ownership. A significant share of the equities portfolio is exposed to the industrial equipment, commercial vehicles, banking and consumer products sectors.



Composition of the equities portfolio and net asset value

	12/31/2020						2020	
	No. of shares	Share of ownership, %		Market value		Share of value, %	Total return, holdings	
Capital		Votes	SEK M	SEK/share	SEK M		%	
Portfolio companies								
Volvo A	166,600,000	8.4	27.5	32,554	76	26	6,102	24
Volvo B	3,600,000			698				
Sandvik	157,400,000	12.5	12.5	31,685	73	25	2,994	11
Essity A	33,257,000	9.8	29.3	8,996	42	14	-1,896	-9
Essity B	35,900,000			9,496				
Handelsbanken A	212,200,000	10.7	10.9	17,528	40	14	-3,733	-18
SCA A	33,785,290	10.3	29.3	4,993	24	8	3,467	52
SCA B	38,300,000			5,488				
Ericsson A	86,052,615	2.6	15.1	9,070	21	7	1,888	25
Ericsson B	1,000,000			98				
Skanska A	12,667,500	7.4	24.3	2,656	15	5	55	1
Skanska B	18,500,000			3,879				
SSAB A	44,334,933	4.3	11.8	1,299	3	1	-157	-11
Other				453	1	0	6	
Equities portfolio				128,893	296	100	8,725	7
Interest-bearing net debt				-7,654	-18			
Net asset value				121,239	279			
Debt-equities ratio				6%				

Industrivärden is a long-term asset manager that invests in listed Nordic companies with good value potential. Shareholder value is created through a professional investment operation and active ownership aimed at contributing to the portfolio companies' strategic development and long-term value creation.

For further information, visit www.industrivarden.net

Performance

Net asset value

Net asset value on December 31, 2020, was SEK 121.2 billion, or SEK 279 per share, an increase of SEK 20 per share during 2020. Including reinvested dividend, net asset value increased by 8%. The total return index (SIXRX) increased by 15% during the same period.

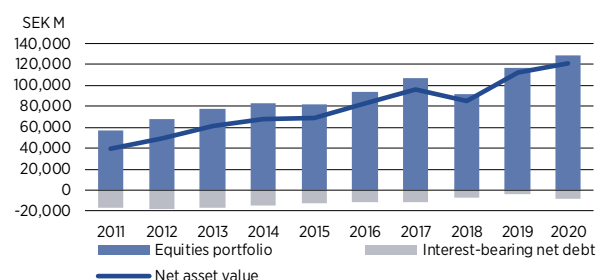
On February 8, 2021, net asset value was SEK 297 per share.

During the last three-, five- and ten-year periods, net asset value grew annually by 10%, 14% and 9%, respectively, including reinvested dividend. The total return index (SIXRX) increased by 14%, 12% and 11%, respectively, during the same periods.

Net asset value, December 31, 2020

	12/31/2020		12/31/2019	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	128.9	296	116.7	268
Interest-bearing net debt	-7.7	-18	-4.0	-9
Net asset value	121.2	279	112.7	259

Growth in net asset value, 10 years



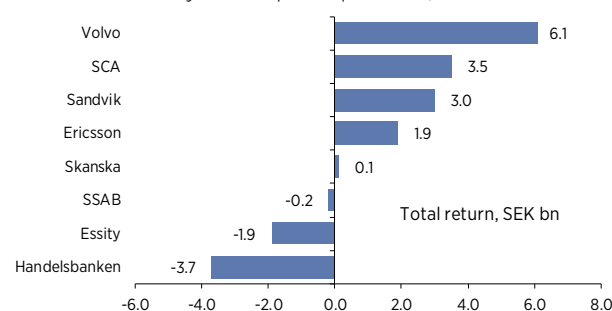
Equities portfolio

During 2020 the value of the equities portfolio, adjusted for purchases and sales, increased by SEK 8.0 billion. On December 31, 2020, the equities portfolio was worth SEK 128.9 billion, or SEK 296 per share.

