



SVOLDER

YEAR-END REPORT 2022/2023

Turbulent times create long-term opportunities

The Managing Director's comments, page 2

Results for the financial year

12 months: 1st September 2022–31st August 2023

- The company posted a result for the period of SEK **-525** million (-1,186 m), corresponding to SEK **-5.10** (-11.60) per share
- The net worth decreased by **9.0%**, including reinvested dividend, to SEK **51.20** per share
- The listed price of the Class B share increased by **7.0%**, including reinvested dividend, to SEK **56.90** per share
- The Carnegie Small Cap Return Index increased by **0.3%**
- Proposed dividend SEK **1.00** (0.90) per share

Major contributors to net worth

- + Positive: Ependion, Troax, MilDef
- Negative: GARO, Elanders, XANO Industri

Major changes in the equities portfolio

- + Bought: Nolato, Arjo, GARO
- Sold: engcon, Doxa, AGES Industri

Result for current reporting period

3 months: 1st June–31st August 2023

- The company posted a result for the period of SEK **-681** million (-242 m), corresponding to SEK **-6.70** (-2.40) per share
- Net worth decreased by **11.5%**
- The listed price of the Class B share fell by **5.6%**
- The Carnegie Small Cap Return Index fell by **4.0%**

Latest published figures

8TH SEPTEMBER 2023

Share price
55.25
SEK

Net worth
50
SEK/share

Dear Shareholder,

The ‘first 100 days’ in a new leadership role are said to be crucial, and the expression is certainly fraught with expectations. Indeed, it is worth considering whether it is a myth. It has been an eventful quarter, both on the stock market and here at Svolder. With a new reporting period behind us, many of us are bound to have our own ideas about where the wider world is headed, beholding the economic cycle as we do through different eyes. The value of bringing these various jigsaw pieces together lies not so much in predicting exactly what will happen, but more in the insight they give us into what could happen.

» *Despite these challenging times, I am optimistic about the future.* »

THE FOURTH QUARTER

The stock exchange developed negatively during the fourth quarter, and small companies were particularly affected. For Svolder it has been an especially challenging period, with weak development in both absolute and relative terms. Svolder’s net worth decreased by 11.5 per cent during the three-month period, while the small cap market (CSRX) fell by 4.0 per cent.

REFLECTION

Since I started as MD, I have repeatedly been surprised in all kinds of good ways. Some of the nicest surprises are the excellent working relationship and support from colleagues. The teamwork in the company has exceeded my already high expectations. The level of commitment and the positive atmosphere are also impressive. I am proud to be part of a corporate culture where everyone pulls together to do what’s best for you, our Svolder shareholders.

I have confidence in Svolder’s portfolio and investment process. This means that the portfolio

is not being reshuffled just because there’s a new Managing Director. Rather, as before, changes will be made on an ongoing basis, as the need arises and in accordance with Svolder’s investment process.

We have a well-functioning, tried and tested model for creating value, and that will not change. The focus is not only on short-term profits, but also on achieving sustainable long-term growth for our investments. We will contin-

Total return¹⁾ 10 years in % on 31st August 2023



Source: Svolder and Infront

¹⁾ 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.

ue to play an active role as a shareholder in our portfolio companies. We need to regularly appraise our investments and make adjustments where necessary, and this includes selling holdings in companies that are underperforming. I am convinced of the importance of continuing our careful analysis. We really need to understand the companies we hold shares in and those in which we consider investing. In this way, we can continue to make well-founded decisions based on a balanced assessment of both potential and risk.

At Svolder, we have always viewed our portfolio companies' potential to contribute to sustainable development as a fundamental criterion in the investment process. I can see a need to establish clearer guidelines, both for our own conduct in-house and for our portfolio companies. This process has begun, and we will be presenting an updated sustainability strategy over the next year.

The focus moving forward remains on companies with a market capitalisation below SEK 20 billion. This means genuinely small companies, a segment that receives less attention from institutional investors and analysts. This can create opportunities for us to find attractively value small companies.

MARKET DEVELOPMENT

Small caps (CSRX) fell by 4.0 per cent during the three-month period. 2023 continues to be a year of surprises, and after a strong stock exchange recovery early on, led by the small companies, recent months have developed in the opposite direction.

In times of greater uncertainty, it is common for Swedish small companies to decrease more in value than the market generally. Anecdotally, we can see international investors being more cautious regarding Swedish small companies, which at times contributes to more negative share price movements than fundamentally justified. For example, the summer's interim reporting period was characterised by relatively large negative price movements, when profit estimates at an aggregate level remained virtually unchanged.

WHAT HAVE WE DONE, AND WHAT HAS AFFECTED NET WORTH?

Svolder has increased its holding in Arjo during the quarter.

The holding in Troax was reduced, which prompted a disclosure notice on 9th August as the holding fell below 5 per cent of capital and votes. The entire holding in Doxa, an investment company in the real estate sector, has been sold. Svolder has also slightly reduced its holding in Profoto.

