

# Annual report **2010**

# Welcome to Investor

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## FINANCIALS

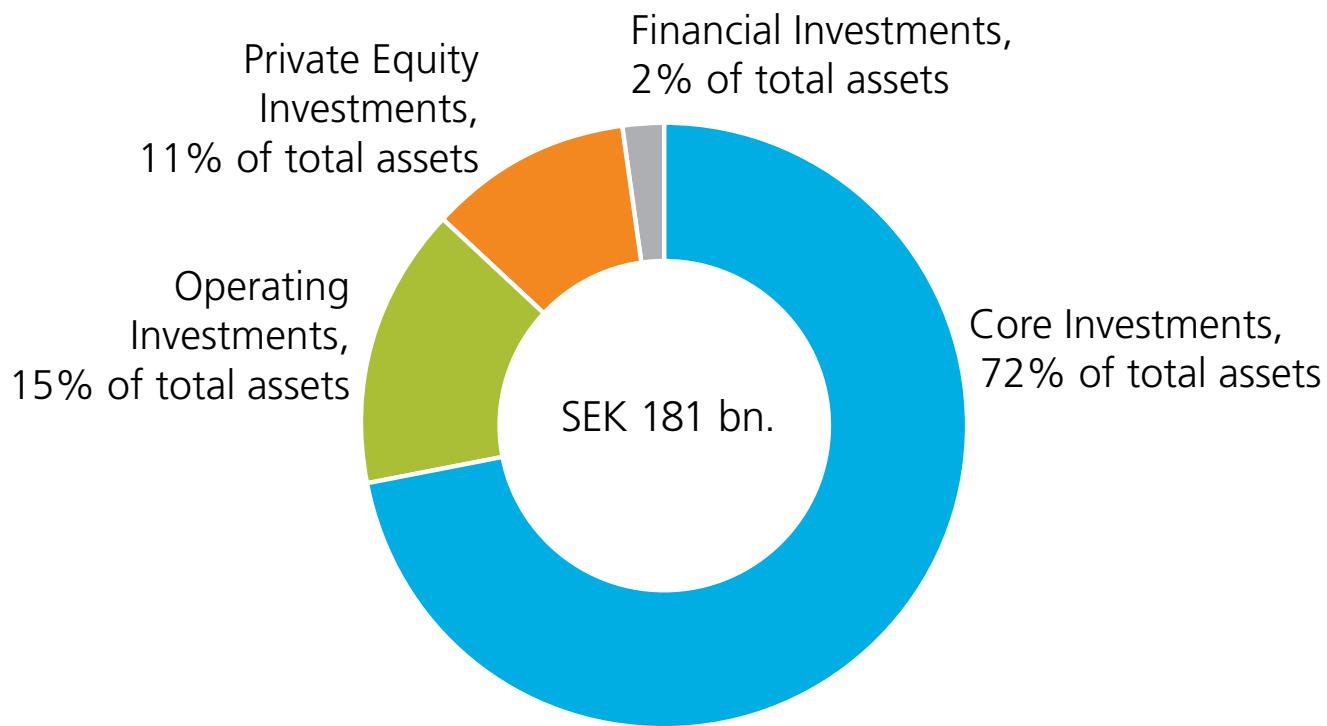
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Investor is a Nordic-based industrial holding company founded almost one hundred years ago by the Wallenberg family. Today we have investment activities in Europe, the United States and Asia.

The business concept is to generate attractive long-term returns for our shareholders by owning and developing companies with solid potential for value creation. We are an engaged owner and apply experience, knowledge and a unique network to develop listed and unlisted companies to make them best-in-class.



# Investor in short



## Core Investments

### INVESTMENT STRATEGY

- Well-established global companies.
- Significant minority ownership with strategic influence.
- Listed companies.
- Long ownership horizon.

### Main events 2010

- Acquisition of 10.2 percent of the equity in Saab from BAE Systems, solidifying Investor's position as the largest owner.
- Ownership further strengthened in Atlas Copco, Electrolux and Husqvarna.
- Dividends received amounted to SEK 3.2 bn.
- Core Investments had a positive impact of SEK 26.0 bn. on net asset value, corresponding to a total return of 25 percent.

## Operating Investments

### INVESTMENT STRATEGY

- Medium to large-size companies with high profitability and potential for secular growth.
- Listed or unlisted companies.
- Long ownership horizon with value created through investments in, and active ownership of companies.

### Main events 2010

- Acquisition of 97 percent in Aleris.
- Acquisition of 34 percent in Mölnlycke Health Care from our partner, taking our ownership to 96 percent.
- Acquisition of 9.7 percent in NASDAQ OMX.
- Operating Investments had a positive impact of SEK 3.5 bn. (including a SEK 2.4 bn. positive revaluation relating to Mölnlycke Health Care) on net asset value.

## Private Equity Investments

### INVESTMENT STRATEGY

#### INVESTOR GROWTH CAPITAL

- Small and medium-size growth companies in the U.S., Northern Europe and Asia.
- Minority ownership for strategic influence.
- Mainly unlisted companies within healthcare and technology.
- Ownership horizon 3-7 years.

### EQT FUNDS

- Investments, as a limited partner, in all EQT funds for leveraged buy out and expansion capital in Europe, China and the U.S.

### Main events 2010

- Private Equity Investments had a positive impact of SEK 1.3 bn. on net asset value (including costs for the business area).

# Portfolio overview

[www.seb.se](http://www.seb.se)



Leading Nordic financial services group. The international nature of SEB's business is reflected in its presence in 20 countries, with main focus on the Nordic countries, Germany and the Baltics.

- Share of Investor's total assets: 14%
- Share of capital and voting rights: 20.8% and 20.9%, respectively
- Value of holding: SEK 25,579 m.

	Key figures, SEK bn.	2010	2009
Total operating income	36.9	41.6	
Operating profit	11.1	4.4	
Total assets	2,180	2,308	
Core Tier 1 ratio, %	12.20	11.69	
Assets under mgmt	1,399	1,356	
Book equity	99.5	99.7	
Market value, SEK bn.	123.0	97.3	
Number of employees	19,125	20,233	

[www.astrazeneca.com](http://www.astrazeneca.com)



A global, innovation-driven biopharmaceutical business with a primary focus on the discovery, development and commercialization of prescription medicines for six important areas of healthcare.

- Share of Investor's total assets: 9%
- Share of capital and voting rights: 3.7% and 3.7% respectively
- Value of holding: SEK 15,956 m.

	Key figures, USD m.	2010	2009
Net sales	33,269	32,804	
Core EBIT	13,603	13,621	
Core EBIT, %	40.8	41.5	
Net debt (+)/net cash (-)	-3,653	-535	
Market value, SEK bn.	435.8	486.4	
Number of employees	61,000	63,000	

[www.ericsson.com](http://www.ericsson.com)



The world's leading provider of technology and services to telecom operators. Ericsson is the leader in 2G, 3G and 4G mobile technologies.

- Share of Investor's total assets: 7%
- Share of capital and voting rights: 5.0% and 19.3%, respectively
- Value of holding: SEK 12,396 m.

	Key figures, SEK bn.	2010	2009
Net sales	203.3	206.5	
EBIT, excl. EO	23.7	18.5	
EBIT, excl. EO, %	11.7	9.0	
Net debt (+)/net cash (-)	-51.3	-36.1	
Market value	254.7	215.5	
Number of employees	90,261	82,493	

[www.husqvarna.com](http://www.husqvarna.com)



A global leader in chainsaws, trimmers, lawn mowers, garden tractors, cutting equipment and diamond tools. European leader in consumer irrigation equipment under the Gardena brand.

- Share of Investor's total assets: 3%
- Share of capital and voting rights: 15.7% and 30.8%, respectively
- Value of holding: SEK 5,058 m.

	Key figures, SEK m.	2010	2009
Net sales	32,240	34,074	
EBIT, excl. EO	2,652	2,012	
EBIT, excl. EO, %	8.2	5.9	
Net debt (+)/net cash (-)	5,600	6,349	
Market value, SEK bn.	32.3	30.0	
Number of employees	14,954	15,030	

[www.atlascopco.com](http://www.atlascopco.com)



A world leader in compressors, construction and mining equipment, power tools and assembly systems. The Group operates in more than 170 countries.

- Share of Investor's total assets: 19%
- Share of capital and voting rights: 16.7% and 22.3%, respectively
- Value of holding: SEK 34,671 m.

	Key figures, SEK m.	2010	2009
Net sales	69,875	63,762	
EBIT	13,915	9,090	
EBIT, %	19.9	14.3	
Net debt (+)/net cash (-)	5,510	10,906	
Market value, SEK bn.	201.8	123.4	
Number of employees	32,790	29,802	

[www.abb.com](http://www.abb.com)



A global leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact. The Group operates in around 100 countries.

- Share of Investor's total assets: 14%
- Share of capital and voting rights: 7.3% and 7.3%, respectively
- Value of holding: SEK 25,082 m.

	Key figures, USD m.	2010	2009
Net sales	31,589	31,795	
EBIT	3,818	4,126	
EBIT, %	12.1	13.0	
Net debt (+)/net cash (-)	-6,428	-7,219	
Market value, SEK bn.	344.1	314.5	
Number of employees	116,000	116,000	

[www.molnlycke.com](http://www.molnlycke.com)



World leading manufacturer of single-use surgical and wound care products and services for the professional health care sector.

- Share of Investor's total assets: 7%
- Share of capital and voting rights: 96% (incl. shareholder loans) and 93%, respectively
- Reported value of holding: SEK 13,432 m.

	Key figures, EUR m.	2010	2009
Net sales	949	865	
EBITDA	269	236	
EBITDA, %	28	27	
EBITDA, adjusted	265	236	
EBITDA, adjusted, %	28	27	
Net debt (+)/net cash (-)	1,578	1,673	
Number of employees	6,985	6,745	

[www.electrolux.com](http://www.electrolux.com)



A global leader in household appliances and appliances for professional use, selling more than 40 million products to customers in more than 150 markets every year.

- Share of Investor's total assets: 4%
- Share of capital and voting rights: 13.6% and 29.9%, respectively
- Value of holding: SEK 8,054 m.

	Key figures, SEK m.	2010	2009
Net sales	106,326	109,132	
EBIT, excl. EO	6,494	5,322	
EBIT, excl. EO, %	6.1	4.9	
Net debt (+)/net cash (-)	-709	665	
Market value, SEK bn.	59.6	51.7	
Number of employees	51,544	50,633	

[www.saabgroup.com](http://www.saabgroup.com)



Serves the global market with world-leading products, services and solutions ranging from military defence to civil security. Saab constantly develops, adopts and improves new technology.

- Share of Investor's total assets: 2%
- Share of capital and voting rights: 30.0% and 39.5%, respectively
- Value of holding: SEK 4,032 m.

	Key figures, SEK m.	2010	2009
Net sales	24,434	24,647	
EBIT, excl. EO	1,577	1,324	
EBIT, excl. EO, %	6.5	5.4	
Net debt (+)/net cash (-)	-3,291	634	
Market value, SEK bn.	13.2	12.9	
Number of employees	12,536	13,159	



## www.lindorff.com



A leading credit management company in the Nordic region with a growing European presence.

- Share of Investor's total assets: 2%
- Share of capital and voting rights: 58% (after full conversion) and 50%, respectively
- Reported value of holding: SEK 3,789 m.

Key figures, EUR m.	2010	2009
Net sales	309	267
EBITDA	89	59
EBITDA, %	29	22
Net debt (+)/net cash (-)	615	530
Number of employees	2,465	2,270

## www.sobi.com



A Swedish specialty pharmaceutical company with international market presence, focusing on providing and developing specialist pharmaceuticals for rare disease patients.

- Share of Investor's total assets: 2%
- Share of capital and voting rights: 40% and 41%, respectively
- Value of holding: SEK 3,486 m.

Key figures, SEK m.	2010	2009 <sup>1)</sup>
Net sales	1,907	2,066
EBITA	372	274
EBITA, %	19.5	13.2
Net debt (+)/net cash (-)	1,348	448
Market value, SEK bn.	8.6	4.2
Number of employees	508	554

1) Pro forma

## www.aleris.se



One of the leading providers of healthcare and care services in the Nordic region.

- Share of Investor's total assets: 1%
- Share of capital and voting rights: 97% (after full conversion) and 99%, respectively
- Reported value of holding: SEK 2,465 m.

Key figures, SEK m.	2010	2009
Net sales	4,120	3,882
EBITDA	296	332
EBITDA, %	7	9
Net debt (+)/net cash (-)	1,980	1,624
Number of employees	3,775	3,790

## www.gambro.com



A global medical technology company and a leader in developing, manufacturing and supplying products and therapies for Kidney and Liver dialysis.

- Share of Investor's total assets: 1%
- Share of capital and voting rights: 49% and 49%, respectively
- Reported value of holding<sup>1)</sup>: SEK 1,740 m.

Key figures, SEK m.	2010	2009
Net sales	12,152	12,484
Normalized EBITDA	2,395	2,384
Normalized EBITDA, %	20	19
Net debt (+)/net cash (-) <sup>1)</sup>	25,380	25,559
Number of employees	7,650	8,040

1) Relates to Gambro Holding

## www.caridianbct.com



The leading global provider of technologies and services in automated blood collections, therapeutic apheresis and cell therapy systems, whole blood processes and pathogen reduction technologies.

- Share of Investor's total assets: 1%
- Share of capital and voting rights: 49% and 49%, respectively
- Reported value of holding<sup>1)</sup>: SEK 1,740 m.

Key figures, USD m.	2010	2009
Net sales	518	486
EBITDA	171	140
EBITDA, %	33	29
Net debt (+)/net cash (-) SEK m. <sup>1)</sup>	25,380	25,559
Number of employees	2,270	2,160

1) Relates to Gambro Holding

## www.nasdaqomx.com



One of the world's largest exchange operators. It offers listings, trading, exchange technology and public company services across six continents, with approximately 3,600 listed companies.

- Share of capital and voting rights: 10.2% and 10.2%, (as of disclosure notice, February 17, 2011)
- Reported value of holding: SEK 2,740 m. (relates to 9.7% ownership as of 12/31 2010 according to forward agreement)

Key figures, USD m.	2010	2009
Net sales	1,522	1,453
EBIT (GAAP)	631	603
EBIT, %	41.4	41.5
Net debt (+)/net cash (-)	2,082	1,541
Market value, USD bn.	4.2	4.2
Number of employees	2,395	2,216

## www.tre.se



Mobile operator providing mobile voice and broadband services in Sweden and Denmark.

- Share of Investor's total assets: 1%
- Share of capital and voting rights: 40% and 40%, respectively
- Reported value of holding: SEK 1,281 m.

Key figures, SEK m.	2010	2009
Net sales	7,015	5,840
EBITDA	1,067	434
EBITDA, %	15	7
Net debt (+)/net cash (-)	9,910	10,230
Number of employees	2,245	2,095

## www.grandhotel.se



Scandinavia's leading five-star hotel, opened in 1874, has a unique offering with 345 guest rooms and a number of conference areas, restaurants, bars and a world class spa.

- Share of Investor's total assets: 1%
- Share of capital and voting rights: 100% and 100%, respectively
- Reported value of holding: SEK 1,091 m.

Key figures, SEK m.	2010	2009
Net sales	393	368
EBITDA	95	76
EBITDA, %	24	21
Net debt (+)/net cash (-)	481	524
Number of employees	295	280

## www.investorab.com

### Investor Growth Capital

Our wholly owned venture capital arm pursues investments in companies offering products or services, likely to produce strong and sustainable growth in Northern Europe, Asia and the U.S.

- Share of Investor's total assets: 5%
- Share of capital and voting rights: 100%
- Value of holding: SEK 8,468 m.

Key figures	2010	2009
Value change, %	8	12
Value change, % SEK	4	6
Purchases	1,577	1,235
Sales	2,592	348
Number of holdings	90	91

## www.eqt.se



EQT is active in buyouts, equity-related growth financing and infrastructure investments. EQT has raised 13 funds. Investor is a sponsor and the largest investor in each fund.

- Share of Investor's total assets: 6%
- Share of capital and voting rights: n/a
- Value of holding: SEK 10,829 m.

Key figures	2010	2009
Value change, %	28	14
Value change, % SEK	13	6
Purchases	1,731	1,686
Sales	1,219	215



# Letter from the Chairman

Dear shareholder, our business model is well known to the market. We offer an alternative for those investors who cherish a long-term industrial model for value creation. Our objective remains to create value through the development of best-in-class companies. We are relentless in our pursuit to achieve this goal.

For close to a century, our model of long term, active and engaged ownership has proven to be a successful catalyst for creating local market leaders and building international corporate champions.

As an engaged owner, we seek to make a difference in the companies in which we invest. We strongly believe that this is how we can best reward our shareholders.

Investor is known for many iconic corporate brands amongst our holdings such as ABB, Atlas Copco, AstraZeneca, Electrolux, Ericsson, Husqvarna, Saab and SEB.

Over the past few years, we have added a number of new attractive holdings to our group. Today, almost 90 percent of our assets comprise seventeen fully or partly owned companies, some listed, some unlisted. Among our new holdings are large companies like Aleris, Lindorff, Mölnlycke Health Care, Sobi and NASDAQ OMX.

We are not short-term investors who generate value by buying, developing and selling. As a long-term owner, we focus on providing our shareholders with sustainable returns, achieved through an active engagement in our portfolio companies. This does not mean that we are static. We are always seeking to do what is best for the long-term future of our companies. Sometimes it can mean that another owner may be better suited for a particular company.

We continue to seek and nurture strategic investments that can outperform the wider stock market over time. In our quest for performance we are willing to be early entrants to markets and sectors where we see potential.

Some 15 years ago, we were among the first to identify new asset classes such as private equity as a lead investor in EQT and in early stage investments through Investor Growth Capital. At the end of the day, our goal is to develop companies and we continue our tradition by using some of our capital in these newer areas of investment.

Investor is successfully confronting current challenges by drawing on more than 90 years of history. We have weathered many crises over the years and dealt with many issues, learning lessons from the past that shape our long-term thinking today.

## Confronting change

The world has undergone significant change in the last 12 months and, as a result, faces a number of new challenges. The age of austerity has brought strong reactions to the stringent measures that some countries have had to introduce.

In Europe, several countries are under pressure to address long-term fiscal weaknesses and the Eurozone's credibility is being severely tested. In the U.S., long the world's economic engine, the loss of jobs remains a significant cause of economic malaise. Hopes for recovery on the back of tax cuts and a return of consumer confidence are high, but there is still some way to go.

The assurance of a burgeoning China is tempered by concerns over whether the world's second largest economy can sustain its pace of growth and what impact any brake on its economic output would have on the global economy.

To better understand the implications of China's growing influence on world economic and industrial developments, the Board of Investor met in Shanghai for the first time this year. We gained insight into a compelling culture. As Chair of IBLAC, the Mayor of Shanghai's global advisory body, I continue to be impressed by the rapid business development displayed by the Chinese. For similar reasons, the Board also has one board meeting every year in New York.

For the foreseeable future, we believe the biggest economic opportunities will be in Asian and Latin American markets, where improving productivity and wealth creation are high on political agendas. As early entrants in these markets, our portfolio companies are well established with R&D, production and

"As a long-term owner, we focus on providing our shareholders with sustainable returns, achieved through an active engagement in our portfolio companies".



sales. This not only gives us a strong and unique position but also extraordinary insight. We should, however, not take the high growth of these economies for granted and are particularly observant when it comes to identifying and tackling challenges such as IP and protectionism.

#### **A proven business model**

During this challenging period, our holdings have proven their resilience. Overall they are financially sound and have the resources to fulfill their strategic ambitions. They are operationally excellent with the people and processes in place to meet the demands of their customers and markets.

We have built such strong companies because we are able to recruit the best CEOs and management teams, independent of their nationality. Our companies are global and require CEOs who are not only leaders working 24/7 but who carry ultimate responsibility for the businesses they manage. Such leaders are drawn from a small pool of talent and are available to us because we offer competitive remuneration. In paying our leadership competitively, we exercise responsibility by aligning the interest of owners and management through share ownership. We have always believed that strong management and talented employees are key to success for any business.

Nothing we do is accidental. We recognized from the earliest days of Investor that innovative, R&D focused businesses bring significant value. We understood that our businesses needed to look outside of Sweden's small home market for growth and made early investments in emerging markets.

I am personally impressed by how strongly competitive our companies have emerged from a very difficult period. They have managed judicious cost cutting and maintained good relations with unions to secure sustainable employment. They have secured efficiency without sacrificing investment in R&D and marketing as well as maintaining their margins.

However, I personally believe that we are entering a period of increased competition. Globalization will continue, barriers of entry will fall further, developing countries are entering the world markets and the financial crisis is generating a new rules based environment that makes it even more challenging to be successful. If we are too slow in understanding how rapidly these markets are developing, and if the public is not aware how quickly the shift is occurring, we run the risk not of being bypassed but run over.

#### **Putting our beliefs into practice**

As an active owner, Investor takes its responsibilities very seriously. This is particularly true when it comes to corporate governance. We are committed to continuously developing and putting into practice the best governance standards to ensure we act effectively and transparently as owners. We do not believe that a "one size fits all" solution is appropriate for companies. Rather, we are focused on helping to build sound, ethical cultures where doing the right thing is second nature.

This is where the value of our long-term perspective and focus on each company's unique challenges and opportunities are truly realized.

On behalf of the Board, I would like to thank the Investor team for their hard work and many achievements in 2010. Börje Ekholm and his colleagues have demonstrated great commitment to the strategic vision of Investor and to the interests of our shareholders. Despite tough challenges, we are going into the new year with strong companies and great optimism.

We also want to thank our shareholders, who too have committed to our long-term vision. We are grateful for your support and look forward to continuing our rewarding journey together.

A handwritten signature in black ink, appearing to read "Jacob Wallenberg".

Jacob Wallenberg  
Chairman of the Board

# Building businesses – our core activity

Our business philosophy to own and build companies focused on long-term value creation has remained intact since our inception in 1916. Our model of active and engaged ownership has not only led to the development of successful enterprises, but has also delivered long-term attractive returns to our shareholders. 2010 was a successful year for our holdings, but this was not reflected in our share price as the discount increased.

Europe and the U.S. are struggling with excessive debt levels and unresolved imbalances. However, we have recently seen some positive signs, indicating potentially accelerating recovery. Global growth is primarily dependent on Asia and Latin America which are likely growth drivers for many years to come. As they have been running on high speed for some time it is, however, not unlikely that they may experience a need to temporarily cool off. Still, I remain optimistic about the prospects of global growth over the coming years, although inflation and geopolitical uncertainty may be pesky problems.

Of greater concern are the new competitors emerging from these countries and the effect this may have on some of our holdings. We actively support our holdings in their efforts to face this challenge by helping them further strengthen their competitiveness.

## Core business constitutes 87 percent of total assets

At the heart of our business is our Core Investments portfolio. In addition, we established Operating Investments five years ago as a means to rejuvenate our portfolio. Since then, our ambition has been to acquire companies with attractive growth and return potential from a long term ownership horizon, longer than the typical 3-5 year private equity perspective. In total, we now partly or fully own seventeen businesses. Our Operating Investment Mölnlycke Health Care, in which we bought 62 percent in 2007 and became the sole owner of last year, is actually our fifth largest holding today.

In addition to Mölnlycke, we now have two operating subsidiaries: Aleris (care and healthcare provider), acquired in 2010, and Grand Hôtel. By owning companies in full we have strategic control of them, including the use of free cash flow after investments to capture growth opportunities. Near-term, cash generated will be used to pay down their respective debt, but in a few years time, excess cash flow will increase our long-term dividend-paying capacity.

For our listed holdings and operating subsidiaries, we have a long-term ownership horizon. We do not mind owning a well-performing company forever, as long as we continue to believe that the net present value of future cash flows exceeds any alternative. For unlisted companies that we own together with a partner, we have several options: we can buy-out our partner, list it and remain a shareholder, or we could divest it. The choice of option will depend on what maximizes the long term value for our shareholders.

For all companies, regardless if listed or unlisted, we work in a similar way. Business teams, consisting of internal analysts and board members, monitor each company and develop tailored value creation plans focused on activities that will maximize long-term value creation. Our value creation plans are based on extensive benchmarking to establish best practice.

## Strengthening positions in existing holdings

Strengthening our ownership in existing holdings is a vital part of our strategy. Larger ownership gives us more of the value created and a stronger position as an active owner to impact the strategic agenda. In addition, our track-record shows that we can enhance returns by buying when we consider valuations attractive from a longer term perspective and we are not restricted. In 2010 we invested approximately SEK 1.7 bn. in Core Investments Atlas Copco, Electrolux, Husqvarna and Saab.

During 2010, our holdings have benefitted from the rather pronounced recovery in demand, supported further by realized benefits from cost efficiency measures implemented during the trough in 2008 and 2009. Several companies have also reaped the benefit of investments during the last several years in strengthening product offerings, broadening the aftermarket businesses, building brand names, expanding presence in Asia and Latin America, as well as implementing more flexible business models.

"The choice of option will depend on what maximizes the long term value for our shareholders".



#### **NASDAQ OMX new Operating Investment**

Having started to accumulate shares in early 2010, in December we announced the acquisition of additional shares in NASDAQ OMX. After the transaction received clearance in early 2011, NASDAQ OMX became the most recent addition to our portfolio. Following additional purchases in early 2011, our ownership now amounts to 10.2 percent. In 2007, when Investor was the leading owner in OMX and later divested its position, the rationale for merging OMX and NASDAQ was a changing regulatory environment that we believed would spur new competition, leading to price pressure and consequently the need for greater scale to reduce cost. The management of NASDAQ OMX has completed the integration and by now we believe that market adjustments are well reflected in its current share price, and that long-term growth prospects are significant. Concurrently with the investment in NASDAQ OMX, we divested our position in Elekta for approximately SEK 1.6 bn., realizing a gain of SEK 1 bn.

#### **Investor Growth Capital and EQT funds represent 11 percent of our assets**

Some 15 years ago, we decided to increase our commitment to venture capital and leveraged buy-outs. The effort had two strategic objectives: to rejuvenate our portfolio, and to capture the attractive returns within the growing private equity field.

Investor Growth Capital focused on late stage venture capital, but during 1999-2002, it expanded significantly into early stage venture capital, resulting in heavy losses. In 2003, Investor Growth Capital changed its strategy to only focus on late stage venture capital. Such investments contributed positively already during 1999-2002.

Investor has been a sponsor of all EQT funds since its inception in 1995. Value creation in EQT is generated from the returns as a limited partner and from our position as part owner of the general partner, giving us a portion of the carried interests and a share of any surplus management fees.

#### **Back within our leverage target range after SEK 25 bn. of investments**

Since the fall of 2008, we have invested some SEK 25 bn. in new and existing companies and are now within our long-term target leverage range of 5-10 percent. With a maximum leverage guideline of 25 percent that we can go to for a temporary period of time, we still have ample financial resources to deploy in attractive existing or new investments. Competition for new opportunities remains high, which is also illustrated by an increasing interest from strategic buyers in many of our existing investments. Our near term focus is to develop existing companies.

#### **Sustainable reduction of the discount – important for share holder returns**

At the end of 2010, our net asset value exceeded the market value of equity by SEK 62 bn., corresponding to a discount of 37 percent. Measured over the last 30 years, the discount has typically varied between 20 and 40 percent, occasionally going above 40 or below 20 percent. During the past few years, the expanded discount has had a negative impact on our total shareholder returns.

We take the discount seriously and will work hard to structurally lower it. However, we will not take actions that would only lead to short term reductions.

Dear shareholders, I truly believe that we have built a platform of valuable companies and a strong organization, from which we should be able to leverage value creating opportunities in 2011 and beyond.

Börje Ekholm  
President and Chief Executive Officer

# Vision, business concept and goal

## Vision

To be internationally recognized as a premier investor, developing best-in-class companies and consistently creating long-term shareholder value.

## Business concept

To create long-term shareholder value by owning companies with solid potential for value creation and applying our financial strength, experience, knowledge and network to make them best-in-class.

## Goal

To generate a total shareholder return (sum of the share price change and dividend) exceeding the market cost of capital over a business cycle. The market cost of capital is defined as the risk-free interest rate (average interest for ten-year government bonds) plus a risk premium.

## Goal fulfillment in 2010

Total shareholder return during 2010 was 11 percent, exceeding our return requirement. Our total shareholder return also exceeded our return requirement over the past 15 and 20 years, but not measured over the last five and ten years.

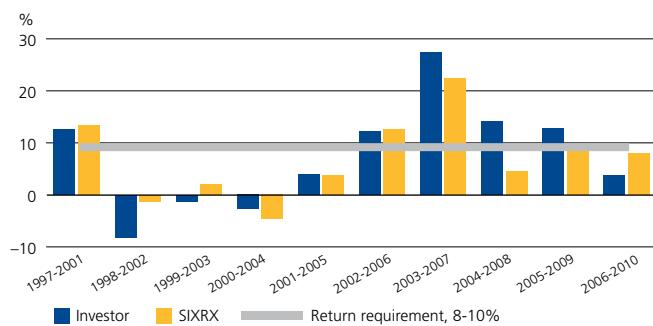
### Development of total shareholder return

Years	Risk-free interest rate, % <sup>1)</sup>	Risk premium, %	Return requirement, %	Investor, total return, %	SIXRX, return index, % <sup>2)</sup>
1	2.9	4.5	7.4	11.4	26.7
5	3.6	4.5	8.1	3.8	8.0
10	4.2	4.5	8.7	3.9	5.9
15	4.7	4.5	9.2	11.3	12.1
20	6.2	4.5	10.7	13.7	13.4

1) Risk-free average interest rate for ten-year government bonds.

2) Average annual return.

### Average total return, five year periods



# Our model to build sustainable value

## Owning attractive companies

We invest in and own attractive companies that can sustainably generate returns exceeding the market cost of capital. We invest in sectors and geographies we know, where our experience and skills can add value. Listed companies are a central part of our business, but we have also built a portfolio of unlisted companies in order to capture the potential for proprietary returns. Our flexible investment horizon and our long track record in developing international companies make us unique. We evaluate the long-term return potential of all investments. If our assessment shows that the potential of a holding does not meet our return requirements, or is higher in another ownership structure, we pursue the best industrial solution for the company while maximizing the value for the shareholders.

## Financial strength

As an owner, we should always have a strong financial position in order to support our holdings as they pursue strategic initiatives. We are willing to consider injecting additional capital if it creates value for the shareholders. For this reason, it is our ambition to have significant long-term cash resources available and leverage of 5-10 percent of our total assets over a business cycle. We have the ability to increase our leverage to a maximum of 25 percent for a defined period of time.

## Examples from 2010

Our holdings continued to work on ensuring that their business models are flexible to manage volatility in demand, but also to combat increasing and aggressive competition from the growth economies. Many holdings showed strong progress following the challenging 2009.

As an active owner, we continued our work to make sure that the Boards of our holdings have the appropriate composition, and that the interests between owners, the Board and the management of the companies are aligned.

We invested a total SEK 1.7 bn. in existing Core Investments Atlas Copco, Electrolux, Husqvarna and Saab. Utilizing their strong balance sheets, ABB and Electrolux announced strategic acquisitions. Within Operating Investments, we acquired 97 per-



## Drive value in companies

We work with our companies to make them best-in-class, creating value for all shareholders. The cornerstone of our model is the Board and based on significant ownership, we use our industrial network to actively help recruit the right Board for each company. We support the Board and management in creating and driving value creation plans that focus on operational excellence, growth, acquisitions, capital structure and industrial structure.

## Right person in the right place

Our experience confirms, time and again, that people build successful companies. Therefore, it is vital to have the right people in the right place at the right time. A central component in our governance model is having the right Board overseeing each company. The Board's most important responsibilities include ensuring that the company has the right management team, a sustainable value-creating strategy and a flexible business model as well as closely monitoring performance in order to be able to proactively initiate corrective actions.

It is important that the interests of the owners, Board and management are all fully aligned and, therefore, we believe that the Board and management should hold large ownership stakes and that their remuneration be linked to the value created for shareholders.

cent of Aleris for a total equity consideration of SEK 2.5 bn. and consolidated it as a ring-fenced, operating subsidiary. We also acquired 34 percent in Mölnlycke Health Care, taking our ownership to 96 percent, turning the company into an independently financed operating subsidiary, with solid growth prospects and strong cash flow. NASDAQ OMX became the most recent addition to Operating Investments. Furthermore, we provided equity financing so Lindorff could make several acquisitions, including EBH FinansService. We divested our holding in financial investment Elekta at a good profit.

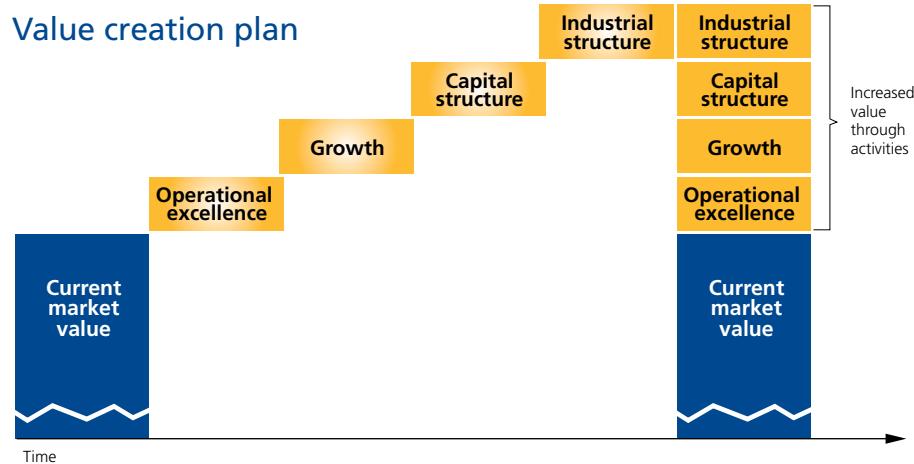
Investor Growth Capital made several new investments and a number of exits, including two successful IPOs, China ITS (Hong Kong) and ChinaCache (NASDAQ).

# Active ownership

We are owners and builders of companies, and exert our active ownership through Board representation. One of the tools we use is value creation plans. We develop value creation plans for all of our holdings. These plans take an owner's perspective in identifying measures that can generate incremental value going forward.

Our business teams, consisting of our Board representatives for each holding and inhouse analysts, develop value creation plans. On an ongoing basis, we extensively monitor our companies and benchmark their performance in relation to the plan and in comparison to competitors. The long-term goal is for the companies

to be best-in-class and generate returns that exceed our return requirement. The value creation plans target four areas; operational excellence, growth, capital structure and industrial structure.



## Operational excellence

Detailed benchmarking relative to competitors forms the basis for our work to identify potential areas where our companies can improve long-term profitability and efficiency. Benchmarks include the current and historic performance of each company for a large number of metrics, such as gross margins, operational costs (including SG&A and R&D), flexibility of cost structures, level of off-shoring and working capital.

## Value-creating growth

Growth is a key value driver in companies with high return on capital. We therefore spend considerable efforts analyzing opportunities to create value through growth. This includes analyzing underlying industry growth and benchmarking with competitors. We look for both organic growth, including for example expansion on new geographic markets, new customer bases and growth through innovation, and through acquisitions.

## Right capital structure

Holdings should have a capital structure that allows them to implement their business plan. In today's economic environment, it is important that a company's financial position can handle rapid changes in demand. In cases of overcapitalization, the surplus should be refunded to the owners. In cases of undercapitalization, the owners should be willing to inject equity, assuming it is value-creating. Examples of methods for how the capital structure can be adjusted include dividends, new rights issues, redemption programs and share buy back programs.

## Right industrial structure

Value creation can sometimes be achieved by changing the company's structure. This could be achieved through major industrial transactions (mergers and acquisitions), by divesting non-core business activities or by dividing a company into separate entities if better value is created through the independent management of smaller parts.

## Four current themes for value creation

### Leading presence in emerging markets

Rooted in the Nordics, most of our holdings have never had a large home market. Consequently, we have encouraged them to expand into larger markets already at an early stage. With much of the Western world facing growth challenges, strong local presence in the world's growth regions will be important to sustain solid growth in the future.

- China is one of the largest markets for ABB and Atlas Copco.
- Ericsson has built up significant R&D in China to strengthen its local positions.
- AstraZeneca has expanded substantially in China, now being one of the leading pharmaceutical companies in that market place.
- ABB increased the stake in its Indian subsidiary.
- Electrolux has been very early and successful in Latin America. Today Brazil is its second largest market.
- Since our investment in 2007, Mölnlycke Health Care has expanded its Asian presence, now generating five percent of group sales with rapid growth.

**Fundamental to Investor's philosophy of building best-in-class companies is the belief to always act in the best interest of each individual company. Therefore, the value creation plans that we develop are unique for each company, and adapted to their particular challenges and opportunities.**

### Service and aftermarket

A strong service and aftermarket business provides potential for profitable growth and forges tighter relationships with customers. It also adds stability in demand over the business cycle. Many of our holdings have been very early in establishing large and successful service and aftermarket operations that have provided substantial growth, profitability, and stability during the last couple of years.

- Atlas Copco is an example of a company that has successfully established a major and highly profitable service and aftermarket business, thereby strengthening its competitive position and reducing cyclical.
- Ericsson has built a SEK 70 bn. world leading services business. During the past seven years, it has provided much of the company's growth.

### R&D and new product launches

Investments in R&D and innovation have always been a key part of our model to sustain long-term growth and profitability. Delivering superior products and services to the customer is the only way to safeguard a best-in-class position.

- Ericsson has established market leadership when it comes to delivering its LTE/Evolved Packet Core solution.
- Saab develops cutting edge products and systems. Technology leadership is an integral part of long-term strategy.
- Electrolux has actively increased focus on energy efficient products, and invested heavily in brand building.
- CardianBCT has invested substantially in new products such as Mirasol® and the Quantum Cell Expansion System.
- Mölnlycke Health Care has released several new products, including Negative Pressure Wound Therapy.
- AstraZeneca and Sobi invest substantially in R&D to bring innovative and life-changing medicines to patients.
- Husqvarna has created a new product category with the launch of its robotic lawn mower.

### Flexible business models

In order to maintain profitability through downturns and to be able to scale up

fast in upturns, having a flexible business model is key, since it provides the ability to defend margins and to protect market positions. This can, for example, be created by minimizing fixed costs and creating modular designs, including compatibility between components in different products.

- Atlas Copco has successfully lowered fixed costs and has a high share of outsourcing, thereby increasing its agility.
- Electrolux has streamlined its production setup, centralized sourcing and made other adjustments to increase flexibility and strengthen resilience to changes in demand.
- SEB has successfully handled the severe financial crisis and is now in a position where it can increase its efforts to capture market share in prioritized areas.
- Several Investor Growth Capital technology holdings have been leading the market transition towards internet based software increasing customer's flexibility and lowering costs.

# Core Investments

Within Core Investments we hold significant minority positions, giving us strategic influence in listed companies. We are an engaged owner and work actively through the Boards of our holdings to identify and drive value-creating initiatives. Our Core Investments are Atlas Copco, SEB, ABB, AstraZeneca, Ericsson, Electrolux, Husqvarna and Saab.

Our Core Investments are listed, global companies with proven business models and strong market positions.

The ownership horizon is long-term and returns are primarily generated through value appreciation, share redemptions and dividends. In turn, this makes our Core Investments a strong driver of our dividend capacity.

## Ownership strengthened further

Core Investments generated a total value creation of SEK 26.0 bn., corresponding to a total return of 25 percent during 2010. The main positive contributors were Atlas Copco and SEB, while the contribution from AstraZeneca was negative.

During 2010, we made add-on investments in Atlas Copco, Electrolux and Husqvarna for SEK 102 m., SEK 489 m., and SEK 48 m. respectively. Moreover, we acquired another 10.2 percent of the capital in Saab from BAE Systems for SEK 1,054 m. Total net investments during the year amounted to SEK 1,693 m. No divestments were made.

A vital part of our strategy is to strengthen our ownership by making add-on investments in existing Core Investments. A larger ownership gives us a stronger platform for impacting the companies' strategic agendas. In addition, it gives us a larger share of the value created. We make our add-on investments when we consider valuations attractive from a longer-term perspective and we are not restricted to act.

## Flexible business models – key strength in our holdings

With their flexible business models, our holdings have successfully managed the

large demand changes over the last two years and generated strong cash flow. For some of them, there was a sharp uptick in demand in 2010. Due to continued investments in critical areas such as the service organization and R&D, these companies have been able to capitalize on the strengthened demand situation to further improve their market positions. Some of our holdings also announced significant acquisitions within prioritized areas, such as ABB's acquisition of Baldor Electric, a leading player in the U.S. industrial motor market, and Electrolux's pending acquisition of the Egyptian company Olympic Group.

Given strong financials, all our holdings have proposed increased dividends for fiscal year 2010. Assuming AGM approvals, ordinary dividends received by Investor should increase from SEK 3.2 bn. in 2010 to about SEK 4.0 bn. during 2011.

Dividend levels should always be adapted to each company's balance sheet, cash flow, capital requirements and other factors, such as the availability of value-creating growth opportunities.

## Focus on profitable growth

A key driver of long-term sustainable value is growth. Therefore, it is important to have a good presence and continuously expand in emerging markets and growth segments. Given the starting point with strong balance sheets, good profitability, leading market positions and significant exposure to growth areas, our companies are well positioned to capture profitable growth opportunities, both organically and through acquisitions.

## New competition

It is clear that our and other Western companies will face increasing competition from new low cost country companies that are rapidly expanding in their home markets and eventually also will move to the export markets. In some industries, such as telecom and appliances, this has already happened. To combat the increased competition, focus must remain on R&D and innovation, continuous efficiency improvements, service and aftermarket, while continuing to increase global market presence.

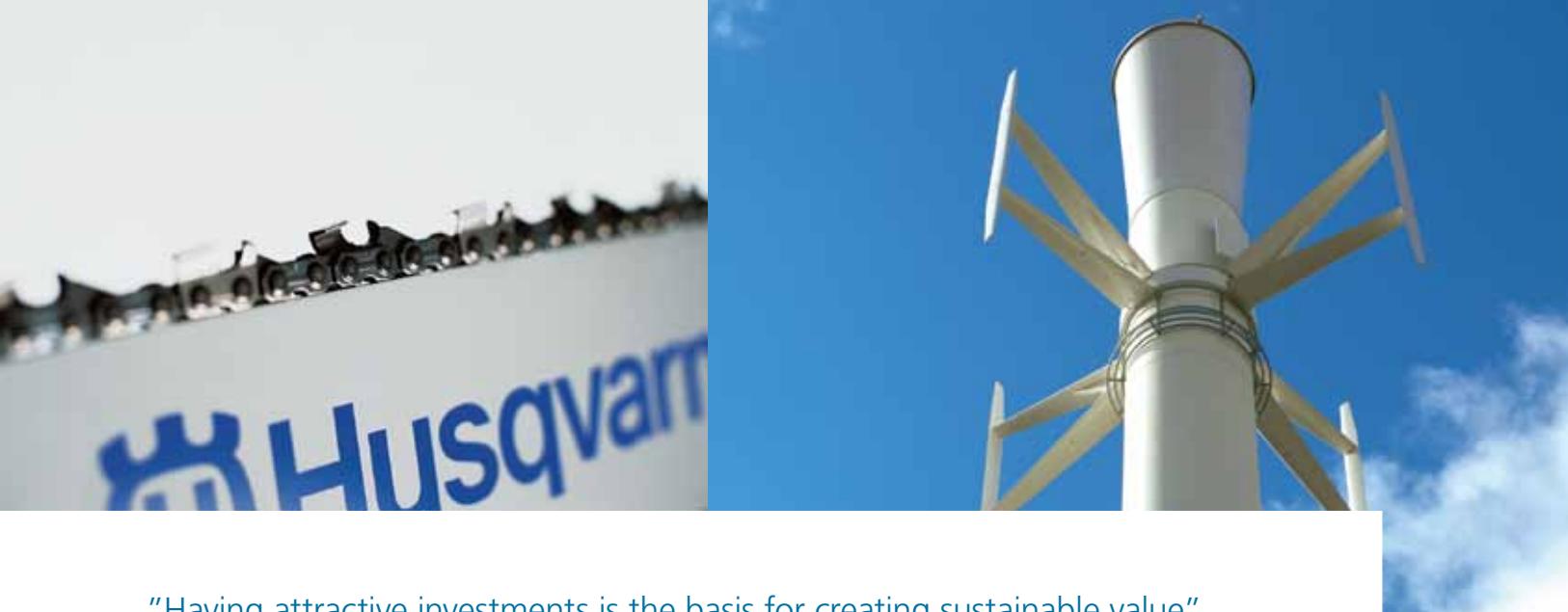
## Our strategy

### ATTRACTIVE INVESTMENTS FOR LONG-TERM VALUE CREATION

Having attractive investments is the basis for creating sustainable value. The long-term potential of our companies is continuously evaluated. We want to own companies that are or have the ability to become best-in-class. We know that companies with leading market positions, a high degree of innovation, a good corporate culture and strong management teams can generate higher long-term returns that are sustainable. Furthermore, they are better positioned to handle and take advantage of changes in the economic environment.

### BUILDING BEST-IN-CLASS COMPANIES

We exercise ownership in our Core Investments through Board representation. Thus, we consider it to be of utmost importance to have the right Board in place with the appropriate expertise and experience for the challenges the company will face. The Board has the important responsibility of challenging and questioning management. However, the Board must also be prepared to support manage-



"Having attractive investments is the basis for creating sustainable value".

ment with difficult decisions that may have a negative short-term effect but strengthen the company in the future. Our Board representatives are supported by internal analysts, who jointly form business teams.

In order to contribute to the development of our Core Investments, we conduct extensive benchmarking and develop value creation plans for each company that include goals for operational excellence, growth, capital structure and

industrial structure. We believe it is important that the interests of the shareholders, Board and management are fully aligned. Therefore, we support remuneration systems that are linked to long-term shareholder return.

## Goal

To generate a return exceeding the market cost of capital over a business cycle, currently approximately 8 percent per year.

## Goal fulfillment

Performance should be measured over the long-term and not over a single year. The return was 25 percent in 2010, compared to the market cost of capital of approximately 8 percent. During the past five years, the return has exceeded the cost of capital, but not over the past ten years.

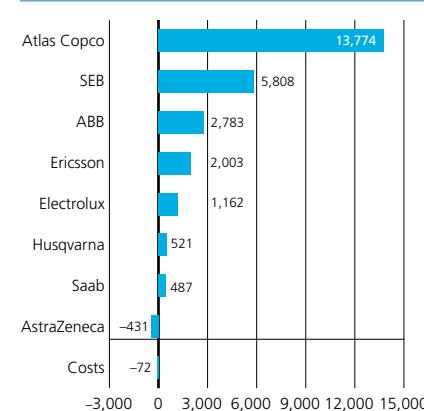
## Strategy

- Maintain attractive investments with long-term potential for value creation.
- To support our holdings to become and remain best-in-class.

### Average annualized return

Year	Return, %
1	25
5	10
10	6

### Impact on net asset value, Core Investments, SEK m.



## Overview of Core Investments<sup>1)</sup>

	Number of shares <sup>2)</sup> 12/31 2010	Ownership capital <sup>3)</sup> 12/31 2010, %	Ownership votes <sup>3)</sup> 12/31 2010, %	Shares of total assets 12/31 2010, %	Value, SEK/share 12/31 2010	Value, SEK m. 12/31 2010	Total market return 2010, %	Adjusted total return for Investor 2010, % <sup>6)</sup>	Value, SEK m. 12/31 2009
Atlas Copco	205,471,326	16.7	22.3	19	45	34,671	+64	+64	21,408
SEB	456,089,264	20.8	20.9	14	34	25,579	+29	+29	20,227
ABB	166,330,142	7.3 <sup>4)</sup>	7.3 <sup>4)</sup>	14	33	25,082	+12	+12	22,904
AstraZeneca	51,587,810	3.7 <sup>5)</sup>	3.7 <sup>5)</sup>	9	21	15,956	-2	-2	17,292
Ericsson	164,078,702	5.0	19.3	7	16	12,396	+19	+19	10,721
Electrolux	42,166,133	13.6	29.9	4	11	8,054	+16	+18	6,560
Husqvarna	90,667,692	15.7	30.8	3	7	5,058	+11	+11	4,579
Saab	32,778,098	30.0	39.5	2	5	4,032	+7	+19	2,540
<b>Total</b>				<b>72</b>	<b>172</b>	<b>130,828</b>			<b>106,231</b>

1) Valued according to the class of shares held by Investor, with the exception of Saab and Electrolux, for which the most actively traded class of shares is used.

2) Holdings, including any shares on loan.

3) Calculated in accordance with the disclosure regulations of Sweden's Financial Instruments Trading Act (LHF), unless specified otherwise.

4) Calculated in accordance with Swiss disclosure regulations.

5) Calculated in accordance with British disclosure regulations.

6) Total return adjusted in holdings in which transactions have been made.

Atlas Copco is an industrial group with world-leading positions in compressors, construction and mining equipment, power tools and assembly systems. The Group delivers sustainable solutions for increased customer productivity, through innovative products and services. The company is based in Stockholm, Sweden, and has a global reach spanning more than 170 countries.

Chairman: Sune Carlsson, President and CEO: Ronnie Leten

#### Key figures, SEK m.

	2010	2009	2008	2007	2006
Net sales	69,875	63,762	74,177	63,355	50,512
Operating income	13,915	9,090	13,806	12,066	9,203
Operating margin, %	19.9	14.3	18.6	19.0	18.2
Net profit after tax	9,944	6,276	10,190	7,469	15,373
Earnings per share, SEK <sup>1)</sup>	8.16	5.14	8.33	6.09	12.24
Dividend per share, SEK <sup>1)</sup>	9.00 <sup>3)</sup>	3.00	3.00	3.00	22.38 <sup>2)</sup>
Book equity	29,321	25,671	23,768	14,640	32,708
Net debt <sup>4)</sup>	5,510	10,906	21,686	19,775	-12,364
Market value, SEK bn.	201.8	123.4	78.4	114.6	138.9
Number of employees	32,790	29,802	34,043	32,947	25,900

1) Adjusted for share split 2:1 in 2007.

2) Including the dividend for 2006, SEK 2.38 per share (adjusted for share split), and an extra distribution of SEK 20 per share (adjusted for share split) through mandatory redemption.

3) Proposed annual dividend of SEK 4.00 per share and an extra distribution of SEK 5.00 per share through mandatory redemption.

4) According to the company's own definition.

#### ATLAS COPCO 2010

The market swiftly turned and demand for Atlas Copco's products and services rapidly improved. The market improvement was particularly strong in emerging markets and in the mining sector. Thanks to its flexible business model, large exposure to emerging markets and strong aftermarket operation, Atlas Copco grew sales by 10 percent, while generating a record operating margin of 20 percent. Strong profit and successful working capital management generated a strong cash flow of SEK 9.5 bn. In line with its strategy, Atlas Copco made smaller add-on acquisitions within all business areas. A major investment in production capacity for rock drilling equipment was announced. Ahead of the 2011 Annual General Meeting, the Board proposed a dividend increase with SEK 1 to SEK 4 and a mandatory redemption of SEK 5 per share.

#### Investor's engagement in Atlas Copco

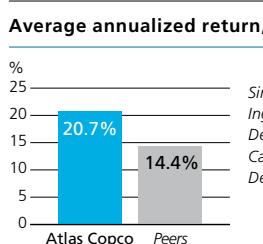
Share capital: 16.7% Voting rights: 22.3%

Market value of holding: SEK 34,671 m.

Board Members from Investor's management or Board: Sune Carlsson (Chairman), Jacob Wallenberg (Vice Chairman), and Johan Forsell.

#### INVESTOR'S VIEW ON ATLAS COPCO

Atlas Copco has world leading market positions and a strong corporate culture. Its business areas are best-in-class and the company has generated a total return significantly above its peers. Over the last years, Atlas Copco has focused on building strong positions in key growth markets, such as China, India and Brazil, and to build a world class aftermarket operation. These initiatives have been instrumental to the strong performance. Going forward, the strong market positions, a flexible business model and a strong focus on innovation give the company an excellent platform to grab business opportunities and to continue to outperform its peers. Due to the strong cash flow, the company can distribute significant capital to shareholders, while simultaneously retaining flexibility to act on its growth strategy.



[www.atlascopco.com](http://www.atlascopco.com)

SEB is a leading Nordic financial services group. As a relationship bank, SEB in Sweden and the Baltic countries offers financial advice and a wide range of financial services. In Denmark, Finland, Norway and Germany the bank's operations have a strong focus on corporate and investment banking based on a full-service offering to corporate and institutional clients. The international nature of SEB's business is reflected in its presence in 20 countries worldwide.

Chairman: Marcus Wallenberg, President and CEO: Annika Falkengren

#### Key figures, SEK bn.

	2010	2009	2008	2007	2006
Total operating income <sup>1)</sup>	36.9	41.6	38.1	40.4	38.7
Operating profit <sup>1)</sup>	11.1	4.4	12.4	17.0	15.6
Net profit after tax	6.8	1.2	10.0	13.6	12.6
Earnings per share, SEK <sup>2)</sup>	3.07	0.58	10.36	14.12	13.24
Dividend per share, SEK <sup>2)</sup>	1.50 <sup>3)</sup>	1.00	0.00	4.60	4.24
Total assets	2,180	2,308	2,511	2,344	1,934
Core Tier 1 ratio, % <sup>4)</sup>	12.20	11.69	8.57	8.39	7.17
Tier 1 ratio, % <sup>4)</sup>	14.24	13.91	10.08	9.87	8.19
Assets under management	1,399	1,356	1,201	1,370	1,262
Book equity	99.5	99.7	83.7	76.7	67.3
Market value	123.0	97.3	41.6	113.4	149.3
Number of employees	19,125	20,233	21,291	19,506	19,672

1) Pro forma numbers 2008-2010 excluding German retail operations disposed in 2010.

2) Number of shares restated for rights issue 2009.

3) Proposed dividend.

4) Full Basel 2007-2010, 2006 transitional rules.

#### SEB 2010

After a turbulent and challenging 2009, SEB entered 2010 with large amounts of problem loans in the Baltics, and worries about further credit losses. The macro economic development in the Baltic economies has, however, been significantly better than anticipated and the Baltic division came back to profits during the year. The underperforming German retail division was sold to Banco Santander and the transaction closed in January 2011. Despite somewhat disappointing corporate activity during the year, SEB more than doubled its operating profit vs. 2009 to SEK 11.1 bn. The key driver of the significant improvement was lower credit losses.

#### Investor's engagement in SEB

Share capital: 20.8% Voting rights: 20.9%

Market value of holding: SEK 25,579 m.

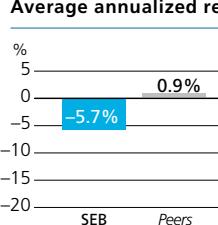
Board Members from Investor's management or Board:

Jacob Wallenberg (Vice Chairman). Marcus Wallenberg is Chairman and a member of Investor's SEB business team.

#### INVESTOR'S VIEW ON SEB

With the sale of the German retail operation and signs of improvement in the Baltic economies, we believe that SEB is well positioned to focus on growth in the small and medium-sized enterprises segment in Sweden and on the corporate segments outside of Sweden. The SEB franchise and customer relationships have remained strong throughout the crisis, which should support SEB's business model as a leading relationship bank going forward. Although the Basel III rules have been softened from the initial proposal and SEB appears well capitalized, uncertainty remains when it comes to the final regulatory outcome and future capital levels required by the market.

#### Average annualized return, five years



#### Total annual return

	Years	SEB	SIXRX
Simple average for peers:	1	29.4	26.7
Svenska Handelsbanken,	5	-5.7	8.0
Danske Bank, Nordea,	10	3.6	5.9
Swedbank, and	15	9.7	12.1
DnB NOR ASA.	20	10.4	13.4

[www.seb.se](http://www.seb.se)



14%  
of total assets

ABB is a global leader in power and automation technologies that enable utility and industry customers to improve their performance while lowering environmental impact. The ABB Group of companies operates in around 100 countries. Chairman: Hubertus von Grünberg, President and CEO: Joe Hogan

#### Key figures, USD m.

	2010	2009	2008	2007	2006 <sup>1)</sup>
Net sales	31,589	31,795	34,912	29,183	23,281
Operating income	3,818	4,126	4,552	4,023	2,557
Operating margin, %	12.1	13.0	13.0	13.8	11.0
Net income after tax	2,561	2,901	3,118	3,757	1,390
Earnings per share, USD	1.12	1.27	1.36	1.66	0.65
Dividend per share, CHF	0.60 <sup>2)</sup>	0.51	0.48	0.48	0.24
Book equity	14,885	13,790	11,158	10,957	6,038
Net debt <sup>3)</sup>	-6,428	-7,219	-5,443	-5,436	-1,444
Market value	50.6	44.2	33.4	66.2	39.0
Market value, SEK bn.	344.1	314.5	264.2	427.3	267.5
Number of employees	116,000	116,000	120,000	112,000	108,000

1) 2006 adjusted for changes to activities within operations that are being divested.

2) Proposed dividend.

3) According to the company's own definition.

#### ABB 2010

The improved business climate resulted in order intake growth of 4 percent in local currencies, mainly driven by the Automation businesses that are exposed to the industrial capex cycles. Order intake from the later-cycle Power businesses weakened, as utilities held back on spending. Sales declined by 2 percent in local currencies, reflecting the lower order intake in 2009. Emerging markets continued to gain importance and accounted for approximately 50 percent of total revenues. In response to tough trading conditions, ABB forcefully reduced costs, reaching annual realized savings of USD 3.0 bn. Helped by the cost savings, ABB's EBIT margin was 12.1 percent. Furthermore, cash flow improved significantly. Free cash flow of USD 3.4 bn. was 10 percent higher than last year. ABB utilized its strong balance sheet and closed several strategic acquisitions in line with its growth strategy. In November, ABB announced a USD 4.2 bn. bid for the U.S. company Baldor Electric.

#### Investor's engagement in ABB

Share capital: 7.3% Voting rights: 7.3%

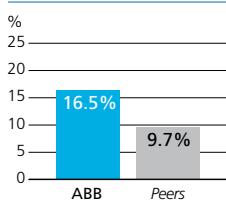
Market value of holding: SEK 25,082 m.

Board Members from Investor's management or Board: Jacob Wallenberg.

#### INVESTOR'S VIEW ON ABB

Over the last few years, ABB has made significant operational improvements. These improvements, combined with several years of benign demand, have led to a superior total shareholder return. ABB has built strong positions in attractive market segments, particularly in key growth markets such as China and India. Growth in Power is supported by the growing need for power infrastructure in emerging markets, as well as upgrades in mature markets. Growth in Automation is driven by the customers' need for productivity improvements. In China, local competition has intensified, which has led to price pressure in some segments. ABB benefits from significant local production and strong market positions globally. However, it needs to continue to bring forward new innovative products and adjust its cost base to maintain strong competitiveness. ABB spent USD 2.3 bn. on acquisitions in 2010, excluding the bid for Baldor Electric. Near-term, it will be important to execute on the integration of the acquisitions. ABB's balance sheet remains strong, supporting further growth and/or continued distribution to shareholders.

#### Average annualized return, five years



[www.abb.com](http://www.abb.com)

AstraZeneca

9%  
of total assets

AstraZeneca is a global, innovation-driven biopharmaceutical business with a primary focus on the discovery, development and commercialization of prescription medicines for gastrointestinal, cardiovascular, neuroscience, respiratory and inflammation, oncology and infectious disease.

Chairman: Louis Schweitzer, President and CEO: David Brennan

#### Key figures, USD m.

	2010	2009	2008	2007	2006
Net sales	33,269	32,804	31,601	29,559	26,475
Core operating income	13,603	13,621	10,958	9,411	8,216
Core operating margin, %	40.8	41.5	34.7	31.8	31.0
Net profit after tax	8,053	7,521	6,101	5,595	6,043
Earnings per share, USD (core) <sup>1)</sup>	6.71	6.32	5.10	4.38	3.92
Dividend per share, USD	2.55 <sup>2)</sup>	2.30	2.05	1.87	1.72
Book equity	23,213	20,660	15,912	14,778	15,304
Net debt <sup>3)</sup>	-3,653	-535	7,174	9,112	-6,537
Market value, SEK bn.	435.8	486.4	444.2	403.6	564.8
Number of employees	61,000	63,000	65,000	67,000	66,600

1) The core EPS measure is used from 2007.

2) Proposed dividend.

3) According to the company's own definition.

#### ASTRAZENECA 2010

AstraZeneca continued to deliver solid financial results, primarily driven by strong global performance for some of its key brands and strong revenue growth in emerging markets, combined with good cost discipline. The core operating profit amounted to USD 13.6 bn., corresponding to a core operating margin of 40.8 percent. The strong profit combined with efficient working capital management resulted in substantial cash flow, enabling the company to distribute USD 5.5 bn. through dividends and share repurchases, in parallel with increasing its net cash position from USD 0.5 bn. to USD 3.7 bn. In June, the U.S. substance patent protecting Crestor was deemed valid and enforceable, precluding the FDA from approving competitive generic products prior to patent expiration in 2016. In December, the FDA issued a complete response letter, requesting additional analyses of data from the PLATO study of Brilinta, the company's new product for the treatment of patients with acute coronary syndromes. Several products, including Crestor and Seroquel XR, were granted approval for use in new indications. License agreements were signed with respect to products currently under development as well as products primarily targeted at emerging markets. Late in 2010, AstraZeneca initiated a review of the strategic options for Astra Tech, its dental implants and healthcare products business.

#### Investor's engagement in AstraZeneca

Share capital: 3.7% Voting rights: 3.7%

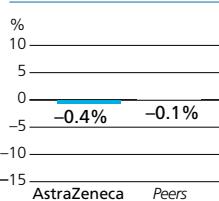
Market value of holding: SEK 15,956 m.

No person from Investor's management or Board serves on the Board, though Marcus Wallenberg is member of Investor's AstraZeneca business team.

#### INVESTOR'S VIEW ON ASTRAZENECA

As market conditions continue to be challenging and as AstraZeneca faces patent expirations for some of its key products in the coming years, it is important that the company continues to expand in emerging markets and strives for operational excellence. It is also of major importance that AstraZeneca continuously works on strengthening the research pipeline in order to bring new innovative products to the market as improved R&D productivity remains the most important driver of long-term value.

#### Average annualized return, five years



[www.astrazeneca.com](http://www.astrazeneca.com)



7%

of total assets

Ericsson is the world's leading provider of technology and services to telecom operators. Ericsson is the leader in 2G, 3G and 4G mobile technologies, and provides support for networks with over 2 billion subscribers and has the leading position in managed services. The company's portfolio comprises mobile and fixed network infrastructure, telecom services, software, broadband and multimedia solutions for operators, enterprises and the media industry.

Chairman: Michael Treschow, President and CEO: Hans Vestberg

#### Key figures, SEK bn.

	2010	2009	2008	2007	2006
Net sales	203.3	206.5	208.9	187.8	177.8
Operating income, excl. EO	23.7	18.5	23.9	30.6	35.8
Operating margin, excl. EO, %	11.7	9.0	11.4	16.3	19.9
Net profit after tax	11.1	3.7	11.3	21.8	26.3
Earnings per share, SEK <sup>1)</sup>	3.46	1.14	3.52	6.84	8.23
Dividend per share, SEK	2.25 <sup>2)</sup>	2.00	1.85	2.50	2.50
Book equity	145.1	139.9	140.8	134.1	120.1
Net debt <sup>3)</sup>	-51.3	-36.1	-34.7	-24.3	-40.7
Market value	254.7	215.5	191.0	245.1	446.1
Number of employees	90,261	82,493	78,750	74,000	63,781

1) After dilution.

2) Proposed dividend.

3) According to the company's own definition.

#### ERICSSON 2010

2010 was the second year in a row with negative sales growth for Ericsson, mainly due to continued decline in voice related GSM investments. In addition, the telecom equipment industry was widely impacted by component shortages and supply chain bottlenecks. However, positive sales growth returned during the second half of the year as data traffic in mobile networks continued to grow rapidly, spurring investments in new generations of data enabling network technology. The trend was particularly strong in North America, where Ericsson strengthened its position due to a number of large strategic order wins and favorable development of the acquired CDMA business. Within Global Services, Managed Services continued to grow strongly. Multimedia had a weak performance, mainly due to very low sales in developing countries. Despite challenging sales, Ericsson managed to improve profitability as cost reductions, better product mix and improved results from especially Sony Ericsson contributed positively.

#### Investor's engagement in Ericsson

Share capital: 5.0% Voting rights: 19.3%

Market value of holding: SEK 12,396 m.

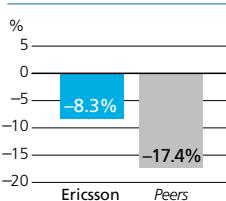
Board Members from Investor's management or Board: Börje Ekholm.

Marcus Wallenberg (Vice Chairman) is a member of Investor's Ericsson business team.

#### INVESTOR'S VIEW ON ERICSSON

As the global leader, Ericsson is well positioned to benefit from the secular growth of mobile data, resulting in increasing equipment demand. As networks are modernizing into newer data enabling technologies, this will also imply a replacement of the installed equipment base. It will be very important for Ericsson to sustain its technological leadership and to stay cost competitive. To continue to grow the service business and to strategically position itself in other key growth segments is also important for Ericsson's future value creation.

#### Average annualized return, five years



#### Total annual return

[www.ericsson.com](http://www.ericsson.com)

Electrolux

4%

of total assets

Electrolux is a global leader in household appliances and appliances for professional use, selling more than 40 million products to customers in more than 150 markets every year. The company focuses on innovative products that are thoughtfully designed, based on extensive consumer insight, to meet the real needs of consumers and professionals. Electrolux products include refrigerators, dishwashers, washing machines, vacuum cleaners, cookers and air-conditioners sold under esteemed brands such as Electrolux, AEG, Eureka and Frigidaire.

Chairman: Marcus Wallenberg, President and CEO: Hans Stråberg up until December 31, 2010. Keith McLoughlin since January 1, 2011

#### Key figures, SEK m.

	2010	2009	2008	2007	2006
Net sales	106,326	109,132	104,792	104,732	103,848
Operating income, excl. EO	6,494	5,322	1,543	4,837	4,575
Operating margin, excl. EO, %	6.1	4.9	1.5	4.6	4.4
Net profit after tax	3,997	2,607	366	2,925	2,648
Earnings per share, SEK	14.04	9.18	1.29	10.41	9.17
Dividend per share, SEK	6.50 <sup>1)</sup>	4.00	0.00	4.25	4.00
Book equity	20,613	18,841	16,385	16,040	13,194 <sup>2)</sup>
Net debt <sup>3)</sup>	-709	665	4,556	4,703	-304
Market value, SEK bn.	59.6	51.7	20.7	30.6	37.5 <sup>4)</sup>
Number of employees	51,544	50,633	55,177	56,898	55,471

1) Proposed dividend.

