

# Interim Report 3M:2020

January 1–March 31, 2020

- Net asset value on March 31, 2020, was SEK 94.1 billion, or SEK 216 per share, a decrease during the first quarter of SEK 43 per share. Including reinvested dividend, net asset value decreased by 17%.
- The total return for the first three months of 2020 was -17% for the Class A shares and -14% for the Class C shares, compared with -18% for the Stockholm Stock Exchange's total return index (SIXRX).
- Earnings per share for the period were SEK -42.59.
- During the first quarter of 2020, shares were purchased in SCA B for SEK 0.4 billion and in Sandvik for SEK 0.3 billion.
- The debt-equities ratio as per March 31, 2020, was 5%, an increase since year-end of 2 percentage points.
- Due to the prevailing uncertainty caused by the COVID-19-pandemic, the Board of Directors has decided to withdraw its dividend proposal to the Annual General Meeting 2020.

## Value performance

Average annual change as per March 31, 2020

	Net asset value*	Total return	
		Industrivärden C	Index (SIXRX)
3M:2020	-17%	-14%	-18%
1 year	-4%	2%	-2%
3 years	3%	3%	3%
5 years	6%	7%	4%
7 years	8%	11%	9%
10 years	9%	12%	9%

\*Including reinvested dividend.

# CEO's message

The first quarter of the year was characterized in many ways by the novel coronavirus and its impact on society and the stock market. At the start of 2020 the macroeconomic outlook was favorable, even though a slowdown was looming. However, the situation changed dramatically with the spread of the coronavirus, and the market reacted with sharply falling stock prices and lower interest rates. Thus far the consequences have been substantial, and at this time it is too early to assess what the combined effects of the outbreak will be on society, companies and the economy over time.

In recent years Industrivärden's portfolio companies have taken a number of measures to increase both the operational and the financial flexibility. These measures have strengthened the companies' balance sheets and increased their ability both to deal with challenges and take advantage of opportunities. The portfolio companies' operations are being impacted in various ways by the recent developments, and the companies are successively taking a number of different measures to deal with the challenging situation. Against the background of the significant uncertainty in our business environment, the boards of the portfolio companies have to varying degrees changed or withdrawn their dividend proposals, or taken the decision to postpone the companies' annual general meeting.

But I would also like to give a few examples of strategic activities conducted by the portfolio companies during the first quarter that were aimed at strengthening value creation over time. Sandvik continued to make a number of smaller acquisitions that will strengthen its business areas over time. It also completed the divestment of Sandvik Drilling and Completions (Varel). At the start of the year Volvo launched a new generation of heavy trucks with a strong focus on the driver environment, safety and productivity. Volvo also continues to invest in electric trucks, both in Europe and the U.S. Essity has strengthened its operations through a number of acquisitions within Medical Solutions.

As per March 31, 2020, Industrivärden's net asset value amounted to SEK 94.1 billion, or SEK 216 per share, which corresponds to a decrease during the quarter of 17%. During the same period the total return for Class A and C shares was -17% and -14%, respectively, compared with -18% for the total return index. The debt-equities ratio was 5%, which is in line with our target range of 0%–10%. Industrivärden today has good investment capacity, and during the first three months of the year we increased our financial exposure in SCA and Sandvik through purchases of shares totaling approximately SEK 0.7 billion.

Industrivärden's 2020 AGM will be held on April 24 at the Grand Hôtel in Stockholm. For understandable reasons the meeting will be kept as short as possible, and a number of measures will be taken to reduce the risk for contagion. Against the background of the prevailing uncertainty caused by the COVID-19-pandemic, the Board of Directors has decided to withdraw the dividend proposal to the Annual General Meeting. The Board of Directors has the ambition, if the circumstances exist, to convene an Extra General Meeting in the autumn to decide on the dividend.