One of the main factors burdening our net worth is our exposure to New Wave Group. The company reported record figures for Q2, but did not quite live up to the stock market's expectations. Perimeter protection company Troax delivered a Q2 report that met stock market ex-

pectations. Nevertheless, the share price continued on an already downward trend after the report's publication, and was a major negative contributor to net worth. Tiltrotator manufacturer engcon was also a negative contributor to net worth. The company delivered a good report, but also mentioned lower orders in the Nordics and Europe.

Positive contributions during the quarter primarily came from MilDef Group. Ependion and Nordic Waterproofing also had a positive impact on our net worth during the period. MilDef Group is a provider of tactical IT for demanding environments with customers in the global security and defence market, as well as other areas critical to society. Its Q2 results provided important proof that the company's business model is scalable, and that higher volumes contribute positively to the development of its margin.

FOCUS MOVING FORWARD

There is no doubt that we are going into recession. Even so, the overall picture is that there are relatively good chances of avoiding an economic hard landing. Many countries are showing a willingness to invest in socially crucial infrastructure. At the same time, high inflation and the interest rate situation are having an adverse impact on the global economy. We therefore anticipate continued fragmentation in terms of demand.

Despite these challenging times, I am optimistic about the future. We have companies with strong market positions and good management teams, as well as balance sheets that afford the companies opportunities to overcome the presently weak market. While the market is expected to be challenging in the financial quarters ahead, there are opportunities to take market share and benefit from the possibilities that harder times can offer.

The companies are focusing on cost control, and on bolstering gross margins through production efficiency and price adjustments. With a continued focus on sustainability work and, in some cases, strong order books, they have a stable foundation on which to build. In times like these, the ability to continuously adapt to changing circumstances is particularly important, as is the companies' ongoing endeavour for sustainable, profitable growth.

The expression 'first 100 days' was probably coined in the US in relation to President Franklin D. Roosevelt's intention to quickly deal with the problems the nation was facing in the 1930s. Thankfully, Svolder's challenges are not on the same scale.

Finally, a quote from Charlie Munger might be fitting: "Mimicking the herd invites regression to the mean".

Best wishes

TOMAS RISBECKER
Managing Director



THE EQUITIES PORTFOLIO

31ST AUGUST 2023

Share	Number	Share price (SEK) ¹⁾	Market cap. (SEK m)	% of net worth	% of the company's capital ²⁾	% of the company's votes ²⁾
New Wave Group	10,280,607	78.12	803	15.3	7.7	2.1
Ependion	4,390,000	130.00	571	10.9	15.0	15.2
Trox Group	2,645,000	175.80	465	8.9	4.4	4.4
engcon	5,030,200	80.55	405	7.7	3.3	1.1
XANO Industri	4,263,075	94.10	401	7.6	7.3	2.2
Elanders	3,595,113	105.00	377	7.2	10.2	7.0
FM Mattsson Group	6,189,108	51.00	316	6.0	14.6	6.4
GARO	5,496,530	52.00	286	5.4	11.0	11.0
MilDef Group	2,868,673	81.00	232	4.4	7.2	7.2
Profoto Holding	2,100,000	83.00	174	3.3	5.3	5.3
Arjo B	3,666,842	43.16	158	3.0	1.4	0.8
Nolato	3,200,000	46.94	150	2.9	1.2	0.6
Viva Wine Group	4,188,370	34.15	143	2.7	4.7	4.7
ITAB Shop Concept	13,195,880	9.26	122	2.3	6.1	6.1
Wästbygg Gruppen ³⁾	3,581,754	34.10	122	2.3	11.1	12.1
Lime Technologies	422,665	252.00	107	2.0	3.2	3.2
Arla Plast	2,639,527	34.50	91	1.7	13.2	13.2
Nordic Waterproofing	458,474	154.20	71	1.3	1.9	1.9
Boule Diagnostics	4,289,159	9.80	42	0.8	11.1	11.1
Nivika Fastigheter	1,193,000	30.90	37	0.7	1.5	0.4
Equities portfolio			5,074	96.7		
Net receivable (+)/net debt (-)			174	3.3		
Total/net worth			5,248	100.0		

51.20 SEK per Svolder share

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

¹⁾ In calculating the market capitalisation (fair value), the last price paid for the securities on Nasdaq Stockholm on the closing day has been used.

²⁾ Based on outstanding shares in the portfolio company.

³⁾ Of the shares in Wästbygg Gruppen, 110,000 are Class A.

The following information, for example, can be obtained from the table. Svolder's largest holding is New Wave Group, which has a market capitalisation of SEK 803 million, corresponding to 15.3 per cent of net worth. A one-per-cent change in New Wave's share price would affect Svolder's net worth by SEK 8 million, which equates to SEK 0.10 per Svolder share.

