

Interim Report 6M:2020

January 1–June 30, 2020

- Net asset value on June 30, 2020, was SEK 106.8 billion, or SEK 245 per share, a decrease during the first half of the year of SEK 14 per share. Including reinvested dividend, net asset value decreased by 5%.
- The total return for the first six months of 2020 was -9% for the Class A shares and -7% for the Class C shares, compared with -4% for the Stockholm Stock Exchange's total return index (SIXRX).
- Earnings per share for the period were SEK -13.60.
- During the first half of 2020, shares were purchased in SCA B for SEK 0.4 billion, in Sandvik for SEK 0.3 billion, in Volvo A for SEK 0.1 billion and in Handelsbanken A for SEK 0.1 billion.
- The debt-equities ratio as per June 30, 2020, was 5%.
- Due to the prevailing uncertainty caused by the COVID-19-pandemic the Board of Directors proposed not to pay any dividend, which was decided by the Annual General Meeting.

Value performance

Average annual change as per June 30, 2020

	Net asset value*	Total return	
		Industrivärden C	Index (SIXRX)
6M:2020	-5%	-7%	-4%
1 year	3%	3%	7%
3 years	6%	3%	7%
5 years	9%	9%	8%
7 years	12%	13%	12%
10 years	10%	13%	11%

*Including reinvested dividend.

CEO's message

Development during the first half of 2020 has been characterized by considerably uncertainty amid the Covid-19 pandemic and its effects. Society has been impacted in all aspects and a large number of measures have been taken to stop the spread, but also to support impacted companies and individuals. Companies have been steadily taking various adjustment measures, but the future economic course continues to be hard to determine. The stock markets fell sharply in March, but then recovered unexpectedly rapidly to the levels that prevailed at year-end 2019, only to fall back again somewhat. The stock market's volatility illustrates the considerable uncertainty about the future course of the real economy. At the same time, asset prices are being supported by historically low real interest rates and extensive public support measures.

While the pandemic's continued progression and overall consequences are uncertain, it will likely lead to an acceleration of several already ongoing megatrends. I'm thinking, for example, of the digitalization of various businesses and processes, but also sustainability-related changes such as the climate shift. These are important issues for us as a long-term active owner.

Industrivärden's portfolio companies have steadily taken a number of operational and capacity-adjustment measures to address various challenges that have emerged as a result of the pandemic. Our assessment is that the companies – financially as well as operationally – are better equipped today than during the financial crisis in 2008. The prevailing uncertainty in our operating environment will continue to put high demands on a keen ability to adapt, but also on the ability to take advantage of opportunities for future growth in value.

I want to mention a few strategic activities during the second quarter that illustrate the companies' conscious work on developing their businesses over time.

Collaboration is a key precondition for achieving carbon neutral transport solutions within a reasonable time horizon. Against this background, Volvo intends to form a joint venture together with Daimler Trucks for large-scale production of fuel cells. Volvo's investment will amount to approximately SEK 6.5 billion.

Over time Sandvik has secured its supply of the important input material tungsten, through an expansion of its cutting tool recycling capability as well as the previous acquisition of Wolfram Bergbau und Hütten. Against this background it is divesting its minority holding in the Chinese company Gesac for approximately SEK 0.7 billion.

The need for digital communication is increasing, and Ericsson is growing rapidly in 5G, the new generation of mobile networks. During the first half of the year Ericsson further strengthened its market position with contracts from the three largest telecom operators in China, which is the world's largest 5G market.

The portfolio companies' operations have been impacted in various ways by the COVID-19-pandemic, and as I have mentioned before, the companies are successively taking measures to deal with the situation. Against the background of the uncertainty that prevails, the Annual General Meetings of the portfolio companies, except for Ericsson, have decided to not pay any dividend.

As per June 30, 2020, net asset value amounted to SEK 106.8 billion, or SEK 245 per share, which corresponds to a decrease of 5% during the first half of the year. At the end of the period the debt-equities ratio was 5%, which entails substantial room to maneuver and good investment capacity. During the first half of 2020 we invested approximately SEK 0.9 billion in our existing portfolio companies. Purchases were made in SCA for SEK 0.4 billion, in Sandvik for SEK 0.3 billion, Volvo for SEK 0.1 billion and in Handelsbanken for SEK 0.1 billion.