2) After distribution of SEK 5.6 bn

3) According to the company's own definition.

4) Before distribution of SEK 5.6 bn.

#### ELECTROLUX 2010

2010 was an important year for Electrolux since it reached its EBIT margin target of 6 percent. Following several years of decline, the appliance demand in North America and Europe increased by 5 percent and 2 percent respectively. It is, however, important to recognize that part of the improvement in North America was due to a government incentive program. Electrolux' strong performance in 2009 continued during 2010, both in terms of margin expansion and cash flow generation. The performance confirms that the investments in product innovation, brand building and cost efficiencies are paying off. Hans Stråberg has during his CEO term transformed Electrolux from a manufacturing centered to a consumer-driven company. After 27 years with the company, of which nine as CEO, Hans Stråberg announced his resignation and Keith McLoughlin was appointed CEO.

#### Investor's engagement in Electrolux

Share capital: 13.6% Voting rights: 29.9%

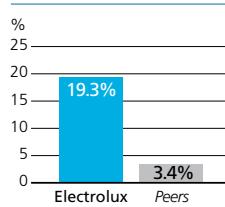
Market value of holding: SEK 8,054 m.

No person from Investor's management or Board serves on the Board, though Marcus Wallenberg is Chairman and a member of Investor's Electrolux business team.

#### INVESTOR'S VIEW ON ELECTROLUX

The strong operational performance in the last two years in terms of profitability and cash flow generation is an effect of the large structural measures that Electrolux has taken in recent years. The company's strategic focus on innovative products, a strong global brand and an improved cost position has paid off and it has reached the targeted operating margin of 6 percent. Electrolux' improved profitability and strong financial position give the company the possibility to focus more on growth opportunities. The company has strengthened its position in the fast growing emerging markets but more opportunities remain to expand in these important markets.

#### Average annualized return, five years



#### Total annual return

[www.electrolux.com](http://www.electrolux.com)



3%

of total assets

Husqvarna is the world's largest producer of outdoor power products including chainsaws, trimmers, lawn mowers and garden tractors. It is the European leader in consumer irrigation equipment under the Gardena brand. The group is also one of the world leaders in cutting equipment and diamond tools for the construction and stone industries.

Chairman: Lars Westerberg, President and CEO: Magnus Yngen

#### Key figures, SEK m.

	2010	2009	2008	2007	2006 <sup>1)</sup>
Net sales	32,240	34,074	32,342	33,284	29,402
Operating income, excl. EO	2,652	2,012	2,677	3,564	3,121
Operating margin, excl. EO, %	8.2	5.9	8.3	10.7	10.6
Net profit after tax	1,749	903	1,288	2,036	1,862
Earnings per share, SEK <sup>2)</sup>	3.03	1.64	2.81	4.46	4.08
Dividend per share, SEK <sup>2)</sup>	1.50 <sup>3)</sup>	1.00	0.00	1.50	1.16
Book equity	12,203	12,126	8,815	7,389	6,264
Net debt <sup>4)</sup>	5,600	6,349	13,552	12,012	4,250
Market value, SEK bn.	32.3	30.0	15.8	29.5	31.8
Number of employees	14,954	15,030	15,720	16,093	11,412

- 1) Due to the spin-off from Electrolux in 2006 financial information for 2006 is based on Husqvarna's pro forma financial statements.
- 2) Number of shares 2006-2008 has been restated for the rights issue in 2009. Number of shares in 2006 has been restated for the bonus issue made in 2007.
- 3) Proposed dividend.
- 4) According to the company's own definition.

#### HUSQVARNA 2010

In 2010, demand started to recover in most of Husqvarna's markets following several years of decline. Husqvarna showed a healthy growth and increased its market share in all markets except for North America where the company reduced its listings at a major retailer in order to improve profitability. Due to the reduced listings, organic sales growth for the group was flat. However, profitability improved significantly from a low level in 2009 due to an improved product mix, driven by new innovative products and strong growth in the dealer channel. The EBIT margin, excluding items affecting comparability, for the full year reached 8.2 percent, primarily due to an improved gross margin. The company continued its ongoing strategic initiatives focused on brand structure, distribution, products and production/supply chain. During the year the company announced additional restructuring charges for consolidation of the manufacturing set up and two factories were closed.

#### Investor's engagement in Husqvarna

Share capital: 15.7% Voting rights: 30.8%

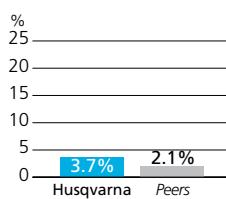
Market value of holding: SEK 5,058 m.

Board Members from Investor's management or Board: Börje Ekholm.

#### INVESTOR'S VIEW ON HUSQVARNA

Husqvarna has world-leading market positions, strong brands and a global sales organization. However, sales and profitability have been weak during the last years. To counteract this negative development, the company has initiated efforts to streamline the brand portfolio, improve the cost structure, increase efficiency and reduce working capital. Additionally, investments in innovative new products have been made. These actions started to yield returns in 2010, but further improvements are expected in the coming years. Following three years with internal focus, the company is now well prepared to take advantage of attractive growth opportunities, both organically and through acquisitions. Since the listing, Husqvarna's total return has been below our return requirement but above peers.

#### Average annualized return, 4.5 years<sup>1)</sup>



1) Return since listing in June 2006.

[www.husqvarna.com](http://www.husqvarna.com)



SAAB

2%

of total assets

Saab serves the global market with world-leading products, services and solutions ranging from military defence to civil security. Saab has operations and employees on all continents and constantly develops, adopts and improves new technology to meet customers' changing needs.

Chairman: Marcus Wallenberg, President and CEO: Åke Svensson up until August 31, 2010, Håkan Buskhe since September 1, 2010

#### Key figures, SEK m.

	2010	2009	2008	2007	2006
Net sales	24,434	24,647	23,796	23,021	21,063
Operating income, excl. EO	1,577	1,324	1,994	2,154	2,290
Operating margin, excl. EO, %	6.5	5.4	8.4	9.4	10.9
Net profit after tax	454	699	-242	1,941	1,347
Earnings per share, SEK	3.97 <sup>1)</sup>	6.28 <sup>1)</sup>	-2.31	17.60	11.91
Dividend per share, SEK	3.50 <sup>2)</sup>	2.25	1.75	4.50	4.25
Book equity	11,274	10,542	9,240	10,981	9,802
Net debt <sup>3)</sup>	-3,291	634	1,693	1,627	-605
Market value, SEK bn.	13.2	12.9	7.8	14.3	23.2
Number of employees	12,536	13,159	13,294	13,757	13,577

1) After dilution.

2) Proposed dividend.

3) According to the company's own definition.

#### SAAB 2010

In 2010, Saab sales were flat, mainly due to lower activity level in some projects and the impact of delayed customer decision making processes. However, during the year, a number of very important orders were secured, most notably a multi-billion SEK order for airborne early warning systems. As a consequence, the order intake improved significantly compared to 2009. Ongoing execution of the cost savings programs announced in 2007 had a positive effect on profitability. However, profitability continued to be negatively impacted by business mix and restructuring measures. Cash flow generation was very strong in 2010, driven by successful project execution, which resulted in a very solid financial position.

#### Investor's engagement in Saab

Share capital: 30.0% Voting rights: 39.5%

Market value of holding: SEK 4,032 m.

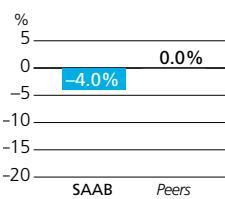
Board Members from Investor's management or Board: Johan Forssell.

Marcus Wallenberg is Chairman and a member of Investor's Saab business team.

#### INVESTOR'S VIEW ON SAAB

Effective in the beginning of the year, Saab's strategic reorganization into five business areas has helped the company to focus and become more competitive. Successful implementation of the cost savings ambitions is necessary for Saab to reach its margin target and to be able to invest in R&D and marketing activities. During last year, improvements were seen when it comes to order intake and cash flow generation, which put the company in a stronger position. A solid balance sheet, internal efficiency activities and a top quality product offering, provide a good platform for the future, though challenges remain as many countries face budget constraints. Saab's total return over the last five years has been unsatisfactory.

#### Average annualized return, five years



%	Years	Saab	SIXRX
5	1	6.3	26.7
0	5	-4.0	8.0
-5	10	7.7	5.9
-10	15	-	12.1
-15	20	-	13.4
-20	SAAB		
	Peers		

[www.saabgroup.com](http://www.saabgroup.com)

# Operating Investments

Our Operating Investments include companies with attractive growth and profitability potential. Investments are made in unlisted and listed companies that should generate substantial value creation and cash flow over time. We seek substantial ownership and can take on wholly-owned investments. Holdings include wholly-owned Mölnlycke Health Care, Aleris and Grand Hôtel, as well as partly owned Lindorff, Gambio, CardianBCT, 3 Scandinavia, Sobi, Novare, Kunskapskolan and Act Group.

In Operating Investments, we expect to create value through investments in, and active ownership of companies. Some of our investments have been made in partnership with another investor. We typically have a longer holding horizon than our partners. Such differences are dealt with in the shareholder agreements established for the investments. When the partner seeks to sell, we have the option to sell the company, list it or buy out our partner. An example of the latter is that during 2010 we bought 34 percent in Mölnlycke Health Care from our partner, making the company a controlled subsidiary.

Our Operating Investments are expected to generate substantial value and cash flow to us over time by optimizing leverage and returning excess capital through dividends and various forms of refinancing.

For each investment, we have an investment plan outlining our actions and objectives over the next three to seven years. However, we can remain owners for a longer period of time.

## Investments in 2010

During the first quarter of 2010, Biovitrum and Swedish Orphan International merged, with Investor becoming the largest owner. In July, we acquired 97 percent of Aleris for SEK 2.5 bn. We also acquired 34 percent of Mölnlycke Health Care from our partner, for approximately EUR 510 m., increasing our ownership to 96 percent. With full ownership in these companies, we will reap all benefits from our value creating initiatives. Moreover, we gain control over cash flows and we have full control of the ownership horizon. We also made an additional SEK 1.2 bn. investment in NASDAQ OMX, raising our stake to 9.7 percent, after regulatory approval in January 2011. Following additional purchases in early 2011 our ownership amounts to 10.2 percent.

## Developments in 2010

Our holdings generally made good progress during 2010, with growing sales, rising EBITDA margins and declining net debt. We continued to work actively with developing our holdings, striving to con-

stantly improve their business models and their flexibility to changes in the market place. Operating Investments had a positive effect of SEK 3.5 bn. on our net asset value in 2010. The increase was to a large extent attributable to the positive SEK 2.4 bn. IFRS-based revaluation in conjunction with our additional investment in Mölnlycke Health Care.

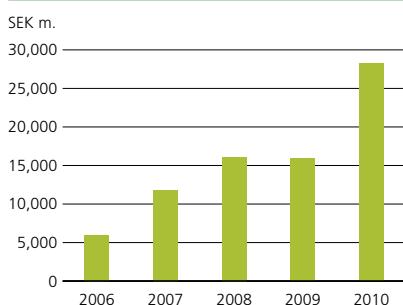
## Our strategy

### DEVELOPING EXISTING COMPANIES

Our active ownership work is based on value creation plans for each individual holding. We use the same framework for Operating Investments as for Core Investments. We focus initiatives on operational improvements, growth, acquisitions, capital structure and industrial structure.

During the first few months of our ownership, we work actively with the companies to implement a plan containing a number of initiatives aimed at strengthening long-term growth and profitability. These initiatives often have an initial negative impact on our net asset value, as they adversely affect short-term

### Reported value, Operating Investments



### Impact on net asset value, Operating Investments, 2010

	SEK m.
Mölnlycke Health Care <sup>1)</sup>	2,686
Sobi	991
Lindorff	421
Aleris	-56
3 Scandinavia	-209
Gambio Holding	-319
The Grand Group	12
Other	-48
<b>Total</b>	<b>3,478</b>

1) Includes SEK 2.4 bn. in IFRS-related revaluation.

### Overview of Operating Investments

	12/31 2010		12/31 2009	
	Owner- ship, capital, %	Value SEK/ share	Value SEK m.	Value SEK/ share
Mölnlycke Health Care	96	18	13,432	8
Lindorff	58	5	3,789	4
Sobi	40	5	3,486	1
Aleris	97	3	2,465	-
Gambio Holding	49	2	1,740	3
3 Scandinavia	40	2	1,281	2
The Grand Group	100	1	1,091	1
Land and real estate	100	1	364	1
Other	-	1	546	1
<b>Total</b>			<b>38 28,194</b>	<b>21 15,931</b>



**"We continued to work actively with developing our holdings, striving to constantly improve their business models and their flexibility to changes in the market place".**

net profit in the companies. This results in declining reported values as a consequence of unlisted holdings being reported and consolidated by the equity method or by full consolidation.

#### **Debt financing**

3 Scandinavia is financed with external debt guaranteed by the owners. Investor has guaranteed 40 percent of the external debt. All other Operating Investments are financed independently and without guarantees from Investor. Leverage is adapted to the stability of earnings and cash flow generation of each company.

Most of our companies operate in industries with moderate cyclicity in sales and thus generate fairly stable earnings. Each company's leverage is also designed so that by the end of the investment plan, leverage is amortized to normal levels. There were no covenant breaches during the year. If a covenant is breached, it is possible to take corrective actions before there are any other financial implications. We are comfortable with the current financing agreements, but we are actively monitoring and evaluating opportunities to adjust financing structures, if deemed value-creative. The debt is long in dura-

tion and no major ring-fenced debt falls due until 2013. The guaranteed debt of 3 Scandinavia matures in late 2012.

#### **Organization**

The integration of the investment organizations of Core Investments and Operating Investments was completed in the end of 2010. All investment managers are now concentrated into one unit. Our business teams can now focus even more on our existing holdings while running specific projects, e.g. evaluating new investments, simultaneously.

#### **Goal**

To generate a return significantly exceeding the market cost of capital over a business cycle, and appropriately reflecting the holdings' liquidity as well as their financial and operating risk profiles. Currently, the return objective is to exceed 15 percent per year.

#### **Goal fulfillment**

It is yet too early to fully evaluate the track record, since the average holding is not more than 3 years old. As of year-end 2010, the reported value of the portfolio, derived from the equity and purchase accounting is lower than the total amount invested.

#### **Strategy**

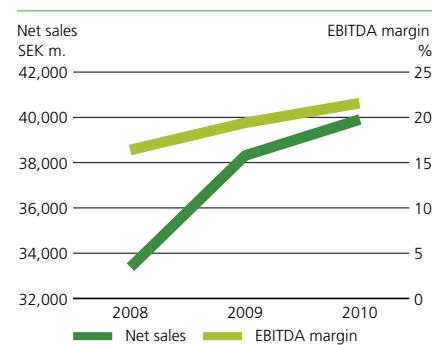
- Develop existing holdings with a long-term ownership horizon.
- Creating value in the business area by means of investments in, and active ownership of companies.

#### **Valuation**

Unlisted investments are reported and consolidated according to the equity method or by full consolidation. When we make investments in unlisted companies, the use of leverage, restructuring or other long-term value creation activities, as well as accounting effects, often have an initial negative impact on net profit, and hence on the reported value of our holding.

The graph to the right illustrates the sales and EBITDA development of our seven major unlisted holdings within Operating Investments: Mölnlycke Health Care, Lindorff, Aleris, Gambio, CardianBCT, 3 Scandinavia and The Grand Group. Since 2008, their combined sales have grown by about 20 percent, while the EBITDA margin has improved from about 16 percent to about 22 percent.

#### **Net sales and EBITDA-margin development**



## Continued strong development

Mölnlycke Health Care continued to develop very positively, outperforming its competitors in both growth and profitability. Growth was particularly strong in the U.S. and in Asia-Pacific, with the latter now generating around five percent of group sales. Several new products were launched and the company solidified its already strong market positions. Cash conversion remained at a high level, allowing for additional early repayment of debt. During the year, Investor increased its ownership in Mölnlycke by 34 percentage points to 96 percent.

Mölnlycke Health Care, headquartered in Gothenburg, Sweden, is a world leading manufacturer of single-use surgical and wound care products and services for the professional health care sector. The company has strong market-leading positions and a significant potential for international growth, both organically and through acquisitions.

Chairman: Gunnar Brock  
President and CEO: Pierre Guyot

### BACKGROUND TO THE INVESTMENT

Mölnlycke Health Care's industry benefits from long-term growth trends such as an increasing and ageing global population, a rise in wealth-related illnesses and a sharper focus on infection control. The company has demonstrated strong, predictable profitable growth in both existing and new markets as well as a very strong cash flow generation. Having confirmed the attractiveness of Mölnlycke Health Care's potential for long-term profitable growth, we acquired Morgan Stanley's 34 percent equity stake during 2010, increasing Investor's ownership to 96 percent of the equity.

### DEVELOPMENTS IN 2010

#### • Solid growth

Mölnlycke Health Care continued to generate strong growth, with Asia-Pacific and the U.S. performing particularly well. In 2007, the company had no real presence in Asia-Pacific. Today, after substantial investments, around five percent of sales are generated in the region. In the U.S., Mölnlycke Health Care has advanced from a number six to a number two position in advanced wound care. Continued strong focus on new product development and successful new product launches as well as on-going investments in marketing and sales resources supports the favorable growth trajectory of the company.



#### • Wound Care remained robust

Within the Wound Care Division, Advanced Wound Care kept progressing very successfully, with growth driven by both new products and continued investments in sales and marketing. Market share gains are significant in many markets and overall, but in particular in the large U.S. market. In the U.S., South Korea and Brazil, new antibacterial Safetac® dressings received regulatory clearance. During the year, the company launched a new business line; Negative Pressure Wound Therapy (NPWT), based on the Avance® system. The Avance pump is lightweight and comes with a unique docking station, allowing patients greater mobility. The system was developed in collaboration with Swiss company Medela.

#### • Improvement in Surgical

The Surgical Division showed good performance, despite challenges from increased raw material prices and rising freight costs as well as adverse currency movements. The Procedure Pak® surgical trays business has kept its growth momentum and is now generating good profitability. The gloves business develops well and a number of new synthetic gloves were launched, which should support additional growth in this fast-growing segment. During the latter part of the year, the BARRIER® Bariatric surgery drape was introduced to support the increasing number of surgical bariatric procedures linked to the rapidly rising incidence of obesity.

### Key figures, EUR m.

Income statement items	2010	2009	2008
Net sales	949	865	800
EBITDA	269	236	211
EBITDA, %	28	27	26
EBITDA adjusted <sup>1)</sup>	265	236	211
EBITDA adjusted <sup>1)</sup> , %	28	27	26
Balance sheet items, 12/31			
Net debt	1,578	1,673	1,737

1) The preliminary purchase price allocation, performed in conjunction with the acquisition of the majority in Mölnlycke Health Care, allocates EUR 50 m. to inventory. This value will be consumed during December 2010 and 2011 and impacts EBITDA negatively.

### Investor's engagement

Year of investment: 2007

Share of capital and voting rights: 96%<sup>1)</sup> and 93%, respectively.

Reported value of holding: SEK 13,432 m.

Other owner: Management

Serving on the Board from Investor: Lennart Johansson and Johan Röhss.

1) Including shareholder loans.

#### • Investments and product development

Investments in R&D and expansion of the sales force continued, which should support growth in coming years. In early 2010, Mölnlycke Health Care acquired Rynel, an important supplier of hydrophilic polyurethane foam, located in the U.S. The production of foam is a strategic component in the production of the company's advanced wound care products.

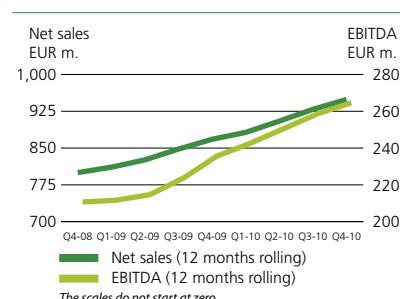
### FINANCIAL PERFORMANCE

Mölnlycke Health Care performed well during the year, with net sales growth of 10 percent and 6 percent in local currencies. EBITDA rose by 14 percent, resulting in an EBITDA margin of 28 percent (27). As a consequence of its strong cash flow generation and premature amortization, Mölnlycke Health Care reduced net debt to EUR 1,578 m., a reduction of EUR 95 m.

### INVESTOR'S VIEW ON MÖLNLYCKE HEALTH CARE

We find Mölnlycke Health Care's strong growth potential and cash flow generation attractive. Its highly competitive product offering, an exciting pipeline and the expansion of its sales force both in existing and in new countries create a robust platform for strong profitable growth, outpacing that of the market. It is important that the company continues to bring forward new innovative products and capture the growth opportunities available in strong-growth markets like Asia. Continued profit growth, in combination with declining net debt, should enable attractive equity value creation in the coming years.

[www.molnlycke.com](http://www.molnlycke.com)



## Back on track

After a slow performance in 2009, Lindorff is now back on track. This has been accomplished through focus on operational excellence, but also from a gradually improving market for portfolio acquisitions. Despite the negative impact of the changed fee regime in Norway, profitability improved sharply as a result of mitigating actions and higher solution rates. Lindorff ended the year by acquiring EBH FinansService, strengthening its position in the Danish market.

Lindorff is a leading credit management company in the Nordic region with a growing European presence. The company has operations in Denmark, Estonia, Finland, Germany, Latvia, Lithuania, The Netherlands, Norway, Russia, Spain and Sweden. Lindorff's primary business areas are Capital, which incorporates acquisitions of credit portfolios, and Collection, which includes receivables management services.

Chairman: Hugo Maurstad

President and CEO: Endre Rangnes

### BACKGROUND TO THE INVESTMENT

We invested in Lindorff in 2008 in partnership with previous owner Altor. Lindorff offers a wide selection of receivables management services and has a history of profitable growth. It is a market leader in the Nordic region and has a platform for continued expansion into continental Europe. We believe these services will experience long-term growth given current trends towards increased outsourcing of credit management services and consolidation opportunities in continental Europe.

### DEVELOPMENTS IN 2010

#### • Capital

Within the business area Capital, the market for portfolio acquisitions improved with higher available volumes as a consequence of the gap between buyers' and sellers' expectations gradually narrowed. Lindorff acquired numerous portfolios throughout the year that are expected to generate good yield. For the existing debt portfolios, the improving macroeconomic situation in the main markets supported Lindorff's performance.

#### • Collection

Within business area Collection, volume growth was strong in the beginning of the year but declined during the second half as the average consumer's economy and ability to service debt improved. Profitability improved mainly driven by efficiency measures and higher solution rates in the Nordic region, while other markets still suffered from the weak economic climate. In Norway, the adverse effect of the Ministry of Justice's decision to reduce the fee levels on certain customer claims as of January 1, 2010, was to a high degree mitigated during the year, but some remaining negative effects are expected to impact growth and profitability in 2011 as well.

#### • Structural transactions

During the fourth quarter, Lindorff acquired EBH FinansService, Denmark's leading debt collection agency. EBH FinansService is focused on the financial sector, a good strategic fit with Lindorff. The acquisition added 200 employees in Denmark and Germany and strengthened Lindorff's position as a pan-Nordic market leader. We supported Lindorff

with our pro rata share of the equity in funding the transaction. The acquisition is in line with the communicated strategy to pursue value creating structural opportunities.

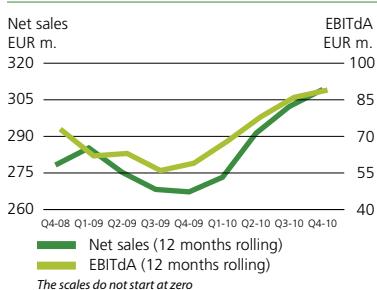
### FINANCIAL PERFORMANCE

Net sales grew by 6 percent in local currencies, while EBITdA improved by 39 percent, adjusted for the portfolio revaluations with a positive impact on EBITdA of EUR 7 m. during the first quarter. The profitability improvement was mainly driven by efficiency gains as well as rising solution rates within both Collection and Capital. Net debt increased during the year due to portfolio acquisitions.

### INVESTOR'S VIEW ON LINDORFF

We are encouraged to see Lindorff improve performance following the initial business-related drop after our acquisition. Lindorff has a good business mix with its two separate business areas: Collection and Capital. Within Capital, the company has the capacity to take advantage of the improving market for credit portfolio acquisitions, offering one potential source of attractive future growth. We also expect Lindorff to continue to act on structural opportunities in continental Europe, in line with the acquisition of EBH FinansService. In addition, Lindorff should continue to focus on efficiency. Our positive view on Lindorff's long-term growth potential remains intact.

[www.lindorff.com](http://www.lindorff.com)



### Key figures<sup>1,2)</sup> EUR m.

Income statement items	2010	2009	2008
Net sales	309	267	277
EBITdA <sup>3)</sup>	89	59	72
EBITdA <sup>3)</sup> , %	29	22	26
Balance sheet items, 12/31	2010	2009	2008
Net debt	615	530	545

1) Income statement items and balance sheet items are reported with one month's delay.

2) Income and balance sheet items have been restated due to a change of accounting principles.

3) EBITDA after portfolio depreciation.

### Investor's engagement

Year of investment: 2008  
 Share of capital and voting rights: 58%<sup>1)</sup> and 50%, respectively  
 Reported value of holding: SEK 3,789 m.  
 Other owner: Altor  
 Serving on the Board from Investor: Börje Ekholm and Petra Hedengran.  
 1) After full conversion.



## Continued improvement

During 2010 Gambro continued to take action to focus on its core business. Supported by new product development efforts, the newly implemented business unit organization, and as a result of the efficiency work, financial performance improved. Gambro is now entering the next phase to build a best-in-class company, which will take some additional time and require renewed commitment.

Gambro is a global medical technology company and a leader in developing, manufacturing and supplying products and therapies for Kidney and Liver dialysis, Myeloma Kidney Therapy, and other extracorporeal therapies for Chronic and Acute patients.

Chairman: Erich Reinhardt  
President and CEO: Ulf Mattsson (acting)

### DEVELOPMENTS IN 2010

#### • Focus on core business

A large part of Gambro's strategy is to focus on its core business. Important steps were taken during the year with the announced divestitures of the peritoneal dialysis (PD) business and the rights for the U.S. water business.

#### • Continued robust growth in Acute

Gambro continued to strengthen its position as a global market leader in the acute segment. After a successful integration of CHF Solutions, Gambro has now broadened its product offering with an ultra-filtration system for treatment of fluid overload in multiple treatment venues.



#### • Product and business development

Results from several clinical studies gave support to Gambro's new products Polyflux® Revaclear and Evodial®. These studies underlines the uniqueness of these important products and their ability to meet important medical needs. To meet growing market demand, the company will significantly expand its capacity for producing dialyzers with synthetic membranes at its existing dialyzer plant in Hechingen, Germany.

#### • Potential for further improvement

When Gambro was privatized in 2006, a turnaround plan was launched. Actions included resolving the U.S. import ban, rejuvenating R&D and a renewed focus on core business. While Gambro has executed on this plan, progress has been slower than we had hoped. Additionally, the market continues to be challenging with austerity measures in many regions and continued price pressure.

### FINANCIAL PERFORMANCE

Net sales were down 3 percent during the year, but grew 2 percent in local currencies. The normalized EBITDA margin improved to 20 percent, despite being negatively affected by costs related to current product launches, price pressure and some minor negative currency effects.

### INVESTOR'S VIEW ON GAMBRO

Gambro has made important improvements since the acquisition in 2006. It has rolled out new products, focused the organization, enhanced quality and taken steps to concentrate on its core business. However, current growth and profitability is not satisfactory. We believe that the improvement potential, both when it comes to growth and margins, is substantial. Capturing these opportunities will take additional time, thereby extending our holding horizon.

[www.gambro.com](http://www.gambro.com)

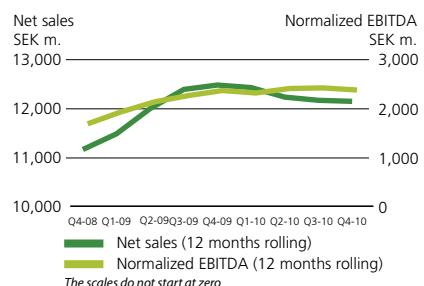
### Key figures<sup>1)</sup> SEK m.

Income statement items	2010	2009	2008
Net sales	12,152	12,484	11,172
Normalized EBITDA	2,395	2,384	1,707
Normalized EBITDA, %	20	19	15

1) Income statement items are reported with one month's delay.

### Investor's engagement

Year of investment: 2006  
Share of capital and voting rights: 49%  
Value of holding: See Gambro Holding below.  
Other owner: EQT IV  
Serving on the Board from Investor: Lennart Johansson.



Gambro Holding owns Gambro and CardianBCT. The companies are jointly financed in Gambro Holding. Since net debt of the companies has not been formally distributed, net asset value, the effect on Investor's income and net

debt are reported as a total for the two companies. The leverage of the company is ring-fenced and without guarantees from the owner. The reported value of the holding in Gambro Holding was SEK 1,740 m. on December 31, 2010.

### Key figures<sup>1)</sup> SEK m.

12/31	2010	2009	2008
Net debt	25,380	25,559	25,483

1) Balance sheet items are reported with one month's delay.

## Benefits from focus on innovation

CaridianBCT's track record of successful execution continued, further strengthening its market leading position. Revenue growth was good and margins improved. Several new products and product enhancements were launched during the year, as a result of the company's strong focus on innovation.

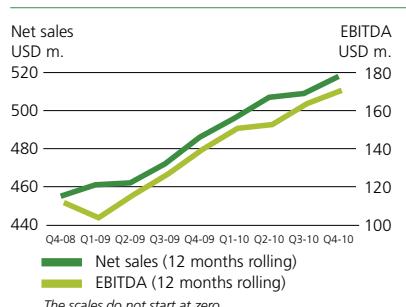
CaridianBCT is a leading global provider of technology, products and services in automated blood collection, therapeutic systems, whole blood processes and pathogen reduction technologies – specializing in blood collection, safety, component separation and cell therapy. The company is dedicated to developing and commercializing technology that serves customers in the blood banking and transfusion medicine and cell therapy industries. CaridianBCT has demonstrated a high capacity for innovation. The company is the global leader in automated apheresis collections.

Chairman: Mats Fischier  
President and CEO: David Perez

### DEVELOPMENTS IN 2010

#### • Sales

CaridianBCT continued to perform very well with the emerging markets as important growth drivers, despite somewhat tougher market conditions in the Western hemisphere. The growth in Automated Collections was fueled by Latin America as well as the Asia-Pacific region. Within the Whole Blood Processing business area, the development was stable. Acceptance for new products gained traction in Latin America and an increased global momentum.



Both Pathogen Reduction and Therapeutic Systems showed robust growth during the year. CaridianBCT continued to make significant progress with the new product Mirasol® and launched the Quantum Cell Expansion System. Investments and start-up costs throughout the roll-out phase for these products hamper margins.

#### • Product and business development

Important product development work was made in all business areas. In Automated Collection, the company received 510(k) clearance from the FDA for its flagship product Trima® Accel System V6.0, an important product enhancement to the Trima® system for blood banks, adding the auto red blood cell procedure to the product. Within Pathogen Reduction, there was a strong interest for the Mirasol® system, with several important tenders won during the year and an increased activity related to clinical trials and regulatory approvals was noted. Within Therapeutic Systems, the company's therapy awareness program resulted in strong revenue growth and the Quantum Cell Expansion System was launched in the fourth quarter with good interest from the market.

### FINANCIAL PERFORMANCE

Net sales increased by 7 percent, corresponding to 6 percent in local currencies. EBITDA showed a very strong development during the year, increasing by 22 percent and thus an EBITDA-margin improvement to 33 percent. The increase was mainly driven by an improved gross margin, but also by continued effective operating expense control. Cash flow generation continued to be strong.

### INVESTOR'S VIEW ON CARIDIANBCT

It is critical for the global health care system to have access to high quality and safe transfusible blood as well as therapeutics based on blood separation. CaridianBCT has a very strong market position, being the clear global leader in automated apheresis both for blood collection and for therapeutics. Its technologies and product portfolio are at the forefront of the market. We see continued attractive value creation potential for this strategically well-positioned company.

[www.caridianbct.com](http://www.caridianbct.com)



### Key figures<sup>1)</sup> USD m.

Income statement items	2010	2009	2008
Net sales	518	486	455
EBITDA	171	140	112
EBITDA, %	33	29	25

1) Income statement items are reported with one month's delay.

### Investor's engagement

Year of investment: 2006  
Share of capital and voting rights: 49%  
Value of holding: See Gambro Holding below.  
Other owner: EQT IV  
Serving on the Board from Investor: Johan Röhss.

### BACKGROUND TO THE INVESTMENT

Gambro was acquired in 2006. The company had strong market positions in dialysis and blood technology, areas with attractive growth potential in which we have solid knowledge and a strong network. An analysis showed that the company was facing a number of major challenges that could be better managed if Gambro was a non-listed company. The first step in the value creation plan laid out at the investment involved dividing Gambro into three separate entities to streamline operations; Gambro (dialysis), CaridianBCT (blood technology) and the

clinics business Gambro Healthcare, which was later divested. Further measures included substantial investments in enhanced quality and R&D, an accelerated roll-out of new products, profitability improvement by increasing efficiency throughout the value chain and focus on the core business and optimization of the business organizations. Several of the measures have already been completed while certain are still ongoing.



## Poised for further growth

2010 was another year of sharply improved profitability for 3 Scandinavia. Strong subscriber intake, increasing smart phone usage and strong focus on operational efficiency, resulted in substantial earnings improvement. During 2010 the company reached the important milestone of being self-sustaining on cash, and it is now poised for further growth.

3 Scandinavia is a mobile operator providing mobile voice and broadband services in Sweden and Denmark. The company is well recognized for its high-quality network, and has a strong position in a market with high growth driven by fixed to mobile migration in voice and broadband.

Chairman: Marcus Wallenberg  
President and CEO: Peder Ramel

### BACKGROUND TO THE INVESTMENT

In cooperation with Hong Kong-based Hutchison Whampoa, we founded the mobile operator 3 Scandinavia in 1999 based on our shared conviction in the potential of 3G for delivering cost-efficient capacity for mobile voice and data services, including capturing the growth emerging from the migration from fixed to mobile voice and data. In 2000, 3 Scandinavia was granted a 3G license for Sweden, and subsequently obtained licences for Denmark and Norway. Hi3G launched commercial operations in Sweden and Denmark in 2003.

### DEVELOPMENTS IN 2010

#### • Strong subscriber growth

3 Scandinavia continued to perform strongly during 2010, once again being top ranked for its services in several independent networks tests. Subscriber growth remained strong, driven by both voice and mobile broadband. Net additions totaled 297,000, increasing the subscriber base by 19 percent to 1,866,000. The market growth rate amounted to an estimated 6 percent, and 3 Scandinavia continued to gain market share, helped by growth in the smart phone segment, which represented a large share of subscriber intake. Several new smart phones were

introduced, with the iPhone 4 attracting strong demand, as did smart phones from other vendors based on the Android and the new Windows 7 platforms. Increased data usage by smart phones also positively impacted the revenue stream from customers. During 2010, 3 Scandinavia continued to invest in its network, in new frequencies (spectrum) and IT support as well as in its customer service, and investments will be accelerated to ensure continued high network quality and customer experience.

#### • Excellent network quality

2010 was the year that confirmed the explosive growth of mobile data, benefitting 3 Scandinavia as it has built its brand name on strong innovation and leading technology. For example, its network was originally built for data transmission, and the HSPA technology, with its latest enhancements, will remain highly competitive in the medium-term for offering stable and cost-efficient high-speed connection. Additionally, tests of the next generation LTE (Long Term Evolution) technology were initiated during 2010 and a commercial launch is planned for early 2011. Roll-out can be made in a cost efficient and rapid way due to 3 Scandinavia's state-of-the-art mobile transmission and back-bone infrastructure already being in place.

#### • ARPU – continued focus on high-value subscribers

3 Scandinavia's ARPU (Average Revenue Per User) declined, but remained at market leading levels. Smart phone users represented a large share of the

new subscribers. While the acquisition cost for these subscribers is relatively high upfront, a higher ARPU implies a very attractive total value over their life-time.

#### • Substantial economies of scale

3 Scandinavia continued to focus actively on reducing OPEX (operating costs excluding subscriber acquisition costs), thereby releasing funds to reinvest in other parts of its operation. Once again, through selectively cutting costs, the company managed to maintain costs at a competitive level. In combination with the strong subscriber intake and increase in net sales, just as in 2009, this resulted in sharp profitability improvement. The incremental EBITDA margin on the additional sales was over 54 percent, clearly demonstrating the strong scalability.

### FINANCIAL PERFORMANCE

Net sales increased by 24 percent in local currencies. EBITDA rose to SEK 1,067 m. (434), and the company was EBIT positive. Taking investments and interest payments into account, 3 Scandinavia improved its cash flow generation, resulting in a reduction of net debt by SEK 320 m. to SEK 9,910 m. During 2010, Investor invested a total of SEK 140 m. (245). 3 Scandinavia has external loans totaling SEK 10.5 bn., of which Investor guarantees SEK 4.2 bn., corresponding to its 40 percent ownership in the company. These loans mature in December 2012.

### INVESTOR'S VIEW ON 3 SCANDINAVIA

Given the rapid rise in smart phone usage, the demand for new services and the fixed-to-mobile migration, 3 Scandinavia's strategic focus on building a state-of-the-art mobile network has proven successful over the past years, demonstrated by its strong subscriber intake and improved operating performance. Given the strong operational scalability, growth is highly valuable. Going forward, the company needs to continue to offer attractive services and ensure that its network and offering remain competitive. Since 3 Scandinavia is now cash flow positive, it has further strengthened its strategic flexibility. However, we remain committed to extend our funding should it be deemed value creating, for example in conjunction with additional investments in spectrum.

[www.tre.se](http://www.tre.se)



#### Key figures<sup>1)</sup> SEK m.

Income statement items	2010	2009	2008
Net sales	7,015	5,840	5,147
EBITDA <sup>2)</sup>	1,067	434	-106
EBITDA, %	15	7	-
Balance sheet items, 12/31	2010	2009	2008
Net debt	9,910	10,230	10,235
Other key figures <sup>3)</sup> , 12/31	2010	2009	2008
Number of subscribers	1,866,000	1,569,000	1,231,000
ARPU <sup>3)</sup> (SEK)	329	348	379
Non-voice ARPU <sup>3)</sup> (%)	43	42	36
Postpaid/prepaid ratio	87/13	90/10	90/10

1) Income statement and balance sheet items are reported with one month's delay. Other key figures are reported without any delay.

2) EBITDA for 3 Scandinavia is defined as: EBITDA after deducting all customer acquisition and retention costs.

3) Average monthly revenue per user (ARPU) refers to the past 12-month period.

#### Investor's engagement

Year of investment: 1999  
Share of capital and voting rights: 40%  
Reported value of holding: SEK 1,281 m.  
Other owner: Hutchison Whampoa  
Serving on the Board from Investor: Johan Bygge and Christian Cederholm. Marcus Wallenberg is Chairman and a member of Investor's 3 Scandinavia business team.

## Growth platform for delivering high-quality services

Aleris is a leading provider of health care and care services in the Nordic region. Our value creation plan includes investments in quality management, profitable growth through continued tender wins and acquisitions, and turning the Danish operations around. The business areas Diagnostics and Care continued to develop well, while Health Care is focusing on operational efficiency improvements and Denmark on adjusting to current market conditions.

Aleris, headquartered in Stockholm, Sweden, is one of the leading providers of healthcare and care services in the Nordic region. Aleris provides services primarily on behalf of municipalities, county councils and insurance companies within four different areas; healthcare, diagnostics, senior care and mental health.

Chairman: Bengt Braun  
President and CEO: Stanley Brodén

### BACKGROUND TO THE INVESTMENT

Health care and care services is a large industry with strong secular growth drivers and positive industry dynamics, including increased privatization. The industry is going and will continue to go through significant changes in order to respond to the challenges faced by the health care system, which will provide value creation opportunities also for private operators. Aleris is a leading health care and care services company in the Nordic region with a strong quality focus, attractive business mix, and a good track record. With its footprint in all three Scandinavian countries, Aleris is well positioned for future long-term growth.

### DEVELOPMENTS IN 2010

Performance in 2010 was somewhat weaker than expected. Increased effects of generally tighter economic conditions for the health care sector in Denmark and Norway were noticed. In spite of this, the Diagnostics and Care divisions developed well. Aleris took several important steps in terms of business development, including a strategically important contract for psychiatry in Skåne, two contracts within senior care in Uppsala and an acquisition of a primary care facility in Täby, Stockholm. In Norway, Aleris won a large diagnostics tender which has been appealed, and launched the first private PET/CT scanning facility in Norway, which was a major investment. An action program on quality was launched.

### FINANCIAL PERFORMANCE

During the year, net sales increased by 6 percent, or 8 percent in constant currencies, compared to 2009. EBITDA decreased by 11 percent, resulting in an EBITDA margin of 7 percent (9). The 2010 EBITDA has been negatively affected by non-recurring restructuring expenses, primarily relating to the discontinuation of a customer contract and start-up costs for several new businesses, in line with our investment plan. In total, such expenses amounted to approximately SEK 60 m. during 2010.

### INVESTOR'S VIEW ON ALERIS

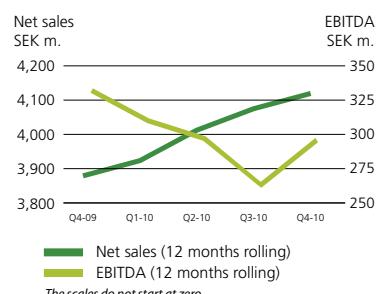
Aleris has a strong market position in the Nordic region and solid growth potential in an industry that fits well into our ownership model. The Nordic healthcare and care market is a large and stable industry with long-term sustainable growth potential, where private care companies can outgrow the market. Aleris provides an attractive platform for continued organic growth, both through tenders and improved capacity utilization, as well as through acquisitions. Aleris' commitment to high-quality care resonates well with our long-term ambitions for the company. Delivering a high-quality service is the only true differentiating factor in this business long-term, why the work to constantly improve quality for patients, payors and personnel needs to be the top priority.

[www.aleris.se](http://www.aleris.se)

### Key figures<sup>1)</sup>, SEK m.

Income statement items	2010	2009
Net sales	4,120	3,882
EBITDA	296	332
EBITDA, %	7	9
Balance sheet items, 12/31	2010	2009 <sup>1)</sup>
Net debt	1,980	1,624

1) The acquisition of Aleris was finalized in August, 2010.  
Pro forma for 2009.



### Investor's engagement

Year of investment: 2010  
Share of capital and voting rights: 97% and 99%, respectively.  
Reported value of holding: SEK 2,465 m.  
Serving on the Board from Investor: Hans Glemstedt, Johan Röhss and Peter Wallenberg Jr.



## International leader in specialty pharma

Sobi is a Swedish based niche specialty pharmaceutical company with an international market presence. The company is focused on providing and developing specialist pharmaceuticals for rare disease patients with high medical needs. The portfolio consists of about 60 marketed products and an emerging late stage clinical development pipe-line.

Chairman: Bo Jesper Hansen  
 President and CEO: Kennet Rooth (acting)

### BACKGROUND TO THE INVESTMENT

We invested in Biovitrum, being our first listed Operating Investment, in 2009. In Biovitrum, we identified strong long-term growth potential in specialty biopharmaceuticals. We believe biopharmaceutical drugs offer attractive opportunities. Biovitrum's strong platform was further strengthened by the merger with Swedish Orphan International, announced in late 2009. Swedish Orphan International, founded in 1988, was a Swedish specialty pharmaceuticals sales and marketing-oriented company that focused on rare diseases, often with orphan drug designation. It is a good strategic fit as Swedish Orphan had a long record of profitable growth and Biovitrum had several products in the market and a strong pipeline of products in late development stages. The transaction closed in January 2010.

### DEVELOPMENTS IN 2010

#### • Product and pipeline

- During the year, Sobi has jointly with partner Biogen Idec progressed its two haemophilia projects (Factor IX and Factor VIII) into clinical phase III and patient enrollments started during second half of 2010.
- In addition, Sobi has taken the decision to move its wholly owned fat malabsorption project Kiobrina into clinical phase III. Patient enrollment to start in 2011.
- Sobi has in-licensed two new drug projects, Ruconest (against acute attacks of Hereditary Angioedema (HAE) from Pharming Group NV) and Iron Sucrose Rechon (intravenous formulation of iron, used for anemia treatment, from Dongbao).

### FINANCIAL PERFORMANCE

Net sales declined by 8 percent compared to 2009, while EBITA improved by approximately 35 percent, resulting in an EBITA margin of 20 percent.

### INVESTOR'S VIEW ON SOBI

The focus for Sobi going forward is to maintain its medium to long term growth momentum, by expanding sales of the existing product portfolio, further in-licensing and acquisitions of complementary products, primarily for the European and North American market places, as well as continued investments in internal R&D. Over time, these activities and actions should enable the company to capture further growth opportunities in this attractive pharmaceutical market niche.

[www.sobi.com](http://www.sobi.com)

### Key figures, SEK m.

Income statement items	2010	2009
Net sales	1,907	2,066
EBITA <sup>1)</sup>	372	274
EBITA <sup>1)</sup> , %	19.5	13.2
Balance sheet items 12/31	2010	2009
Net debt	1,348	448

1) Core profitability measure as defined by Sobi.

### Investor's engagement

Year of investment: 2009  
 Share of capital and voting rights: 40% and 41%, respectively  
 Value of holding: SEK 3,486 m.  
 Sobi is a listed company and consequently valued at the official share price.  
 Serving on the Board from Investor: Hans Glemstedt and Lennart Johansson.

## NASDAQ OMX<sup>®</sup>

## Strong market position in an interesting market

In December 2010, Investor announced the acquisition of 8 million shares in listed NASDAQ OMX Group, adding to its existing holding of 9 million shares. After receiving regulatory approval in January 2011, and additional purchases in early 2011, Investor now owns 10.2 percent of the capital. NASDAQ OMX Group is one of the world's largest exchange operators. It offers trading, listings, exchange technology and public company services across six continents, with more than 3,600 listed companies. NASDAQ OMX technology supports the operations of over 70 exchanges, clearing organizations and central securities depositories in more than 50 countries.

Chairman: H. Furlong Baldwin  
 President and CEO: Robert Greifeld

### BACKGROUND TO THE INVESTMENT

In 2007, when Investor was the leading owner in OMX, the rationale for merging OMX and NASDAQ was a fundamental belief in the importance of economies of scale, particularly in the light of a changing regulatory environment that we believed would spur

new competition, leading to price pressure and consequently the need for greater scale. The integration has been successfully managed and we believe that NASDAQ OMX is now a strong company with solid underlying growth prospects and strong cash flow generation. We started to acquire shares in early 2010.

### FINANCIAL PERFORMANCE

Net sales increased by 5 percent, while EBIT also improved by 5 percent, resulting in an EBIT margin of 41.4 percent.

### Key figures, USD m.

Income statement items	2010	2009	2008
Net sales	1,522	1,453	1,460
EBIT (GAAP)	631	603	640
EBIT, %	41.4	41.5	43.8
Balance sheet items, 12/31	2010	2009	2008
Net debt	2,082	1,541	2,288

### INVESTOR'S VIEW ON NASDAQ OMX

NASDAQ OMX has very strong market positions and a unique brand in an industry that we know well. An exchange is at the core of the financial system's infrastructure and we believe that over time more products will be standardized and thus traded on exchanges. NASDAQ OMX needs to continue to focus on capturing value creating growth opportunities, supported by its strong cash flow.

[www.nasdaqomx.com](http://www.nasdaqomx.com)

### Investor's engagement

Year of investment: 2010  
 Share of capital and voting rights: 10.2% and 10.2%, respectively (as of disclosure notice, February 17, 2011)  
 Value of holding: SEK 2,740 m. (relates to 9.7% ownership as of 12/31 2010 according to forward agreement)  
 NASDAQ OMX is a listed company and consequently valued at the official share price  
 Serving on the Board from Investor: Börje Ekholm from February 2011.

## Business rebounding

Five-star Grand Hôtel Stockholm is Scandinavia's leading hotel with 345 guest rooms and a number of conference areas, restaurants, bars and a world-class spa. The hotel opened in 1874 and the rooms and interiors are unique, as is the hotel's location on the waterfront opposite the Royal Palace in the center of Stockholm. The Grand Hôtel is owned by The Grand Group, a wholly-owned subsidiary of Investor.

Chairman: Peter Wallenberg Jr  
President and CEO: Marie-Louise Kjellström

### DEVELOPMENTS IN 2010

Grand Hôtel noted a rebound in sales following the downturn in 2009, mainly driven by improving demand from tourists and high congress activity.

- Occupancy levels and revenue per available room recovered.



- Grand Hôtel continued to upgrade and renovate its rooms and facilities.
- The restaurant Mathias Dahlgren remained successful as Matsalen and Matbaren achieved two and one Michelin star-ratings respectively, for the second consecutive year. The restaurant Mathias Dahlgren was voted number 25 on the list "The World's 50 Best Restaurants" and Mathias Dahlgren himself received the award "The Chef of Chefs", in Sweden for the seventh time.
- The Grand Hôtel Spa by Raison d'Être, added important value to the total guest experience during the year. It was mentioned on the internationally renowned Conde Nast Hot List already in the first year of operation.

### Key figures, SEK m.

Income statement items	2010	2009	2008
Net sales	393	368	404
EBITDA	95	76	107
EBITDA, %	24	21	26
Balance sheet items, 12/31	2010	2009	2008
Net debt	481	524	452

### Investor's engagement

Year of investment: 1968  
Share of capital and voting rights: 100%  
Reported value of holding: SEK 1,091 m.  
Serving on the Board from Investor: Peter Wallenberg Jr and Johan Bygge.

### FINANCIAL PERFORMANCE

While Grand Hôtel still suffered from the weakened global economy, performance turned around. Net sales increased by 7 percent to SEK 393 m. (368). EBITDA increased by 25 percent.

### INVESTOR'S VIEW ON GRAND HÔTEL

During the last years, Grand Hôtel has successfully handled the weaker economic climate through cost reductions and efficiency measures. Going forward it is important that Grand Hôtel maintains its focus on efficiency and the delivery of a superior hotel experience. In addition, it is of the utmost importance that these quality assets are effectively marketed and sold, especially given the increased competition from new hotels, restaurants and conference facilities.

[www.grandhotel.se](http://www.grandhotel.se)



**KUNSKAPSSKOLAN**

Kunskapskolan, founded in 1999, is a leading independent school operator in Sweden. The company currently operates 24 secondary schools and nine upper secondary school with a total of around 10,000 students. All schools are publicly funded, free of charge and non-selective. Kunskapskolan has developed a unique educational concept focused on high-quality personalized education with a clear goal orientation, which is now also attracting increased international attention.

[www.kunskapskolan.se](http://www.kunskapskolan.se)

# Novare

### NOVARE

Founded by Investor in 2001, Novare Human Capital comprises eight companies with specialist expertise within the field of Human Resources providing a unique and comprehensive platform to service clients covering the full HR spectra. All Novare Human Capital companies focus on supporting the development of businesses and their employees. Today the clients are primarily mid-sized and large companies in most business areas within and outside Investor.

[www.novare.se](http://www.novare.se)

# ACT GROUP

### ACT GROUP

During the year, Investor took part in forming Act Group. The new group is the result of a merger between the change agency SamSari and Action learning consultant Act. The two businesses within Act Group help management teams, top talents and companies to identify and implement strategies and goals for companies.

[www.samsari.se](http://www.samsari.se)  
[www.actgroup.se](http://www.actgroup.se)

### Investor's engagement

Year of investment: 2002  
Share of capital and voting rights: 33%  
Reported value of holding: SEK 116 m.  
Serving on the Board from Investor: Johan Röhss, and Daniel Nodhäll.

### Investor's engagement

Year of investment: 2001  
Share of capital and voting rights: 50%  
Reported value of holding: SEK 7 m.  
Serving on the Board from Investor: Johan Bygge, Johanna Klint, and David Lindquist.

### Investor's engagement

Year of investment: 2010  
Share of capital and voting rights: 50%  
Reported value of holding: SEK 5 m.  
Serving on the Board from Investor: Johan Bygge, and Oscar Stege Unger.

# Private Equity Investments

The Private Equity Investments business area consists of two separate investment activities. Wholly-owned Investor Growth Capital invests in promising growth companies in the U.S., Europe and Asia. The independent EQT funds, in which Investor is a sponsor and the largest investor, are active in leveraged buy-outs, equity-related growth financing and infrastructure investments.

Some 15 years ago, we decided to increase our commitment to venture capital and leveraged buy-outs. This decision encompassed two strategic objectives: to capture the attractive returns offered by the emerging private equity market in the Nordic area, and also to use these investment activities to rejuvenate our strategic portfolio over time.

The venture capital related investments are carried out by Investor Growth Capital, wholly-owned by us.

In an effort to capture investment opportunities in the growing private equity market and to be able to gain access to external funding, Investor was one of the three founders of EQT in 1994. Since then, we have been a sponsor and the largest investor in all of its funds. In addition to being a limited partner in EQT's funds, as a sponsor, we also have an ownership in the general partner of each fund. The ownership varies by fund. The general partner generates a

surplus on management fees and receives carried interest on realized investments. We also have an ownership in EQT Partners AB, the advisor to EQT's funds. EQT is fully independent from Investor, with its own investment and decision making processes.

Private Equity Investments as a whole had an impact of SEK 1.3 bn. on our net asset value in 2010, with both Investor Growth Capital and the EQT investments contributing positively.

## Goal

Average annualized return (IRR) of 20 percent or more on realized investments before administrative expenses, over a business cycle. Returns typically vary depending on a number of factors including holding period, risk level in the holding, financial leverage, development stage and geographic region.

## Goal fulfillment

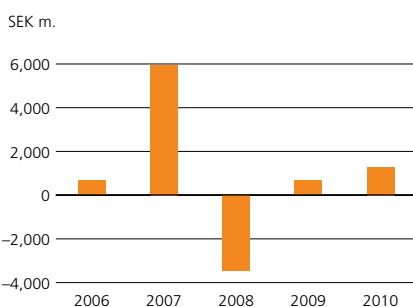
The overall business area has exceeded the goal of 20 percent IRR.

- Since establishing the current Investor Growth Capital organization and strategy in 2003, the gross IRR on realized investments has exceeded the goal. The gross IRR on realized investments since the inception of Investor Growth Capital is 14 percent.
- EQT has surpassed the goal since inception.

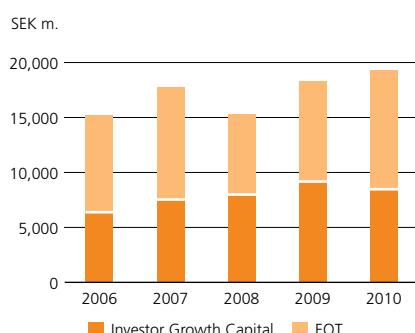
## Strategy

- Drive and develop current investments.
- Invest in new attractive companies with sizeable value-creation potential.
- Successfully exit holdings as the markets permit.

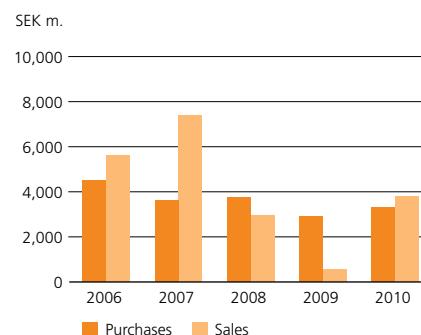
### Impact on net asset value, Private Equity Investments



### Reported value of Private Equity Investments



### Purchases and sales, Private Equity Investments





## Investor Growth Capital

Investor Growth Capital has a global footprint, with offices in the U.S., Europe and Asia. It takes minority equity positions with strategic influence through board representation in growth companies. Investor Growth Capital is a late stage venture investor, i.e. the companies it invests in are already generating revenue or have substantial proof-of-concept of their core technologies. As target companies are typically relatively immature from an operational standpoint, they pose high operational risk. Investor Growth Capital mitigates this risk by having a large number of holdings in its portfolio, and investments are primarily equity-financed. Every investment has an underlying three to seven year investment plan. However, unlike traditional private equity and venture capital funds, Investor Growth Capital is not constrained by a fund structure with predetermined termination dates, which provides flexibility to hold investments longer if value-creating. Returns are mainly gener-

ated through exits. Typical exits include trade sales to industrial buyers as well as initial public offerings.

Investment operations are conducted from Amsterdam, with advisory support from our offices in New York, Menlo Park, Stockholm, Beijing and Hong Kong, with about 30 investment professionals.

Within healthcare, we focus on medical technology and pharmaceuticals, as well as diagnostic products, services and health information technology. Healthcare holdings are normally in the later stage of product development and are often pre-revenue. In the technology sector, focus is on software, technology-related services, semiconductors, telecommunications, computer hardware and internet services. We also invest in the clean-tech sector, although investment opportunities have been relatively few so far. However, we believe the universe of potential investments is increasing as the sector develops.

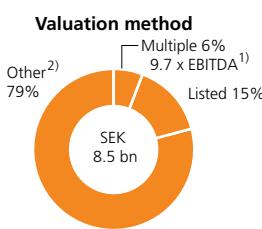
### Active ownership

Investor Growth Capital's involvement encompasses supporting portfolio companies in the development of their business and strategy to providing industrial competence from our network, as well as legal and financial expertise. Moreover, Investor Growth Capital is one of relatively few expansion stage investors with a global footprint, which is a source of competitive differentiation.

Through Investor Growth Capital's holdings, we receive valuable exposure to important new technologies and business trends early on. Also, we build knowledge that can be transferred to other areas of our investment activities e.g. through early discovery of disruptive technologies, competitors and business models.

Since 2003, Investor Growth Capital has focused on late stage venture capital investments, which fits well with our experience and overall ownership

### Investor Growth Capital



#### Value distribution



#### Geographic distribution



1) The average EBITDA multiple is based on the results from the past 12 months. The corresponding multiple in 2009 was 8.2 for Investor Growth Capital.

2) Valuations are based on the latest externally priced financing round or, for investments made within the last 12-month period, the acquisition amount.

1) As of December 31, 2010, the five largest investments were (in alphabetical order): ChinaCache (China), China Greens (China), Greenway Medical Technologies (U.S.), Memira (Sweden) and Mindjet Corporation (U.S.).

approach. Such investments typically require substantial capital and in-depth sector knowledge to create and build the business. Early stage investing expertise is more often found among individual investors and entrepreneurs than in institutional settings.

Before 2003, Investor conducted early stage investments, primarily through the independent Novare Kapital, but also through Investor Growth Capital. Following unsatisfactory investment results in the early stage portfolio during 1999-2002, Investor halted all early stage investments and integrated Novare Kapital into Investor Growth Capital during 2002.

## Valuation

Investments are valued in accordance with the guidelines of the International Private Equity and Venture Capital Association. As Investor Growth Capital holdings are normally early in their commercial maturity, carrying values are often based on the most recent externally priced financing round, or for new holdings, on the initially invested amount. When relevant, peer

**"Investor Growth Capital's involvement encompasses supporting portfolio companies in the development of their business and strategy to providing industrial competence from our network, as well as legal and financial expertise."**

group multiples are also applied. Operating performance, currency exchange rates and the public equity market environment in general impact the value of these unlisted holdings. Given that they are not valued with take over premiums, and with a substantial liquidity discount applied, this implies that exit-ready holdings would tend to be undervalued. Historically, very few holdings have been divested at prices below the values reported in the preceding quarterly report, and in those cases with minor deviation.

## Development in 2010

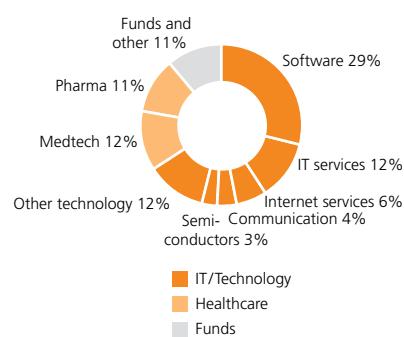
The venture capital market enjoyed a more stable environment compared to the previous year. Investor Growth Capital

made 13 new investments. While IPO conditions improved, the market remained volatile and selective, with price levels still constrained. Nevertheless, there was an upward trend in the number of completed public offerings. Investor Growth Capital successfully listed China-Cache on the NASDAQ and China ITS in Hong Kong. Several other attractive exits were made on the back of elevated activity in the healthcare sector, fueled by larger industry players aggressively seeking new sources of growth. Investor Growth Capital has several holdings well-positioned for exit and continues to work actively with a attractive pipeline of new investments.

As planned, Investor Growth Capital withdrew from Japan, focusing its Asian resources on Greater China. The holding in Japanese FOI Corporation was written off after the company was investigated for violating Japanese securities laws and a few other Japanese holdings were written down, impacting the overall performance of the portfolio. The remaining value in European holding AirPlusTV was written off.

In local currencies, Investor Growth Capital reported a value change of 8 percent, contributing to Investor's net asset value by SEK 0.3 bn. (before costs). Net divestments amounted to SEK 1.0 bn.

### Sector exposure, Investor Growth Capital



## U.S. portfolio

The U.S. portfolio represents about 58 percent of Investor Growth Capital's total assets and consists of 45 holdings in healthcare and technology. Investments typically range from SEK 50 m. to SEK 300 m. North America offers the broadest and most developed market for venture capital. We have established a strong market position through our long-term presence, a solid track record and a seasoned professional team.

### NEW INVESTMENTS IN 2010

- **BlueArc**: provides high performance unified network storage systems.
- **Retail Solutions**: provides a comprehensive suite of retail analytics software for consumer packaged goods manufacturers.

- **Trilliant**: a "smart grid" provider of electrical network software for more efficient power delivery.
- **Agile Therapeutics**: a pharmaceutical company specializing in women's healthcare products
- **ClairMail**: a provider of mobile software solutions to financial institutions.
- **Healthline Networks**: provides internet-based intelligent health search, advertising and content services.
- **Jazz Pharmaceuticals**: a specialty pharmaceutical company focusing on unmet medical needs in neurology and psychiatry.
- **Revision Therapeutics**: a pharmaceutical company spun-out from divested Sirion Holdings to continue clinical development of a treatment for macular degeneration.

- **Rocket Lawyer**: provides internet based legal services.
- **TearScience**: develops diagnostic and treatment devices for evaporative dry eye.
- **Visible Technologies**: provides social media monitoring and engagement solutions for brand management and online interaction.

### DIVESTMENTS IN 2010

- **Spiration**
- **Solstice Neurosciences**
- **Ception Therapeutics**
- **Santarus**
- **Siperian**
- **Sirion Holdings**
- **CHF Solutions**
- **Applied Spine**
- **Jazz Pharmaceuticals**

## European portfolio

The European portfolio represents 21 percent of Investor Growth Capital's total assets and consists of around 24 holdings. Investments typically range between SEK 50 m. and SEK 200 m. Building from a strong position in our Nordic home market, during the past few years we have gradually established a network in continental Europe to broaden our investment reach.

### NEW INVESTMENTS IN 2010

- **Telepo**: a provider of software for enterprise mobility and unified communication solutions.

### DIVESTMENTS IN 2010

- **SamSari**
- **Swedish Orphan International**
- **Heartscape Technologies**

## Asian portfolio

The Asian portfolio represents 21 percent of Investor Growth Capital's total assets and consists of approximately 21 holdings. Investments have so far been concentrated mainly to the technology sector and typically range between SEK 35 m. and SEK 150 m. We have been present in the Chinese market since the inception of Investor Growth Capital. Although the venture capital and entrepreneurial tradition in China is still emerging, we find the potential in the region attractive.

### NEW INVESTMENTS IN 2010

- **KyLin TV**: offers IPTV service comprising TV channels and video-on-demand dedicated to the Chinese community living in North America.

### DIVESTMENTS IN 2010

- **eBis Company**

## Case study in value creation:



**ChinaCache**

China has become home to the world's largest base of internet users. When Investor Growth Capital first invested in ChinaCache in 2005, we saw the opportunity to participate in the development of a nationwide content delivery and application network (CDN) that would serve as the backbone of internet development, just as we had previously observed in the U.S. We believed that the prospect of increasing internet usage and broadband penetration in China, and the growth of rich media content from mobile data and gaming applications would create pressure on networks to achieve greater interconnectivity and efficiency. These trends positioned ChinaCache for sustained growth and strategic leadership in this critical infrastructure sector.

At the time of Investor Growth Capital's investment, ChinaCache was the first non-carrier company to obtain a nationwide operating permit from the Ministry of Industry and Information Technology of China. Building from a base of 51 server nodes in 30 cities in China, ChinaCache

expanded into additional cities and upgraded its capacity and bandwidth. In the five years since our initial investment, ChinaCache has deployed over 7,000 servers and 260 nodes throughout China and more recently in 11 cities outside of China. In addition, ChinaCache has made critical investments in a dedicated optical fiber transmission network to optimize its content and application delivery performance and reliability.

In view of the significant capital expenditures needed to fund this expansion, Investor Growth Capital supported ChinaCache throughout its Series A, Series B, and Series C financings, ultimately becoming the largest institutional shareholder in the company (a position we still hold today). In addition to capital, our ability to share insights from our experiences in other geographies and sector knowledge has complemented management's vision and execution in creating the dominant CDN in China. ChinaCache's market leadership as well as the transition to strong EBITDA performance was recognized in a highly

successful IPO on the NASDAQ on October 1, 2010, in which ChinaCache posted the strongest first day trading performance of any U.S. IPO in the prior three years.

We look forward to seeing further progress in ChinaCache's development in one of the most dynamic and fastest growing internet markets in the world.

[www.chinacache.com](http://www.chinacache.com)

## Case study in value creation: Data storage

Investor Growth Capital's thesis-driven investment approach seeks to identify companies that deliver innovative technologies and business models to address secular market trends. An area of recent focus is the data storage sector, which is experiencing dramatic growth as the amount of digital information created and stored by businesses and consumers continues to increase exponentially. Market forecasts show that data storage consumption will grow 50 percent annually from 2010 to 2014. In addition, the advent of "virtualization" in the datacenter as well as "cloud-based" delivery models for software and services are driving substantial investment in next generation storage technology. The critical need to store, access, disseminate and backup data files, ranging from emails to video content, is placing a significant burden on global IT infrastructure, creating both a need and an opportunity for the sort of innovative solutions that young technology companies provide. The world's largest IT vendors have recently begun to corroborate this perspective through acquisitions of smaller companies at attractive valuations in an effort to better position themselves to compete in the evolving storage landscape. Investor Growth Capital's independent research and proactive sourcing efforts in this field over the last 18 months have resulted in two investments to-date in the U.S.