YEAR-END REPORT

1ST SEPTEMBER 2022 – 31ST AUGUST 2023

MARKET DEVELOPMENT SINCE 1ST SEPTEMBER 2022

During the 2022/2023 financial year, Swedish small companies have experienced dramatic, irregular development. The year (autumn) began with a drop of almost 15 per cent, reaching bottom in October 2022. The small cap index (CSRX) remains unchanged for the period, as compared to large companies (OMX30) which are up 17 per cent. We can also see that the ‘smallest’ small companies as a category have seen the worst development. An unweighted small cap index has fallen by –6 per cent during the financial year, and companies with a market capitalisation of less than SEK 5 billion have dropped by about –10 per cent on average. There are several reasons behind this, such as less liquidity and appetite for risk generally, and relatively lower profit outlooks. Sweden is often the domestic market, so the share of exports is lower and the impact of a weaker Swedish krona does not favour small companies to the same degree.

Index performance (12 months)



Source: Infront

Looking at the past 15 years, we have never seen Swedish small companies falling when American small companies rise, or the small cap index in Sweden falling for two consecutive years. This may not be a hard-and-fast rule, but it does offer some hope that we may have seen the worst in terms of market correction. For example, we can see that since

the stock exchange peak at the end of 2021/beginning of 2022, the small cap index (CSRX) has fallen by 33 per cent, while the forward-looking profit estimates are about 3 per cent higher now. So the downturn is the product of a falling valuation, where the P/E ratio for Swedish small companies has decreased from 24 to 14.

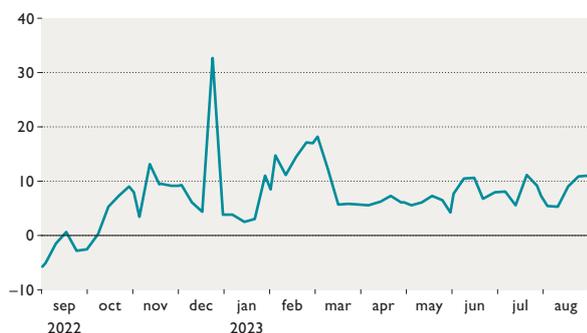
The high inflation during 2022 and 2023 has resulted in a dramatic fall in real wages. We have to go right back to the early 1980s to see a similar kind of development. Falling consumption and housing investments mean that the Swedish economy is expected to be weaker for a few quarters more compared to the economies of many other countries. During the summer, the Swedish krona reached record low levels against the euro. In May and June the krona's weaker development was mainly due to growing concern for the Swedish real estate sector, while in August the principal explanation was falling appetite for risk globally. A weak krona *per se* is not the problem; the problem is that over the past decade, the krona has seen a trend of falling against both the euro and the US dollar, even though the Swedish economy has developed more strongly compared to other countries.

One challenging factor for many companies during the year has been the shortage of components and the disruptions to various supply chains. This situation has gradually improved, and some companies now assert that these problems are virtually at an end. As a result, prices for various input goods have now begun to fall.

SHARE PRICE TRENDS

The closing price for Svolder's Class B share on the balance sheet date was SEK 56.90, which corresponds to an increase during the financial year of 7.0 per cent, including reinvested dividend. The Class B share's value on the closing day represented a premium of 11.0 per cent on its net worth. The Class B share was traded on all trading days during the period, with an average of just over 130,000 shares traded each day of trading on Nasdaq Stockholm.

Net worth discount (-)/premium (+) in % (Class B share, 12 months)



Total return¹⁾ %

	12 months 1/9 2022– 31/8 2023	12 months 1/9 2021– 31/8 2022
Svolder		
Share price (Class B)	7.0	-27.6
Net worth	-9.0	-16.9
Stock market index		
Carnegie Small Cap Return Index	0.3	-28.3
SIX Return Index	10.0	-21.0

¹⁾ 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.

Source: Svolder and Infront

Svolder's Class A share is only 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 80.00, which means that the Class A share was valued at a premium of 56.1 per cent in relation to net worth on the closing day.

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. 120 Class A shares were converted into Class B shares during the financial year.

On the closing day, the total number of shares in Svolder equalled 102,400,000, of which 4,982,568 were Class A shares and 97,417,432 were Class B shares. The number of shareholders increased by approximately 3,000, and amounted to 62,000 according to the most recently published share register on 30 June 2023.

CHANGE IN NET WORTH

On the closing day, Svolder's net worth amounted to SEK 51.20 per share, equating to SEK 5,248 million. The decrease during the financial year was thus 9.0 per cent including reinvested dividend. This figure is 9.3 percentage points below that of the CSRX comparison index, which increased by 0.3 per cent during the corresponding period. This can be compared with the stock market as a whole (SIXRX), which increased by 10.0 per cent.