The largest contributors in value in Industrivärden's equities portfolio during the period were Volvo with SEK 6.1 billion, SCA with SEK 3.5 billion and Sandvik with SEK 3.0 billion. SCA, Ericsson and Volvo showed a substantially higher total return than the total return index (SIXRX). Handelsbanken, SSAB, Essity and Skanska showed a substantially lower total return than the total return index (SIXRX), as shown in the table on page 3.

The total return for the shareholdings for a longer time period is shown in the table to the right.

Contribution analysis of equities portfolio, 12M:2020



Performance of shareholdings, 3 years

Class of shares	Annual average total return, %
Ericsson A	28
Ericsson B	24
SCA B*	21
SCA A*	17
Total return index (SIXRX)	14
Sandvik	14
Volvo A	12
Volvo B	12
Skanska B	11
Essity A*	8
Essity B*	7
Handelsbanken A	-6
SSAB A	-11

*For calculation method, see page 10.

Cash flow

Investment activities

During 2020 shares were purchased in Volvo A for SEK 2,127 M, in Essity B for SEK 863 M, in Handelsbanken A for SEK 587 M, in SCA B for SEK 355 M and in Sandvik for SEK 307 M. Furthermore, shares were divested in, Essity A for SEK 205 M.

Dividend paid out 2020

The Annual General Meeting on April 24, 2020, voted in favor of the Boards' proposal to not pay any dividend for the 2019 financial year.

Dividends received

Against the background of the uncertainty caused by the COVID-19-pandemic, the Annual General Meetings in a number of the portfolio companies decided to not pay any dividend. However, Ericsson, Essity and Skanska paid dividends. During 2020, dividends received amounted to SEK 657 M (4,093).

Board of Directors' dividend proposal 2021

The Board of Directors proposes an ordinary dividend of SEK 6.25 per share (0.00) and an extra dividend of SEK 2.00 per share for the 2020 financial year, with April 13, 2021, as the record date. The total dividend payout will amount to SEK 8.25 per share, corresponding to SEK 3 590 M.

Management cost

The management cost during 2020 was SEK 130 M (115), which on a yearly basis corresponds to 0.10% (0.10) of the equities portfolio's value on December 31, 2020.

Financing

Interest-bearing net debt

Interest-bearing net debt amounted to SEK 7.7 billion (4.0) on December 31, 2020. The debt-equities ratio was 6% (3), and the equity ratio was 94% (96). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

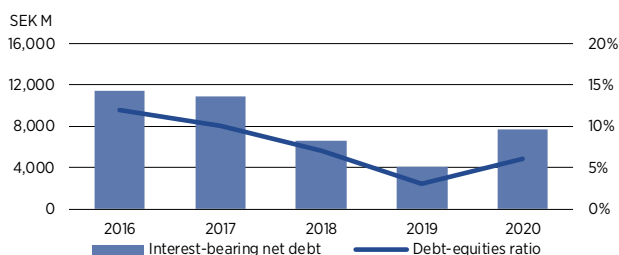
During the first quarter of 2020, two new bonds were issued for a total of SEK 2.0 billion within the framework of the existing MTN program. The bonds pertain mainly to refinancing and have three- and five-year maturities, respectively. During the second quarter, investment capacity was further strengthened through increases to existing bonds with remaining maturities of two and three years, respectively, by a total of SEK 1.5 billion. The terms of the loans are available on the Company's website.

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

Interest-bearing net debt, December 31, 2020

	31/12/2020	31/12/2019
MTN program	5,751	3,055
Commercial paper	1,800	900
Provisions for pensions	42	68
Other interest-bearing liabilities	225	232
Total interest-bearing liabilities	7,818	4,255
Less:		
Interest-bearing receivables	-164	-167
Cash and cash equivalents	0	-56
Total	7,654	4,032

Development of interest-bearing net debt, 5 years



Credit rating

S&P Global Ratings has assigned Industrivärden a credit rating of A+/Stable/A-1. The rating was confirmed on May 14, 2020.