BlueArc is a provider of scalable, high performance, network storage systems to the enterprise, as well as data intensive markets, such as electronic discovery, entertainment, internet services, and life sciences. The company's products support both network attached storage, or NAS, and storage area network, or SAN, services on a converged network storage platform. Investor Growth Capital was impressed by BlueArc's fundamental advantages over competitors with respect to performance and scalability as validated by the company's significant commercial traction in the world's most demanding data storage environments. As part of its evaluation of this opportunity, the investment team was able to leverage not only its U.S. network and expertise, but also Investor Growth Capital's international portfolio and experience developed through our Asian investments in successful companies such as Alibaba, UIT, and ChinaCache.

[www.bluearc.com](http://www.bluearc.com)



ExaGrid delivers disk-based data backup and recovery systems to over 800 small and mid-sized enterprises. The company's solutions combine high quality disk drives, data compression, and data deduplication, allowing datacenter managers to replace legacy tape libraries with much higher performance, disk-based appliances at compelling price points. Investor Growth Capital was attracted to ExaGrid's combination of a large, under-penetrated market and a technology architecture that delivered superior performance, scalability, and price. Having previously tracked and been in contact with ExaGrid for over a year prior to our investment, Investor Growth Capital was able to utilize its portfolio company network and relationships with existing ExaGrid investors to create a proprietary investment opportunity and efficiently evaluate the company within an accelerated time window. Post-investment, Investor Growth Capital has been instrumental as a Board member and has made a particular impact in the company's effort to establish meaningful operations in Europe.

[www.exagrid.com](http://www.exagrid.com)

## Performance stabilized and improved

The EQT funds make leveraged investments in medium to large-sized companies in Northern and Eastern Europe, Asia and the U.S. The investment horizon is typically three to eight years. Investments are made through various sponsored funds with different scopes and external investors.

With many holdings being relatively mature, operational risk would generally be more limited compared to that in many of Investor Growth Capital's holdings. However, given substantial leverage in many cases, the financial risk would typically be considerably higher.

All EQT funds are advised by EQT Partners. EQT Partners has more than 200 employees in 11 countries, of which approximately 100 are investment professionals with a broad industrial and financial background. EQT Partners has offices in Copenhagen, Frankfurt, Helsinki, Hong Kong, London, Munich, New York, Oslo, Shanghai, Singapore, Stockholm, Warsaw and Zurich.

### VALUATION

Valuation is to a large extent based on multiples, as holdings are typically relatively mature and relevant peers are often available.

### EVENTS IN 2010

- EQT closed the EQT Credit fund, in which Investor is a sponsor. EQT Credit will focus on investing in the debt of operationally sound but over-leveraged mid-sized European companies.
- EQT III made an add-on investment in German Leybold. EQT III also divested its holding in Aleris to Investor.
- EQT IV made an add-on investment in U.K. company SSP.
- EQT V made an agreement to acquire Norwegian Hafslund Fibernet AS, acquired a majority stake in Swedish AcadeMedia and made an add-on investment in Bulgarian Blizoo.
- EQT V also invested in Norwegian sports retail chain XXL Sport & Villmark and acquired German Springer Science+Business Media.
- EQT Opportunity made an add-on investment in TitanX in Sweden.
- EQT Expansion Capital II invested in German Roeser Group and divested German Cinterion Wireless Modules.
- EQT Greater China II acquired Japan Home Centre and invested in Modern Metal & Precision Holdings and Qinyuan Bakery.
- EQT Infrastructure acquired Danish Kommunekemi and Swedegas, and made an agreement to acquire Koole Tanktransport B.V. (the Netherlands).

### DEVELOPMENT IN 2010

Following a challenging 2009, performance and operating metrics for many of the EQT holdings stabilized and improved. The deal flow grew stronger and a number of new investments as well as some add-on investments were made. In local currencies, the change in value of our EQT investments amounted to 28 percent.

EQT's effect on Investor's net asset value amounted to SEK 1.2 bn. in 2010. Our remaining commitment to all EQT's funds is SEK 3.5 bn.

[www.eqt.se](http://www.eqt.se)

### EQT's funds

SEK m.	Year started	Total capital commitments	Investor's share of fund	Investor's remaining capital commitments	Market value of Investor's remaining holdings
EQT I <sup>1)</sup>	1995	3,260	18%	–	–
EQT II <sup>1)</sup>	1998	6,193	18%	–	12
EQT III <sup>1)</sup>	2001	18,003	32%	177	1,269
EQT IV <sup>1)</sup>	2004	22,504	19%	243	3,503 <sup>2)</sup>
EQT V	2006	38,257	12%	882	4,507
EQT Opportunity	2005	3,345	25%	–	181
EQT Denmark <sup>1)</sup>	1998	1,228	18%	–	2
EQT Finland <sup>1)</sup>	1999	592	32%	–	1
EQT Expansion Capital I <sup>1)</sup>	2003	1,702	16%	37	73
EQT Expansion Capital II	2007	4,266	15%	396	172
EQT Asia <sup>1)</sup>	2000	2,147	64%	–	356
EQT Greater China II	2006	3,635	37%	677	533
EQT Infrastructure	2008	10,504	10%	760	220
EQT Credit	2010	2,894	10%	292	–
<b>Total<sup>3)</sup></b>		<b>118,530</b>		<b>3,464</b>	<b>10,829</b>

1) Fully invested.

2) Gambo Holding valued according to the same principles used for Investor's direct ownership.

3) The following rates were used to translate to SEK: DKK = 1.21 (EQT Denmark), EUR = 9.00

(EQT Finland, EQT III, IV, V, EQT Expansion Capital I, II, EQT Opportunity, EQT Infrastructure, EQT Credit, USD = 6.80 (EQT Asia, EQT Greater China II).

# Key figures

The net asset value (reported value of total assets less net debt) increased to SEK 169.9 bn., an increase of SEK 27.3 bn., during 2010. The net result, including change in value, was SEK 30.7 bn. (31.4). Our net debt position was SEK 11.5 bn. at year-end, resulting in a leverage of 6 percent.

## Overview of net asset value

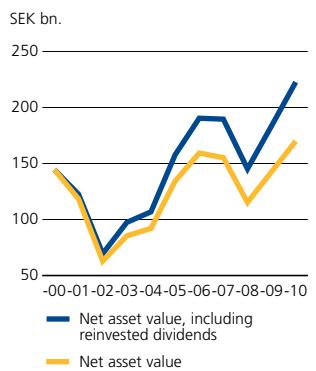
Core Investments contributed to the growth in net asset value by SEK 26.0 bn. in 2010 (31.9%). The total return for the business area was 25 percent. Operating Investments contributed to net asset value by SEK 3.5 bn. in 2009 (-1.4). Private Equity Investments contributed to the growth in net asset value by SEK 1.3 bn. in 2010 (0.7). Both Investor Growth Capital and EQT contributed positively.

We moved to a net debt position of SEK 11.5 bn. at the end of 2010 from a net debt position of SEK 0.6 bn. as of year-end 2009. The change during the year was mainly explained by the net investments made and our dividend paid.

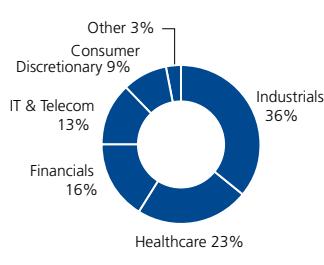
## Overview of net asset value

	Owner- ship, % (capital)	12/31 2010 SEK/share	12/31 2010 SEK m.	12/31 2009 SEK/share	12/31 2009 SEK m.
<b>Core Investments</b>					
Atlas Copco	16.7	45	34,671	28	21,408
SEB	20.8	34	25,579	26	20,227
ABB	7.3	33	25,082	30	22,904
AstraZeneca	3.7	21	15,956	23	17,292
Ericsson	5.0	16	12,396	14	10,721
Electrolux	13.6	11	8,054	9	6,560
Husqvarna	15.7	7	5,058	6	4,579
Saab	30.0	5	4,032	3	2,540
<b>Total</b>	<b>172</b>	<b>130,828</b>	<b>139</b>	<b>106,231</b>	
<b>Operating Investments</b>					
Mölnlycke Health Care	96	18	13,432	8	6,371
Lindorff	58	5	3,789	4	3,125
Sobi	40	5	3,486	1	971
Aleris	97	3	2,465	—	—
Gambro Holding (Gambro & CaridianBCT)	49	2	1,740	3	2,058
3 Scandinavia	40	2	1,281	2	1,350
The Grand Group	100	1	1,091	1	1,065
Land and real estate	100	1	364	1	384
Other	—	1	546	1	607
<b>Total</b>	<b>38</b>	<b>28,194</b>	<b>21</b>	<b>15,931</b>	
<b>Private Equity Investments</b>					
Investor Growth Capital	100	11	8,468	12	9,197
EQT	n.a.	14	10,829	12	9,136
<b>Total</b>	<b>25</b>	<b>19,297</b>	<b>24</b>	<b>18,333</b>	
<b>Financial Investments</b>					
		<b>5</b>	<b>3,706</b>	<b>4</b>	<b>3,283</b>
<b>Other Assets and Liabilities</b>					
		<b>—1</b>	<b>—606</b>	<b>0</b>	<b>—517</b>
<b>Total Assets</b>	<b>239</b>	<b>181,419</b>	<b>188</b>	<b>143,261</b>	
Net cash (+) net debt (—)		<b>—15</b>	<b>—11,472</b>	<b>—1</b>	<b>—588</b>
<b>Net Asset Value</b>	<b>224</b>	<b>169,947</b>	<b>187</b>	<b>142,673</b>	

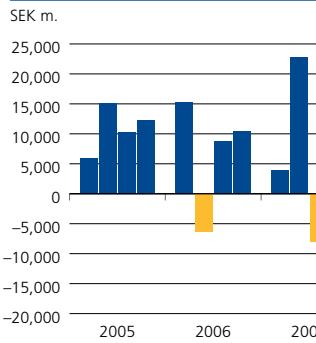
## Development of net asset value



## Total assets by sector

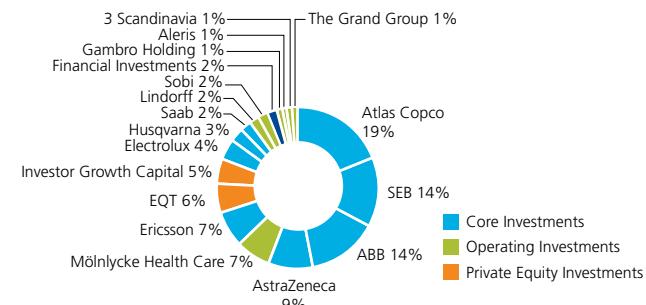


## Net asset value, quarterly change



In 2010, the net asset value grew during all four quarters. Net asset value has grown for seven consecutive quarters.

## Total assets by investment



## Development of the Group

SEK m.	2010	2009	2008	2007
Change in value	28,492	31,327	-39,492	-1,534
Dividends	3,622	2,866	4,147	3,474
Other operating income <sup>1)</sup>	994	1,113	756	410
Cost of investing activities <sup>2)</sup>	-622	-634	-566	-552
Other profit/loss items <sup>3)</sup>	-1,793	-3,304	-1,571	-2,165
<b>Profit/loss</b>	<b>30,693<sup>4)</sup></b>	<b>31,368</b>	<b>-36,726</b>	<b>-367</b>
Non-controlling interest	20			
Dividends paid	-3,050	-3,059	-3,637	-3,449
Other	-389	-869	439	-300
<b>Change in net asset value</b>	<b>27,274</b>	<b>27,440</b>	<b>-39,924</b>	<b>-4,116</b>

1) Includes interest received on shareholder loans.

2) Includes costs for long-term share-based remuneration programs. For the period 1/1-12/31, 2010 the total cost was SEK 37 m. (39).

3) Other items include shares of results.

4) Including non-controlling interest.

## Total shareholder return



Over the past 24 years, the longest period for which we have accessible data, we have generated a total shareholder return averaging 13.1 percent per year, outperforming the average annual total return of the Stockholm Stock Exchange (SIXRX) by some 0.8 percentage points, on an annual basis.

## Operating costs

The cost structure varies between our business areas. Our activities in Private Equity require more personnel than our other activities. These activities have clearly allocated costs of SEK 225 m. All other costs amount to SEK 360 m. In total, costs for investing activities amounted to SEK 585 m. (excluding costs for employee share programs amounting to SEK 37 m.), corresponding to 0.32 percent of total assets at year-end. This is below typical Swedish index funds, with management costs averaging 0.45 percent.

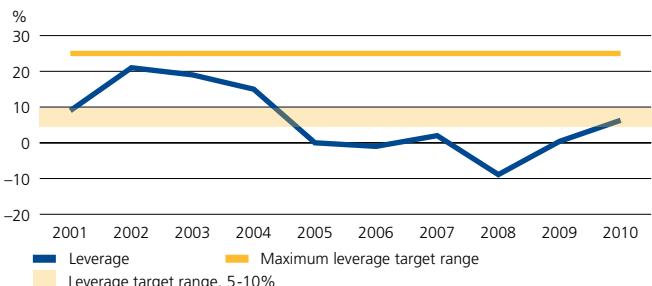
## Operating costs

SEK m.	Total cost	Total assets	Management cost/assets, %	Benchmark cost/assets, %
Investor Group <sup>1)</sup>	585	181,419	0.32	0.45 <sup>2)</sup>
<b>Split by business area</b>				
Core Investments	72	130,828	0.06	
Operating Investments	102	28,194	0.36	
Private Equity Investments	225	19,297	1.17	~2.00
Financial Investments	42	3,706	0.01	
Groupwide, shared costs <sup>1)</sup>	144			

1) Excluding costs for long-term share-based remuneration of SEK 37 m.

2) Average cost for Swedish index funds according to Morningstar.

## Leverage



## Valuation methods

All investments are reviewed before the monthly and quarterly accounts are closed. Since investments vary in nature, different valuation multiples and methods are applied. Regardless of the valuation principle, we conduct an in-depth analysis and review that provides the basis for valuations reported in connection with Investor's reports. The overview below addresses the valuation principles in each business area. Investor provides information about the companies' important news, operating performance as well as key figures, such as net sales, EBITDA, normalized EBITDA (when relevant), net debt and number of employees. In normalized EBITDA, material one-off items, such as one-time gains, restructuring costs, write-downs, and specific investments, are excluded to better reflect the underlying operating result. Major associated companies report quarterly figures with one month's delay, consolidated subsidiaries report without any delay.

**Core Investments** The closing bid price (for the most actively traded class of share) multiplied by the number of shares held.

**Operating Investments** Unlisted investments classified as associated companies are valued according to the equity method, subsidiaries according to the acquisition method, and listed companies at share price (bid).

**Private Equity Investments** Share price (bid), multiple or third-party valuation.

**Financial Investments** Share price (bid/ask) or third-party valuation.

# Investor shares

2010 was a year full of contradictions, with economic recovery as well as new concerns. Although stock markets were up, the outlook remained uncertain and the same level of volatility that has characterized the economic climate during the last year continued to prevail. The foreign ownership in Investor returned to the pre-financial crisis levels, outpacing the share of foreign ownership on the Stockholm Stock Exchange.

The total return for the Investor share in 2010 was 11 percent and the average annualized total return has been 4 percent over the past five-year period. The price of Investor's A share increased 5 percent during the year from SEK 131.80 to SEK 139. The B share increased 8 percent from SEK 132.90 to SEK 143.90.

## Turnover

During 2010, the turnover of Investor shares on the Stockholm Stock Exchange totaled 489 m. (569), of which 33 million were A shares (35) and 456 million were B shares (534). This corresponded to a turnover rate of 10 percent (11) for the A share and 98 percent for the B share

(115), compared with 95 percent for the Stockholm Stock Exchange as a whole (119). On average, 1.9 m. Investor shares were traded daily (2.3). Our share was the 19<sup>th</sup> most actively traded share on the Stockholm Stock Exchange in 2010 (17<sup>th</sup>). Additional Investor shares were also traded on other exchanges.

### Total return compared to SIXRX

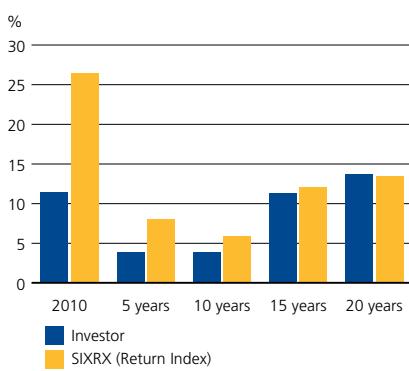


### Investor's 15 largest shareholders listed by capital stake<sup>1)</sup>

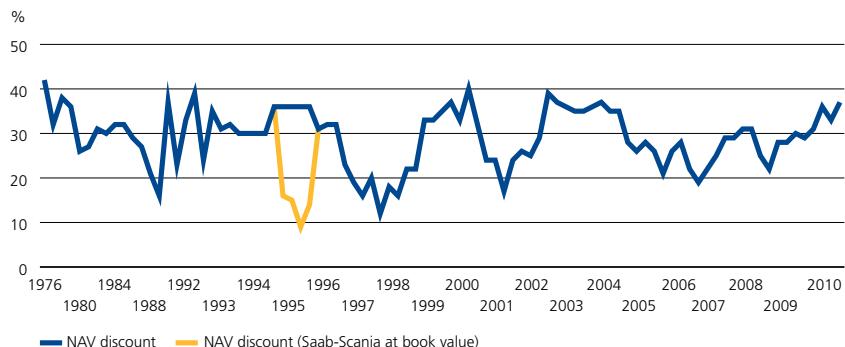
	12/31 2010		12/31 2009	
	% of capital	% of votes	% of capital	% of votes
Knut and Alice Wallenberg Foundation	18.6	40.0	18.6	40.0
Alecta	3.9	2.5	4.4	2.6
Northern Cross (Harbour International)	2.7	0.6	2.5	0.5
SEB-Foundation	2.3	4.9	2.3	4.9
Marianne and Marcus Wallenberg Foundation	2.3	4.9	2.3	4.9
Skandia Life insurance company	2.1	4.1	2.3	4.2
AMF	2.0	1.4	1.9	1.1
Third Avenue Management LLC	2.0	4.3	2.0	4.4
Swedbank Robur Funds	1.5	2.3	2.2	3.1
Marcus and Amalia Wallenberg Memorial Fund	1.4	3.1	1.4	3.1
Oppenheimer Funds	1.2	0.3	1.2	0.3
Second AP-fund	1.2	0.3	1.0	0.3
SEB Investment Management	1.1	0.6	1.1	0.6
Handelsbanken Funds	1.1	0.4	1.4	0.5
Third AP-fund	1.1	0.9	0.9	0.8

1) Swedish owners are directly registered or registered in the name of nominees. Foreign owners through filings, custodian banks are excluded. Source: Euroclear Sweden.

### Average total return Investor vs. SIXRX



### NAV discount



## Ownership structure

At year-end 2010, our share capital totaled SEK 4,795 m., represented by 767,175,030 shares, each with a quota value of SEK 6.25. We had a total of 138,761 shareholders at year-end 2010 (143,591). In terms of numbers, the largest category of shareholders is private investors, and in terms of the percentage of share capital held, institutional owners dominate. The largest single shareholder category is foundations, of which the three largest Wallenberg foundations combined own 22.3 percent of the share capital and 48.0 percent of the voting rights.

## Capital markets day in Stockholm

As an important step to increase transparency and provide the market with further information about our strategy, we arranged a capital markets day in Stockholm in May. The purpose was to present our activities within our three business areas, with particular focus on the Operating Investments. Speakers included Investor's management and the CEOs of the major Operating Investments.

The capital markets day was webcasted live on the internet and can be found on demand on our website.

## Foreign ownership structurally important

During recent years, we have solidified our focus on broadening our shareholder base and attracting a larger share of international shareholders. The reason is that we believe that a larger share of long-term foreign owners will have a structurally positive effect on total shareholder return. Foreign ownership declined during the last years' turbulence, but has now returned to the level it was before the financial crisis, outpacing the Stockholm Stock Exchange. As of year-end, foreign ownership amounted to 31 percent (28), compared to 29 percent (30) for the Stockholm Stock Exchange.

During the year, we have continued to carry out important activities, both in Sweden and abroad, aimed at capturing the returned interest from investors and increasing foreign ownership. Examples of such activities are:

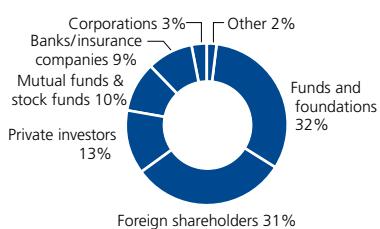
- Increased transparency relating to our unlisted holdings.
- Continued focus on identifying and actively attracting the right type of foreign shareholders (investor targeting).
- A large number of investor meetings in Sweden and abroad.

- Frequent road shows to important markets.
- Participation in high-profile seminars and presentations.
- A capital markets day.

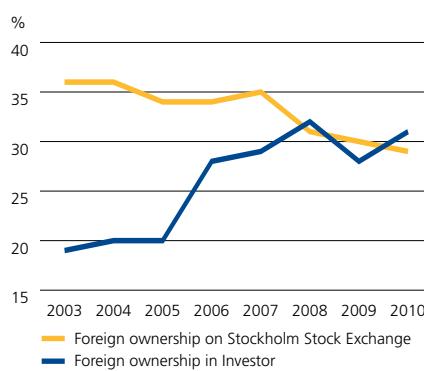
## Employee stock ownership

Within the framework of our long-term share based remuneration, all employees are given the opportunity to invest 10 percent or more of their gross fixed base salary, in Investor shares. Approximately 80 percent of Investor's employees are shareholders. In total, employees have made own personal investments of SEK 70 m. in Investor shares within the programs for long-term share based remuneration. The President, senior management and certain key personnel are required to invest a significant portion of their fixed basic salary in Investor shares. Personal investments mean that the program has both an up and downside. For more information on remuneration, see Employees, network, and brand page 37 and Note 5, page 95.

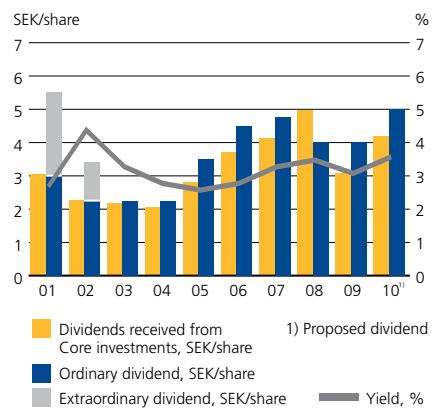
### Distribution of shareholders (% of capital)



### Foreign ownership of capital



### Dividend



## Proposed dividend and distribution policy

The Board and the President propose a dividend to shareholders of SEK 5.00 per share (4.00), corresponding to a maximum of SEK 3,836 m. (3,069), based on the total number of registered shares. Our policy is to distribute a high percentage of dividends received from Core Investments, as well as to make a distribution from other net assets, corresponding to a yield in line with the equity market. Our goal is also to generate a steadily rising annual dividend.

## Repurchases of own shares

In 2010, 2 million shares were repurchased to hedge our program for long-term share-based remuneration. No other buy-backs of own shares have been carried out since we consider it more attractive from a long-term return perspective to invest capital in new and existing holdings with a high return potential.

*More information, presentations and key figures can be found on our website, under Investors & Media.*

### Why invest in Investor's shares?

- Our business model to actively develop holdings is well proven and has continuously generated healthy long-term returns to shareholders.
- Our unlisted investments provides proprietary assets with high return potential.
- Investor has a strong financial position, enabling us to capture attractive business opportunities for ourselves and for our holdings.
- We are a transparent company providing comprehensive financial information on a continuous basis.
- The liquidity of Investor shares is one of the highest on the Nordic Stock Exchange.
- The administration cost is significantly lower (approximately 0.3 percent of total assets) than many other investment alternatives such as equity funds.

### Brief facts

- Listed since 1917.
- A shares and B shares are traded on the Large Cap list of the Nordic Exchange (NASDAQ OMX) in the "Financial" sector.
- The only difference between the A and B share classes is that the A share carries one vote while the B share carries 1/10th vote.
- Total number of outstanding shares: 767,175,030, of which 455,484,186 B shares and 311,690,844 A shares.
- Ticker codes B share: INVEB SS (Bloomberg), INVEb.ST (Reuters) and W:ISBF (Datastream).
- Market capitalization on December 31: SEK 108 bn. (adjusted for repurchased shares), twelfth largest company on the Stockholm Stock Exchange.



# Employees, network and brand

Our strategic assets include our employees, network and brand. In addition to our three business areas, our organization consists of employees in Corporate Governance, Finance, IT, Human Resources, Communications, Office Support, Trading and Treasury.

Our long history of owning and developing companies has created a strong international reputation and brand. Another key strategic asset is our network of international industrialists and specialists that help us identify trends, attractive investment opportunities and recruit the right talent to our organization and holdings. We continuously work to develop our brand and network. Our employees work out of our offices in Stockholm, Amsterdam, Beijing, Hong Kong, Menlo Park and New York.

## Our employees

Having the right people in the right place at the right time is critical in order to build successful companies. To recruit and retain the right people, we emphasize creating

### Our philosophy on remuneration – in short

Successful entrepreneurship and development of companies is very much dependent on having the right person in the right place at the right time. Consequently, both remuneration systems and recruitment principles are crucial to our business concept as a whole. Our management teams should have the strength, determination and entrepreneurial spirit needed to build best-in-class companies.

#### Our remuneration pillars

- Total remuneration, which the individual and the company agree upon, should be competitive in order to attract the right person to the right place at the right time.
- A substantial part of the total remuneration package should be variable.
- The system should be linked to long-term shareholder return by offering the opportunity to build considerable long-term shareholdings. We expect employees to invest their own personal funds in the company.
- The systems should be transparent and simple.
- The remuneration systems should adhere to the “grandfather principle”, i.e. all changes in the employee's remuneration are to be approved by the supervisor of the manager proposing the change.

an attractive workplace that focuses on competence, professionalism and quality awareness. During 2010, we focused on facilitating the knowledge exchange and interaction within our global organization, and in line with this, we integrated the Core and Operating Investments organizations and launched a new internal communications and collaboration platform.

#### DIVERSITY CREATES VALUE

Diversity is a key priority for us, because it creates a dynamic and more creative workplace. However, it is also a necessary element if we are to succeed as an active owner in holdings in different industries and different geographical markets that face different challenges. Thus, we have built a team of employees with different nationalities, age, gender, expertise and backgrounds. For example, we continued our efforts to increase the representation of women in senior management positions within business in general, but also in our own organization and holdings. However, a lot of work remains to be done. Within our own organization, the share of women in leading positions has grown during 2010. Our emphasis on appointing more women to leading operational management positions, will increase the recruitment base for management groups and board positions in the long term. Our ambition is to have at least one man and one woman in the final process for every recruitment activity, labour law permitting. In addition, we have;

- participated in an equality benchmark survey,
- continued to be active in the public debate, participated in seminar panels and networks for women in senior management positions,
- provided management training within the Novare Management Program for women to a number of employees, and
- contributed to the promotion of several women to key positions, such as Board directors for our holdings.

#### OUR CULTURE GUIDES OUR ACTIONS

A strong and clear corporate culture is important if we are to successfully achieve our vision and goal. We conducted our yearly employee survey to ensure that our development is progressing and that we are creating an attractive and efficient workplace, which ultimately creates value for our shareholders.

High ethical standards are an integral part of our way of doing business. Therefore, we developed the Investor Business Principles (Our Map), which is available on our corporate website. Workshops have been held for the entire company to ensure that we are living by our business principles and that these principles continue to evolve. In line with this, the Board of Directors adopted a whistleblower policy, encouraging and enabling employees to raise concerns. A new Code is expected to come into effect sometime in 2011, which is aimed at preventing bribes in the business industry. The Board of Directors will then adopt an internal policy ensuring adherence to the Code.

## Talent Management in focus

Attracting and retaining the right competence is key to develop best-in-class companies and during 2010, we have focused on integrating Talent Management processes in the organization. For example, this involves:

- Job rotation programs between our global offices and departments.
- Offering internal and external mentorship and coaching programs.
- Focus on the employee's long-term development.

## TALENT MANAGEMENT IS KEY

During 2010, we have continued to focus on integrating the Talent Management processes in the organization, in order to ensure that we will have the right composition of skills and knowledge, both now and in the future.

We actively work to ensure that vital expertise is shared throughout the organization. A few years ago, as a part of our efforts to create a dynamic workplace, we initiated an internal recruitment market announcing available positions on our intranet.

## Our global network

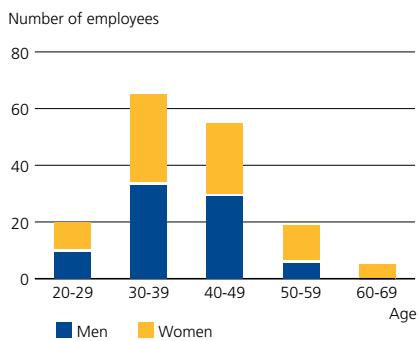
We have been building and developing companies for almost 100 years. In doing so, we have created a unique global network that is a strategic asset and competitive advantage. Our network of contacts has a breadth and depth that benefits our business in several different ways. We continuously work to maintain present relationships, while at the same time creating new ones.

We are constantly striving to develop relationships that generate a flow of attractive investments and help holdings advance their businesses. In the recruitment process, this network is also crucial for finding the right employees, Board members, managers and advisers. To give our holdings access to the network, we regularly arrange network meetings with representatives from portfolio companies. Current issues are discussed and experience and knowledge are exchanged. We also have frequent informal contact and meetings and we participate in different network programs run by the Swedish American Chamber of Commerce (SACC) and Novare, such as Forum Novare, Novare Management Program and Novare Management Parent.

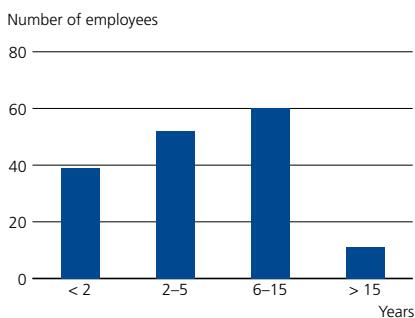
## Facts & figures on employees

- Number of employees on December 31, 2010: 162 (156).
- Average number of full-time employees in 2010: 155 (145).
- Average age: 40.1 years (39.9).
- About SEK 26,200 was invested in education per employee (22,000).
- The percentage of female employees was 52 percent (52).
- The percentage of women in senior management positions was 29 percent (26).
- Personnel turnover was 5.7 percent (5.4).

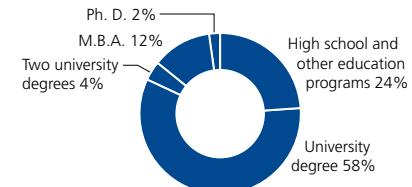
## Age distribution



## Years of employment



## Employees by education



# Good citizen – sustainable business

We strive to be a good corporate citizen. Our ambition and responsibility cover a number of areas, such as the environment, human rights and working conditions. It also includes a commitment and responsibility to participate in the development of society at large. We have a tradition of behaving as a responsible company and owner that spans nearly 100 years.

We believe there is a strong link between long-term profitability and a sustainable business model. Our thinking and activities within the corporate sustainability field are split into two perspectives: our role as an owner and investor, as well as our role as a company and employer. Our corporate sustainability efforts also include ongoing dialogues with large businesses, international business networks and government representatives in different countries about the conditions for owning and developing companies over the long term. These dialogues give us early indications about trends, political changes and opportunities, which we convey to our holdings. As in all business activity, if handled appropriately, a sustainability focus should provide interesting opportunities for us as well as our holdings.

**“For many of our holdings, sustainability is a key strategic area and a tool for staying ahead of the competition”.**

## **The ownership perspective**

In the companies in which we have influence, we strive to ensure that operations are conducted in a responsible and ethical manner. Compliance with legislation and regulations is a basic requirement. Just as with every other issue relating to our holdings, our influence is mainly exercised via our work on the Board. We recommend that our holdings draw up policies and goals for the corporate sustainability issues that are most relevant and important to them. Since corporate sustainability risks

and challenges differ between companies, industries and countries, each company must identify and address the issues relevant to its particular operations.

For many of our holdings, sustainability is a key strategic area and a tool for staying ahead of the competition. Many of our holdings are leaders in their sectors and have been successful at turning risks and threats into business opportunities. For example, some have achieved this by differentiating the products and services to the customer.

## **The Investor and employer perspective**

As a company and employer, we make sure we have a good working environment and we take good care of our employees. We support the OECD Guidelines for Multinational Enterprises and we



comply with the laws and regulations within the countries where we are active. As employer, health, the working environment and safety are all things that are very important to us. We have a good health program and a strong focus on security, safety and well-being of all our employees.

#### ENVIRONMENTAL PERSPECTIVE

Our direct impact on the climate is very limited, since we are not involved in the production of goods or services. We are active through a small number of offices around the world. Our environmental policy strives to minimize environmental impact through the conservative use of resources, recycling and other measures. We also strive to continually increase our awareness of climate-related risks and opportunities. Since 2007, we measure and report our climate footprint at our Stockholm facilities, reporting to CDP (Carbon Disclosure Project). However, given our small size in terms of employees and environmental impact, for us when it comes to running a sustainable business is to focus more on our role as the owner of companies and less on our role as employer.

#### Case studies

##### MÖLNLYCKE HEALTH CARE

Mölnlycke has been awarded Best Overall Innovation Award for the O.R. Efficiency Partnership Program by the British Association for Perioperative Practice (AfPP). According to the AfPP jury, the award was won due to "a dedication to quality, efficiency and improving patient safety". The award acknowledges the development of a groundbreaking product or service that has influenced the care provided to patients. AfPP is a national charity that actively advocates safer surgery. With the O.R. Efficiency Partnership Program, Mölnlycke Health Care Surgical Division can assist hospitals in reaching their objectives and offering better care to more patients. The Partnership Program is a ser-

vice solution specifically designed to address the preceding issues by identifying and creating time, effort and cost efficiencies. This frees up more valuable resources, which also results in new efficiencies. The Program uses a unique tool and method to identify and quantify time savings. It also offers suggestions how to invest freed-up time in a way that is in line with the stated objectives.

The patented innovation of the Safetac® technology has provided Mölnlycke Health Care with two awards during the year for its innovation and creativity: Industriens Hållbarhetspris (the industry's sustainability prize) and Stora Teknikpriset (the Grand Technology prize). Stora Teknikpriset is awarded by Ny Teknik (Sweden's largest technology and IT-journal) and VINNOVA (Sweden's innovation agency, which aims to increase the competitiveness of Swedish researchers and companies). It recognizes the people behind major technical breakthroughs and innovations that have become profitable. Safetac® is an adhesive technology that minimizes pain to patients and trauma to wounds when dressings are removed. The product sales based on this new technique are already SEK 2 bn. and has a double-digit growth.

Mölnlycke Health Care has donated surgical gloves to Operation Smile for a number of years, but developed the relationship with this organization further during 2010 by establishing a Volunteer Program open to all of its employees. Over the last year, six Mölnlycke employees have joined Operation Smile on missions to Brazil, Bolivia and Egypt. Several local charity initiatives have also been implemented globally. The Benelux organization of Mölnlycke has sponsored the construction of a hospital in Kenya. On the environmental front, the company has continued to reduce its carbon footprint by improving the fill-rates of trucks. The goal is to increase such rates by 15 percent by the end of 2012. In 2001, Mölnlycke implemented an environmental

management system. In 2002, it was awarded an ISO 14001 certification, which had been achieved by very few others thus far in the medical device industry. Today, all production facilities, as well as its headquarters, are ISO 14001 certified.

**"As in all business activity, if handled appropriately, a sustainability focus should provide interesting opportunities for us and for our holdings".**

##### ATLAS COPCO

For the sixth consecutive year, Atlas Copco was named one of the 100 most sustainable companies in the world. There is a continued focus on developing more energy-efficient and safer products and solutions. For example, the ZS Air blowers with screw technology are 30 percent more energy-efficient compared to conventional technology. Another example is the Scooptram loader, which is more productive and safer. By reducing fuel consumption by 8 percent, it helps improve customer competitiveness and it reduces carbon dioxide emissions.

Atlas Copco also focuses on safety and health issues. It helps support anti-corruption efforts by holding training sessions on ethical issues. For the second time in a row, Atlas Copco was recognized for its HIV/AIDS program in South Africa by receiving the Swedish Workplace HIV/AIDS Programme (SWHAP) Achievement Award. The aim of the programme is to prevent the spreading of HIV and AIDS and alleviate the effects of the HIV pandemic at the workplace level. SWHAP operates in seven countries in Sub-Saharan Africa; Botswana, Kenya, Nigeria, South Africa, Tanzania, Zambia and Zimbabwe. In addition, Atlas Copco has programs in Ghana and Namibia.

The organization Water for All operates under the motto that clean drinking water is a basic human right and it seeks to raise funds to support projects that provide clean drinking water for people in need. The organization was originally founded by Atlas Copco employees in Sweden in 1984. Today, there are local Water for All organizations in more than ten countries, all of which are managed by Atlas Copco employees. Water for All has helped to provide more than one million people with clean drinking water. This has been achieved with voluntary employee contributions. The Atlas Copco Group participates by matching employee donations which are used to dig or drill or protect natural springs in countries where clean drinking water is scarce. As of 2011, Atlas Copco will participate with twice the sum donated by the employees. Water for All always cooperates with non-political aid organizations that run the projects and account for the money spent. Water for All has successfully supported projects in countries like Peru, Kenya, Sudan, India, Afghanistan and China providing people with clean drinking water for life.

Visit [www.investorab.com](http://www.investorab.com) for more examples.

#### BEING A GOOD CORPORATE CITIZEN

We use our sponsorship activities as a way to combine business-related involvement with a good citizen perspective. The areas we prioritize are youth, education and entrepreneurship. Sponsor activities during 2010 included;

- Klara-K, an organization working to encourage women in business by providing career programs, seminars and networks.
- Young Enterprise Sweden (Ung Företagsamhet), entrepreneurship training in the form of a competition at upper secondary school level.
- IFS, an organization that helps people of foreign nationalities start and develop companies in Sweden. Responsible for the "Settler of the year (Årets Nybyggare)", an award handed out by H.M. King Carl XVI Gustaf to a person with foreign background that starts a business with limited resources and hard, purposeful, successful work.
- Student Business Challenge, entrepreneurship at the university level.
- Venture Cup, an organization focusing on increasing the interest for entrepreneurship among graduate students by stimulating the establishment of new,

innovative businesses with growth potential.

- Zon Moderna, an educational art outreach project for upper secondary school students that is offered at the Modern Museum.
- Transfer, the idea of Transfer is to provide role models to lecture in order to inspire young persons in their studies. Key persons from Investor contribute with sharing our view and competence and in exchange we get insight in youth perspectives.
- IK-programmet, Investor and Kunskapskolan have established two programs called IK (short for Investor and Kunskapskolan), with the purpose of getting young women into university technology and science programs. This is done by encouraging and supporting their interest to become leaders, innovators or entrepreneurs. IK-programmet is a stand-alone course that is offered parallel to regular studies. It includes study visits, inspiration meetings with women in key positions, leadership training, access to the IK-network, mentoring, and an internship somewhere in the network between year 2 and 3 in upper secondary school.





"Good corporate governance ensures that companies are managed in the most efficient way for the shareholders".  
*Jacob Wallenberg*

# Corporate Governance Report

Corporate governance practices refer to the decision-making systems through which owners, directly or indirectly, control a company. Good corporate governance rests on three pillars – active owners, an involved and well-constructed Board and efficient processes with thorough risk management.

Good corporate governance creates value by ensuring an effective decision-making process that is in line with the company's strategy and guides the company toward established business goals. Investor supports each company in its specific challenges and opportunities. This is particularly important in times of turbulence and uncertain financial development. Good corporate governance also includes transparency towards company owners so they can monitor the company's development.

For Investor, as an industrial holding company, the business model of active ownership is to create value in companies. For this, good corporate governance is fundamental. This applies to Investor's own organization, as well as to the companies in which Investor is an owner. This Corporate Governance Report for 2010 describes Investor's corporate governance from both of these perspectives.

The Auditor's report of the Corporate Governance Statement is presented on page 137.

## Cornerstones for good corporate governance



### Investor's corporate governance in 2010

- Continued foreign representation in the Nomination Committee
- Two new Board members elected to the Board
- Evaluation of the Board
- Board remuneration partly in synthetic shares, overall level unchanged
- Long-term variable remuneration for employees
- Continued focus on risk assessment
- New operating subsidiaries
- Focus on Whistleblower policy
- Establishing revised ethical guidelines throughout the organization

### Special focus in 2010 on internal controls and risk management

#### Follow up

- Follow up on action plans decided in conjunction with the risk analysis in 2009
- Follow up on measures from review reports by the auditor and Internal Control function
- Follow up on identified risks 2010

#### Information and communication

- Information security
- Internal communication via intranet

#### Control activities

- Routines for the reporting of values from new operating subsidiaries
- Controls in the investment and valuation processes for Operating Investments
- Controls for Active Portfolio Management
- IT controls in the systems for financial reporting

#### Risk assessment

- Identification of current risks and self-evaluation of risks for each business area
- Specific risk areas identified by Management to be evaluated by the organization, such as new operating subsidiaries

#### Control environment

- Further development of all group policies and associated instructions
- Internal workshops where the organization's employees discuss Investor's ethical guidelines and Whistleblower Policy with a representative from Management

"One of the cornerstones in our value creation plans is good corporate governance".

*Börje Ekholm*



#### Investor adheres to the Swedish Code of Corporate Governance

- This Corporate Governance Report is submitted in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance ("the Code") and explains how corporate governance was carried out during the 2010 fiscal year.
- Investor complied with the Code in 2010.
- The Corporate Governance Report has been reviewed by Investor's auditor.
- Investor did not violate the NASDAQ OMX Stockholm Rule Book for issuers or good stock market practice.

For more information about Investor's corporate governance, please visit our website at [www.investorab.com](http://www.investorab.com)

- The Articles of Association.
- Corporate governance reports since 2004.
- Information about the company's management.
- Information about compensation.
- Information about the Auditor.
- Information about the Board, Committees and their work.
- Internal control reports since 2005.
- Nomination committees since 2005 and adherent documentation.
- AGMs since 2004 and adherent documentation.
- The Auditor report of the Corporate Governance Report 2010.

More information on laws and practice for Swedish corporate governance can be found at the following websites:

- The Swedish Code of Corporate Governance available on the Swedish Corporate Governance Board's website: [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se).
- The NASDAQ OMX Stockholm Rule Book for Issuers available at: [www.omxnordicexchange.com](http://www.omxnordicexchange.com).
- The Swedish Financial Supervisory Authority's statute book and information on insiders is available on the Authority's website at: [www.fi.se](http://www.fi.se).

#### Investor's 10 largest shareholders listed by voting rights on December 31, 2010<sup>1)</sup>

	% of votes	% of capital
Knut and Alice Wallenberg Foundation <sup>2)</sup>	40.0	18.6
SEB Foundation	4.9	2.3
Marianne and Marcus Wallenberg Foundation <sup>2)</sup>	4.9	2.3
Third Avenue Management LLC	4.3	2.0
Skandia Liv insurance company	4.1	2.1
Marcus and Amalia Wallenberg Memorial Fund <sup>2)</sup>	3.1	1.4
Alecta	2.5	3.9
Swedbank Robur Funds	2.3	1.5
AMF Pension	1.4	2.0
Third AP-fund	0.9	1.1

1) Directly registered, or registered in the name of nominees, with Euroclear Sweden.

2) The three largest Wallenberg foundations own a total of 48 percent of the votes and 22 percent of the capital.

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# Corporate Governance from our perspective as an owner



## Our ownership role

We are a responsible and long-term owner, focusing on what we deem best for each individual company. Through our international network, our strong brand name and active approach, we can add significant value. Our business teams, consisting of in-house analysts and our Board representatives, develop value creation plans for each company, identifying strategic key drivers that we think the company should focus on during the next 3-5 years. We are also engaged in matters regarding capital structure and overall targets. Our analysts also perform extensive benchmarking of our holdings and their peers to ensure that they progress according to plan, and that corrective action can be taken if they do not. When we exit holdings, this is done in a responsible way.

The Board is at the core of our active ownership model. We are deeply involved in nomination committees and utilize our wide network to help appoint appropriate Board members in our holdings. We also evaluate the Boards and their work on a regular basis.

## The Boards of the holdings

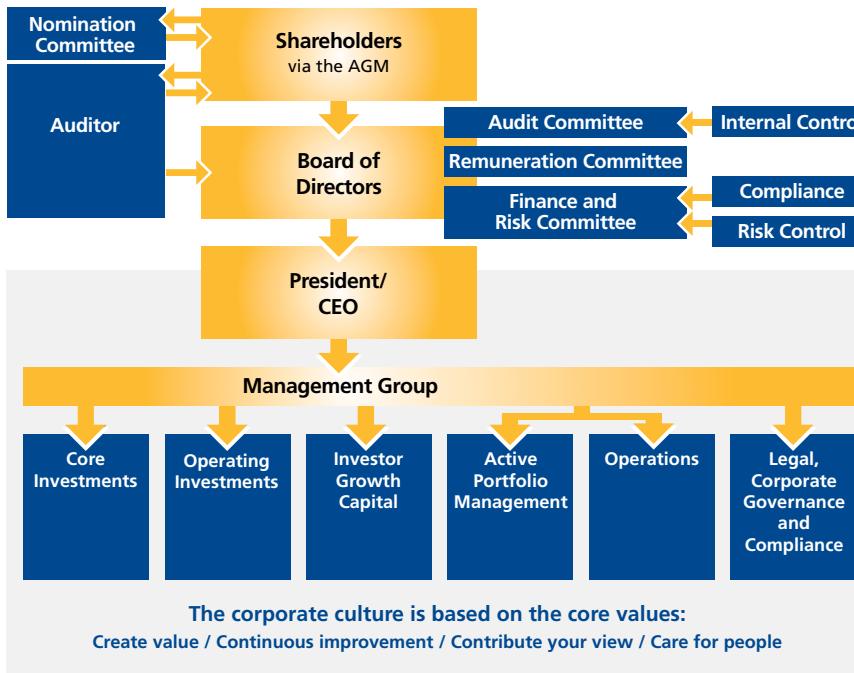
The Board appoints and evaluates management, sets strategies and goals, monitors financial performance and the capital structure. It should act as a supervisor of management, but should also be able to support it in its decisions and actions. Consequently, a Board composed of individuals with time and interest to learn the conditions and challenges of a particular business, having integrity and business acumen, is vital for developing successful companies. The right Board composition does not only vary between companies, but also between different points in time within a company. Given this, when a company enters a new phase or new challenges, Board members could need to be replaced – not because they have done a poor job, but because conditions change.

It is important that the Board works in the best interest of all shareholders. In our view, it is critical that the interests of the Board and the owners are aligned, which for example is achieved by Board members having material, personal long-term shareholdings in the companies in which they have a board seat. This principle applies to both Core and Operating Investments.

## The role of the Management

Management is responsible for running the company in line with the strategy established by the Board. In our view, management should have the best understanding of how to implement the strategy practically and run the day-to-day operations. As a consequence of this, management should also be able to help question and modify the strategy if necessary. We aim to have a regular and constructive three-way dialogue between the owners, the Board and management, but at the same time, for accountability and effective corporate governance, we think that it is important that the division of responsibilities is maintained. Such a setup should help ensure that the company is run in a good way, that it is flexible and prepared to capture opportunities and handle challenges, and that any flaws or inefficiencies can be addressed and corrected before they risk turning into larger issues.

# Corporate Governance at Investor



Primary external framework for governance at Investor:

- Swedish Companies Act.
- Accounting legislation, e.g. Swedish accounting Act, Swedish Annual Accounts Act.
- NASDAQ OMX Stockholm Rule Book for Issuers.
- Swedish Code of Corporate Governance.

Examples of internal framework for governance at Investor:

- Articles of Association.
- Board instructions, Rules of procedure.
- Compliance Policy, Risk Policy and Standard Operating Procedures.
- Process descriptions for each business area.
- Ethical guidelines/Business principles.
- CSR guidelines.

Investor is a Swedish limited liability corporation that is publicly traded on the NASDAQ OMX Stockholm. Applicable external legislation, regulations and recommendations, as well as internal policies and instructions form the basis of the company's corporate governance – from shareholders, the Board and President to company management.

Another central document for corporate governance is the company's Articles of Association. The Articles of Association establish, for example, the company's name, where the Board is registered, the focus of Investor's business activities and information concerning the share capital.

The Annual General Meeting (AGM) is the company's highest decision-making authority and serves as the forum through which Investor's shareholders exercise their influence over the business.

The Nomination Committee looks after the interests of all shareholders and is responsible for preparations in advance of the AGM, such as a proposal for the composition of the Board.

On behalf of Investor's owners, the Board oversees the management of the

company's affairs. The Board is headed by Chairman Jacob Wallenberg.

The Board appoints the President, who is charged with carrying out the day-to-day management of the company in accordance with the directions of the Board. The division of responsibilities between the Board and President is detailed clearly in instructions and rules of procedures that are approved by the Board each year.

To increase the efficiency and depth of the Board's work on certain issues, the Board has established three committees; the Audit Committee, the Remuneration Committee and the Finance and Risk Committee.

Internal Control, Risk Control and Compliance are important support functions for the Board's committees.

The external auditor appointed by the AGM audits the Board and the President's administration of the company, as well as the company's financial reports.

The Management Group is made up of the President and the heads of Core Investments, Operating Investments, Investor Growth Capital, Active Portfolio Manage-

ment and Operations and Legal, Corporate Governance and Compliance.

Internal policies and instructions constitute important control documents in all parts of the company and clarify responsibilities and powers within areas such as information security, compliance and risk.

The actions of management and personnel are also governed by Investor's corporate culture. A strong, clearly defined corporate culture plays an important role in enabling the company to achieve its vision and goals. The corporate culture at Investor is based on four core values: Create value, Continuous improvement, Contribute your view and Care for people. The Management Group actively works to engage all employees in developing the corporate culture and living by the values expressed through it. For more information, see the section, Employees, Network and Brand in this annual report.

The company's strategy and management of CSR issues is also a part of the company's governance. More information is available in the section Good citizen-sustainable business in this annual report.

## Cornerstones for good corporate governance



Investor has approximately 140,000 shareholders. The largest shareholders by votes have been the same during the last years, which enable ownership stability in strategic important questions. For the third consecutive year, a foreign shareholder has been appointed to the Nomination Committee. Investor advocates the active involvement of both national and international long-term shareholders. This will strengthen the company's corporate governance in the long run.

## AGM and AGM's decision-making authorities

Investor's AGM is held in the Stockholm area during the first half of the year. No later than at the publication of the third-quarter report, shareholders are informed of the time and place of the AGM and are provided information on their right to have business discussed at the AGM. The notice of the AGM is published at the earliest six weeks, but no later than four weeks, before the date of the AGM.

The AGM is informed about the company's development over the past fiscal year and decides on a number of central issues, such as the election of auditor, discharging the Board from liability for the fiscal year, remuneration for the Board and fees to the auditor, decisions on the number of Board members, election of the Board for the period up to the close of the next AGM and dividends. Investor always strives to ensure that the Board, Management Group, Nomination Committee and the auditor are present at the AGM.

Shareholders are entitled to participate in and vote at the AGM if they are recorded in the register of shareholders and have reported their intention to attend by the specified deadline. Shareholders who can-

not attend the AGM in person may appoint a proxy. To enable non-Swedish-speaking shareholders to participate, the AGM's proceedings are simultaneously interpreted into English. All printed information is available in both Swedish and English.

Decisions at the AGM usually require a simple majority vote. However, for certain items of business taken up at the AGM, the Swedish Companies Act requires that a proposal is approved by a higher percentage of the shares and votes represented at the AGM.

### Voting rights at Investor's AGM

- Each Investor shareholder entitled to vote may vote for the entire number of the shares owned and represented by the shareholder without restrictions to the number of votes.
- A-shares are entitled to one vote.
- B-shares are entitled to 1/10 vote.

### ANNUAL GENERAL MEETING 2010

Investor's 2010 AGM was held on April 14 at the City Conference Centre in Stockholm. Approximately 1,000 shareholders, includ-

ing proxies, attended the meeting, representing 68.3 percent of the votes and 44.8 percent of the capital.

The President's presentation at the AGM was published on Investor's website the day after the AGM. All documents required for the AGM and the minutes of the meeting are available on the company's website.

### Contact information AGM 2011

**Board of Directors**  
Investor AB  
Attn: Chairman of the Board, SE-103 32 Stockholm  
investorAGM@investorab.com

**Nomination Committee**  
Investor AB  
Attn: Nomination Committee, SE-103 32 Stockholm  
nomination.committee@investorab.com

Information about the AGM is published on the website.

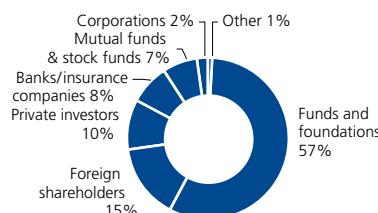
### ANNUAL GENERAL MEETING 2011

The 2011 AGM will be held on April 12 at Stockholm Waterfront Congress Centre. All shareholders wishing to take up business at the meeting could submit their request to the AGM until February 22, 2011.

### SHARES, OWNERSHIP AND DISTRIBUTION POLICY

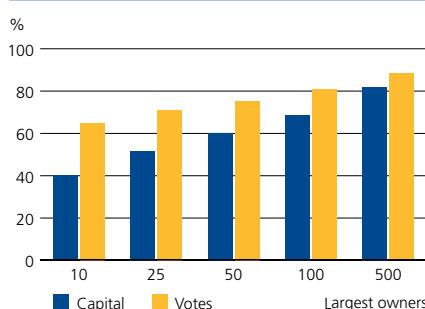
At year-end 2010, Investor had 138,761 shareholders according to the register of shareholders maintained by Euroclear Sweden. Institutional owners dominate the ownership structure. Foundations represent the largest single shareholder category. Investor's share capital totaled SEK 4,795 m., consisting of a total of 767 million shares, of which 312 million are class A-shares and 455 million class B-shares.

### Distribution of shareholders, percentage of votes



For ownership in percentage of capital, see page 35

### Shareholder structure



### Investor's distribution policy

- A large percentage of the dividends received from Core Investments are distributed.
- Shareholders receive a distribution from other net assets corresponding to a yield in line with the equity market.
- Investor AB aims to generate a steadily increasing annual dividend.

The 2010 AGM decided on a dividend payment of SEK 4.00 per share to shareholders.

The Board of Directors and the President propose a dividend to the shareholders of SEK 5.00 per share to the AGM 2011.

## REPURCHASE OF OWN SHARES

Since 2000, the Board has requested and been granted a mandate by the AGM to buy back the company's shares.

In 2010, 2,000,000 shares were repurchased to hedge Investor's program for long-term share-based remuneration and for the allocation of synthetic shares as a part of Board remuneration.

Investor currently considers it more attractive from a long-term ownership perspective to invest capital in new and existing holdings with a high return potential than to repurchase own shares.

## Nomination Committee

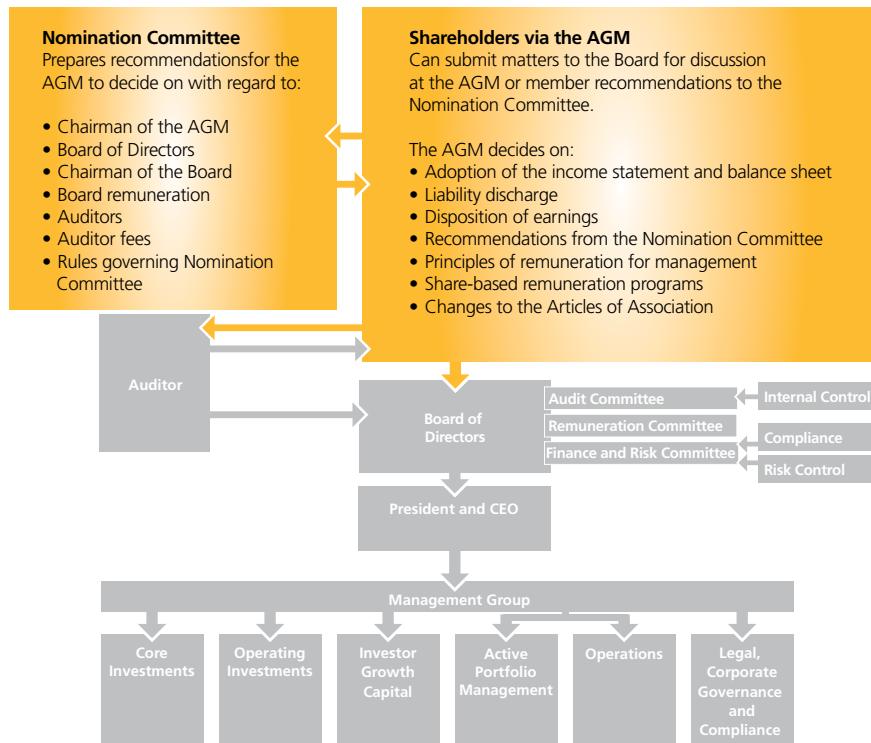
The AGM appoints the members of the Nomination Committee.

By mandate from the 2010 AGM, the membership of the Committee consists of five members, including one representative from each of the four shareholders or groups of shareholders controlling the largest number of votes and the Chairman of the Board of Directors. The register of recorded shareholders and shareholder groups from Euroclear Sweden and other reliable shareholder information available to the company as of the last business day of August serves as the basis for identifying the members.

## NOMINATION COMMITTEE MEMBERS FOR 2011 AGM

Together with the Chairman of the Board, Jacob Wallenberg, the four owners with the largest share of votes (taking into account shareholder groups) appointed the following

## Governance structure for shareholders



ing representatives to the Nomination Committee prior to the 2011 AGM: Hans Wibom (Wallenberg foundations), Lars Isacsson (SEB Foundation), Curtis Jensen (Third Avenue Management LLC) and Caroline af Ugglas (Skandia Liv). The composition of the Committee was made public on September 23, 2010. Altogether, its membership represents just over 60 percent of the votes in Investor.

The composition of the Nomination Committee meets the independence criteria set forth by the Code.

## NOMINATION COMMITTEE'S PREPARATIONS FOR 2011 AGM

The Nomination Committee held three meetings at which the minutes were kept and maintained informal contact between meetings up to and including February 28 2011. At the committee's first meeting, Hans Wibom, Wallenberg foundations, was elected Chairman. Each member of the Nomination Committee signed a confidentiality agreement in connection with the start of their work.

## Nomination Committee members for 2011 AGM

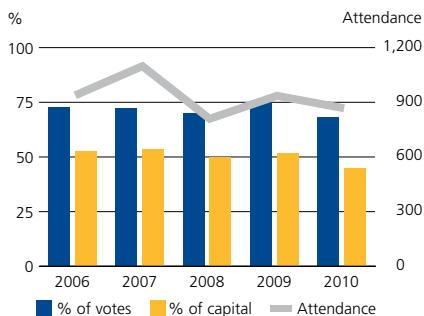
Nomination Committee Member	Representing	Independent in relation to company management	Independent of the company's major shareholders/shareholder groups in terms of votes		
			8/31 2010 % of votes	12/31 2010 % of votes	
Hans Wibom	Wallenberg foundations	No <sup>1)</sup>	No <sup>2)</sup>	48,0	48,0
Lars Isacsson	SEB-Foundation	Yes	Yes	4,9	4,9
Curtis Jensen	Third Avenue Management LLC	Yes	Yes	4,3	4,3
Caroline af Ugglas	Skandia Liv	Yes	Yes	4,2	4,1
Jacob Wallenberg	Chairman of the Board for Investor AB	Yes	No <sup>3)</sup>		

1) Significant business relationship with the company within the last year.

2) Representing the Wallenberg foundations.

3) Member of the Knut and Alice Wallenberg Foundation.

## Attendance at Investor's AGMs



The Nomination Committee is charged with preparing and presenting to the 2011 AGM proposals for resolutions regarding the Chairman at the AGM, the Board of Directors and the Chairman of the Board, Board remuneration distinguished between the Chairman of the Board and other Board members and remuneration for committee work, choice of auditor and audit fees, and rules for the Nomination Committee for the 2012 AGM.

In order to reach proper decisions about the composition of the Board, the committee is furnished with the evaluation of the Board and its work and the Chairman of the Board's report on the company's activities, goals and strategies.

It is the committee's role to assess the performance and effectiveness of the Board given the company's current circumstances and long-term objectives. The committee therefore evaluated the size and composition of the Board in terms of industry experience, expertise, international experience and diversity. The composition of the Board should reflect and allow scope for the different backgrounds and areas of expertise that are required for the implementation of Investor's philosophy of active ownership and long-term ownership commitment.

The Nomination Committee is of the opinion that diversity is important regarding such factors as gender, nationality and industry experience, in order to achieve a well functioning composition of the Board of Directors. However, it is very important that each candidate of the Board has the right profile and merits for the specific competence sought.

The Nomination Committee has also studied the audit efforts for the period 2007-2009 and the 2010 year's audit evaluation and the Audit Committee's proposed auditor and recommended fees.

The recommendations of the Nomination Committee, its motivated opinion regarding the proposed Board of Directors and supplementary information regarding recommended Board Members and Auditor

are made public when notice of the AGM is published. These matters of business are also presented at the 2011 AGM together with a report on the work of the Nomination Committee.

#### Cornerstones for good corporate governance



Investor's Board, elected at the 2010 AGM, consists of 11 members and no deputies. The Board members' experience and knowledge is broad and diverse within areas of strategic importance for Investor, such as business development, corporate governance of both listed and unlisted companies, the financial and capital markets, medical research and healthcare.

#### Board of Directors

The Board is appointed by the AGM to serve for a mandate period through the end of the next AGM. On behalf of Investor's owners, the Board establishes the goals and strategies for the company, evaluates the operational management and ensures that systems are in place to monitor and verify the company's business and organizational objectives. The Board also ensures that the company's stakeholders are furnished with accurate information, that laws and regulations are complied with and that ethical guidelines and internal policies are modified as needed. Investor's Board forms a quorum when more than half of the members are present. The Board's role to assure the quality of Investor's financial reporting is set out in the section "Internal control and risk management for the financial reporting".

Pursuant to the Articles of Association, the Board must consist of no less than three and no more than eleven directors and no more than four deputies. The AGM decides the exact number. The Board is assisted by a secretary, who is not a mem-

ber of the Board. Board members are to devote the time and attention to Investor that their assignment demands. Each Board member is responsible for requesting any supplementary information that he/she feels is necessary in order to make sound decisions. New Board members are introduced to Investor's business operations by attending a comprehensive introduction orientation involving, for example, meetings with departmental managers. Board members are continuously updated on new regulations, practices and statutory requirements that may affect the business.

#### THE CHAIRMAN OF THE BOARD

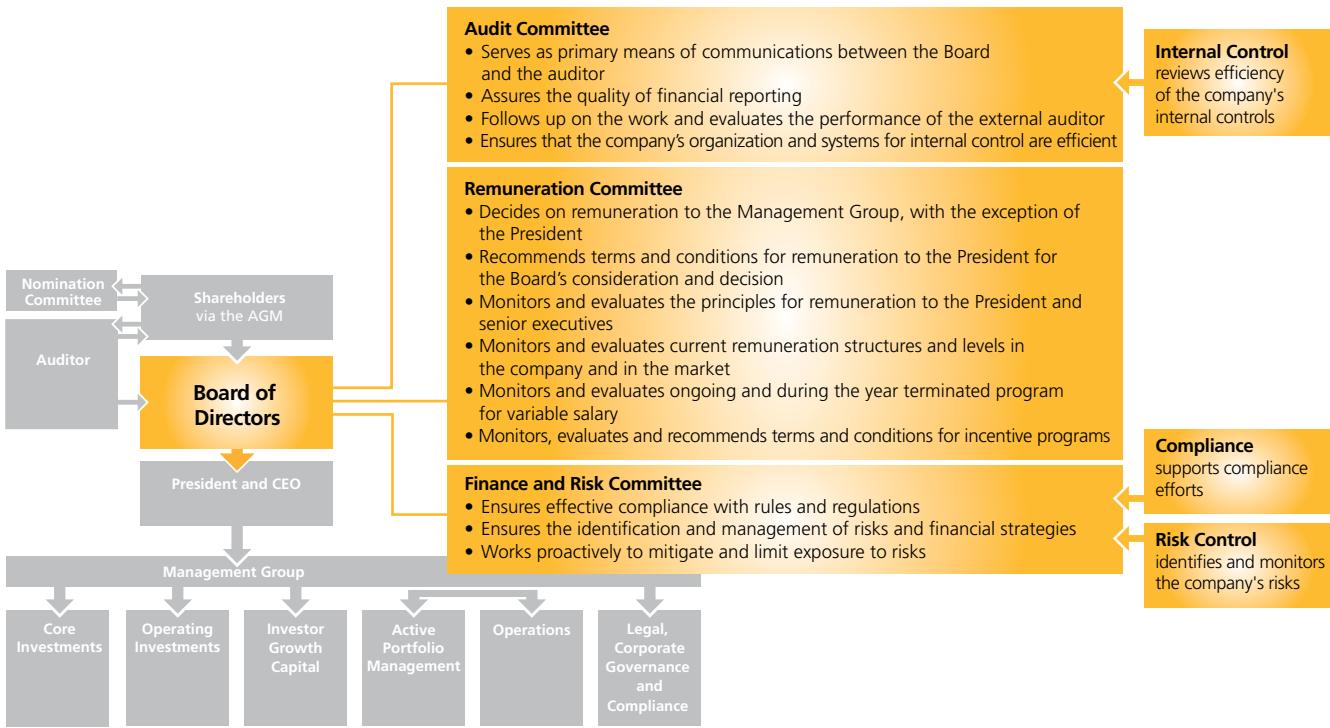
The AGM appoints the Chairman of the Board. The Chairman organizes and leads the work of the Board, ensures that the Board continues to advance its knowledge of the company, communicates views from the owners and serves as support for the President. The Chairman and the President set the agenda for Board meetings. The Chairman verifies that the Board's decisions are implemented efficiently, and ensures that the work of the Board is evaluated annually and that the Nomination Committee is informed of the result of this evaluation.

In addition to his active involvement in Investor, Chairman of the Board Jacob Wallenberg is also involved in a number of other companies and serves on a number of international organizations. He has built up an extensive international network and participates in various policy forums, such as The Atlantic Council, the European Round Table of Industrialists (ERT), the Peter G. Peterson Institute for International Economics and the International Business Council of the World Economic Forum. Jacob Wallenberg is also serving as Chairman of the International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC).