Net worth trend (12 months) 1st September 2022–31st August 2023

	SEK m	SEK/share
Net worth, 31st August 2022	5,865	57.30
Equities portfolio		
Opening value	5,146	50.30
Purchase of shares	969	
Sale of shares	-442	
Change in value, equities portfolio	-599	-2.80
Closing value	5,074	49.50
Net debt (-)/net receivable (+)		
Opening value	719	7.00
Share dividends received	110	
Dividend paid	-92	
Other operating income	0	
Management costs	-41	
Net financial items	5	
Purchase of shares, net	-527	-5.30
Closing value	174	1.70
Net worth, 31st August 2023	5,248	51.20

Source: Svolder and Infront

Total return¹⁾ % (12 months)



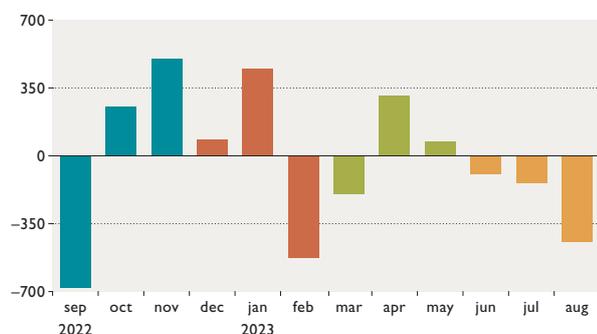
¹⁾ Total return is calculated using comparable methods to reinvestment indices and funds, i.e. assuming that the dividend paid is reinvested at the time of the dividend in underlying types of assets.

Biggest contributors to changes in net worth accumulated financial year 2022/2023, 1st September 2022–31st August 2023

(Based on net worth of SEK 5,865 million or SEK 57.30/share on 31st August 2022)

Share	SEK m	SEK/share
Ependion	297	2.90
Total, one positive	297	2.90
GARO	-287	-2.80
Elanders	-144	-1.40
XANO Industri	-79	-0.80
Wästbygg Gruppen	-65	-0.60
FM Mattsson Group	-62	-0.60
Viva Wine Group	-60	-0.60
New Wave Group	-43	-0.40
Doxa	-36	-0.40
Nivika Fastigheter	-34	-0.30
Total, nine negative	-810	-7.90
Other shares	24	0.20
Shares, total	-489	-4.80
Other	-37	-0.40
Change in value before dividend	-525	-5.10

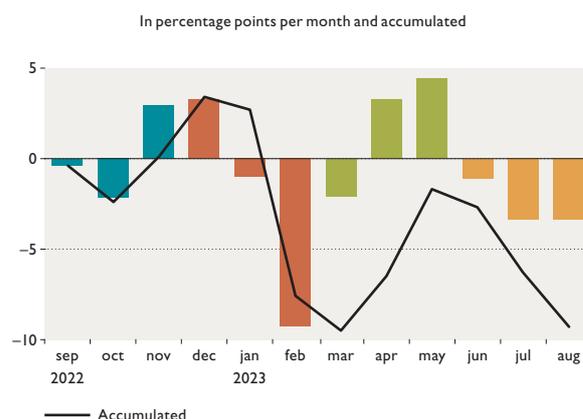
Change in net worth in SEK million per month (12 months)



Excluding dividends of SEK 92.2 million (SEK 0.90/share) paid in November 2022.

Svolder's equities portfolio is not an index portfolio, but a series of investment decisions based on the valuations of individual equities. 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.

Change in net worth relative to CSRX (12 months)



LIQUIDITY/BORROWING

The equities portfolio was unpledged on the closing day. The net receivable, which includes liquid assets and the share trading's unliquidated transactions etc., was SEK 174 million on the closing day, corresponding to 3.3 per cent of the company's net worth. This can be compared with a net receivable of SEK 719 million at the beginning of the financial year.

Svolder signed an agreement for a credit facility with a Nordic business bank, totalling a maximum of SEK 500 million with collateral in pledged shares. The credit facility was unutilised on the closing day, 31st August 2023.

THE EQUITIES PORTFOLIO

Shares were acquired for a gross amount of SEK 969 million during the financial year. Shares for a gross amount of SEK 442 million were sold during the corresponding period, and net purchases hence totalled SEK 527 million. A dividend of SEK 92.2 million was paid to shareholders in November 2022 for the 2021/2022 financial year. The number of holdings in the equities portfolio on the closing day totalled 20 (19).

Major net purchases for the equities portfolio (12 months) 1st September 2022–31st August 2023

Share	Number	SEK m	SEK/share ¹⁾
Nolato	3,200,000	157	49.20
Arjo	3,666,842	144	39.30
GARO	1,459,779	106	76.00
XANO	849,927	78	91.60
Elanders	507,613	69	136.00

¹⁾ 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.

Comments on the majority of purchases and sales have been continuously reported in Svolder's interim reports. Transactions, along with the prevailing investment philosophy, will be presented in detail in the forthcoming Annual Report which will be published at the end of October.

Major net sales from the equities portfolio (12 months) 1st September 2022–31st August 2023

Share	Number	SEK m	SEK/share ¹⁾
engcon	404,583	38	93.60
Doxa	9,960,000	34	3.50
AGES Industri	584,000	34	58.50
Troax Group	88,600	32	197.70

¹⁾ 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.

MANAGEMENT COSTS

Total management costs for the financial year amounted to SEK 41 million (32 m), which equated to 0.7 (0.5) per cent of average net worth.

