

PRINTED REPORTS?  
See page 9 for information on our new policy.



# SVOLDER

INTERIM REPORT 2 2017/2018

» *Continued neutral view of the stock exchange* »

The Managing Director's comments, page 2

SHARE PRICE  
**92.83**

NET WORTH  
**104**

SEK/share on 2nd March 2018

Current reporting period (3 months)

MAJOR CONTRIBUTORS TO NET WORTH

+ Positive	Negative -
XANO	Troax
Platzer	Scandic Hotels
Nolato	

MAJOR CHANGES IN THE EQUITIES PORTFOLIO

+ Bought	Sold -
ITAB	Kambi
	Nobina
	Nolato

## Result for the interim period

**6 months:** 1st September 2017–28th February 2018

- The company posted a result for the period of SEK **-25.5** million (SEK 434.3 m), corresponding to SEK **-1.00** (SEK 17.00) per share
- The net worth decreased by **0.9%**, including reinvested dividend, to SEK **107.20** per share
- The listed price of the Class B share decreased by **5.2%**, including reinvested dividend, to SEK **96.40** per share
- The Carnegie Small Cap Return Index rose by **1.8%**
- The closing discount on net worth for the Class B share was **10.1%**, while the Class A share traded at a premium of **6.3%**

## Current reporting period

**3 months:** 1st December 2017–28th February 2018

- The company posted a result for the period of SEK **18.7** million (SEK 351.3 m), corresponding to SEK **0.70** (SEK 13.70) per share
- The net worth increased by **0.7%** to SEK **107.20** per share
- The listed price of the class B share decreased by **7.8%** to SEK **96.40** per share
- The Carnegie Small Cap Return Index fell by **0.2%**



# Dear Shareholder,

First of all, please note that Svolder conducted a 2:1 share split in December 2017. This doubled the number of shares in the company, thus halving the underlying values per share. Other than that, nothing has changed. This interim report describes different share-related key ratios based on the new number of shares, i.e. 25,600,000. Svolder was formed in 1993 with 3,200,000 shares and a net worth of SEK 100 per share, i.e. slightly lower than the closing figure of SEK 107. In addition approximately SEK 40 per current share has also been paid in dividends, totalling just over SEK 1 billion. Below are the usual figures and diagrams for the Svolder Class B share and the net worth in periods over the past 10 years. From a historical perspective, the outcome remains very pleasing. The average total return on net worth since the beginning in 1993 is 15 per cent a year.

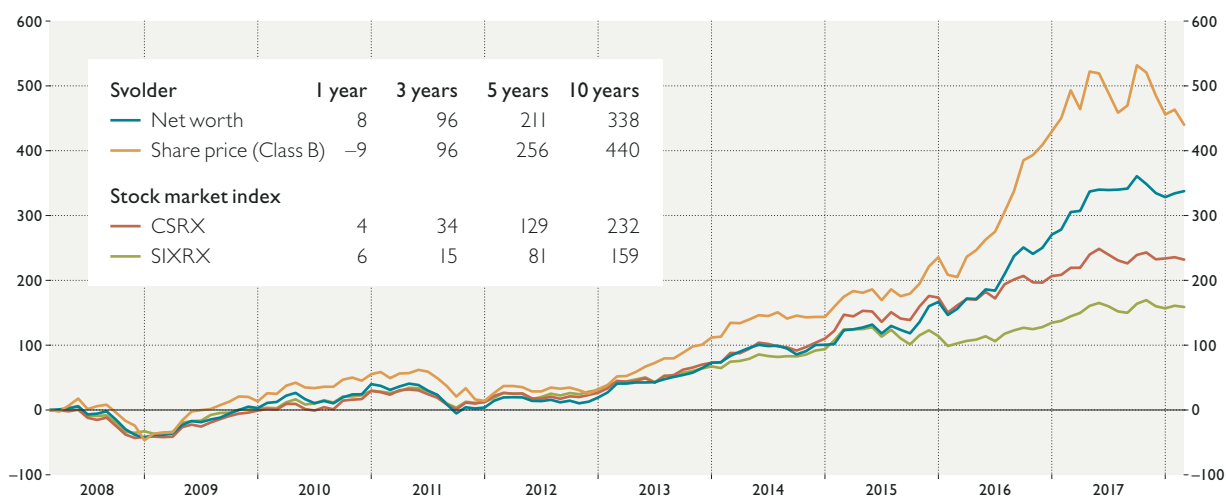
During the latest quarter, however, the listed price has had a tougher time, and on the closing day the share traded at a discount of 10 per cent in relation to net worth.

Discount/premium to net worth in % for the Svolder Class B share



Half of Svolder's 2017/2018 financial year has now passed and there is reason to stop and reflect a little more on the future and report to our shareholders. For example, how does the current situation compare with the view of the stock exchange Svolder presented in its Annual Report in early autumn 2017?

Total return<sup>1)</sup> 10 years in % on 28th February 2018



Source: Morningstar Svolder and Infront

<sup>1)</sup> Total return is calculated using comparable methods to reinvestment indices and funds, i.e. assuming that the dividend paid is reinvested at the time of the dividend in underlying types of assets.