#### MEMBERS OF THE BOARD OF DIRECTORS

Since the 2010 AGM, the Board has consisted of 11 members and no deputies. At the 2010 AGM, Jacob Wallenberg, Gunnar

## Overall structure of governance for the Board



Brock, Sune Carlsson, Börje Ekholm, Sirkka Hämäläinen, Grace Reksten Skaugen, O. Griffith Sexton, Lena Treschow Torell and Peter Wallenberg, Jr. were re-elected. Board member Håkan Mogren declined re-election. Tom Johnstone and Carola Lemne were elected as new members. The AGM elected Jacob Wallenberg as Chairman of the Board for the period ending with the next AGM. President Börje Ekholm is the only Board member who is a member of the company's Management Group.

The Nomination Committee considers the 11 members to be well suited to serve on the Board of Directors during the mandate period ending with the 2011 AGM. It is also of the opinion that the newly elected Board members, Tom Johnstone and Carola Lemne will contribute valuable expertise and experience to the Board. Tom Johnstone has long experience of managing a world-leading global company with operations in more than 130 countries. Carola Lemne has medical knowledge, within both

medical research and as a practicing medical doctor, as well as experiences in managerial positions in international pharmaceutical companies.

The percentage of women and the percentage of foreign members on the Board are both 36 percent. A more detailed presentation of the Board is found on page 60 and on the website.

### INDEPENDENCE OF BOARD MEMBERS

The composition of Investor's Board of Directors meets the requirements concerning the independence of directors.

Several of the Board members are directors of Investor's holdings and they receive remuneration from these companies. It is the opinion of the Nomination Committee and the company that this remuneration does not entail a dependence of these members on Investor or its management. The assessment of each Board member's independence is presented in the adjacent table.

### THE BOARD'S RULES OF PROCEDURE

In addition to laws and recommendations, the work of the Board is governed by its rules of procedure. The Board reviews its rules of procedure annually and is empowered to adopt them following a Board decision.

The rules of procedure are divided into five sections in order to clarify and regulate the practices and tasks of the Board. These five sections are as follows: the rules of procedure, instructions to the President and instructions to each of the three Board committees (the Remuneration Committee, Audit Committee and Finance and Risk Committee).

The rules of procedure also specify which matters of business should always be included on the agenda of each Board meeting as well as on the agenda of the statutory Board meeting. The rules of procedure set out that minutes should be kept at every meeting by the Board's secretary, who may not be a member of the Board.

Furthermore, the rules of procedure set out how the minutes are to be prepared and distributed to the members and how the Board is to be informed about matters such as the issue of press releases. The rules of procedure also contain guidelines governing the decisions the Board may delegate to the President.

#### EVALUATION OF THE BOARD

Pursuant to the rules of procedure, the Chairman of the Board initiates an annual evaluation of the performance of the Board.

The 2010 comprehensive evaluation consisted of an anonymous questionnaire that was answered by each Board member. The questionnaire was divided into a number of sections covering topics such as the atmosphere of co-operation within the Board, its range of expertise and the methods the Board utilized to carry out its tasks. In addition, the Chairman met with each Board member privately to discuss the work done by the Board during the year.

The objective of the evaluation is to provide insight into the Board members' opinions about the performance of the Board and identify measures that could make the work of the Board more effective. A secondary objective is to form an overview of the areas the Board believes should be afforded greater scope and where additional expertise might be needed within the Board.

The Board discussed the results of this year's evaluation and the Chairman of the Board presented them to the Nomination Committee.

Investor's Board continuously evaluates the performance of the President by monitoring the development of the business in relation to the established objectives. A formal performance review is carried out once a year and discussed with the President.

#### WORK OF THE BOARD IN 2010

During the year, the Board held ten meetings, of which seven were regular meetings, one was statutory and two were extraordinary. The attendance of each Board member at these meetings is shown in the table on page 52. Up until the 2010 AGM, the secretary at most of these Board meetings was attorney Hans Wibom. Petra Hedengran, General Counsel, took over the role of secretary for the Board meetings after the AGM. Prior each meeting, Board members were provided with comprehensive written information on the issues that were to be discussed.

During the year, the Board devoted considerable time to the acquisition of additional shares in Saab, the acquisition of Aleris and the acquisition of additional shares in Mölnlycke Health Care and NASDAQ OMX. Prior to each acquisition, extensive analyses were conducted at Investor and then reviewed by the Board.

At the time of the resolution of the Board to acquire Aleris, four of the Board of Directors, including the Chairman of the Board and the CEO, did not participate in the decision, due to the assessment of conflict of interest of such Board of Directors.

As one of the Board of Directors, Carola Lemne, is CEO of Praktikertjänst AB, which business partially competes with Aleris, she has consequently been prevented from participating in the resolution regarding the acquisition of Aleris and hence she does not participate in other resolutions that involve Aleris or its business during the board meetings, nor does she receive any information regarding said company.

The Board also devoted time to both internal and external presentations of the financial markets in particular countries, as well as from a global perspective. The Board discussed the development and the effects on industries, markets and individual companies, paying particularly close attention to Investor's holdings and the long-term strategies of such holdings. For example, guest speakers were invited to give presentations at Investor's Board meeting that was held in June in New York, as well as at the meeting in September in Shanghai.

The financial reports presented at every regular Board meeting, including those prior to the year-end and interim reports, are an important aspect of the Board's work. The Board also receives monthly reports on the company's financial position. At regular Board meetings, reports were delivered on the ongoing operations in the business areas, together with in-depth analyses and proposed actions regarding one or more of the company's holdings. Committee work is an important task performed by the Board. A more detailed description of the work conducted by the committees during 2010 is presented in the table on page 51.

During the year, the company's management presented value-creating plans for Core Investments, including analyses of the holdings' operations and development potential in the business areas where they

#### Board of Directors 2010

Member	Elected	Position	Year of birth	Nationality	Independent in relation to the company and company management	Independent in relation to the company's major shareholders
Jacob Wallenberg	1998	Chairman	1956	Swedish	Yes	No <sup>1)</sup>
Gunnar Brock <sup>2)</sup>	2009	Member	1950	Swedish	No <sup>2)</sup>	Yes
Sune Carlsson	2002	Member	1941	Swedish	Yes	Yes
Börje Ekholt	2006	Member	1963	American/Swedish	No <sup>3)</sup>	Yes
Sirkka Hämäläinen	2004	Member	1939	Finnish	Yes	Yes
Tom Johnstone	2010	Member	1955	British	Yes	Yes
Carola Lemne	2010	Member	1958	Swedish	Yes	Yes
Grace Reksten Skaugen	2006	Member	1953	Norwegian	Yes	Yes
O. Griffith Sexton	2003	Member	1944	American	Yes	Yes
Lena Treschow Torell	2007	Member	1946	Swedish	Yes	Yes
Peter Wallenberg Jr	2006	Member	1959	Swedish	Yes	No <sup>1)</sup>

1) Member of the Knut and Alice Wallenberg Foundation

2) Has been President of a closely-related company during the last five years

3) President

4) Acquired, in connection with the position as Chairman of the Board of Mölnlycke Health Care in 2007, and thus before the election to the Board of Directors of Investor, shares (ordinary shares and preference shares) in Mölnlycke Health Care within a management participation program for the Board of Directors and the Management in this company. This circumstance does not entail that Gunnar Brock, for this reason, is dependent to Investor or its Management Group.

are active. These analyses and their implications were discussed and assessed by the Board with a focus on the individual companies as well as in the context of overall strategic discussions. Similar presentations and discussions were held regarding holdings of Operating Investments.

Besides its efforts associated with the acquisition of Aleris and to acquire additional shares in Saab and Mölnlycke Health Care and NASDAQ OMX, the Board was given comprehensive presentations and information concerning a number of potential acquisitions and sales, Investor's financing of acquisitions, and in the company's holdings in the Core Investments and Operating Investments business areas.

The Board also received and discussed reports on the composition of portfolios and developments in the Private Equity Investments business area, including Investor's involvement in EQT and the operations of Investor Growth Capital.

Due to the company's growing exposure in Asia in general, and in China in particular, one of the Board meetings was held in Shanghai. At that meeting, the Board listened to presentations by guest speakers concerning the Chinese market and its development. The Board also visited some of the Core Investments' production facilities in the area.

The acquisition of operating subsidiaries, changes in the market and legislation

has increased the focus on corporate governance, remuneration, compliance and issues relating to the nomination process and Board remuneration, above all with regard to Core Investments but also in relation to holdings in the other business areas.

In addition to participating in meetings of the Audit Committee, the company's auditor also attended a Board meeting during which Board members had the opportunity to pose questions to the auditor without representatives of the company's management being present. An evaluation of the work done by the Board was also conducted during the year, which provided the basis for the work of the Nomination Committee and for determining the focus of future Board work.

#### Board Committees' work 2010

	Audit Committee	Remuneration Committee	Finance and Risk Committee
<b>Members<sup>1)</sup></b>	Sune Carlsson (Chairman) Jacob Wallenberg Peter Wallenberg Jr	Jacob Wallenberg (Chairman) O. Griffith Sexton Lena Treschow Torell	Grace Reksten Skaugen (Chairman) Sirkka Hääläinen Jacob Wallenberg
<b>Number of meetings</b>	7	6	4
<b>Work in 2010</b>	<ul style="list-style-type: none"> <li>Assessed each interim report and the Year End Report for completeness and accuracy</li> <li>Evaluated the valuation principles for each business area</li> <li>Evaluated the accounting effect and management of the new operating subsidiaries, Aleris and Mölnlycke</li> <li>Discussed both structural and specific tax issues</li> <li>Followed up the auditor's reports on the year-end financial statements and interim reviews</li> <li>Evaluated the audit work of KPMG during the period 2007-2010. Presented results to the Nomination Committee prior to the election of auditor at the 2011 AGM</li> <li>Followed up on the results of the Internal Control Function's reviews of the control activities in the business processes. Particular focus this year has been on Operating investments</li> </ul>	<ul style="list-style-type: none"> <li>Evaluated the Code's section on remuneration, based on the EU Commission's recommendation regarding remuneration of directors in listed companies</li> <li>Evaluated and approved remuneration structures for personnel and salary reviews for management</li> <li>Evaluated and assessed the President's goals for 2010, which were then approved by the Board</li> <li>Discussed strategic personnel issues such as leadership development, diversity and succession</li> <li>Monitored and evaluated variable salary programs that were in effect or concluded during the year</li> <li>Evaluated and implemented the guidelines for remuneration and the long-term variable remuneration program for management and employees that was adopted by the 2010 AGM</li> <li>Proposed to the Board to submit to the AGM 2011 a share program that essentially is in line with the 2010 program</li> <li>Monitored and evaluated the development of remuneration programs and remuneration levels in the market</li> </ul>	<ul style="list-style-type: none"> <li>Followed up on limits, mandate and risk status of the various business areas at each meeting</li> <li>Updated the limits and mandates in the risk policy</li> <li>Decided on updates to Group-wide policies</li> <li>Followed up the impact of new rules and regulations on Investor</li> <li>Followed up the work done by the Security function in such areas as information security and continuity plans</li> <li>The Committee's new Chairman attended a special presentation of the daily work done by the risk control function and its system support</li> <li>Followed up on the 2010 risk assessment process</li> </ul>

<sup>1)</sup> The composition of the Audit Committee and Remuneration Committee fulfill the requirements set out in the Code and the Swedish Companies Act regarding the independence of Directors. The Finance and Risk Committee is not affected by the independence criteria.

## BOARD COMMITTEES

In order to increase the efficiency of its work and enable a more detailed analysis of certain issues, the Board has formed three committees: the Audit Committee, the Remuneration Committee and the Finance and Risk Committee. The members of the committees are appointed for a maximum of one year at the statutory Board meeting and perform their duties as assigned by the instructions presented to each committee annually.

The primary objective of the committees is to provide preparatory and administrative support to the Board. The issues considered at committee meetings are to be recorded in the minutes and reported at the next Board meeting. Representatives from the company's specialist functions always participate in committee meetings.

## Auditor

The Auditor is appointed by the AGM for a mandate period of one year. On behalf of the shareholders, the Auditor is responsible for auditing the company's annual accounts, accounting records and administration by the Board and the President. The Auditor in charge also submits an audit report to the AGM, submits a statement regarding the application of guidelines for

salary and other remuneration and submits a report of the Corporate Governance Statement. Shareholders are welcome to direct questions to the Auditor at the AGM.

Pursuant to its Articles of Association, Investor must have one or two Auditors, and no more than two deputies. A registered firm of auditors may be appointed as the company's auditor. At the 2007 AGM, the registered firm of Auditors, KPMG AB was appointed Auditor until the close of the 2011 AGM. The Auditor in charge is Helene Willberg, Authorized Public Accountant.

### Investor's Auditor: KPMG AB

Auditor in charge, Helene Willberg  
Year of birth: 1967  
Authorized Public Accountant at KPMG AB  
President of KPMG AB  
Auditor in charge for Investor since 2010  
Other auditing assignments: Cloetta, Nobia, Ortivus, Thule  
Shares in Investor AB: 0 shares

Over the past three years, the auditing firm has, besides the audit, conducted a limited number of other assignments on behalf of Investor. These assignments mainly consisted of services associated with auditing, such as in-depth reviews during an audit. By limiting the extent to which the auditor is allowed to perform services other than auditing, it is possible to ensure that the Auditor is independent of the company. For

fees paid to the auditor over the past three years, see enclosed table. For details on remuneration to the Auditor see note 6.

### Fees paid to Auditors 2008-2010

SEK m.	2010	2009	2008
KPMG AB	11	10	10
Deloitte	2	–	–
Total, Group	13 <sup>1)</sup>	10	10

1) Of total fees to Auditors SEK 9 (9) m. refers to the investment activities and SEK 4 (1) m. refers to operating activities.

## Remuneration

### REMUNERATION TO THE BOARD

The Nomination Committee recommends the remuneration to the Board for the coming fiscal year and the AGM approves the remuneration. Remuneration is paid to Board members not employed by the company.

The Nomination Committee believes it is to the advantage of the company and its shareholders if Board members are either shareholders in the company or have similar exposure to changes in the price of Investor's share over the long term. The Nomination Committee recommended a new structure for the Board fees, which was adopted for the first time by the 2008 AGM. The new structure entails that a portion of the remuneration be paid as synthetic shares. The term synthetic share carries the entitlement to receive future

### Attendance record and Board remuneration in 2010

	Audit Committee	Remuneration Committee	Finance and Risk Committee	Attendance record, Board Meetings	Attendance record, Committee Meetings	Board fee excl. Committee fees			Committee fees			Total Board Remuneration incl. synthetic shares, SEK <sup>2)</sup>
						Cash, SEK	Value of synthetic shares, SEK <sup>2)</sup>	Number of synthetic shares <sup>1,2)</sup>	Audit Committee, SEK	Remuneration Committee, SEK	Finance and Risk Committee, SEK	
Jacob Wallenberg	●	●	●	100%	100%	937,500	937,500	6,838	125,000	125,000	62,500	2,187,500
Gunnar Brock				100%		250,000	250,000	1,823				500,000
Sune Carlsson	●			100%	100%	250,000	250,000	1,823				687,500
Börje Ekholm				100%								–
Sirkka Hämaläinen		●		100%	100%	500,000	0	0				62,500
Tom Johnston				86%		250,000	250,000	1,823				500,000
Carola Lemne				100%		250,000	250,000	1,823				500,000
O. Griffith Sexton	●			100%	83%	500,000	0	0				562,500
Grace Reksten Skaugen		●		100%	100%	500,000	0	0				125,000
Lena Treschow Torell	●			100%	100%	250,000	250,000	1,823				562,500
Peter Wallenberg Jr	●			100%	86%	250,000	250,000	1,823	125,000			625,000
<b>Total</b>						<b>3,937,500</b>	<b>2,437,500</b>	<b>17,776</b>	<b>437,500</b>	<b>250,000</b>	<b>250,000</b>	<b>7,312,500</b>

1) Based on volume weighed average price for Investor's B shares during the five trading days immediately following the day the B-share was traded without the right to receive dividend 2010 (16/4-22/4): SEK 137.

2) At point of allocation.

For total value of Board fee including synthetic shares and dividends at year-end, see Note 5.

dividends corresponding to the market price of Investor's B-shares at the time of distribution. For the detailed terms and conditions for synthetic shares, please visit the company website.

The total remuneration to the Board approved by the AGM was SEK 7,312.5 t. The distribution of Board fees is shown in the enclosed tables and in Note 5 of the 2010 Annual Report.

The Chairman receives higher compensation than other Board members, which reflects the extra duties this position involves.

Members of the Board not employed by the company do not participate in Investor's share-based remuneration programs.

Board remuneration 2008-2010			
SEK	2010	2009	2008
Chairman	1,875,000	1,875,000	1,875,000
Vice Chairman		500,000	
Member	500,000	500,000	500,000
Chairman Audit Committee	187,500	187,500	187,500
Member Audit Committee	125,000	125,000	125,000
Chairman Remuneration Committee	125,000	125,000	125,000
Member Remuneration Committee	62,500	62,500	62,500
Chairman Finance and Risk Committee	125,000	125,000	125,000
Member Finance and Risk Committee	62 500	62 500	62 500

#### REMUNERATION TO MANAGEMENT AND OTHER EMPLOYEES

In order to achieve long-term competitive return for the shareholders, Investor strives to offer its employees a total remuneration package that is in line with market conditions and enables the recruitment and

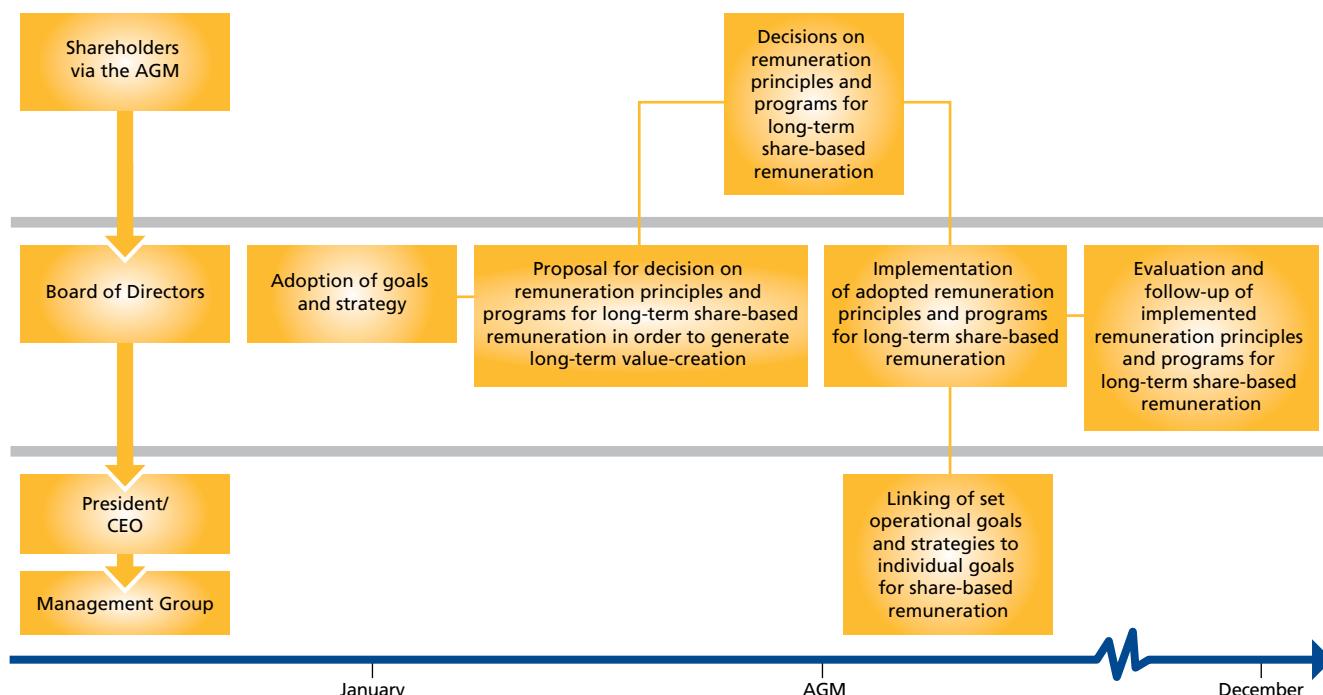
retention of the most suitable employees. Comparative studies of relevant industries and markets are carried out annually in order to determine what constitutes a total level of remuneration in line with market conditions and to evaluate current remuneration levels.

The total remuneration for the President is determined by the Board. Remuneration issues concerning other members of the Management Group are decided by the Remuneration Committee, after which the Board is informed. Investor applies, throughout the organization, the principle that the immediate superior of every manager must always be informed of and approve the recruitment of and remuneration to an employee.

When determining salaries, the total remuneration consists of a fixed cash salary, variable cash salary, long-term variable remuneration, pension and other remuneration and benefits.

#### Remuneration as governing instruments for the Board

One of the Board's most important assignments is to design and modify the remuneration programs in such a way as to benefit long-term value creation within the company. The remuneration program is a significant tool for ensuring that the company has the proper management in place.



- **Fixed cash salary**

The fixed cash salary is reviewed annually. The fixed cash salary constitutes the basis for calculating variable salary.

- **Variable cash salary**

The majority of employees also receive variable cash salary, in addition to their fixed cash salary. Variable cash salary is based on individual goals that are set each year. In this way, the annual variable cash salary is clearly connected to the work and performance of the individual. The goals are both qualitative and quantitative and are based on factors that support the company's long-term strategy. The variable cash salary component for 2010 varies across Investor's business areas. The President's variable cash salary totals a maximum of 10 percent of his fixed cash salary for 2010. The variable cash salaries of the Management Group as a rule are 45-80 percent of their fixed cash salaries, depending on the position and agreement. For other employees, variable cash salary can range from 0-80 percent of the employee's fixed cash salary. In the case of a very limited number of key personnel, variable cash salary can total 100 percent of the employee's fixed cash salary. If the President considers an employee of the company to have made an exceptional contribution during the year, he may decide to award the employee an extra

### Management remuneration 2009-2010

SEK 000's	Year	Basic salary incl. Change in vacation provision	Variable salary	Cost of granted long-term share-based remuneration	Total salary	Pension cost excl. payroll tax	Other remunerations and benefits	Total cost of remuneration
President and CEO, Börje Ekholm	2010	7,542	0	5,005	12,547	2,515	1,105	16,167 <sup>1)</sup>
	2009	8,044	1,356	5,355	14,755	2,671	805	18,231
Other members of the Management Group	2010	20,017	10,400	5,248	35,665	6,273	945	42,883 <sup>2)</sup>
	2009	19,449	10,330	6,661	36,440	6,277	614	43,331

For details on remuneration to Management see note 5, page 95, in the Annual report 2010.  
 1) In addition to this amount, as a result of realized gains in parallel investment programmes, additional SEK 37,165 t. (99) has been paid out to Börje Ekholm. For more information see note 5 and the press release December 20th, 2010.  
 2) In addition to this amount the Management Group has received payment from carried interest plans due to realized gains of SEK 12,416 t. (106) and remuneration from the profit-sharing program for Active Portfolio Management of SEK 33 t. (438). For more information see note 5.

variable salary component in order to be international competitive. However, any such award is conditional on specific approval by the Remuneration Committee.

Senior executives in certain business areas may also participate in profit-sharing and parallel investment programs that are based on the development of a certain investment or an entire business area.

Members of personnel employed in Active Portfolio Management participate in a profit-sharing program in which they are paid a variable salary component corresponding to 20 percent of the profits of the business, which may result in the variable salary component exceeding 100 percent of the basic salary.

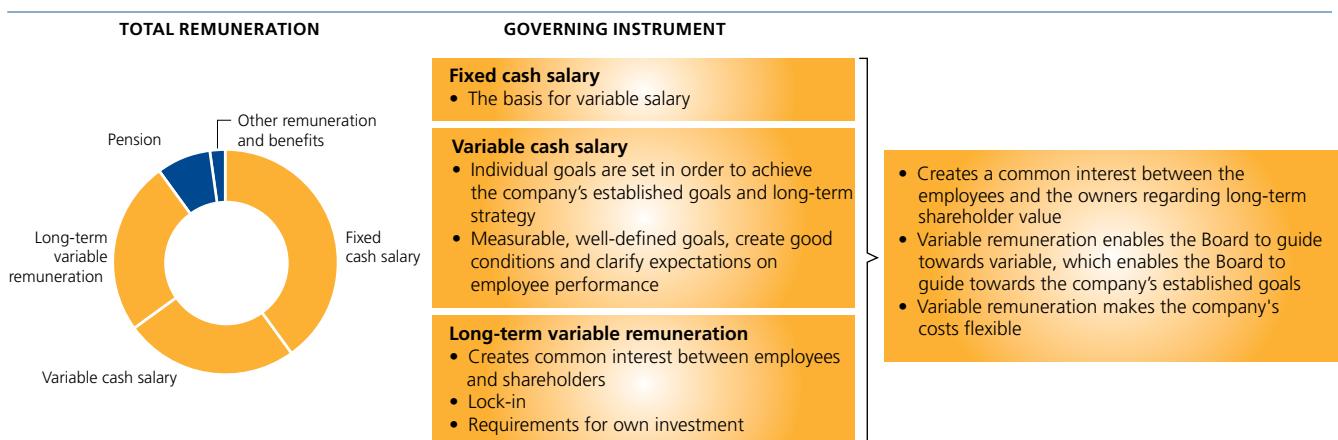
- **Long-term variable remuneration**

During the period 1999-2010, Investor has operated a long-term variable remunera-

tion program which, since 2000, has been offered to all employees. The programs have been resolved by Investor's Board. As of 2004, the programs have also been approved by the AGM.

The Board's ambition is to encourage employees to build up a shareholding in Investor. The program is structured to provide a balance between, on the one hand, the employees' assumption of risk through a requirement of personal investment in Investor shares and, on the other, the employees' possibility to receive performance-related allotments of shares in Investor. The own investment makes the employees committed to Investor. In addition, a part of the remuneration to the employee is related to the long-term development of Investor and the Investor share and the employee is exposed to share price increases and decreases and the employee

### Remuneration components as governing instruments



thereby has goals equivalent to those of Investor's shareholders. The own investment requirement was implemented in 2006. In 2008, the Remuneration Committee commissioned a comprehensive evaluation of the long-term variable remuneration program. The program that was adopted by the 2009 AGM was slightly modified. The 2010 program is essentially the same as the program that was approved in 2009 and just as in previous years, it consists of two parts: a stock matching plan and a performance-based share program.

Investor's policy is for the Management Group to own shares in Investor corresponding to a market value of at least one year's salary for the President and at least half of one year's salary for the other members of the Management Group.

For more information on salaries and other remuneration, see Note 5 of the 2010 Annual Report or the company's

website. Information is also available on the website about Investor's system of variable remuneration to the Board of Director and the Management Group, and of each outstanding share- and share price related incentive scheme.

## President, management and the organization 2010

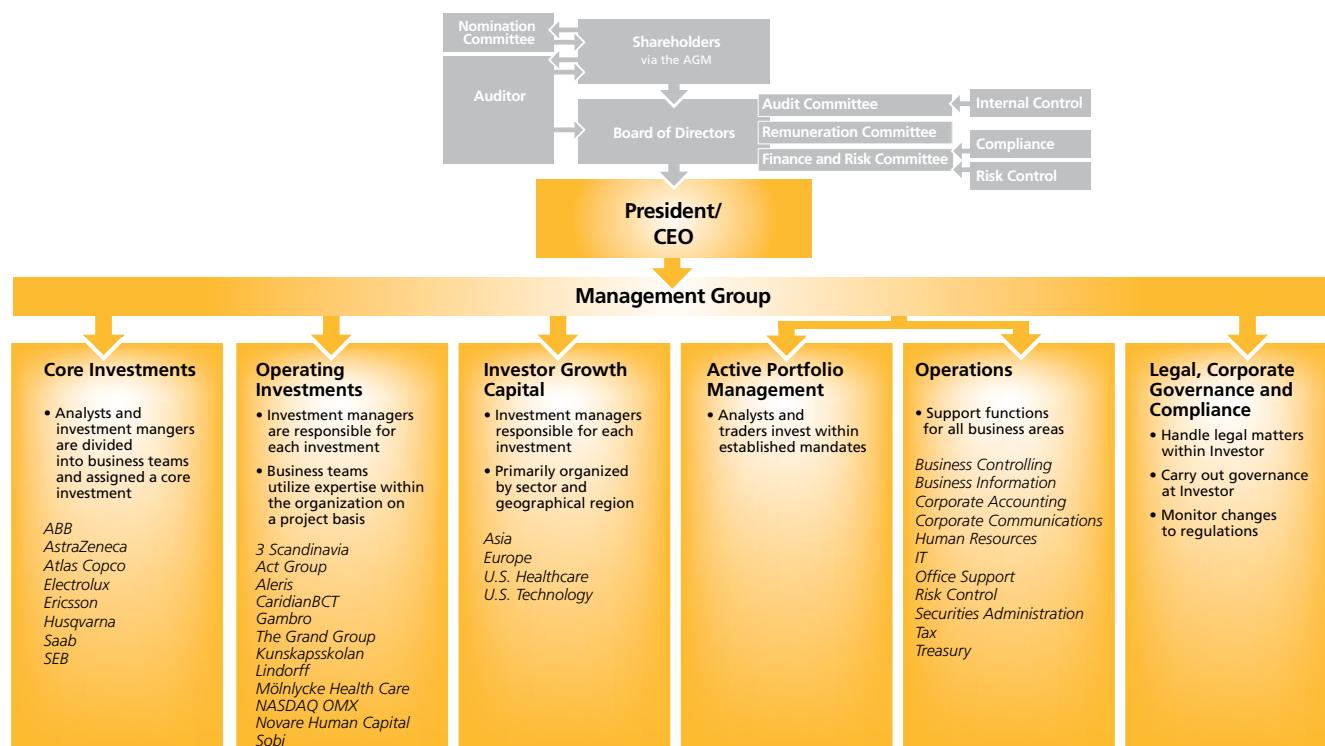
President and Chief Executive Officer (CEO) Börje Ekholm is responsible for the daily operation of the business. The President's responsibilities include ongoing investments and divestments, personnel, finance and accounting issues and regular contact with the company's stakeholders, such as public authorities and the financial market. The President is responsible for ensuring that the Board is provided with the requisite material for making well-informed decisions.

The President reports to the Board. He is also a member of the Investor Board and attends all Board meetings except for when his performance is under evaluation and when the Board meets the auditor without the presence of the Management Group.

The President has appointed a Management Group that has day-to-day responsibility for different parts of Investor's business. Each member of the Management Group is responsible for one or several of the business units: Core Investments, Operating Investments, Investor Growth Capital, Active Portfolio Management and Operations and Legal, Corporate Governance and Compliance. For more information about the President and Management Group, see page 62.

The Management Group meets once a week to decide and follow up on business activities, current projects and other issues, and to discuss personnel and organizational

### Overall structure of governance for the Management Group



See Investor's Annual Report in Swedish, page 56, for new organization as per January 1, 2011.

issues. In addition to these weekly meetings, the Management Group holds meetings focused on the company's strategy and risk assessment four to five times a year.

The Management Group regularly works with specific business transactions. During 2010, it gave particular attention to the consolidation of two new subsidiaries, Aleris and Mölnlycke, and the challenges for the organization contingent on this. It also focused on the transactions in Saab and NASDAQ OMX. Furthermore, it continued to work with value creation plans, add-on investments as well as new investment opportunities. The Management Group has also proactively worked with extending the company's funding in order to ensure that the company has financial flexibility. It also evaluated the anticipated impact of new EU Directives on the company and worked to modernize the company's IT environment. Furthermore, workshops on the company's ethical guidelines and Whistleblower policy were held during the year. All employees participated to discuss these issues in small groups. The Management Group regularly monitors the organization to ensure that it has the right competencies given the company's strategy, goals and challenges. As per January 1, 2011, decision has been taken regarding re-organization. See Investor's Annual Report in Swedish, page 56, for new organization as per January 1, 2011.

#### • **Core Investments**

The Core Investments business area employs investment managers and analysts that are responsible for one or more of the Core Investments. The investment managers and analysts continuously research each holding, the sector to which it belongs and competitors to identify value-creating initiatives and their return potential.

#### • **Operating Investments**

The work of Operating Investments' investment managers draws on the expertise of other relevant areas within the organization on a project-basis. Investor's investment managers typically represent the company by participating in the board meetings for its Operating Investment holdings. They also play a leading role in developing these businesses. During 2010, two new operating subsidiaries were acquired: Aleris and Mölnlycke.

#### • **Investor Growth Capital**

Each office of Investor Growth Capital in Asia, Europe and the United States employs investment managers that are knowledgeable in their local markets and sectors. Investor Growth Capital is normally represented on the Boards of its holdings by its investment managers. The business flow follows a standardized process for decision-making and implementation, documentation, evaluation and follow-up.

#### • **EQT**

Decisions on capital commitments to EQT's funds are made by the Board of Investor.

#### • **Active Portfolio Management**

The Active Portfolio Management department comprises both traders and analysts. Active Portfolio Management is controlled by mandates and limits set by the Board. Activities are supervised and monitored daily by the Risk Control function. During 2010, mandates and limits for Active Portfolio Management were evaluated and adjusted.

#### • **Operations**

The Operations unit includes the Business Controlling, Group Accounting, Corporate Communications, IT, Business Information, Human Resources, Risk Control, Tax, Treasury and Securities Administration. Each function's responsibilities and processes are governed by established policies and instructions. In order to efficiently support business operations, the organizational structure of Operations is modified as needed in order to adapt to changes within each business area. Operations has its own Management Group that meets weekly and consists of representatives from each department.

#### • **Legal, Corporate Governance and Compliance**

The Legal function is responsible for legal matters within the company.

The Corporate Governance unit is engaged in actively handling corporate governance issues as well as in monitoring changes in corporate governance legislation and regulations. Among other things, the new shareholder directive was evaluated and analyzed in 2010.

Compliance strives to ensure that the company complies with legislation and contractual conditions as well as counteracting the development, and minimizing the extent, of undesired events and their consequences. Among other things the Compliance function continued its review of the internal regulatory systems in 2010.

## Cornerstones for good corporate governance



Efficient processes help to ensure that there will be efficient decision-making. Efficient processes correspond to the company's strategy and guide the company towards its established business goals. Throughout the organization, there must be a clear division of responsibility, effective internal controls and an explicit risk management process.

## Internal control and risk management for financial reporting

As per the Swedish Companies Act, the Board is responsible for internal control at the company. Effective Board work is thereby a cornerstone for good internal control. Internal control and risk management comprise a part of the Board's and management's governance and follow-up of the business operations. Internal control is intended to ensure the appropriate and efficient management of the operations, the reliability of the financial reporting and compliance with laws, ordinances and internal regulations.

This report on the internal control, risk management and the financial reporting refers to Investor's investment activities. The wholly owned subsidiaries, Mölnlycke, Aleris and Grand Group, have their own systems for internal control within their respective operating business. The effectiveness in the operating subsidiaries' internal control, risk management and financial reporting is managed by respective company's Management Group and is reported to respective company's Board. Investor's board representative will analyze and follow up on the information within Investor's investment organization.

Internal control and risk management are an integral part of all processes within Investor's investment activities. Investor's

system of internal control and risk management with regard to financial reporting is designed to manage risks involved in the processes related to financial reporting and to ensure a high level of reliability in external reporting. Investor's main business is the management of financial transactions and the company's internal control over financial reporting is focused primarily on ensuring efficient and reliable management of (and accounting for) the purchases, sales and accurate evaluation of securities.

The following description of internal control is based on the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). According to this framework, internal control is described as comprising the control environment, risk assessment, control activities, information, communication and monitoring.

### CONTROL ENVIRONMENT

The foundation of internal control is the overall control environment established by the Board and Management. This control environment is built around an organization with clear decision-making channels, powers and responsibilities that are defined by explicit instructions and a corporate culture based on shared values and the individual's awareness of his/her role in maintaining effective internal control. Investor's core values are Create value, Continuous improvement, Contribute your view and Care for people. During 2010, the Management Group continued to hold workshops to discuss Investor's ethical guidelines and Whistleblower Policy with small groups of employees together with a representative from the Management Group. All employees must participate in such workshops.

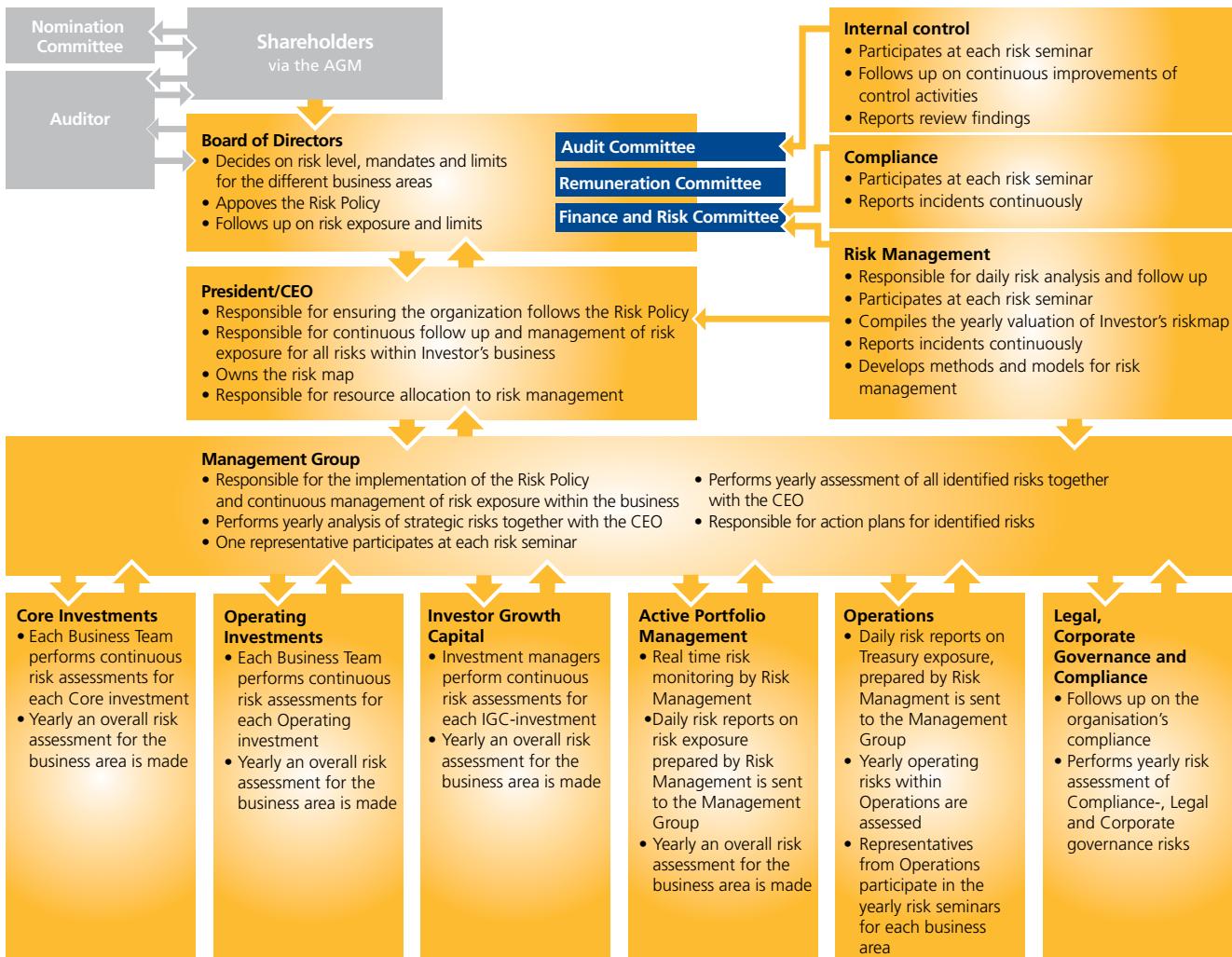
All of Investor's business areas have policies, instructions and detailed process descriptions for the various phases of each business flow, e.g. from transaction management to bookkeeping and the preparation of external reports. These documents establish rules on who is to bear responsibility for a specific task, which mandate and powers are to be included and how validation is to be carried out. The governing documents are updated as needed to ensure that they always reflect current legislation, regulations and changes in processes. During 2010, the Compliance function continued its review of all governing documents. As a result, these documents have been updated and further developed.

The internal rules, such as policies and instructions, for the operating subsidiaries are not covered in this review.

## Risk management within Investor's investment activities



## Risk management within Investor's investment activities



### RISK ASSESSMENT

Risk assessment, which involves identifying and evaluating the company's risks, not to reach business goals and reliable financial reporting, is conducted annually at Investor. Risk assessment is carried out in the form of a self-evaluation and includes the establishment of action plans to mitigate identified risks.

The Board, via the Finance and Risk Committee and the Audit Committee, is responsible for identifying and managing significant financial risks and any risks of material weaknesses in financial reporting.

As part of the risk assessment process, the organization evaluated and followed up identified risks during 2010. The Management Group has identified some particular risk areas that the organization was required to evaluate during the year. One such area is the new operating subsidiaries, Aleris and Mölnlycke, that Investor acquired during the year. The risk assessment process has been led by the Risk Control function, in cooperation with the Compliance and Internal Control functions. Risk assessment encompasses the entire organization and all of its processes. It takes into consideration such things as systems, control

activities and key individuals. Identified risks are analyzed in relation to Investor's assets, such as financial assets, brand, personnel, information and IT/infrastructure. When needed, action plans were finalized to minimize the probability and effect of identified risks. The identified risks were compiled in a company-wide risk map. Conclusions drawn from the risk assessments were then reported to the Management Group and the Board.

Using each business area's risk assessment as a starting point, the Audit Committee determines which of the identified risks should be prioritized by the Internal

Control function during the year to ensure correct financial reporting. Focus is placed on risks of material weaknesses in the financial reporting for significant income statement and balance sheet items that are, relatively speaking, higher because of the complexity of the process, or where there is a risk that the effects of potential weaknesses may become significant because of the high transaction values involved. Actions such as improved control routines are then taken in order to further ensure accurate financial reporting. The Finance and Risk Committee monitors follow-up of actions for other risks.

A more detailed description of Investor's risks can be found in the Administration Report on page 64 and in Note 30 on page 127. For description of risk management within the operating subsidiaries see note 30 on page 130.

#### CONTROL ACTIVITIES

To ensure that business is conducted efficiently and that financial reporting gives a true and fair picture on each reporting date, every process incorporates a number of control activities. These involve all levels of the organization, from Board and company Management to other employees. The purpose of the control activities is to prevent, detect and rectify weaknesses and deviations. At Investor, control activities include approval of business transactions, reconciliation with external counterparts, daily monitoring of risk exposure, daily bank and custody reconciliations, monthly follow-up of outcomes and analytical follow-up of decisions.

Investor's financial reports are analyzed and validated by the company's financial controllers. The validation process consists of both automatic checks, including deviation reporting, and manual checks such as reasonability assessment of the values found. The effectiveness of the automatic checks in the IT systems is monitored regularly on the basis of information received from system administrators in the business process.

The new, independently financed and ring-fenced operating subsidiaries, Aleris and Mölnlycke, which were acquired by Investor in 2010, have required the implementation of new processes and control activities for financial reporting. For example, there is now a new reporting template for associates and the new subsidiaries. It is designed to ensure that correct values are reported in Investor's financial reports.

In 2010, the Internal Control function conducted a special review of the control activities embedded in the processes for Operating Investments and Active Portfolio Management, along with the compliance of foreign subsidiaries. Suggestions for improvements have been implemented on an ongoing basis. During the year, the Business Controlling unit, together with the Operating Investments business area, further developed the investing and valuation processes for the business area.

#### INFORMATION AND COMMUNICATION

To ensure that information provided externally is accurate and comprehensive, Investor's Board of Directors has approved a communications policy defining exactly what information must be issued, the way in which it must be issued and by whom. There are also instructions on how to communicate financial information between management and other employees.

A proper dissemination of information also requires adequate procedures for information security, which has received special focus at Investor in recent years.

Investor regularly publishes up-to-date information on its website so that shareholders and stakeholders can follow Investor's operations and performance. News and events that are considered to have an impact on Investor's share prices are announced in press releases. Financial information is published in interim reports, year-end reports and the annual reports.

In order to achieve effective and accurate dissemination of information internally, the Management Group holds monthly meetings for all employees. Every few

years, a conference is held for the entire global organization. Investor developed its intranet in 2010 in order to continually provide its employees with up-to-date information.

#### MONITORING

Both the Board of Directors and the Management Group regularly follow up on the compliance and effectiveness of the company's internal controls to ensure the quality of internal processes. Investor's financial situation and strategy regarding the company's financial position are discussed at every Board meeting and the Board is furnished with detailed monthly reports on the financial situation and development of the business to this end. The Audit Committee plays an important role in ensuring that control activities are in place for important areas of risk inherent in the processes for financial reporting. The Audit Committee, Management Group and Internal Control function regularly follow up reported shortcomings.

The Internal Control function provides objective support to the Board on matters relating to the internal control structure, partly by investigating major areas of risk and partly by performing reviews and follow-ups in selected areas. The function works proactively by proposing improvements in the control environment. The Internal Control function plans its work in consultation with the Audit Committee, Management Group and the external Auditor, and regularly reports on its work to the Audit Committee during the year.

During 2010, the Internal Control function has had a special focus on further developing the processes for reporting and accounting for Operating Investments. In addition, the Internal Control function regularly follows up that measures resulting from previous years' reviews have been implemented.

# Board of Directors

## **Jacob Wallenberg**

born 1956  
Chairman since 2005  
Vice Chairman 1999-2005  
Director since 1998  
Other board assignments  
Vice Chairman: Atlas Copco AB, SAS AB and SEB  
Skandinaviska Enskilda Banken AB (SEB)  
Director: ABB Ltd, The Coca-Cola Company, The Knut and Alice Wallenberg Foundation and Stockholm School of Economics  
Chairman: IBLAC (Mayor of Shanghai's International Business Leaders Advisory Council)  
Member: The European Round Table of Industrialists

### *Work experience*

President and CEO: SEB  
Executive Vice President and Head of Enskilda Division, SEB  
Advisor to the President and CEO of SEB  
Executive Vice President and CFO: Investor AB

### *Education*

B.Sc. in Economics and M.B.A., Wharton School, University of Pennsylvania  
Reserve Officer, Swedish Navy

### *Independent/Dependent*

Independent in relation to the company and its management  
Dependent in relation to the company's major shareholders

### *Committees*

Chairman: Remuneration Committee  
Member: Audit Committee and Finance and Risk Committee

### *Shares in Investor* <sup>1)</sup>

186,936  
Synthetic shares  
22,441

## **Gunnar Brock**

born 1950  
Director since 2009

### *Other board assignments*

Chairman: Mölnlycke Health Care AB and Stora Enso Oyj  
Director: Stockholm School of Economics and Total SA  
Member: The Royal Swedish Academy of Engineering Sciences (IVA)

### *Work experience*

CEO: Atlas Copco AB, Thule International, Tetra Pak Group of Companies and Alfa Laval

### *Education*

M.Sc. in Economics and Business Administration, Stockholm School of Economics

### *Independent/Dependent*

Dependent in relation to the company and its management  
Independent in relation to the company's major shareholders

### *Shares in Investor* <sup>1)</sup>

0  
Synthetic shares  
4,012

## **Sune Carlsson**

born 1941  
Director since 2002

### *Other board assignments*

Chairman: Atlas Copco AB  
Director: Autoliv Inc. and Stena AB

### *Work experience*

Vice Chairman: Scania AB  
President and CEO: AB SKF  
Executive Vice President: ASEA AB and ABB Ltd

### *Education*

M.Sc. in Engineering, Chalmers University of Technology, Gothenburg

### *Independent/Dependent*

Independent in relation to the company and its management  
Independent in relation to the company's major shareholders

### *Committees*

Chairman: Audit Committee

### *Shares in Investor* <sup>1)</sup>

40,000  
Synthetic shares  
5,984

## **Börje Ekholm**

born 1963  
Director since 2006

See also information on page 62

### *Independent/Dependent*

Dependent in relation to the company and its management  
Independent in relation to the company's major shareholders

## **Sirkka Hämäläinen**

born 1939  
Director since 2004

### *Other board assignments*

Chairman: Finnish National Opera  
Vice Chairman: KONE Corporation

### *Work experience*

Economist and Head of Department: Bank of Finland  
Director General: Economics Department, Finnish Ministry of Finance

Governor and Chairman: Bank of Finland  
Member of the Executive Board: European Central Bank

### *Education*

D.Sc. in Economics, Helsinki School of Economics

### *Independent/Dependent*

Independent in relation to the company and its management  
Independent in relation to the company's major shareholders

### *Committees*

Member: Finance and Risk Committee

### *Shares in Investor* <sup>1)</sup>

3,900

## **Tom Johnstone**

born 1955  
Director since 2010

### *Current role*

President and Chief Executive Officer: AB SKF

### *Other board assignments*

Director: Chalmers University of Technology, Husqvarna AB and AB SKF

### *Work experience*

Director: Electrolux AB and The Association of Swedish Engineering Industries  
Executive Vice President: AB SKF

President: Automotive Division, AB SKF

### *Education*

M.A., University of Glasgow

### *Independent/Dependent*

Independent in relation to the company and its management  
Independent in relation to the company's major shareholders

### *Shares in Investor* <sup>1)</sup>

0  
Synthetic shares  
1,823

1) For more information about synthetic shares see Note 5. Includes holdings of close relatives and legal entities



Jacob Wallenberg



Lena Treschow Torell



Tom Johnstone



Sirkka Hämäläinen



Gunnar Brock



Carola Lemne

**Carola Lemne**

Born 1958  
Director since 2010

**Current role**

President and Chief Executive Officer: Praktikertjänst AB  
Associate professor: Karolinska Institutet

**Other board assignments**

Director: Getinge AB, Meda AB, Praktikertjänst AB, The Confederation of Swedish Enterprise  
Member: The Center for Molecular Medicine, The Dental and Pharmaceutical Benefits Agency TLV and The Swedish Corporate Governance Board

**Work experience**

Director: Apoteket AB, Stockholm University and The Strategic Research Foundation  
Member: The Swedish Governmental Delegation on Cooperation in Clinical Research Managing Director: Danderyd University Hospital AB  
Vice President Clinical Development and Regulatory Affairs Strategy: Pharmacia Corp, New Jersey  
Vice President: Clinical Research Europe, Pharmacia & Upjohn Corp

**Education**

M.D., Karolinska Institutet, Sweden  
Ph.D., Karolinska Institutet  
Associate Professor, Karolinska Institutet

**Independent/Dependent**

Independent of the company and its management  
Independent of the company's major shareholders

**Shares in Investor<sup>1)</sup>**

1,000  
Synthetic shares  
1,823

**Grace Reksten Skaugen**

Born 1953  
Director since 2006

**Other board assignments**

Chairman: Entra Eiendom AS, Ferd Holding AS and Norwegian Institute of Directors  
Director: StatoilHydro ASA

**Work experience**

Director: Atlas Copco AB, Opera Software ASA, Renewable Energy Corporation ASA, Storebrand ASA and Tandberg ASA  
Consultant: Argentum Fondinvesteringar AS  
Director: Corporate Finance Enskilda Securities, Oslo Project Adviser: AS Aircontractgruppen, Oslo Venture Capital Consultant: Fearnley Finance Ltd, London Microelectronics Research Officer: Columbia University, New York

**Education**

M.B.A., BI Norwegian School of Management, Careers in Business Program, New York University, Ph.D., Laser Physics, Imperial College of Science and Technology, London University, B.Sc., Honours, Physics, Imperial College of Science and Technology, London University

**Independent/Dependent**

Independent in relation to the company and its management  
Independent in relation to the company's major shareholders

**Committees**

Chairman: Finance and Risk Committee

**Shares in Investor<sup>1)</sup>**

1,500

1) For more information about synthetic shares see Note 5. Includes holdings of close relatives and legal entities



O. Griffith Sexton

**O. Griffith Sexton**

Born 1944  
Director since 2003

**Other board assignments**

Director: Morgan Stanley

**Work experience**

Advisory Director and Managing Director: Morgan Stanley

**Education**

M.B.A., Stanford University Graduate School of Business and B.S.E., Princeton University

**Independent/Dependent**

Independent in relation to the company and its management  
Independent in relation to the company's major shareholders

**Committees**

Member: Remuneration Committee

**Shares in Investor<sup>1)</sup>**

1,800



Peter Wallenberg Jr

**Lena Treschow Torell**

Born 1946  
Director since 2007

**Other board assignments**

Chairman: Euro-CASE (European Council of Applied Sciences and Engineering), MISTRAL (The Foundation for Environmental Strategic Research) and The Royal Swedish Academy of Engineering Sciences (IVA)  
Vice Chairman: The Chalmers University of Technology Foundation, Micronic Mydata AB and ÅF AB  
Director: Dagens Industri AB, Saab AB and AB SKF

**Work experience**

President: Royal Swedish Academy of Engineering Sciences (IVA)  
Research Director: Joint Research Centre, European Commission, Brussels  
Vice President: Chalmers University of Technology, Gothenburg  
Professor: Materials Physics, Chalmers University of Technology  
Professor: Solid State Physics, Uppsala University, Uppsala  
Board member: Gambio AB, Getinge AB, Imego AB, IRECO Holding AB and Telefonaktiebolaget LM Ericsson

**Education**

Ph.D., Physics, University of Gothenburg  
Docent, Physics, Chalmers University of Technology

**Independent/Dependent**

Independent in relation to the company and its management  
Independent in relation to the company's major shareholders

**Committees**

Member: Remuneration Committee

**Shares in Investor<sup>1)</sup>**

16,500  
Synthetic shares  
5,984

**Peter Wallenberg Jr**

Born 1959  
Director since 2006

**Other board assignments**

Chairman: Foundation Asset Management AB and The Grand Group  
Vice Chairman: The Knut and Alice Wallenberg Foundation, The Royal Swedish Automobile Club and The Stockholm Chamber of Commerce  
Director: Aleris Holding AB, Scania AB, SEB Kort AB and Stockholmsmässan AB

**Work experience**

President and CEO: The Grand Hôtel Holdings  
General Manager: The Grand Hôtel  
President: Hotel Division Stockholm-Saltsjön AB

**Education**

BSBA Hotel Administration, University of Denver, International Bachaloria, American School, Leysin, Switzerland

**Independent/Dependent**

Independent in relation to the company and its management  
Dependent in relation to the company's major shareholders

**Committees**

Member: Audit Committee

**Shares in Investor<sup>1)</sup>**

57,598  
Synthetic shares  
5,984



**Honorary Chairman**  
**Peter Wallenberg**

Born 1926

Honorary Chairman since 1997  
Chairman 1982-1997  
Director 1969-1982

**Other board assignments**

Chairman: The Knut and Alice Wallenberg Foundation  
Honorary Chairman: Atlas Copco AB

**Education**

Bachelor of Laws, University of Stockholm



Sune Carlsson



Grace Reksten Skaugen



Börje Ekholm

# Management Group

## Börje Ekholm

born 1963  
Director since 2006  
President and Chief Executive Officer since 2005  
Member of the Management Group since 1997, employed in 1992

### Board assignments

Chalmersinvest AB, EQT Partners AB, Husqvarna AB, Lindorff Group AB, Scania AB, Telefonaktiebolaget LM Ericsson and KTH Royal Institute of Technology

### Work experience

Head of New Investments: Investor AB  
CEO: Novare Kapital  
Analyst: Core Holdings, Investor AB  
Associate: McKinsey & Co Inc

### Education

M.B.A., INSEAD, Fontainebleau and M.Sc. in Engineering, Royal Institute of Technology (KTH), Stockholm

**Shares in Investor**<sup>1)</sup>  
356,418

## Johan Bygge

born 1956  
Chief Financial Officer  
Member of the Management Group since 2007, employed in 2007

### Board assignments

The Association of Exchange-listed Companies, The Association for Generally Accepted Principles in the Securities Market, EQT Partners AB, Getinge AB, Global Beauty, Hi3G (3 Scandinavia), Novare Human Capital, SamSari Act Group AB and The Grand Group

### Work experience

Executive Vice President, CFO, Chief Administrative Officer and Corporate Controller: AB Electrolux  
Deputy Group Treasurer and Deputy Group Controller:

Telefonaktiebolaget LM Ericsson  
Arthur Andersen

### Education

Degree in Economics and Business Administration, Stockholm School of Economics

**Shares in Investor**<sup>1)</sup>  
30,241

## Stephen Campe

born 1965  
Head of Investor Growth Capital  
Member of the Management Group since 2008, employed in 1998

### Board assignments

Applied Spine Technologies, Inc., Cayenne Medical, Inc, Intuity Medical, Inc. and Neuronetics, Inc.

### Work experience

Managing Director: Investor Growth Capital Consultant: McKinsey & Company

Investment Banker

### Education

M.B.A., Yale School of Management, Bachelor of Applied Science, University of Pennsylvania, Bachelor of Science in Economics, The Wharton School, University of Pennsylvania

**Shares in Investor**<sup>1)</sup>  
7,062

## Johan Forssell

born 1971  
Head of Core Investments  
Member of the Management Group since 2006, employed in 1995

### Board assignments

Atlas Copco AB, Saab AB and SSE MBA Research Foundation

### Work experience

Head of Research, Head of Capital Goods and Healthcare sector, Head of Capital Goods sector and Analyst Core Holdings: Investor AB

### Education

M.Sc. in Finance, Stockholm School of Economics

**Shares in Investor**<sup>1)</sup>  
49,208

## Petra Hedengran

born 1964  
General Counsel, and Head of Corporate Governance and Compliance  
Member of the Management Group since 2007, employed in 2007

### Board assignments

Lindorff Group AB

### Work experience

Partner and Head of Banking and Financing Group: Advokatfirman Lindahl

Legal Counsel and General Counsel Nordic Region: ABB Financial Services AB

Assistant Judge: Stockholms Tingsrätt  
Associate: Gunnar Lindhs Advokatbyrå

### Education

Bachelor of Laws, University of Stockholm

### Shares in Investor

<sup>1)</sup> 13,067

## Lennart Johansson

born 1955  
Head of Operating Investments  
Member of the Management Group since 2006, employed in 2003

### Board assignments

Gambro AB and its related businesses, Mölnlycke Health Care AB and SOBI AB

### Work experience

CEO: b-business partners and Emerging Technologies AB  
Deputy CEO/Senior Executive Vice President and Senior Vice President Accounting: Atlas Copco AB  
Audit and Control Business Area Controller: Atlas Copco Industrial Technique

Management Consultant: Nordic Management, SMG

### Education

Degree in Economics and Business Administration, Stockholm School of Economics

### Shares in Investor

<sup>1)</sup> 27,850

See Note 5 for employee stock options held by Management Group members.

1) Includes holdings of close relatives and legal entities.



Johan Forssell



Börje Ekholm



Petra Hedengran



Johan Bygge



Stephen Campe



Lennart Johansson

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# Administration Report

The Board of Directors and the President of Investor AB (publ.) 556013-8298, hereby present their annual report on the operations of the Parent Company and Group for fiscal year 2010, the company's ninety-fourth year of business.

## Fiscal Year 2010

### OPERATIONS

Investor is one of the leading industrial holding company in Northern Europe. Investor's business concept is to invest in companies with solid potential for value creation and by leveraging Investor's experience, knowledge and network make them best-in-class and thereby generate attractive long-term returns. Operations are conducted in the business areas Core Investments (including a number of listed multinational corporations, such as Atlas Copco, SEB, ABB, AstraZeneca, Ericsson, Electrolux, Husqvarna and Saab), Operating Investments (including companies such as Mölnlycke Health Care, Lindorff, Sobi, Aleris, Gambio, Cardian BCT, 3 Scandinavia and Grand Hôtel), Private Equity Investments (with operations in the U.S., Northern Europe and Asia) and Financial Investments.

During 2010 Investor acquired control in two major investments within the business area Operating Investments. As a result of these companies being consolidated as subsidiaries, the layout of Investor's financial statements will be affected. In order to clarify the effects of consolidating these Operating Investments, the Group's operations will be presented as Operating Activities or Investing Activities. Operating Activities relate to business activities in the majority owned holdings Mölnlycke Health Care, Aleris and Grand Hôtel, all other activities are attributable to Investing Activities. Mölnlycke Health Care and Aleris have affected the Groups consolidated accounts from the date of acquisition of controlling interest (one and five months respectively).

Investor is listed on the OMX Nordic Exchange in Stockholm, where the company's class A and class B shares are traded.

### GROUP

The Group's performance is reflected by its net asset value (carrying amount of total assets, adjusted for net debt/cash) – corresponding to shareholders' equity attributable to the Parent Company – and the way it changes. On December 31, 2010, Investor's net asset value amounted to SEK 169,947 m. (142,673). During 2010, the net asset value changed by SEK 27,274 m. (27,440). The change consisted mainly of the profit for the year, totaling SEK 30,693 m. (31,368), dividend to shareholders amounting to SEK 3,050 m. (3,059) and other changes in the Group's other comprehensive income and shareholders' equity totaling SEK -369 m. (-869).

Consolidated operating profit was SEK 31,920 m. (32,297). Operating profit includes costs of Investing Activities amounting to SEK 622 m. (634) equal to 0.3 percent of total assets (0.4). Costs of Investing Activities include commitments within the framework of long-term share-based remuneration programs amounting to SEK 37 m. for the year (39). Costs allocated per business unit can be found in note 2 Operating segments.

The profit before tax was SEK 30,734 m. (31,700). The profit was mainly due to changes in value relating to Core Investments amount-

ing to SEK 22,904 m. (29,584). Operating Investments contributed SEK 3,577 m. to profit for the year, of which SEK 2,399 m., related to a revaluation of Investor's previously held share in Mölnlycke Health Care in connection with the acquisition of controlling interest in December 2010.

During the year, investments in shares, participations and receivables totaled SEK 12,765 m. (9,435). Sales of shares, participations and receivables amounted to SEK 3,181 m. (1,609). On December 31, 2010, the consolidated balance sheet total of the Investor Group amounted to SEK 221,328 m. (170,224), of which shareholders' equity represented SEK 170,612 m. (142,673). The equity/assets ratio was 77 percent (84).

At the close of the fiscal year, the Group's financial investments and cash and cash equivalents amounted to SEK 12,644 m. (20,996). Interest-bearing liabilities and derivatives, used to control exposure to changes in interest rates and foreign currency, totaled SEK -40,242 m. (-22,690).

At year-end, consolidated net debt was SEK 11,472 m. (588), of which pension provisions and similar commitments accounted for SEK -245 m. (-297). Investor's net debt includes items which refer to debt related to the Investing Activities. The debt within companies included in Operating Investments is arranged on an independent ring-fenced basis and hence not included in Investor's net debt. Investor guarantees SEK 4.2 bn. of 3 Scandinavia's external debt, which is not included in Investor's net debt. Major cash flows during the year, other than cash flows from Operating Activities, were net investments in Core Investments SEK 1,693 m. (3,375), Operating Investments SEK 9,159 m. (1,531), net divestments within Private Equity Investments SEK 503 m., compared to net investments of SEK 2,358 m. in 2009 and dividend to shareholders SEK 3,050 m. (3,059).

At year-end, net debt represented 6.3 percent of total assets (0.4).

### PARENT COMPANY

Operating profit of the Parent Company amounted to SEK 26,496 m. (31,262). A substantial portion of the income was attributable to value appreciation in Atlas Copco and in SEB. Profit for the year was SEK 34,194 m. (32,154).

In accordance with IFRS and the changes in the Annual Accounts Act, associates held by the Parent Company are accounted for according to the same policies in the Parent Company financial statements as in the consolidated accounts as of 2010. The change means that the majority of the associates in the Parent Company are measured at fair value, and comparative figures have been restated accordingly. For further information, see note 1 Accounting policies. Value changes of equity-related holdings reported at fair value amounted to SEK 23,970 m. (29,593). Results from participations in Group companies amounted to SEK 7,178 m. mainly relating to the liquidation of a subsidiary (20).

During the year, Parent Company investments in financial assets totaled SEK 12,482 m. (12,520), including SEK 9,199 m. in Group companies (7,607) and purchases in Core Investments SEK 1,693 m. (3,825). Sales of financial assets amounted to SEK 2 m. (3,522) of which none in Group Companies (SEK 3,004 m. in 2009).

On December 31, 2010, the balance sheet total of the Parent Company amounted to SEK 197,466 m. (165,851), of which shareholders' equity represented SEK 163,164 m. (132,284). The increase in equity was attributable mainly to profit for the year, SEK 34,194 m. (32,154), less the dividend payment of SEK 3,050 m. to shareholders (3,059).

## SEGMENTS

### Core Investments

Core Investments consist of major listed companies for which Investor has a long investment horizon. On December 31, 2010, Investor's Core Investments comprised Atlas Copco, SEB, ABB, AstraZeneca, Ericsson, Electrolux, Husqvarna and Saab.

The value of Core Investments totaled SEK 130,828 m. on December 31, 2010 (106,231). Atlas Copco, SEB and ABB had the biggest positive impact during 2010, with SEK 13,774 m., SEK 5,808 m. and SEK 2,783 m., respectively. Only AstraZeneca impacted values negatively during the year, SEK -431 m.

During 2010, investments totaled SEK 1,693 m. (3,825), while no shares were sold (SEK 450 m. in 2009). During the year 11,166,173 B-shares in Saab were acquired from BAE Systems, equivalent to 10.2 percent of the capital. In addition, 1,000,000 shares in Husqvarna, 1,087,000 shares in Atlas Copco and 3,001,062 shares in Electrolux were acquired.

During 2010, Investor received dividends amounting to SEK 3,203 m. from Core Investments (2,358). All Core Investments paid dividend during 2010, while Husqvarna and SEB did not pay any dividend in 2009.

### Operating Investments

On December 31, 2010, Operating Investments consisted of Mölnlycke Health Care, Lindorff, Sobi, Aleris, Gambo Holding (Gambo and CardianBCT), 3 Scandinavia, Grand Hôtel, Kunskapskolan, Novare Human Capital, Act Group, EQT Partners and a small number of real estate holdings. Operating Investments comprise companies in which Investor has a majority or large ownership interest in the underlying investment. Investor is therefore involved in the holdings to a greater extent than in other business areas.

On December 31, 2010, the value of Operating Investments totaled SEK 28,194 m. (15,931). The change compared to 2009 is attributable to the unlisted companies' change in equity, change in share price attributable to listed companies, remeasurement of the previously held shares in Mölnlycke Health Care and to net acquisitions totaling SEK 9,159 m. (1,477).

During 2010 several transactions were closed within the business area;

- In January the merger between Biovitrum and Swedish Orphan International was finalized.
- In August, 90 percent of the equity (excluding shareholder loans) in Aleris, one of the leading suppliers of health care and care in the Nordic region was acquired. See Note 3 Business combinations.
- In December, Investor acquired 32 percent of the equity (excluding shareholder loans) of Mölnlycke Health Care. See Note 3 Business combinations. After the acquisition Investor owns 92 percent of the equity (excluding shareholder loans) in Mölnlycke Health Care.