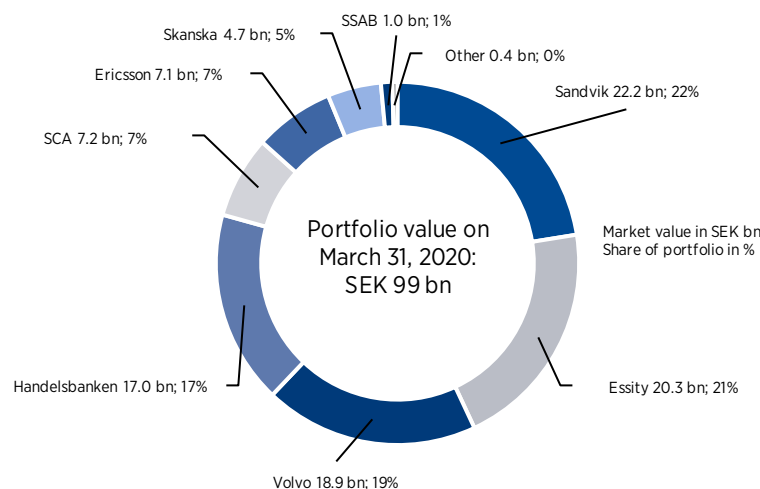
With the year's first quarter now behind us, we can see that the world looks considerably different than at the close of 2019. However, we and our portfolio companies are well-poised to deal with challenges as well as take advantage of opportunities during the coming year.

*Helena Stjernholm*  
Chief Executive Officer

# Overview

## Equities portfolio, March 31, 2020

The equities portfolio is made up of large shareholdings in eight portfolio companies with strong market positions and in which Industrivärden exercises long-term active ownership. 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

	03/31/2020						3M: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								
Sandvik	157,400,000	12.5	12.5	22,233	51	22	-6,458	-23
Essity A	34,000,000	9.5	29.2	10,302	47	21	189	1
Essity B	32,800,000			10,037				
Volvo A	154,600,000	7.4	24.2	18,428	43	19	-6,164	-25
Volvo B	3,600,000			430				
Handelsbanken A	204,900,000	10.3	10.5	17,035	39	17	-3,639	-18
SCA A	33,785,290			3,379				
SCA B	38,300,000	10.3	29.3	3,847	17	7	211	3
Ericsson A	86,052,615	2.6	15.1	6,970	16	7	-379	-5
Ericsson B	1,000,000			81				
Skanska A	12,667,500	7.4	24.3	1,918	11	5	-1,878	-28
Skanska B	18,500,000			2,802				
SSAB A	44,334,933	4.3	11.8	1,010	2	1	-446	-31
Other				444	1	0	-3	
<b>Equities portfolio</b>				<b>98,917</b>	<b>227</b>	<b>100</b>	<b>-18,567</b>	<b>-16</b>
<b>Interest-bearing net debt</b>				<b>-4,802</b>	<b>-11</b>			
<b>Net asset value</b>				<b>94,115</b>	<b>216</b>			
<b>Debt-equities ratio</b>				<b>5%</b>				

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](http://www.industrivarden.net)

# Performance

## Net asset value

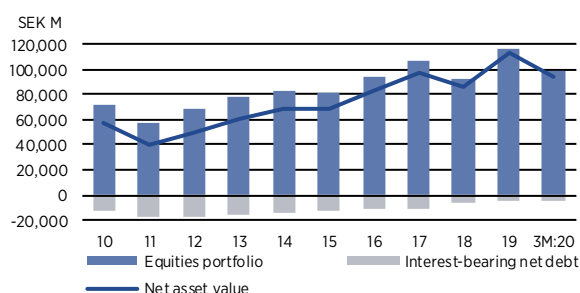
Net asset value on March 31, 2020, was SEK 94.1 billion, or SEK 216 per share, a decrease of SEK 43 per share during the first quarter of 2020. Including reinvested dividend, net asset value decreased by 17%. The total return index (SIXRX) decreased by 18% during the same period.

During the last five- and ten-year periods, net asset value grew annually by 6% and 9% including reinvested dividend. The total return index (SIXRX) increased by 4% and 9%, respectively, during the same periods.