Management costs include costs for an incentive programme for Svolder employees. Over the past three financial years Svolder's net worth, including reinvested dividends, performed roughly 39 percentage points better than the CSRX. The variable remuneration has an annual ceiling and the sum paid must be invested in Svolder Class B shares to be held for at least three years. The reserve for the 2022/2023 financial year is SEK 10.7 million (9.8 m). The reserve equates to just under 0.2 (0.2) per cent of the opening net worth.

In addition, management costs during the financial year have increased by just over SEK 5 million, which was remuneration to former Managing Director Ulf Hedlundh, who stepped down from his post at the end of April 2023.

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.

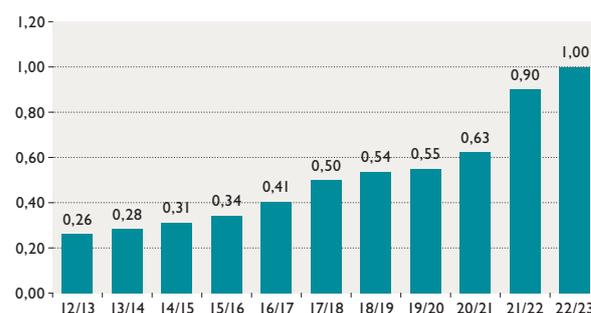
RISKS AND UNCERTAINTY FACTORS

The identified risks and uncertainties for the Group and the Parent Company are presented on page 69 and in note 17 on page 81 of the 2021/2022 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.

DIVIDEND

At the 2023 Annual General Meeting the Board will propose a share dividend of SEK 1.00 (0.90) per share for the 2022/2023 financial year, which equates to SEK 102 million (92 m). The proposal equates to 2.0 (1.6) per cent of the closing net worth and a yield of 1.8 (1.7) per cent based on the share price on the closing day. The proposed dividend is in line with Svolder's dividend policy and its ambition for long-term dividend growth.

Dividend in SEK per share



2022/2023: dividend proposed by the Board of Directors.

EVENTS AFTER THE REPORTING PERIOD

The net worth on 8th September was SEK 50 per share and the listed price (Class B share) was SEK 55.25.

On 13th September, Nordic Waterproofing's largest shareholder Kingspan announced that it intends to launch a mandatory public offer for the remaining shares in Nordic Waterproofing at a price of SEK 160 per share within four weeks.

AGM AND FINANCIAL REPORTING

The Annual General Meeting will be held on Thursday 16th November 2023 in Stockholm. Further information will be provided in the notice to attend, which will be announced on around 17th October with a press release, a presentation on Svolder's website, an advertisement in *Dagens Industri* and information in the upcoming Annual Report.

The Annual Report will be available on Svolder's website at the end of October and distributed in printed form in early November to shareholders who registered with the company to receive printed information. The interim report for the period 1st September–30th November 2023 will be published on 13th December 2023.

Q4 REPORT

CURRENT REPORTING PERIOD:
1ST JUNE – 31ST AUGUST 2023

Result for current reporting period

3 months: 1st June–31st August 2023

- The company posted a result for the period of SEK **-681** million (-242 m), corresponding to SEK **-6.70** (-2.40) per share
- The net worth decreased by **11.5%** to SEK **51.20** per share
- The listed price of the Class B share decreased by **5.6%** to SEK **51.20** per share
- The Carnegie Small Cap Return Index fell by **4.0%**

Major contributors to net worth

- + Positive: MilDef, Ependion
- Negative: New Wave, Troax, engcon

Major changes in the equities portfolio

- + Bought: Arjo
- Sold: Troax, Doxa, Profoto

MARKET COMMENTARY

Small caps (CSRX) fell by 4.0 per cent during the three-month period (1st June–31st August 2023). 2023 continues to be a year of surprises, and after a strong stock exchange recovery early on, led by the small companies, recent months have developed in the opposite direction. The development of Swedish small cap share prices also stands out in international comparison. For example, the US small cap index (Russel 2000) rose by 6 per cent during the latest three-month period. Looking at the past 15 years, we have never seen Swedish small companies falling when American small companies rise, or the small cap index in Sweden falling for two consecutive years. This may not be a hard-and-fast rule, but it does offer some hope that we may have seen the worst in terms of market correction. For example, we can see that since the stock exchange peak at the end of 2021/beginning of 2022, the small cap index (CSRX) has fallen by 33 per cent, while the forward-looking profit estimates are about 3 per cent higher now. So the downturn is the product of a falling valuation, where the P/E ratio for Swedish small companies has decreased from 24 to 14. This can be compared to the long-term forward-looking P/E ratio of 16. Seeing as it is now possible to argue that there is good support for valuations, we have a more positive view of the potential to find interesting investment opportunities in quality, financially healthy companies.