## WEAK SWEDISH KRONA

The first six months of the financial year are characterised by positive yet volatile stock exchanges. This applies to the majority of foreign stock markets, particularly considering currency fluctuations against the Swedish krona, which is weak despite favourable public finances and good economic conditions. Moreover, the fall in exchange rates is not managing to stimulate inflation enough so as to meet the Riksbank's target of two per cent. Meanwhile, the situation does mean a boost for Swedish export companies which are enjoying an already excellent level of demand. Long-term government bond interest rates have generally increased, even though the rise has been moderate apart from in the US, where strong economic statistics and uncertainty around future public finances have, for example, driven up 10-year government bond interest rates by roughly 70 interest rate points (i.e. 0.7 percentage points).

## CONTINUED NEUTRAL VIEW OF THE STOCK EXCHANGE

To date in the financial year, the Swedish stock exchange and the small cap market have altogether developed roughly as Svolder expected, i.e. in line with the assessed return requirement (approx. 7–8% a year). The weakening of the krona has surprised us, while the many listed internationally dependent companies should have led to the overall Swedish stock exchange not lagging behind net worth developments in other markets.

Global growth remains strong, even though the pace has recently tended to slow somewhat. In an interest rate and inflation situation that gives no cause for concern, there is still good potential for risk-adjusted equities to outperform, above all, various kinds of interest-bearing investments.

At the same time, there are signs of clouds on the horizon. For a long time, the Swedish business press has been highlighting the problems in Swedish homebuilding. This has generated concern, particularly among households.

Demand for housing remains strong, but some areas have seen too many expensive tenant-owner properties being built which many people cannot afford – and it doesn't help that there are thousands of people on waiting lists for homes. Basic economics says that this is the difference between supply and demand. The difference has been reinforced by a low interest rate situation brought about by the Riksbank, and the fact that older rental properties have rents that are not priced on market terms. Economic theory also states that a balance will be established. How quickly and dramatically this will come about depends on a range of factors, and not all of them negative.

I personally can also see several signs of overheating on the stock markets, even though not all of them are scientifically founded but more based on historical experience. One worrying sign, for instance, is that there are more cases of

suspected insider trading being reported and investigated by the Swedish Economic Crime Authority. Another is the appearance of new and returning companies that want to perform new share issues at high valuations based on weak results and unestablished business models. This is a problem that I see primarily on marketplaces outside of Nasdaq Stockholm's main list, but to many investors, the quality differences and listing requirements in different exchanges are not readily visible. All equities are traded in the same trading system and in a similar way. The rising, highly speculative trading in cryptocurrencies also presupposes a very high risk propensity among different kinds of investors. Such a willingness to take risks usually only exists after a long upturn on the stock markets. Svolder continues to approach IPOs with caution, even though the cooler new-listing climate could also create some interesting opportunities.

## REPORTING STANDARDS ARE A FACTOR

An interesting debate on financial reporting has recently been initiated in the Swedish financial media. It centres largely around how various acquisitions should be reported in the financial accounts, and how this is valued by the stock market. The discussion perfectly demonstrates how equity has been inflated over the past 10 years, while the net debt of listed companies has increased dramatically. During the same period, the top lines of the income statement in particular

have shown considerable growth. For many acquisition-intensive companies, this means that return on capital employed has decreased markedly at the same time. As a result the increase in earnings per share, for many investors and analysts the most important key ratio, is more often than not counterbalanced by weaker profitability and less financial strength. When we at Svolder analyse a company, we consider all the information in the cash flow statement, income statement and balance sheet – and not only the development of earnings per share.

From a broader corporate and societal perspective, there is also a heightened risk of control errors in economies when acquired growth tends to be valued higher than organic growth. Organic growth increases the level of activity in an economy, while acquired growth is merely a reallocation between different owners and is often financed through increased borrowing.

From Svolder's investment perspective, we particularly value a combination of organic and acquired growth. Managed correctly it creates considerable value, as is evident in portfolio companies like Nolato and XANO, for instance.