Industrivärden's total return during the first half of the year was -9% for the Class A shares and -7% for the Class C shares, compared with -4% for the total return index (SIXRX).

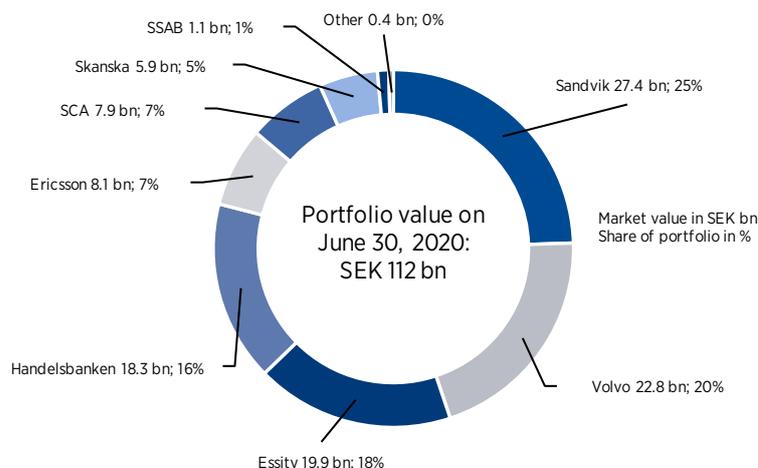
Our portfolio companies have strong market positions, a good ability to adapt and solid balance sheets, which creates a stable foundation for meeting future challenges and opportunities. Industrivärden, too, has strengthened its flexibility in a number of ways in recent years and today has a good financial position. With this as a foundation, during the first half of the year we continued to invest in future value creation.

Helena Stjernholm
Chief Executive Officer

Overview

Equities portfolio, June 30, 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

Portfolio companies	No. of shares	06/30/2020				6M:2020			
		Share of ownership, %		Market value		Share of value, %		Total return, holdings	
		Capital	Votes	SEK M	SEK/share	SEK M	%		
Sandvik	157,400,000	12.5	12.5	27,403	63	25	-1,288	-5	
Volvo A	155,600,000	7.5	24.4	22,282	52	20	-2,354	-9	
Volvo B	3,600,000			525					
Essity A	34,000,000	9.5	29.6	10,030	46	18	-244	-1	
Essity B	32,800,000			9,876					
Handelsbanken A	206,400,000	10.4	10.6	18,254	42	16	-2,551	-12	
Ericsson A	86,052,615	2.6	15.1	7,977	19	7	708	10	
Ericsson B	1,000,000			86					
SCA A	33,785,290	10.3	29.3	3,669	18	7	898	13	
SCA B	38,300,000			4,244					
Skanska A	12,667,500	7.4	24.3	2,400	14	5	-692	-10	
Skanska B	18,500,000			3,506					
SSAB A	44,334,933	4.3	11.8	1,137	3	1	-319	-22	
Other				448	1	0	1		
Equities portfolio				111,838	257	100	-5,840	-5	
Interest-bearing net debt				-5,077	-12				
Net asset value				106,761	245				
Debt-equities ratio				5%					

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

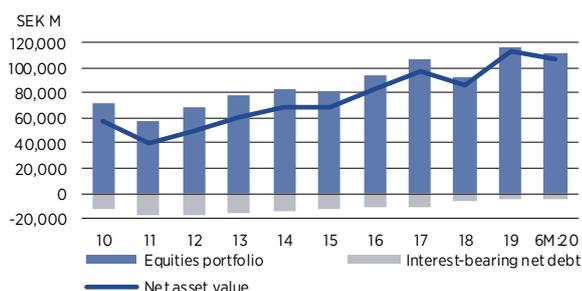
Net asset value on June 30, 2020, was SEK 106.8 billion, or SEK 245 per share, a decrease of SEK 14 per share during the first half of 2020. Including reinvested dividend, net asset value decreased by 5%. The total return index (SIXRX) decreased by 4% during the same period.

