



Chairman's message

In early 2016 the Board adopted a refined strategy and new goals for Industrivärden. During the past year these decisions have guided us in our way of working. This means, among other things, that we have sharpened our focus on value creation, which is to be achieved through long-term active ownership. We attach great importance to the election of board members and the chairmen of our portfolio companies. In each company it is the board of directors who bear responsibility for the business. This is where value creation is to take place.

Industrivärden is represented in its portfolio companies by board members with ties to us. Board elections are handled in close cooperation with other major shareholders for decision by the companies' respective Annual General Meetings. Industrivärden's CEO, Helena Stjernholm, leads the operative organization and is in close contact with the chairmen of the respective companies.

During the past year the board work in Industrivärden has worked well. We had a total of twelve board meetings and a number of other meetings in the Compensation Committee and Audit Committee.

At every board meeting the CEO has made a presentation of her short- and long-term view of the portfolio companies. Over the course of the year we were also visited by the CEOs of four of our portfolio companies. These meetings were valuable for increasing our knowledge and giving us on the board a good understanding of the respective companies' development.

By reducing our dividend in 2016 and through divestments of certain stocks, we lowered our net debt to SEK 11 billion, corresponding to 12% of our assets. The target for our level of debt is that it will be between 0% and 10%

of our assets. An asset manager and active owner such as Industrivärden should not carry too much debt, since it would restrict our flexibility over time. We shall therefore have a positive cash flow after paying a dividend to our shareholders.

The personnel changes at the CEO and Chairman level that took place in several of our portfolio companies in 2015 were followed by additional changes in 2016. Hans Biörck took over as Chairman of Skanska, Anders Bouvin was appointed as new Group Chief Executive at Handelsbanken, and Börje Ekholm was named as new CEO at Ericsson. These changes feel right and will hopefully lead to greater value creation in the years ahead. I am pleased to note that both Volvo and Sandvik are now developing in a positive direction. The companies' new management teams, headed by Martin Lundstedt and Björn Rosengren, respectively, are doing a fine job.

At SCA, the Board decided to propose to the coming AGM that the company be split into separate forest products and hygiene businesses. Industrivärden strongly supports this and believes it will create value over time. The well-timed and well-considered rights issue in SSAB was successful, and Industrivärden subscribed for its allotment of SEK 0.6 billion. Continued synergies following the merger with Rautaruukki were realized in 2016.

Our basic premise at Industrivärden is that decentralization creates value. For my own part, I am entirely convinced that a successful enterprise, regardless of its size, must be driven in a decentralized organization. The power that is created by a strong sense of responsibility by many people cannot be underestimated. Handelsbanken, Skanska and ICA Gruppen are prime examples of this.

Financially, 2016 was a good year for Industrivärden. Our net asset value including reinvested dividend grew 23%, and the total return for the Class C shares was 21%, compared with 10% for the Stockholm Stock Exchange's total return index (SIXRX). Against this background, the Board proposes to the 2017 Annual General Meeting an increase in the dividend from SEK 5.00 per share to SEK 5.25. This corresponds to a dividend yield of 3.1% for the Class C shares at year-end 2016.

Esteemed shareholders, Industrivärden is performing well with a portfolio of quality companies. Our CEO Helena Stjernholm is doing a great job and represents us well on Volvo's, Sandvik's and Ericsson's boards. On behalf of Industrivärden's board of directors I would like to extend a warm and great thanks to Industrivärden's CEO and employees.

Finally, I would also like to thank my board colleagues for a constructive, rewarding and enjoyable cooperation during the past year.

Stockholm, February 2017

Fredrik Lundberg
Chairman of the Board