

# Interim Report 9M:2020

January 1–September 30, 2020

- Net asset value on September 30, 2020, was SEK 112.3 billion, or SEK 258 per share, a decrease during the first nine months of the year of SEK 1 per share. Including reinvested dividend, the change in net asset value was 0%.
- The total return for the first nine months of 2020 was 5% for the Class A shares and 6% for the Class C shares, compared with 8% for the Stockholm Stock Exchange's total return index (SIXRX).
- Earnings per share for the period were SEK -0.98.
- During the first nine months of 2020, shares were purchased in Volvo A for SEK 0.7 billion, in Handelsbanken A for SEK 0.4 billion, in SCA B for SEK 0.4 billion, in Sandvik for SEK 0.3 billion and in Essity B for SEK 0.3 billion.
- The debt-equities ratio as per September 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 September 30, 2020

	Net asset value*	Total return	
		Industrivärden C	Index (SIXRX)
9M:2020	0%	6%	8%
1 year	12%	11%	19%
3 years	7%	7%	11%
5 years	12%	13%	12%
7 years	11%	14%	12%
10 years	10%	13%	11%

\*Including reinvested dividend.

# CEO's message

The first nine months of the year were largely characterized by the COVID-19-pandemic and its effects. Sweeping measures have been taken in order to reduce the spread of the infection, which has affected society and the economy, albeit with shifting impacts both geographically and among various sectors. During the past quarter, several of the larger economies have been in a recovery phase of the real economy, albeit with large variations between various sectors of the economy. However, the pandemic's continued progression and long-term consequences are uncertain. This is reflected not least in high volatility in the stock market, which has been performing erratically since the end of February. Following a very sharp decline in March, the stock market has recovered, and at the end of September the Stockholm Stock Exchange was up 7% since the start of the year. The historically low real interest rates, stimulus measures from central banks and recovery of the real economy have driven asset prices.

On September 30, 2020, net asset value amounted to SEK 112.3 billion, or SEK 258 per share, which is a change of 0% during the first nine months of the year. The total return for Industrivärden's stock during the first nine months was 5% for the Class A shares and 6% for the Class C shares, compared with 8% for the total return index (SIXRX).

Industrivärden's underperformance compared with the market index is mainly attributable to the shareholding in Handelsbanken, which is one of Industrivärden's larger holdings. Its stock has been performing weakly for a longer time-period, which reflects both a tough period for the banking sector as a whole, but also company-specific circumstances. The change process that is being conducted in several areas within Handelsbanken is therefore of great significance.

During this year we have invested approximately SEK 2.0 billion in several of our existing portfolio companies. Purchases were made in Volvo for SEK 0.7 billion, in Handelsbanken for SEK 0.4 billion, in SCA for SEK 0.4 billion, in Sandvik for SEK 0.3 billion and in Essity for SEK 0.3 billion. Against the background of the uncertainty caused by the COVID-19-pandemic, the Annual General Meetings in a number of the portfolio companies have decided to not pay any dividend. Ericsson, however, decided at the Annual General Meeting to pay dividend and the Boards' of Essity and Skanska have proposed Extraordinary General Meetings to decide on dividend. The debt-equities ratio in Industrivärden at the end of the period was 5%.

The portfolio companies are active in widely varying industries, and the COVID-19-pandemic has affected them in different ways. It is clear that the measures taken in recent years to achieve greater operational flexibility and financial strength have been important in the situation that has arisen. The pandemic has also come to accelerate the transformation in several areas, such as digitalization and sus-

tainability. This trend is being driven by the companies' concrete customer and market needs, but also by higher demands placed on them by regulators and capital market actors. In this respect, Industrivärden plays an important role as a long-term committed and active owner. A long-term perspective with enduring solutions is a precondition for creating sustainable shareholder value over time.

At the same time that our portfolio companies are adapting to more short-term, unforeseen changes in their operating environments, they continue to develop their businesses based on long-term strategies. Here I can mention a few examples of important development steps that were taken by some of our portfolio companies during the past quarter.

