

A message from the Chairman of the Board

CHANGING TIMES

A successful society is distinguished by a dynamic interaction between its various parts and sectors. Our largest owner in terms of capital is the *Axel and Margaret Ax:son Johnson Foundation for Public Benefit*, which uses returns from Nordstjernan for activities within the humanities and social sciences.

New times and challenges require new initiatives and projects, for both the Foundation and Nordstjernan. Continuity and change have always characterized Nordstjernan's and the Foundation's operations.

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The harmonious global development that was forecast after 1989 has been broken and a series of ongoing and potential conflicts are taking their toll. Russia's war of aggression against Ukraine is naturally a particularly poignant example. Within the Foundation, the situation has resulted in greater involvement in geopolitics and diplomacy and for Nordstjernan, the unstable world order means that external factors are playing an increasingly important role and need to be taken into consideration.

How should the threats be addressed by the international community? What is the best way to offer support to countries such as Ukraine in defending its own and our freedoms? Where are the main risks? What does the new situation mean for Sweden and what demands does it place on us? The Foundation is already deeply involved in these types of questions.

Several of the annual Engelsberg seminars have highlighted various versions of these issues and they are continually being analyzed within the framework of the Foundation's major initiatives, such as *The Ax:son Johnson Institute for Statecraft and Diplomacy* and through support to the *Changing Character of War (CCW)* program at Pembroke College in Oxford, which studies, among other topics, Nordic-Baltic security.

ACUTE CRISES, LONG-TERM RESPONSIBILITY

The war in our region, China's actions since the pandemic lockdowns, the energy crisis in Europe, disruption to global supply chains and the return of inflation are external factors that dominate the current situation for societies and companies.

For more than 130 years, Nordstjernan has sailed through many such heavy storms: world wars, stock market crashes, financial crises, technological advances and political

upheaval. The business has changed shape and adapted to the evolving external conditions. For five generations, the Ax:son Johnson family has operated in a world in constant change.

External conditions are constantly shifting, but our view of ownership is consistent. It is distinguished by confidence in enterprise as a positive force in society. As an active and committed owner, with a long-term horizon, we have from the outset built and supported companies with Nordic roots in their development, value creation and growth. In this way, we have played an important role in the development of our societies while, in parallel, social developments have reshaped us.

Nordstjernen's role as an active and long-term owner is manifested in our endeavors to achieve the best for companies as members of nomination committees, boards and through regular contacts with management. To succeed in this requires in-depth knowledge about the companies and the industries in which the companies operate. Companies and industries have naturally varied over time, but the driving force is to do what is best for each individual holding in the long term. Continuity and adaptability are necessary qualities when facing the forces of change.

CONTINUED RENEWAL

Almost a quarter of a century ago, in 1999, the NCC holding accounted for a full 80 percent of Nordstjernen's net asset value. We then revised our strategy to increase the net asset value through a broader company portfolio. Dividends and the proceeds of sales from NCC have been used to build a diversified portfolio and during the first two decades of the 21st century, the modern Nordstjernen has emerged. The net asset value increased tenfold from approximately SEK 3 billion to about SEK 30 billion.

During this 20-year period, not only the size of the portfolio but also its profile has changed substantially. The holding in NCC remains important, but now accounts for only 3 percent of Nordstjernen's net asset value. Instead, two of our largest holdings are unlisted companies – the supplier of assistive devices Etac, which is world leader in technical aids and appliances for children and young people, and the plastic injection molding company Rosti, a high-tech developer and manufacturer of polymer products.

THE FUTURE

In 2020, it was again time for Nordstjernen to review its strategy and organization. We asked ourselves fundamental and important questions: What is our focus? How can we create value? How should we be organized? The conclusion by the Board and management was that Nordstjernen should focus on investments in high-quality companies in sectors with strong, long-term growth. Since then, we have made a shift and grown in the Health, Industry & Trade, Growth & New technology and Credit investments sectors. While concurrently reducing investments in the Construction & Real Estate sector. But at the core of the changes, and the strategic shift, our enduring long-term focus is on active ownership in our companies.

The pace of change in the global economy remains strong. The tendency of governments and companies to look slightly more to their local areas is showing no sign of neither weakening competition nor the pressure for change. Innovative capacity and

flexibility continue therefore to be success factors. The same applies to the recognition of and need to show respect for people's well-being and that the earth does not have unlimited resources. Companies that do not transition to sustainable production will find it increasingly difficult to gain the confidence of customers and the general public and, not least, to attract new talent. Complying with the law is not always sufficient. In parallel, it is important that companies concentrate on what they do best and not turn – or be turned – into political players.

Focus is increasingly on the desire that the business community should contribute more to make society as a whole better. Discussions in the West today often concern the need for more public commitments. It would be very welcome if this leads to increased efficiency in the core tasks of government, while it would be extremely unfortunate if it also leads to deteriorating conditions for free enterprise. The business community cannot create the good society on its own, though the business community is paying the good society's bills.

Stockholm, March 28, 2023

Viveca Ax:son Johnson
Chairman of the Board

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