

# Chairman's message

Global growth remained stable in 2019, although at a slightly lower level than in 2018. During the year we noted a continued slowdown in Europe and China, while the U.S. economy performed well, with a continued strong job market. Concerns about the consequences of a Brexit decision had a negative effect on the U.K. economy. Geopolitical tensions fueled uncertainty in several parts of the world as did the trade conflict between the U.S. and China. However, in January 2020 an agreement (phase 1) was reached between the two countries, which gives hope for the future. The risk that the slowdown in many important economies would lead to a recession decreased during the fall. This had a positive effect on the stock markets and the still very low interest rates. The full year 2019 was a strong one for the stock markets, with large price increases on the world's bourses. The Stockholm Stock Exchange reached a new all-time high and delivered a total return of 35%.

Industrivärden's shareholders received a very favorable total return in 2019. Net asset value rose sharply and reached new top levels. Our portfolio companies performed well given the conditions in their respective industries. Many significant changes were carried out in the portfolio companies with the aim to strengthen their long-term competitiveness and create shareholder value over time. Industrivärden's ownership role is of great significance for the portfolio companies' long-term development. We exercise our ownership role on nominating committees and boards, but also in direct dialog with the companies. Long-term and competent action from our side is essential for creating continuity and the right conditions for the companies' development.

I am happy to note that we have good cooperation and interaction with other major shareholders of the portfolio companies. The large Swedish institutions can be mentioned in particular. This contributes to stability and predictability. The portfolio companies' boards can make decisions that are right for the long term but perhaps do not have any effect in the near term. To be successful, company development requires, at its core, a long-term perspective. The Board's role is important and has grown increasingly meaningful in recent years. The workload and responsibility have increased, among other things as a result of committee work and increasing regulation. The world we work in is growing increasingly complex, which also puts higher demands on board members. I can say with satisfaction that the boards of our portfolio companies are fulfilling their roles very well.

The utmost important duty of a board is to appoint the right CEO. The significance of this cannot be overstated. The experiences from the last five years' CEO appointments in our portfolio companies are good. But of course there are many other important decisions that boards have to deal with. For my part, I believe that leadership, decentralization and financial position are a few of the most crucial ones.

A strong balance sheet allows a company to take advantage of business opportunities while giving it resilience to weather tougher times. The organization can perform with greater self-confidence and strength, which affects its prospects for future development. The company can more easily secure financing, and at more favorable terms. For Industrivärden's part this reduces the risk of our investments while giving our portfolio companies greater prospects to maintain stable and growing dividends over time. Decentralization with a broad base of



responsibility creates value. Greater dynamism is created in the companies, and decisions can be made closer to the market and customers.

The CEOs of our portfolio companies are all very highly qualified and they have demonstrated an impressive level of commitment and undertaking. Our portfolio companies are among the leaders in their respective industries. The conditions for continued positive development are favorable and thus also for greater shareholder value in Industrivärden. Moreover, our low level of overheads compared with many other savings alternatives adds to our competitiveness. It is the Board's belief and ambition that we also in the future will be able to give our shareholders a competitive return.

Industrivärden's financial position has strengthened considerably in recent years. The debt-equities ratio is now 3%, which is well within the target range of 0%–10%. The divestment of our shares in ICA Gruppen in 2019 contributed to this. Our cash flow after paying the shareholder dividend, but before new investments, is positive and totaled SEK 1.4 billion in 2019. This creates good conditions for us to continue investing without increasing our level of debt above our target ceiling.

Against the background of this positive development, the Board of Directors proposes to the Annual General Meeting an increase in the dividend from SEK 5.75 to SEK 6.00 per share.

During the past year, board work at Industrivärden has been superb. We held nine meetings plus several meetings of the Compensation and Audit Committees. The CEOs of a number of our portfolio companies paid visits to our board meetings and presented their companies. Every meeting included a discussion on the general macro-economic situation. We receive continual reviews of developments in the portfolio companies, and their financial position is reported on at length.

Our CEO Helena Stjernholm is doing an outstanding job, and she has continued to adapt and strengthen our organization. In addition, through her important board roles in the portfolio companies she has done a fine job and earned continued respect. On behalf of the Board I want to express a great and warm thanks to Helena and her team. I also want to thank the board members and management teams of the portfolio companies for their exceptionally good work during the past year.

Finally, also warm thanks to my colleagues on the Board for their fruitful cooperation.

Stockholm, February 2020

*Fredrik Lundberg*  
Chairman of the Board