- Investor has financed 3 Scandinavia with SEK 140 m. during 2010 (245).
- Act Group was formed during 2010 through a merger of the consulting companies SamSari, previously owned by Investor Growth Capital, and Act, a former part of the Novare Human Capital.
- At the end of 2010 Investor entered an agreement to acquire additional shares in NASDAQ OMX Group. The value of the transaction, which was completed in January 2011, was SEK 1.2 bn. The total holding including shares already held will be presented as an Operating Investment from 2011.

### Mölnlycke Health Care

Mölnlycke Health Care has been consolidated as a subsidiary since the acquisition of Morgan Stanley Principal Investments' share on December 1, 2010. The company operates within the divisions Wound Care and Surgical. The positive development of the company continued during 2010 with solid growth in all regions. Investments in R&D continued and several major product and business development initiatives are in progress. The company has generated strong cash flow resulting in early amortization of loans during the year.

Mölnlycke Health Care contributed SEK 2,650 m. to Investor's income in 2010 (213) and the carrying amount was SEK 13,432 m. on December 31 (6,371).

### Lindorff

The company operates in the Collection and Capital business areas. Within business area Collection, volume growth was strong in the beginning of the year but declined during the second half as the average consumer's economy and ability to service debt improved. Profitability improved mainly driven by efficiency measures and higher solution rates in the Nordic region, while other markets still suffered from the weak economic climate.

Within the business area Capital, the market for portfolio acquisitions improved and Lindorff acquired numerous portfolios throughout the year that are expected to generate good yield.

In November, Lindorff acquired EBH FinansService, Denmark's leading debt collection agency. EBH FinansService is focused on the financial sector, a good strategic fit with Lindorff. The acquisition added 200 employees in Denmark and Germany and strengthened Lindorff's position as a pan-Nordic market leader.

Lindorff contributed SEK 252 m. to Investor's income in 2010 (-217) and the carrying amount was SEK 3,789 m. on December 31 (3,125).

### Sobi

Sobi was founded by the merger of listed Biovitrum and privately owned Swedish Orphan International. The transaction was finalized in January 2010.

Investor owns 40 percent of the capital and 41 percent of the votes in the company. Because Sobi is listed, it is valued at the official share price in Investor's accounts. Sobi contributed SEK 990 m. to Investor's income in 2010 (13) and the carrying amount was SEK 3,486 m. on December 31 (971).

### **Aleris**

Aleris has been consolidated as a subsidiary since August 2010, when the company was acquired from EQT. Aleris provides services primarily on behalf of municipalities, county councils and insurance companies within four different areas; healthcare, diagnostics, senior care and mental health.

Performance in 2010 was somewhat weaker than expected. Increased effects of generally tighter economic conditions for the health care sector in Denmark and Norway were noticed. In spite of this, business areas Diagnostics and Care developed well and Aleris took several important steps in terms of business development within psychiatry and senior care in Sweden and diagnostics in Norway. A quality assurance program has been launched to improve profitability.

Aleris affected Investor's income in the amount of SEK -40 m. during 2010 (-) and the carrying amount was SEK 2,465 m. on December 31 (-).

### **Gambro Holding**

Gambro Holding comprises two businesses; Gambro and Cardian-BCT. During 2010, Gambro continued to take action to focus on its core business. Supported by new product development efforts, the newly implemented business unit organization, and as a result of the efficiency work, financial performance improved somewhat. Important steps were taken during the year with the acquisition of CHF Solutions, the announced divestitures of the peritoneal dialysis (PD) business and the rights for the U.S. water business.

CardianBCT's track record of successful execution continued, further strengthening its market leading position. Revenue growth was good and margins improved. Several new products and product enhancements were launched during the year.

Gambro Holding affected Investor's income in the amount of SEK -172 m. during 2010 (-1,212) and the carrying amount was SEK 1,740 m. on December 31 (2,058).

### **3 Scandinavia**

3 Scandinavia continued to perform strongly during 2010. Increasing smart phone usage and strong subscriber intake, and strong focus on operational efficiency, on top of excellent asset utilization, resulted in substantial earnings improvement. During 2010 the company reached the important milestone of being self-sustaining on cash, and it is now positioned for further growth and business development.

3 Scandinavia continued to focus actively on reducing OPEX (operating costs excluding subscriber acquisition costs), thereby releasing funds to reinvest in other parts of its operation. During 2010, 3 Scandinavia continued to invest in its network, in new frequencies (spectrum) and IT support as well as in its customer service, and investments will be accelerated to ensure continued high network quality in terms of both coverage and speed.

At December 31, 2010, Investor had financed 3 Scandinavia in a total amount of SEK 6,366 m. (6,226), whereof SEK 140 m. in 2010 (245).

3 Scandinavia had an effect of SEK -49 m. on Investor's income in 2010 (-136). At December 31, the carrying amount was SEK 1,281 m. (1,350).

### **Grand Hôtel**

Grand Hôtel noted a rebound in sales following the downturn driven by the weakened overall economy in 2009. The improvement was driven mainly by improving demand from tourists and high congress activity in Stockholm. The restaurants continued to perform strongly, receiving several prestigious awards.

Grand Hôtel contributed SEK 13 m. to Investor's income in 2010 (18) and the carrying amount was SEK 1,091 m. on December 31 (1,065).

### **Kunskapskolan**

Kunskapskolan is a leading independent school operator in Sweden. The company currently operates 24 secondary schools and nine upper secondary schools with a total of around 10,000 students. All schools are publically funded, free of charge and non-selective. Kunskapskolan has developed an unique educational concept focused on high-quality personalized education with a clear goal orientation, which is now also attracting increased international attention.

In 2010, Kunskapskolan contributed SEK 15 m. to Investor's income (2) and the carrying amount was SEK 116 m. on December 31 (89).

### **Novare Human Capital**

Novare Human Capital comprises eight companies with specialist expertise within the field of Human Resources providing a unique and comprehensive platform to service clients covering the full HR spectra. All Novare Human Capital companies focus on supporting the development of businesses and their employees. Today the clients are primarily mid-sized and large companies in most business areas within and outside the Investor group.

In 2010, Novare Human Capital affected Investor's income in the amount of SEK 2 m. (0) and the carrying amount was SEK 7 m. on December 31 (8).

### **Act Group**

During the year, Investor took part in forming Act Group. The new group is the result of a merger between the change agency SamSari and Action learning consultant Act. The two businesses within Act Group help management teams, top talents and companies to identify and implement strategies and goals for companies.

In 2010, Act Group contributed SEK 0 m. to Investor's income (-) and the carrying amount was SEK 5 m. on December 31 (-).

### **EQT Partners**

EQT Partners, the advisor of the EQT funds, contributed SEK 27 m. to Investor's income for the year (26) and the carrying amount was SEK 29 m. on December 31 (30).

### **Private Equity Investments**

Private Equity Investments consists of the investments in growth companies within Investor Growth Capital and debt-financed buyouts of more mature companies through investments in EQT's funds.

At year-end 2010, the total value of Investor's Private Equity Investments was SEK 19,297 m. (18,333).

### **Investor Growth Capital**

Investor Growth Capital's activities focus mainly on expansion stage investments in new technologies and products in Europe, the U.S. and Asia. The venture capital market enjoyed a more stable environment compared to the previous year. During 2010, Investor Growth Capital made 13 new investments. Two investments were successfully listed in public offerings and several other attractive exits were made. The Japanese semiconductor manufacturing equipment maker FOI Corporation and European holding AirPlus TV were written down to zero during the year. The value of investments in Investor Growth Capital totaled SEK 8,468 m. on December 31 (9,197).

In 2010, SEK 1,577 m. was invested (1,235), while holdings were sold for a total of SEK 2,592 m. including the divestment of Swedish Orphan International to business area Operating Investments (348). The value change of investments in Investor Growth Capital totaled SEK 337 m. during the year (457). Since inception, Investor Growth Capital has generated a gross annual return of 14 percent.

### **EQT**

Investment activities in EQT are conducted via a number of funds operating primarily with external capital, and independently from Investor. Advisory services are provided through EQT Partners, in which Investor has a 31 percent stake. The funds are EQT I, EQT II, EQT III, EQT IV, EQT V, EQT Denmark, EQT Finland, EQT Opportunity, EQT Expansion Capital I, EQT Expansion Capital II, EQT Asia, EQT Greater China II, EQT Infrastructure and EQT Credit. The funds invest in companies, operating in different industries, which have potential for profitability improvements, growth and value creation.

The market value of Investor's investments in the EQT funds on December 31, 2010 totaled SEK 10,829 m. (9,136).

In 2010, SEK 1,731 m. was invested (1,686), while holdings were sold for a total of SEK 1,219 m. (215). The change of value of holdings in EQT totaled SEK 1,182 m. during the year (433).

Investor's remaining commitment to invest in existing EQT funds as originally agreed upon amounted to SEK 3,464 m. on December 31 (5,820). The funds have varying end-dates, whereof the latest in 2019. However, it is possible to prolong the fund up to three years. The majority of the commitments relate to funds with end-date in 2016.

### **Financial Investments**

Financial Investments are investments in holdings with a short ownership horizon. On December 31, 2010, these consisted primarily of holdings managed via Investor's Active Portfolio Management. Active Portfolio Management invests in listed equity and equity-related instruments such as equity derivatives. The portfolio is marked to market on a daily basis and risk taking is closely monitored. One purpose of the portfolio is to make money in both up and down markets, with a low risk profile. Active Portfolio Management contributed with an operating income of SEK 230 m. in 2010 (464).

The holding in NASDAQ OMX was a part of the financial investments at the end of 2010. In December 2010 the acquisition of additional shares in NASDAQ OMX was announced and upon completion of the transaction the holding was transferred to the business area Operating Investments.

The entire holding in Elekta was divested for about SEK 1,596 m., generating a capital gain, including dividends received, of approximately SEK 969 m., whereof SEK 949 m. in 2010.

Financial Investments had an impact of SEK 1,044 m. on Investor's income during the year (1,276). The carrying amount on December 31 amounted in total to SEK 3,706 m. (3,283).

### **TAX**

In December, as a result of a tax audit, the Swedish tax authorities challenged the tax deductability of part of interest charges on shareholder loans in Mölnlycke Health Care. The company has provided extensive evidence to support the interest rate deducted as being at market level and has appealed the decision.

### **PERSONNEL**

The average number of full-time equivalent employees in Investor's wholly owned Investing Activities totaled 155 in 2010, compared to 145 in 2009. For Operating Activities the corresponding number was 2,391 employees (280). The increase in number of employees within Operating Activities is a result of the acquisitions of Mölnlycke Health Care and Aleris (these companies contributed to the average number of employees as from the acquisition date).

During the year, a number of activities were conducted in the human resources area. Work on improving women's prospects for making a career and reaching management positions in the company continued. Within our own organization the share of women in leading positions has grown during year. Integrating Talent Management processes in the organization has been a focus area during 2010. For example, this involves:

- Job rotation programs between our global offices and departments.
- Offering internal and external mentorship and coaching programs.
- Focus on the employee's long-term development.

To further underpin Investor's corporate culture, work on the company's core values continued. During the year, the employees have attended seminars which have presupposed from the document "Our Map – Business principles". The document is based on Investor's core values and is intended to provide guidance to Investor personnel in their day-to-day work.

### **ENVIRONMENT**

The direct environmental impact from the Investing Activities is regarded as minor, in that Investor conducts office-based activities on a very limited scale in a handful of locations worldwide. The company has an environmental policy that aims to minimize the company's environmental impact through conservative use of resources and recycling.

From the ownership perspective, Investor strives to ensure that operations are conducted in a responsible manner. In addition to compliance with legislation and regulations, the companies are recommended to draw up policies and goals for the corporate sustainability issues that are most relevant and important to them.

The subsidiaries within the business area Operating Investments manage their environmental work with great ambition. For example, Mölnlycke Health Care implemented an environmental management system in the company in 2001 and was one of the first companies

in the medical device industry to get ISO 14001 certification. Today all production facilities, as well as its headquarters, are ISO 14001 certified. Mölnlycke Health Care has continued to reduce its carbon footprint by improving trucks' fill-rates having the goal of increasing the fill-rates by 15 percent by the end of 2012. In Aleris, environmental management and ecological thinking is integrated in the activities and all activities in health care and medical diagnostics in Sweden have environmental certification.

#### **RESEARCH AND DEVELOPMENT**

The subsidiary Mölnlycke Health Care manages some research and development activities in Sweden, Great Britain and Malaysia. The product range is continuously expanded and improved and primarily focused on the advanced and bioactive products. Costs relating to research and development represented approximately 3 percent of total costs within Mölnlycke Health Care.

#### **RISKS AND UNCERTAINTY FACTORS**

Risk management comprises a part of the Board's and management's governance and follow-up of the business operations. Its purpose is to secure the organization's means for following strategies and working towards objectives set. Within the area of risk management the Board acts through the Finance and Risk Committee. The role of the committee is to ensure effective compliance with regulations and to assure effective and reliable processes for identifying, managing, controlling and monitoring risks. The Finance and Risk Committee is empowered to make decisions within its areas of responsibility and should subsequently inform the Board of any such decisions. The committee is supported by the Compliance and Risk Control functions. The compliance function supports Investor's compliance with laws and regulations, and maintains internal regulatory systems to this end. The risk control function identifies and monitors, with the risk policy as framework, the risks that Investor is exposed to. The function is responsible for coordinating risk management work in the business, developing awareness of different types of risk and contributing to the creation of a healthy culture in connection with risks and risk management.

The following is a brief description of the most significant risks and uncertainty factors affecting the Group and Parent Company. See Note 30 for a more detailed description of Investor's risk exposure and risk management.

##### **Commercial risks**

Commercial risks consist mainly of a high level of exposure to a particular industry or an individual holding, changes in market conditions for finding attractive investment candidates or barriers that may arise and prevent exits from a holding at the chosen time. However, the overall risk in the portfolio is limited by the fact that the portfolio consists of a number of investments with various ownership horizons in different industries and countries.

##### **Financial risks**

The main financial risks that the Investor Group is exposed to are market risks, such as risks associated with changes in the value of a financial instrument because of fluctuations in mainly share prices,

exchange rates or interest rates. Most of Investor's exposure to share prices is in Core Investments, but exposure to share prices exists also within other business areas.

The company is directly exposed to currency risks primarily in Private Equity Investments, but also in Operating Investments. Core Investments and other business areas are indirectly exposed to currency risks. There are no regular hedging of these risks since the investment horizon is more than three years and currency fluctuations are expected to equal out over time. Interest rate risks are present in excess liquidity and the debt portfolio. Currency risks in the company's borrowings are managed among other with currency swap contracts. Derivatives are also used in order to control interest rate risks and to get the preferred interest rate duration.

Liquidity and Financing risk refers to the risk that liquidity will not be available to meet payment commitments either due to the fact that a financial instrument cannot be divested without considerable extra costs or that financing cannot be obtained, or can only be obtained at increased costs. The liquidity and financing risks of Investor are considered to be low. Core Investments are normally very liquid, while investments in Operating Investments and Private Equity Investments are illiquid. Liquid funds are invested in short-term deposits market and in interest-bearing securities with low risk and high liquidity.

Investor is exposed to credit risks, the risk of a counterparty or issuer being unable to repay a liability to Investor, primarily through investments of excess liquidity in interest-bearing securities. Credit risks also arise as a result of positive market values in derivative instruments. Several measures are taken in order to limit credit risks, Investor may for example, according to the risk policy, only be exposed to credit risks towards counterparties with high creditworthiness, for a limited amount and for a limited duration.

##### **Other risks**

The business is also exposed to operational risks, legal and regulatory risks, political risks and risks relating to IT and information security.

##### **Uncertainty factors**

Uncertainty factors that affect operations, and that also make forecasts regarding the company's future development unsure, relate mainly to changes in share prices, foreign exchange rates, prices of unlisted holdings and the development of various industrial sectors.

#### **CORPORATE GOVERNANCE REPORT**

Investor's Corporate Governance Report is established as a separate document and is presented on page 42 in this document and on Investor's web page, [www.investorab.com](http://www.investorab.com). The most significant elements in the Group's system for internal control and risk management are to be found in the Corporate Governance Report on page 57.

#### **FUTURE DEVELOPMENT**

A cornerstone of Investor's strategy is to invest in and own attractive companies that can sustainably generate returns exceeding the market cost of capital. This means that the portfolio is subject to constant review and there is continuous work to rejuvenate it. In the future, Core Investments will continue to constitute the largest share of

Investor's portfolio, and will therefore be the key value driver. Investor will make additional investments in existing Core Investments and will continue to be highly active in developing and exercising influence over the companies, primarily through Board representation.

Within Operating Investments Investor will continue to maintain a high level of involvement in the underlying operations of the holdings. The strategy is to create value by means of investments in, and active ownership of, companies.

In Private Equity Investments, the focus is set on capturing the value-creation potential within Investor Growth Capital and the EQT funds.

#### **SIGNIFICANT EVENTS AFTER THE FISCAL YEAR-END**

In December it was announced that Investor had entered into a forward transaction relating to 8 million shares in NASDAQ OMX Group. The delivery of shares was subject to regulatory approval which was achieved on January 17, 2011. Additional shares have been acquired during 2011 and following these transactions Investor's holding was 18.004.142 shares, corresponding to 10.2 percent of the outstanding shares.

Gambro AB, jointly controlled by Investor (49%) and EQT (51%), has signed an agreement to sell CardianBCT to the Japanese medical technology company Terumo Corporation for a total enterprise value of USD 2,625 m. Subject to regulatory approval, the total positive net asset value impact on Investor will be approximately SEK 4.2 bn.

#### **SHARES AND OWNERSHIP**

##### **Structure of share capital**

On December 31, 2010, the Parent Company's share capital was represented by the following shares, each with a quota value of SEK 6.25.

Class of share	Number of shares	Number of votes	% of capital	% of votes
A 1 vote	311,690,844	311,690,844	40.6	87.2
B 1/10 vote	455,484,186	45,548,418	59.4	12.8
<b>Total</b>	<b>767,175,030</b>	<b>357,239,262</b>	<b>100.0</b>	<b>100.0</b>

##### **Other**

The largest shareholder in Investor AB is the Knut and Alice Wallenberg Foundation, with 18.6 percent of the capital and 40.0 percent of the voting rights.

A total of 6,683,800 Investor class B shares are held by Investor following a buyback of shares to hedge the 2006-2010 long-term share-based remuneration programs (4,683,800). These shares represent 0.9 percent of the total number of shares outstanding (0.6) and correspond to a nominal value of SEK 41.8 m. (29.3). The consideration amounted to SEK 891 m. (628).

Of the above-mentioned shares, 2,000,000 class B shares in Investor were repurchased in 2010 (2,200,000). These shares represent 0.3 percent of the total number of shares outstanding (0.3) and correspond to a nominal value of SEK 12.5 m. (13.8). The consideration amounted to SEK 263 m. (262).

The 2010 Annual General Meeting authorized the Board to buy back Investor shares, subject to the condition that the company's holding of its own shares does not exceed 1/10 of all shares outstanding in the company. Also for the 2011 Annual General Meeting there is a proposal to give authorization to the Board to buy back Investor shares in order to hedge the long-term share-based remuneration programs.

In accordance with Investor's Articles of Association, resolutions on appointment and dismissal of Board members and on amendment of the Articles of Association will be submitted to voting by the Annual General Meeting.

#### **PROPOSAL FOR LONG-TERM SHARE-BASED REMUNERATION IN 2011**

The Board has decided to recommend to the 2011 Annual General Meeting a long-term variable remuneration program which substantially is identical to the program from 2010, with the exception that the employees under certain conditions may use shares already held in Investor for participation in the Stock Matching Plan as an alternative to a new investment. For information about the program see Note 5 Employees and payroll costs. The costs for the 2011 long-term variable remuneration program as shown on the income statement is based on the accounting policies in accordance with IFRS 2 and amounts, at a participation price of SEK 130 for the shares during the Measurement Period, to approximately SEK 29 m., of which SEK 9 m. for the Management Group, for the Stock Matching Plan and around SEK 21 m., of which SEK 14 m. for the Management Group for the Performance Share Program. Estimated costs for social security charges are included in these amounts. The costs will be allocated over the three-year vesting period. It is proposed that the long-term variable remuneration program should, as before, be hedged either through repurchase of the company's shares, or through total return swaps. The Board's final proposal will be announced in the Notice of the 2011 Annual General Meeting.

#### **PROPOSED GUIDELINES ON REMUNERATION TO SENIOR EXECUTIVES**

Senior executives include in the context below the President and other members of the Management group. The Management Group consists of the President Börje Ekholm, Johan Bygge, Stephen Campe, Johan Forsell, Petra Hedengran and Lennart Johansson. As announced earlier, the recruitment process of finding a new CFO has been initiated. The intention is that this person shall be part of the Management Group in addition to current Management Group.

The Board of Directors' proposal on guidelines for salary and other remuneration below complies in all material respects with the guidelines for remuneration previously awarded to the Management Group and is based on agreements entered into between Investor and each executive. Fees received for board work in Core Investments and Operating Investments may be retained by the employee, but will be taken into account in the determination of the employee's total remuneration.

## Guidelines

Investor shall strive to offer competitive total remuneration which will enable the company to recruit and retain the right senior executives. The total remuneration shall be based on factors such as position, performance and individual qualifications.

The total compensation for the Management Group shall consist of;

- fixed cash salary,
- variable cash salary,
- long-term variable remuneration,
- pension and
- other non-monetary benefits and other compensation.

Fixed cash salary, variable cash salary and long-term variable remuneration together comprise the total remuneration for an employee.

### **Fixed cash salary**

The fixed cash salary shall be reviewed annually. The fixed cash salary constitutes the basis for calculation of the variable salary.

In respect of 2010, the fixed salary to the Management was paid in accordance with the following;

- The fixed cash salary before tax to the President amounted to SEK 7.0 m.
- The fixed cash salary before tax to the other Members of the Management Group amounted to SEK 19.1 m.

### **Variable cash salary**

#### **Short-term variable cash salary**

The short-term variable cash salary is dependent upon the individual's achievement to meet annually set goals. The outcome of the short-term variable cash salary is reviewed annually. For the Management Group, the highest possible short-term variable cash salary shall vary due to the position held and employment agreements and shall, for the Members of the Management Group, generally amount to 45-80 percent (lower or higher in exceptional cases however, not to exceed 100 per cent) of the fixed cash salary. For the President, the short-term variable cash salary amounted to maximum 10 percent in 2010. The total short-term variable cash salary before tax for all current Members of the Management Group can vary between SEK 0 and SEK 15.0 m. during 2011, depending on whether the goals have been met. The short-term variable cash salary might exceed this amount in the event that the Management Group increases. In accordance with the terms for 2010, the outcome should only be related to the fulfillment of the individual's goals and thus the remuneration is clearly related to the work contributions and performance of the individual. The goals shall be both qualitative and quantitative and be based on factors which support the company's long-term strategy.

In respect of 2010, the short-term variable remuneration for the Management was paid in accordance with the following;

- Variable cash salary before tax to the President amounted to SEK 0 m.
- Variable cash salary before tax to the other Members of the Management Group amounted to SEK 10.4 m.

### **Profit-sharing and parallel investment programs**

Save for the President, Members of the Management Group within certain business areas may also participate in profit-sharing and parallel investment programs and be entitled to variable remuneration based on the development of a certain investment or an entire business area, which is described below.

In Investor's Core Investments organization there is a profit sharing program allowing participants to receive a variable salary equivalent to 15 percent of the result generated by a limited program of equity trading in companies (excluding Core Investments) operating within the same business sector as Investor's Core Investments. The program is based on the earnings over a period of two years. In the Investor Management Group, Head of Core Investments has the opportunity to participate in such program. Between the year 2006 and 2010 the distribution from the profit sharing programs has yearly varied between SEK 0 and SEK 471 t. for the member in the Management Group that is Head of Core Investments.

In the Private Equity Investments business area there is the opportunity to participate in carried interest or similar profit-sharing plans, most of which require a personal investment. The plans are linked to realized growth in the value of the holdings, after deduction for investment cost and possible unrealized value declines, seen as a portfolio. The plans allow a maximum share of 15 percent of the realized profit to be distributed to participants. Distributions to participants are subject to escrow and claw-back provisions based on the future performance of investments. In the Investor Management Group, Head of Investor Growth Capital has the opportunity to participate in such plans, and, therefore, does not have the possibility to participate in the Performance Share Program. Between the year 2006 and 2010 the distribution from such plans has yearly varied between SEK 100 t. to SEK 15.0 m. for the member in the Management Group that is Head of Investor Growth Capital.

### **Long-term variable remuneration**

It is proposed that long-term variable remuneration program should in all material aspects be identical to the program from 2010.

### **Pension**

Pension benefits shall, as in all previous years, consist of a defined benefit pension plan, BTP-plan, based on parts of salary up to 30 basic income amounts and a premium based pension plan on parts of salary above 20 basic income amounts as a consequence of which the ratio of pension provisions to fixed cash salary depends on the age of the executive. In respect of employees working abroad, pension benefits shall be adjustable in line with local pensions practice. The age of retirement for the President and other Members of the Management Group shall be 60 years.

### **Non-monetary benefits and other remuneration**

Non-monetary benefits shall be on market terms and shall contribute to facilitating the executive's discharge of his or her duties.

#### ***Termination and severance pay***

Investor and Members of the Management Group may mutually terminate employment contracts subject to a six months' notice. Fixed cash salary during the notice period and severance pay shall, for Members of the Management Group with employment contracts entered into after the Annual General Meeting 2010, in aggregate not exceed the fixed cash salary for two years. For Members of the Management Group employed before the Annual General Meeting of 2010 the contracts already entered into shall apply. For these Members a mutual termination period of six months applies and severance payments is maximized to 24 months of fixed cash salary. The Board of Directors may, where particular grounds exist in the individual case, decide to deviate from the guidelines.

For information on the most recently approved guidelines on remuneration to senior executives, see Note 5 Employees and payroll costs.

#### **BOARD'S STATEMENT ON THE PROPOSED DISPOSITION OF EARNINGS**

Investor's distribution policy is to declare dividends attributable to a high percentage of dividends received from the Core Investments, as well as to make a distribution to the shareholders from other net assets. As shown in the table on the following page, the proposed dividend amounts to SEK 3,836 m. Dividends received from the Core Investments amounted to SEK 3,203 m. in 2010. The Group's equity attributable to the shareholders of the Parent Company was SEK 169,947 m. on December 31, 2010 and unrestricted equity in the Parent Company was SEK 144,434 m. Unrestricted equity includes SEK 70,159 m. attributable to unrealized changes in value according to a valuation at fair value.

With reference to the above, and to other information that has come to the knowledge of the Board, it is the opinion of the Board that the proposed dividend is defendable with reference to the demands that the nature, scope and risks of Investor's operations place on the size of the company's and the Group's equity, and the company's and the Group's consolidation needs, liquidity and position in general.

# Proposed Disposition of Earnings

The Board of Directors propose that the unappropriated earnings in Investor AB at the disposal of the Annual General Meeting:

**Total available funds for distribution:**

Fair value fund	-166,323,510
Retained earnings	110,406,597,337
Net profit for the year	34,193,591,788
<b>Total SEK</b>	<b>144,433,865,615</b>

**To be allocated as follows:**

Dividend to shareholders, SEK 5.00 per share	3,835,875,150 <sup>1)</sup>
Fair value fund	-166,323,510
Funds to be carried forward	140,764,313,975
<b>Total SEK</b>	<b>144,433,865,615</b>

The Board of Directors and the President confirm that the consolidated accounts and annual accounts have been prepared in accordance with the international accounting standards in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards and generally accepted auditing standards in Sweden and give a true and fair view of the Group's and Parent Company's financial position and results of operations.

The Administration Report for the Group and the Parent Company gives a true and fair view of the Group's and the Parent Company's

operations, position and results, and describes significant risks and uncertainty factors that the Parent Company and Group companies face.

The annual accounts and the consolidated financial statements were approved for release by the Board of Directors and the President on March 9, 2011. The consolidated income statement and balance sheet, and the income statement and balance sheet of the Parent Company, will be presented for adoption by the Annual General Meeting on April 12, 2011.

1) Calculated on the total number of registered shares. No dividend is paid for the Parent Company's holding of own shares, whose exact number is determined on the record date for cash payment of the dividend. On December 31, 2010, the Parent Company's holding of own shares totaled 6,683,800.

Stockholm, March 9, 2011

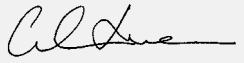
  
Gunnar Brock  
Director

  
Tom Johnstone  
Director

  
O. Griffith Sexton  
Director

  
Jacob Wallenberg  
Chairman

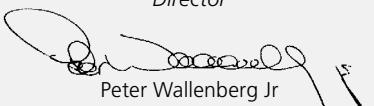
  
Sune Carlsson  
Director

  
Carola Lemne  
Director

  
Lena Treschow Torell  
Director

  
Sirkka Hämäläinen  
Director

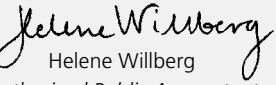
  
Grace Reksten Skaugen  
Director

  
Peter Wallenberg Jr  
Director

  
Börje Ekholm  
President and Chief Executive Officer

Our Audit Report was submitted on March 10, 2011

KPMG AB

  
Helene Willberg  
Authorized Public Accountant

The information in this annual report is that which Investor AB (publ.) is required to disclose under Sweden's Securities Market Act  
The annual report was released to the media for publication at 9.00 a.m. CET on March 14, 2011.

# Consolidated Income Statement

Amounts in SEK m.	Note	2010	2009
Dividends		3,622	2,900
Other operating income <sup>1)</sup>		994	1,113
Changes in value		28,492	31,293
Cost of investing activities	4, 5, 6, 7	-622	-634
Share of results of associates	8	-635	-2,380
<b>Profit from Investing Activities</b>		<b>31,851</b>	<b>32,292</b>
Net sales		2,943	381
Cost of goods and services sold	4	-2,371	-376
Distribution costs	4	-282	-
Administrative costs	4, 5, 6, 7	-205	-
Research and development costs	4	-14	-
Other operating costs	4	-2	-
<b>Profit from Operating Activities</b>		<b>69</b>	<b>5</b>
<b>Operating profit</b>		<b>31,920</b>	<b>32,297</b>
<b>Profit/loss from financial items</b>			
Financial income	9	951	624
Financial expenses	9	-2,137	-1,221
<b>Net financial items</b>		<b>-1,186</b>	<b>-597</b>
<b>Profit before tax</b>		<b>30,734</b>	<b>31,700</b>
Income tax	10	-41	-332
<b>Profit for the year</b>	2	<b>30,693</b>	<b>31,368</b>
Attributable to:			
Owners of the Parent Company		30,713	31,379
Non controlling interest		-20	-11
<b>Profit for the year</b>		<b>30,693</b>	<b>31,368</b>
Basic earnings per share, SEK	11	40.35	41.12
Diluted earnings per share, SEK	11	40.31	41.08

1) Other operating income consists mainly of interest income on shareholder loans.

# Consolidated Statement of Comprehensive Income

Amounts in SEK m.	Note	2010	2009
Profit for the year		30,693	31,368
Other comprehensive income for the year, including taxes			
Revaluation of non-current assets for the year		–	–156
Change in fair value of cash flow hedges for the year		602	–357
Foreign currency translation adjustment for the year		–488	24
Actuarial gains and losses on defined benefit pension plans		–13	22
Share of other comprehensive income of associates		–210	–43
<b>Total other comprehensive income for the year</b>		<b>–109</b>	<b>–510</b>
<b>Total comprehensive income for the year</b>		<b>30,584</b>	<b>30,858</b>
Attributable to:			
Owners of the Parent Company		30,597	30,886
Non-controlling interest		–13	–28
<b>Total comprehensive income for the year</b>	<b>22</b>	<b>30,584</b>	<b>30,858</b>

# Consolidated Balance Sheet

Amounts in SEK m.	Note	12/31 2010	12/31 2009
<b>ASSETS</b>			
Goodwill	12	23,194	–
Other intangible assets	12	10,696	16
Buildings and land	13	2,228	1,797
Machinery and equipment	14	1,325	371
Shares and participations recognized at fair value	15	154,169	126,074
Shares and participations in associates	8	2,576	4,718
Other financial investments	20	665	9,062
Long-term receivables	16	5,531	10,846
Deferred tax assets	10	467	11
<b>Total non-current assets</b>		<b>200,851</b>	<b>152,895</b>
Inventories	17	1,465	–
Tax receivables		163	102
Trade receivables		1,340	35
Other receivables	16	742	439
Prepaid expenses and accrued income	18	762	883
Shares and participations in Active Portfolio Management	19	4,026	3,936
Short-term investments	20	9,295	6,130
Cash and cash equivalents	21	2,684	5,804
<b>Total current assets</b>		<b>20,477</b>	<b>17,329</b>
<b>TOTAL ASSETS</b>		<b>221,328</b>	<b>170,224</b>

# Consolidated Balance Sheet

Amounts in SEK m.	Note	12/31 2010	12/31 2009
<b>EQUITY</b>	22		
Share capital		4,795	4,795
Other contributed equity		13,533	13,533
Reserves		-64	41
Retained earnings, including profit for the year		151,683	124,300
<b>Equity attributable to shareholders of the Parent Company</b>		<b>169,947</b>	<b>142,669</b>
Non-controlling interest		665	4
<b>Total equity</b>		<b>170,612</b>	<b>142,673</b>
<b>LIABILITIES</b>			
Long-term interest-bearing liabilities	23	40,536	23,550
Provisions for pensions and similar obligations	24	602	297
Other provisions	25	78	56
Deferred tax liabilities	10	3,730	573
<b>Total non-current liabilities</b>		<b>44,946</b>	<b>24,476</b>
Current interest-bearing liabilities	23	948	299
Trade payables		907	46
Tax liabilities		408	224
Other liabilities	26	1,470	1,379
Accrued expenses and deferred income	27	2,023	1,122
Provisions	25	14	5
<b>Total current liabilities</b>		<b>5,770</b>	<b>3,075</b>
<b>Total liabilities</b>		<b>50,716</b>	<b>27,551</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>221,328</b>	<b>170,224</b>

See note 29 for the Group's assets pledged and contingent liabilities.

# Consolidated Statement of Changes in Equity

Amounts in SEK m.	Note 22	Equity attributable to shareholders of the Parent Company						Non-controlling interest	Total equity
		Share capital	Other contribut-ed equity	Transla-tion reserve	Revalua-tion reserve	Hedging reserve	Retained earnings, incl. profit/loss for the year		
Opening balance 1/1 2010		4,795	13,533	403	385	-747	124,300	142,669	4 142,673
Profit for the year							30,713	30,713	-20 30,693
Other comprehensive income for the year				-571		474	-19	-116	7 -109
<b>Total comprehensive income for the year</b>				<b>-571</b>		<b>474</b>	<b>30,694</b>	<b>30,597</b>	<b>-13 30,584</b>
Release of revaluation reserve due to amortization of revalued amount					-8		8	-	-
Dividends							-3,050	-3,050	-3,050
Acquisition of non-controlling interest									674 674
Stock options exercised by employees <sup>1)</sup>							-30	-30	-30
Equity-settled share-based payment transactions <sup>2)</sup>							24	24	24
Repurchases of own shares							-263	-263	-263
<b>Closing balance 12/31 2010</b>		<b>4,795</b>	<b>13,533</b>	<b>-168</b>	<b>377</b>	<b>-273</b>	<b>151,683</b>	<b>169,947</b>	<b>665 170,612</b>

Amounts in SEK m.	Note 22	Equity attributable to shareholders of the Parent Company						Non-controlling interest	Total equity
		Share capital	Other contribut-ed equity	Transla-tion reserve	Revalua-tion reserve	Hedging reserve	Retained earnings, incl. profit/loss for the year		
Opening balance 1/1 2009		4,795	13,533	314	550	-299	96,238	115,131	102 115,233
Profit for the year							31,379	31,379	-11 31,368
Other comprehensive income for the year				89	-156	-448	22	-493	17 -510
<b>Total comprehensive income for the year</b>				<b>89</b>	<b>-156</b>	<b>-448</b>	<b>31,401</b>	<b>30,886</b>	<b>-28 30,858</b>
Release of revaluation reserve due to amortization of revalued amount					-9		9	-	-
Dividends							-3,059	-3,059	-3,059
Acquisition of non-controlling interest							-11	-11	-70 -81
Stock options exercised by employees <sup>1)</sup>							-41	-41	-41
Equity-settled share-based payment transactions <sup>2)</sup>							25	25	25
Repurchases of own shares							-262	-262	-262
<b>Closing balance 12/31 2009</b>		<b>4,795</b>	<b>13,533</b>	<b>403</b>	<b>385</b>	<b>-747</b>	<b>124,300</b>	<b>142,669</b>	<b>4 142,673</b>

1) For programs up to 2005, the exercise of employee stock options affects equity negatively by the difference between the market value of the share and the strike price of the option. This effect is offset by the result from equity swaps for which the value changes are accounted for in the Income Statement, see also Note 5 Employees and payroll costs. For programs as of 2006, equity is affected by the strike price of the option. For these programs Investor has chosen to repurchase shares that are used for delivery to employees in connection with exercise.

2) Calculated in accordance with IFRS 2 Share-based Payment.

# Consolidated Statement of Cash Flows

Amounts in SEK m.	Note 21	2010	2009
<b>Operating activities<sup>1)</sup></b>			
Core Investments			
Dividends received		3,203	2,358
Operating Investments			
Dividends received		27	21
Cash receipts		3,040	465
Cash payments		-2,414	-313
Private Equity Investments			
Dividends received		343	489
Financial Investments and costs relating to investing activities			
Dividends received		81	48
Cash receipts/cash payments, net effect on cash flow		-274	-1,777
<b>Cash flows from operating activities before net interest and income tax</b>		<b>4,006</b>	<b>1,291</b>
Interest received <sup>2)</sup>		2,105	1,903
Interest paid <sup>2)</sup>		-2,762	-2,394
Income tax paid		-234	-44
<b>Cash flows from operating activities</b>		<b>3,115</b>	<b>756</b>
<b>Investing activities<sup>1)</sup></b>			
Acquisitions		-5,901	-8,260
Divestments		2,467	1,587
Increase in long-term receivables		-288	-501
Decrease in long-term receivables		192	5
Acquisitions of subsidiaries, net effect on cash flow		-6,732	-79
Sale of subsidiaries, net effect on cash flow		-	2
Increase in other financial investments		-2,712	-9,102
Decrease in other financial investments		3,405	-
Net changes, short-term investments		4,507	12,617
Acquisitions of property, plant and equipment		-165	-92
Proceeds from sale of other investments		105	-
<b>Net cash used in investing activities</b>		<b>-5,122</b>	<b>-3,823</b>
<b>Financing activities</b>			
Borrowings		4,903	6,735
Repayment of loans		-2,649	-3,679
Repurchases of own shares		-263	-262
Dividends paid		-3,050	-3,059
<b>Net cash used in financing activities</b>		<b>-1,059</b>	<b>-265</b>
<b>Cash flows for the year</b>		<b>-3,066</b>	<b>-3,332</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>5,804</b>	<b>9,151</b>
Exchange difference in cash		-54	-15
<b>Cash and cash equivalents at year-end</b>		<b>2,684</b>	<b>5,804</b>

1) Mandatory heading in statement of cash flows according to IFRS. Operating activities and investing activities in this statement are not in accordance with Investor's definition.

2) Gross flows from interest swap contracts are included in interest received and interest paid.

# Parent Company Income Statement

Amounts in SEK m.	Note	2010	(Restated) 2009
Dividends		3,203	2,358
Changes in value	40, 41	23,970	29,593 <sup>1)</sup>
Net sales		8	9
Operating costs	5, 6	-432	-456
Impairment of associates	40	-253	-242 <sup>1)</sup>
<b>Operating profit</b>		<b>26,496</b>	<b>31,262</b>
<b>Profit/loss from financial items</b>			
Results from participations in Group companies	35	7,178	20
Results from other receivables that are non-current assets	36	-1,148	1,330
Interest income and similar items	37	21	94
Interest expenses and similar items	38	1,647	-552
<b>Profit after financial items</b>		<b>34,194</b>	<b>32,154</b>
Income tax	10	-	-
<b>Profit for the year</b>		<b>34,194</b>	<b>32,154</b>

# Parent Company Statement of Comprehensive Income

Amounts in SEK m.	2010	(Restated) 2009
Profit for the year	34,194	32,154
Other comprehensive income for the year, including taxes		
Change in fair value of cash flow hedges for the year	5	-3
<b>Total other comprehensive income for the year</b>	<b>5</b>	<b>-3</b>
<b>Total comprehensive income for the year</b>	<b>34,199</b>	<b>32,151</b>

1) Restatement attributable to change in accounting policy, for further information see page 82.

# Parent Company Balance Sheet

Amounts in SEK m.	Note	12/31 2010	(Restated) 12/31 2009	(Restated) 12/31 2008
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets				
Capitalized expenditure for software	12	20	16	11
Property, plant and equipment				
Equipment	14	19	20	20
Financial assets				
Participations in Group companies	39	36,618	29,859	29,839
Participations in associates	40	93,365	67,208 <sup>1)</sup>	38,651 <sup>1)</sup>
Other long-term holdings of securities	41	41,038	40,197	35,008
Receivables from Group companies	42	25,193	27,179	23,997
<b>Total non-current assets</b>		<b>196,253</b>	<b>164,479</b>	<b>127,526</b>
<b>Current assets</b>				
Current receivables				
Trade receivables		2	3	3
Receivables from Group companies		1,185	1,340	6,452
Receivables from associates		0	0	0
Tax assets		13	13	19
Other receivables		1	1	1
Prepaid expenses and accrued income	18	12	15	13
Cash and cash equivalents	21	0	0	0
<b>Total current assets</b>		<b>1,213</b>	<b>1,372</b>	<b>6,488</b>
<b>TOTAL ASSETS</b>		<b>197,466</b>	<b>165,851</b>	<b>134,014</b>

1) Restatement attributable to change in accounting policy, for further information see page 82.

# Parent Company Balance Sheet

Amounts in SEK m.	Note	12/31 2010	(Restated) 12/31 2009	(Restated) 12/31 2008
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Restricted equity	22			
Share capital		4,795	4,795	4,795
Statutory reserve		13,935	13,935	13,935
		18,730	18,730	18,730
Unrestricted equity				
Hedging Reserve		-166	-172	-169
Accumulated profit		110,406	81,572 <sup>1)</sup>	89,737 <sup>1)</sup>
Profit/loss for the year		34,194	32,154	-4,828
		144,434	113,554	84,740
<b>Total equity</b>		<b>163,164</b>	<b>132,284</b>	<b>103,470</b>
<b>Provisions</b>				
Provisions for pensions and similar obligations	24	212	246	275
Other provisions	25	50	59	69
<b>Total provisions</b>		<b>262</b>	<b>305</b>	<b>344</b>
<b>Non-current liabilities</b>				
Loans	23	20,924	20,071	17,867
Liabilities to Group companies		4,599	10,513	10,566
<b>Total non-current liabilities</b>		<b>25,523</b>	<b>30,584</b>	<b>28,433</b>
<b>Current liabilities</b>				
Loans	23	90	298	818
Trade payables		11	17	12
Liabilities to Group companies		7,838	1,734	161
Liabilities to associates		1	1	1
Tax liabilities		-	-	-
Other liabilities		14	11	17
Accrued expenses and deferred income	27	563	617	758
<b>Total current liabilities</b>		<b>8,517</b>	<b>2,678</b>	<b>1,767</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>197,466</b>	<b>165,851</b>	<b>134,014</b>
<b>ASSETS PLEDGED AND CONTINGENT LIABILITIES</b>				
Assets pledged	29	931	1,286	601
Contingent liabilities	29	10,236	10,316	10,344

1) Restatement attributable to change in accounting policy, for further information see page 82.

# Parent Company Statement of Changes in Equity

Amounts in SEK m.	Note 22	Restricted equity		Unrestricted equity			Total equity
		Share capital	Statutory reserve	Fair value fund	Hedging Reserve	Accumulated profit/loss	
Opening balance 1/1 2010		4,795	13,935		-172	113,726	132,284
Profit for the year						34,194	34,194
Other comprehensive income for the year				6			6
<b>Total comprehensive income for the year</b>				6		34,194	34,200
Dividends						-3,050	-3,050
Stock options exercised by employees <sup>1)</sup>						-30	-30
Equity-settled share-based payment transactions <sup>2)</sup>						23	23
Repurchases of own shares						-263	-263
<b>Closing balance 12/31 2010</b>		<b>4,795</b>	<b>13,935</b>		<b>-166</b>	<b>110,406</b>	<b>34,194</b>
							<b>163,164</b>

Amounts in SEK m.	Note 22	Restricted equity		Unrestricted equity			Total equity
		Share capital	Statutory reserve	Fair value fund	Hedging Reserve	Accumulated profit/loss	
Opening balance 1/1 2009		4,795	13,935		-169	74,353	92,914
Change in accounting policy, associates						10,556 <sup>3)</sup>	10,556
<b>Restated opening balance 1/1 2009</b>		<b>4,795</b>	<b>13,935</b>		<b>-169</b>	<b>84,909</b>	<b>103,470</b>
Profit for the year						32,154 <sup>3)</sup>	32,154
Other comprehensive income for the year				3			-3
<b>Total comprehensive income for the year</b>				3		32,154	32,151
Dividends						-3,059	-3,059
Stock options exercised by employees <sup>1)</sup>						-41	-41
Equity-settled share-based payment transactions <sup>2)</sup>						25	25
Repurchases of own shares						-262	-262
<b>Closing balance 12/31 2009</b>		<b>4,795</b>	<b>13,935</b>		<b>-172</b>	<b>81,572</b>	<b>32,154</b>
							<b>132,284</b>

1) For programs up to 2005, the exercise of employee stock options affects equity negatively by the difference between the market value of the share and the strike price of the option. This effect is offset by the result from equity swaps and equity options for which the value change is accounted for in the Income Statement. See also Note 5 Employees and payroll costs. For programs as of 2006, equity is affected by the strike price of the option. For these programs Investor has chosen to repurchase shares that are used for delivery to employees in connection with exercise.

2) Calculated in accordance with IFRS 2 Share-based Payment.

3) Due to a change in the Annual Accounts Act, associated companies are reported in accordance with the same policies in the Parent Company as in the Group, see Note 1 Accounting policies for further information. The change is presented as a change in accounting policy and had effects on the financial statements for the current period, the previous period and the cumulative totals at the beginning of the comparison period. The quantitative effects are presented in the schedule below.

## Effect of changes in accounting policy

Amounts in SEK m.		2009
Profit for the year according to previous accounting policy		16,789
Effect on changes in value		24,421
Effect on impairment of associates <sup>1)</sup>		-9,056
<b>Profit for the year according to new accounting policy</b>		<b>32,154</b>
Amounts in SEK m.		12/31 2009
Increase in participations in associates		25,921
Increase in retained earnings		25,921
		10,556

1) Relates to reversed impairment of associates included in changes in value due to changed accounting policy.

# Parent Company Statement of Cash Flows

Amounts in SEK m.	Note 21	2010	2009
<b>Operating activities<sup>1)</sup></b>			
Dividends received		3,203	2,358
Operating costs		-487	-479
<b>Cash flows from operating activities before net interest and income taxes</b>		<b>2,716</b>	<b>1,879</b>
Interest received		1,949	2,456
Interest paid		-1,544	-1,913
Income taxes paid		0	6
<b>Cash flows from operating activities</b>		<b>3,121</b>	<b>2,428</b>
<b>Investing activities<sup>1)</sup></b>			
Share portfolio			
Acquisitions		-3,281	-4,912
Divestments		2	517
Other items			
Net cash flow from liquidation of subsidiary		8,479	-
Capital contributions to subsidiaries		-8,059	-
Acquisitions of items of property, plant and equipment/intangible assets		-8	-11
<b>Net cash used in investing activities</b>		<b>-2,867</b>	<b>-4,406</b>
<b>Financing activities</b>			
Borrowings		2,748	6,735
Repayment of loan		-278	-3,669
Change, inter-company transactions		589	2,233
Repurchases of own shares		-263	-262
Dividends paid		-3,050	-3,059
<b>Net cash used in financing activities</b>		<b>-254</b>	<b>1,978</b>
<b>Cash flows for the year</b>		<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at year-end</b>		<b>0</b>	<b>0</b>

1) Mandatory heading in statement of cash flows according to IFRS. Operating activities and investing activities in this statement are not in accordance with Investor's definition.

# Notes to the Financial Statements

## Note 1 Accounting policies

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### STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union. In addition, the Swedish Financial Reporting Board's recommendation, RFR 1 Supplementary accounting policies for Groups, was applied.

The Parent Company applies the same accounting policies as the Group, except where noted below in the section "Accounting policies of the Parent Company". Any differences between the accounting policies of the Parent Company and those of the Group are caused by limitations to the application of IFRS in the Parent Company because of the Swedish Annual Accounts Act, the Pension Obligations Vesting Act ("Tryggandelagen"), and to some extent because of tax legislation. RFR 2 Accounting for Legal Entities has been applied for the Parent Company.

### BASIS OF PREPARATION FOR THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

The Parent Company's functional currency is the Swedish krona (SEK), which is also the reporting currency for both the Parent Company and the Group. Accordingly, the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest million.

Non-current assets and non-current liabilities consist basically of amounts that are expected to be recovered or settled after more than 12 months from the balance sheet date. Current assets and current liabilities consist mainly of amounts that are expected to be recovered or settled within 12 months from the balance sheet date.

In order to prepare the financial statements in accordance with IFRS, management must make estimates and assumptions that affect the application of the accounting policies and the amounts recognized for assets, liabilities, income and expenses. The actual outcome may differ from these estimates and assumptions.

The estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period the change is made if the change has only affected that period. Or, they are reported in the period the change is made and in future periods if the change affects both the current period and future periods.

Estimates made by management when applying IFRS that have a significant effect on the financial statements, and estimates that can result in significant adjustments to the financial statements in the following year, are disclosed in Note 33 Key Estimates and Assumptions.

The accounting policies of the Group that are specified below have been consistently applied to all periods presented in the consolidated financial statements, unless otherwise noted. The accounting policies of the Group have been consistently applied to the reporting and consolidation of subsidiaries and associates.

The accounting policies of the Parent Company have been consistently applied to all periods presented in the financial statements of the Parent Company.

Certain comparative figures have been reclassified in order to conform to the presentation of the current year's financial statements. In cases where reclassification pertains to significant amounts, special information has been provided.

### CHANGES IN ACCOUNTING POLICIES

#### Changes in accounting policies due to new or amended IFRS

The following is a description of the revised accounting policies applied by the Group as of 1 January 2010. Other IFRS changes that are to be applied starting in 2010 did not have any effect on the Group's accounting.

- Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements have been applied as of 1 January 2010. The revisions and amendments have resulted in a number of changes to the consolidation of accounts, the reporting of business combinations and acquisitions that are made in stages. For further information please refer to section Subsidiaries under Consolidation principles.
- IAS 1 Presentation of Financial Statements. Due to changes in the standard, changes to each category of equity are not reported separately in the statement of other comprehensive income. Instead, this information is reported in Note 22 Equity.

#### New IFRS regulations and interpretations to be applied in 2011 or later

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Reporting and measurement as of 2013 at the latest. IASB has published the first issue (of at least three) of IFRS 9, which is a complete rewrite of accounting standards on financial instruments. The first part deals with classification and measurement of financial assets.

The categories of financial assets specified in IAS 39 will be replaced by a two-measurement-category approach, which would measure financial instruments at either fair value or amortized cost. Changes in the value of derivatives included in hedge accounting will not be affected by this part of IFRS 9. Until further notice, they will continue to be reported in accordance with IAS 39. The changes are not expected to have any effect on amounts reported in the consolidated financial statements, since the majority of the Group's financial instruments are reported in accordance with the fair value option. IFRS 9 has not been approved for application by the EU and such approval is not expected until all revisions to IFRS 9 have been completed. For this reason, it is not possible to adopt the current version of IFRS 9 early.

Other changes to IFRS and IFRIC to be applied in the future are not expected to have any impact on the Group's reporting.

### OPERATING SEGMENTS

A statement of operating segments is prepared for the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. Operating segment results are regularly reviewed and evaluated by the CEO in order to decide on the allocation of resources. The Group's segments are comprised of its business areas, which have different investment strategies and goals. Segment classification is based on the internal reporting model. The operating segments' profits/losses and assets include directly attributable items and items that can be distributed reasonably and reliably to the segments (primarily holdings of shares and participations). Non-distributable items consist of certain revenue and expenses related to financing and parts of the tax. They also include certain Group-wide operating expenses. None of the Group's net debt has been distributed to segments and the only assets and liabilities that have been distributed to operating segments are shares, participations and contributed shareholder loans. Market prices are used for any transactions that occur between operating segments.

Disclosures about goods and services, geographical areas and major customers are not prepared since this information is not deemed relevant given the Group's business.

See Note 2 Operating Segments for a more detailed description of operating segments.

### CONSOLIDATION PRINCIPLES

#### Subsidiaries

Subsidiaries are companies in which Investor AB is able to exert a controlling influence. A controlling interest is the power to, either directly or indirectly, govern the financial and operating policies of an entity in order to obtain economic benefits from its activities. When assessing whether an enterprise has a controlling influence over another enterprise, the existence and effect of potential voting rights currently exercisable or convertible is considered.

Subsidiaries are reported in accordance with the purchase method. Under this method, an acquisition is treated as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is established through an acquisition analysis that is made at the time of the business combination. In the analysis, the acquisition cost of the participations or operations is determined, as well as

## Note 1 cont'd Accounting policies

the fair value of the identifiable assets and the assumed liabilities and contingent liabilities as of the transaction date. The cost of the shares in the subsidiary and the operations, respectively, consists of the fair values on the transfer date for assets, liabilities incurred or assumed, and equity instruments issued and used as consideration for the net assets acquired that are directly attributable to the acquisition. For acquisitions that are made in 2010 and later, the transaction costs that are directly attributable to the acquisition are expensed. For business combinations where the cost exceeds the net carrying amount of the acquired identifiable assets and the assumed liabilities and contingent liabilities, the difference is reported as goodwill in the balance sheet. When the difference is negative, it is reported directly in the income statement during the period when it arises as an effect of negative goodwill. Surplus values that have been identified as part of the acquisition analysis are distributed across applicable classes of assets and depreciated over the estimated useful life. Any remaining amount represents goodwill. Surplus value with an indeterminable useful life is tested annually for impairment, or whenever there is any indication of impairment.

The portion of equity attributable to Non-controlling interest is reported as a separate item within total equity. The income statement and the statement of comprehensive income present information about the portion of the periods income and comprehensive income that is attributable to non-controlling interest. In case there is a loss attributable to non-controlling interest total equity is affected negatively. For acquisitions that take place in 2010 or later, one of the two alternative methods to recognize non-controlling interest and goodwill is applied. Reporting is either at fair value, which means that goodwill is included in the non-controlling interest, or the non-controlling interest consists of the share of the net assets. The choice between the two methods is made individually for each acquisition. Additional acquisitions that occur after a controlling interest has been obtained are also considered to be owner transactions and they are recognized directly in equity.

Acquisitions made at different dates are recognized as business combinations achieved in stages. For such acquisitions made in 2010 or later that result in a controlling influence, the prior acquired shares are revalued at fair value and the resulting profit or loss is recognized in the income statement. Acquisitions that are made subsequent to having obtained a controlling influence and divestments that do not result in a loss of the controlling influence are reported under equity as a transfer between equity attributable to the parent company's shareholders and non-controlling interests. When ownership decreases such that there is no longer a controlling interest, any remaining holding is reported at fair value and the change in value is recognized in the income statement.

For acquisitions that are made in 2010 or later, consideration that is contingent upon the outcome of future events is valued at fair value through profit or loss.

The financial statements of subsidiaries are reported in the consolidated financial statements as of the acquisition date and until the time when a controlling interest no longer exists.

### Associates

Associates are companies in which Investor has a significant influence that is typically between 20 and 50 percent of the votes. Investor is mainly involved in venture capital operations, which means that associated companies are reported as financial instruments, at fair value, via the income statement in accordance with IAS 39 and IAS 28, paragraph 1.

Unlisted associates that belong to Operating and Financial Investments are reported in accordance with the equity method. That is because, compared to other venture capital investments, these companies are integrated to a greater extent with the Group's Operating Activities.

### Reporting of associates in accordance with the equity method

Investor recognizes associates in accordance with the equity method when it has a large ownership stake in the underlying investment, and is significantly involved in the associate's operations. This is reported in the consolidated financial statements as of the date when significant influence was obtained.

When applying the equity method, the carrying amount of shares in associates that is reported in the consolidated financial statements corresponds to the Group's share of the associated companies' equity, consolidated goodwill, and any residual value of consolidated surpluses/deficits.

In the consolidated income statement, the Group's share of the associates' profit or loss that is attributable to the owners of the Parent Company (adjusted for any depreciation, impairment losses or reversals of acquired surpluses/deficits) is recognized as share of results of associates. These shares of profit

or loss (less any dividends received from associates) are the primary component of the reported value of participations in associates. The Group's share of other comprehensive income in associates is reported as a separate item in the Group's other comprehensive income.

On acquisition of the investment, any difference between the cost of the holding and the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is reported as goodwill in accordance with IFRS 3 Business Combinations.

When the Group's share of reported losses in the associate exceeds the carrying amount of the participations in the Group, the value of the participations is reduced to zero. Losses are also offset against long-term financial receivables without collateral, the economic substance of which is comprised of part of the investor's net investment in the associate. Any continued losses are not recognized, unless the Group has an obligation to cover losses incurred in the associate. The equity method is applied until such time when the Group no longer has significant influence.

### Transactions that are eliminated upon consolidation

Intra-group receivables and payables, revenues and expenses, and unrealized gains or unrealized losses arising in intra-groups transactions, are fully eliminated in the preparation of the consolidated financial statements.

Unrealized gains arising from transactions with associates that are consolidated using the equity method are eliminated to the extent that corresponds to the Group's interest in the company.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that no impairment has occurred.

### FOREIGN CURRENCY

#### Foreign currency transactions

Foreign currency transactions are translated to the functional currency at the exchange rate in existence on the date of the transaction. Functional currency is the currency of the primary economic environments in which Group companies operate. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate in existence on the balance sheet date. Non-monetary assets and liabilities recognized at historical cost are translated using the exchange rate in existence on the date of the transaction. Non-monetary assets and non-monetary liabilities recognized at fair value are translated to the functional currency using the exchange rate in existence on the date when the fair value measurement is made. Exchange differences arising on translation are recognized in the income statement with the exception of certain financial instruments. See the section, Financial Instruments, below.

#### Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses/deficits are translated to SEK using the exchange rate in existence on the balance sheet date. Revenues and expenses in a foreign operation are translated to SEK using an average exchange rate that approximates the exchange rates on the dates of the transactions. Translation differences arising when translating foreign operations are recognized directly in other comprehensive income and are accumulated in a separate component of equity, Translation Reserve. When a foreign operation is divested, the cumulative translation differences from equity attributable to the divested operation are reclassified to the Group's income statement. Cumulative translation differences are reported as a separate category of equity and consist of translation differences accumulated since January 1, 2004. Cumulative translation differences prior to January 1, 2004 are allocated to other categories of equity and are not separately disclosed.

#### Hedging net investments in foreign operations

In the consolidated balance sheet, investments in foreign operations are reported as net assets in subsidiaries. To a certain extent, measures have been taken to reduce the currency risks associated with such investments. This has been done by entering into forward contracts in the same currency as the net investments. These forward contracts are recognized at fair value on the closing date. The effective component of the period's exchange rate fluctuations for hedging instruments is reported under "Other Comprehensive Income", and the cumulative changes are reported under "Translation Reserve." This is done in order to meet and either fully or partly matches the translation differences recognized for net assets in the foreign operations that were hedged.

The translation differences from both net investments and hedging instruments are reversed and recognized in the income statement when foreign operations are divested. When hedging has not been effective, the ineffective component is recognized in the income statement.

## Note 1 cont'd Accounting policies

### REVENUES

Revenues included in operating profit are dividends and other operating income relating to Investing Activities and net sales emerging from Operating Activities.

Received dividends are recognized when the right to receive payment has been established. Other operating income consists primarily of interest on shareholder loans and it is calculated using the effective interest rate method. For further information about this, please see the section, Financial Income and Expenses.

Revenue from Operating Activities is recognized when substantially all of the risks and rewards incidental to ownership have been transferred to the buyer (which typically occurs at the time of delivery) and when it is probable that the future financial benefits will flow to the company and when such amounts can be measured reliably.

Services provided as part of healthcare activities are sold via multi-year operating contracts and in some cases framework agreements. Revenue is recognized as the services are provided. A provision is made for the risk of loss if the total directly attributable costs during the entire term of the contract are expected to exceed the total revenues, including indexation.

In accordance with IAS 18, net sales includes the sales value (not including VAT). Revenues are measured at the fair value of the amount received/expected to be received.

### CHANGES IN VALUE

For balance sheet items related to Investing Activities that existed at the beginning and at the close of the period, the change in value is equal to the difference in value between these two dates. For items in the balance sheet that were realized during the period, the change in value consists of the difference between the consideration received and the value at the beginning of the period. For items in the balance sheet that were acquired during the period, the value change consists of the difference between the value at the close of the period and the acquisition cost. Profit/loss from the divestment of a financial instrument are recognized when the risks and benefits associated with owning the instrument are transferred to the buyer and the Group no longer has control over the instrument.

### GOVERNMENT GRANTS

Government grants are reported at fair value when it is reasonably certain that the grant will be received and that it will be possible to fulfill the terms and conditions associated with the grant. Government grants related to costs are reported in the income statement. Revenue is recognized in the same period as the costs to which the grant is related. Government grants related to the purchase of assets reduce the value of the asset. Grants affect net profit during the asset's useful life through lower depreciation.

### EXPENSES

#### Cost of investing activities

Cost of investing activities refer mainly to costs of administrative nature, such as payroll costs, rental charges, travel expenses and consultant costs emerging from the Investing Activities.

#### Cost of goods and services sold

This profit/loss item relates to the cost of goods and services sold in subsidiaries consolidated under Operating Activities.

#### Distribution costs

These are the selling expenses for costs that arise in subsidiaries consolidated under Operating Activities.

#### Administrative costs

This profit/loss item is primarily related to the costs associated with administrative functions in subsidiaries consolidated under Operating Activities.

#### Research and development costs

This item is the net of current costs including amortizations and impairments of capitalized development expenditures and net of capitalized expenditures. This profit/loss item is primarily related to the costs that arise in subsidiaries consolidated under Operating Activities.

#### Leases

In the consolidated financial statements, leases are classified as either financial or operating leases. A lease is classified as a financial lease if it transfers

substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Assets that are classified as financial leases are reported as assets in the Group's balance sheet. Obligations to pay future lease payments are reported as a liability. Leased assets are depreciated according to plan, whereas the leasing payments are apportioned between the finance charge and a reduction of the outstanding liability.

Costs related to operating leases are recognized in the income statement on a straight-line basis over the lease term. Incentives received when entering an agreement are included as a decrease in the leasing fees and amortized on a straight-line basis over the term of the lease (which is reported in the income statement).

### FINANCIAL INCOME AND EXPENSES

Financial income and financial expenses consist of interest income from bank deposits, receivables and interest-bearing securities, interest expenses on loans, exchange rate differences, changes in the value of financial investments and liabilities and derivatives used to finance operations.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest rate method. The effective interest rate is the rate that discounts estimated future payments or receipts throughout the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all of the fees received or paid by the contracting parties, which are a component of the effective interest rate, transaction costs and all other premiums/discounts. Transaction costs, including issuing costs, are expensed immediately when receivables or payables are measured at fair value through profit or loss. When valued at amortized cost, amortization takes place over the remaining life using the effective interest rate. Borrowing costs are recognized in profit or loss using the effective interest rate method except to the extent that they are directly attributable to the acquisition, construction or production of assets that take considerable time to prepare for their intended use or sale, in which case they are included in the assets' acquisition cost. Costs related to credit facilities are recognized as interest and are amortized on a straight-line basis over the term of the facilities. Net profits and net losses consist of other income from financial items and are mainly changes in the movement of derivatives and loans that are subject to fair value hedging.

The change in value reported in net financial items is calculated in a similar way as changes in value recognized in operations. See the section above called Changes in Value.

### INCOME TAXES

The Group's total income tax charge consists of current tax and deferred tax. Current tax is tax that must be paid or tax that will be received for the current year. Current tax also includes adjustments to current tax attributable to earlier periods. Deferred tax is based on the temporary differences between the tax base of an asset or liability and its carrying amount. Temporary differences in goodwill are not recognized. Furthermore, temporary differences attributable to investments in subsidiaries or associates are not recognized unless they are expected to reverse within the foreseeable future. The valuation of deferred tax is based on the extent to which underlying assets and liabilities are expected to be realized or settled. Deferred tax is calculated using the tax rates and tax regulations that have been decided or announced at year-end. If the calculations result in a deferred tax asset, it will only be reported as such if it is probable that it will be realized.

Part of the difference between the effective tax rate and the Parent Company's tax rate that occurs upon reconciliation is due to the fact that the Parent Company is taxed in accordance with the rules that apply to industrial holding companies. Capital gains on shares are not taxable and corresponding capital losses are non-deductible. Dividends received and interest income are both taxable, while administrative costs, interest expenses and dividends paid are all deductible. In addition, the Parent Company is taxed on a standard income that is based on the market value of certain listed holdings. Income taxes are reported in the income statement except when the underlying transaction is reported as part of other comprehensive income or in equity. In such cases, the associated tax effect is also reported as part of other comprehensive income or in equity.

### INTANGIBLE ASSETS

Intangible assets are reported at cost after a deduction for any accumulated amortization or impairment losses.

## Note 1 cont'd Accounting policies

### Capitalized expenditure

Borrowing costs attributable to the development of qualifying assets are capitalized as a component of the asset's acquisition cost.

### Software

Direct costs for software intended for own administrative use are recognized as an asset in the balance sheet when the costs are expected to generate future economic benefits in the form of more efficient processes. Capitalized expenditure for software are amortized from the date they become available for use.

### Research and development expenditures

Expenditures associated with research are recognized in the periods that they arise. An internally generated intangible asset is reported by the Group only if it is possible to identify the asset that was created, if it is both technically and financially feasible to complete the asset, if there is both intent and ability to use the asset, if it is likely that the asset will generate future economic benefits and if it is possible to calculate the expenses in a reliable way. Amortization of the asset starts as soon as it is put into use and it is made on a linear basis throughout the asset's useful life.

### Technology

Each type of technical knowledge is valued individually as part of the fair value of acquired businesses.

### Brands

Brands are valued individually as part of the fair value of businesses acquired from a third party. The brand must have long-term value and it must be possible to sell the brand separately. Otherwise, the brand may arise through a contract or legal rights. The Group's brands have an indefinite life and they are not amortized. Brands that are subject to a test of impairment are tested each year, or more often, if there is any indication of an impairment requirement. Brands are reported at cost less any impairment losses.

