

Message from the CEO

2021 – a year of transformation

In 2021, the global pandemic entered a new phase. As Covid vaccines provided increased resistance to the populations of many countries – and after the virus mutated into milder variants towards the end of the year – restrictions and crisis measures were gradually lifted. Central banks and governments are again preparing monetary and fiscal policies for a new post-Covid economy. About 95 per cent of global GDP has withstood the pressure of the economic hardships brought by the pandemic. However, there are great variations, for example, between high- and low-income countries.

The structural change that will persist after these years of Covid-19 involves above all the adoption of digital channels in business and in people's working and private lives. After global supply chains were at times subject to strong pressure, inventories were also affected while automation accelerated. Companies around the world have been wise to use this transformation to work innovatively and re-think operations, introducing new customer offerings and business models. Many companies have changed their strategies.

Nordstjernan's strategy work also took the next step forward during the year. The company's strategy changes, which were introduced in 2020, are based primarily on an enhanced sector focus. One could say we are moving from being generalists to becoming more specialists. Our current sectors are largely a function of where we have been strong historically and where we have our networks, but we are supplementing this and expanding towards the themes and niches where we see the best opportunities for Nordstjernan in the future. Our focus is investments in both listed and unlisted companies in sectors with strong structural market trends. Nordstjernan wants to own companies that are leaders, or have the potential to be leaders, in their field.

The sectors that we are active in today are Health, Industry, Distribution & Trade and Construction & Real Estate. Alongside these sectors, we have credit investments in Nordstjernan Credit and the newly launched business area Nordstjernan Growth, with its focus on the Growth & New Technology sector. The aim is for Nordstjernan Growth to develop knowledge for Nordstjernan in new areas with high growth and return potential. We consider younger growth companies to be an attractive complement to our existing investments, with their overweight in more mature industries. We believe there is an interesting position here for Nordstjernan to take and see that, as an active owner with a long industrial tradition, we can be a good, long-term partner for entrepreneurs. We are therefore proactively looking for scalable, rapidly growing companies with a tech-focused or digital business model. Over time, our ambition is to have a significant percentage of Nordstjernan's net asset value represented by companies with a clear growth profile.

A developed corporate culture

A successful strategy requires a good and inspiring corporate culture. Extensive research shows this. In every era, our corporate culture has always been created at the point of convergence

between changes in the business environment and our own experiences. With a public benefit foundation formed by the Ax:son Johnson family as our largest owner, we participate in something that endures over time. In that way, profit-generating operations can be combined with non-profit activities for public benefit. This is reflected in Nordstjernan's corporate culture and values. I usually say that, as an owner, we are *long-term impatient*. That means we shall always have a focus on long-term value creation in the companies, but at the same time not let this long-term approach be an excuse for not acting quickly.

We also want to be a learning company with motivated employees, with many complementary perspectives, in our workplace. *Together* we can then incentivize everyone's efforts in a joint team effort. We will also be *opportunity-focused* as an operation. We want to be characterized by a propensity for change and curiosity when we face challenges, take risks and make active choices. As an organization, we also strive for *simplicity* in everything we do. We want to provide freedom and individually delegated responsibility while avoiding unnecessary complexity. During the year, both our employees and the Board of Directors were engaged in discussing and further developing Nordstjernan's core values.

A flexible investment mandate – one of our strengths

In times when the markets are a little volatile, Nordstjernan's strong financial position enables us to take advantage of business opportunities. We can both make new acquisitions and support initiatives from our companies.

Another strength is our flexible investment mandate. We have no preference between owning companies in a listed or an unlisted environment. Six of our thirteen holdings at year-end 2021 were listed companies, but the value share of unlisted holdings in the portfolio has increased over a five-year period from about 30 per cent to 60 per cent today. The main reason for this is the strong operational performance of our biggest unlisted holdings – Rosti, Etac and Dacke Industri. Meanwhile, we have sold listed companies, for example, Ramirent and Ekornes, in both cases when we accepted public takeover bids from industrial players.

This flexible investment mandate also means we can be the sole owner, the largest shareholder, a joint investor and partner, or only a significant shareholder. The percentage of listed versus unlisted companies in the portfolio will vary over time. Particularly in the case of unlisted companies, we believe we can be an attractive partner for entrepreneurs and families.