The portfolio companies are working with resolve to come up with sustainable solutions that create value added. Volvo can show numerous examples of its development of electric drivelines and vehicles, including fire trucks, refuse vehicles and heavy-duty trucks, which are contributing to reduced emissions and quieter operation.

To intensify the adaptation to changed customer behavior, Handelsbanken is accelerating the pace of its digital development, consolidating its forces to a fewer number of branches and cutting costs. These are important steps for developing and strengthening the bank's positions and leading customer satisfaction.

During the third quarter Ericsson agreed to acquire the US firm Cradlepoint for approximately SEK 10 billion. As a market leader in Wireless Edge WAN enterprise solutions, Cradlepoint supports Ericsson's strategy to take market shares in the rapidly growing 5G enterprise segment.

Against the background of the declining publication paper market, SCA has decided to discontinue its production in this area and instead invest further in chemically pre-treated thermo-mechanical pulp (CTMP).

The world's first pilot plant for fossil-free sponge iron has now been started in Luleå as part of the HYBRIT project. SSAB is one of the owners and financiers of the HYBRIT project, which aims to achieve fossil-free steel production.

Our portfolio companies have well-managed businesses with strong market positions, proven development capacity and long-term engaged owners. All in all this creates a solid foundation for competitive shareholder value over time.

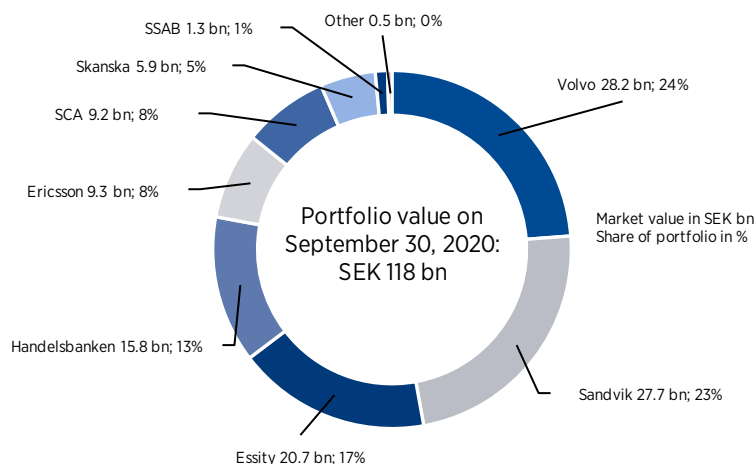
*Helena Stjernholm*

Chief Executive Officer

# Overview

## Equities portfolio

The equities portfolio is made up of large shareholdings in eight portfolio companies with strong market positions and 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	09/30/2020				9M:2020			
		Share of ownership, %		Market value		Share of value, %	Total return, holdings		
		Capital	Votes	SEK M	SEK/share		SEK M	%	
Volvo A	158,600,000	8.0	26.1	27,565	65	24	2,515	10	
Volvo B	3,600,000			623					
Sandvik	157,400,000	12.5	12.5	27,687	64	23	-1,004	-4	
Essity A	34,000,000	9.7	29.7	10,455	48	17	244	1	
Essity B	33,800,000			10,235					
Handelsbanken A	209,400,000	10.6	10.7	15,772	36	13	-5,285	-26	
Ericsson A	86,052,615	2.6	15.1	9,190	21	8	1,945	26	
Ericsson B	1,000,000			98					
SCA A	33,785,290	10.3	29.3	4,446	21	8	2,145	32	
SCA B	38,300,000			4,713					
Skanska A	12,667,500	7.4	24.3	2,404	14	5	-683	-10	
Skanska B	18,500,000			3,511					
SSAB A	44,334,933	4.3	11.8	1,325	3	1	-131	-9	
Other				453	1	0	6		
<b>Equities portfolio</b>				<b>118,477</b>	<b>272</b>	<b>100</b>	<b>-249</b>	<b>0</b>	
<b>Interest-bearing net debt</b>				<b>-6,161</b>	<b>-14</b>				
<b>Net asset value</b>				<b>112,316</b>	<b>258</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