*Yours faithfully*

**ULF HEDLUNDH**  
*Managing Director*





# THE EQUITIES PORTFOLIO

28TH FEBRUARY 2018

Share	Quantity	Share price (SEK) <sup>1)</sup>	Market value (SEK m)	% of net worth	% of the company's capital <sup>2)</sup>	% of the company's votes <sup>2)</sup>
Troax	1,260,000	250.00	315.0	11.5	6.3	6.3
Platzer Fastigheter	3,510,000	51.90	182.2	6.6	2.9	1.2
Nolato	307,000	587.00	180.2	6.6	1.2	0.6
Mekonomen	1,010,000	152.40	153.9	5.6	2.8	2.8
Saab	400,000	378.10	151.2	5.5	0.4	0.3
Acando <sup>3)</sup>	5,080,000	29.60	150.4	5.5	4.8	7.0
Boule Diagnostics	515,000	290.00	149.4	5.4	10.6	10.6
GARO	870,000	170.40	148.2	5.4	8.7	8.7
XANO Industri	625,500	226.00	141.4	5.1	4.4	1.3
Scandic Hotels	1,500,855	89.75	134.7	4.9	1.5	1.5
FM Mattsson Mora	1,519,990	85.00	129.2	4.7	11.3	4.8
New Wave Group	2,080,435	57.60	119.8	4.4	3.1	0.8
Serneke Group	1,200,000	95.10	114.1	4.2	5.2	1.7
Klövern Class B	9,741,988	10.16	99.0	3.6	1.1	0.6
Nordic Waterproofing	1,207,514	75.60	91.3	3.3	5.0	5.0
Nobina	1,605,680	55.05	88.4	3.2	1.8	1.8
Magnolia Bostad	1,394,009	56.50	78.8	2.9	3.7	3.7
Beijer Electronics	2,431,671	29.50	71.7	2.6	8.5	8.5
Elos Medtech <sup>4)</sup>	667,000	76.00	56.0	2.0	11.0	4.2
AGES Industri	500,000	94.40	47.2	1.7	7.1	2.1
ITAB Shop Concept	1,000,000	40.60	40.6	1.5	1.8	1.8
Verisec	229,095	92.40	21.2	0.8	5.2	5.2
Bong	16,277,419	1.06	17.3	0.6	7.7	7.7
Kambi	23,500	110.20	2.6	0.1	0.1	0.1
<b>Equities portfolio</b>			<b>2,683.7</b>	<b>97.8</b>		
<b>Net debt (-)/net receivable (+)</b>			<b>61.2</b>	<b>2.2</b>		
<b>Total/net worth</b>			<b>2,745.0</b>	<b>100.0</b>		

107.20 SEK per Svolder share

All securities holdings come under level 1 of the value hierarchy.

<sup>1)</sup> In calculating the market value (fair value), the bid price for the securities on Nasdaq Stockholm on the closing day has been used.

<sup>2)</sup> Based on outstanding shares in the portfolio company.

<sup>3)</sup> Of which 4,580,000 Acando Class B and 500,000 Acando Class A shares.

<sup>4)</sup> ELOS Medtech's market value includes subscription rights to the value of SEK 5 million calculated on the share's bid price on the closing day.

The following is an example of information that can be drawn from the table: Svolder's largest holding is Troax, which has a market value of SEK 315.0 million, corresponding to 11.5 per cent of net worth. A one per cent change in Troax's share price (bid price on the closing day) affects Svolder's net worth by SEK 3.2 million, which equates to SEK 0.10 per Svolder share.

# INTERIM REPORT 2

CURRENT REPORTING PERIOD:  
1ST DECEMBER 2017 – 28 FEBRUARY 2018

## MARKET COMMENTARY

The current reporting period of 1st December 2017 – 28th February 2018 was characterised by volatile and somewhat declining stock markets, along with rising long-term interest rates. The Swedish stock exchange (SIXRX) fell 0.4 per cent, marginally underperforming small and medium-sized companies (CSRX) which fell 0.2 per cent. Large companies (OMXS30) fell by 1.6 per cent. The Swedish stock market thus returned to its long-term trend of positive relative development for equities in slighter smaller companies. Having said that, the trend now appears less clear.

Global stock exchanges too showed volatile development, with outcomes particularly in the US better than in Sweden. The Dow Jones Global world index rose by 2.5 per cent, i.e. as much as the American S&P 500, both measured in USD. The European stock markets saw a negative outcome of around 2 per cent, measured in EUR. Exchange rates too were relatively volatile. The US dollar, which has generally been weak, recovered some of the currency market's trust towards the end of the three-month period, but still fell 1 per cent against the Swedish krona. The Swedish krona did recover some of its earlier weakening at the beginning of the period, subsequently weakening again especially in February. The weakness of the krona surprises many observers based on Sweden's current domestic growth, trade surplus and good public finances. It would appear, however, that the Riksbank prefers not to alter its strongly expansive monetary policy and inflation tendencies remain low.

Early on during the reporting period, government bond interest rates continued to increase globally, in the wake of strong economic statistics, primarily from the US. The financing of agreed tax cuts in the US are another cause for concern. While Swedish and European interest rates decreased slightly at the end of the three-month period, American 10-year long-term government bond interest rates remain at around 50 interest rate points higher than at the beginning of the period.

Commodity prices and industrial metals have risen a few per cent, measured in both USD and SEK, but with negative development particularly during February when there was a clear strengthening of the US dollar. Oil and gold prices developed in line with industrial metal prices. Higher costs for intermediate materials and higher employment are signals that inflation is picking up, especially in the US. This ought to encourage the central banks, and primarily the US Federal Reserve, to consider a rise in key interest rates. It is

worth noting the change in the head of the Federal Reserve, who has to date appeared more of a 'hawk' than a 'dove'. Characteristics like these, however, do tend to attract more publicity than effects in the real economy.

Most experts deem that political developments in several parts of the world remain uncertain, conflicts in the Middle East and South China Sea being the most serious with regard to the global economies. More locally to Sweden, Brexit negotiations are under way, with unclear goals and often unrealistic standpoints. Free trade – so important to companies and citizens – is under question, as is the free movement of capital and labour. To date, however, investors have chosen to ignore these potential threats and instead focus on good economic statistics, acceptable consumer confidence, and a continued positive flow of capital into the stock markets.