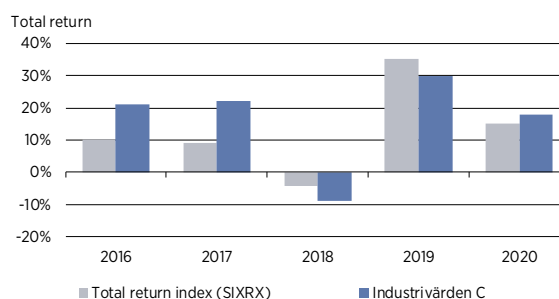
Industrivärden share data

Share performance

The market prices for Industrivärden's Class A and C shares on December 31, 2020, were SEK 274.20 and SEK 265.50, respectively. The corresponding prices on December 31, 2019, were SEK 232.00 and SEK 225.90, respectively.

The total return during the year 2020 was 18% for the Class A and the Class C shares. The Stockholm Stock Exchange's total return index (SIXRX) was 15% during the same period. The total return for longer periods of time are shown in the table on page 1 and for specific years in the chart below.

Value performance for respective years



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 2020, 1,071,556 shares were converted.

Share structure, December 31, 2020

Share class	No. of shares	No. of votes	Capital, %	Votes, %
A (1 vote)	267,111,784	267,111,784	61.4	94.1
C (1/10 vote)	168,098,093	16,809,809	38.6	5.9
Total	435,209,877	283,921,593	100.0	100.0

Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. Disclosures in accordance with IAS 34.16A appear not only in the financial statements and their accompanying notes but also in other parts of the interim report. 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.

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, 2020, would have affected its market value by approximately +/- SEK 1,300 M. Further information about risks and uncertainties is provided in the 2019 Annual Report.

Impact of COVID-19-pandemic

During the ongoing COVID-19-pandemic, Industrivärden's operations have been managed without major disruptions. The company has continued low debt level and a good financial position.

The portfolio companies' have been impacted in various ways and successively taken measures to deal with the situation. Against the background of the uncertainty in the business environment, the Annual General Meetings in a number of the portfolio companies decided to not pay any dividend. However, Ericsson, Essity and Skanska paid dividends.

Related party transactions

During 2020, dividend income was received from associated companies.

Events after the balance sheet date

No significant events have occurred after December 31, 2020.

Nominating committee's recommendation for Board of Directors

The Nominating Committee of AB Industrivärden proposes re-election of Board members Pär Boman, Christian Caspar, Marika Fredriksson, Bengt Kjell, 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 proposals will be made public in the notice of the Annual General Meeting of AB Industrivärden.

Stockholm, February 9, 2021

Helena Stjernholm
Chief Executive Officer

Auditor's review report

Following is the auditor's 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, 2020. 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 9, 2021
Deloitte AB