Net asset value, March 31, 2020

	03/31/2020		12/31/2019	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	98.9	227	116.7	268
Interest-bearing net debt	-4.8	-11	-4.0	-9
<b>Net asset value</b>	<b>94.1</b>	<b>216</b>	<b>112.7</b>	<b>259</b>

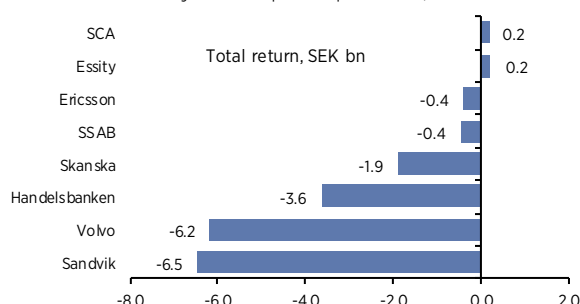
Growth in net asset value, 10 years



## Equities portfolio

During the first quarter of 2020 the value of the equities portfolio, adjusted for purchases and sales, decreased by SEK 18.6 billion. On March 31, 2020, the equities portfolio was worth SEK 98.9 billion, or SEK 227 per share. During the period the holdings in SCA, Essity and Ericsson showed a higher total return than the total return index (SIXRX). Handelsbanken developed in line with the total return index.

Contribution analysis of equities portfolio, 3M:2020



Performance of shareholdings, 3 years

Class of shares	Annual average total return, %
SCA B*	22
SCA A*	19
Essity B*	13
Ericsson A	12
Ericsson B	12
Essity A*	12
Sandvik	4
Total return index (SIXRX)	3
Volvo B	1
Volvo A	1
Skanska B	-7
Handelsbanken A	-9
SSAB A	-12

\*For calculation method, see page 9.

## Cash flow

### Investment activities

During the first quarter of 2020 shares were purchased in SCA B for SEK 355 M and in Sandvik for SEK 307 M.

### Management cost

The management cost during the first quarter of 2020 was SEK 39 M (30), which on a yearly basis corresponds to 0.16% (0.12%) of the equities portfolio's value on March 31, 2020.

## Financing

### Interest-bearing net debt

Interest-bearing net debt amounted to SEK 4.8 billion (3.0) on March 31, 2020. The debt-equities ratio was 5% (3%), and the equity ratio was 95% (95%). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

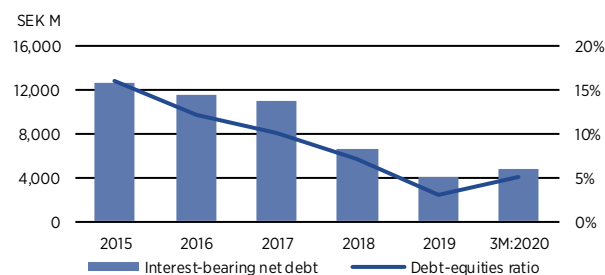
During the first quarter of 2020 two new bonds of total SEK 2.0 billion was issued within the framework of the existing MTN program. The bonds was issued primarily for refinancing and has a tenor of three and five years, respectively.

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

### Interest-bearing net debt, March 31, 2020

	31/03/2020	31/12/2019
MTN program	4,254	3,055
Commercial paper	-	900
Provisions for pensions	61	68
Other interest-bearing liabilities	653	232
<b>Total interest-bearing liabilities</b>	<b>4,968</b>	<b>4,255</b>
Less:		
Interest-bearing receivables	-166	-167
Cash and cash equivalents	-	-56
<b>Total</b>	<b>4,802</b>	<b>4,032</b>

### 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.

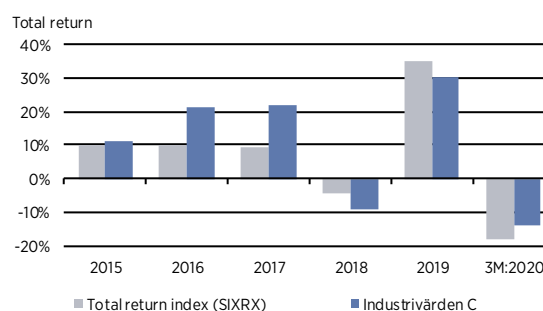
## Industrivärden share data

### Share performance

The market prices for Industrivärden's Class A and C shares on March 31, 2020, were SEK 193.60 and SEK 193.90, respectively. The corresponding prices on December 31, 2019, were SEK 232.00 and SEK 225.90, respectively.