Index performance (12 months)



Source: Infront

## SHARE PRICE TRENDS

The closing price for Svolder's Class B share was SEK 96.40. This corresponds to a fall during the current reporting period of 7.8 per cent. The Class B share's value on the closing day represented a discount of 10.1 per cent on its net worth. The Class B share was traded on all trading days during the period, with an average of approximately 27,000 shares traded each day of trading on Nasdaq Stockholm.

Trading in Svolder's Class A shares was limited and shares were traded on only 87 per cent of trading days, with an average of just under 300 shares each day of trading on Nasdaq Stockholm.

On the initiative of Nasdaq Stockholm, Svolder's Class A share and other equivalent illiquid equities have not been continually traded since 22 January 2018. Instead the Class

A share is traded through three auctions (known as Auction Only Market Segments) during the trading day: one on opening, one at about 13:30 and one when the market closes.

The closing price for Svolder's Class A share was SEK 114.00, which means that the Class A share was valued at a premium of 6.3 per cent in relation to net worth.

In accordance with the decision at the Svolder AGM on 16th November 2017, in December 2017 a 2:1 share split was carried out, whereby each existing Class A and Class B share became two new shares of the same class, without affecting Svolder's share capital.

Following the share split, the total number of shares in Svolder increased from 12,800,000 to 25,600,000, of which 1,245,672 are Svolder Class A and 24,354,328 Svolder Class B shares. The share capital remains unchanged at SEK 128,000,000, and the new quotient value is SEK 5 per share.

Under the terms of Svolder's Articles of Association, Class A shareholders wishing to convert Class A shares into Class B shares may do so by application to Svolder's Board of Directors.

### Total return<sup>1)</sup> in %

	3 months 1/12 2017 – 28/2 2018	6 months 1/9 2017 – 28/2 2018	Rolling 12 months 1/3 2017 – 28/2 2018
<b>Svolder</b>			
Share price (Class B)	-7.8	-5.2	-9.0
Net worth	0.7	-0.9	8.0
<b>Stock market index</b>			
Carnegie Small Cap Return Index	-0.2	1.8	3.9
SIX Return Index	-0.4	3.6	5.9

<sup>1)</sup> Total return is calculated using comparable methods to reinvestment indices and funds, i.e. assuming that the dividend paid is reinvested at the time of the dividend in underlying types of assets.

## CHANGE IN NET WORTH

Svolder's closing net worth was SEK 107.20 per share, which represents an increase during the current reporting period of 0.7 per cent. This figure is 0.9 percentage points better than that of the small cap index (CSRX), which decreased by 0.2 per cent during the corresponding period. This can be compared with the Swedish market as a whole (SIXRX), which decreased by 0.4 per cent.

Svolder's equities portfolio is not an index portfolio: investment decisions are, instead, based on valuation of the individual shares. The portfolio's results in relation to comparison indices may, therefore, differ substantially from one accounting period to another. Share evaluation is complemented by a certain strategic focus on individual sectors based on macroeconomic factors.

## Net worth trend (3 months) 1st December 2017 – 28th February 2018

	SEK m	SEK/share
<b>Net worth 30th November 2017</b>	<b>2,726.3</b>	<b>106.50</b>
<b>Equities portfolio</b>		
<b>Opening value</b>	<b>2,730.7</b>	<b>106.70</b>
Purchase of shares	77.3	
Sale of shares	-148.1	
Change in value, equities portfolio	23.8	-47.0
<b>Closing value</b>	<b>2,683.7</b>	<b>104.80</b>
<b>Net debt (-)/Net receivable (+)</b>		
<b>Opening value</b>	<b>-4.4</b>	<b>-0.20</b>
Share dividends received	0.9	
Other operating income	0.0	
Management costs	-6.1	
Net financial items	-0.1	
Sale of shares, net	70.8	65.6
<b>Closing value</b>	<b>61.2</b>	<b>2.40</b>
<b>Net worth, 28th February 2018</b>	<b>2,745.0</b>	<b>107.20</b>

Source: Svolder, Infront and Morningstar

Småland industrial group XANO was the largest contributor during the current reporting period. The strong share price trend comes after a year of substantial development in margins and profits, combined with both organic and acquired growth. This was particularly evident in the group's year-end report. The value growth was primarily made possible by the Industrial Solutions business area, which includes several subsidiaries manufacturing packaging machines for the global food industry. XANO has built up an attractive position as an acquirer and developer of small and medium-sized industrial companies, particularly during generational shifts. This also means that the previous ITAB and AGES business areas have been able to be hived off over the years.

Real estate company Platzer is concentrated to Gothenburg. Historically low vacancies and rising rent levels for commercial premises have led to a highly attractive market position for Platzer, which has a geographically strong niche. The year-end report indicated higher market values in the existing stock, but also based on additions through its own development during 2017. More projects will be completed in the years to come. In addition, the growth in both cash flow and net worth will increase by the equivalent of SEK 6–7 per share due to the sale of homebuilding rights in Södra Änggården once the zoning plans have become final.



