

# A successful year as an ownership company

Surging inflation and tight monetary policy were the hallmarks of macroeconomic conditions in 2023. This was a reaction to the ultra-relaxed monetary policy during the pandemic and several years beforehand. Throughout the year, however, we saw the rate of inflation moderate significantly. In the second half of the year, expectations of continued tight monetary policy also gradually moderated. General opinion now is that interest rates have reached their peak and will be followed by interest rate cuts in the coming year. However, it is unclear how quickly this will happen.

Stock markets in Sweden, Europe and the US were periodically very volatile during the year. In the last quarter, however, there was a sharp turnaround where stock prices rose relatively sharply. This meant that the Stockholm Stock Exchange ultimately achieved a total return of 19 percent for the year. Leading stock exchanges in Europe and the US experienced similar trends. Economic growth was weak in Europe in 2023, and the Swedish economy shrank. In the US, growth was slightly higher than in Europe and in China economic growth was weaker than expected. However, we have made it through a monetary policy tightening unparalleled in modern times. In light of this, we can reasonably conclude that the global economy displayed a degree of relative resilience.

As we enter 2024, the economic outlook is uncertain. In 2023, companies exposed to consumer or construction activities faced major challenges, while companies focused on investment goods fared better. For companies with a high level of debt, the increased cost of capital has had a clear impact on performance. Many real estate companies that expanded rapidly in recent years through increased borrowing have run into trouble. There is much to suggest that 2024 will be characterized by weak global economic growth, despite some positive signs at the beginning of the year, especially in the US. In addition, geopolitical tensions appear unlikely to ease, feeding continued uncertainty. Interest rates will probably ease, although not return to levels seen before the tightening of monetary policy.

For Industrivärden as an owner company, 2023 was a successful year. Of our eight portfolio companies, Volvo, Sandvik, Handelsbanken and Alleima posted record profits. Our other portfolio companies are mainly performing well, reporting strong results and with good financial stability. Total return on the Industrivärden share in 2023 was 33 percent. Dividends received from the portfolio companies exceeded dividends paid to Industrivärden's share-

holders by SEK 3.3 billion. In line with our long-term orientation, we continued to increase ownership shares in a number of portfolio companies without increasing net debt.

In order to embed stability and a long-term approach, it is extremely important that companies have a primary shareholder who takes active responsibility. We fulfil this role as an owner company in all our portfolio companies, with the exception of Ericsson, in which we are the second largest shareholder in terms of votes, although with a clear ownership commitment. Leadership in all our portfolio companies is of high quality. Broad-based responsibility through decentralized organizations creates power to act and counteracts bureaucracy. We attach great importance to recruiting competent and suitable board members for the various companies. This is work that takes place on a continuous basis and in collaboration with other major shareholders. In this way, we strengthen the boards' collective competence and decision-making power over time. Changes of chairman are proposed in three of the portfolio companies in 2024 annual general meetings. I would like to convey my and the Board of Director's thanks to the company boards, management and employees of the portfolio companies for performing their duties so well in the past year. The companies are in strong positions and there is therefore every reason to look to the future with confidence.

Industrivärden's financial position remains strong with net debt at five percent. In light of this, and the companies' strong performance, the Board of Directors therefore proposes to the Annual General Meeting that the dividend to shareholders be increased from SEK 7.25 to SEK 7.75 per share.

The work of the Industrivärden board went well in 2023. We held 10 board meetings and several meetings of the compensation and audit committees. A number of managing directors visited our board meetings and spoke about their respective companies. The Board also visited Alleima in Sandviken in June.

CEO Helena Stjernholm, together with her colleagues, regularly shared their views on our portfolio companies. Highly well-researched analyses have been presented. In addition, the Board discussed macroeconomic conditions and the geopolitical situation as well as important technology shifts affecting the portfolio companies, such as AI and electrification. The financial situation in Industrivärden and our portfolio companies has also been noted. Sustainability issues have received increased attention in recent years. The Board believes that these themes should be integrated into the respective company's operations and function as a means of increasing efficiency and profitability.

Throughout 2023, Helena performed her tasks with great skill and good judgement. Her work with the three portfolio companies in which she is a board member is highly appreciated and widely respected. I would like to convey my and the Board's thanks to Helena and all Industrivärden employees.

Lastly, I would like to express my thanks to my colleagues on the Board for their excellent co-operation during the past year.

Stockholm, February 2024  
Fredrik Lundberg