As for investments in the unlisted environment, Nordstjernan benefits from the fact that we are owned by a foundation and family-controlled, with a long history of responsible enterprise. We have no predetermined exit strategy. Through our own organization and our industrial network, we help to challenge and support our companies so that they achieve their best potential.

Business transactions and net asset value

In 2021, we also managed to complete a number of business transactions. Our wholly-owned subsidiary Etac acquired the US-based firm Ki Mobility. The acquisition is in line with Nordstjernan's ambition to build and further develop leading companies in healthcare and medical devices. Nordstjernan Growth invested in the fintech company Roaring, which provides digital services to companies with a need to automate customer data processes and know-your-customer checks, as well as the insurtech company Insurello, which through its automated customer service process helps private individuals to receive fair insurance compensation after an accident. Our company Prima Vård (formerly Lideta) added a number of care centres during the year, acquiring among other operations the PRIMA psychiatric clinics for children, adolescents

and adults. Nordstjernan Credit scaled up its operations and is today a rapidly growing investment partnership that invests in high-yield debt instruments in northwest Europe.

During the year, Nordstjernan's largest listing holding, Alligo, was divided into two operationally independent business areas – *Alligo* and *Components & Services*. In March 2022, the *Components & Services* operating segment was listed separately on the Stockholm stock exchange under the name Momentum Group.

At the turn of the year, our wholly-owned subsidiary Rosti acquired the US-based company Plastic Components, Inc. As a result of this add-on acquisition, Rosti will be a global player in injection moulding of advanced plastic products and components. The acquisition is in line with Nordstjernan's efforts to build leading international industrial companies.

Nordstjernan can look back on an intense year. We also continue to invest in attractive companies. During the first quarter of 2022, Nordstjernan acquired the Finnish diagnostics company Aidian, which is a strong operator in patient-centred diagnostics with strong growth potential. We also became the second largest shareholder in the Swedish medtech company Ascilion, which has developed and patented its own technology in medical diagnostics.

Nordstjernan's net asset value was SEK 41.8 bn at year-end 2021, compared to SEK 35.4 bn at year-end 2020. That is a new all-time-high. In absolute terms, the SEK 6.4 bn increase in 2021 was the largest ever and was driven mainly by the value increase in a number of Nordstjernan's unlisted holdings as a result of their strong operational performance. Nordstjernan's total return was +19 per cent in 2021. That is higher than the company's annual average of +12 per cent since 2000, though well below the total return for the Stockholm stock exchange of +37 per cent in 2021. It is positive that – despite the weak performance of a number of our listed holdings – profits in our total portfolio, which we measure as each company's profits multiplied by our share of ownership, have more than doubled since 2015. Overall, operating profit increased about 40 per cent in 2021 compared to 2020. All holdings had higher profits compared to the preceding year, and our wholly-owned subsidiary Dacke Industri more than doubled its earnings.

A time of increased global uncertainty

Due to Russia's invasion of Ukraine, in early 2022 we have generally seen relatively strong downturns in share prices on the Stockholm stock exchange as well as for most of Nordstjernan's listed holdings.

It is still not possible to get a complete overview of the humanitarian and security policy consequences of the horrors of this war for Sweden, the EU and nearby regions. We are closely monitoring and analysing the effects of the war on Nordstjernan and our companies, both in the short and long term.

Turmoil and uncertainty in the global economy are once again on the rise. It is possible many of the world's companies may encounter delivery problems. We are facing an energy crisis that may have far-reaching effects on Europe's economy, while commodities are becoming more expensive and food prices are rising. Given the new security order, Sweden and Finland need to reconsider their security policy. Companies also need to increase their preparedness, particularly in cybersecurity. Like the US-China tech war and the Covid-19 pandemic, the war in Ukraine will have negative effects on the global economy and world trade, not least through increased protectionism. If the war were to have spill-over effects, the risks would further increase.

Nordstjernan is well equipped

With 2022 now under way, the pandemic is considered to be under control to a large extent, but the war in Ukraine is again increasing uncertainty about the security situation, the global economy and geopolitics. Western sanctions against Russia will leave their mark in many markets.

Organizationally and financially, Nordstjernan is well equipped for the years ahead, despite the global challenges. We continue to build leading companies in sectors with strong structural market trends.

Finally, I would like to thank all our employees, colleagues, the Board of Directors and shareholders for their fine efforts and good collaboration in 2021.

Stockholm, 11 April 2022

Peter Hofvenstam
President and CEO

Translation from Nordstjernan's 2021 annual report.