Polymer group **Nolato's** Q4 report 2017 was once again above expectation. Primarily business area Integrated Solutions (formerly Telecom) continued to develop very well. The main reason was significant growth in the expansive e-cigarette segment. The wider customer and product base enhances the business area's stability, reduces the operating risk and increases value. The other business areas, Medical and Industrial, also developed strongly with increased sales and profits. The margin increased in all business areas. The conditions for organic growth with good profitability are now deemed favourable. In addition financial resources are available for carrying out selective acquisitions. Moreover, the dividend was raised more than expected. The share price, which rose significantly during 2017, continued to increase after the year-end report, and the holding was the largest contributor to net worth during the current reporting period. As the share price has continued to rise, the holding has been reduced slightly based on the increased valuation.

### Biggest contributors to changes in net worth 1st December 2017 – 28th February 2018

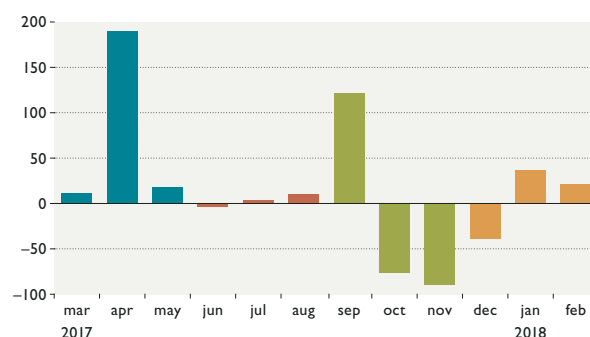
(Based on net worth of SEK 2,726.3 m or SEK 106.50 SEK/share on 30th November 2017)

Share	SEK m	SEK/share
XANO Industri	49.8	1.90
Platzer Fastigheter	19.1	0.70
Nolato	16.3	0.60
Boule Diagnostics	15.5	0.60
Nobina	12.7	0.50
Acando	12.6	0.50
<b>Total, six positive</b>	<b>126.0</b>	<b>4.90</b>
Troax	-60.2	-2.40
Scandic Hotels	-25.1	-1.00
Klöver Class B	-10.8	-0.40
Saab	-10.7	-0.40
<b>Total, four negative</b>	<b>-106.9</b>	<b>-4.20</b>
Other shares	5.6	0.20
<b>Shares, total</b>	<b>24.8</b>	<b>1.00</b>
Other	-6.1	-0.20
<b>Change in value before dividend</b>	<b>18.7</b>	<b>0.70</b>

Perimeter protection company **Troax** reported a slightly lower rate of increase for incoming orders, and lower profits and margin than expected in Q4. The development in order intake indicates continued positive sales and profit development for the immediate future, albeit at a lower tempo than in recent years. The operating margin exceeded an impressive 20 per cent both for Q4 and 2017 as a whole – even though the American acquisition Folding Guard has not yet achieved the margins of other companies in the group. Cash flow was strong and net debt decreased. The dividend was raised, but did not quite meet the high expectations. The company announced that it will increase production capacity at its main plant during 2018. Following a price drop during the unease on the stock exchange in late January and early February, the share did not recover after the year-end report, but instead became the largest negative contributor to net worth during the current reporting period.

The shares of Nordic hotel chain **Scandic Hotels** are among the quarter's negative contributors. An increase in the number of hotel rooms available in Stockholm surprised the company, and a subsequent profit warning hit the share hard. The company has taken measures to adapt costs at its Stockholm hotels, and there will be far fewer additions to the market moving forward. Players on the stock exchange are, however, suspicious, and can see an increasing operating risk in the event of a dip in the Swedish economy. It is therefore up to the company's partly new management to show that its business truly is less cyclical than in equivalent companies, thanks in part to turnover-based rental agreements, a strong brand and a stable customer base. The Norwegian hotel market is once again showing strength after earlier problems related to the oil industry. In addition, last year's acquisition of Finnish hotel chain Restel appears to be exceptionally well timed, as industry prospects and hotel occupancy in Finland have begun improving. At present, the Finnish operation is showing the group's strongest rate of increase in income and occupancy.

### Change in net worth in SEK million per month (12 months)



Excluding dividends of SEK 41.6 million (SEK 1.625/share) paid in November 2017.

## LIQUIDITY/BORROWING

The equities portfolio was unpledged on the closing day. The net receivable, which also includes the share trading's unliquidated transactions etc., was SEK 61.2 million on the closing day, corresponding to 2.2 per cent of the company's net worth. This can be compared with a net debt of SEK 4.4 million at the beginning of the current reporting period.

## THE EQUITIES PORTFOLIO

Shares to the value of SEK 77.3 million (gross) were acquired during the current reporting period. Shares to the value of SEK 148.1 million (gross) were sold during the corresponding period, and net sales consequently amounted to SEK 70.8 million.

During the three-month period, **ITAB Shop Concept** was added as a new holding. On the closing day, the portfolio thus comprised 24 holdings.

### Major net purchases for the equities portfolio (3 months) 1st December 2017 – 28th February 2018

Share	Quantity	SEK m	SEK/share <sup>1)</sup>
ITAB	1,000,000	37.2	37.20

<sup>1)</sup> The purchase price per share is arrived at on the basis of the aggregate purchase price for all shares of the same class acquired during the period.