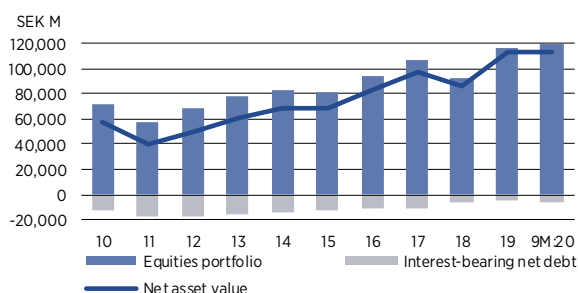
Net asset value on September 30, 2020, was SEK 112.3 billion, or SEK 258 per share, a decrease of SEK 1 per share during the first nine months of 2020. Including reinvested dividend, the change in net asset value was 0%. The total return index (SIXRX) increased by 8% during the same period.

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

Net asset value, September 30, 2020

	09/30/2020		12/31/2019	
	SEK bn	SEK/share	SEK bn	SEK/share
Equities portfolio	118.5	272	116.7	268
Interest-bearing net debt	-6.2	-14	-4.0	-9
<b>Net asset value</b>	<b>112.3</b>	<b>258</b>	<b>112.7</b>	<b>259</b>

Growth in net asset value, 10 years



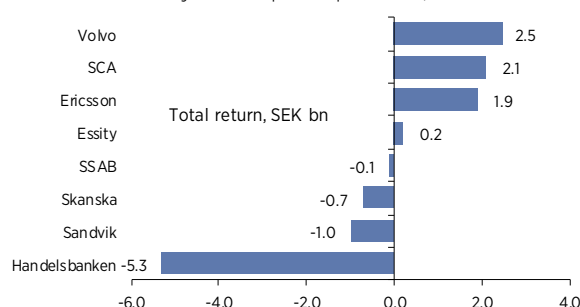
## Equities portfolio

During the first nine months of 2020 the value of the equities portfolio, adjusted for purchases and sales, decreased by SEK 0.3 billion. On September 30, 2020, the equities portfolio was worth SEK 118.5 billion, or SEK 272 per share.

The largest contributors in value in Industrivärden's equities portfolio during the period were Volvo with SEK 2.5 billion, SCA with SEK 2.1 billion and Ericsson with SEK 1.9 billion. These shareholdings showed a higher total return than the total return index (SIXRX). Handelsbanken, Skanska and SSAB 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, 9M:2020



Performance of shareholdings, 3 years

	Annual average total return, %
Class of shares	
Ericsson A	33
Ericsson B	30
SCA A*	24
SCA B*	23
Essity A*	14
Essity B*	13
Total return index (SIXRX)	11
Sandvik	9
Volvo A	7
Volvo B	7
Skanska B	3
SSAB A	-7
Handelsbanken A	-11

\*For calculation method, see page 9.

## Cash flow

### Investment activities

During the first nine months of 2020 shares were purchased in Volvo A for SEK 650 M, in Handelsbanken A for SEK 382 M, in SCA B for SEK 355 M, in Sandvik for SEK 307 M and in Essity B for SEK 296 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 in a number of the portfolio companies have decided to not pay any dividend. Ericsson have decided to pay dividend and the Boards' of Essity and Skanska have proposed Extraordinary General Meetings to decide on dividend. During the first nine months of 2020, dividends received amounted to SEK 65 M (4,093).

### Management cost

The management cost during the first nine months of 2020 was SEK 97 M (92), which on a yearly basis corresponds to 0.11% (0.12%) of the equities portfolio's value on September 30, 2020.

### Financing

#### Interest-bearing net debt

Interest-bearing net debt amounted to SEK 6.2 billion (3.6) on September 30, 2020. The debt-equities ratio was 5% (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.