During the last five- and ten-year periods, net asset value grew annually by 9% and 10%, respectively, including reinvested dividend. The total return index (SIXRX) increased by 8% and 11%, respectively, during the same periods.

Net asset value, June 30, 2020

	06/30/2020		12/31/2019	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	111.8	257	116.7	268
Interest-bearing net debt	-5.1	-12	-4.0	-9
Net asset value	106.8	245	112.7	259

Growth in net asset value, 10 years



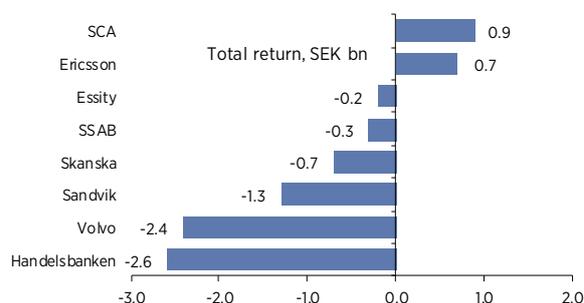
Equities portfolio

During the first half of 2020 the value of the equities portfolio, adjusted for purchases and sales, decreased by SEK 5.9 billion. On June 30, 2020, the equities portfolio was worth SEK 111.8 billion, or SEK 257 per share.

The largest contributors in value in Industrivärden's equities portfolio during the period were SCA with SEK 0.9 billion and Ericsson with SEK 0.7 billion. These shareholdings showed a significantly higher 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, 6M:2020



Performance of shareholdings, 3 years

Class of shares	Annual average total return, %
SCA B*	22
Ericsson A	17
SCA A*	16
Ericsson B	14
Sandvik	11
Essity B*	11
Essity A*	10
Total return index (SIXRX)	7
Volvo B	4
Volvo A	3
Skanska B	1
Handelsbanken A	-6
SSAB A	-11

*For calculation method, see page 10.

Cash flow

Investment activities

During the first half of 2020 shares were purchased in SCA B for SEK 355 M, in Sandvik for SEK 307 M, in Volvo A for SEK 138 M and in Handelsbanken A for SEK 131 M.

Dividend paid out

The Annual General Meeting 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 of the portfolio companies, except for Ericsson, have decided to not pay any dividend. During the first half of 2020, dividends received amounted to SEK 65 M (4,093).

Management cost

The management cost during the first half of 2020 was SEK 70 M (64), which on a yearly basis corresponds to 0.13% (0.12%) of the equities portfolio's value on June 30, 2020.

Financing

Interest-bearing net debt

Interest-bearing net debt amounted to SEK 5.1 billion (2.7) on June 30, 2020. The debt-equities ratio was 5% (2%), and the equity ratio was 94% (97%). The debt-equities ratio is calculated as interest-bearing net debt in relation to the market value of the equities portfolio.

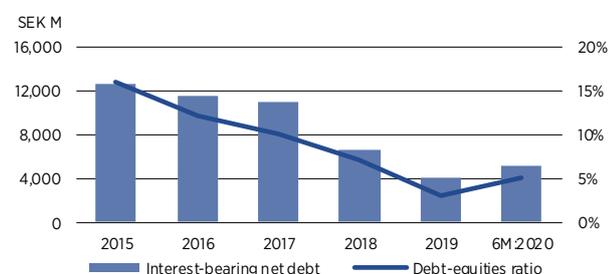
During the first quarter of 2020, two new bonds were issued for a total of SEK 2.0 billion within the framework of the existing MTN program. The bonds pertain mainly to re-financing and have three- and five-year maturities, respectively. During the second quarter, investment capacity was further strengthened 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, June 30, 2020

	30/06/2020	31/12/2019
MTN program	5,753	3,055
Commercial paper	-	900
Provisions for pensions	54	68
Other interest-bearing liabilities	234	232
Total interest-bearing liabilities	6,041	4,255
Less:		
Interest-bearing receivables	-166	-167
Cash and cash equivalents	-798	-56
Total	5,077	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.