**ITAB Shop Concept** develops, manufactures, sells and installs complete shop concepts for retail chains. It has a leading market position in Europe, particularly in check-outs, store interiors and lighting systems. From being one of the stock's market's most highly reputed and highly valued small companies, the share has seen very slow price development over the past two years. In the wake of increasing online shopping and negative media coverage of H&M and others, investor focus has shifted away from ITAB's core business of shop development and streamlining. Svolder deems that the share price has now come down to attractive price levels, and ITAB is therefore a new holding in Svolder's portfolio.

### Major net sales from the equities portfolio (3 months) 1st December 2017 – 28th February 2018

Share	Quantity	SEK m	SEK/share <sup>1)</sup>
Kambi	406,500	42.4	104.40
Nobina	540,111	31.2	57.80
Nolato	43,000	23.7	551.60

<sup>1)</sup> The sales proceeds per share are arrived at on the basis of the aggregate market value for all shares of the same class sold during the period.

**Kambi** develops and operates sports betting for various betting operators, with Unibet being the dominant customer. The share's performance has varied dramatically since the company was hived off from Unibet (now Kindred) in 2014. This is mainly attributable to volatile sportsbook margins, i.e. the profit generated in various kinds of betting, but also to the view of the relative strength compared to betting operators when renegotiating contracts. In addition there are various kinds of risks and opportunities based on political decisions in several different countries. Following a period of rising sportsbook margins, Svolder considers the Kambi share to be fully valued and has therefore sold its holding. A positive contribution to net worth of SEK 13 million (SEK 0.50 per Svolder share) has therefore principally already been realised.

**Nobina** is the largest public transport operator in the Nordic region. Its contracts run for several years and are primarily with public sector principals. Svolder particularly appreciates Nobina's economic and operational stability, along with its propensity to pay dividends. Consequently, the share has a different price development pattern to most other listed companies, but it is still surprisingly volatile in relation to the operation's stability. The varying preferences of investors and a relatively large percentage of foreign owners may explain this. As a result of excellent share price development at points during the latest three-month period, Svolder has reduced its holding for reasons of valuation.

## MANAGEMENT COSTS

Since 2012 there has been an incentive programme for Svolder employees, which can entail a variable annual bonus equating at most to a year's salary including payroll overheads. Such a bonus should be invested in Svolder shares to be held for at least three years. It is a condition of the bonus that Svolder's net worth over rolling three-year periods outperforms the small cap market, CSRX. Based on the company's strong development over the past two financial years, it is very likely that a bonus for the current rolling three-year period will be paid. An expense of SEK 3.3 million has therefore been reserved during the interim period, and Svolder intends to reserve a total sum of SEK 6.6 million during the 2017/2018 financial year. In the previous financial year, the entire cost for variable remuneration was posted in the year-end accounts (SEK 7.5 million).

In comparing Svolder's management costs in the two interim periods, it is evident that the management costs for 2017/2018, with the same form of distribution over time, would have been on a par with 2016/2017. Based on the closing net worth, Svolder's total management costs, including variable remuneration, currently amount to just under 1 per cent a year.



## THE PARENT COMPANY

The results for the Group and the Parent Company correspond in full. The Parent Company balance sheet is the same as for the Group with the exception of the Parent Company's holdings in subsidiaries, worth SEK 0.1 million, and a current liability of SEK 0.1 million. The Parent Company and the Group have an overdraft facility totalling SEK 200 million.

## RISKS AND UNCERTAINTY FACTORS

The identified risks and uncertainties for the Group and the Parent Company are presented on page 59 and in note 17 on page 72 of the 2016/2017 Annual Report. The market risk (the equities portfolio's price risk) is adjudged to be the most significant of the risks listed. No significant changes are deemed to have occurred subsequently.

## NEW POLICY FOR DISTRIBUTING PRINTED REPORTS

Finally, please note that Svolder is introducing a new policy for sending out printed interim reports and annual reports. We still strive to produce informative reports with professional graphic design, and want all our shareholders to be

able to read the information we publish. However, it is not Svolder but the individual shareholder who decides how he or she wishes to receive this material, i.e. in printed or digital form.

Therefore, we would like to ask shareholders who wish to continue receiving financial reports in printed form by post to complete and return the form/letter in the enclosed reply envelope. If you prefer to read Svolder's information digitally, we suggest subscribing to our e-mail service via [svolder.se](http://svolder.se/prenumerera-via-e-post/) to ensure you don't miss a single report. Please go to <http://svolder.se/prenumerera-via-e-post/>, choose your options (Pressmeddelande = Press releases, Kvartalsrapporter = Interim reports, Årsredovisningar = Annual reports) and enter your e-mail address.

## EVENTS AFTER THE REPORTING PERIOD

The net worth on 2nd March was SEK 104 per share and the listed price was SEK 92.83.

## FINANCIAL CALENDAR

The reports for the period 1st September 2017 – 31st May 2018 (9 months) and for the now current reporting period 1st March – 31st May 2018 will be published on 13th June 2018.

