



Chairman's message

During the first three quarters of 2018 the world's major economies and stock markets performed well. In the fourth quarter, uncertainty grew about trade wars – especially between the U.S. and China – the development in China, geopolitical conflicts and the effects of Brexit. This led to major uncertainty in stock markets around the world, and a sharp correction took place. Worries about a looming recession grew.

The Swedish stock market dropped more than 14% during the fourth quarter, and the export-dependent engineering and forest industries were hit hard. Order intake remained favorable for the companies, however, and activity was high.

Since Industrivärden's portfolio companies consist mainly of global, export-dependent companies, their share prices fell relatively sharply. As a result, Industrivärden's net asset value decreased by 17% during the final quarter of the year. For 2018 as a whole, Industrivärden's total return fell below that of the general stock market. However, it can be noted that the total return during the last three years taken together is considerably higher than the equity index. Owing to our strong financial position and positive cash flow, the Board of Directors proposes an increase in the dividend from SEK 5.50 to SEK 5.75 per share.

During 2018 a number of positive changes took place in our portfolio companies, and their work was characterized by greater focus on leadership, decentralization and financial position. The management teams of the portfolio companies are of high quality, and we have great confidence in them. We chose to continue concentrating our investments in our existing portfolio companies and did not add any new companies. The potential is great in many of the companies. At the same time, we can note that the alternative investments we evaluated during the year have had weak performance. Our focus in the coming year will be to concentrate on the portfolio

companies we already own at the same time that we also evaluate potential alternative investments. We have chosen to reduce our exposure in SSAB and to enable a divestment of our shares in ICA Gruppen during 2019. In doing so we have further reduced our gearing, in accordance with our financial targets. This gives us great room to maneuver going forward, which we will use above all to strengthen our ownership in the portfolio companies, since our ownership stakes over time are too low. Through the active ownership strategy it is desirable to receive a greater share of the value creation taking place. As a consequence of the Board's decision in February 2016 regarding the Company's financial position, we now have a significantly positive cash flow in Industrivärden after payment of our dividend to the shareholders. This means that we can continue to invest with our own funds. This is an important change that has taken place in Industrivärden.

Several of our portfolio companies are world leaders in their respective areas, and we believe that they have great opportunities for continued favorable development and refinement. We are gradually building up additional competence surrounding these, which is necessary as an active long-term owner. This will create value for the shareholders over time.

The financial sector is currently undergoing a transformation. New niche actors are gaining a foothold in parts of the market, and digitalization is making a big impact. Despite this, we continue to believe in Handelsbanken's decentralized business model and its proven ability to meet customers' needs. It has been successful for a long time and will create value also in the future.

Skanska was a disappointment in 2018. The new CEO, Anders Danielsson, is now dealing with the company's somewhat jumbled structure and is increasing Skanska's focus on its core businesses. Skanska has a very strong company culture and talented people, which makes its prospects for success good going forward. The successful commercial property development business is gaining increased emphasis and importance.

During the past year, board work at Industrivärden has worked superbly. We held 11 board meetings plus a number of meetings of the Compensation and Audit Committees. A number of CEOs from the portfolio companies have paid visits to our board meetings. Industrivärden's CEO, Helena Stjernholm, presented her views on the macro economy as well as on our portfolio companies at every board meeting. Helena did an outstanding job in 2018 and has earned great respect in her role as CEO. She has also continued her work on refining and strengthening our organization. On behalf of the Board, I want to extend a large and warm thanks to Helena and her colleagues.

I also want to thank my colleagues on the Board for their good cooperation. Likewise, I want to thank the boards and company managements of our portfolio companies for their engaged and exceptionally thorough work during the past year.

Stockholm, February 2019

Fredrik Lundberg
Chairman of the Board