



# Good value growth in Industrivärden and significant investments in portfolio companies

Developments in 2024 were characterized by the continued complexities of the global situation. In macroeconomic terms it was something of an in between year, although with significant differences across sectors and geographies. Geopolitical tensions, general elections in several major economies and changes to the world order in some areas remained key factors in 2024. The risk of increased trade barriers created uncertainty with respect to global supply chains and investment decisions. Meanwhile, the war in Ukraine continued and, in conjunction with conflicts in the Middle East, this impacted energy markets and economic development, among other things. Despite these challenges, the global economy was remarkable resilient and grew 3.2% according to IMF. Inflationary pressure eased gradually during the year, giving central banks scope to begin easing their restrictive monetary policies. Although expectations regarding the pace of interest rate cuts were restrained towards the end of the year, falling interest rates supported equity and bond markets during the year in overall terms. The Stockholm Stock Exchange was relatively volatile in 2024 but rose 6% for the full year and delivered a total return of 9%.

Industrivärden's portfolio companies delivered strong operational development overall during 2024. Several of the companies also had good share price performance, resulting in good value growth for Industrivärden. Net asset value increased 6% during 2024 to SEK 159.6 million at year end. Total return for Industrivärden's Class A and C shares was 9%, as compared with 9% for the Stockholm Stock Exchange's total return index.

During 2024 Industrivärden received dividends totalling SEK 8.6 billion from its portfolio companies. After a steadily increasing distributed dividend of SEK 3.3 billion to Industrivärden's shareholders, our dividend surplus was therefore SEK 5.2 billion. We invested SEK 4.6 billion of this surplus in our portfolio companies during 2024. Over the past five years we have reinvested a total of SEK 19 billion in the portfolio companies, which is a key component of our value creation model.

Industrivärden works in accordance with a well-proven

business model. Through focused, engaged and long-term ownership in a limited number of portfolio companies, we enable attractive value growth at balanced risk. Our work is based on significant influence, industrial expertise and financial strength. Based on our portfolio companies' strategy and corporate governance, we take responsibility, set demands and evaluate their development. Industrivärden is thus a prominent holding company focusing on listed companies with good value potential.

For us, a key ownership issue is that the portfolio companies have well-adapted boards with skilled, committed directors capable of managing the companies' strategic challenges over time. In light of this, we attach great importance to our participation in the portfolio companies' nominating committees and our work in proposing suitable directors and board chairmen for election by the general meeting. In Volvo, Essity and SCA, new board chairmen were elected by the AGM's in 2024 and a number of new directors were elected in the portfolio companies.

Our portfolio companies are generally characterized by strong market positions, proven business models and good cash flow generation capacity. They have successfully run their businesses over an extended period of time, but they are operating in a challenging environment of major technological transformation, changing customer needs and a volatile competitive landscape in which conditions for conducting business change continuously. To manage this reality, it is essential that companies have competent management teams and strong balance sheets, as well as the ability to adapt. The foundation for value creation over time is grounded in the portfolio companies' ability to conduct their existing operations effectively, while also adapting to a changing business environment. I would therefore like to say a few words about the respective portfolio companies, focusing on 2024.

Demand normalized in several of Volvo's markets in 2024 and, despite a generally challenging environment, the company showed stable profitability while also continuing to invest for

the future. Major product launches were conducted during the year and the company sees good growth opportunities ahead, including strengthening market shares in North America and capitalizing on untapped potential in the service business. The company also sees good potential in the green transformation, with the value of the customer offer expected to increase as demand grows. A joint venture with Daimler Truck to develop a software-defined vehicle platform was launched during the year. Overall, Volvo posted stable financial development with strong cash flow, resulting in a continued solid financial position. Pär Boman was elected chairman of Volvo's board of directors by the 2024 annual general meeting.