### Customer contracts

Customer contracts are valued individually as part of the fair value of acquired businesses, less any amortization or impairment losses. The useful life of a customer contract is based on a calculation of the period in time when net payments is expected to be received from the contract with regards to legal and financial factors.

### Goodwill

Goodwill is valued at cost less any accumulated impairments. Goodwill is allocated among the lowest identifiable cash-generating units and it is tested for impairment once per year, or more often if there are any indications of an impairment requirement. Goodwill that arises from the acquisition of an associate is included in the carrying amount of participations in associates.

### PROPERTY, PLANT AND EQUIPMENT

Items of property plant and equipment are recognized as assets in the balance sheet when it is probable that the future economic benefits associated with the assets will flow to the company and the cost of the assets can be measured reliably. The carrying amount for an item of property, plant and equipment is derecognized in the balance sheet when it is disposed of or sold. Gains or losses on the sale or disposal of an asset are determined as the difference between the selling price and the carrying amount of the asset less direct selling costs. Gains or losses are recognized in operating income. Borrowing costs are included in the cost of acquisition for assets, recognized at acquisition value, that take a considerable amount of time to complete.

### Owner-occupied property

Owner-occupied property is recognized at fair value less accumulated depreciation and revaluation adjustments. Property is revalued with sufficient regularity to ensure that the carrying amount does not differ materially from the amount established as fair value on the balance sheet date. The fair value of owner-occupied property is determined by valuations performed by independent external assessors. When an asset's carrying amount is increased as a result of a revaluation, the increase is reported in other comprehensive income and accumulated in a separate component of equity, called the Revaluation Reserve. If the increase consists of a reversal of a previously recognized impairment loss on the same asset, the increase is recognized as a reduced cost in the income statement. When an asset's carrying amount is decreased as a

result of a revaluation, the decrease is recognized as an expense in profit or loss. If there is a balance in the revaluation reserve attributable to the asset, the decrease in value is recognized in other comprehensive income and the amount in the revaluation reserve is also decreased. The difference between the depreciation based on the revalued amount, and the depreciation based on the original cost, is transferred from the revaluation reserve to retained earnings. Accumulated depreciation is recalculated in proportion to the change in the asset's increased cost so that the carrying amount of the asset (the net of the adjusted cost and adjusted depreciation) after revaluation corresponds to the revalued amount. When an asset is divested, the value attributable to the asset in the revaluation reserve is transferred to retained earnings, without having any effect on profit/loss or other comprehensive income. For owner-occupied property consisting of parts with different useful lives (such as the framework, roof and basic installations), the parts are treated as separate components of the owner-occupied property.

### Machinery and equipment

Machinery and equipment are reported at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price and directly attributable costs required to bring the asset to working condition for its intended use. Examples of such directly attributable costs are costs for delivery and handling, installation, consulting fees and legal fees.

### AMORTIZATION AND DEPRECIATION

Depreciation is made linearly over the asset's estimated useful life. Land is not depreciated. The Group applies component depreciation, which means that depreciation is based on the estimated useful life of each component.

#### Estimated useful lives:

Capitalized expenditure	3-5 years
Technology	20 years
Licenses	3-5 years
Customer contracts	3-5 years

#### Real estate

Frameworks	50-100 years
Land improvements	20-40 years
Building components	5-40 years

Machinery	3-15 years
Equipment and computers	3-10 years

The residual value and the useful life of an asset are reviewed each year.

### IMPAIRMENT

IAS 36 is applied when testing for impairment of many types of assets. However, IAS 39 is applied for testing impairment of financial assets and IAS 12 is applied to income taxes.

### Impairment testing of property, plant and equipment, intangible assets and of participations in subsidiaries and associates

The recoverable amount of an asset is calculated whenever there is an indication of impairment. For goodwill, other intangible assets with an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is calculated once per year. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Such impairments are reported in the income statement. When the impairment amount has been identified, it is allocated primarily to goodwill. After that, the impairment loss is allocated proportionally to the other assets in the unit. The recoverable amount is the higher of the fair value less selling expenses and the value in use. When determining the value in use, future cash flows are discounted using a discount rate that takes into account the risk-free interest rate and risk associated with the specific asset.

### Impairment testing of financial assets

On each reporting date, the company evaluates whether there is any objective evidence that a financial asset or group of assets have become impaired. Objective evidence consists in part of observable conditions that have occurred and that negatively affect the possibility to recover the cost. Objective evidence also consists of a significant and drawn-out decline in the fair value of an investment in an equity instrument that has been classified as an available-for-sale financial asset.

The recoverable amount for assets belonging to the category, Loans and Receivables (which are recognized at amortized cost), is calculated as the

## Note 1 cont'd Accounting policies

present value of future cash flows discounted at the effective interest rate upon initial recognition of the asset. Assets with short maturities are not discounted. Impairments are reported in the income statement.

Since the majority of the Group's assets belong to the category "Financial assets at fair value through profit or loss" most negative changes in value affect the income statement on an ongoing basis.

### Reversal of impairment losses

An impairment of assets in accordance with IAS 36 is reversed only when there is no longer any indication of impairment and the assumptions used as the basis for calculating the recoverable amount have changed. However, an impairment of goodwill is never reversed. An impairment loss is only reversed to the extent that the increased carrying amount does not exceed what the amortized historical cost would have been if the impairment had not been recognized.

Impairment losses on loans and trade receivables (which are recognized at amortized cost) are reversed if the prior reasons for the impairment no longer exist and full payment is expected.

### INVENTORIES

Inventory is valued at the lower of net realizable value and cost. Direct material costs and, in some instances, direct salary costs and other costs involved in bringing the goods to their current location and condition are included in the estimated cost of purchase. The cost of inventories is calculated primarily via the FIFO (first in, first out) method.

For finished goods and work-in-progress, cost includes a reasonable portion of the indirect costs based on normal capacity utilization.

Net realizable amount is based on the estimated sales price in the ordinary course of business less the estimated costs to bring about a sale.

### BORROWING COSTS

Borrowing costs attributable to the construction of qualifying assets are capitalized as a component of the qualifying asset's acquisition cost. A qualifying asset is an asset that by necessity takes considerable time to prepare. Firstly, borrowing costs arising on loans that are specific to the qualified asset are capitalized. After that, any borrowing costs arising on general loans that are not specific to any qualified asset are capitalized.

### FINANCIAL INSTRUMENTS

Financial instruments recognized as assets in the balance sheet include shares and participations recognized at fair value, other financial investments, loans receivables, trade receivables, short-term investments, cash and cash equivalents, and derivatives. Financial instruments recognized as liabilities in the balance sheet include loans, shares on loan, trade payables and derivatives

### Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognized in the balance sheet when the company becomes party to the instrument's contractual terms. A receivable is recognized when the company has performed and a contractual obligation for the counter party to make a payment exists although an invoice has not yet been issued.

Trade receivables are recognized in the balance sheet when an invoice is sent. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade payables are recognized when an invoice is received.

A financial asset or part thereof is derecognized in the balance sheet when the rights in the agreement have been realized, upon maturity or when the company loses control over them. A financial liability or part thereof is derecognized in the balance sheet when the obligations in the contract have been fulfilled or no longer exist for some other reason.

A financial asset and a financial liability are offset and recognized as a net amount in the balance sheet only if there is a legal right to offset the amount and there is an intention to settle the items in a net amount or to realize the asset and settle the liability at the same time. Financial assets that are cash instruments are recognized on the transaction date, which is the date when the company commits to acquire or divest the instrument.

### Classification and measurement

Financial instruments belonging to the category of financial assets recognized at fair value through profit or loss are initially recognized at fair value excluding transaction costs. Other financial instruments are initially recognized at cost corresponding to the instrument's fair value, including transaction costs.

A financial instrument is classified upon initial recognition based on the purpose for which it was acquired. The classification determines how the financial instrument is measured after initial recognition, as described below.

Cash and cash equivalents consist of cash and demand deposits in banks and similar institutions, and short-term investments with a maturity of three months or less from the acquisition date, which are subject to an insignificant risk of changes in value.

### Financial assets at fair value through profit or loss

This category consists of two subcategories: financial assets that are initially placed in this category (via the fair value option) and held-for-trading financial assets. Financial assets in this category are continuously measured at fair value through value changes that are reported in the income statement.

#### Financial assets recognized in accordance with the Fair Value Option

This category includes primarily short-term investments, other financial assets and shares and participations recognized at fair value.

In this category, the Group has chosen, on initial recognition, to designate financial assets that are managed and measured on the basis of fair values, in accordance with the risk management and investment strategy of management. In accordance with IAS 28, paragraph 1, participations in associates where Investor is able to exercise significant influence, (except unlisted associates that belong to the Operating and Financial Investments business areas) are recognized at fair value through profit and loss in accordance with IAS 39.

#### Financial assets held for trading

Shares and participations belonging to Active Portfolio Management are recognized as held-for-trading financial assets. The same applies to derivatives with a positive fair value, with the exception of derivatives identified as effective hedging instruments.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized at amortized cost, which is determined on the basis of the effective interest rate on the acquisition date. Trade receivables are recognized at net realizable value less any deductions for bad debts, which are assessed on an individual basis. Trade receivables are short term in nature, which is why they are reported at nominal amounts without any discounting.

### Available-for-sale financial assets

The available-for-sale financial assets category includes a few financial assets that do not belong to any of the other categories. Holdings of participations not recognized as subsidiaries or associates, or ones that have been valued in accordance with the Fair Value Option, are recognized in this category. Assets in this category are continuously measured at fair value, with changes in value reported in other comprehensive income and the accumulated changes in value reported in a separate component of equity. However, this does not apply to value changes that are due to impairment (see the section on impairment below). Neither does it apply to interest on receivables, dividend income or exchange differences on monetary items, all of which are recognized in profit or loss. When an asset is sold, the accumulated profit/loss, previously recognized in other comprehensive income, is recognized in the income statement.

### Financial liabilities at fair value through profit or loss

This category includes financial liabilities held for trading. For the Group, this includes shares on loan in the Active Portfolio Management unit and derivatives with a negative fair value (except for identified derivatives that are effective hedge instruments). When shares on loan are sold, an amount corresponding to the fair value of the shares is recorded as a liability. Financial liabilities in this category are continuously recognized at fair value, with changes in value reported in the income statement.

### Other financial liabilities

This category includes loans and other financial liabilities, such as trade payables. Loans are recognized at amortized cost, except when they are used for fair value hedging. For more information, see the heading below, "Hedging of the Group's interest rate exposures - fair value hedges". Amortized cost is calculated based on the effective interest that was determined when the loan was obtained. This means that surpluses/deficits, as well as direct issuing costs, are amortized over the life of the liability. Trade payables are short term in nature, which is why they are recognized at nominal amounts without any discounting.

## Note 1 cont'd Accounting policies

### Financial guarantees

The Group has financial guarantee contracts that commit the Group to reimburse the holder of a debt instrument for the losses incurred when a specified debtor fails to make payment when it is due, in accordance with the original or modified contract terms. Financial guarantee contracts are initially recognized at fair value less the fair value of contracted guarantee fees. However, an asset will not be taken up in the balance sheet if the difference is positive.

Subsequent to the initial recognition financial guarantee contracts are recognized continuously at the higher of the best estimate of the present value of anticipated net fees to settle the guarantee commitment less the present value of future guarantee fees, and the original amount booked as a liability less reversed cumulative straight-line amortization over the contracted guarantee period. In cases where market-based compensation has been contracted for the guarantee commitment, it is initially not recognized as either an asset or a liability. However, the revenue from the guarantee contracts is recognized on a straight-line basis over the guarantee period.

### Derivatives and hedge accounting

Derivatives, such as forwards, options and swaps, are used to offset the risks associated with fluctuations in exchange rates and share prices, as well as the exposure to interest rate risks. Derivatives are initially measured at fair value through profit or loss, which means that transaction costs are charged to profit/loss for the period. After initial recognition, the derivative instrument is recognized at fair value and changes in the value are recognized as described below. Changes in the value of derivative instruments are recognized in the income statement as income or expense (part of operating profit) or as part of net financial items. Where they are reported is based on the purpose of the derivatives and whether the use is related to an operating item or a financial item.

In hedge accounting, changes in the value of hedging instruments are recognized in the income statement at the same time as changes in the value of the hedged items. To qualify for hedge accounting under IAS 39, a derivative must be closely linked to the hedged item. Furthermore, the hedge must be effective, formal documentation must be prepared and it must be possible to measure the effectiveness of the hedge. If the derivative instrument is used for hedge accounting and is effective, changes in the value of the derivative instrument are recognized on the same line in the income statement as the hedged item. The ineffective portion is recognized in the income statement as an operating item or financial item in the same way as value changes in derivatives that are not used for hedge accounting. If hedge accounting is not applied when using interest rate swaps, the coupon rate is recognized as interest and other changes in the value of interest rate swaps are recognized as net gains/net losses in net financial items.

If the criteria for hedge accounting are no longer met, the derivatives are recognized at fair value through profit or loss according to the principle above.

### Receivables and liabilities in foreign currency

Forward exchange contracts, currency options or currency swaps are used to hedge receivables and liabilities against foreign exchange rate risks. Hedge accounting is not used to protect against foreign exchange risk since an economic hedge has already been reflected in the financial statements. This occurs by recognizing the underlying receivable or liability at the closing rate and the hedge instrument at fair value in the income statement.

### Hedging of long-term share-based remuneration

Share swaps are used to protect cash flows, earnings and equity from the effects of long-term share-based remuneration when the price of the Investor share rises. These derivatives do not qualify for hedge accounting and are therefore recognized at fair value through profit or loss.

### Forecast transactions in foreign currency – cash flow hedges

Derivatives are used to hedge currency risks from forecast transactions in Operating Activities. The derivatives are recognized at fair value in the balance sheet. Changes in value for the period are recognized in other comprehensive income and the accumulated changes in value are recognized in the hedging reserve until the hedged cash flow affect profit for the year, whereas the accumulated value changes of the hedging instrument are recycled to profit for the year.

### Hedging the Group's interest rate risk – cash flow hedges

The Group uses interest rate swaps to control the uncertainty of future interest rate fluctuations for loans with a variable interest rate. In the balance sheet, interest rate swaps are valued at fair value. The interest rate coupon is recognized on an on-going basis in the income statement as a component of interest expense. Unrealized changes to the fair value of interest rate swaps are recognized in Other Comprehensive Income and are included as a component in the hedging reserve until the hedged item has an effect on the income statement and as long as the criteria for hedge accounting and effectiveness are met. The gain/loss attributable to the ineffective component of the unrealized value changes on interest rate swaps are recognized in the income statement.

### Hedging of the Group's interest rate exposure – fair value hedges

The Group uses interest rate swaps to hedge the risk of changes in the fair value of its own borrowings that have a fixed rate of interest. The interest rate swaps are recognized at fair value in the balance sheet and the hedged item is recalculated at the fair value of the hedged risk (the risk-free interest rate). Changes in the fair value for the derivative and hedged item are recognized in the income statement.

The interest rate coupon is recognized on an on-going basis in the income statement as a component of interest expense.

### Hedging of currency risk in foreign net investments

To a limited extent, investments in foreign subsidiaries have been hedged through forward contracts that are translated at the closing rate on the balance sheet date. Please see the description under the section, "Foreign Currency" above.

### REPURCHASES OF OWN SHARES

Repurchases of own shares are recognized as a deduction from equity. Cash proceeds from the sale of such equity instruments are recognized as an increase in equity. Any transaction costs are recognized directly under equity.

### DIVIDENDS

Dividends are recognized as a liability as soon as the Annual General Meeting has approved the dividend for the year.

### EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit/loss for the year attributable to shareholders of the Parent Company and on the weighted average number of shares outstanding during the year. When calculating diluted earnings per share, the average number of shares is adjusted to take into account the effects of dilutive potential ordinary shares originating during the reported periods from stock option and share programs that have been offered to employees. Dilutions from stock option and share programs affect the number of shares and only occur when the strike price is less than the share price. The strike price is adjusted by adding the value of future services associated with equity-settled employee stock options and share programs, which are recognized as share-based payment transactions in accordance with IFRS 2. The dilution is small if the difference between the share price and the strike price adjusted for the value of potential future IFRS 2 services is also small. The potential ordinary shares are not viewed as dilutive if they would result in better earnings per share after dilution, which occurs when net income is negative.

### EMPLOYEE BENEFITS

#### Post-employment benefits

The Group has both defined benefit pension plans and defined contribution pension plans.

#### Defined contribution plans

Defined contribution plans are classified as plans under which the company's obligations are limited to the payment of fixed contributions. In such cases, the size of the employee's pension depends on the contributions that the company makes to the plan, or to an insurance company, and the return that the capital contributions generate. Consequently, the employee carries both the actuarial risk (that benefits will be lower than expected) and the investment risk (that the invested assets will be insufficient for providing the expected benefits). The company's obligations to pay contributions to defined contribution plans are recognized as an expense in the income statement at the rate that employees provide services to the company during a period.

## Note 1 cont'd Accounting policies

### Defined benefit plans

In defined benefit pension plans, payments are made to employees and former employees based on their salary at the time of retirement and the number of years of service. The Group carries the risk for making the payments. The Group's net obligation under defined benefit plans is measured separately for each plan by an estimation of future benefits earned by the employees both in current and prior periods. This benefit is discounted to a present value. The discount rate is the rate at the balance sheet date on government bonds with a life corresponding to the pension obligations of the Group. The measurement is made by a qualified actuary using the projected unit credit method. Furthermore, the fair value of any plan assets is calculated on the closing day. When determining the present value of the obligation and the fair value of plan assets, actuarial gains and losses may arise. This is either because the actual outcome differs from the previous assumption that was made, or because the assumptions have changed. Actuarial gains and losses are recognized as income or expenses in other comprehensive income.

The value presented in the balance sheet for pensions and similar commitments corresponds to the obligation's present value on the reporting date less the fair value of plan assets and unrecognized expenses for past service.

When the calculation results in a Group asset, the carrying amount of the asset is limited to the net of unrecognized expenses for past service and the present value of future repayments from the plan or decreased future payments to the plan. When the benefits of a plan are improved, the portion of the increased benefits relating to past service is recognized as an expense on a straight-line basis in the income statement over the average period until the benefits become vested. To the extent that the benefits are fully vested, the expense is recognized immediately in profit or loss.

When there is a difference between how pension costs are determined for a legal entity and for the Group, a provision or receivable for a special employer's contribution is recognized, based on this difference. The present value of the provision or receivable is not calculated.

The net of the interest on pension liabilities and the expected yield on adherent management assets is recognized in net financial items. Other components are recognized in operating income.

### Termination benefits

A cost for termination benefits is recognized only if the company is demonstrably committed without any realistic possibility of withdrawing the commitment by a formal plan to prematurely terminate an employee's employment. When benefits are offered to encourage voluntary departure from the company, a cost is recognized if it is probable that the offer will be accepted and the number of employees accepting the offer can be reliably estimated.

### Short-term benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A provision is made for the anticipated cost of bonus payments when the Group has a current obligation to make such payments as a consequence of services received from employees and when the obligation can be reliably estimated.

### Share-based payment transactions

#### Reporting in accordance with IFRS 2 and UFR 7

During the past few years, Investor AB has offered stock option and share programs to employees, see also Note 5 Employees and payroll costs. These programs enable employees to acquire or receive shares in the company. The fair value of the granted options and shares is recognized as a personnel cost with a corresponding increase in equity. The fair value is determined on the grant date and the cost is allocated over the vesting period. The fair value of the granted options is determined at the grant date in accordance with the Black & Scholes valuation model, taking into consideration the terms and conditions that are related to the share price. The recognized cost corresponds to the fair value of the estimated number of options and shares that are expected to vest. This cost is adjusted in subsequent periods to reflect the actual number of vested options and shares. However, no adjustment is made when options expire only because share-price related conditions do not reach the level needed for the options to vest.

Remuneration in the form of cash-settled (synthetic) shares results in an obligation that is valued at fair value and recognized as an expense with a corresponding increase in liabilities. Initial fair value is calculated and revalued every balance sheet date and at final settlement. The cost is based on the fair value and is distributed over the vesting period. All changes in the fair value of liabilities are recognized in the income statement as a personnel expense.

Social security expenses attributable to share-based remuneration to employees and Board members are recognized in accordance with a statement from the Swedish Financial Reporting Board (UFR 7), which states that the cost is calculated and amortized in accordance with the same principles as the costs for synthetic shares. The value of the social security contributions is based on the fair value of the underlying instrument on each balance sheet date. For employee stock option programs introduced before November 7, 2002, the requirements for recognition and measurement as per IFRS 2 have not been applied in accordance with the transition rules stated in IFRS 1.

### Reporting of exercise transactions

When employee stock options and share programs are exercised, shares are delivered to the employee. The delivered shares are either shares that have been acquired through share swaps or shares that were repurchased when the program was implemented. When exercised, the payment of the exercise price that was received from the employee is recognized under equity. When share swaps are used to hedge the value of the supply, the results of the swap are recognized in net financial items. Equity is simultaneously decreased by the market value of the delivered shares. As a result, the net effect recognized directly under equity is negative. This negative effect is normally indirectly offset by the result of the swap. When own shares are used for delivery, equity is affected only by the payment from the employee. As a result, the effect of the exercise transaction on equity is positive.

### PROVISIONS

A provision is reported in the balance sheet when there is a formal or informal obligation as a result of a past event for which it is probable that an outflow of resources will be needed to settle the obligation and when a reliable estimate of the amount can be made.

A restructuring provision is recognized when the Group has a detailed, formal plan for the restructuring, and the restructuring plan has commenced or has been publicly announced.

Within Medical care and health care operations a provision is made for the risk of loss if the total directly attributable costs during the entire term of the contract are expected to exceed the total revenues, including indexation.

Provisions are reviewed at each balance sheet date.

### CONTINGENT LIABILITIES

A contingent liability is recognized when there is a possible obligation relating to past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. A contingent liability is also recognized when there is an obligation that has not been recognized as a liability or a provision because it is not likely that an outflow of resources will be required to settle the obligation.

### ACCOUNTING POLICIES OF THE PARENT COMPANY

Unless otherwise noted, the Parent Company applies the same accounting policies as the Group.

### Statement of compliance

The Parent Company has prepared its annual financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. RFR 2 states that the Parent Company, in the annual financial statements of the legal entity, must apply all IFRS standards and statements adopted by the European Union, to the extent this is possible within the framework of the Swedish Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation specifies the exceptions from and additions to IFRS that are required.

### Differences between the accounting policies of the Group and the Parent Company

Differences between the accounting policies of the Group and Parent Company are presented below. The accounting policies of the Parent Company have been consistently applied to all periods presented in the financial statements of the Parent Company.

### Changes in accounting policies

In addition to, the changed accounting policies that have affected the Group the following changes have affected the Parent Company in 2010.

Because IAS 27 may be applied in its entirety, the Parent Company's listed associates are reported at fair value, with changes in value reported in the income statement in accordance with the Annual Accounts Act Chapter 4

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## Note 1 cont'd Accounting policies

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paragraph 14, which corresponds to how the holdings are reported by the Group. The change is presented as a change in accounting policy. See Parent Company statement changes in equity.

### **Associates and subsidiaries**

Participations in subsidiaries are recognized by the Parent Company in accordance with the cost method. Participations in associates are recognized at cost or fair value. On each balance sheet date, the carrying amounts are reviewed to determine if there are any indications of impairment. For legal entities, expenses attributable to business combinations will also continue to be included in the acquisition cost. Contingent consideration is valued according to the likelihood that the consideration will be paid. Any changes to the provision/receivable result in an increase/decrease to the cost of acquisition. In the consolidated financial statements, conditional consideration is reported at fair value, with changes in value reported in the income statement.

### **Group contributions and shareholders' contributions**

In accordance with a statement from the Swedish Financial Reporting Board, shareholders' contributions are recognized directly in equity by the receiver and are capitalized in shares and participations by the giver, to the extent that no impairment loss is required. Since the Parent Company is taxed in accordance with the regulations for industrial holding companies, it cannot receive or make Group contributions.

### **Financial income and expenses**

In the Parent Company, net financial items include dividends from subsidiaries.

### **Financial guarantee contracts**

The Parent Company's financial guarantee contracts consist primarily of guarantees on behalf of subsidiaries or associates. A financial guarantee contract is a contract in which the company has a commitment to reimburse the holder of a debt instrument for loss it incurs because a specified debtor fails to make payment when due in accordance with the contract terms. The Parent Company applies RFR 2 IAS 39 item 2, to account for financial guarantee contracts issued on behalf of subsidiaries and associates, which is somewhat more lenient than the rules in IAS 39, due to the relationship between accounting and taxation. The Parent Company recognizes financial guarantee contracts as a provision in the balance sheet when the company has a commitment for which payment will most likely be required to settle the commitment.

### **Borrowing costs**

In the Parent Company, borrowing costs are charged to profit or loss during the period they are attributable to. Borrowing costs are not capitalized for assets.

### **Income Tax**

The Parent Company is taxed in accordance with the regulations for industrial holding companies in Sweden. Capital gains on shares are not taxable and corresponding capital losses are non-deductible. Instead, the company declares a standard income of 1.5 percent on the market value of listed shares when the voting rights at the beginning of the year are less than 10 percent, or when they exceed 10 percent but, at the beginning of the year, had been owned for less than one year.

Dividends received and interest income are both taxable, while administrative costs, interest expenses and dividends paid are all deductible. As a consequence of these tax regulations, the Parent Company typically does not pay income tax. For the same reason, the Parent Company does not report deferred tax attributable to temporary differences.

### **Employee benefits**

In contrast to the Group, the Parent Company presents actuarial gains and losses in the income statement due to the fact that the Swedish Annual Accounts Act does not allow legal entities to report such costs as part of other comprehensive income.

### **Share-based payment transactions**

For several years, the Parent Company has offered stock option and share programs to the Group's employees, see also Note 5 Employees and Payroll Costs. In accordance with IFRS 2 the calculated and reported value of equity instruments offered to employees of other companies belonging to the Group is reported as a capital contribution to subsidiaries. The value of participations in subsidiaries increases simultaneous to the Parent Company's reporting of an increase in equity. The costs related to employees in companies concerned are invoiced to the subsidiaries. The cash settlement of the invoices then neutralizes the increase of participations in subsidiaries.

## Note 2 Operating segments

Core Investments consists of listed companies with strong positions on international markets. The ownership horizon is long-term and returns are mainly generated via value appreciation, share redemptions and dividends. Returns are also generated when holdings are divested. Operating Investments are medium to large-size companies with international operations. Investor prefers to invest in an unlisted environment, but have also invested in listed companies. The investment horizon is long-term, five to ten years or longer. Investor has a majority or large ownership interest in the underlying investment. During the third quarter the acquisition of 90 percent of the capital (excluding shareholder loans) in Scandinavian healthcare and care service provider Aleris was made. During the fourth quarter another 32 percent of the capital (excluding shareholder loans) of Mölnlycke Health Care was acquired. Total share in the company is now 92 percent of the capital (excluding shareholder loans). Thus, both companies are now consolidated subsidiaries. Private Equity

Investments consists of venture capital investments in growth-oriented companies and levered control or co-control investments (buyouts) in medium to large size companies with clear development potential. The investment horizon is 3-7 years. Financial Investments are investments with a short-term ownership horizon and comprises mainly of Investor's active portfolio management. In operating segment profit/loss for the year, assets and liabilities, items directly attributable and items that can be reliably and fair allocated to respective segment are included. The reported items in the operating segment profit/loss for the year, assets and liabilities, are presented according to how they are reviewed by the CEO. Items not allocated to any operating segment comprises of groupwide operating costs, net financial items and tax. Assets and liabilities not allocated to any operating segment comprises of deferred taxes, financial assets and liabilities included in net debt/cash, current assets and liabilities and provisions.

Group	Core Investments	Operating Investments <sup>1)</sup>	Private Equity Investments	Financial Investments	Investor Groupwide	Total
Performance by business area 2010						
<i>Investing activities</i>						
Dividends	3,203		349	70		3,622
Other operating income		994				994
Changes in value	22,904	3,402	1,170	1,016 <sup>2)</sup>		28,492
Cost of investing activities	-72	-102	-225	-42	-181	-622
Share of results of associates		-635		0		-635
<i>Operating activities</i>						
Net sales		2,943				2,943
Cost of goods and services sold		-2,371				-2,371
Distribution costs		-282				-282
Administrative costs		-205				-205
Research and development costs		-14				-14
Other operating costs		-2				-2
<b>Operating profit/loss</b>	<b>26,035</b>	<b>3,728</b>	<b>1,294</b>	<b>1,044</b>	<b>-181</b>	<b>31,920</b>
Net financial items		-225			-961	-1,186
Income tax		74			-115	-41
<b>Profit/loss for the year</b>	<b>26,035</b>	<b>3,577</b>	<b>1,294</b>	<b>1,044</b>	<b>-1,257</b>	<b>30,693</b>
Non controlling interest		20				20
<b>Profit/loss for the year attributed to Parent Company</b>	<b>26,035</b>	<b>3,597</b>	<b>1,294</b>	<b>1,044</b>	<b>-1,257</b>	<b>30,713</b>
Dividends paid					-3,050	-3,050
Repurchase of own shares					-263	-263
Other effect on equity		-119 <sup>3)</sup>			-7 <sup>4)</sup>	-126
<b>Effect on net asset value</b>	<b>26,035</b>	<b>3,478</b>	<b>1,294</b>	<b>1,044</b>	<b>-4,577</b>	<b>27,274</b>
Net asset value by business area 12/31 2010						
Carrying amount	130,828	28,194	19,297	3,706		182,025
Other assets <sup>5)</sup>					24,876	24,876
Other liabilities <sup>5)</sup>					-25,482	-25,482
Net debt <sup>6)</sup>					-11,472	-11,472
<b>Total net asset value</b>	<b>130,828</b>	<b>28,194</b>	<b>19,297</b>	<b>3,706</b>	<b>-12,078</b>	<b>169,947</b>
Shares in associated companies reported according to the equity method		6,926		14		6,940
Cash flow for the year	1,509	-1,320	480	443	-4,232	-3,120

1) Including Mölnlycke Health Care 1 month and Aleris 5 months.

2) Changes in value include sale proceeds from active portfolio management amounting to SEK 23,589 m.

3) Refers to the translation reserve and hedging reserve attributable to Operating Investments.

4) The amount includes the effects of long-term share-based remuneration, changes in non-controlling interest and changes in the hedging and translation reserves.

5) Other assets and liabilities refers to current assets/liabilities, deferred taxes and provisions.

6) Net debt refers to other financial investments, short-term investments, cash and cash equivalents, interest-bearing liabilities with related derivatives and defined benefit pensions.

## Note 2 cont'd Operating segments

Group	Core Investments	Operating Investments	Private Equity Investments	Financial Investments	Investor Groupwide	Total
Performance by business area 2009						
<i>Investing activities</i>						
Dividends	2,358		494	48		2,900
Other operating income		1,113				1,113
Changes in value	29,584	50	396	1,263 <sup>2)</sup>		31,293
Cost of investing activities	-91	-124	-226	-36	-157	-634
Share of results of associates		-2,381		1		-2,380
<i>Operating activities</i>						
Net sales		381 <sup>1)</sup>				381
Cost of goods and services sold		-376				-376
<b>Operating profit/loss</b>	<b>31,851</b>	<b>-1,337</b>	<b>664</b>	<b>1,276</b>	<b>-157</b>	<b>32,297</b>
Net financial items		-25			-572	-597
Income tax		-5			-327	-332
<b>Profit/loss for the year</b>	<b>31,851</b>	<b>-1,367</b>	<b>664</b>	<b>1,276</b>	<b>-1,056</b>	<b>31,368</b>
Dividends paid					-3,059	-3,059
Repurchase of own shares					-262	-262
Other effect on equity		-43 <sup>3)</sup>			-564 <sup>4)</sup>	-607
<b>Effect on net asset value</b>	<b>31,851</b>	<b>-1,410</b>	<b>664</b>	<b>1,276</b>	<b>-4,941</b>	<b>27,440</b>
Net asset value by business area 12/31 2009						
Carrying amount	106,231	15,931	18,333	3,283		143,778
Other assets <sup>5)</sup>					2,202	2,202
Other liabilities <sup>5)</sup>					-2,719	-2,719
Net debt <sup>6)</sup>					-588	-588
<b>Total net asset value</b>	<b>106,231</b>	<b>15,931</b>	<b>18,333</b>	<b>3,283</b>	<b>-1,105</b>	<b>142,673</b>
Shares in associated companies reported according to the equity method		12,993		24		13,017
Cash flow for the year	-1,017	-1,358	-2,227	-639	1,909	-3,332

1) Net sales refers primarily to The Grand Group.

2) Changes in value include sale proceeds from active portfolio management amounting to SEK 20,705 m.

3) Refers to the translation reserve and hedging reserve attributable to associated companies.

4) The amount includes the effects of long-term share-based remuneration and changes in the hedging and translation reserves.

5) Other assets and liabilities refers to current assets/liabilities, deferred taxes and provisions.

6) Net debt refers other financial investments, to short-term investments, cash and cash equivalents, interest-bearing liabilities with related derivatives and defined benefit pensions.

### Note 3 Acquisitions

During the second half of 2010, the acquisitions of Aleris and Mölnlycke Health Care were closed. In connection with each acquisition an allocation of the purchase price has been performed. These purchase price allocations are preliminary and may be adjusted during 2011.

#### Acquisition of controlling interest in Aleris

On July 2, Investor announced its acquisition of 99 percent of the votes and a corresponding 90 percent of equity (excluding shareholder loans) in Aleris for an enterprise value of SEK 4.4 bn. The transaction was closed on August 9, after clearance by the competition authorities. Aleris has a strong market position and solid development potential in an industry that fits well into Investors ownership model. Aleris is market leading in the Nordic countries and has developed a strong platform for growth focusing on both privately and publicly financed care and healthcare services.

The consideration from Investor amounted to SEK 2,620 m. and includes a contingent consideration of SEK 11 m. In the preliminary purchase price allocation, goodwill amounts to SEK 3,787 m. The goodwill recognized for the acquisition corresponds to the company's profitability level which is based, among other things, on the company's customer offering, proven performance and market position. The goodwill recognized is not expected to be deductible for income tax purposes.

The fair value of acquired customer contracts and tax has been preliminary set pending completion of the final purchase price allocation. The value attributable to non-controlling interest is their proportionate share of the fair value according to the transaction. Investor has agreed to pay the seller a contingent consideration in the range of SEK 0-125 m. (undiscounted). The fair value of the contingent consideration at the acquisition date is estimated to be SEK 11 m. based on a discount rate of 7.5 percent. The estimate has not changed as of December 31, 2010. Acquisition costs amount to SEK 61 m. and relate to external legal fees and due diligence costs. The costs have been included in value change in the Group's consolidated income statement.

For the five month period from the acquisition date until December 31, Aleris contributed net sales of SEK 1,757 m. and profit of SEK 3 m. to the Group's result, excluding costs of SEK 37 m. relating to amortization of surplus values and reversal of deferred tax liability. If the acquisition had occurred on January 1, 2010, management estimates that consolidated net sales for the Investor Group would have increased by SEK 2,363 m. and consolidated profit for the period would have decreased by SEK 56 m. excluding costs relating to amortization of surplus values and reversal of deferred tax liability amounting to SEK 52 m. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2010.

#### Aleris

##### Identifiable assets acquired and liabilities assumed

Intangible assets, primarily customer contracts	614
Property, plant and equipment	360
Financial assets	6
Trade receivables	288
Other current assets	100
Cash and cash equivalents	106
Non-current liabilities and provisions	-1,528
Deferred tax liability	-104
Current liabilities	-727
<b>Net identifiable assets and liabilities</b>	<b>-885</b>
Non-controlling interest	-282
<b>Consolidated goodwill</b>	<b>3,787</b>
<b>Consideration</b>	<b>2,620</b>

#### Acquisition of controlling interest in Mölnlycke Health Care

On August 26 it was announced that Investor had signed an agreement with Morgan Stanley Principal Investments ("MSPI") and a number of related parties to acquire their 32 percent share together with MSPI's part of shareholder loans (including the 4 percent share that was communicated in Investor's interim report for the second quarter) in Mölnlycke Health Care. The company is a world leading manufacturer of single-use surgical and wound care products and services for the professional health care sector. Mölnlycke Health Care has very strong market positions, a highly competitive product offering and a promising product pipeline. This and its expanded sales force and R&D resources create a platform for the company to keep growing in line with or above its current pace, hence outgrowing the overall market. Furthermore, the company's strong cash flow generation opens up for additional growth initiatives, both organic as well as through acquisitions. With several important products still ramping up, there is room for further profitability improvement.

The consideration amounted SEK 4,672 m., of which SEK 2,016 m. is attributable to the acquisition of shares and SEK 2,656 m. to shareholder loans. After the completion of the transaction, Investor Group owns 92 percent of the company (excluding shareholder loans) and a corresponding 93 percent of the votes. The remaining part is owned by the Management and the Board of Mölnlycke Health Care. Through the transaction that was finalized at December 1, after receiving approval from the competition authorities, Investor achieved controlling interest in Mölnlycke Health Care. As an effect of this acquisition, treated as a business combination achieved in stages, the prior holding equivalent to SEK 1,347 m. has been revalued by SEK 2,399 m.

The revaluation has been recognized in the consolidated income statement as a positive value change. The fair value of acquired net assets has been preliminary assessed due to the pending completion of the final purchase price allocation. The goodwill recognized for the acquisition corresponds to the company's profitability level which is based, among other things, on the company's customer offering, proven performance and market position. The goodwill recognized is not expected to be deductible for income tax purposes. The value attributable to non-controlling interest is based on the fair value according to the transaction. Transaction related costs amounted to SEK 19 m. and derives from external legal fees and due diligence expenses. The costs have been included under value change in the consolidated income statement.

During December, the first month after the acquisition, Mölnlycke Health Care contributed to the Investor Group consolidated net sales with SEK 790 m. and to profit with SEK -56 m., excluding effects from the purchase price allocation amounting to SEK -77 m. If the acquisition would have taken place on January 1, 2010, the Management estimates that the Investor group consolidated net sales for the year would have increased by SEK 8,262 m. and profit for the year would have increased by SEK 183 m. excluding amortization related to surplus values and reversal of deferred tax liability of SEK -847 m. While establishing these amounts, the Management has assumed that the preliminary adjustments to fair value that occurred at the time of the acquisition would have been the same if the acquisition had been carried out at January 1, 2010.

#### Mölnlycke Health Care

##### Identifiable assets acquired and liabilities assumed

Intangible assets, primarily goodwill	10,280
Property, plant and equipment	1,054
Deferred tax receivables	190
Other non-current assets	56
Trade receivables	1,508
Inventory	1,111
Other current assets	329
Cash and cash equivalents	842
Non-current liabilities and provisions	-22,743
Deferred tax liabilities	-2,962
Current liabilities	-3,154
<b>Net identifiable assets and liabilities</b>	<b>-13,489</b>
Fair value of previously held share	-3,746
Fair value of non-controlling interest	-529
<b>Consolidated goodwill</b>	<b>19,780</b>
<b>Consideration</b>	<b>2,016</b>

#### Note 4 Operating costs

	2010	2009
<b>Group</b>		
<i>Investing activities</i>		
Payroll costs	343	356
Depreciation	7	7
Other operating expenses	272	271
	<b>622</b>	<b>634</b>
<i>Operating activities</i>		
Raw materials and consumables	512	148
Payroll costs	1,262	130
Depreciation	107	65
Other operating expenses	993	33
	<b>2,874</b>	<b>376</b>
<b>Total</b>	<b>3,496</b>	<b>1,010</b>

Cost of Investing Activities include SEK 37 m. attributable to cost of long-term share-based remuneration (39).

#### Note 5 Employees and payroll costs

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- Introduction
- Remuneration to employees – Investing Activities
  - Remuneration principles
  - Remuneration to the President and Chief Executive Officer
- Remuneration to employees – Operating Activities
- Remuneration to the Board of the Parent Company
- Long-term share-based remuneration – program descriptions

##### INTRODUCTION

Investor's Remuneration Committee is appointed each year by the Board. The committee's main purpose is "to enable an independent and thorough review of all aspects of Investor's total remuneration program and to make decisions about executive remuneration in the company."

For decision-making, the Remuneration Committee continuously receives information from the President, the CFO and the Head of Human Resources, among others. The committee also obtains reports and information for decision making from external advisers. Internal and external information used for decisionmaking purposes helps ensure that Investor's remuneration program is in line with market conditions and competitive. Read more about the work of the Remuneration Committee in Investor's Corporate Governance report. Investor follows the "grand-father" principle, which means that all salary revisions must be approved by the supervisor of the manager who has proposed the salary revision.

"Top management" is defined as;

- the Chairman of the Board,
- Board members not employed by the company and
- the Management Group including the President and Chief Executive Officer.

Investor's Management Group, apart from the President Börje Ekholm, is comprised of the following individuals: Johan Bygge, Stephen Campe, Johan Forsell, Petra Hedengren and Lennart Johansson.

Investor's operations are divided into Investing Activities and Operating Activities. Investing Activities comprise the activities of the Parent Company, the Active Portfolio Management Unit and Investor Growth Capital. The payroll costs shown below for these units are included in "Cost of investing activities" in the income statement. Operating Activities comprise the operations of Mölnlycke Health Care, Aleris and the Grand Hôtel. The costs shown for these activities are reported in the income statement as "Cost of services sold", "Distribution costs", "Administrative costs" and "Research and development costs". The costs reported for Mölnlycke Health Care and Aleris relate to the period of time starting with their date of acquisition in 2010 through year-end.

Average number of employees	2010		2009	
	Total	of which women	Total	of which women
<i>Investing activities</i>				
Parent Company, Sweden	100	60	93	54
<i>Subsidiaries</i>				
Sweden	17	4	16	4
Europe excl Sweden	8	5	7	5
North and South America	22	7	21	6
Asia	8	3	8	3
<b>Total, Investing Activities</b>	<b>155</b>	<b>79</b>	<b>145</b>	<b>72</b>
<i>Operating activities</i>				
Sweden	1,241	799	280	137
Europe excl Sweden	826	619	–	–
North and South America	30	15	–	–
Asia	290	209	–	–
Australia	4	3	–	–
<b>Total, Operating Activities</b>	<b>2,391</b>	<b>1,645</b>	<b>280</b>	<b>137</b>
<b>Total</b>	<b>2,546</b>	<b>1,724</b>	<b>425</b>	<b>209</b>

##### Gender distribution in Boards and senior management

	2010		2009	
	Men	Women	Men	Women
<i>Gender distribution in percent</i>				
Board of the Parent Company	64	36	70	30
Management Group of the Parent Company	83	17	83	17
Boards of Investing Activities	69	31	77	23
Boards of Operating Activities	81	19	92	8

##### Sick-leave as a percentage of hours worked, employees within Investing Activities in Sweden

	2010	2009
Total sick-leave as a percentage of hours worked	1.89	2.55
Share sick-leave that refers to a continuous period of 60 days or more	28.90	36.45
<i>Gender distribution</i>		
Men	1.73	1.77
Women	2.04	3.29
<i>Age distribution</i>		
< 30 years	0.72	0.66
30-49 years	2.01	3.28
> 49 years	2.29	1.10

##### REMUNERATION TO EMPLOYEES – INVESTING ACTIVITIES

###### Remuneration principles

In order to achieve long-term competitive returns for the shareholders, Investor strives to offer its staff total remuneration in line with market conditions, which makes it possible to recruit the most suitable executives and employees and to retain them in the company.

The total remuneration - which consists of basic salary, variable salary, long-term variable remuneration programs, pensions and other remuneration and benefits - is considered when determining the salaries for Investor's staff. The combination of the foregoing remuneration components means that the company has appropriate control instruments and that a common interest to run the business towards long-term competitive return on the shares is created between the company's employees and owners.

Comparative studies of relevant industries and markets are carried out annually in order to determine what constitutes a total remuneration in line with market conditions and to evaluate current remuneration levels. The result of such studies is an important component when determining Investor's remuneration policy and, consequently, also when deciding on the total remuneration for the Management and other employees. Investor conducts investment activities in markets located in Asia, Northern Europe and the U.S. and it competes for staff with primarily private equity firms, investment banks, hedge funds and consultant companies.

## Note 5 cont'd Employees and payroll costs

The principles for total remuneration for Investor's employees are;

- that employees in Investor's different operations shall receive a total remuneration that is competitive and in line with market conditions,
- that the allocation between basic salary, variable salary and long-term variable remuneration shall be in proportion to the employee's position and to what is customary on the market for such positions,
- that the remuneration shall be based on factors such as position, performance and individual qualifications,
- that the remuneration shall establish a common interest between shareholders and employees through connection to the company's long-term value development,
- to encourage an entrepreneurial method of working,
- that the remuneration shall attract the top competence, which is necessary to develop the business in accordance with Investor's strategy to be "best-in-class",
- that the remuneration shall not discriminate on the basis of gender, ethnic background, national origin, age, disability or any other circumstance and,
- that the remuneration shall encourage each individual employee to establish a significant ownership of Investor shares in relation to the employee's financial situation.

Investor strives to establish a model where the possible variable salary and long-term variable remuneration constitutes a considerable part of the calculated total remuneration. Clear individual goals for the variable salary create appropriate opportunities for Investor to clarify the expectations on performance of individual employees and therefore provide the possibility to reward good performance and achieved goals. Long-term variable remuneration is affected by the long-term share price development, and the relevant employees are thus expected to act in harmony with the interests of the long-term shareholders. Because the remuneration is variable, the company's costs will also be correspondingly variable, meaning that under-performance will result in lower remuneration and thereby lower costs for the company. The alternative to variable salary and long-term variable remuneration would be to only offer basic salary, but in such a case the positive effects and incentives which Investor's model strives to establish would not be achieved.

### Basic salary

Basic salary is reviewed annually for all Investor employees. The annual review of basic salary takes into account the employee's performance, any changes that have been made to the employee's areas of responsibility, the company's development and salary trends in the market. In cases where significant changes have been made to the employee's areas of responsibility during the year, basic salary could be reviewed when such changes are made. Basic salary constitutes the basis for calculating variable salary.

### Variable salary

The majority of Investor's employees have variable salary. Variable salary is based on annually set goals, the outcome of which is reviewed on a yearly basis. The variable portion of salary in 2010 differs between business areas and for the President, it amounts to a maximum of 10 percent of basic salary. For other employees, variable salary ranges between 0 and 80 percent of their basic salary, although for a very limited number of key personnel, the variable portion of salary can be a maximum of 100 percent of their basic salary. The President may award additional variable salary to company employees who he feels have made an exceptional contribution during the year. However, any such additional variable salary must be specifically approved by Investor's Remuneration Committee. When additional variable salary is awarded, the variable portion of salary could, in individual cases, exceed 100 percent of basic salary.

The established goals must be reached in order to receive the variable salary and the annual variable salary is thereby clearly linked to an individual's work efforts and performance. Goals are both quantitative and qualitative and they are based on factors that are in agreement with Investor's long-term strategy. Goals are reviewed at the end of the year. The focus of President's goals for the year is determined through a dialog between the President and the Chairman of the Board. The specific goals for the President are proposed by the Remuneration Committee and later approved by the Board. Goals for other employees are established by each employee's manager.

1) Employee stock options refer to commitments in accordance with Chapter 10, Paragraph 11, Section 2 of the Income Tax Act.

### Long-term share-based remuneration

For long-term variable remuneration programs, it has been the Board's ambition to create a structure that results in employee commitment and is based on the long-term development of Investor. As a result, part of remuneration to employees is related to the long-term performance of Investor and the Investor share, which exposes the employee to both increases and decreases of the share price. In 1999, Investor introduced the principle of linking part of an employee's remuneration to the company's long-term share price development. This principle has applied to all employees since 2000. During the period 1999 through 2005, this has primarily been carried out through employee stock option programs<sup>1)</sup>.

A combined employee stock option and restricted stock program was introduced for the Management Group for 2004 and 2005. In 2006, a Stock Matching Plan was introduced for all Investor employees, as well as a performance based share program for Senior Management. "Senior Management" is defined as the President, other members of the Management Group and a maximum of 20 other senior executives in the company. The programs for 2007, 2008, 2009 and 2010 correspond in all material respects to the program for 2006. For all programs introduced as of 2004, the Board's decision has been conditional on the Annual General Meeting approving the scope and basic principles for each program. As of 2006, the employee is required to invest his or her money in order to participate in the program. For more details regarding the programs, see the section Long-term share-based remuneration - program descriptions.

### Pension

The pension for the President and the Management Group consists of two parts:

- a pension plan based on premiums in accordance with the BTP plan (Swedish pension plan for the banking sector) on parts of salary up to 30 basic income amounts (SEK 1,533 t.) and the option to choose BTP's alternative special pension plan for managers with an annual salary above 10 basic amounts,
- a pension plan based on special pension regulations ("Särskilt Pensionsreglemente") on parts of salary above 20 basic amounts. The amount of the pension provision depends on age and is currently 25 percent until the age of 40, 30 percent between the ages of 41 and 50 and 35 percent for those who are over the age of 50. Only basic salary is used to establish the annual pension premium. Each person who will receive a pension decides on a suitable type together with his or her employer, based on current pension practice. The retirement age is 60 years for the President and the Management Group. Stephen Campe, who is employed by Investor's subsidiary in the United States, is covered by a pension plan that has been prepared in accordance with a model applied in the U.S. The costs for this plan do not exceed those of an equivalent plan in Sweden.

Other Investor employees are covered by pension agreements in accordance with the BTP Plan and they have the option of choosing BTP's alternative special pension plan for employees with an annual salary above 10 basic amounts.

### Other remuneration and benefits

#### Profit-sharing program for Active Portfolio Management

For Investor's Active Portfolio Management there is a profit-sharing program in which employees receive 20 percent of the unit's profit, after the deduction for financial and administrative expenses. The program is conditional upon positive profit growth over a two-year period, during which any losses are taken into account in the following financial year. The calculation of the result which is the platform for the profit-sharing is based on the fair value of the security holdings.

Profits are shared in the form of salary or pension insurance. The choice of payment method is neutral for Investor in terms of cost. During the year, SEK 43 m. (95) was expensed for the profit-sharing program and SEK 13 m. (30) for social security contributions in addition to what has been reported in the table on page 98. The expensed amount for the profit-sharing programs in 2010, totaling SEK 43 m., should be compared to the profit-sharing based trading result totaling SEK 213 m. for the fiscal years. Since profit-sharing is a direct function of value generation, costs are included under the heading "Changes in value" in the income statement.

#### Participation program in Operating Investments

Board members and senior executives in unlisted investments, including Mölnlycke Health Care and Aleris, are offered the opportunity to invest in the companies through management participation programs. The terms of the programs are based on market valuations and are designed to yield lower return to the participants than that of the owners if the investment plan is not reached but higher return to the participants than that of the owners if the

## Note 5 cont'd Employees and payroll costs

plan is exceeded. Board members employed by Investor AB are not offered to invest in the programs.

### Participation program in Private Equity Investments

In the Private Equity Investments business area, selected senior staff and other senior executives are to a certain extent, allowed to make parallel investments with Investor, or else receive profit-sharing. The programs are linked to realized growth in the value of the holdings, after having deducted costs and any unrealized decline in value, which are viewed as a portfolio. The maximum share that can be credited to program participants is 15 percent, which is in line with practice in the venture capital market.

During the year, a total of SEK 191 m. has been paid out from these programs (5). Provision, not paid out, on unrealized gains amounted to SEK 145 m. at year-end (263). Expensed amounts has been reported in the item "Changes in Value" in the income statement. Employees within Investor do not have the possibility to invest in EQT funds.

### Remuneration and benefits 2007-2010 to Börje Ekholm, President and Chief Executive Officer (SEK t.)

Year	Fixed basic salary	Vacation remuneration	Variable salary for the year	Total salary, cash	Change of vacation pay liability	Pension premiums	Long-term share-based remuneration value at grant date		Total remuneration <sup>2)</sup>	Own investment in long-term share-based remuneration	Own investment, % of basic salary, pre-tax
							Benefits <sup>1)</sup>	Total remuneration			
2010	7,000	102	0	7,102	440	2,515	1,105	8,050	19,170	3,033	43.3%
2009	7,500	94	1,356	8,950	450	2,671	805	6,000	18,876	2,310	30.8%
2008	7,500	94	2,706	10,300	660	2,627	750	4,500	18,837	1,600	21.3%
2007	7,500	94	2,781	10,375	666	2,565	636	4,500	18,742	1,537	20.5%

1) In addition, value of benefits of exercised options during 2010 granted in 2004 amounts to SEK 554 t. For options exercised during 2009 granted in 2003 the value was SEK 642 t.

2) As a result of realized gains in parallel investment programs and co-investment plans in the Private Equity Investments business area Börje Ekholm has received SEK 37,165 t. (99).

The payment during 2010 related to the 2005 agreement to buy-out Börje Ekholm's interest in Investor Growth Capital's parallel investment program (carried interest plans) when he took over as President and CEO of Investor AB. For more information on the buy-out, see the press release issued on December 20, 2010.

### Expensed remunerations

#### Expensed remuneration paid to the President, other members of the Management Group as well as former presidents

The amounts in the table are calculated according to the accruals concept, in which the terms basic salary and variable salary refer to expensed amounts, including any changes to the reserve for variable salary, vacation pay provisions, etc. Variable salary refers to the approved variable salary for the current financial year, unless specified otherwise.

Total remuneration for 2010 (SEK t.)	Fixed basic salary	Vacation remuneration	Change of vacation pay liability	Variable salary for the year	Cost of long-term share-based remuneration <sup>1)</sup>	Total salary	Pension costs <sup>2)</sup>	Other remuneration and benefits	Total expensed remuneration
Börje Ekholm, President and CEO	7,000	102	440	0	5,005	12,547	2,515	1,105	16,167
Management Group, excluding the President <sup>3)</sup>	19,084	208	725	10,400	5,248	35,665	6,273	945	42,883
Former presidents	–	–	–	–	–	–	–	663	663
<b>Total<sup>4)</sup></b>	<b>26,084</b>	<b>310</b>	<b>1,165</b>	<b>10,400</b>	<b>10,253</b>	<b>48,212</b>	<b>8,788</b>	<b>2,713</b>	<b>59,713</b>

1) Cost booked according to IFRS 2.

2) There are no outstanding pension commitments for the Management Group.

3) Johan Bygge, Stephen Campe, Johan Forsell, Petra Hedengren and Lennart Johansson.

4) Of which expensed in subsidiaries; basic salary SEK 5,795 t., variable salary SEK 3,243 t., pension SEK 112 t., as well as other remunerations and benefits SEK 748 t.

As a result of realized gains in parallel investment programs and co-investment plans in the Private Equity Investments business area, members of the Management Group have received SEK 49,581 t. (205), of which Börje Ekholm SEK 37,165 t. (99). The payment to Börje Ekholm during 2010 related to the 2005 agreement to buy-out Börje Ekholm's interest in Investor Growth Capital's parallel investment program (carried interest plans) when he took over as President and CEO of Investor AB. For more information on the buy-out, see the press release issued on December 20, 2010. Expensed remuneration from the profit-sharing programs for Active Portfolio Management to members of the Management Group totaled SEK 33 t. for the year (438). These remunerations are in addition to the amounts presented in the table above.

Total remuneration for 2009 (SEK t.)	Fixed basic salary	Vacation remuneration	Change of vacation pay liability	Variable salary for the year	Cost of long-term share-based remuneration <sup>1)</sup>	Total salary	Pension costs <sup>2)</sup>	Other remuneration and benefits	Total expensed remuneration
Börje Ekholm, President and CEO	7,500	94	450	1,356	5,355	14,755	2,671	805	18,231
Management Group, excluding the President <sup>3)</sup>	18,600	171	678	10,330	6,661	36,440	6,277	614	43,331
Former presidents	–	–	–	–	–	0	–	663	663
<b>Total<sup>4)</sup></b>	<b>26,100</b>	<b>265</b>	<b>1,128</b>	<b>11,686</b>	<b>12,016</b>	<b>51,195</b>	<b>8,948</b>	<b>2,082</b>	<b>62,225</b>

1) Cost booked according to IFRS 2.

2) There are no outstanding pension commitments for the Management Group.

3) Johan Bygge, Stephen Campe, Johan Forsell, Petra Hedengren and Lennart Johansson.

4) Of which expensed in subsidiaries; basic salary SEK 5,820 t., variable salary SEK 3,307 t., pension SEK 578 t., as well as other remunerations and benefits SEK 466 t.

### Severance pay

A mutual six-month term of notice applies between the President and the company. If the company terminates employment, the President will receive severance pay corresponding to 12 months of basic salary. If no new employment has been obtained after one year, the President is entitled to a maximum of 12 months' additional severance pay. The terms and conditions regarding notice and severance pay for other members of the Management Group are the same, provided that the employment contract for that person was entered into before the 2010 Annual General Meeting. If the employment contract was entered into subsequent to the 2010 Annual General Meeting, then the fixed cash salary during the notice period plus the severance pay may not exceed two years' fixed cash salary. Other employees in Investor have no contracted right to severance pay.

### Fees received for Board work

For many years Investor has allowed employees to keep any fees that they have received for work done on the Boards of the Core Investments and of the Operating Investments. One reason for allowing this practice is that the

## Note 5 cont'd Employees and payroll costs

*Total remunerations – expensed wages, salaries, Board of Director fees and other remuneration, as well as social security contributions*

Total remuneration (SEK m.)	2010						2009							
	Fixed basic salary <sup>1)</sup>	Vari- able salary	Long-term share-based remuneration	Pension costs	Costs for employee benefits	Social security contri- butions <sup>2)</sup>	Total	Fixed basic salary <sup>1)</sup>	Vari- able salary	Long-term share-based remuneration	Pension costs	Costs for employee benefits	Social security contri- butions <sup>2)</sup>	Total
<i>Investing activities</i>														
Parent Company	94	18	22	22	17	53	226	86	20	24	27	14	55	226
Subsidiaries	74	34	6	8	3	12	137	70	35	4	9	3	12	133
<b>Total, investing activities</b>	<b>168</b>	<b>52</b>	<b>28</b>	<b>30</b>	<b>20</b>	<b>65</b>	<b>363</b>	<b>156</b>	<b>55</b>	<b>28</b>	<b>36</b>	<b>17</b>	<b>67</b>	<b>359</b>
<i>Operating activities</i>														
Subsidiaries <sup>3)</sup>	933	7	0	62	13	217	1,232	88	–	–	5	3	26	122
<b>Total, Operating activities</b>	<b>933</b>	<b>7</b>	<b>0</b>	<b>62</b>	<b>13</b>	<b>217</b>	<b>1,232</b>	<b>88</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>3</b>	<b>26</b>	<b>122</b>
<b>Total</b>	<b>1,101</b>	<b>59</b>	<b>28</b>	<b>92</b>	<b>33</b>	<b>282</b>	<b>1,594</b>	<b>244</b>	<b>55</b>	<b>28</b>	<b>41</b>	<b>20</b>	<b>93</b>	<b>481</b>

1) Includes vacation remuneration and change of vacation pay provision.

2) Of which SEK 9 m. refers to social security contributions for long-term share-based remuneration (11). The cost of long-term share-based remuneration, including social security contributions, amounts to SEK 37 m., as reported in the Consolidated Income Statement (39).

3) Including Mölnlycke Health Care 1 month and Aleris 5 months.

*Expensed wages and remuneration distributed between senior executives, Presidents and Boards in subsidiaries and other employees*

Total remuneration (SEK t.)	2010				2009			
	Senior executives, Presidents and Boards in subsidiaries	Of which variable salary	Other employees	Total	Senior executives, Presidents and Boards in subsidiaries	Of which variable salary	Other employees	Total
<i>Investing activities</i>								
Parent Company (6 people)	36,455	7,166	75,539	111,994	37,592	8,380	68,641	106,233
Subsidiaries (4 people)	25,852	8,750	82,240	108,092	21,458	7,758	83,634	105,092
<b>Total, Investing Activities</b>	<b>62,307</b>	<b>15,916</b>	<b>157,779</b>	<b>220,086</b>	<b>59,050</b>	<b>16,138</b>	<b>152,275</b>	<b>211,325</b>
<i>Operating activities</i>								
Subsidiaries (18 people) <sup>1)</sup>	11,180	548	928,090	939,270	4,184	–	83,753	87,937
<b>Total, Operating Activities</b>	<b>11,180</b>	<b>548</b>	<b>928,090</b>	<b>939,270</b>	<b>4,184</b>	<b>–</b>	<b>83,753</b>	<b>87,937</b>
<b>Total</b>	<b>73,487</b>	<b>16,464</b>	<b>1,085,869</b>	<b>1,159,356</b>	<b>63,234</b>	<b>16,138</b>	<b>236,028</b>	<b>299,262</b>

1) Including Mölnlycke Health Care 1 month and Aleris 5 months.

## Note 5 cont'd Employees and payroll costs

employee assumes personal responsibility by having a board position. Fees received for board work are taken into account by Investor when determining the employee's total remuneration.

### Other benefits

In operations in Sweden, Investor offers employees a number of non-monetary benefits, including corporate health service, health insurance, subsidized lunches, employee fitness programs and the possibility to rent vacation homes. Managers and employees with young children are also offered in-home services in the form of cleaning and babysitting.

### Remuneration to the President and Chief Executive Officer

The fixed basic salary during the year was SEK 7,000 t. Vacation remuneration was SEK 102 t. The variable salary, the outcome of which is based on established goals, amounted to SEK 0 t. The maximum possible outcome was SEK 700 t. In addition to this, the holiday pay provision increased by SEK 440 t. to SEK 3,080 t. because only 10 vacation days were taken compared to the 32 days that were allowed. This increase therefore did not result in any payments during the year. Pension premiums excluding payroll tax amounted to SEK 2,515 t. and other compensation and benefits to SEK 1,105 t.

In order to participate fully in the long-term variable remuneration program, the President is required to invest approximately 43 percent of the basic salary (before tax). During 2010 the President invested SEK 3,033 t. in Investor shares. As a result of that investment the President received shares and options worth SEK 8,050 t. at the time when they were granted.

Total remuneration to the President during 2010 amounted to SEK 19,170 t., of which SEK 7,102 t. was paid out in cash. During 2010 the President also exercised options that were granted in 2004, maturing in January 2011, for which he received a benefit value that amounted to SEK 554 t. For more information see the table on page 97.

### REMUNERATION TO EMPLOYEES – OPERATING ACTIVITIES

The remuneration principles for employees working within the area of Operating Activities is based on the framework for each respective company.

### REMUNERATION TO THE BOARD OF THE PARENT COMPANY

At the 2010 Annual General Meeting, it was decided that Board remuneration should total SEK 7,313 t. Of that amount, it was decided to distribute SEK 6,375 t. as follows: SEK 1,875 t. to the Chairman and SEK 500 t. to each of the remaining nine members of the Board, (who are not employed by the company) in the form of cash and synthetic shares. It was decided that the remaining amount of SEK 938 t. would be distributed as cash remuneration for committee work done by the Board of Directors.

Expensed remuneration paid to former members of the Board during the year amounted to SEK 1,200 t. (1,589). At year-end total outstanding pension commitments including payroll tax for former members of the Board amounted to SEK 152,442 t. (163,833), of which SEK 97,412 t. pertained to Peter Wallenberg (104,138). Remuneration to Peter Wallenberg of SEK 15,367 t. was paid out during the year (15,367).

### Synthetic shares 2008-2010

As of 2008, Board members may choose to receive a part of their gross remuneration before payroll tax, excluding committee fees, in synthetic shares. In 2010, Board members were entitled to elect between receiving 50 percent of the proposed remuneration in the form of synthetic shares and 50 percent in cash, or receiving 75 percent of the remuneration in cash and 25 percent in the form of synthetic shares. For administrative reasons, members of the Board of Directors with a foreign tax domicile were entitled to receive 100 percent of the remuneration in cash. A synthetic share carries the same economic rights as a class B Investor share, which means that the value of the Board of Director's remuneration in synthetic shares, (just like for class B shares), is dependent upon value fluctuations as well as the amount of dividends during the five-year period until 2015, when each synthetic share entitles the Board member to receive an amount corresponding to the share price, at the time, of a class B Investor share.

The synthetic shares were valued in connection with allocation after the 2010 Annual General Meeting, to an amount that was based on an average of the market price for class B Investor shares during the five trading days immediately following the day when the class B shares were traded without the right to receive dividends in 2010. The synthetic shares carry the right to, during the fifth calendar year following the start of the term of office, receive a cash payment on four separate occasions. These payments relate to 25 percent of the synthetic shares that have been allocated on each occasion and the cash amount per share corresponds to the share price for a class B Investor share at each respective time of payment. The synthetic shares shall be regarded as continuously vested during the term of office, with 25 percent per quarter. During the period up until the time of payment, dividends on class B Investor shares shall be awarded to the Board member by allocating additional synthetic shares. There is no condition stating that a Board member must serve on the Board during the five-year period, which means that the amount will be settled even if the assignment is terminated before the end of the five-year period. In addition, it is possible in such a situation for the Board member to exercise his/her right to redemption twelve months after the assignment has been terminated.

### Expensed remuneration paid to the Board

Total remuneration for 2010 (SEK t.)	Value of synthetic shares as at grant date	Committee fee	Total Board fee as at grant date	Effect from change in market value of synthetic shares issued 2008	Effect from change in market value of synthetic shares issued 2009	Number of synthetic shares at the beginning of the year	Number of synthetic shares granted 2010 <sup>1)</sup>	Number of synthetic shares Adjustment for dividend	Number of synthetic shares on December 31, 2010		
				2008	2009						
Jacob Wallenberg	938	937	312	2,187	110	122	2,419	15,162	6,838	441	22,441
Anders Scharp <sup>2)</sup>	–	–	–	–	–	–	–	1,916	–	56	1,972
Gunnar Brock <sup>3)</sup>	250	250	–	500	29	32	561	2,127	1,823	62	4,012
Sune Carlsson	250	250	187	687	29	32	748	4,043	1,823	118	5,984
Börje Ekholm	–	–	–	–	–	–	–	–	–	–	–
Sirkka Hämäläinen	500	–	63	563	–	–	563	–	–	–	–
Tom Johnstone <sup>4)</sup>	250	250	–	500	–	–	500	–	1,823	–	1,823
Carola Lemne <sup>4)</sup>	250	250	–	500	–	–	500	–	1,823	–	1,823
Håkan Mogren <sup>5)</sup>	–	–	–	–	29	17	46	2,979	–	87	3,066
Grace Reksten Skaugen	500	–	125	625	–	–	625	–	–	–	–
O. Griffith Sexton	500	–	63	563	–	–	563	–	–	–	–
Lena Treschow Torell	250	250	63	563	29	32	624	4,043	1,823	118	5,984
Peter Wallenberg Jr. <sup>3)</sup>	250	250	125	625	29	32	686	4,043	1,823	118	5,984
<b>Total</b>	<b>3,938</b>	<b>2,437</b>	<b>938</b>	<b>7,313</b>	<b>255</b>	<b>267</b>	<b>7,835</b>	<b>34,313</b>	<b>17,776</b>	<b>1,000</b>	<b>53,089</b>

1) Based on weighted average stock price for Investor B in the period 4/16 - 4/22, 2010: SEK 137.10.