The total return during the first quarter of 2020 was -17% for the Class A and -14% for the Class C shares. The total return index (SIXRX) decreased by -18% 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 the first quarter of 2020, 1,063,006 shares were converted.

### Share structure, March 31, 2020

Share class	No. of shares	No. of votes	Capital, %	Votes, %
A (1 vote)	267,120,334	267,120,334	61.4	94.1
C (1/10 vote)	168,089,543	16,808,954	38.6	5.9
<b>Total</b>	<b>435,209,877</b>	<b>283,929,288</b>	<b>100.0</b>	<b>100.0</b>

## Annual General Meeting

The 2020 Annual General Meeting will be held at 2 p.m. on April 24 at the Grand Hôtel, Vinterträdgården hall, in Stockholm. Notification to attend can be made by post, by electronic application on Industrivärden's website, or by phone, at +46-8-402 92 86. Industrivärden is monitoring the development regarding the COVID-19-pandemic and the instructions from the authorities, closely. Industrivärden will publish updated information regarding the Annual General Meeting on its website continuously.

## Nominating Committee's recommendation for election of board members at the Annual General Meeting

The Nominating Committee proposes re-election of board members Pär Boman, Christian Caspar, Bengt Kjell, Fredrik Lundberg, Annika Lundius, Lars Pettersson and Helena Stjernholm, and election of Marika Fredriksson as a new board member. Nina Linander has declined re-election. In addition, Fredrik Lundberg is proposed for re-election as Chairman of the Board.

Marika Fredriksson (born 1963) has a Master's in Finance and Business Administration. She is CFO & Group Executive Vice President for Vestas Wind Systems since 2013. Prior to this she served as CFO of Gambro, CFO of Autoliv, and held several senior positions in the Volvo Group. Marika Fredriksson is a board member of Sandvik and SSAB.

Further information about the nominated board members is provided on Industrivärden's website.

## Industrivärden's Board of Directors withdraws the dividend proposal

Due to the prevailing uncertainty caused by COVID-19-pandemic, the Board of Directors has decided to withdraw the dividend proposal to the Annual General Meeting to be held on April 24.

The Board of Directors has the ambition, if the circumstances exist, to convene an Extra General Meeting in the autumn to decide on the dividend.

## 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.

## 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 March 31, 2020, would have affected its market value by approximately +/- SEK 1,000 M. Further information about risks and uncertainties is provided in the 2019 Annual Report.

## Related party transactions

No related party transactions that have significantly affected the Industrivärden's financial position or result have taken place during the period.

## Events after the balance sheet date

No significant events have occurred after March 31, 2020.

Stockholm, April 7, 2020  
AB Industrivärden (publ)