Hans Warén
Authorized Public Accountant

Financial statements

Group, condensed

SEK M	2020 Oct.-Dec.	2019 Oct.-Dec.	2020 Jan.-Dec.	2019 Jan.-Dec.
INCOME STATEMENT				
Dividend income	592	0	657	4,093
Change in fair value of financial assets	8,355	11,968	8,008	25,983
Management cost	-33	-23	-130	-115
Operating income	8,914	11,945	8,535	29,961
Financial items	-14	-8	-48	-31
Income after financial items	8,900	11,937	8,487	29,930
Tax*	-32	-93	-47	-93
Net income for the period	8,868	11,844	8,440	29,837
Earnings per share (there is no dilution effect), SEK	20.38	27.21	19.39	68.56
STATEMENT OF COMPREHENSIVE INCOME				
Net income for the period	8,868	11,844	8,440	29,837
<i>Items that are not to be reversed in the inc. statement</i>				
Actuarial gains and losses on pensions	0	51	0	51
Comprehensive income for the period	8,868	11,895	8,440	29,888
BALANCE SHEET as per end of period				
Equities			128,893	116,750
Other non-current assets			21	14
Total non-current assets			128,914	116,764
Cash and cash equivalents			0	56
Other current assets			196	191
Total current assets			196	247
Total assets			129,110	117,011
Shareholders' equity			120,976	112,528
Non-current interest-bearing liabilities			4,549	2,323
Non-current non interest-bearing liabilities			213	137
Total non-current liabilities			4,762	2,460
Current interest-bearing liabilities			3,269	1,932
Other liabilities			103	91
Total current liabilities			3,372	2,023
Total shareholders' equity and liabilities			129,110	117,011
CASH FLOW				
Dividend income			657	4,093
Other			-166	-221
Cash flow from operating activities			491	3,872
Purchases/sales of shares			-4,106	1,163
Cash flow from investing activities			-4,106	1,163
Change interest-bearing liabilities			3,559	-3,271
Dividend paid			-	-2,502
Other			-	8
Cash flow from financing activities			3,559	-5,765
Cash flow for the period			-56	-730
Cash and cash equivalents at end of period			0	56

* Pertains to deferred tax on temporary differences accounted for in subsidiaries that have no cash flow effect.

Group, condensed (cont.)

SEK M	2020	2019
	Jan.-Dec.	Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY		
Opening shareholders' equity as per balance sheet	112,528	85,142
Net income for the period	8,440	29,837
Other comprehensive income	0	51
Dividend	-	-2,502
Share-savings programme	8	-
Closing shareholders' equity as per balance sheet	120,976	112,528
INTEREST-BEARING NET DEBT at end of period		
Cash and cash equivalents	0	56
Interest-bearing assets	164	167
Non-current interest-bearing liabilities	4,549	2,323
Current interest-bearing liabilities	3,269	1,932
Interest-bearing net debt	7,654	4,032

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

12/31/2020	Level 1	Level 2	Level 3	Total
Assets				
Equities	128,440	-	453	128,893
Derivatives, etc.	-	1	-	1
Total assets	128,440	1	453	128,894
Liabilities				
Derivatives, etc.	-	73	-	73
Total liabilities	-	73	-	73

Parent Company, condensed

SEK M	2020	2019
	Jan.-Dec.	Jan.-Dec.
INCOME STATEMENT		
Operating income	10,457	19,876
Income after financial items	10,409	19,846
Income for the period	10,409	19,846
Comprehensive income for the period	10,409	19,897
BALANCE SHEET as per end of period		
Non-current assets	82,138	69,314
Current assets	156	149
Total assets	82,294	69,463
Shareholders' equity	74,044	63,627
Non-current liabilities	4,622	2,367
Current liabilities	3,628	3,469
Total shareholders' equity and liabilities	82,294	69,463

Definitions

This report includes financial key ratios that are based on IFRS. In addition, other key ratios (Alternative Performance Measures – APMs) are used by the Company and other interests to describe the Group's operations and which cannot be discerned or derived from the financial statements. These APMs are to be regarded as a complement to the financial reporting presented in accordance with IFRS. It should be noted that the APMs defined below may differ somewhat from other companies' definitions of the same terms.

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.

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

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, 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 the share of value prior to 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's stock was June 15, 2017.

Total return, shares

Change in the share price taking into account reinvested dividends. The total return is compared against the total 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.

Information

Financial calendar

Annual report 2020: February 25, 2021
Interim report January-March: April 9, 2021
Annual General Meeting: April 21, 2021
Interim report January-June: July 6, 2021
Interim report January-September: October 11, 2021

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Ticker codes, Class C shares

INDUC:SS i Bloomberg

INDUc.ST i Reuters

INDU C i NASDAQ OMX

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 1:20 p.m. CET on February 9, 2021.

