



Chairman's message

Growth in the global economy was very good in 2017. Especially surprising was the performance in Europe. The positive trend continued in the U.S., and in China the economy remained strong. A positive trend could even be noted in certain emerging countries. This led to rising demand for Sweden's export industry, which in combination with a weak Swedish krona contributed to high activity and improved profitability. Industrivärden's portfolio companies consist in large part of global manufacturers. Performance by Volvo, Sandvik and SSAB was particularly positive, while SCA and Essity also showed strong performance.

For the third year in a row Industrivärden's total return exceeded the performance for the Stockholm Stock Exchange. Our focus on value creation, combined with a good portfolio mix, has generated results. Against the background of this positive performance for Industrivärden in 2017, the Board of Directors has proposed to the forthcoming Annual General Meeting an increase in the dividend from SEK 5.25 per share to SEK 5.50.

In recent years a number of personnel changes have taken place in the portfolio companies at both the board and management levels. My opinion is that today in general our portfolio companies have strong and competent boards and CEOs. Leadership is entirely decisive for the companies' performance and cannot be overestimated in my view. It is for this reason that we put great focus on this in our nomination work and in the boards. I also believe that decentralization creates value. A broad sense of responsibility in the organization is very meaningful for a company's success. Having a strong financial position is also important. This makes companies resilient in economic downturns, but above all it is an important precondition for a company's ability to capitalize on favorable business

opportunities. In Industrivärden's exercise of active ownership, leadership, decentralization and financial position are key issues. Through our representatives on the portfolio companies' boards, we drive these issues consistently and with a long-term perspective.

Industrivärden's debt-equities ratio decreased during the year to 10%, which is within the scope of our 0-10% target. Following a several-year upswing in the stock market and economy, it is especially important that we reduce debt. When the economy and stock market turn down, we must be well poised to take advantage of interesting investment opportunities. In 2017 our dividend income exceeded our dividend payout and costs in the operations, which gave us a positive cash flow before investments. This is in line with the strategy we adopted in February 2016. Given the dividends proposed by our portfolio companies, Industrivärden's cash flow will continue to increase in 2018, which will enable investments without an increase in debt.

Industrivärden now has nine portfolio companies which together are judged to have good opportunities for value creation. During 2017 we concentrated our work on this and have chosen to not add any additional companies to the portfolio.

Volvo is now our second largest investment. The company had very positive performance in 2017, and its stock price grew sharply during the year. At the end of 2017, Cevian announced that it had sold its shares in Volvo to the Chinese company Geely. We hope for a good dialog with Geely and good cooperation with them and other major shareholders of Volvo. We are long-term owners and see continued favorable opportunities for value creation in Volvo.

During the past year, the board work in Industrivärden worked well. We held nine board meetings and several meetings of both the Compensation Committee and Audit Committee. At every board meeting the CEO shared her views on the macro economy and on our portfolio companies. We also hosted visits by a number of CEOs who gave presentations on their respective companies. This has been valuable both for increasing our knowledge but also for getting to know these individuals better.

Our CEO Helena Stjernholm did an exceptional job during the year. As a board member of Volvo, Ericsson and Sandvik she earned respect through her great commitment and knowledge and made a positive contribution to these companies' development. She also continued to refine and improve the efficiency of our own operations and organization. On behalf of the Board of Directors I want to offer a great and warm thanks to Helena and her colleagues.

I also want to thank the boards and management teams of our portfolio companies for their very commendable work. Finally, I would also like to thank my colleagues on the Board of Industrivärden for their positive and constructive cooperation during the past year.

Stockholm, February 2018

Fredrik Lundberg
Chairman of the Board