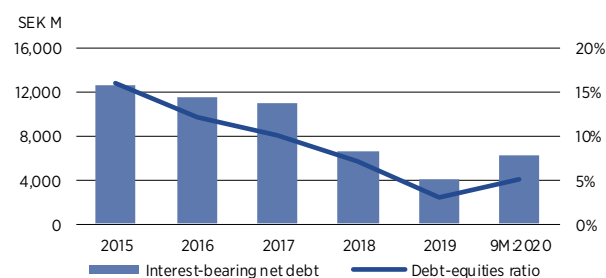
During the first quarter of 2020, two new bonds were issued for a total of SEK 2.0 billion within the framework of the existing MTN program. The bonds pertain mainly to re-financing and have three- and five-year maturities, respectively. During the second quarter, investment capacity was further strengthened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

	30/09/2020	31/12/2019
MTN program	5,752	3,055
Commercial paper	-	900
Provisions for pensions	47	68
Other interest-bearing liabilities	527	232
<b>Total interest-bearing liabilities</b>	<b>6,326</b>	<b>4,255</b>
Less:		
Interest-bearing receivables	-165	-167
Cash and cash equivalents	-	-56
<b>Total</b>	<b>6,161</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. The rating was confirmed on May 14, 2020.

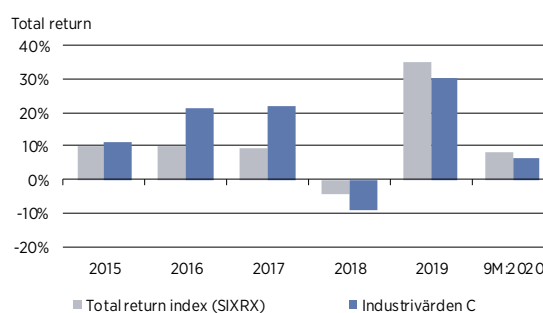
### Industrivärden share data

#### Share performance

The market prices for Industrivärden's Class A and C shares on September 30, 2020, were SEK 242.80 and SEK 238.90, respectively. The corresponding prices on December 31, 2019, were SEK 232.00 and SEK 225.90, respectively.

The total return during the first nine months of 2020 was 5% for the Class A and 6% for the Class C shares. The total return index (SIXRX) increased by 8% 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 nine months of 2020, 1,071,556 shares were converted.

#### Share structure, September 30, 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
<b>Total</b>	<b>435,209,877</b>	<b>283,921,593</b>	<b>100.0</b>	<b>100.0</b>

## 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 September 30, 2020, would have affected its market value by approximately +/- SEK 1,200 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 have decided to not pay any dividend. Ericsson have decided to pay dividend and the Boards' of Essity and Skanska have proposed Extraordinary General Meetings to decide on 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 September 30, 2020.

