

# Stable development despite a challenging year

On a global level, economic activity in 2024 was relatively stable despite numerous challenges presented during the year. These included geopolitical tensions, war, political uncertainty in many countries, and the lingering effects of past inflation increases and uncertainty surrounding central banks' actions. There were, however, significant regional differences in economic activity.

Development was subdued in Europe, particularly in larger economies such as Germany, France and Italy where low growth and structural challenges continued to dominate. In Sweden, the economy stabilized during the year. After negative GDP growth in 2023, we can now discern a slightly positive growth in 2024.

Private consumption began to recover during the second half of the year after last year's downturn, although unemployment continued to rise. Meanwhile, the American economy demonstrated remarkable resilience, with stable growth during the year despite substantial interest rate hikes in 2022 and 2023. Long-term interest rates continued to rise during fall 2024 and early 2025, signaling a strong underlying economy.

Several emerging economies in Asia, particularly India, have continued their strong development. Inflation, which began to decline in 2023, continued its downward trend in 2024. This enabled several major central banks, including the Federal Reserve, the European Central Bank (ECB) and Sweden's Riksbank, to start cutting their key interest rates. The Riksbank's key interest rate, which was 4% at the start of 2024, has gradually been cut to 2.5% in the beginning of February 2025. This change has been extremely important in terms of stabilizing the credit market and supporting some recovery in private consumption.

Stock markets saw stable to slightly positive performance in most places during the year. Total return on the Swedish stock exchange was 9%. The US stock market was particularly strong, with the technology sector a significant force driving the upward trend.

As owners, 2024 was a good year for Industrivärden. Our portfolio companies all showed stable development, enabling the continued payment of good dividends to shareholders.

Last year, dividends received by Industrivärden exceeded dividends paid to our shareholders by SEK 5.2 billion. In line with our long-term orientation, we continued to increase ownership shares in a number of portfolio companies without increasing net debt. We continue to see significant value potential in these companies.

To ensure a company's long-term perspective and stability, it is extremely important that it has a principal shareholder who takes a great responsibility over the long term. In Industrivärden, the

portfolio companies have an owner that actively participates in their corporate governance and strategic development. We can also strengthen the companies' capital base, when needed, through rights issues. Our nomination of board members is based on their expertise, experience and suitability. This is an extremely important responsibility that requires a broad network of contacts. With its long-term perspective, Industrivärden can support and stand behind initiatives that entail investment today, but that generate substantial value in the longer term. Investing in shares of healthy, stable companies produces good returns over time.

The best returns are achieved by buying and then holding onto shares. Short-term speculation normally produces poor returns. Shares are also a hedge against inflation, as has been demonstrated in recent years.

Industrivärden's eight portfolio companies are all high-quality companies and the limited number of holdings makes us able to follow all of them closely, which is essential. Dividends from the portfolio companies, which are very substantial, finance Industrivärden's dividend and additional acquisitions of portfolio company shares. Through the incremental acquisition of shares, we increase our ownership stakes over time. This creates new value that continuously increases net asset value. Our goal is to provide shareholders with a competitive absolute return over time. Some of the key issues we focus on are leadership, decentralization and financial strength.

Our portfolio companies are financially strong and hold market-leading positions. All of them also have CEOs and senior management of the highest caliber. I consider the conditions for continued value creation to be good. Industrivärden's financial position remains strong, with a debt-equities ratio of 4%. In light of this, and the portfolio companies' strong development, the Board of Directors therefore proposes to the Annual General Meeting that the dividend to shareholders be increased from SEK 7.75 to SEK 8.25 per share.

The work of the Industrivärden board proceeded well in 2024. We held 11 board meetings and several meetings of the compensation and audit committees. A number of CEOs visited our board meetings and spoke about their respective companies. The Board also visited Sandvik in Gimo, Sweden.

CEO Helena Stjernholm, together with her colleagues, regularly shared their views on macroeconomic conditions and our portfolio companies, and presented thoroughly researched analyses. The Board also discussed the difficult geopolitical situation as well as technological developments and sustainability issues.

Helena has, as always, performed her important tasks in a superb manner. Her work as Chairman of SCA has been highly appreciated, as has her directorship work at Sandvik and Volvo. Helena also very successfully served as chairman of three nominating committees.

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 collaboration during the past year.

Stockholm, February 2025  
Fredrik Lundberg