2) Member of the Board until 3/31 2009.

3) Additional remunerations of SEK 85 t. to Gunnar Brock and SEK 104 t. to Peter Wallenberg Jr. have been expensed in subsidiaries.

4) Member of the Board as of 3/31 2010.

5) Member of the Board until 3/31 2010.

## Note 5 cont'd Employees and payroll costs

Total remuneration for 2009 (SEK t.)	Cash	Value of synthetic shares as at grant date	Committee fee	Total Board fee as at grant date	Effect from change in market value of synthetic shares issued 2008	Effect from change in market value of synthetic shares issued 2009	Number of synthetic shares at the beginning of the year	Number of synthetic shares granted 2009 <sup>1)</sup>	Number of synthetic shares Adjustment for dividend	Number of synthetic shares on December 31, 2009	
					2008	2009					
Jacob Wallenberg	938	937	312	2,187	142	123	2,452	6,950	7,975	237	15,162
Anders Scharp <sup>2)</sup>	—	—	—	—	38	—	38	1,853	—	63	1,916
Gunnar Brock <sup>3)</sup>	250	250	63	563	—	32	595	—	2,127	—	2,127
Sune Carlsson	250	250	187	687	38	32	757	1,853	2,127	63	4,043
Börje Ekholm	—	—	—	—	—	—	—	—	—	—	—
Sirkka Hämäläinen	500	—	125	625	—	—	625	—	—	—	—
Håkan Mogren	375	125	125	625	38	17	680	1,853	1,063	63	2,979
Grace Reksten Skaugen	500	—	63	563	—	—	563	—	—	—	—
O. Griffith Sexton	500	—	63	563	—	—	563	—	—	—	—
Lena Treschow Torell	250	250	—	500	38	32	570	1,853	2,127	63	4,043
Peter Wallenberg Jr.	250	250	125	625	38	32	695	1,853	2,127	63	4,043
<b>Total</b>	<b>3,813</b>	<b>2,062</b>	<b>1,063</b>	<b>6,938</b>	<b>332</b>	<b>268</b>	<b>7,538</b>	<b>16,215</b>	<b>17,546</b>	<b>552</b>	<b>34,313</b>

1) Based on weighted average stock price for Investor B in the period 4/16 - 4/22, 2009: SEK 117.56.

2) Member of the Board until 3/31 2009.

3) Member of the Board as of 3/31 2009.

### LONG-TERM SHARE-BASED REMUNERATION – PROGRAM DESCRIPTIONS

Through the long-term variable remuneration programs, part of the remuneration to employees becomes linked to the long-term performance of the Investor share. The portion of remuneration to the Board that is share-based through the issuance of synthetic shares is described in the section, Remuneration to the Board of the Parent Company.

#### 2006–2010

##### *The programs consist of the following two components:*

1) Stock Matching Plan in which all employees may participate. Through the Stock Matching Plan, an employee could acquire shares in Investor at the market price during a period (determined by the Board) subsequent to the release of Investor's first quarterly report for 2010, 2009, 2008, 2007 and 2006, respectively (the "Measurement Period"). After a three-year vesting period, two options (Matching Options) are granted for each Investor share acquired by the employee, as well as a right to acquire one Investor share (Matching Share) for SEK 10. The Matching Share may be acquired during a four-year period subsequent to the vesting period. Each Matching Option entitles the holder to purchase one Investor share, during the corresponding period, at a strike price corresponding to 120 percent of the average volume-weighted price paid for Investor shares during the Measurement Period.

The President, other members of the Management Group and a maximum of 20 other senior executives ("Senior Management") are obligated to invest at least 5 percent of their basic salary in Investor shares according to the Stock Matching Plan. Other employees are not obligated to invest, but they are still entitled to invest to the extent that the value of the allotted Matching Options and Matching Shares amounts to a maximum of between 10 and 15 percent of their basic salary. Senior Management has the right to invest to such an extent that the value of the allotted Matching Options and Matching Shares amounts to maximum between 10 and 38 percent of their respective basic salary. In order to participate fully in the Stock Matching Plan for 2010, the President had to invest approximately 43 percent of his basic salary in Investor shares. If the President, through the investment mentioned above, participates fully in the Stock Matching Plan, the theoretical value of the right to receive a Matching Share and two Matching Options per acquired share under the Stock Matching Plan is 38 percent of the basic salary. For these programs, the President is entitled to exercise Matching Shares and Matching Options during a period of twelve months from the earlier of (i) seven years (ten years for 2006 and 2007 year's programs) from the date of allocation and (ii) two months from the end of the year during which the President terminates his employment. The President invested a total of SEK 9,657 t. in the Stock Matching Plan for the period 2006–2010.

##### 2) Performance-Based Share Program, in which Senior

Management participates in addition to the Stock Matching Plan Under this program, which presumes participation in the above mentioned Stock Matching Plan, Senior Management, after a three-year vesting period, has the right during four years to acquire additional Investor shares ("Performance Shares") for a price that corresponds to the price of the shares acquired by the employee ("Acquisition Price"). This right is conditional upon whether certain financial goals related to the total return of the Investor share are met during the vesting period. The Performance-Based Share Program for 2010 is the same as it was in 2009. Two parts of the 2009 Performance-Based Share Program were amended compared to the program approved by the 2008 Annual General Meeting. Firstly, the price at which Performance Share can be acquired was increased from 50 to 100 percent of the Acquisition Price (for the 2006 and 2007 programs, the price per Performance Share was SEK 10). Due to that increase, the theoretical value of the possibility to receive a Performance Share fell below what it was before. For that reason, the number of Performance Shares that it was possible to receive needed to be increased in order to correspond to the same value that they had via the 2008 program. Secondly, the two financial goals, (which, in the programs for 2006–2008 determined the number of Performance Shares that Senior Management were entitled to purchase in the future), were replaced by one goal, the total return on the Investor share (for the programs during 2006–2008 the financial goals were related to the development of Investor's net asset value (NAV) and the relative total return (relative TSR) of the Investor share).

Total return is measured over a three-year qualification period. The average annual total return (including reinvested dividends) must exceed the interest on 10-year government bonds by more than 10 percentage points in order for Senior Management to be entitled to acquire the maximum number of Performance Shares, that they were allotted. If the total return does not exceed the 10-year interest on government bonds by at least 2 percentage points, then Senior Management is not entitled to acquire any shares. If the total return is between the 10-year interest on government bonds plus 2 percentage points and the 10-year interest on government bonds plus 10 percentage points, then a proportional (linear) calculation of the number of shares that may be acquired is made.

The theoretical value of a Performance Share takes into account, such things as the likelihood for meeting the performance criteria and it is based on the Black & Scholes valuation model. The likelihood, calculated from historical data (that has been verified by external advisors), of meeting the performance criteria has been estimated at nearly 50 percent. The final number of Performance Shares that may be acquired is dependent on the outcome of the performance requirements. However, it may not exceed the maximum number (limit) that had been decided for each respective allotment year. For these programs, the President is entitled to exercise Performance Shares during a period twelve months from the earlier of (i) seven years (ten years for 2006 and 2007 year's programs) from the date of allocation and (ii) two months from the expiry of the year during which the President terminates his employment.

## Note 5 cont'd Employees and payroll costs

At the time when Matching Shares and Performance Shares are acquired, employees are entitled to remuneration for dividends paid during the vesting period and up until the acquisition date. This is done so that the program will not be affected by dividends and to avoid the risk that a decision on dividends is affected by the long-term variable remuneration program.

### Employee stock option programs 2003-2005

In the employee stock option programs for the period 2003-2005, Investor issued call options giving the option holder the right to purchase an equivalent number of shares at a predetermined price. The term of each program was seven years and the vesting period was linked to continued employment for another three years. The employee stock options were granted free of charge, but they were part of the total remuneration package for employees. In general, the options can only vest and be exercised during the time the

holder is employed with the company and for a short period of time after employment has been terminated (with the exception of former employees who have a Board assignment from Investor). The principle applied when granting options was to keep the total number of options granted in proportion with the company's current total payroll amount. The Management Group then decided how the options would be distributed between each business area, after which each business area manager determined the number of options that each department should receive. In the final stage, each department manager evaluated and decided how the options would be distributed to each employee. For the program in 2005, the final number of granted stock options was determined after year-end, and it depended on the extent to which each employee had fulfillment of the established goals, using the same criteria as described in "Variable Salary" above.

*The calculation of the fair value on the grant date, according to IFRS 2, was based on the following conditions:*

Share	2010			2009		
	Matching Share	Matching Option	Performance Share	Matching Share	Matching Option	Performance Share
Averaged volume-weighted price paid for Investor B shares	137.19	137.19	137.19	117.96	117.96	117.96
Strike price	10.00	164.60	137.19	10.00	141.50	117.96
Assumed volatility <sup>1)</sup>	30%	30%	30%	30%	30%	30%
Assumed average term <sup>2)</sup>	5 years	5 years	5 years	5 years	5 years	5 years
Assumed percentage of dividend <sup>3)</sup>	0%	3.84%	0%	0%	3.84%	0%
Risk-free interest	2.43%	2.43%	2.43%	2.23%	2.23%	2.23%

1) The assumed volatility was based on future forecasts based on the historical volatility of Investor B shares, in which the term of the instrument is an influencing factor. The historical volatility has been in the interval of 15 to 30 percent.

2) The assumption of average term for the instruments at grant is based on historical exercise patterns and the actual term of the instruments within each remuneration program.

3) The dividend for Matching Shares and Performance Shares is compensated for by increasing the number of shares.

### Summary of terms for the 2006–2010 long-term variable remuneration programs

#### Matching Shares 2006-2010

Year issued	Holder <sup>1)</sup>	Number of Matching Shares granted	Number at the beginning of the year	Adjust-ment for dividend	Matching Shares forfeited in 2010	Matching Shares exercised in 2010	Weighted average Share price on exercise	Number of Matching Shares on December 31, 2010	Theoretical value <sup>2)</sup>	Fair value <sup>3)</sup>	Strike price	Maturity date	Vesting period (years)
2006	MG	31,038	32,243	999	–	–	–	33,242 <sup>4)</sup>	109.19	121.34	10.00	12/31 2012	3
2006	OE	64,459	38,219	1,155	39	7,775	135.62	31,560 <sup>4)</sup>	109.19	121.34	10.00	12/31 2012	3
2007	MG	23,845	25,819	745	–	4,197	135.23	22,367 <sup>4)</sup>	150.91	168.48	10.00	12/31 2013	3
2007	OE	46,349	41,074	1,112	510	11,653	134.76	30,023 <sup>4)</sup>	150.91	168.48	10.00	12/31 2013	3
2008	MG	30,725	32,088	994	–	–	–	33,082 <sup>4)</sup>	116.71	130.40	10.00	12/31 2014	3
2008	OE	57,350	56,542	1,738	867	2,432	135.47	54,981 <sup>4)</sup>	116.71	130.40	10.00	12/31 2014	3
2009	MG	48,362	48,362	1,498	–	–	–	49,860	97.64	109.01	10.00	12/31 2015	3
2009	OE	86,178	86,178	2,670	2,413	1,209	138.11	85,226	97.64	109.01	10.00	12/31 2015	3
2010	MG	47,533	–	–	–	–	–	47,533	114.91	128.33	10.00	12/31 2016	3
2010	OE	77,010	–	–	–	–	–	77,010	114.91	128.33	10.00	12/31 2016	3
<b>Totalt</b>		<b>512,849</b>	<b>360,525</b>	<b>10,911</b>	<b>3,829</b>	<b>27,266</b>		<b>464,884</b>					

1) MG = Management Group, OE = Other employees.

2) The value of Matching Shares on the grant date was based on a theoretical value calculated in accordance with the Black & Scholes valuation model.

3) The fair value on the grant date was calculated in accordance with IFRS 2, which was also used for calculating recognized values.

See above for specification of the basis of calculation.

4) Matching Shares available for exercise at year-end.

## Note 5 cont'd Employees and payroll costs

### Matching Options 2006–2010

Year issued	Holder <sup>1)</sup>	Number of Matching Options granted	Number at the beginning of the year	Matching Options forfeited in 2010	Number of Matching Options exercised in 2010	Number of Matching Options on December 31, 2010	Theoretical value <sup>2)</sup>	Fair value <sup>3)</sup>	Strike price	Maturity date	Vesting period (years)
2006	MG	62,076	62,076	—	—	62,076 <sup>4)</sup>	15.62	12.47	155.90	12/31 2012	3
2006	OE	128,918	99,046	6,992	—	92,054 <sup>4)</sup>	15.62	12.47	155.90	12/31 2012	3
2007	MG	47,690	47,690	—	—	47,690 <sup>4)</sup>	22.80	18.84	212.00	12/31 2013	3
2007	OE	92,698	76,586	4,530	—	72,056 <sup>4)</sup>	22.80	18.84	212.00	12/31 2013	3
2008	MG	61,450	61,450	—	—	61,450 <sup>4)</sup>	16.41	18.98	166.20	12/31 2014	3
2008	OE	114,700	108,885	4,479	—	104,406 <sup>4)</sup>	16.41	18.98	166.20	12/31 2014	3
2009	MG	96,724	96,724	—	—	96,724	14.52	16.68	141.50	12/31 2015	3
2009	OE	172,356	172,356	5,108	—	167,248	14.52	16.68	141.50	12/31 2015	3
2010	MG	95,066	—	—	—	95,066	17.44	19.73	164.60	12/31 2016	3
2010	OE	154,020	—	—	—	154,020	17.44	19.73	164.60	12/31 2016	3
<b>Total</b>		<b>1,025,698</b>	<b>724,813</b>	<b>21,109</b>	<b>—</b>	<b>952,790</b>					

1) MG = Management Group, OE = Other employees.

2) The value of Matching Options on the grant date was based on a theoretical value calculated in accordance with the Black & Scholes valuation model.

3) The fair value on the grant date was calculated in accordance with IFRS 2, which was also used for calculating recognized values.

See above for specification of the basis of calculation.

4) Matching Options available for exercise at year-end.

### Performance Shares 2006–2010

Year issued	Component and holder <sup>1)</sup>	Maximum number of Performance Shares granted	Number at the beginning of the year	Adjustment for dividend	Performance Shares forfeited in 2010	Performance Shares exercised in 2010	Weighted average share price on exercise	Number of Performance Shares on December 31, 2010	Theoretical value <sup>2)</sup>	Fair value <sup>3)</sup>	Strike price	Maturity date	Vesting period (years)
2006	NAV MG	88,270	—	—	—	—	—	—	52.35	121.34	10.00	12/31 2012	3
2006	NAV OE	35,613	—	—	—	—	—	—	52.35	121.34	10.00	12/31 2012	3
2006	TSR MG	45,116	22,956	711	—	—	—	23,667 <sup>4)</sup>	52.35	57.03	10.00	12/31 2012	3
2006	TSR OE	18,199	6,285	182	740	1,667	135.26	4,060 <sup>4)</sup>	52.35	57.03	10.00	12/31 2012	3
2007	NAV MG	63,449	68,695	—	68,695	—	—	— <sup>4)</sup>	77.78	168.48	10.00	12/31 2013	3
2007	NAV OE	26,958	24,065	—	24,065	—	—	— <sup>4)</sup>	77.78	168.48	10.00	12/31 2013	3
2007	TSR MG	34,371	37,213	460	22,361	1,483	129.90	13,829 <sup>4)</sup>	77.78	82.55	10.00	12/31 2013	3
2007	TSR OE	14,602	13,034	131	8,997	542	141.30	3,626 <sup>4)</sup>	77.78	82.55	10.00	12/31 2013	3
2008	NAV MG	121,560	137,265	7,864	—	—	—	145,129	40.98	81.88	69.29	12/31 2014	3
2008	NAV OE	53,914	55,825	2,946	830	—	—	57,941	40.98	81.88	69.29	12/31 2014	3
2008	TSR MG	65,236	73,665	4,221	—	—	—	77,886	38.18	42.98	69.29	12/31 2014	3
2008	TSR OE	28,930	29,956	1,967	832	—	—	31,091	38.18	42.98	69.29	12/31 2014	3
2009	TSR MG	590,946	590,946	17,832	—	—	—	608,778	15.45	17.26	117.96	12/31 2015	3
2009	TSR OE	279,427	279,427	8,433	10,092	—	—	277,768	15.45	17.26	117.96	12/31 2015	3
2010	TSR MG	584,105	—	—	—	—	—	584,105	18.34	20.34	137.19	12/31 2016	3
2010	TSR OE	215,092	—	—	—	—	—	215,092	18.34	20.34	137.19	12/31 2016	3
<b>Total</b>		<b>2,265,788</b>	<b>1,339,332</b>	<b>44,747</b>	<b>136,612</b>	<b>3,692</b>		<b>2,042,972</b>					

1) MG = Management Group, OE = Other employees.

2) The value of Performance Shares on the grant date was based on a theoretical value calculated in accordance with the Black & Scholes valuation model.

3) The fair value on the grant date was calculated in accordance with IFRS 2, which was also used for calculating recognized values. See above for specification of the basis of calculation.

4) Performance Shares available for exercise at year-end.

The difference between the theoretical value and fair value is mainly due to the fact that the anticipated personnel turnover is taken into consideration when determining the theoretical value. When estimating the fair value in accordance with IFRS 2, personnel turnover is not taken into account; instead the anticipated number of vested shares or options is adjusted. The adjustment is based on average historical outcome. According to the definition in IFRS 2 Share-based Payment, the NAV component is a so-called non-market condition and TSR component is a so-called market condition. There is a difference between the fair value (IFRS 2) and theoretical value of shares granted on the basis of the NAV component because the theoretical value takes into consideration the probability of full allocation in the valuation. When estimating in accordance with IFRS 2, the corresponding probability is taken into account by adjusting the anticipated number of vested shares.

## Note 5 cont'd Employees and payroll costs

### Summary of terms for long-term restricted stock programs 2004–2005

Year issued	Holder <sup>1)</sup>	Number of granted shares	Number at the beginning of the year	Fair value <sup>2)</sup>	Number of shares exercised in 2010	Weighted average share price on exercise	Number of shares on December 31, 2010	Maturity date <sup>3)</sup>	Vesting period (years)
2004	MG	74,000	3,200	77.00 <sup>4)</sup>	—	—	3,200	1/20 2014	5 <sup>5)</sup>
2005	MG	58,331	53,385	97.04 <sup>6)</sup>	43,773	132.90	9,612	1/21 2015	5 <sup>5)</sup>
<b>Total</b>		<b>132,331</b>	<b>56,585</b>		<b>43,773</b>		<b>12,812</b>		

1) MG = Management Group.

2) The fair value on the grant date was calculated in accordance with IFRS 2, which was also used for calculating recognized values.

3) The President is entitled to exercise the Shares during a period twelve months from the earlier of (i) ten years from the date of allocation and (ii) two months from the expiry of the year during which the President terminates his employment.

4) Closing price for the Investor share the day after Investor's year-end report was released.

5) One-third of the number of granted shares are not considered vested until three years after the grant date, after which one-third vests during each of the two subsequent years. Shares granted on the grant date carry the right to receive and have access to the vested shares no sooner than five years after the grant date.

6) Average volume-weighted price paid for the Investor B share on the Stockholm Stock Exchange during the period 4/12 - 4/18, 2005.

### Summary of terms for long-term employee stock option programs 2003–2005

Year issued	Holder <sup>1)</sup>	Number of options granted	Number of options at the beginning of the year	Options exercised during 2010	Weighted average share price on exercise	Options expired during 2010	Number of options on December 31, 2010	Theoretical value <sup>2)</sup>	Fair value <sup>3)</sup>	Strike price	Maturity date	Vesting period (years) <sup>4)</sup>
2003	MG	1,081,000	—	—	—	—	—	8.21	7.00	52.50	2/11 2010	3
2003	OE	2,606,436	30,061	30,061	130.12	—	—	8.21	7.00	52.50	2/11 2010	3
2004	MG	221,900	65,234	65,234	136.51	—	—	15.80	13.74	84.70	1/20 2011	3
2004	OE	1,079,649	302,098	302,098	138.15	—	—	15.80	13.74	84.70	1/20 2011	3
2005	MG	164,565	145,997	—	—	—	145,997 <sup>5)</sup>	19.00	15.20	106.70	1/20 2012	3
2005	OE	1,008,469	535,904	116,525	137.70	—	419,379 <sup>5)</sup>	19.00	15.20	106.70	1/20 2012	3
<b>Total</b>		<b>6,162,019</b>	<b>1,079,294</b>	<b>513,918</b>		<b>—</b>	<b>565,376</b>					

1) MG = Management Group, OE = Other Employees.

2) The value of options on the grant date was based on a theoretical value calculated in accordance with the Black & Scholes valuation model.

The volatility parameter has been adjusted to take into account the special limitations to disposal rights that are valid for long-term employee stock option programs.

3) The fair value of options on the grant date was calculated in accordance with IFRS 2, which was also used for calculating recognized values.

4) One-third of the number of issued options is considered to be vested during each of the three years immediately following the years the options were granted.

Thus, of the options granted in 2005, one-third can be exercised after 1/21, 2006. If employment ends, options that have already vested must be exercised within three months from the date employment was terminated. As of the 2002 option program, the exercise period has been extended by 12 months if a holder has been employed more than four years.

5) Options available for exercise at year-end.

### Accounting effects of share-based payment transactions

(SEK t.)	2010	2009
<i>Group</i>		
<i>Payroll costs relating to Share-based payment transactions</i>		
Costs relating to equity-settled share-based payment transactions	24,794	25,196
Costs relating to cash-settled share-based payment transactions	3,080	2,663
Social security and other costs relating to share-based payment transactions	9,454	11,565
<b>Total</b>	<b>37,328</b>	<b>39,424</b>
 (SEK t.)		
<i>Parent Company</i>		
<i>Payroll costs relating to Share-based payment transactions</i>		
Costs relating to equity-settled share-based payment transactions (IFRS 2)	19,091	21,369
Costs relating to cash-settled share-based payment transactions (IFRS 2)	3,080	2,663
Social security and other costs relating to share-based payment transactions	8,484	11,520
<b>Total</b>	<b>30,655</b>	<b>35,552</b>

(SEK t.)	2010	2009
<i>Group and Parent Company</i>		
Effect on equity relating to stock-options exercised by employees		
Carrying amount of liability relating to share-based payment transactions	—	—
Effect on net financial items relating to share-based payment transactions	7,640	4,561
Weighted average price in outstanding hedging contracts	10,711	—1,178
	127.52	127.03

### Hedge contracts for employee stock option and share programs

Investor's policy is to implement measures to minimize the effects of an increase in Investor's share price. For programs up to and including 2005, Investor has used share swaps and share options as hedging instruments that are recognized at fair value according to the rules for derivatives (IAS 39) because such swaps and share options do not qualify for hedge accounting. With the hedging solution, employee stock option and share programs do not affect the actual number of outstanding shares in Investor; instead, there is a theoretical dilution effect because of the programs.

For programs implemented in 2006 and later, Investor has been repurchasing its own shares in order to guarantee delivery.

## Note 6 Auditor's fees and expenses

	2010	2009
<i>Group</i>		
<i>KPMG</i>		
Auditing assignment	9	9
Other audit activities	1	1
Tax advice	1	0
Other assignment	0	0
<i>Deloitte</i>		
Auditing assignment	1	–
Tax advice	1	–
Other assignment	0	–
<b>Total</b>	<b>13</b>	<b>10</b>
	2010	2009
<i>Parent Company</i>		
<i>KPMG</i>		
Auditing assignment	4	4
Other audit activities	1	1
Other assignment	–	0
<b>Total</b>	<b>5</b>	<b>5</b>

For auditor's fees and expenses SEK 9 m. (9) is attributable to Investing Activities and SEK 4 m. (1) to Operating Activities.

## Note 7 Operating leases

*Non-cancellable future lease payments amount to:*

	2010	2009
<i>Group</i>		
Not later than one year	245	9
Later than one year and not later than five years	511	36
Later than five years	286	53
<b>Total</b>	<b>1,042</b>	<b>98</b>
<i>Costs for the year</i>		
Minimum lease payments	104	11
Contingent rent	1	2
<b>Total</b>	<b>105</b>	<b>13</b>

Operating leases mainly consists of rent of premises, leasing of company cars and office furniture.

For non-cancellable lease payments, SEK 957 m. (0) is attributable to Operating Activities and for operating leases costs for the year SEK 96 m. (0) is attributable to Operating Activities.

## Note 8 Investments in associates

*Specification of carrying amount using the equity method*

	12/31 2010	12/31 2009
<i>Group</i>		
At the beginning of the year	4,718	7,246
Acquisitions	335	79
Divestments	–	–3
Reclassifications	–1,627	–
Share of results of associates <sup>1)2)</sup>	–635	–2,380
Translation differences, etc.	–215	–224
<b>Carrying amount at year-end</b>	<b>2,576</b>	<b>4,718</b>

1) Includes results from Mölnlycke AB amounting to SEK -334 m. for the period ending November 30, 2010.

2) Profit/loss for the year refers to the participating interest in the company's results after tax including the equity component in the change in untaxed reserves for the year and after adjustments in accordance with Investor's accounting policies and evaluation principles.

## Note 8 cont'd Investments in associates

### Specification of investments in associates

12/31 2010

Company/Registered office/Registration number	Number of shares	Share of voting power%	Proportion of equity%	Investor's share of				Profit/loss for the year <sup>4)</sup>
				Assets <sup>1)</sup>	Liabilities <sup>1)</sup>	Equity <sup>2)</sup>	Revenue <sup>3)</sup>	
<i>Group</i>								
Indap Sweden AB, Stockholm, 556678-4111 <sup>5)</sup> <sup>6)</sup>	490,000	49	49	17,690	15,950	1,740	7,748	-172
Lindorff First Holding AB, Stockholm, 556714-9413 <sup>5)</sup>	109,493,255	50	51	6,794	6,528	266	1,474	-77
Hi3G Holdings AB, Stockholm, 556619-6647 <sup>5)</sup>	40,000	40	40	5,960	1,707	4,253	2,806	49
Hi3G Enterprise AB, Stockholm, 556782-9329 <sup>5)</sup>	40,000	40	40	4,239	4,203	36	-	-143
Kunskapskolan Education Sweden AB, Stockholm, 556691-3066 <sup>5)</sup>	13,115	33	33	161	143	18	235	11
EQT Partners AB, Stockholm, 556233-7229	1,550	31	31	86	57	29	235	27
Novare Holding AB, Stockholm, 556694-6066	200	50	50	22	16	6	38	3
Sternwood Investment Ltd, Guernsey, 42893	15	50	50	14	0	14	10	0
Blasieholmen 54 SPA AB, Stockholm, 556768-7362	500	50	50	7	6	1	9	-3
SamSari Act Group AB, Stockholm, 556812-4431 <sup>5)</sup>	498,500	50	50	7	2	5	2	0
Blasieholmen 54 Restaurang AB, Stockholm, 556706-6963	500	50	50	6	5	1	18	1
Makula AS, Oslo, 986 756 752	34,000	34	34	4	1	3	6	3
EFIN S.à.r.l., Luxembourg, B 145.168	166,996	50	50	3	1	2	0	0
MR-Enheden Esbjerg Privathopital A/S, Esbjerg, 29 52 66 05	250	50	50	2	1	1	1	0
<b>Total investments in associates</b>				<b>34,995</b>	<b>28,620</b>	<b>6,375</b>	<b>12,582</b>	<b>-301</b>

### Specification of investments in associates

12/31 2009

Company/Registered office/Registration number	Number of shares	Share of voting power%	Proportion of equity%	Investor's share of				Profit/loss for the year <sup>4)</sup>
				Assets <sup>1)</sup>	Liabilities <sup>1)</sup>	Equity <sup>2)</sup>	Revenue <sup>3)</sup>	
<i>Group</i>								
Mölnlycke AB, Stockholm, 556723-5949 <sup>5)</sup>	334,196,743	47	58	19,668	17,726	1,942	5,256	-394
Indap Sweden AB, Stockholm, 556678-4111 <sup>5)</sup> <sup>6)</sup>	490,000	49	49	18,447	16,454	1,993	7,943	-1,212
Lindorff First Holding AB, Stockholm, 556714-9413 <sup>5)</sup>	90,518,750	50	50	6,522	6,255	267	1,462	-541
Hi3G Holdings AB, Stockholm, 556619-6647 <sup>5)</sup>	40,000	40	40	6,021	5,858	163	2,336	-240
Hi3G Enterprise AB, Stockholm, 556782-9329 <sup>5)</sup>	40,000	40	40	4,257	4,218	39	-	-18
EFIN S.à.r.l., Luxembourg, B 145.168	166,996	50	50	185	183	2	0	0
Kunskapskolan Education Sweden AB, Stockholm, 556691-3066 <sup>5)</sup>	11,500	29	29	132	128	4	210	1
EQT Partners AB, Stockholm, 556233-7229	1,550	31	31	89	59	30	237	26
Sternwood Investment Ltd, Guernsey, 42893	15	50	50	25	-	25	11	1
Novare Holding AB, Stockholm, 556694-6066	200	50	50	19	13	6	27	0
Blasieholmen 54 SPA AB, Stockholm, 556768-7362	500	50	50	8	8	0	1	-3
Blasieholmen 54 Restaurang AB, Stockholm, 556706-6963	500	50	50	6	5	1	18	1
Kunskapskolan International KIAB AB, Stockholm, 556747-9349 <sup>5)</sup>	300	30	30	6	6	0	0	-1
<b>Total investments in associates</b>				<b>55,385</b>	<b>50,913</b>	<b>4,472</b>	<b>17,501</b>	<b>-2,380</b>

1) Refers to the ownership interest in the assets and liabilities of the company after adjustments in accordance with Investor's accounting policies and evaluation principles.

2) Refers to the ownership interest in the equity of the company including the equity component in untaxed reserves and after adjustments in accordance with Investor's accounting and evaluation principles.

3) Refers to the ownership interest of the company's net sales.

4) Profit/loss for the year refers to the participating interest in the company's results after tax including the equity component in the change in untaxed reserves for the year and after adjustments in accordance with Investor's accounting policies and evaluation principles.

5) Reported with one month's delay.

6) The investment in Gambio Holding is included in Indap Sweden AB.

## Note 9 Net financial items

	2010		2009	
	Income	Expense	Income	Expense
<i>Group</i>				
<i>Investing activities</i>				
<i>Interest</i>				
<i>Items valued at fair value:</i>				
Assets recognized at fair value				
– fair value option	113		297	
Derivatives used in hedge accounting		452		487
Assets/liabilities held for trading		–240		–203
	113	212	297	284
<i>Items not valued at fair value</i>				
Other liabilities		–940		–960
Other items		–6		–10
	–946		–970	
<b>Total interest</b>	<b>113</b>	<b>–734</b>	<b>297</b>	<b>–686</b>
<b>Net result</b>				
Assets recognized at fair value				
– fair value option	13		–60	
Derivatives used in hedge accounting		410	–914	
Assets/liabilities held for trading	88		294	
Other liabilities		–415	660	
From sale of subsidiaries		–8		–3
Exchange rate changes effecting items				
valued at fair value		–1,138		–445
Other exchange rate effects	705		282	
Other items	5		5	
<b>Total net result</b>	<b>811</b>	<b>–1,151</b>	<b>327</b>	<b>–508</b>
<b>Total financial income and expenses</b>	<b>924</b>	<b>–1,885</b>	<b>624</b>	<b>–1,194</b>
<b>Net financial items</b>		<b>–961</b>		<b>–570</b>

Net result consists of unrealized market value changes and realized results of financial items excluding interest. Net financial items include the change in value of derivatives relating to economic hedges of employee stock options by SEK 11 m. (–1) and revaluations established with valuation techniques totaling 120 m. (44). Liabilities accounted for as hedges have been revalued by SEK –415 m. (964) and the associated hedging instruments have been revalued by SEK 410 m. (–944). Derivatives included in cash flow hedges are not recognized in the Income Statement but have affected other comprehensive income by SEK 233 m. (–357).

	2010		2009	
	Income	Expense	Income	Expense
<i>Group</i>				
<i>Investing activities</i>				
<i>Interest</i>				
<i>Items valued at fair value:</i>				
Assets recognized at fair value				
– fair value option		4		
Derivatives used in hedge accounting			–19	
Assets/liabilities held for trading		23		
	27	–19		
<i>Items not valued at fair value:</i>				
Other liabilities			–168	
Other items			–168	
			–27	
<b>Total interest</b>	<b>27</b>	<b>–187</b>	<b>–27</b>	
<b>Net result</b>				
Assets recognized at fair value				
– fair value option		–60		
Derivatives used in hedge accounting				
Assets/liabilities held for trading				
Other liabilities				
From sale of subsidiaries				
Exchange rate changes effecting items				
valued at fair value			–13	
Other exchange rate effects			–47	
Other items			–5	
<b>Total net result</b>	<b>–65</b>			
<b>Total financial income and expenses</b>	<b>27</b>	<b>–252</b>	<b>–27</b>	
<b>Net financial items</b>		<b>–225</b>		<b>–27</b>

	2010		2009	
	Income	Expense	Income	Expense
<i>Group</i>				
<i>Interest</i>				
<i>Net result</i>				
	140	–921	297	–713
	811	–1,216	327	–508
<b>Total financial income and expenses</b>	<b>951</b>	<b>–2,137</b>	<b>624</b>	<b>–1,221</b>
<b>Net financial items</b>		<b>–1,186</b>		<b>–597</b>

## Note 10 Income tax

### Income tax for the year

	2010	2009
<b>Group</b>		
Current tax expense	-223	-219
Deferred tax expense relating to changes in temporary differences	182	-113
<b>Total</b>	<b>-41</b>	<b>-332</b>

### Parent Company

The Parent Company reported no tax expenses for 2010 and 2009.

### Information about the connection between tax expense for the period and reported income before tax

	2010	2009
<b>Group</b>		
Reported profit before taxes	30,734	31,700
Tax according to applicable tax rate, 26.3%	-8,083	-8,337
Effect of other tax rates for foreign subsidiaries	-329	-833
Tax from previous years	26	4
Tax effect of non-taxable income and status as an industrial holding company <sup>1)</sup>	11,805	9,608
Non-deductible expenses	-3,888	-770
Standard interest on tax allocation reserves	-3	-4
Other	431	0
<b>Reported tax expense</b>	<b>-41</b>	<b>-332</b>

1) For tax purposes, industrial holding companies may deduct the dividend approved at the subsequent Annual General Meeting. Capital gains on shares are not taxable while capital losses are not deductible. Industrial holding companies are instead taxed for a standard income based on the market value of certain listed holdings.

### Deferred taxes

Deferred taxes refers of the following assets and liabilities

	12/31 2010	12/31 2009
<b>Group</b>		
<b>Deferred tax assets</b>		
Provisions	69	0
Intangible assets	21	-
Financial assets	32	4
Property, plant and equipment	43	-
Trade receivables	4	-
Inventory	76	-
Loss carry-forward	116	-
Other	437	7
<b>Total deferred tax assets</b>	<b>798</b>	<b>11</b>
Net of deferred tax assets <sup>1)</sup>	-331	-
<b>Net deferred tax assets</b>	<b>467</b>	<b>11</b>
<b>Deferred tax liabilities</b>		
Intangible assets	3,143	-
Financial assets	138	156
Property, plant and equipment	303	228
Trade receivables	3	-
Inventory	126	-
Tax allocation reserves	245	188
Interest bearing liabilities	7	-
Other	96	1
<b>Total deferred tax liabilities</b>	<b>4,061</b>	<b>573</b>
Net of deferred tax liabilities <sup>1)</sup>	-331	-
<b>Net deferred tax liabilities</b>	<b>3,730</b>	<b>573</b>
<b>Net receivable/liability</b>	<b>-3,263</b>	<b>-562</b>

1) Deferred tax assets and liabilities are offset if a legal right exists for this.

### Unreported deferred tax assets

Taxes relating to deductible, temporary differences for which deferred tax assets have not been reported in the Income Statement and Balance Sheet amounted to SEK 1,034 m. on December 31, 2010 (84). The amount refers to non-booked loss carry-forward and premiums paid for pension solutions for future pension payments.

## Note 10 cont'd Taxes

### Change in deferred taxes in temporary differences and unused tax losses

	Amount at the beginning of the year	Business combinations	Recognized in the income statement	Recognized in other comprehensive income	Amount at year-end
<b>2010</b>					
<i>Group</i>					
Provisions	0	65	-7	11	69
Financial assets	-152	-3	49	0	-106
Intangible Assets		-3,191	54	15	-3,122
Property, plant and equipment	-228	-38	1	5	-260
Trade receivables		1	0	0	1
Inventory		-63	13	0	-50
Tax allocation reserves	-188	-41	-16	0	-245
Interest bearing liabilities		3	-10		-7
Loss carry-forward		110	9	-3	116
Other	6	281	89	-35	341
<b>Total</b>	<b>-562</b>	<b>-2,876</b>	<b>182</b>	<b>-7</b>	<b>-3,263</b>
<b>2009</b>					
<i>Group</i>					
Provisions	0		0		0
Property, plant and equipment	-277		-2	51	-228
Financial assets	7		-159		-152
Tax allocation reserves	-244		56		-188
Other	13		-8	1	6
<b>Total</b>	<b>-501</b>		<b>-113</b>	<b>52</b>	<b>-562</b>

According to Investor's assessment, the disclosure requirements in IAS 1.52 regarding maturity dates do not apply to deferred tax assets/deferred tax liabilities since it is usually uncertain when a deferred tax will result in a payment. These are considered non-current assets and liabilities.

## Note 11 Earnings per share

### Basic earnings per share

The calculation of earnings per share for 2010 is based on profit for the year attributable to the holders of ordinary shares in the Parent Company amounting to SEK 30,713 m. (31,379), and on a weighted average number of outstanding shares amounting to 761,174,674 during 2010 (763,156,634).

	2010	2009
<i>Group</i>		
Profit/loss for the year attributable to the holders of ordinary shares in the Parent Company, SEK m.	30,713	31,379
Weighted average number of ordinary shares outstanding during the year, millions	761.2	763.2
<b>Basic earnings per share, SEK</b>	<b>40.35</b>	<b>41.12</b>
Change in the number of outstanding shares, before dilution, millions	2010	2009
Total number of outstanding shares at the beginning of the year, millions	762.5	764.7
Repurchases of own shares during the year, millions	-2.0	-2.2
<b>Total number of outstanding shares at year-end</b>	<b>760.5</b>	<b>762.5</b>

### Diluted earnings per share

The calculation of diluted earnings per share for 2010 was based on profit for the year attributable to the holders of ordinary shares in the Parent Company amounting to SEK 30,713 m. (31,379), and on a weighted average number of shares amounting to 761,861,641 during 2010 (763,857,139).

	2010	2009
<i>Group</i>		
Profit/loss for the year attributable to the holders of ordinary shares in the Parent Company, SEK m.	30,713	31,379
<b>Profit for the year attributable to the holders of ordinary shares in the Parent Company, diluted, SEK m.</b>	<b>30,713</b>	<b>31,379</b>
Weighted average number of outstanding ordinary shares, millions	761.2	763.2
Effect of issued: employee share- and stock option programs, millions	0.7	0.7
Number of shares used for the calculation of diluted earnings per share, millions	761.9	763.9
<b>Diluted earnings per share, SEK</b>	<b>40.31</b>	<b>41.08</b>

### Instruments that are potentially dilutive in the future and changes after the Balance Sheet date

Outstanding options and shares in long-term share-based programs are to be considered dilutive only if earnings per share was less after than before dilution. Some options are out of money due to a lower average share price (SEK 134.41) compared to exercise price and potential value per option to be expensed in accordance to IFRS 2. Finally there are Performance Shares for which performance terms and conditions are to be met before they can be dilutive. There have been no changes in the number of outstanding shares after the Balance Sheet date. See Note 5 Employees and payroll costs, for exercise price and a description of performance terms and conditions.

## Note 12 Intangible assets

(SEK t.)	Capitalized development expenditures and software	Technology	12/31 2010			12/31 2009
			Trademarks, patents and licences	Customer contracts	Goodwill	
<i>Group Cost</i>						
At the beginning of the year	21					21
Business combinations	229	1,110	6,279	5,296	23,514	36,428
Internally generated intangible assets	14					14
Additions		12			21	33
Exchange rate differences		-12	-99	-71	-341	-523
<b>At year-end</b>	<b>264</b>	<b>1,110</b>	<b>6,180</b>	<b>5,225</b>	<b>23,194</b>	<b>35,973</b>
<i>Amortization and impairment losses</i>						
At the beginning of the year	-5					-5
Business combinations	-59	-195	-225	-1,448		-1,927
Amortisations	-3	-13	-14	-154		-184
Exchange rate differences			6	27		33
<b>At year-end</b>	<b>-67</b>	<b>-208</b>	<b>-233</b>	<b>-1,575</b>		<b>-2,083</b>
<b>Net carrying amount at year-end</b>	<b>197</b>	<b>902</b>	<b>5,947</b>	<b>3,650</b>	<b>23,194</b>	<b>33,890</b>
<i>Allocation of amortization and impairment in Comprehensive income</i>						
Cost of goods and services sold				-47		-47
Distribution expenses		-2	-14	-107		-123
Administrative expenses			-11			-11
Research and development expenses	-2					-2
Cost of Investing Activities	-1					-1
<b>Total</b>	<b>-3</b>	<b>-13</b>	<b>-14</b>	<b>-154</b>		<b>-184</b>
All intangible assets except goodwill and trademarks are amortized. Capitalized expenditures, and contracts are amortized over estimated useful life. Licenses are amortized over life of agreement. See Note 1 Accounting policies for information regarding amortization. The Group's intangible assets are mainly attributable to Operating Activities.						

(SEK t.)	Capitalized software	
	12/31 2010	12/31 2009
<i>Parent Company</i>		
Cost		
Opening balance	21	14
Additions	5	7
<b>Total</b>	<b>26</b>	<b>21</b>
<i>Amortization and impairment losses</i>		
Opening balance	-5	-3
Amortizations	-1	-2
<b>Total</b>	<b>-6</b>	<b>-5</b>
<b>Net carrying amount at year-end</b>	<b>20</b>	<b>16</b>
<i>Allocation of amortization in Comprehensive income</i>		
Cost of Investing Activities	-1	-2
<b>Total</b>	<b>-1</b>	<b>-2</b>

Development costs refer to capitalized expenditures for software and is amortized over useful life, 5 years.

See Note 1 Accounting policies for information regarding amortization.

In case of a possible indication that an impairment would be necessary Investor makes an impairment test to ensure that the carrying value of the intangible assets does not exceed the value in use or fair value. Goodwill and other intangible assets that are not amortized is in addition tested annually to ensure that no need for impairment exists. The two acquisitions that has been carried out during the year has been executed at market values for Mölnlycke Health Care and Aleris at which they also have been recognized. The recoverable amount is thus established as fair value less selling expenses. Both Mölnlycke Health Care and Aleris develops according to plan and there is nothing to indicate that the value of these acquisitions has decreased since the respective transaction dates.

Intangible assets that has been identified in conjunction with the preparation of a preliminary purchase price allocation are; Customer contracts at a value of SEK 3,107 m. with an estimated useful life of four years, technology of SEK 786 m. with an estimated useful life of 20 years, and brands with an indefinite useful life at a value of SEK 420 m. The value of inventory which is estimated to be processed in a year, has been appreciated by SEK 448 m. Deferred tax liabilities attributable to the estimated surplus values amounts to SEK 1,450 m. and goodwill on consolidation amounts to SEK 19,780 m. In conjunction with the preliminary allocation of the purchase price regarding Aleris, Customer contracts at a value of SEK 608 m. with a deferred tax liability of SEK 160 m. Useful life of the customer contracts has been decided to five years. Group goodwill attributable to Aleris amounts to SEK 1,950 m. The allocations of surplus values regarding Mölnlycke Health Care and Aleris are preliminary and it is possible that these will be adjusted during 2011.

## Note 13 Buildings and land

The revaluation model has been applied for properties owned by Swedish and foreign subsidiaries. Property valuations are regularly conducted by external appraisers. Fair values have been determined based on current market prices for comparable property and by using a return model based on a calculation of the present value of future cash flows.

	12/31 2010			12/31 2009		
	Buildings	Land	Total	Buildings	Land	Total
<i>Group</i>						
<i>Revalued cost</i>						
Opening balance	1,651	491	2,142	1,859	491	2,350
Business Combinations	513	36	549	44		44
Other acquisitions	4		4	1		1
Sales and disposals	-3		-3	-1		-1
Reclassifications	-1		-1			
Effect of revaluations on revaluation reserve				-252		-252
Exchange rate differences	-13	-1	-14			
	2,151	526	2,677	1,651	491	2,142
<i>Accumulated depreciation</i>						
Opening balance	-345		-345	-356		-356
Business Combinations	-76		-76			
Sales and disposals	1		1			
Depreciation for the year	-33		-33	-29		-29
Reclassifications	0		0			
Effect of revaluations on revaluation reserve				40		40
Exchange rate differences	4		4			
	-449		-449	-345		-345
<b>Carrying amount at year-end</b>	<b>1,702</b>	<b>526</b>	<b>2,228</b>	<b>1,306</b>	<b>491</b>	<b>1,797</b>
<b>Carrying amount if acquisition cost method had been used</b>	<b>1,193</b>	<b>528</b>	<b>1,721</b>	<b>786</b>	<b>492</b>	<b>1,278</b>
<b>Tax values</b>	<b>469</b>	<b>652</b>	<b>1,121</b>	<b>408</b>	<b>508</b>	<b>916</b>

The Group's buildings and land are attributable to Operating Activities.

## Note 14 Machinery and equipment

	12/31 2010			12/31 2009	
	Machinery	Furniture, fixtures and fittings	Expenditure on leased property	Total	Furniture, fixtures and fittings
<i>Group</i>					
<i>Accumulated cost</i>					
Opening balance		785		785	755
Business Combinations	692	955	105	1,752	
Other acquisitions	59	48	10	117	41
Sales and disposals	-12	-44	-1	-57	-11
Reclassifications	5	-4		1	
Exchange rate differences	-11	-12	-1	-24	
	733	1,728	113	2,574	785
<i>Accumulated depreciation and impairment</i>					
Opening balance		-414		-414	-384
Business Combinations	-231	-512	-60	-803	
Sales and disposals	12	42	1	55	11
Reclassifications	0	0		0	
Depreciation for the year	-48	-45	-5	-98	-41
Exchange rate differences	4	6	1	11	
	-263	-923	-63	-1,249	-414
<b>Carrying amount at year-end</b>	<b>470</b>	<b>805</b>	<b>50</b>	<b>1,325</b>	<b>371</b>

For machinery and equipment, SEK 26 m. (22) is attributable to Investing Activities and SEK 1,298 m. (349) to Operating Activities.

	Furniture, fixtures and fittings	
	12/31 2010	12/31 2009
<i>Parent Company</i>		
<i>Accumulated cost</i>		
Opening balance	45	42
Other acquisitions	3	3
Sales and disposals	-4	-
	44	45
<i>Accumulated depreciation and impairment</i>		
Opening balance	-25	-22
Sales and disposals	4	-
Depreciation for the year	-4	-3
	-25	-25
<b>Carrying amount at year-end</b>	<b>19</b>	<b>20</b>

## Note 15 Shares and participations recognized at fair value

Group	Core Investments	Operating Investments	Private Equity Investments	Financial Investments	Total
12/31 2010					
Listed holdings	130,828	3,486	1,269	131	135,714
Unlisted holdings		15	18,028	412	18,455
<b>Total</b>	<b>130,828</b>	<b>3,501</b>	<b>19,297</b>	<b>543</b>	<b>154,169</b>
12/31 2009	Core Investments	Operating Investments	Private Equity Investments	Financial Investments	Total
Listed holdings	106,231	971	794	133	108,129
Unlisted holdings		6	17,539	400	17,945
<b>Total</b>	<b>106,231</b>	<b>977</b>	<b>18,333</b>	<b>533</b>	<b>126,074</b>
12/31 2010	Core Investments	Operating Investments	Private Equity Investments	Financial Investments	Total
Opening balance	106,231	977	18,333	533	126,074
Acquisitions	1,693	1,533	3,308	6,534	
Divestments			-3,811	-3,811	
Exchange rate differences			-316	-316	
Revaluations	22,904	991	1,783	10	25,688
<b>Carrying amount at year-end</b>	<b>130,828</b>	<b>3,501</b>	<b>19,297</b>	<b>543</b>	<b>154,169</b>
12/31 2009	Core Investments	Operating Investments	Private Equity Investments	Financial Investments	Total
Opening balance	73,272	7	15,295	761	89,335
Acquisitions	3,825	958	2,921	1	7,704
Divestments	-450		-563	-453	-1,466
Exchange rate differences			-68	-68	
Revaluations	29,584	12	748	225	30,569
<b>Carrying amount at year-end</b>	<b>106,231</b>	<b>977</b>	<b>18,333</b>	<b>533</b>	<b>126,074</b>

In addition to the above holdings of securities, there are commitments for add-on investments amounting to SEK 3,727 m. (6,416). The tables above include interests in associates recognized at fair value in accordance with IAS 39. For shares and participations recognized at fair value, SEK 154,163 m. (126,068) is attributable to Investing Activities and SEK 6 m. (6) to Operating Activities.

## Note 16 Long-term receivables and other receivables

	12/31 2010	12/31 2009		12/31 2010	12/31 2009
<i>Group</i>					
<i>Investing activities</i>					
<i>Non-current receivables</i>					
Receivables from associates <sup>1)</sup>	4,806	9,698		3	1
Derivatives	484	1,148		1	22
Other	50	0		143	223
	<b>5,340</b>	<b>10,846</b>		<b>290</b>	<b>167</b>
				<b>437</b>	<b>413</b>
<i>Operating activities</i>					
<i>Non-current receivables</i>					
Other	191	-		149	0
	<b>191</b>	<b>-</b>		<b>0</b>	<b>0</b>
<b>Total</b>	<b>5,531</b>	<b>10,846</b>		<b>156</b>	<b>26</b>
				<b>305</b>	<b>26</b>
				<b>742</b>	<b>439</b>

1) Refers to shareholder loans including capitalized interest.

## Note 17 Inventories

	12/31 2010	12/31 2009
<i>Group</i>		
Raw materials and consumables	289	–
Work in progress	56	–
Finished goods	1,127	–
Supplies	20	–
<b>Inventories, gross amount</b>	<b>1,492</b>	<b>–</b>
Provisions for obsolescence	–27	–
<b>Inventories net after provision for obsolescence</b>	<b>1,465</b>	<b>–</b>

The Group's inventories are attributable to Operating Activities. Of total inventories SEK 309 m. (–) is valued at cost and SEK 1,156 m. (–) at net realizable value.

## Note 18 Prepaid expenses and accrued income

	12/31 2010	12/31 2009
<i>Group</i>		
<i>Investing activities</i>		
Interest	567	859
Other financial receivables	14	5
Other	16	14
	<b>597</b>	<b>878</b>
<i>Operating activities</i>		
Interest	8	–
Other	157	5
	<b>165</b>	<b>5</b>
<b>Total</b>	<b>762</b>	<b>883</b>

	12/31 2010	12/31 2009
<i>Parent Company</i>		
Other	12	15
<b>Total</b>	<b>12</b>	<b>15</b>

## Note 19 Shares and participations in Active Portfolio Management

	12/31 2010	12/31 2009
<i>Group</i>		
Shares	3,866	3,879
Options	26	10
Forward contracts	134	47
<b>Total</b>	<b>4,026</b>	<b>3,936</b>

The Group's shares and participations in Active Portfolio Management are attributable to Investing Activities.

## Note 20 Short-term investments and other financial investments

Excess liquidity is to be invested for maximum return within the framework of given limits for foreign exchange, interest rate, credit and liquidity risks see Note 30 Risk exposure and risk management.

<i>Group</i>	12/31 2010	Total		
		3–6 months	7–12 months	13–24 months
<i>Investing activities</i>				
Short-term investments	8,996	299		9,295
Other financial investments			665	665
<b>Total</b>	<b>8,996</b>	<b>299</b>	<b>665</b>	<b>9,960</b>
<i>Group</i>	12/31 2009	Total		
		3–6 months	7–12 months	13–24 months
<i>Investing activities</i>				
Short-term investments	3,642	2,488		6,130
Other financial investments			9,062	9,062
<b>Total</b>	<b>3,642</b>	<b>2,488</b>	<b>9,062</b>	<b>15,192</b>

Short-term investments and other financial investments consist of interest-bearing securities and are attributable to Investing Activities.

Total funds available for investments amounted to SEK 12,123<sup>1)</sup> m. and include cash and cash equivalents, as specified in Note 21.

1) Cash and cash equivalents attributed to Operating Investments have been excluded.

## Note 21 Statement of cash flows

	12/31 2010	12/31 2009
<i>Group</i>		
<i>Investing activities</i>		
Cash and cash equivalents include:		
Short-term investments equivalent to cash	2,018	5,601
Cash in hand and balances with banks	146	145
	<b>2,164</b>	<b>5,746</b>
<i>Operating activities</i>		
Cash and cash equivalents include:		
Cash in hand and balances with banks	520	58
	<b>520</b>	<b>58</b>
<b>Total</b>	<b>2,684</b>	<b>5,804</b>

Short-term investments with a maturity of three months or less from the date of acquisition have been classified as cash and cash equivalents on the basis that:

– there is an insignificant risk of changes in value

– they are readily convertible to cash

The Parent Company does not report cash and cash equivalents since liquidity needs are covered by funds in the joint bank account for the Group. These funds are reported as balances with the Group's internal bank, AB Investor Group Finance.

Acquisitions of subsidiaries have been affected by the following amounts: Mölnlycke Health Care SEK –3,905 m., Aleris SEK –2,794 m. and Other SEK –33 m.

## Note 22 Equity

### Specification of reserves in equity

	12/31 2010	12/31 2009
<b>Group</b>		
<i>Translation reserve</i>		
Opening balance	403	314
Translation differences for the year, subsidiaries	-951	-184
Less: hedging of exchange risk in foreign operations	458	222
Less: translation differences attributed to divested operations		3
Change for the year, associates	-78	48
	<b>-168</b>	<b>403</b>
<i>Revaluation reserve</i>		
Opening balance	385	550
Revaluation of non-current assets for the year	-	-212
Tax relating to revaluations for the year	-	56
Release of revaluation reserve due to depreciation of revalued amount	-8	-9
	<b>377</b>	<b>385</b>
<i>Hedging reserve</i>		
Opening balance	-747	-299
Cash flow hedges:		
Change in fair value of cash flow hedges for the year	181	-357
Tax relating to changes in fair value or cash flow hedges for the year	-21	-
Change for the year, associates	314	-91
	<b>-273</b>	<b>-747</b>
<i>Total reserves</i>		
Opening balance	41	565
Change in reserves for the year:		
Translation reserve	-571	89
Revaluation reserve	-8	-165
Hedging reserve	474	-448
Carrying amount at year-end	<b>-64</b>	<b>41</b>

### Share capital

Share capital in the Parent Company.

### Other contributed equity

Refers to equity contributed by shareholders. It also includes premiums paid in connection with new stock issues.

### Translation reserve

The translation reserve includes all foreign exchange differences arising on the translation of financial statements from foreign operations reported in a currency different from the reporting currency of the Group. The translation reserve also comprises exchange rate differences arising in conjunction with the translation of swap contracts reported as hedging instruments of a net investment in a foreign operation. Changes in translation reserve had no impact on reported tax, see Note 1 Accounting policies, under the heading Accounting policies of the Parent company.

### Revaluation reserve

The revaluation reserve includes changes in value relating to owner-occupied property.

### Hedging reserve

The hedging reserve includes the effective component of the accumulated net change of fair value of an instrument used for a cash flow hedge, relating to hedging transactions not yet accounted for in the Profit and loss. Changes in the hedging reserve attributable to the Parent Company had no impact on reported tax, see Note 1 Accounting policies, under the heading Accounting policies of the Parent Company.

### Retained earnings, including profit/loss for the year

Retained earnings, including profit/loss for the year, consist of accumulated profits in the Parent Company and its subsidiaries and associates. Previous provisions to the statutory reserve, less transferred share premium reserves, are included in this item under equity.

### Non-controlling interest

Non-controlling interest includes the portion of equity not owned by the Parent Company.

### Repurchased shares

Repurchased shares include the cost of acquiring own shares held by the Parent Company. On December 31, 2010, the Group held 6,683,800 of its own shares (4,683,800).

Repurchased shares included in retained earnings under equity, including profit/loss for the year:

	Number of shares		Amounts affecting equity, SEK m.	
	2010	2009	2010	2009
Opening balance, repurchased own shares	4,683,800	2,483,800	-628	-366
Repurchases for the year	2,000,000	2,200,000	-263	-262
<b>Balance at year-end, repurchased own shares</b>	<b>6,683,800</b>	<b>4,683,800</b>	<b>-891</b>	<b>-628</b>

### Dividend

Investor's distribution policy is to declare dividends attributable to a high percentage of dividends received from Core Investments, as well as to make a distribution from other net assets corresponding to a yield in line with the equity market. Investor's goal is also to generate a steadily rising annual dividend.

After the Balance sheet date, the Board of Directors proposed a dividend for 2010 amounting to SEK 3,836 m. (SEK 5.00 per share). The dividend is subject to the approval of the Annual General Meeting on April 12, 2011. The dividend for 2009 amounted to SEK 3,050 m. (SEK 4.00 per share) and the dividend for 2008 amounted to 3,059 m. (SEK 4.00 per share). Dividends paid out per share for 2009 and 2008 corresponds to proposed dividend per share.

### Capital management

In order to be able to act upon business opportunities at any point in time, it is vital for Investor to maintain financial flexibility. The Group's goal is to have a leverage (net debt as a percentage of total assets) of 5-10 percent over an economic cycle. The ceiling for Investor's leverage has been set at a maximum of 25 percent, which may only be exceeded on a short-term basis. Leverage at the opening balance was 0.4 percent and at year-end 6.3 percent. The change is mainly due to cash flows relating to the acquisitions of Mölnlycke Health Care and Aleris, additional investments in SAAB and Atlas Copco as well as dividends paid to shareholders.

The Group's total shareholder return objective (sum of the share price change and dividend) is to exceed the risk-free interest rate plus a risk premium. The return objective for the Core Investments business area is currently 8-9 percent and for the Operating Investments business area in excess of 15 percent. The return objective for Private Equity investments is an average annualized return (IRR) of 20 percent or more on realized investments, before administrative expenses, over the course of a business cycle. Capital is defined as total recognized equity.

The subsidiaries within business area Operating Investments have their financing from external banks that are linked to certain credit conditions, the conditions have been met during the year. Neither the Parent Company nor any of the subsidiaries within Investing Activities are subject to external capital demands.

Capital	12/31 2010	12/31 2009
Equity attributable to shareholders		
of the Parent Company	169,947	142,669
Attributable to non-controlling interest	665	4
<b>Total</b>	<b>170,612</b>	<b>142,673</b>

## Note 22 cont'd Equity

### Parent Company

#### Restricted equity

Restricted equity may not be reduced through profit distribution.

#### Statutory reserve

The purpose of the statutory reserve has been to save part of net profits that are not utilized to cover losses brought forward.

#### Unrestricted equity

##### Hedging reserve

Investor applies the regulations of the Swedish Annual Accounts Act concerning the valuation of financial instruments at fair value in accordance with chapter 4, Paragraph 14a-e. The hedging reserve includes the effective component of the accumulated net change of fair value of an instrument used for a cash flow hedge, relating to hedging transactions not yet accounted for in the Profit and loss. The change in value is recognized in other Comprehensive income. Changes in the hedging reserve have no effect on the reported tax expense since the Parent Company is taxed in accordance with the regulations for investment companies in Sweden.

#### Retained earnings

Retained earnings consist of the preceding year's unrestricted equity after any dividend payment. Retained earnings, together with net income for the year, comprise the total unrestricted equity in the company – the funds available for the dividend to shareholders.

#### Distribution of share capital

The Parent Company's share capital on December 31, 2010, as well as on December 31, 2009 consists of the following numbers of shares with a quota of SEK 6.25 per share:

Share class	Number of shares	Number of votes	Proportion, % of:	
			Capital	Votes
A 1 vote	311,690,844	311,690,844	40.6	87.2
B 1/10 vote	455,484,186	45,548,418	59.4	12.8
<b>Total</b>	<b>767,175,030</b>	<b>357,239,262</b>	<b>100.0</b>	<b>100.0</b>

## Note 23 Interest-bearing liabilities

Investor's financing is primarily done through short-term and long-term loan programs in the Swedish and European capital markets. Investor has a European Medium Term Note Program (EMTN), which is a loan program intended for long-term financing. The program is for EUR 5 bn, of which EUR 2.2 bn. has been utilized. For short-term financing Investor has an uncommitted Swedish and a European Commercial Paper program (CP/ECP) for SEK 10 bn. and USD 1.5 bn., respectively. None of the Commercial Paper programs have been utilized during 2010. Investor also has a committed syndicated bank loan facility of SEK 10 bn. until October 2012, which can be used for financing and as a liquidity reserve. This facility was unutilized at year-end. In contrast to an uncommitted credit facility, a committed loan program is a formalized commitment from the credit grantor. There are no financial covenants in any of Investor AB's loan contracts, meaning that Investor does not have to meet special requirements with regard to key financial ratios for the loans it has obtained. Regarding Operating Investments see Note 29 Pledged assets and contingent liabilities.

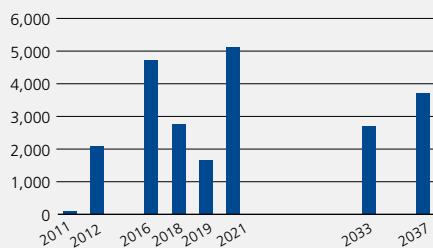
Derivative instruments (currency/interest swap contracts) are used to manage exposure against fluctuating exchange rates and interest rates.

See Note 30 Risk exposure and risk management for more information about currency and interest rate risk management in the debt portfolio.

At year-end, the average maturity of the debt portfolio was 12.1<sup>1)</sup> years (13.5). The following chart shows the maturity profile of the loans (nominal value).

#### Maturity profile

SEK m.



1) The average maturity calculated excluding debt attributed to majority owned Operating Investments.

	12/31 2010	12/31 2009
<i>Group</i>		
<i>Investing activities</i>		
Long-term interest-bearing liabilities		
Bond loans with hedged portion valued at fair value	18,402	19,761
Related interest rate derivatives with negative value	1,731	2,429
Bond loans valued at amortized cost	3,370	810
	<b>23,503</b>	<b>23,000</b>
Short-term interest-bearing liabilities		
Bond loans with hedged portion valued at fair value	–	100
Bond loans valued at amortized cost	90	199
	<b>90</b>	<b>299</b>
<b>Total</b>	<b>23,593</b>	<b>23,299</b>
<i>Operating activities</i>		
Long-term interest-bearing liabilities		
Bank loans valued at amortized cost	17,009	550
Finance lease liabilities	19	–
Other long-term interest-bearing liabilities	5	–
	<b>17,033</b>	<b>550</b>
Short-term interest-bearing liabilities		
Related interest rate derivatives with negative value	756	–
Bank loans valued at amortized cost	75	–
Finance lease liabilities	7	–
Other short-term interest bearing liabilities	20	–
	<b>858</b>	<b>–</b>
<b>Total</b>	<b>17,891</b>	<b>550</b>
<i>Group</i>		
Long-term interest-bearing liabilities	40,536	23,550
Short-term interest-bearing liabilities	948	299
<b>Total</b>	<b>41,484</b>	<b>23,849</b>

## Note 23 cont'd Interest-bearing liabilities

	12/31 2010	12/31 2009
<i>Parent Company</i>		
<i>Long-term interest-bearing liabilities</i>		
Bond loans with hedged portion valued at fair value	2,182	1,959
Bond loans valued at amortized cost	18,742	18,112
	<b>20,924</b>	<b>20,071</b>
<i>Short-term interest-bearing liabilities</i>		
Bond loans valued at amortized cost	90	298
	<b>90</b>	<b>298</b>
<b>Total</b>	<b>21,014</b>	<b>20,369</b>

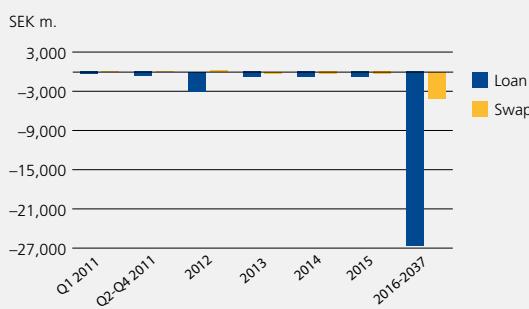
	12/31 2010	12/31 2009
<i>Group, carrying amounts</i>		
<i>Investing activities</i>		
Maturity, less than 1 year from Balance Sheet date	90	299
Maturity, 1-5 years from Balance Sheet date	2,149	2,627
Maturity, more than 5 years from Balance Sheet date	19,623	17,944
	<b>21,862</b>	<b>20,870</b>
<i>Operating activities</i>		
Maturity, less than 1 year from Balance Sheet date	112	–
Maturity, 1-5 years from Balance Sheet date	8,755	550
Maturity, more than 5 years from Balance Sheet date	8,268	–
	<b>17,135</b>	<b>550</b>
<b>Total</b>	<b>38,997</b>	<b>21,420</b>

	12/31 2010	12/31 2009
<i>Parent Company, carrying amounts</i>		
<i>Maturity, less than 1 year from Balance Sheet date</i>		
Maturity, less than 1 year from Balance Sheet date	90	298
Maturity, 1-5 years from Balance Sheet date	2,067	7,604
Maturity, more than 5 years from Balance Sheet date	18,857	12,467
<b>Total</b>	<b>21,014</b>	<b>20,369</b>

### Operating activities, Finance lease liabilities

	12/31 2010			12/31 2009		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Maturity, less than 1 year from Balance Sheet date	8	0	8	–	–	–
Maturity, 1-5 years from Balance Sheet date	19	-1	18	–	–	–
Maturity, more than 5 years from Balance Sheet date	–	–	–	–	–	–
<b>Total</b>	<b>27</b>	<b>-1</b>	<b>26</b>	<b>–</b>	<b>–</b>	<b>–</b>

### Cash flow of financial liabilities and derivatives<sup>1) 2)</sup>



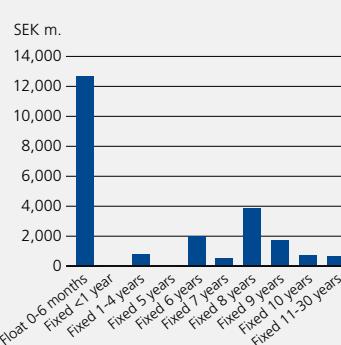
1) Excluding cash flow of financial liabilities and derivatives attributed to majority owned Operating Investments.