When the appetite for risk falls in the economy and on the stock exchange, it is common for Swedish small companies to decrease more in value than the market generally. Anecdotally, we can see international investors being more cautious regarding Swedish small companies, which at times contributes to more negative share price movements than fundamentally justified. For example, the summer's interim reporting period was characterised by relatively large negative price movements, when profit estimates at an aggregate level remained virtually unchanged. In times of greater uncertainty, there is reason to work with different scenarios to gauge possible outcomes. "Hope for the best, plan for the worst." One scenario, in which Sweden as an export-dependent, interest-rate-sensitive nation performs less well than other countries, is obviously what the stock market currently has as the most likely scenario. Companies with exposure to construction, consumers and real estate, for instance, are under more pressure relatively speaking, but it is also possible to find opportunities too. For example, the majority of these companies are valued at record lows on profit-neutral multiples.

We can see a slight shift in the small caps, where some of the highly valued companies that defied the law of gravity during the first half of 2023 have now lost ground. If for example we look at the highest- and lowest-valued small companies, the highest-valued index-driver small caps developed better up until the summer, while those with the lower valuations have developed better over the past three months.

Total return¹⁾ %

	3 months 1/6 2023– 31/8 2023	12 months 1/9 2022– 31/8 2023
Svolder		
Share price (Class B)	-5.6	7.0
Net worth	-11.5	-9.0
Stock market index		
Carnegie Small Cap Return Index	-4.0	0.3
SIX Return Index	-2.0	10.0

¹⁾ 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.

Source: Svolder and Infront

CHANGE IN NET WORTH

On the closing day, Svolder's net worth amounted to SEK 51.20 per share, equating to SEK 5,248 million. This corresponds to a decrease in value during the current reporting period of 11.5 per cent. This is 7.5 percentage points below that of the CSRX comparison index, which fell by 4.0 per cent during the corresponding period. This can be compared with the stock market as a whole (SIXRX), which decreased by 2.0 per cent.

Net worth trend (3 months) 1st June–31st August 2023

	SEK m	SEK/share
Net worth, 31st May 2023	5,929	57.90
Equities portfolio		
Opening value	5,841	57.00
Purchase of shares	41	
Sale of shares	-135	
Change in value, equities portfolio	-673	-7.50
Closing value	5,074	49.50
Net debt (-)/net receivable (+)		
Opening value	88	0.90
Management costs	-9	
Net financial items	1	
Sale of shares, net	94	0.80
Closing value	174	1.70
Net worth, 31st August 2023	5,248	51.20

MilDef Group is a provider of tactical IT for demanding environments with customers in the global security and defence market, as well as other areas critical to society. During 2022 primarily, for a couple of quarters the company had uneven development that was hard to forecast, partly due to serious challenges in the supply chain. These made purchases of critical components both expensive and unpredictable, which impacted negatively on profitability. The company's underlying market, however, has continued to develop positively, especially since many Western nations announced far higher defence spending after Russia's invasion of Ukraine. The company's figures for sales, earnings and its margin rose considerably during Q2 2023. This provided important proof that the company's business model is scalable, and that higher volumes contribute positively to the development of its margin. The stock market liked the quarterly report and the share price rose. This made MilDef the largest contributor to net worth during the current reporting period.

Ependion is a global technology group operating in industrial automation and computer communication. The group offers digital solutions for control, management and visualisation of industrial applications in environments where high quality and reliability are critical factors. The products are primarily robust network solutions and digital operator panels. Sales take place via two business units, where the group has a strong presence on growing markets characterised by a high rate of digitalisation. The group has long achieved great success in the rail segment, and the Westermo business unit is today among the leading players globally in its niche.

Ependion presented a strong Q2 report showing yet another record quarter for incoming orders, sales and earnings. The operating margin for Q2 was just over 13 per cent, a distinct improvement on the year before and a clear step towards the group's financial target of 15 per cent. The order book remains at record levels, even though the rate of sales has increased considerably as component availability has returned to normal during 2023. From a longer-term perspective, growth is expected to remain strong in the group's operating markets and segments, driven by a high willingness to invest in socially critical infrastructure such as trains and railways, and energy production and power distribution.

Biggest contributors to changes in net worth 1st June–31st August 2023

(Based on net worth of SEK 5,929 million or SEK 57.90/share on 31st May 2023)

Share	SEK m	SEK/share
MilDef	35	0.30
Ependion	13	0.10
Total, two positive	48	0.50
New Wave Group	-134	-1.30
Troax	-130	-1.30
engcon	-118	-1.20
GARO	-90	-0.90
FM Mattsson Group	-62	-0.60
XANO Industri	-61	-0.60
Elanders	-55	-0.50
Nolato	-21	-0.20
Total, eight negative	-671	-6.50
Other shares	-51	-0.50
Shares, total	-673	-6.60
Other	-8	-0.10
Change in value	-681	-6.70

Brand group **New Wave** reported record figures for Q2, but did not quite live up to the stock market's expectations. After eight consecutive quarters that exceeded expectations, the market responded to the report with a dramatic drop in share price. Even though the valuation prior to the report was not high, this could not protect the share from this drop. Analysts' earning forecasts for the current and future years were adjusted marginally downwards following the report, which made the valuation even more attractive. The severely negative effect on the share price made New Wave the biggest negative contributor to net worth during the current reporting period.