*This interim report has not been reviewed by the Company's auditor.*

# Financial statements

## Group, condensed

SEK M	2020 July-Sep.	2019 July-Sep.	2020 Jan.-Sep.	2019 Jan.-Sep.	2019 Jan.-Dec.
<b>INCOME STATEMENT</b>					
Dividend income	0	0	65	4,093	4,093
Change in fair value of financial assets	5,575	-3,339	-347	14,015	25,983
Management cost	-27	-28	-97	-92	-115
<b>Operating income</b>	<b>5,548</b>	<b>-3,367</b>	<b>-379</b>	<b>18,016</b>	<b>29,961</b>
Financial items	-12	-8	-34	-23	-31
<b>Income after financial items</b>	<b>5,536</b>	<b>-3,375</b>	<b>-413</b>	<b>17,993</b>	<b>29,930</b>
Tax*	-43	-	-15	-	-93
<b>Net income for the period</b>	<b>5,493</b>	<b>-3,375</b>	<b>-428</b>	<b>17,993</b>	<b>29,837</b>
Earnings per share, SEK	12.62	-7.75	-0.98	41.34	68.56
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
<b>Net income for the period</b>	<b>5,493</b>	<b>-3,375</b>	<b>-428</b>	<b>17,993</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>5,493</b>	<b>-3,375</b>	<b>-428</b>	<b>17,993</b>	<b>29,888</b>
<b>BALANCE SHEET as per end of period</b>					
Equities			118,477	104,368	116,750
Other non-current assets			10	16	14
<b>Total non-current assets</b>			<b>118,487</b>	<b>104,384</b>	<b>116,764</b>
Cash and cash equivalents			-	217	56
Other current assets			200	177	191
<b>Total current assets</b>			<b>200</b>	<b>394</b>	<b>247</b>
<b>Total assets</b>			<b>118,687</b>	<b>104,778</b>	<b>117,011</b>
Shareholders' equity			112,100	100,633	112,528
Non-current interest-bearing liabilities			4,547	2,359	2,323
Non-current non interest-bearing liabilities			163	27	137
<b>Total non-current liabilities</b>			<b>4,710</b>	<b>2,386</b>	<b>2,460</b>
Current interest-bearing liabilities			1,779	1,654	1,932
Other liabilities			98	105	91
<b>Total current liabilities</b>			<b>1,877</b>	<b>1,759</b>	<b>2,023</b>
<b>Total shareholders' equity and liabilities</b>			<b>118,687</b>	<b>104,778</b>	<b>117,011</b>
<b>CASH FLOW</b>					
Dividend income			65	4,093	4,093
Other			-129	-188	-221
<b>Cash flow from operating activities</b>			<b>-64</b>	<b>3,905</b>	<b>3,872</b>
Purchases/sales of shares			-2,063	1,560	1,163
<b>Cash flow from investing activities</b>			<b>-2,063</b>	<b>1,560</b>	<b>1,163</b>
Change interest-bearing liabilities			2,071	-3,540	-3,271
Dividend paid			-	-2,502	-2,502
Other			-	8	8
<b>Cash flow from financing activities</b>			<b>2,071</b>	<b>-6,034</b>	<b>-5,765</b>
<b>Cash flow for the period</b>			<b>-56</b>	<b>-569</b>	<b>-730</b>
<b>Cash and cash equivalents at end of period</b>			<b>0</b>	<b>217</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.-Sep.	Jan.-Sep.	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	-428	17,993	29,888
Dividend	-	-2,502	-2,502
<b>Closing shareholders' equity as per balance sheet</b>	<b>112,100</b>	<b>100,633</b>	<b>112,528</b>
<b>INTEREST-BEARING NET DEBT at end of period</b>			
Cash and cash equivalents	-	217	56
Interest-bearing assets	165	167	167
Non-current interest-bearing liabilities	4,547	2,359	2,323
Current interest-bearing liabilities	1,779	1,654	1,932
<b>Interest-bearing net debt</b>	<b>6,161</b>	<b>3,629</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. No changes have been made between levels compared with the preceding year.

09/30/2020	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	118,024	-	453	118,477
Derivatives, etc.	-	1	-	1
<b>Total assets</b>	<b>118,024</b>	<b>1</b>	<b>453</b>	<b>118,478</b>
<b>Liabilities</b>				
Derivatives, etc.	-	55	-	55
<b>Total liabilities</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>55</b>

## Parent Company, condensed

SEK M	2020	2019	2019
	Jan.-Sep.	Jan.-Sep.	Jan.-Dec.
<b>INCOME STATEMENT</b>			
Operating income	2,438	11,212	19,876
Income after financial items	2,403	11,190	19,846
<b>Income for the period</b>	<b>2,403</b>	<b>11,190</b>	<b>19,846</b>
<b>Comprehensive income for the period</b>	<b>2,403</b>	<b>11,190</b>	<b>19,897</b>
<b>BALANCE SHEET as per end of period</b>			
Non-current assets	72,749	60,404	69,314
Current assets	159	134	149
<b>Total assets</b>	<b>72,908</b>	<b>60,538</b>	<b>69,463</b>
Shareholders' equity	66,030	54,921	63,627
Non-current liabilities	4,602	2,386	2,367
Current liabilities	2,276	3,231	3,469
<b>Total shareholders' equity and liabilities</b>	<b>72,908</b>	<b>60,538</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 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

Year-end report 2020: February 9, 2021  
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

## Contact persons

Sverker Sivall, Head of Corporate Communications and Sustainability

Phone: +46-8-666 64 19

Email: [ssl@industrivarden.se](mailto:ssl@industrivarden.se)

Jan Öhman, CFO

Phone: +46-8-666 64 45

Email: [jon@industrivarden.se](mailto: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](mailto:info@industrivarden.se)

[www.industrivarden.net](http://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. 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 October 6, 2020.