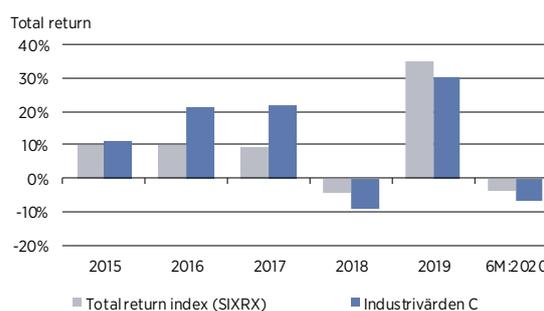
Industrivärden share data

Share performance

The market prices for Industrivärden's Class A and C shares on June 30, 2020, were SEK 211.40 and SEK 211.10, respectively. The corresponding prices on December 31, 2019, were SEK 232.00 and SEK 225.90, respectively.

The total return during the first half of 2020 was -9% for the Class A and -7% for the Class C shares. The total return index (SIXRX) decreased by 4% 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 half of 2020, 1,065,506 shares were converted.

Share structure, June 30, 2020

Share class	No. of shares	No. of votes	Capital, %	Votes, %
A (1 vote)	267,117,834	267,117,834	61.4	94.1
C (1/10 vote)	168,092,043	16,809,204	38.6	5.9
Total	435,209,877	283,927,038	100.0	100.0

Resolutions at the Annual General Meeting 2020

Industrivärden's Annual General Meeting (AGM) was held on April 24, 2020, at the Grand Hôtel in Stockholm, at which the following resolutions were made, among other items of business:

- The AGM voted in favor of the proposal to not pay any dividend for the 2019 financial year.
- Pär Boman, Christian Caspar, Bengt Kjell, Fredrik Lundberg, Annika Lundius, Lars Pettersson and Helena Stjernholm were re-elected as directors on Industrivärden's board. Marika Fredriksson was elected as a new director. Nina Linander, who had declined re-election, left the Board in connection with the AGM. In addition, Fredrik Lundberg was re-elected as Chairman of the Board.
- The AGM voted in favor of unchanged directors' fees in accordance with the Nominating Committee's amended recommendation.
- The AGM resolved to re-elect Deloitte AB as the auditing firm for a term until the end of the 2021 AGM.
- The AGM approved the Board's proposal for new guidelines for compensation of senior executives.
- The AGM voted in favor of the Board's proposal for a long-term share savings program for employees of Industrivärden.

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 June 30, 2020, would have affected its market value by approximately +/- SEK 1,100 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 of the portfolio companies, except for Ericsson, have decided to not pay any dividend. By the same reasons Industrivärden's Annual General Meeting voted in favor of the Board of Directors proposal to not pay any dividend.

Related party transactions

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

Events after the balance sheet date

No significant events have occurred after June 30, 2020.

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 7, 2020
AB Industrivärden (publ)

Fredrik Lundberg Chairman	Pär Boman Vice Chairman	Christian Caspar Director
Marika Fredriksson Director	Bengt Kjell Director	Annika Lundius Director
Lars Pettersson Director	Helena Stjernholm CEO and director	

Review report

Introduction

We have reviewed the interim report for AB Industrivärden (publ) for the period January 1 - June 30, 2020. 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 7, 2020
Deloitte AB