Perimeter protection company **Troax** delivered a Q2 report that met stock market expectations. Incoming orders fell by 9 per cent, and the previously fast-growing segment of Automation was again where the decline was mainly noticed. Meanwhile the operating margin rose during the quarter compared to Q2 2022. The share price continued on an already downward trend after the report's publication, and was a major negative contributor to net worth. Svolder reduced its holding slightly prior to the report, which prompted a disclosure notice on 9th August as the holding fell below 5 per cent of capital and votes.

Tiltrotator manufacturer **engcon** reported lower incoming orders in Q2, primarily in the Nordics and Europe, while profitability remained at a historic high. The company's operating margin rose from 18.5 per cent to 20.5 per cent compared to the corresponding quarter of 2022, and the return on capital employed totalled an impressive 73.4 per cent. The share price reached its highest level to date in early June 2023 and then fell further after the report, but it has since recovered somewhat. The drop in share price made engcon one of the main detractors from net worth during the current reporting period.

LIQUIDITY/BORROWING

The equities portfolio was unpledged on the closing day. The net receivable, which includes liquid assets and the share trading's unliquidated transactions etc., was SEK 174 million on the closing day, corresponding to 3.3 per cent of the company's net worth. This is to be compared with a net receivable of SEK 88 million at the beginning of the current reporting period.

Svolder signed an agreement for a credit facility with a Nordic business bank, totalling a maximum of SEK 500 million with collateral in pledged shares. The credit facility was unutilised on the closing day, 31st August 2023.

THE EQUITIES PORTFOLIO

Shares were acquired for a total of SEK 41 million (gross) during the current reporting period. Shares for a gross amount of SEK 135 million were sold during the corresponding period, and net sales hence totalled SEK 94 million.

All shares in **Doxa** were sold during the three-month period. On the closing day, the portfolio thus comprised 20 holdings.

Major net purchases for the equities portfolio (3 months) 1st June–31st August 2023

Share	Number	SEK m	SEK/share ¹⁾
Arjo	500,000	21	42.00

¹⁾ 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.

Svolder has increased its holding in med-tech company **Arjo** during the quarter. Arjo has a market-leading position in the global med-tech industry, and offers products in areas such as patient transfer, hygiene solutions and medical beds. The products help to enhance the quality of care and life for patients with reduced mobility, while also improving the working environment for care personnel. The company's largest market is the US followed by the UK, France and Canada.

Svolder believes that Arjo's stable business has the potential to show organic growth over time, regardless of the economic climate. There is deemed to be good potential for improvement going forward, partly as the company improves its profit margin. Following a strong period in 2020/2021 as a result of the pandemic, Arjo, like several other companies in the med-tech sector, was hit hard by cost inflation and a shortage of materials during 2022. The company is now in a recovery phase, as evidenced in its Q2 report for 2023 which showed improved organic growth, profitability and cash flow. Svolder judges that the company has good potential to continue its recovery, and that the stock market is currently underestimating Arjo's long-term potential.

Major net sales from the equities portfolio (3 months) 1st June–31st August 2023

Share	Number	SEK m	SEK/share ¹⁾
Troax Group	360,000	70	193.70
Doxa	9,960,000	34	3.50
Profoto	319,811	27	83.90

¹⁾ 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.

The entire holding in **Doxa**, an investment company in the real estate sector, was sold and therefore constitutes one of the largest sales during the current reporting period.

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.

STOCKHOLM, 15TH SEPTEMBER 2023
SVOLDER AB (PUBL)

THE BOARD OF DIRECTORS

For additional information, please contact:

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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 1/6 2023– 31/8 2023	3 months 1/6 2022– 31/8 2022	12 months 1/9 2022– 31/8 2023	12 months 1/9 2021– 31/8 2022
Management operations				
Dividend income	-	-	110.4	142.6
Management costs	-9.0	-7.7	-41.4	-32.0
Earnings from securities	-673.1	-234.9	-599.5	-1,296.5
Other operating income	-	-	0.3	-
Operating profit/loss	-682.1	-242.6	-530.1	-1,186.0
Profit on financial investments				
Financial income	0.9	0.3	4.6	0.3
Financial expenses	0.0	0.0	0.0	-0.3
Profit/loss after financial items	-681.2	-242.3	-525.5	-1,186.0
Tax	-	-	-	-
Profit/loss for the period	-681.2	-242.3	-525.5	-1,186.0
Other comprehensive income	-	-	-	-
Comprehensive income for the period	-681.2	-242.3	-525.5	-1,186.0
Earnings per share, SEK	-6.70	-2.40	-5.10	-11.60