*Helena Stjernholm*  
Chief Executive Officer

*This interim report has not been reviewed by the company's auditors.*

# Financial statements

## Group, condensed

	2020	2019	2019
SEK M	Jan.-Mar.	Jan.-Mar.	Jan.-Dec.
<b>INCOME STATEMENT</b>			
Dividend income	-	1,503	4,093
Change in fair value of financial assets	-18,555	13,813	25,983
Management cost	-39	-30	-115
<b>Operating income</b>	<b>-18,594</b>	<b>15,286</b>	<b>29,961</b>
Financial items	-9	-6	-31
<b>Income after financial items</b>	<b>-18,603</b>	<b>15,280</b>	<b>29,930</b>
Tax*	69	-	-93
<b>Net income for the period</b>	<b>-18,534</b>	<b>15,280</b>	<b>29,837</b>
Earnings per share, SEK	-42.59	35.11	68.56
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>Net income for the period</b>	<b>-18,534</b>	<b>15,280</b>	<b>29,837</b>
<i>Items that are not to be reversed in the inc. statement</i>			
Actuarial gains and losses on pensions	-	-	51
<b>Comprehensive income for the period</b>	<b>-18,534</b>	<b>15,280</b>	<b>29,888</b>
<b>BALANCE SHEET as per end of period</b>			
Equities	98,917	103,933	116,750
Other non-current assets	13	18	14
Total non-current assets	98,930	103,951	116,764
Cash and cash equivalents	-	568	56
Other current assets	187	1,571	191
Total current assets	187	2,139	247
<b>Total assets</b>	<b>99,117</b>	<b>106,090</b>	<b>117,011</b>
Shareholders' equity	93,994	100,422	112,528
Non-current interest-bearing liabilities	3,061	2,368	2,323
Non-current non interest-bearing liabilities	60	56	137
Total non-current liabilities	3,121	2,424	2,460
Current interest-bearing liabilities	1,907	2,794	1,932
Other liabilities	95	450	91
Total current liabilities	2,002	3,244	2,023
<b>Total shareholders' equity and liabilities</b>	<b>99,117</b>	<b>106,090</b>	<b>117,011</b>
<b>CASH FLOW</b>			
Dividend income	-	117	4,093
Other	-40	-69	-221
Cash flow from operating activities	-40	48	3,872
Purchases/sales of shares	-735	2,128	1,163
Cash flow from investing activities	-735	2,128	1,163
Change interest-bearing liabilities	719	-2,402	-3,271
Dividend paid	-	-	-2,502
Other	-	8	8
Cash flow from financing activities	719	-2,394	-5,765
<b>Cash flow for the period</b>	<b>-56</b>	<b>-218</b>	<b>-730</b>
<b>Cash and cash equivalents at end of period</b>	<b>0</b>	<b>568</b>	<b>56</b>

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

## Group, condensed (cont.)

SEK M	2020	2019	2019
	Jan.-Mar.	Jan.-Mar.	Jan.-Dec.
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>			
Opening shareholders' equity as per balance sheet	112,528	85,142	85,142
Comprehensive income for the period	-18,534	15,280	29,888
Dividend	-	-	-2,502
<b>Closing shareholders' equity as per balance sheet</b>	<b>93,994</b>	<b>100,422</b>	<b>112,528</b>
<b>INTEREST-BEARING NET DEBT at end of period</b>			
Cash and cash equivalents	-	568	56
Interest-bearing assets	166	1,557	167
Non-current interest-bearing liabilities	3,061	2,368	2,323
Current interest-bearing liabilities	1,907	2,794	1,932
<b>Interest-bearing net debt</b>	<b>4,802</b>	<b>3,037</b>	<b>4,032</b>

## 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.

03/31/2020	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	98,473	-	444	98,917
<b>Total assets</b>	<b>98,473</b>	<b>-</b>	<b>444</b>	<b>98,917</b>
<b>Liabilities</b>				
Derivatives, etc.	-	36	-	36
<b>Total liabilities</b>	<b>-</b>	<b>36</b>	<b>-</b>	<b>36</b>

## Parent Company, condensed

SEK M	2020	2019	2019
	Jan.-Mar.	Jan.-Mar.	Jan.-Dec.
<b>INCOME STATEMENT</b>			
Operating income	-15,020	9,503	19,876
Income after financial items	-15,029	9,497	19,846
<b>Income for the period</b>	<b>-15,029</b>	<b>9,497</b>	<b>19,846</b>
<b>Comprehensive income for the period</b>	<b>-15,029</b>	<b>9,497</b>	<b>19,897</b>
<b>BALANCE SHEET as per end of period</b>			
Non-current assets	54,627	60,646	69,314
Current assets	144	489	149
<b>Total assets</b>	<b>54,771</b>	<b>61,135</b>	<b>69,463</b>
Shareholders' equity	48,598	55,730	63,627
Non-current liabilities	3,097	2,424	2,367
Current liabilities	3,076	2,981	3,469
<b>Total shareholders' equity and liabilities</b>	<b>54,771</b>	<b>61,135</b>	<b>69,463</b>



# 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 and 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 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

## Annual Report 2019

Industrivärden's 2019 Annual Report was published on February 20, 2020, and is available on the Company's website and can also be ordered from the Company.

## Financial calendar

Annual General Meeting: April 24, 2020, in Stockholm  
Interim report January–June: July 7, 2020  
Interim report January–September: October 6, 2020

## Contact persons

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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. The information was submitted for publication, through the agency of the Head of Corporate Communication and Sustainability stated above, at 11:00 a.m. CEST on April 7, 2020.