The Board and the Managing Director warrant that the half-year report provides a true and fair overview of the business, financial position and results of the Parent Company and the Group and describes the significant risks and uncertainties with which the Parent Company and the companies forming the Group are faced.

STOCKHOLM, 9TH MARCH 2018

FREDRIK CARLSSON  
*Chairman*

EVA CEDERBALK  
*Member*

VIVEKA EKBERG  
*Member*

ANNA-MARIA  
LUNDSTRÖM TÖRNBLOM  
*Member*

JOHAN QVIBERG  
*Member*

ULF HEDLUNDH  
*Managing Director*

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*This Interim Report has not been subject to examination by the company's auditors.*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK m)	3 months 1/12 2017 – 28/2 2018	3 months 1/12 2016 – 28/2 2017	6 months 1/9 2017 – 28/2 2018	6 months 1/9 2016 – 28/2 2017	Rolling 12 months 1/3 2017 – 28/2 2018	12 months 1/9 2016 – 31/8 2017
<b>Management operations</b>						
Dividend income	0.9	-	2.2	-	58.4	56.2
Management costs	-6.1	-4.5	-12.5	-8.9	-28.3	-24.6
Earnings from securities	23.8	355.7	-15.4	443.2	174.7	633.3
Other operating income	0.0	0.0	0.3	0.1	0.3	0.1
<b>Operating profit</b>	<b>18.7</b>	<b>351.3</b>	<b>-25.4</b>	<b>434.4</b>	<b>205.1</b>	<b>664.9</b>
<b>Profit on financial investments</b>						
Financial income	0.0	0.0	0.0	0.0	0.0	0.0
Financial expenses	-0.1	0.0	-0.1	-0.1	-0.2	-0.2
<b>Profit after financial items</b>	<b>18.7</b>	<b>351.3</b>	<b>-25.5</b>	<b>434.3</b>	<b>204.9</b>	<b>664.7</b>
Tax	-	-	-	-	-	-
<b>Profit for the period</b>	<b>18.7</b>	<b>351.3</b>	<b>-25.5</b>	<b>434.3</b>	<b>204.9</b>	<b>664.7</b>
Other comprehensive income						
<b>Comprehensive income for the period</b>	<b>18.7</b>	<b>351.3</b>	<b>-25.5</b>	<b>434.3</b>	<b>204.9</b>	<b>664.7</b>
Earnings per share, SEK	0.70	13.70	-1.00	17.00	8.00	26.00

## CONSOLIDATED CASH FLOW STATEMENT

(SEK m)	3 months 1/12 2017 – 28/2 2018	3 months 1/12 2016 – 28/2 2017	6 months 1/9 2017 – 28/2 2018	6 months 1/9 2016 – 28/2 2017	Rolling 12 months 1/3 2017 – 28/2 2018	12 months 1/9 2016 – 31/8 2017
<b>Cash flow from operating activities</b>						
before changes in working capital	-3.8	-4.8	-13.0	-15.0	34.8	32.8
<b>Changes in working capital</b>						
Increase (+)/decrease (-) in current liabilities	-4.8	-0.7	0.1	0.0	0.1	0.0
<b>Cash flow from operating activities</b>	<b>-8.6</b>	<b>-5.5</b>	<b>-12.8</b>	<b>-15.0</b>	<b>35.0</b>	<b>32.8</b>
<b>Investing activities</b>						
Purchase of securities	-103.7	-245.5	-291.4	-651.0	-819.5	-1,179.2
Sales of securities	138.4	406.3	264.3	696.9	640.1	1,072.7
Investment in machinery and equipment	0.0	0.0	0.0	-0.1	0.0	-0.1
<b>Cash flow from investing activities</b>	<b>34.6</b>	<b>160.9</b>	<b>-27.1</b>	<b>45.8</b>	<b>-179.5</b>	<b>-106.6</b>
<b>Financing activities</b>						
Dividend paid	-	-	-41.6	-35.2	-41.6	-35.2
<b>Cash flow from financing activities</b>	<b>0.0</b>	<b>0.0</b>	<b>-41.6</b>	<b>-35.2</b>	<b>-41.6</b>	<b>-35.2</b>
Increase (+)/decrease (-) in liquid assets	26.1	155.4	-81.6	-4.4	-186.2	-109.0
Liquid assets at beginning of period	33.1	89.9	140.8	249.7	245.3	249.7
<b>Liquid assets at end of period</b>	<b>59.2</b>	<b>245.3</b>	<b>59.2</b>	<b>245.3</b>	<b>59.2</b>	<b>140.8</b>

## CONSOLIDATED KEY RATIOS PER SHARE

(SEK m)	3 months 1/12 2017 – 28/2 2018	3 months 1/12 2016 – 28/2 2017	6 months 1/9 2017 – 28/2 2018	6 months 1/9 2016 – 28/2 2017	Rolling 12 months 1/3 2017 – 28/2 2018	12 months 1/9 2016 – 31/8 2017
Change in net worth, SEK	0.70	13.70	-2.60	15.60	6.40	24.60
Dividend paid during the period, SEK	-	-	1.63	1.38	1.63	1.38
Number of shares, million	25.6	25.6	25.6	25.6	25.6	25.6

Amounts per share have been rounded off to the nearest SEK 0.1 throughout the Interim Report, except for share prices and dividends.