CONSOLIDATED CASH FLOW STATEMENT

(SEK m)	3 months 1/6 2023– 31/8 2023	3 months 1/6 2022– 31/8 2022	12 months 1/9 2022– 31/8 2023	12 months 1/9 2021– 31/8 2022
Cash flow from operating activities before changes in working capital				
	-6.5	-5.5	77.1	113.2
Changes in working capital				
Increase (+)/decrease (-) in current liabilities	-0.2	0.1	0.5	0.0
Cash flow from operating activities	-6.8	-5.4	77.6	113.2
Investing activities				
Purchase of securities	-87.1	-315.2	-970.9	-1,119.5
Sale of securities	135.1	781.5	441.7	1,374.7
Investment in machinery and equipment	0.0	0.0	-0.1	-0.1
Cash flow from investing activities	48.0	466.3	-529.3	255.0
Financing activities				
Dividend paid	-	-	-92.2	-64.0
Cash flow from financing activities	0.0	0.0	-92.2	-64.0
Increase (+)/decrease (-) in liquid assets	41.3	460.9	-543.9	304.2
Liquid assets at beginning of period	149.0	273.2	734.1	429.9
Liquid assets at end of period	190.2	734.1	190.2	734.1

CONSOLIDATED KEY RATIOS PER SHARE

	3 months 1/6 2023– 31/8 2023	3 months 1/6 2022– 31/8 2022	12 months 1/9 2022– 31/8 2023	12 months 1/9 2021– 31/8 2022
Change in net worth, SEK	-6.70	-2.40	-6.00	-12.20
Dividend paid during the period, SEK	-	-	0.90	0.63
Earnings per share, SEK	-6.70	-2.40	-5.10	-11.60
Number of shares, million	102.4	102.4	102.4	102.4

Definitions as in the Annual Report for 2021/2022. 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 102,400,000. The historical number of shares and key ratios per share have been adjusted for the 4:1 share split of January 2022.

CONSOLIDATED BALANCE SHEET

	Assets				
(SEK m)	31/8 2023	31/5 2023	31/8 2022	31/5 2022	31/8 2021
Non-current assets					
<i>Property, plant and equipment</i>					
Equipment	0.2	0.2	0.1	0.2	0.1
<i>Financial assets</i>					
Securities holdings	5,073.8	5,841.0	5,146.0	5,840.0	6,676.1
Current assets					
Current receivables	5.0	4.2	0.4	5.5	20.1
Cash and bank balances	190.2	149.0	734.1	273.2	429.9
Total assets	5,269.2	5,994.3	5,880.7	6,118.9	7,126.2

Shareholders' equity and liabilities

(SEK m)	31/8 2023	31/5 2023	31/8 2022	31/5 2022	31/8 2021
Shareholders' equity	5,247.7	5,928.8	5,865.3	6,107.6	7,115.3
Liabilities					
Current liabilities	21.6	65.5	15.4	11.3	10.9
Total liabilities and shareholders' equity	5,269.2	5,994.3	5,880.7	6,118.9	7,126.2

CHANGES IN SHAREHOLDERS' EQUITY

(SEK m)	3 months 1/6 2023– 31/8 2023	3 months 1/6 2022– 31/8 2022	12 months 1/9 2022– 31/8 2023	12 months 1/9 2021– 31/8 2022
Opening balance	5,928.8	6,107.6	5,865.3	7,115.3
Dividend paid	-	-	-92.2	-64.0
Comprehensive income for the period	-681.2	-242.3	-525.5	-1,186.0
Closing balance	5,247.7	5,865.3	5,247.7	5,865.3

CONSOLIDATED KEY RATIOS PER SHARE

	31/8 2023	31/5 2023	31/8 2022	31/5 2022	31/8 2021
Net worth per share, SEK	51.20	57.90	57.30	59.60	69.50
Share price (Class B), SEK	56.90	60.30	53.97	62.96	75.00
Net worth, premium (+)/discount (-), %	11	4	-6	6	8
Liquidity (+)/Borrowing (-), %	4	2	12	5	6
Equity/assets ratio, %	100	100	100	100	100
Number of shares, million	102.4	102.4	102.4	102.4	102.4

Definitions as in the Annual Report for 2021/2022. 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 102,400,000. The historical number of shares and key ratios per share have been adjusted for the 4:1 share split of January 2022.

ACCOUNTING POLICIES

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 policies and bases for assessment have been used as in the most recent Annual Report.

Prioritaire **A**

POSTAGE
PAID

SVOLDER IS AN INVESTMENT TRUST THAT INVESTS PRIMARILY IN THE SHARES OF LISTED SMALL AND MEDIUM-SIZED SWEDISH COMPANIES. THE COMPANY'S SHARES ARE LISTED ON NASDAQ STOCKHOLM. SVOLDER'S NET WORTH IS PUBLISHED WEEKLY AND APPEARS ON THE COMPANY'S WEBSITE, WWW.SVOLDER.SE.



COVER PHOTO: VIKBRON WAS BUILT IN 1888 AND CROSSES THE LJUNGAN RIVER AT ITS INLET TO TORPSJÖN, ÅNGE MUNICIPALITY, MEDELPAD. AT 133 METRES IT IS SWEDEN'S LONGEST WOODEN BRIDGE WITH A FOUNDATION AND SUPERSTRUCTURE ALSO IN WOOD.

(PHOTO: OLA BERGLUND)



SVOLDER

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