Hans Warén
Authorized Public Accountant

Financial statements

Group, condensed

SEK M	2020 Apr.-Jun.	2019 Apr.-Jun.	2020 Jan.-Jun.	2019 Jan.-Jun.	2019 Jan.-Dec.
INCOME STATEMENT					
Dividend income	65	2,590	65	4,093	4,093
Change in fair value of financial assets	12,633	3,541	-5,922	17,354	25,983
Management cost	-31	-34	-70	-64	-115
Operating income	12,667	6,097	-5,927	21,383	29,961
Financial items	-13	-9	-22	-15	-31
Income after financial items	12,654	6,088	-5,949	21,368	29,930
Tax*	-41	-	28	-	-93
Net income for the period	12,613	6,088	-5,921	21,368	29,837
Earnings per share, SEK	28.98	13.99	-13.60	49.10	68.56
STATEMENT OF COMPREHENSIVE INCOME					
Net income for the period	12,613	6,088	-5,921	21,368	29,837
<i>Items that are not to be reversed in the inc. statement</i>					
Actuarial gains and losses on pensions	-	-	-	-	51
Comprehensive income for the period	12,613	6,088	-5,921	21,368	29,888
BALANCE SHEET as per end of period					
Equities			111,838	106,834	116,750
Other non-current assets			11	17	14
Total non-current assets			111,849	106,851	116,764
Cash and cash equivalents			798	581	56
Other current assets			207	183	191
Total current assets			1,005	764	247
Total assets			112,854	107,615	117,011
Shareholders' equity			106,607	104,008	112,528
Non-current interest-bearing liabilities			4,554	2,363	2,323
Non-current non interest-bearing liabilities			115	16	137
Total non-current liabilities			4,669	2,379	2,460
Current interest-bearing liabilities			1,487	1,057	1,932
Other liabilities			91	171	91
Total current liabilities			1,578	1,228	2,023
Total shareholders' equity and liabilities			112,854	107,615	117,011
CASH FLOW					
Dividend income			65	4,093	4,093
Other			-97	-115	-221
Cash flow from operating activities			-32	3,978	3,872
Purchases/sales of shares			-1,004	2,451	1,163
Cash flow from investing activities			-1,004	2,451	1,163
Change interest-bearing liabilities			1,778	-4,140	-3,271
Dividend paid			-	-2,502	-2,502
Other			-	8	8
Cash flow from financing activities			1,778	-6,634	-5,765
Cash flow for the period			742	-205	-730
Cash and cash equivalents at end of period			798	581	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	2019
	Jan.-Jun.	Jan.-Jun.	Jan.-Dec.
CHANGES IN SHAREHOLDERS' EQUITY			
Opening shareholders' equity as per balance sheet	112,528	85,142	85,142
Comprehensive income for the period	-5,921	21,368	29,888
Dividend	-	-2,502	-2,502
Closing shareholders' equity as per balance sheet	106,607	104,008	112,528
INTEREST-BEARING NET DEBT at end of period			
Cash and cash equivalents	798	581	56
Interest-bearing assets	166	170	167
Non-current interest-bearing liabilities	4,554	2,363	2,323
Current interest-bearing liabilities	1,487	1,057	1,932
Interest-bearing net debt	5,077	2,669	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.

06/30/2020	Level 1	Level 2	Level 3	Total
Assets				
Equities	111,390	-	448	111,838
Derivatives, etc.	-	2	-	2
Total assets	111,390	2	448	111,840
Liabilities				
Derivatives, etc.	-	50	-	50
Total liabilities	-	50	-	50

Parent Company, condensed

SEK M	2020	2019	2019
	Jan.-Jun.	Jan.-Jun.	Jan.-Dec.
INCOME STATEMENT			
Operating income	-3,894	15,107	19,876
Income after financial items	-3,917	15,093	19,846
Income for the period	-3,917	15,093	19,846
Comprehensive income for the period	-3,917	15,093	19,897
BALANCE SHEET as per end of period			
Non-current assets	65,873	63,510	69,314
Current assets	365	237	149
Total assets	66,238	63,747	69,463
Shareholders' equity	59,710	58,824	63,627
Non-current liabilities	4,604	2,379	2,367
Current liabilities	1,924	2,544	3,469
Total shareholders' equity and liabilities	66,238	63,747	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 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 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

Annual Report 2019

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

Financial calendar

Interim Report, January-September: October 6, 2020

Contact persons

Sverker Sivall, Head of Corporate Communications and Sustainability

Phone: +46-8-666 64 19

Email: ssl@industrivarden.se

Jan Öhman, CFO

Phone: +46-8-666 64 45

Email: jon@industrivarden.se

Contact information

AB Industrivärden (publ)
Box 5403, SE-114 84 Stockholm,
Sweden

Registered office: Stockholm

Reg. no.: 556043-4200

Switchboard: +46-8-666 64 00

info@industrivarden.se

www.Industrivarden.net

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 10:00 a.m. CEST on July 7, 2020.