The company has no ongoing programmes of financial instruments that entail any dilution in the number of shares. The number of outstanding shares equals 25,600,000.

The historical number of shares and key ratios per share are adjusted for the 2:1 share split of December 2017.

## CONSOLIDATED BALANCE SHEET

### Assets

(SEK m)	28/2 2018	30/11 2017	31/8 2017	28/2 2017	30/11 2016	31/8 2016
<b>Non-current assets</b>						
<i>Property, plant and equipment</i>						
Equipment	0.2	0.1	0.1	0.2	0.2	0.1
<i>Financial assets</i>						
Securities holdings	2,683.7	2,730.7	2,681.5	2,335.1	2,184.0	1,941.8
<b>Current assets</b>						
Current receivables	10.4	0.4	0.3	6.2	8.3	0.3
Cash and bank balances	59.2	33.1	140.8	245.3	89.9	249.7
<b>Total assets</b>	<b>2,753.5</b>	<b>2,764.3</b>	<b>2,822.7</b>	<b>2,586.7</b>	<b>2,282.4</b>	<b>2,191.9</b>

### Shareholders' equity and liabilities

(SEK m)	28/2 2018	30/11 2017	31/8 2017	28/2 2017	30/11 2016	31/8 2016
<b>Shareholders' equity</b>	<b>2,745.0</b>	<b>2,726.3</b>	<b>2,812.1</b>	<b>2,581.7</b>	<b>2,230.4</b>	<b>2,182.5</b>
<b>Liabilities</b>						
Current liabilities	8.5	38.0	10.6	5.1	52.0	9.4
<b>Total liabilities and shareholders' equity</b>	<b>2,753.5</b>	<b>2,764.3</b>	<b>2,822.7</b>	<b>2,586.7</b>	<b>2,282.4</b>	<b>2,191.9</b>

## CHANGES IN SHAREHOLDERS' EQUITY

(SEK m)	3 months 1/12 2017 – 28/2 2018	3 months 1/12 2016 – 28/2 2017	6 months 1/9 2017 – 28/2 2018	6 months 1/9 2016 – 28/2 2017	12 months 1/9 2016 – 31/8 2017
<b>Opening balance</b>	<b>2,726.3</b>	<b>2,230.4</b>	<b>2,812.1</b>	<b>2,182.5</b>	<b>2,182.5</b>
Dividend paid	-	-	-41.6	-35.2	-35.2
Comprehensive income for the period	18.7	351.3	-25.5	434.3	664.7
<b>Closing balance</b>	<b>2,745.0</b>	<b>2,581.7</b>	<b>2,745.0</b>	<b>2,581.7</b>	<b>2,812.1</b>

## CONSOLIDATED KEY RATIOS PER SHARE

(SEK m)	28/2 2018	30/11 2017	31/8 2017	28/2 2017	30/11 2016	31/8 2016
Net worth per share, SEK	107.20	106.50	109.80	100.80	87.10	85.30
Share price (Class B), SEK	96.40	104.50	103.25	107.50	92.25	80.50
Net worth, premium (+)/discount (-), %	-10	-2	-6	7	6	-6
Liquidity (+)/Borrowing (-), %	3	0	5	10	2	11
Equity/assets ratio, %	100	100	100	100	100	100
Number of shares, million	25.6	25.6	25.6	25.6	25.6	25.6

Definitions as in the Annual Report for 2016/2017. Amounts per share have been rounded off to the nearest SEK 0.1 throughout the Interim Report, except for share prices and dividends. The company has no ongoing programmes of financial instruments that entail any dilution in the number of shares. The number of outstanding shares equals 25,600,000. The historical number of shares and key ratios per share are adjusted for the 2:1 share split of December 2017.

## ACCOUNTING PRINCIPLES

This Interim Report has been prepared in accordance with IAS 34, Interim Reporting.

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and in accordance with Sweden's Annual Accounts Act. The Parent Company accounts follow Sweden's Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2.

Otherwise the same accounting principles and bases for assessment have been used as in the most recent Annual Report.

Prioritaire **A**

POSTAGE  
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SVOLDER IS AN INVESTMENT TRUST THAT INVESTS PRIMARILY IN THE SHARES OF LISTED SMALL AND MEDIUM-SIZED SWEDISH COMPANIES. IN TERMS OF VALUE CREATION, SVOLDER IS STRIVING OVER TIME TO BE THE LEADING INVESTMENT TRUST ON NASDAQ STOCKHOLM.

THE COMPANY HAS BEEN LISTED ON NASDAQ STOCKHOLM AB SINCE 1993. SVOLDER'S NET WORTH IS PUBLISHED WEEKLY AND APPEARS ON THE COMPANY'S WEBSITE, WWW.SVOLDER.SE



COVER PHOTO: THE ARHOLMA BEACON WAS BUILT IN 1768 AND HAS SERVED MANY DIFFERENT PURPOSES OVER THE YEARS. THE BEACON WAS OPENED TO THE PUBLIC IN 1997, NOW AS A LOOKOUT TOWER AND A VENUE FOR ART EXHIBITIONS.

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