Sandvik continued to execute on its strategy during the year. The growth profile was strengthened through the expansion in the local premium cutting tools segment in China and the extended offer in automation in the mining industry. It can also be noted that the aftermarket business within the mining segment developed well and the company's digital business demonstrated good growth. Alongside its efforts to grow in attractive segments, Sandvik continued its work to strengthen its operational efficiency and resilience. Several innovations were introduced during the year, further strengthening the company's leading market positions. 2024 was a challenging year overall, with weaker demand in several of Sandvik's customer segments. Despite this, the company reported stable revenue development, a resilient margin and a strong cash flow.

Handelsbanken increased its customer and advisory activities during 2024, based on the bank's clear focus on customer value. Handelsbanken continued to strengthen the local availability of office specialists in areas such as Private Banking and occupational pensions. Measures were also implemented to improve efficiency, which lowered cost levels and strengthened competitiveness. Handelsbanken's long-term approach, strong capital position, low risk tolerance and customer-oriented business model has created a competitive business, which generates profitable business growth over time. Operating profit for full-year 2024 was relatively stable and was driven by an increase in net fee and commission income, attributable primarily to the continued strong development for savings products and significant net credit loss recoveries. Michael Green assumed the position as CEO of Handelsbanken in January 2024.

Essity presented new financial targets in mid-2024, focused on good organic growth and strengthened profitability. Several innovations were also introduced, which improves the product mix. During the year Essity divested its ownership in Vinda, an Asian tissue and hygiene product company, for approximately SEK 19 billion. The transaction will increase profitability and halve the company's pulp consumption, which will strengthen resilience and reduce volatility. Essity reported good overall financial performance for 2024, with record earnings. The company's margin increased and its financial position was strengthened. Jan Gurander was elected chairman of Essity's board of directors by the 2025 general meeting. In January 2025 CEO Magnus Groth announced that he will be leaving Essity during the year.

SCA's competitive advantage lies in having a well-invested, competitive industrial operation coupled with a high rate of

self-sufficiency. This was instrumental in the company's ability to deliver good earnings in a challenging market. During the year SCA continued to gradually ramp up production at the Containerboard and Pulp plants where capacity investments have been made, which enabled higher delivery volumes. In combination with higher sales prices and positive currency effects, this had a positive impact on earnings. SCA also continued to increase harvesting of its own forests, which moderated the effect of rising raw material costs. Sales and earnings increased overall during 2024. I was elected chairman of SCA's board of directors by the 2024 annual meeting.

The challenging market situation continued for Ericsson in 2024, although demand stabilized during the second half of the year as the North American market returned to growth. The company's main focus has been on implementing its strategic plan. Several agreements and partnerships were concluded during the year, including for the expansion of 4G and 5G. A joint venture with 12 of the world's largest telecom operators was also announced, which will unify network APIs, accelerate commercialization and create new opportunities to generate revenue from mobile networks. The company also launched a new product portfolio of private 5G networks for companies. Overall operating profit increased with a strong cash flow, while sales decreased somewhat.

Based on an attractive customer offer, well-established positions in various segments and geographies and a robust financial position, Skanska showed a good development in 2024. Order intake in the Construction business was high, with stable earnings in all main markets. Performance was particularly strong in the American operations. Although markets remained cautious in Residential Development and Commercial Property Development, activity improved somewhat as compared with 2023. Skanska continued to build its own Investment Properties portfolio during the year. In conclusion Skanska's income increased, earnings rose sharply and the order intake for 2024 resulted in a record high order book.

During 2024 Alleima announced several investments in attractive segments, aimed at driving profitable growth and strengthening the company's resilience. The company decided, for example, to reopen a steam generator tube mill, increasing production capacity for a critical component for the nuclear industry by approximately 60%. The company also announced that the highly profitable, fast growing medical technology business is establishing a new production unit in Asia. Despite a tougher market, Alleima reported a resilient margin and a continued strong financial position.

The past year illustrates the portfolio companies' proven capacity to deliver fine results - even in a more challenging environment - while also continuously adapting and developing their businesses for the future. Combined with Industrivärden's active ownership, this lays a solid foundation for generating attractive returns for Industrivärden. In closing, I would like to thank my colleagues and our portfolio companies for their fine efforts throughout 2024.

Stockholm, February 2025  
Helena Stjernholm