2) Interest payments included.

Taking into account existing interest swaps, the average effective interest rate on loans was 3.69 percent (3.35).

The average interest rate fixing tenor was 3.7 years at year-end (3.0).

### Interest rate tenor<sup>1)</sup>



1) Excluding interest rate tenor attributed to majority owned Operating Investments.

## Note 24 Provisions for pensions and similar obligations

### Provisions for defined benefit plans

Employees are offered pension benefits under various plans. Pension benefits is in the form of defined benefit plans or defined contribution plans, in which the company makes either cash payments to retirement benefit plans or obtains pension insurance policies.

Provisions for pensions and similar obligations		12/31 2010	12/31 2009
<i>Group</i>			
Present value of funded or partly funded obligations	459	222	
Present value of unfunded obligations	420	182	
<b>Total present value of defined benefit plans</b>	<b>879</b>	<b>404</b>	
Fair value plan assets	-338	-170	
Restriction in accounting of surplus in the benefit plan regarding asset selling	3	2	
<b>Net of present value of obligation and fair value of plan assets</b>	<b>544</b>	<b>236</b>	
Provision for payroll tax on pension obligation	58	61	
<i>Net obligations for defined benefit plans recognized in the balance sheet.</i>			
Pensions and similar obligations	602	297	
<b>Net amount in the balance sheet</b>	<b>602</b>	<b>297</b>	
Net amount in the balance sheet attributable to Operating Activities	357	33	
<i>Changes in the obligations for defined benefit plans recognized in the Balance Sheet</i>			
12/31 2010		12/31 2009	
<i>Group</i>			
Defined benefit plan obligations per January 1	404	423	
Acquired obligations, this year	441	-	
Benefits paid	-28	-26	
Expense for service within current period	7	9	
Interest expense on obligations	20	14	
Adjustment amount	-11	2	
Additional pension obligations	7	0	
Actuarial gains and losses	40	-15	
Exchange rate differences	-1	-3	
<b>Obligations for defined benefit plans per December 31</b>	<b>879</b>	<b>404</b>	
<i>Changes in fair value of plan assets</i>			
12/31 2010		12/31 2009	
<i>Group</i>			
Fair value of plan assets per January 1	170	162	
Acquired plan assets, this year	139	-	
Fees from employer	17	7	
Paid compensations	-7	-7	
Expected returns on plan assets <sup>1)</sup>	10	6	
Additional pension obligations	3	0	
Difference in expected and real return (actuarial gain or loss)	6	2	
<b>Fair value of plan assets per December 31<sup>2)</sup></b>	<b>338</b>	<b>170</b>	

1) The overall expected long-term rate of return on assets is 5.75 percent. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

2) Plan assets comprise 50 percent government bonds and 50 percent equity securities.

	Expense recognized in the income statement	2010	2009		
<i>Group</i>					
Expense for service within current period	7	9			
Expense for service within previous periods	-11	2			
Interest expense on obligations	20	14			
Expected returns on plan assets	-10	-6			
Additional pension obligations	4	0			
Restriction in accounting of surplus in the benefit plan regarding asset selling	1	2			
Exchange rate differences	1	-3			
Change of provision payroll tax	4	4			
<b>Total net expense in the income statement</b>	<b>16</b>	<b>22</b>			
Total net expense in the income statement attributable to Operating Activities	-3	1			
<i>The expense is recognized in the following lines in the income statement</i>					
	2010	2009			
<i>Group</i>					
Operating costs	6	17			
Financial income	-10	-6			
Financial expenses	20	11			
<b>Obligations for employee benefits</b>	<b>16</b>	<b>22</b>			
<i>Actuarial gains and losses recognized in other comprehensive income statement<sup>1)</sup></i>					
<i>Group</i>					
Accumulated per January 1	106	128			
Recognized during the period	33	-22			
<b>Accumulated per December 31</b>	<b>139</b>	<b>106</b>			
1) The amount includes payroll tax.					
<i>Historical information<sup>1)</sup></i>					
	2010	2009	2008	2007	2006
Present value of defined benefit plans	879	404	423	192	199
Fair value of plan assets	-335	-168	-162	-	-
<b>Deficit/surplus (+/-) in plan</b>	<b>544</b>	<b>236</b>	<b>261</b>	<b>192</b>	<b>199</b>
Experience adjustments arising on plan liabilities	29	10	15	-	-
Experience adjustments arising on plan assets	-6	-2	-2	-	-
1) Information for valuation of defined benefit plans regarding BTP as well as information regarding experience adjustments available as of 2008.					
The group estimates that SEK 12 m. will be paid to defined benefit plans during 2011.					
<i>Provisions for pensions and similar obligations</i>				12/31 2010	12/31 2009
<i>Parent Company</i>					
Present value of funded or partly funded obligations				184	184
Present value of unfunded obligations				141	149
<b>Total present value of defined benefit plans</b>	<b>325</b>	<b>333</b>			
Fair value plan assets				-167	-146
Restriction in accounting of surplus in the benefit plan regarding asset selling				3	2
<b>Net of present value of obligation and fair value of plan assets</b>	<b>161</b>	<b>189</b>			
Provision for payroll tax on pension obligation				51	57
<i>Net obligations for defined benefit plans recognized in the balance sheet</i>					
Provisions for pensions and similar obligations				212	246
<b>Net amount in the balance sheet</b>	<b>212</b>	<b>246</b>			

## Note 24 cont'd Provisions for pensions and similar obligations

Changes in the obligations for defined benefit plans recognized in the Balance Sheet			12/31 2010	12/31 2009
<i>Parent Company</i>				
Defined benefit plan obligations per January 1	333	352		
Benefits paid	-24	-26		
Expense for service within current period	7	7		
Interest expense on obligations	12	13		
Adjustment amount	2	2		
Additional pension obligations	2	0		
Actuarial gains and losses	-5	-11		
Exchange rate differences	-2	-4		
<b>Obligations for defined benefit plans per December 31</b>	<b>325</b>	<b>333</b>		
Changes in fair value of plan assets			12/31 2010	12/31 2009
<i>Parent Company</i>				
Fair value of plan assets per January 1	146	139		
Fees from employer	10	6		
Paid compensations	-6	-6		
Future returns on plan assets	7	5		
Additional pension obligations	3	0		
Difference in expected and real return (actuarial gain or loss)	7	2		
<b>Fair value of plan assets per December 31<sup>1)</sup></b>	<b>167</b>	<b>146</b>		
1) Plan assets comprise 50 percent government bonds and 50 percent equity securities.				
Expense recognized in the income statement			2010	2009
<i>Parent Company</i>				
Expense for service within current period	7	7		
Expense for service within previous periods	1	2		
Interest expense on obligations	12	13		
Future returns on plan assets	-7	-5		
Additional pension obligations	0	0		
Recognized actuarial gains (-) and losses (+)	-12	-13		
Restriction in accounting of surplus in the benefit plan regarding asset selling	1	2		
Exchange rate differences	-2	-4		
Change of provision, payroll tax	1	1		
<b>Total net expense in the income statement</b>	<b>1</b>	<b>3</b>		
The expense is recognized in the following lines in the income statement			2010	2009
<i>Parent Company</i>				
Operating costs	-2	-1		
Interest income and similar items	-7	-5		
Interest expenses and similar items	10	9		
	<b>1</b>	<b>3</b>		
Assumptions for defined benefit obligations				
The most significant actuarial assumptions on the balance sheet date (expressed as weighted averages):				
			12/31 2010	12/31 2009
<i>Group and Parent Company</i>				
Discount rate on December 31	3.75%	3.75%		
Future increase on plan assets per December 31	3.50%	3.50%		
Future salary increase	3.00%	3.00%		
Future increase in pensions	2.40%	2.40%		
Defined contribution plans			Group	Parent Company
			2010	2009
Expenses for defined contribution plans			22	20
			14	12

## Note 25 Other provisions

	12/31 2010	12/31 2009
<i>Group</i>		
<i>Investing activities</i>		
Provisions expected to be paid within 12 months		
Other	12	5
	12	5
<i>Operating activities</i>		
Provisions expected to be paid within 12 months		
Other	2	-
	2	-
<b>Total</b>	<b>14</b>	<b>5</b>
	12/31 2010	12/31 2009
<i>Group</i>		
<i>Investing activities</i>		
Provisions expected to be paid after more than 12 months		
Provision for social security contributions for long-term share-based remuneration	29	28
Other	12	28
	41	56
<i>Operating activities</i>		
Provisions expected to be paid after more than 12 months		
Other	37	-
	37	-
<b>Total</b>	<b>78</b>	<b>56</b>
	12/31 2010	12/31 2009
<i>Group</i>		
<i>Investing activities</i>		
Provision for social security contributions for long-term share-based remuneration		
Opening balance	28	28
Provisions for the year	4	7
Reversals for the year	-3	-7
<b>Carrying amount at year-end</b>	<b>29</b>	<b>28</b>
	12/31 2010	12/31 2009
<i>Group</i>		
<i>Investing activities</i>		
Other		
Opening balance	33	42
Provisions for the year	10	1
Reversals for the year	-19	-10
	24	33
<i>Operating activities</i>		
Other		
Opening balance	-	-
Provisions for the year	39	-
	39	-
<b>Carrying amount at year-end</b>	<b>63</b>	<b>33</b>

## Note 25 cont'd Other provisions

	12/31 2010	12/31 2009
<i>Parent Company</i>		
<i>Provisions expected to be paid within 12 months</i>		
Other	12	5
<b>Total</b>	<b>12</b>	<b>5</b>
<i>Provisions expected to be paid after more than 12 months</i>		
Provision for social security contributions for long-term share-based remuneration	26	26
Other	12	28
	<b>38</b>	<b>54</b>
<b>Total</b>	<b>50</b>	<b>59</b>
<i>Provision for social security contributions for long-term share-based remuneration</i>		
Opening balance	26	28
Provisions for the year	3	4
Reversals for the year	-3	-6
<b>Carrying amount at year-end</b>	<b>26</b>	<b>26</b>
<i>Other</i>		
Opening balance	33	41
Provisions for the year	10	1
Reversals for the year	-19	-9
<b>Carrying amount at year-end</b>	<b>24</b>	<b>33</b>

### Provision for social security contributions for long-term share-based remuneration

The provision is reported in accordance with UFR 7, see Note 1 Accounting policies.

## Note 26 Other liabilities

	12/31 2010	12/31 2009
<i>Group</i>		
<i>Investing activities</i>		
Shares on loan	859	1,167
Forward contracts	19	44
Incoming payments	97	114
Other	126	33
	<b>1,101</b>	<b>1,358</b>
<i>Operating activities</i>		
Derivatives	78	-
Other	291	21
	<b>369</b>	<b>21</b>
<b>Total</b>	<b>1,470</b>	<b>1,379</b>

## Note 27 Accrued expenses and deferred income

	12/31 2010	12/31 2009
<i>Group</i>		
<i>Investing activities</i>		
Interest	787	786
Personnel-related expenses	78	73
Other	194	220
	<b>1,059</b>	<b>1,079</b>
<i>Operating activities</i>		
Interest	82	2
Personnel-related expenses	591	27
Other	291	14
	<b>964</b>	<b>43</b>
<b>Total</b>	<b>2,023</b>	<b>1,122</b>

	12/31 2010	12/31 2009
<i>Parent Company</i>		
Interest	482	516
Personnel-related expenses	37	32
Other	44	69
<b>Total</b>	<b>563</b>	<b>617</b>

## Note 28 Financial assets and other liabilities

The following is a description of the methods and assumptions used to determine the fair value of financial assets and liabilities shown in this Annual Report.

### SHARES AND PARTICIPATIONS RECOGNIZED AT FAIR VALUE

#### Listed holdings

Listed holdings are valued on the basis of their share price (bid price, if there is one quoted) on the Balance Sheet date.

#### Unlisted holdings and fund holdings

Unlisted holdings are measured on the basis of the "International Private Equity and Venture Capital Valuation Guidelines" prepared and published jointly by the venture capital organizations EVCA, BVCA and AFIC.

For directly owned holdings (i.e. those owned directly by a company in the Investor Group), an overall evaluation is made to determine the measurement method that is appropriate for each specific holding. It is first taken into account whether a recent financing round or "arms length transaction" has been made, after which a valuation is made by applying relevant multiples to the holding's key ratios (for example, EBITDA), derived from a relevant sample of comparable companies, with deduction for individually determined adjustments as a consequence of, for example, the size difference between the company being valued and the sample of comparable companies. In those cases when other measurement methods better reflect the fair value of a holding, this value is used, which means that certain holdings are measured with methods other than the ones described above. Method of how the credit risk is calculated is presented in Note 30 Risk exposure and risk management.

Unlisted holdings in funds are measured at Investor's share of the value that the fund manager reports for all unlisted holdings in the fund and is normally updated when a new valuation is received. If Investor's assessment is that the fund manager's valuation does not sufficiently take into account factors that affect the value of the underlying holdings, or if the valuation is considered to deviate considerably from IFRS principles, the value is adjusted. Listed holdings in funds are measured in the same way as listed holdings, as described above.

### SHARES AND PARTICIPATIONS IN ACTIVE PORTFOLIO MANAGEMENT

All holdings are listed and are valued on the basis of their share price (bid price, if there is one quoted) on the Balance Sheet date.

## Note 28 cont'd Financial assets and other liabilities

### Short-term investments

The fair value of short-term investments is determined on the basis of their quoted bid price on the Balance Sheet date. The fair value of other short-term investments is determined by discounting the estimated future cash flows in accordance with the terms and expiration of the contract, based on the market interest rates for the similar instruments on the balance sheet date.

### Derivative instruments

The fair value of foreign exchange contracts is determined on the basis of quoted rates, if such rates are available. If the rates are not available, the fair value is determined by discounting the difference between the contracted forward rate and the forward rate that can be contracted on the Balance Sheet date for the remaining contract period. The discount is made at a risk-free interest rate based on the rate for government bonds.

The fair value of interest rate swaps is based on a discount of the estimated future cash flows in accordance with the terms and expiration date of the contract, based on the market interest rates for similar instruments on the Balance Sheet date.

### Options

The fair value of options is determined on the basis of quoted rates, if such rates are available. The value of unlisted options is estimated as a difference between the established market value of the underlying instrument and the strike price of the option.

### Loans

The fair value is based on market prices and generally accepted methods, in which future cash flows have been discounted at the current interest rate.

### Interest-bearing liabilities

The fair value is based on market prices and generally accepted methods, in which future cash flows have been discounted at the current interest rate, including Investor's current credit rating, for the remaining life.

### Trade receivables and trade payables

The carrying amounts of trade receivables and trade payables are considered to reflect their fair value.

### Interest rates used to determine fair value

When discounting financial instruments on December 31, 2010, Investor used the market rate and relevant interest spread for each instrument.

#### Financial assets and liabilities by valuation category

Group 12/31 2010	Financial assets valued at fair value through profit or loss			Financial liabilities valued at fair value through profit or loss				Total carrying amount	Fair value
	Fair value option	Held for trading	Derivatives used in hedge accounting	Loans and receivables	Available-for-sale financial assets	Held for trading	Other liabilities		
<i>Financial assets</i>									
Shares and participations recognized at fair value	154,164				5			154,169	154,169
Other financial investments	665							665	665
Long-term receivables	241	179	305	4,806				5,531	5,531
Accrued interest income				575				575	575
Other receivables		68	82	1,932				2,082	2,082
Shares and participations in active portfolio management		4,026						4,026	4,026
Short-term investments	9,295							9,295	9,295
Cash and cash equivalents	2,684							2,684	2,684
<b>Total</b>	<b>167,049</b>	<b>4,273</b>	<b>387</b>	<b>7,313</b>	<b>5</b>			<b>179,027</b>	<b>179,027</b>
<i>Financial liabilities</i>									
Long-term interest-bearing liabilities			1,587		144	38,805	40,536	39,305	
Current interest-bearing liabilities			756			192	948	948	
Trade payables						907	907	907	
Accrued interest expenses						869	869	869	
Other liabilities	52	26			975	417	1,470	1,470	
<b>Total</b>	<b>52</b>	<b>2,369</b>			<b>1,119</b>	<b>41,190</b>	<b>44,730</b>	<b>43,499</b>	

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## Note 28 cont'd Financial assets and other liabilities

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### Financial assets and liabilities by valuation category

Group 12/31 2009	Financial assets valued at fair value through profit or loss				Financial liabilities valued at fair value through profit or loss			Total carrying amount	Fair value
	Fair value option	Held for trading	Derivatives used in hedge accounting	Loans and receivables	Available-for-sale financial assets	Held for trading	Other liabilities		
<i>Financial assets</i>									
Shares and participations recognized at fair value	126,069				5			126,074	126,074
Other financial investments	9,062							9,062	9,062
Long-term receivables		56	1,092	9,698				10,846	10,846
Accrued interest income				859				859	859
Other receivables		22		452				474	474
Shares and participations in active portfolio management			3,936					3,936	3,936
Short-term investments	6,130							6,130	6,130
Cash and cash equivalents	5,804							5,804	5,804
<b>Total</b>	<b>147,065</b>	<b>4,014</b>	<b>1,092</b>	<b>11,009</b>	<b>5</b>			<b>163,185</b>	<b>163,185</b>
<i>Financial liabilities</i>									
Long-term interest-bearing liabilities			1,172			1,257	21,121	23,550	23,193
Current interest-bearing liabilities							299	299	301
Trade payables						46	46	46	46
Accrued interest expenses						788	788	788	788
Other liabilities						1,325	54	1,379	1,379
<b>Total</b>			<b>1,172</b>			<b>2,582</b>	<b>22,308</b>	<b>26,062</b>	<b>25,707</b>

### Financial assets and liabilities by valuation category

Parent Company 12/31 2010	Financial assets valued at fair value through profit or loss				Other liabilities	Total carrying amount	Fair value
	Fair value option		Derivatives used in hedge accounting	Loans and receivables			
<i>Financial assets</i>							
Other long-term holdings of securities		41,038				41,038	41,038
Participations in associates		93,276				93,276	93,276
Receivables from Group companies (non-current)			-831	26,024		25,193	25,193
Trade receivables				2		2	2
Receivables from Group companies (current)				1,185		1,185	1,185
Receivables from associates				0		0	0
Other receivables				1		1	1
<b>Total</b>	<b>134,314</b>		<b>-831</b>	<b>27,212</b>		<b>160,695</b>	<b>160,695</b>
<i>Financial liabilities</i>							
Loans (non-current)					20,924	20,924	21,832
Liabilities to Group companies (non-current)			98		4,501	4,599	4,599
Loans (current)					90	90	91
Trade payables					11	11	11
Liabilities to Group companies (current)					7,838	7,838	7,838
Accrued interest expenses					482	482	482
<b>Total</b>			<b>98</b>		<b>33,846</b>	<b>33,944</b>	<b>34,853</b>

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**Note 28 cont'd Financial assets and other liabilities**


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Parent Company 12/31 2009	Financial assets valued at fair value through profit or loss		Derivatives used in hedge accounting	Loans and receivables	Other liabilities	Total carrying amount	Fair value
	Fair value option						
<i>Financial assets</i>							
Other long-term holdings of securities	40,197					40,197	40,197
Participations in associates <sup>1)</sup>	67,006					67,006	67,006
Receivables from Group companies (non-current)		-622		27,801		27,179	27,179
Trade receivables			3			3	3
Receivables from Group companies (current)				1,340		1,340	1,340
Receivables from associates				1		1	1
Other receivables				0		0	0
<b>Total</b>	<b>107,203</b>	<b>-622</b>		<b>29,145</b>		<b>135,726</b>	<b>135,726</b>
<i>Financial liabilities</i>							
Loans (non-current)					20,071	20,071	20,201
Liabilities to Group companies (non-current)		325		10,188	10,513	10,513	10,513
Loans (current)				298	298	301	301
Trade payables				17	17	17	17
Liabilities to Group companies (current)					1,734	1,734	1,734
Accrued interest expenses					516	516	516
<b>Total</b>		<b>325</b>		<b>32,824</b>		<b>33,149</b>	<b>33,282</b>

1) As of January 1, 2010, associates are reported in accordance with the Group's policies and comparative figures have been restated accordingly. See Note 1 Accounting policies for further information.

*Result from financial assets and liabilities by valuation category*

Group 2010	Financial assets valued at fair value through profit or loss		Derivatives used in hedge accounting	Loans and receivables	Other liabilities	Total
	Fair value option	Held for trading				
<i>Operating profit/loss</i>						
Dividends	3,561	61				3,622
Other operating income	994					994
Changes in value, including currency net gains/net losses	27,476	1,016				28,492
<i>Net financial items</i>						
Interest income/expenses	117	-217	433		-1 108	-775
Changes in value net gains/losses	13	88	410		-415	96
Exchange rate changes net gains/losses	-1	609	-1 797	-1,150	1 847	-492
<b>Total</b>	<b>32,160</b>	<b>1,557</b>	<b>-954</b>	<b>-1,150</b>	<b>324</b>	<b>31,937</b>

## Note 28 cont'd Financial assets and other liabilities

Group 2009	Financial assets and liabilities valued at fair value through profit or loss			Loans and receivables	Other liabilities	Total
	Fair value option	Held for trading	Derivatives used in hedge accounting			
<i>Operating profit/loss</i>						
Dividends	2,845	55				2,900
Other operating income	1,113					1,113
Changes in value, including currency net gains/net losses	30,256	1,037				31,293
<i>Net financial items</i>						
Interest income/expenses	297	-203	487		-987	-406
Changes in value net gains/losses	-60	294	-914		660	-20
Exchange rate changes net gains/losses	0	294	-709	-491	743	-163
<b>Total</b>	<b>34,451</b>	<b>1,477</b>	<b>-1,136</b>	<b>-491</b>	<b>416</b>	<b>34,717</b>

### Result from financial assets and liabilities by valuation category

Parent Company 2010	Financial assets valued at fair value through profit or loss			Loans and receivables	Other liabilities	Total
	Fair value option	Derivatives used in hedge accounting	Loans and receivables			
<i>Operating profit/loss</i>						
Dividends	3,203					3,203
Changes in value, including currency net gains/losses	23,970					23,970
<i>Net financial items</i>						
Interest income/expenses		-38	1,802		-1,526	238
Changes in value net gains/losses		13	55		-108	-40
Exchange rate changes net gains/losses		0	-2,894		3,216	322
<b>Total</b>	<b>27,173</b>	<b>-25</b>	<b>-1,037</b>	<b>1,582</b>	<b>27,693</b>	

Parent Company 2009	Financial assets valued at fair value through profit or loss			Loans and receivables	Other liabilities	Total
	Fair value option <sup>1)</sup>	Derivatives used in hedge accounting	Loans and receivables			
<i>Operating profit/loss</i>						
Dividends	2,358					2,358
Changes in value, including currency net gains/losses	29,593					29,593
<i>Net financial items</i>						
Interest income/expenses		-42	1,851		-1,121	688
Changes in value net gains/losses		111	-34		-76	1
Exchange rate changes net gains/losses		0	-1,157		1,341	184
<b>Total</b>	<b>31,951</b>	<b>69</b>	<b>660</b>	<b>144</b>	<b>32,824</b>	

1) As of January 1, 2010, associates are reported in accordance with the Group's policies and comparative figures have been restated accordingly. See Note 1 Accounting policies for further information.

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## Note 28 cont'd Financial assets and other liabilities

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### Assets and liabilities measured at fair value

The table below indicates how fair value is measured for the financial instruments valued at fair value in the balance sheet. The financial instruments are placed in categories on three levels, depending on how the fair value is measured:

Level 1: According to quoted prices (unadjusted) in active markets for identical instruments

Level 2: According to directly or indirectly observable inputs that are not included in Level 1

Level 3: According to inputs that are unobservable in the market

#### Financial assets and liabilities by level

Group 12/31 2010	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Shares and participations recognized at fair value	133,769	1,945	18,455	154,169
Other financial instruments	665			665
Long-term receivables	21	463		484
Other receivables		1		1
Shares and participations in active portfolio management	4,026			4,026
Short-term investments	8,367	928		9,295
Cash and cash equivalents	2,684			2,684
<b>Total</b>	<b>149,532</b>	<b>3,337</b>	<b>18,455</b>	<b>171,324</b>
<i>Financial liabilities</i>				
Long-term interest-bearing liabilities		1,180	551	1,731
Other liabilities	878			878
<b>Total</b>	<b>878</b>	<b>1,180</b>	<b>551</b>	<b>2,609</b>
Group 12/31 2009	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Shares and participations recognized at fair value	106,116	2,013	17,945	126,074
Other financial instruments	9,062			9,062
Long-term receivables	11	1,137		1,148
Other receivables		22		22
Shares and participations in active portfolio management	3,934	2		3,936
Short-term investments	2,714	3,416		6,130
Cash and cash equivalents	5,804			5,804
<b>Total</b>	<b>127,641</b>	<b>6,590</b>	<b>17,945</b>	<b>152,176</b>
<i>Financial liabilities</i>				
Long-term interest-bearing liabilities		1,733	696	2,429
Other liabilities	1,211			1,211
<b>Total</b>	<b>1,211</b>	<b>1,733</b>	<b>696</b>	<b>3,640</b>

## Note 28 cont'd Financial assets and other liabilities

The table below shows a reconciliation between opening and closing balance for the financial instruments valued at fair value in the balance sheet derived from a valuation technique of unobservable input (level 3).

### Change of financial assets and liabilities in level 3

Group 12/31 2010

Financial assets	Shares and participations recognized at fair value	Long-term receivables	Total
Opening balance	17,945		17,945
Total gains or losses			
in profit or loss	1,253		1,243
in other comprehensive income	-304		-304
Acquisitions	3,129		3,129
Divestments	-3,596		-3,596
Transfers to Level 1	-185		-185
Transfers to Level 3	213		213
<b>Carrying amount at year-end</b>	<b>18,455</b>		<b>18,455</b>

Total gains or losses for the period included in profit or loss for assets held at the end of the period

Changes in value	1,243	1,243
<b>Total</b>	<b>1,243</b>	<b>1,243</b>

Financial liabilities	Long-term interest-bearing liabilities	Total
Opening balance	696	696
Total gains or losses		
in profit or loss	4	4
in other comprehensive income	-149	-149
<b>Carrying amount at year-end</b>	<b>551</b>	<b>551</b>

Total gains or losses for the period included in profit or loss for assets held at the end of the period

Changes in value	145	145
<b>Total</b>	<b>145</b>	<b>145</b>

Group 12/31 2009

Financial assets	Shares and participations recognized at fair value	Long-term receivables	Total
Opening balance	15,646	222	15,868
Total gains or losses			
in profit or loss	765	-267	498
in other comprehensive income	-53	45	-8
Acquisitions	2,830		2,830
Divestments	-939		-939
Transfers to Level 1	-304		-304
<b>Carrying amount at year-end</b>	<b>17,945</b>	<b>-</b>	<b>17,945</b>

Total gains or losses for the period included in profit or loss for assets held at the end of the period

Changes in value	568	568
<b>Total</b>	<b>568</b>	<b>568</b>

Financial liabilities	Long-term interest-bearing liabilities	Total
Opening balance	44	44
Total gains or losses		
in profit or loss	529	529
in other comprehensive income	123	123
<b>Carrying amount at year-end</b>	<b>696</b>	<b>696</b>

Total gains or losses for the period included in profit or loss for assets held at the end of the period

Changes in value	652	652
<b>Total</b>	<b>652</b>	<b>652</b>

## Note 28 cont'd Financial assets and other liabilities

### Financial assets and liabilities by level

Parent Company 12/31 2010	Level 1	Level 2	Level 3	Total
<i>Financial liabilities</i>				
Other long-term holdings of securities	41,038	–	–	41,038

### Parent Company 12/31 2009

	Level 1	Level 2	Level 3	Total
<i>Financial liabilities</i>				
Other long-term holdings of securities	40,197	–	–	40,197

## Note 29 Pledged assets and contingent liabilities

### GROUP

#### Pledged assets

##### Investing Activities

At December 31, 2010 asset pledged as securities regarding bank deposits, bonds and other securities amounted to SEK 1,525 m. (1,615).

##### Operating Activities

At December 31, 2010 pledged securities for liabilities and provisions regarding real estate mortgages amounted to SEK 573 m. (550) and a mortgage relating to a third-party sale and lease-back agreement amounted to EUR 17 m.

In relation to Mölnlycke Group's syndicated credit facility of EUR 1,890 m. a floating charge has been granted and shares and assets in group companies have been pledged as security to lenders. The credit facility is subject to financial covenants.

Aleris Group has pledged shares in subsidiaries in relation to the Group's loan facility of SEK 2,600 m. The loan facility is subject to financial covenants.

There are also funds, pledged to banks, as collateral for factoring arrangements, and these amounted to EUR 4 m.

In case of negligence to honor the signed banking agreement the agent is entitled to extort the pledged assets in order to realize its attributable value. A situation of negligence occurs if the company cannot fulfill the agreed covenants, or violate restrictions regarding pledging or sale of assets. The same applies if collaterals are pledged to secure other financing or in case of acquisition of, or merger with, companies that deviates from the company's business focus.

#### Contingent liabilities

##### Investing Activities

At December 31, 2010 guarantees on behalf of the associate 3 Scandinavia amounted to SEK 4,236 m. (4,316).

##### Operating Activities

At December 31, 2010 contingent liabilities in the form of guarantee commitments to FPG/PRI and other pension plans amounted to SEK 1 m. (0). Other contingent liabilities amounted to SEK 156 m. (86).

	12/31 2010	12/31 2009
<i>Parent Company</i>		
Assets pledged as securities		
<i>In the form of pledged securities for the Parent Company's liabilities and provisions</i>		
Bonds and other securities	931	1,286
<b>Total</b>	<b>931</b>	<b>1,286</b>
Contingent liabilities		
Guarantees on behalf of subsidiaries	6,000	6,000
Guarantees on behalf of associates	4,236	4,316
<b>Total</b>	<b>10,236</b>	<b>10,316</b>

## Note 30 Risk exposure and risk management

### INVESTING ACTIVITIES

#### Risk management

Risk management is part of the Board's and management's governance and follow-up of the business operations. Its purpose is to secure the organization's means for following strategies and working towards set objectives. One of the important support functions used by the Board and management in performing the activities required is the Risk Control Function. The overarching purpose of the function is, within the framework of the Risk Policy, to manage and control the risks within the Investor business to ensure that the Group's ability to fulfill its mission and obligations is not compromised. The Risk Control Function is responsible for coordinating risk management work in the business, developing awareness of different types of risk and contributing to the creation of a healthy culture in connection with risks and risk management. The Function is also responsible for identifying and controlling the risks that arise in the Group's financial activities, for continuously developing and improving risk measurement methodology and for ensuring accurate and fit-for-purpose risk reporting. The Risk Control Function reports back regularly on its work to the Finance and Risk Committee.

At Investor, risk management is an integral part of the Group's processes, which means that control and responsibility for control is close to the business operations. Every year, the organization carries out risk assessments and adopts appropriate action plans. The risk analysis is compiled by the Risk Control Function and conclusions are reported to the Board and management. (More information is available in the Corporate Governance Report on page 42). The main identified risks that the Investor Group is exposed to are commercial risks, financial risks (market, credit, liquidity and financing risks), operational risks, legal risks and regulatory risks.

Investor's risk policy is a framework for determining measurement methods and mandates for market risks in Active Portfolio Management activities, cash management and financing activities. The policy also outlines principles for foreign exchange risk management in connection with investments and cash flows in foreign currency, measurements and limits for credit risks and principles to minimize legal, regulatory and operational risks in the business.

This year, Investor's portfolio grew with the addition of two nearly wholly-owned subsidiaries: Mölnlycke Health Care AB and Aleris AB. These companies are independent legal entities within the Group. They have their own risk policies and organizational structures with their own Boards, management groups and control functions for managing risks. These subsidiaries also have ring-fenced structures<sup>1</sup>. Investor's risks associated with these companies concern the investments as such. Therefore, the description of risk exposure in this note has been divided into the following two categories: Investing Activities and Operating Activities.

Apart from this change, there have been no significant changes in the measurement and follow-up of risks compared with the preceding year.

#### Commercial risks

Investor's business activities expose the company to various types of risk. Maintaining long-term ownership in Core Investments and a flow of investments and divestments in the Private Equity Investments business area and Operating Investments involves commercial risks. These risks include having a high exposure to a certain sector or an individual holding, changed market conditions for finding attractive investment candidates and barriers that arise and prevent exits from a holding at the chosen time. The main factors that help control risks in Investor's business activities are described below.

Diversification – Diversification, with regard to sector, industry, investment horizon, ownership stake, type of company, region and degree of maturity of the companies, represents an important tool for risk control. Diversification of Investor's portfolio maintains a balance between companies in different sectors, of different sizes and at different stages of development. Core Investments have international operations and are therefore exposed, only to a limited extent, to the economic and political developments in a single country. The same is also true of a significant portion of Operating Investments. Private Equity activities extend over Asia, Europe and the USA. The portfolio spans a number of divergent sectors and industries such as finance, technology, telecom, medicine/healthcare, manufacturing, knowledge and services, etc. The ownership share varies, depending on the investment strategy, and the investment horizon, from long-term (Core Investments) to short-term (three to seven years in the case of Private Equity Investments). Core Investments and a small portion of the companies that are Operating

1) A ring-fenced structure limits the owner's ability to transfer values (unless the other lenders provide their approval) of the subsidiary's assets. At the same time, it also prevents other lenders from placing demands on the assets of the owner above the Holding Company.

Investments and Private Equity Investments are listed and have high liquidity. This provides Investor with a great deal of financial flexibility.

Network – Over its nearly 100-year history, Investor has built up a major national and international network of industrialists and entrepreneurs, as well as sector and market specialists. In this context, the network to which Investor has access by virtue of its portfolio companies is also an important resource. This is not only an important asset in facilitating the sharing of knowledge and experience, but also as a source of suggestions and advice in identifying investment opportunities.

Expertise – The fund of knowledge, experience and expertise that the Company has accumulated over the decades is an important asset in managing commercial risks. This fund of expertise is constantly growing via the experience gained by the Company from every investment that is either realized or contemplated. Because the Company has been operating in a number of distinct markets for nearly a century, fluctuations in the economic cycle, as well as technological, economic, political and global events have played a part in developing this asset. In the case of Private Equity Investments, an in-depth knowledge of the domestic market is provided by the personnel of the local offices in USA, Asia and Europe. Their expertise and presence where the investments are implemented play an important role in the management of commercial risks.

Processes – For a company to be considered as an investment candidate, it must undergo a series of structured processes involving not only the investment manager but also various committees and boards. These processes and every individual business process are well documented in investment instructions. External experts of high repute are also engaged, for example, in analyzing the companies concerned. Out of the many attractive investment opportunities considered, only a few survive right through to the end of the process. Thorough preparation plays an important role in the management of commercial risks, particularly regarding Private Equity Investments and Operating Investments. Once a company is brought into the portfolio, it is managed as part of the Group's active ownership. At Investor, active ownership means supporting the company in its development and critically examining and exercising influence over its activities to prevent loss of focus on profitability. This work is continuously reviewed, evaluated and documented.

#### Financial risks

The main financial risks that the Investor Group is exposed to are market risks. These are primarily risks associated with fluctuations in share prices, as well as interest rate risks and foreign exchange rate risks. Other financial risks that the Investor Group is exposed to are credit risks, liquidity risks and financing risks.

#### Market risks

Market risks refer to the risk of a change in value of a financial instrument because of changes in share prices, exchange rates or interest rates.

#### Share price risks

##### Core Investments

Most of Investor's share price risk exposure exist in its Core Investments. These are analyzed and continuously monitored by Investor's analysts. Through committed ownership, which is exercised through Board representation and in other ways, Investor influences a company's strategy and decisions. Thus, a large portion of share price exposure in a Core Investment does not necessarily lead to any action. It is the long-term commitment that lays the groundwork for Investor's strategic measures. In 2010, share prices for the majority of Core Investments rose sharply. At year-end 2010, Core Investments accounted for 72 percent of total assets.

#### Operating Investments

Operating Investments are wholly-owned or partly-owned companies that are consolidated as subsidiaries or associates. Their profit/loss and changes in equity have an impact on Investor's net asset value. The results of the companies therefore have a direct effect on Investor's assets. There isn't any share price risk associated with this, with the exception of a listed investment (see Note 15 Shares and participations in investing activities measured at fair value). At year-end 2010, Operating Investments accounted for 16 percent of total assets. If the value of Operating Investments were to decline by 10 percent (generally, simultaneously and holding all other factors constant), the impact on income and equity would be approximately SEK -2.8 bn.

#### Private Equity Investments

The Private Equity Investments business area is also exposed to share price risks. Compared with Core Investments, there is a higher risk exposure in this business area. Investor Growth Capital is exposed to smaller companies and new technologies and markets, although there is also a higher potential

### Note 30 cont'd Risk exposure and risk management

return on these investments. Venture Capital investments comprise around 100 companies operating in Asia, Europe and the USA and contribute considerably to diversity in the portfolio. Private Equity Investments are valued in accordance with the guidelines of the International Private Equity and Venture Capital Association. Investor also takes an active role in these companies through Board work. At year-end 2010, Private Equity Investments accounted for 11 percent of total assets. If the value of Private Equity Investments were to decline by 10 percent (generally, simultaneously and holding all other factors constant), the impact on income and equity would be approximately SEK -1.9 bn.

#### Active Portfolio Management

Investor's Active Portfolio Management conducts short-term equity trading and deals in equity derivatives (primarily in order to hedge the market risk in the portfolio). The market risk in this activity is measured and monitored in terms of Value-at-Risk (VaR), a standard method for measuring and controlling market risks. VaR is a tool for measuring how a portfolio of financial assets can risk losing value over a given period of time and confidence level. Investor's VaR model is based on a 70-day rolling daily record of prices (not weighted), a one-day time horizon and a 99-percent confidence interval. Suitability of the VaR model is continually tested through such methods as back-testing. The test results have been acceptable in terms of the model's relevance. Investor's VaR model is supplemented by a number of stress tests based on various extreme market scenarios. At year-end 2010, Active Portfolio Management accounted for 1.7 percent of total assets. If the value of the assets belonging to Active Portfolio Management were to decline by 10 percent (generally, simultaneously and holding all other factors constant), the impact on income and equity would be approximately SEK -315 m.

#### Listed holdings in all business areas

If the value of listed holdings in all business areas were to decline by 10 percent (generally, simultaneously and holding all other factors constant), the impact on income and equity would be approximately SEK -14 bn. As of 31 December 2010, Value-at-Risk (99 percent confidence level and for one day) for all of Investor's listed holdings was SEK 3.0 bn. (representing 2.1 percent of the value). Hence, market risk associated with listed stocks constitutes the greatest risk.

#### Exchange rate risk

##### Currency exposure in investments

Since the Core Investments are listed in Swedish Kronor, there is no direct exchange rate risk that affects Investor's balance sheet. On the other hand, Investor can be indirectly exposed to exchange rate risks in Core Investments that are listed on foreign stock exchanges or that have foreign currency as their pricing currency. In addition, there are indirect exchange rate risks since the majority of the companies in the Core Investments business area are active in several markets. These risks have a direct impact on the company's balance sheet and income statement, which indirectly affects the valuation of the shares.

Operating Investments and the Private Equity Investments business areas are exposed to exchange rate risks in investments made in foreign companies. There is no regular hedging of foreign currency in the Private Equity Investments or Operating Investments business areas, since the investment horizon is more than three years and currency fluctuations are expected to equal out over time. This hedging policy is subject to continuous evaluation and deviations from the policy may be allowed if judged beneficial in a market-economic perspective.

Exchange rate risks for investments in the Active Portfolio Management business are minimized through currency derivative contracts at the portfolio level.

Total currency exposure for the Investor Group as of 31 December 2010 for its investments in foreign currency is provided in the table, below. If the SEK were to appreciate 10 percent against both the USD and EUR (holding all other factors constant), the impact on income and equity would be approximately SEK -2.2 bn.

#### Total investments in foreign currency, SEK m.:

	12/31 2010	12/31 2009
USD	7,770	6,761
EUR	13,828	7,227
Other European currencies (CHF, DKK, GBP, NOK)	2,611	2,576
Asia (HKD, JPY)	92	468
<b>Total</b>	<b>24,301</b>	<b>17,032</b>

The primary reasons for the increase in the EUR currency exposure are as follows: the closure of several currency swaps for holdings in Operating Investments, additional investments within the framework of Investor's commitments in existing EQT funds and, in particular, increased ownership interest (90 percent excluding shareholder loan) in Mölnlycke Health Care. The Group's liabilities in EUR (see below) match a significant portion of the holdings' asset values. The reduced exposure against the JPY is mainly due to Investor's business divestments in Japan, which includes depreciation of the value of FOI.

#### Currency exposure in excess liquidity and the debt portfolio

Exchange rate risk in excess liquidity resulting from investments in foreign currency is managed through currency derivative contracts. At year-end 2010 there was no currency exchange expense exposure in excess liquidity.

Exchange rate risk arising in connection with loans in foreign currency is managed by, among other things, exchanging the loans to SEK through currency swap contracts. The objective is to minimize the exchange rate risk in excess liquidity and the debt portfolio. This strategy is applied if there is a high level of net exposure, having considered the holdings in foreign currency. Gross exposure to foreign currency risk in the loan portfolio at year-end 2010 was SEK 14.1 bn. for EUR, SEK 3.4 bn. for GBP, SEK 1.7 bn. for JPY, SEK 1.2 bn. for NOK and SEK 0.5 bn. for USD.

#### Currency exposure in transactions

Investor's guideline is that future known cash flows in foreign currency that exceed the equivalent of SEK 50 m. are to be hedged through forward exchange contracts, currency options or currency swaps. This is valid for forecast or contracted flows for Core Investments, Private Equity Investments and Operating Investments.

The operating costs of the company are somewhat exposed to exchange rate risks through costs generated in operations in the U.S. and Asia. There is no regular currency hedging of these transactions since they are minor in scope.

#### Currency exposure due to net investments in foreign operations

Currency exposure in investments made in independent foreign entities is considered as a translation risk and not an economic risk. The exposure arises when the foreign net investment is recalculated in SEK on the balance sheet date in the Group and is recognized in the translation reserve under equity. Currency hedging for net investments follows the same principles as those for known future cash flows and investments made by Private Equity Investments and Operating Investments (see above).

The currency exposure arising from net investments in foreign subsidiaries is shown in the following table (expressed in the investment currency).

	12/31 2010	12/31 2009
USD m.	14	12
EUR m.	1,030 <sup>1)</sup>	698
HKD m.	117	26

1) Of which EUR 271 m. hedged via currency swaps (367).

The changed exposure in EUR is due to the increased ownership interest in Mölnlycke Health Care.

#### Interest rate risk

##### Excess liquidity and debt portfolio

The Treasury function manages interest rate risks, exchange rate risks, liquidity risks and financing risks associated with the administration of the excess liquidity portfolio and financing activities.

For excess liquidity exposed to interest rate risks, the goal is to limit interest rate risks while maximizing return within the established guidelines of the risk policy. High financial flexibility is also strived for in order to satisfy future liquidity needs. Investments are therefore made in interest-bearing securities of short duration and high liquidity. For further information, see Note 20

## Note 30 cont'd Risk exposure and risk management

Short-term investments and other financial investments. A one percent parallel movement upward of the yield curve would reduce the value of the portfolio by approximately SEK 28 m.

On the liability side, Investor strives to manage interest rate risks by having an interest rate fixing tenor (within the established limits and instructions of the Risk Policy, for more information, see the description of interest rate fixing periods in Note 23 Interest-bearing liabilities) which is considered to provide flexibility to change the loan portfolio in step with investment activities and to minimize loan costs and volatility in the cash flow over time. A parallel movement of the yield curve downward by 1 percent for the loan portfolio (the hedged part) alone would result in a value reduction of approximately SEK 1.7 bn. When all of the swaps have been considered, the interest rate risk is reduced by SEK 1.3 bn. to SEK 0.4 bn. The interest cost effect for the loans that are not hedged would be SEK -0.2 bn.

Investor uses derivatives to hedge against interest rate risks (related to both fair value and cash flow fluctuations) in the debt portfolio. Some derivatives do not qualify for hedge accounting but are still grouped together with loans since the intention of the derivative is to achieve the desired fixed interest term for each loan. The distribution between hedged and non-hedged loans is shown in the table below.

	12/31 2010	12/31 2009
Outstanding amount divided into hedged loans and non-hedged loans - SEK m.	Carrying amount	Carrying amount
Hedged loans	18,402	19,861
– related foreign exchange/interest rate derivatives with positive value	-284	-1,081
– related foreign exchange/interest rate derivatives with negative value	1,587	1,172
Non-hedged loans	3,460	1,559
– related foreign exchange/interest rate derivatives with positive value	-179	-77
– related foreign exchange/interest rate derivatives with negative value	144	1,257
<b>Total short-term/long-term loans</b>	<b>21,862</b>	<b>21,420</b>
<b>Total foreign exchange/interest rate derivatives</b>	<b>1,268</b>	<b>-1 271</b>

In the case of cash flow hedges, hedging instruments are valued on each balance sheet date and the change in value is recognized in other comprehensive income. The remaining maturities for cash flow hedges are between 9 and 27 years. During the year, cash flow hedges had an impact on liabilities and other comprehensive income with the amount of SEK 160 (-357) m. A parallel movement of the yield curve by 1 percent would affect other comprehensive income by less than SEK 50 m. The effect of fair value hedges is recognized in the income statement. The remaining maturities of fair value hedges vary between 1 and 27 years. For further information on the maturity structure see Note 23 Interest-bearing liabilities.

### Liquidity and financing risk

Liquidity risk refers to the risk that a financial instrument cannot be divested without considerable extra costs, and to the risk that liquidity will not be available to meet payment commitments.

Liquidity risks are minimized in Treasury operations by keeping the maturity of short-term cash investments to less than two years and by always maintaining a higher than 1:1 ratio between cash and credit commitments/current liabilities. Liquid funds are invested in overnight markets and short-term interest-bearing securities with low risk and high liquidity. In other words, they are invested in a well-functioning second-hand market, allowing conversion to cash when needed.

Liquidity risk in the operations of Active Portfolio Management is restricted via limits established by the Board.

Financing risks are defined as the risk that financing cannot be obtained, or can only be obtained at increased costs as a result of changed conditions in the capital market. In order to minimize financing risks, the Treasury function works actively to ensure financial preparedness by establishing loan and credit limits for both long-term and short-term borrowing. Financing risks are further reduced by allocating loan maturities evenly over time (please refer to the chart with information on the maturity profile, in Note 23 Interest-bearing liabilities) and by diversifying sources of capital. An important aspect in this context is the ambition to have a long borrowing profile. Furthermore, proactive liquidity-planning efforts also help limit both liquidity and financing risk.

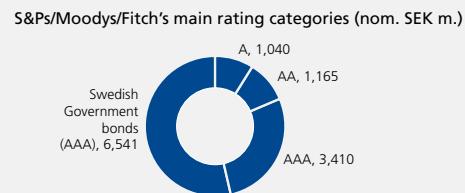
Investor's liquidity and financing risks are considered to be low. With an equity/assets ratio of 77 percent at year-end, Investor has considerable financial flexibility since leverage is very low and most assets are very liquid.

### Credit risk

Credit risk is the risk of a counterparty or issuer being unable to repay a liability to Investor.

Investor is exposed to credit risks primarily through investments of excess liquidity in interest-bearing securities. Credit risks also arise as a result of positive market values in derivative instruments (mainly interest rate and currency swaps as well as a minor portion in OTC derivatives). In order to limit credit risks, there are specified limits for exposure to counterparties. According to the Company's credit risk policy, Investor may only be exposed to credit risks towards counterparties with high creditworthiness, based on ratings by highly-reputable rating institutions, for a limited amount and for a limited duration. Investor applies a wide-ranging limit structure with regard to maturities, issuers and counterparties in order to control credit risks. With a view to further limiting credit risks in interest rate and currency swaps, and other derivative transactions, agreements are established with counterparties in accordance with the International Swaps and Derivatives Association, Inc. (ISDA), as well as netting agreements. Credit risk is closely monitored each day and the agreements with various counterparties are continuously analyzed. Despite the highly level of turbulence in world financial markets, Investor has not recorded any credit losses during the past three years.

The following diagram shows the credit risk exposure in interest-bearing securities, by rating category, as of 31 December 2010:



	Average remaining maturity, months	Number of issuers	Percentage of the liquidity portfolio's total nominal value
Swedish Government bonds (AAA)	2	1	54
AAA	7.6	7	28
AA	1.1	10	9
A	0.3	5	9
<b>Total</b>	<b>3.4</b>	<b>23</b>	<b>100</b>

As of 31 December 2010, the credit risks resulting from positive market values for derivatives amounted to SEK 633 m. (528).

The total credit risk exposure related to the fair value reported items at the end of 2010 amounted to SEK 12,964 m. All counterparties to these transactions have a primary rating category corresponding to A or higher.

### Concentrations of credit risks

Concentrations of risk are defined as individual positions or areas accounting for a significant portion of the total exposure to each area of risk (see the table, above).

Regarding credit risk, frameworks are specified for exposure to individual counterparties, with the exception of exposure to government-guaranteed debt instruments in the OECD (with a rating of AAA/Aaa).

The secured bonds issued by Swedish mortgage institutions have the primary rating category of AAA. The proportion of secured bonds accounted for 94 percent of the total nominal value of the existing AAA class and 26 percent of the total portfolio's nominal value.

### Operational risks

Operational risks are defined as the risk of loss due to inadequacies in internal routines, processes or systems, or the risk of disruptions to operations from external events. In addition to the high level of awareness of operational risks in the organization, policies and instructions are in place in every unit and at the Group level, which govern how activities are to be conducted. These

## Note 30 cont'd Risk exposure and risk management

policies and instructions apply to system and personnel issues, administrative processes, information security, legal issues and more. The process is followed up on an ongoing basis to determine and strengthen appropriate control measures. Even if Risk Control, Internal Control and Compliance functions are in place, control of operational risks depends on the efforts of all employees. The annual risk assessment process is an important tool for identifying operational risks and other types of risks. One important aspect of this is the Group's endeavor to maintain a high level of professionalism and sound ethics. These ambitions, along with the strict policies and effective control procedures, help to significantly reduce operational risks.

### Legal and regulatory risks

The Compliance function monitors commitments that must comply with external regulations and laws, contract-related commitments and internal company rules. Awareness of legal and regulatory risks in the Group is high. The work of the Legal and Compliance function focuses on minimizing these risks. The Group ensures that its activities comply with existing laws, regulations and other external requirements that are imposed, for example, by its auditors.

### Other risks

Work is actively carried out in the area of security to protect Investor against internal and external threats. Investor's Security Committee evaluates security risks that can have short-term or long-term implications for Investor and it also takes necessary measures to minimize the negative effects of such risks. For example, the Security Committee establishes effective procedures for IT and information security to prevent unauthorized access to Investor's information sources. The committee is also responsible for disaster and continuity planning.

### OPERATING ACTIVITIES

Aleris and Mölnlycke Health Care are Investor's significant essentially wholly owned subsidiaries. Therefore, the risks associated with the activities of these companies are reported in detail. The definition of risks is the same as what has been described above for Investing Activities.

#### Aleris and Mölnlycke Health Care

##### Risk management

Through their business activities, the Groups are exposed to various types of risks. The risks that have been identified consist primarily of financial risks, commercial risks, operational risks, legal/regulatory risks and political risks.

The Groups' financial policies consist of regulations and guidelines for managing the financial risks generated by commercial activities. They also include rules on how financial activities are to be run both centrally and locally. Each year, the Board of each company establishes the financial policy.

The Groups' financial activities are centralized in order to take advantage of economies of scale, collect risk exposures and provide the best conditions for monitoring and control. Financial activities are run by the Group Treasury Unit (internal bank) of each unit. All of the financial transactions are managed and coordinated by the internal banks. The managers in charge of these units report to the Board of Directors for their company.

##### Commercial risks

The Groups' business units compete in a variety of geographic markets, product markets and service markets. New products/services are continually being developed and introduced. In order to remain competitively strong, all of the Groups' business units must continue to develop innovative products/services that satisfy the needs and desires of customers in a cost-effective manner. It will not be possible to launch the product if it does not function as intended, does not meet regulatory requirements, does not have a competitive price level, infringes a patent or other intellectual property rights, or if it is unable to keep up with consumer demands. In addition, new products, services or technologies developed and marketed by competitors could also impact the ability to achieve business plans and goals.

The continued growth of the Groups depends on such things as their ability to employ and retain qualified staff with top expertise. This is also necessary in order to achieve strategic business goals.

One important component of the Groups' strategies for achieving continued growth is to make strategic acquisitions and enter into strategic alliances in order to supplement the existing organizations. Not being able to identify suitable acquisition candidates or failing to successfully integrate the newly acquired companies would have a negative impact on competitiveness and profitability.

### Financial risks

The main financial risks consist of market, refinancing and credit risks.

Financial risks are dealt with centrally by the Group Treasury units of each Group.

The Groups use derivatives as one method of managing financial risks. All derivative transactions are conducted in accordance with the guidelines that exist in the financial policy of each Group.

In general, Mölnlycke Health Care strives to use hedge accounting to minimize volatility in the income statement, which can result from adjustments to fair value.

Aleris does not use hedge accounting.

The financial assets of each Group primarily consist of trade receivables from public hospitals/care institutions resulting from the delivery of health-care products and services. Each Group also has financial assets that are cash equivalents. The Groups' financial liabilities primarily consist of loans from credit institutes that were taken in order to finance acquisitions or for other reasons.

### Market risks

#### Exchange rate risk

Currency exposure arises from the following: cash flows in foreign currencies, (transaction exposure), the translation of balance sheet items to foreign currencies (balance sheet exposure) and from the translation of foreign subsidiaries' balance sheets and income statements to the accounting currency (translation exposure).

Aleris

The Group's main currency risk is associated with the translation of Norwegian and Danish subsidiaries' assets and liabilities to the Parent Company's functional currency.

The businesses in Norway and Denmark have very limited cash flow exposure since income and expenses are in the local currency. The sale of services across national borders does not exist. Neither are there any foreign purchases of significance.

In the case of balance sheet exposure, as of 31 December 2010 a weakening of the SEK by 10 percent against both the NOK and DKK would result in a decline in value of approximately SEK 7 m. and the impact on income would be SEK -84 m.

The total currency risk associated with translation exposure is as follows: A strengthening of the SEK by 10 percent against both the NOK and DKK would impact equity by SEK -7 and income by SEK -6 m.

#### Mölnlycke Health Care

The Group is exposed to currency risk due to its international operations. EUR is the Group's reporting currency.

Transaction exposure associated with future cash flows: The Groups' operational cash flows in foreign currency are estimated at the equivalent of EUR 310 m for the next 12 months. The Group's financial transaction exposure consists of future interest payments and repayments in foreign currency. This exposure is estimated at approximately EUR 175 m for the next 12 months and it primarily consists of transactions in EUR against SEK. As of 31 December 2010, 72 percent of the forecasted net transaction flows in foreign currency for the next 12 months were hedged. Hedge accounting is used for derivative instruments that are related to the Group's operational cash flows.

Derivatives that are used to hedge the Group's financial transaction exposure are not recognized in hedge accounting. Changes in fair value are reported in net financial items.

For outstanding currency hedging as of 31 December, an immediate 10 percent rise in the value of each currency against the EUR would impact net income by EUR 1.3 m during the next 12 month period. The impact on equity from valuation of the financial derivatives that are recognized in hedge accounting would be EUR 9.5 m.

Balance sheet exposure: Currency exposure in balance sheet items is comprised of financial and operating assets and liabilities in foreign currency that could have a negative impact on income as a result of exchange rate fluctuations.

In accordance with the Group's financial policy, the only exposures that are hedged are those that are expected to generate a cash transaction within 12 months. A 10 percent rise in the value of the EUR against the GBP and SEK would impact income by EUR -2.1 m.

Translation exposure: Translation exposure is not hedged.

## Note 30 cont'd Risk exposure and risk management

### Interest rate risk

The Groups' interest rate risk is primarily associated with long-term borrowings. In order to minimize the effects of interest rate fluctuations, limits and instructions have been established for such things as interest rate fixing periods. This information can be found in the financial policy for each Group.

### Aleris

Derivative instruments, such as interest swap contracts are used to manage interest rate risk. Hedge accounting is not applied. Derivatives are used to hedge the cash flows.

The total interest rate risk exposure associated with assets amounts to SEK 206 m. A parallel movement of the yield curve upwards by 1 percent would reduce value by approximately SEK 2 m. Interest rate risk exposure associated with liabilities amounts to SEK 2,038 m. A parallel movement downward of the yield curve by 1 percent would impact income and the equity by approximately SEK -21 m.

### Mölnlycke Health Care

Interest rate derivatives are used to achieve longer interest rate fixing periods. A one percent increase in interest rates for all currencies, calculated on the Group's net debt as of 31 December 2010 would impact income during the subsequent 12 month period by EUR -6.4 m. A one percent decrease in all of the Group's interest rate derivatives that are classified as cash flow hedges, would have an impact on equity of EUR -50.9 m.

As of 31 December 2010, the Group's long-term interest-bearing liabilities, including interest rate derivatives, amounted to EUR 1,702 m.

### Liquidity and financing risk

In order to minimize the effects of refinancing risks, limits and instructions have been established for such things as the average maturities on gross borrowings. This information can be found in the financial policy for each Group.

### Aleris

The Group has credit facilities in the form of a bank overdraft and a credit limit that have been established for business acquisitions. This is to ensure that there is financial preparedness should there be a need for working capital or for making minor acquisitions. Aleris has a total credit facility of SEK 2,591 m., of which SEK 2,107 m. has been utilized.

Aleris has a strategy of not owning property and not committing itself unnecessarily to long rental contracts in cases where the company is responsible for facilities. In many instances, business activities are conducted in facilities owned by the municipality or county council. Expansion or increased sales typically require additional working capital. Any surplus funds that arise are to be invested in interest-bearing securities that have low risk and high liquidity. No such investments were made in 2010.

The maturity schedule for contractual payment obligations and financial receivables in terms of the remaining term as per the contract are as follows:

	Remaining term					Total
	-6 months	6-12 months	1-2 years	2-5 years	>5 years	
<b>Liabilities</b>						
Secured bank loans	38.4	36.1	90.0	394.4	1,476.2	2,035.1
Financial leases	0.9	0.9	1.3	0.0		3.1
Trade payables & other liabilities	157.7	0.1				157.8
Interest rate hedge (outflow)	3.2	3.8				7.0
<b>Total</b>	<b>200.2</b>	<b>40.9</b>	<b>91.3</b>	<b>394.4</b>	<b>1,476.2</b>	<b>2,203.0</b>
<b>Receivables</b>						
Cash, bank	71.2					71.2
Trade receivables	317.2					317.2
Frozen bank funds		2.0		133.2		135.2
Interest rate hedge (inflow)				32.3		32.3
<b>Total</b>	<b>388.4</b>	<b>2.0</b>	<b>133.2</b>	<b>32.3</b>	<b>555.9</b>	

Exposure from guarantees that have been made and other contingent liabilities is low (see Note 29 Pledged assets and contingent liabilities). During the year, Aleris also met the key figure requirements for covenants associated with bank loans.

### Mölnlycke Health Care

As of 31 December 2010, the Group had guaranteed credit facilities of EUR 1,972 m. The main portion of the Groups financing is comprised of a syndicated credit facility. The total credit facility amounts to EUR 1,890 m. As of 31 December 2010, EUR 1,643 m. of the credit facility had been utilized. Among other things, the terms of the credit facility require the company to meet a number of key financial ratios. For 2010, all such requirements on key financial ratios had been fulfilled.

The maturity schedule for contractual payment obligations and financial receivables that applies to the remaining term as per the contract is as follows (EUR m):

	Remaining term					Total
	-6 months	6-12 months	1-2 years	2-5 years	>5 years	
<b>Liabilities</b>						
Secured bank loans	19.3	19.5	68.7	737.9	577.7	1,423.1
Unsecured bank loans	8.3	9.3	17.7	57.6	538.6	631.5
Financial leases	0.4	0.4	0.7	1.3		2.8
Trade payables & other liabilities	80.0	0.9				80.9
Interest rate hedge (outflow)	22.1	26.1	46.9	108.6		203.7
<b>Total</b>	<b>130.1</b>	<b>56.2</b>	<b>134.0</b>	<b>905.4</b>	<b>1,116.3</b>	<b>2,342.0</b>
<b>Receivables</b>						
Cash, bank	28.6					28.6
Trade receivables	12.1					12.1
Frozen bank funds	113.0					113.0
Interest rate hedge (inflow)	6.0	7.0	12.3	28.7		54.0
<b>Total</b>	<b>159.7</b>	<b>7.0</b>	<b>12.3</b>	<b>28.7</b>		<b>207.7</b>

Guarantees that have been made and other contingent liabilities may also involve liquidity risk. For exposures as of 31 December 2010 see Note 29 Pledged assets and contingent liabilities.

### Credit risk

Each Group's credit risks are limited due to the fact that a significant portion of customers consists of public hospitals/care institutions.

Credit risks related to the banks that are the Group's counterparties in derivative transactions are limited by the requirements pertaining to counterparties, which is information that is stated in the financial policy of each Group. All counterparties must have a Standard & Poor's rating of at least A. There are also requirements on ISDA agreements that are in place. The rating classification also applies to the banks where cash and cash equivalents are being held.

The maximum exposure related to commercial credit risk corresponds to the carrying amount of trade receivables.

As of 31 December 2010, the total carrying amount for Aleris' overdue trade receivables was SEK 46 m. As of that same date, the associated provisions amounted to SEK 10 m.

As of 31 December 2010, the total carrying amount for Mölnlycke Health Care's overdue trade receivables was EUR 28 m. As of that same date, the associated provisions amounted to EUR 3 m.

### Legal and regulatory risks

Healthcare companies must comply with the laws and regulations of each country where they conduct business. Examples of such laws are the Health and Medical Service Act, the Social Services Act and environmental legislation. In other words, activities are heavily regulated.

### Operational risks

#### Aleris

Risks associated with selling and operating healthcare services are dealt with by the different levels of management for each area of operations.

Aleris has a generic organization for quality and environmental management.

Aleris pursues continuous quality improvement in accordance with ISO 9001. All of its activities are ISO certified, with the exception of a very small number of units.

Property risks, liability risks and interruption risks are covered by insurance policies. Thus far, very few incidents have occurred.

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## Note 30 cont'd Risk exposure and risk management

### Mölnlycke Health Care

The Group applies Enterprise Risk Management. That framework is used to address all risks within the business. This also includes risks related to operations, strategic planning, financial control and cash management, process and product development, project management and human capital management.

Property risks, liability risks and interruption risks are covered by insurance policies. Thus far, very few incidents have occurred.

### Other risks

To a large extent, spending on healthcare products and services is regulated by various governments. This applies to most markets around the world. Funds are made available or withdrawn from healthcare budgets due to different types of political decisions. In most of the major markets, pricing of the Groups' products and services is controlled by decisions made by government authorities. Therefore, the Groups are exposed to political risks.

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## Note 31 Related party transactions

The following additional information about related parties is being provided in addition to what has been reported in other sections of the Annual Report.

### Subsidiaries

The Parent Company has related-party transactions with its subsidiaries. Parent Company sales to Group companies amounted to SEK 2 m. in 2010 (0). Parent Company purchases from Group companies totaled SEK 7 m. during the same period (7). Transactions with Group companies are priced according to market terms.

### Relations with related parties with significant influence

The Wallenberg foundations have significant influence over Investor (in accordance with the definition in IAS 24 Related Party Disclosures). The largest of these foundations are the Knut and Alice Wallenberg Foundation, the Marianne and Marcus Wallenberg Foundation and the Marcus and Amalia Wallenberg Memorial Fund.

### Companies with common Board members

In addition to the above-noted relations with related parties, there are a number of companies in which Investor and the company have common Board members. Information has not been provided in this note because these situations are either not considered to involve influence of the type described in IAS 24, or the transactions refer to intangible amounts.

### Related party transactions

#### With the Wallenberg foundations

Investor's support functions provide a limited scope of services for Foundation Asset Management Sweden AB and Foundation Administration Management Sweden AB, which are owned by the Wallenberg foundations. Transactions with these companies are priced according to market terms. Parent Company sales to these companies amounted to SEK 2 m. in 2010 (3). Purchases from the same companies totaled SEK 0 m. (0).

#### With associates

Normal business transactions are carried out on a continuous basis with Hi3G, SEB, Novare and EQT Partners AB. Transactions with associated companies are priced according to market terms.

During the year, telephone services were purchased from Hi3G for SEK 2 m. (2), of which SEK 2 m. pertained to the Parent Company (2). At year-end, the Group's assets with SEB had a market value of SEK 904 m. (226), of which SEK 0 m. for the Parent Company (0), and liabilities SEK 1,691 m. (410), of which for the Parent Company SEK 0 m. (0). During 2010, costs for SEB's services including interests totaled SEK 82 m. (3), of which SEK 7 m. pertained to the Parent Company (0). Business services were purchased from Novare during the year for SEK 9 m. (12), of which SEK 9 m. was attributable to the Parent Company (11). In addition, administrative services were sold to Novare for SEK 2 m. (3), of which SEK 2 m. was attributable to the Parent Company (3). Parent Company sales of administrative services to EQT Partners AB totaled SEK 3 m. during the year (3). Prior to the acquisition of controlling interest, while Mölnlycke Health care was still an associate, the Group acquired goods totaling SEK 2 m. from the company (–).

Guarantees on behalf of associated companies refer to Hi3G Enterprise AB and its subsidiary Hi3G Denmark ApS. Investor AB has guaranteed to the lender that it will fulfill the debt commitments of the beneficiaries for financing the acquisition of licenses for third-generation mobile networks. The previously communicated peak financing level of SEK 25 bn. was almost reached by the end of 2008. As earlier communicated we are prepared to allow for an increase to our total investment, given a continued attractive return profile. In 2010, Investor provided SEK 140 m. in financing to Hi3G (245).

Note 16 Long-term receivables and other receivables shows receivables from associates.

Dividends and financial income from associates totaled SEK 2,686 m. (2,068).

### With key persons

See Note 5 Employees and payroll costs for information about salaries and other compensation, costs and commitments regarding pensions and similar benefits, and severance payment agreements for the Board, President and other senior executives.

### Investment programs

#### Carried interest plans

In the Private Equity Investments business area, selected senior staff and other senior executives have had the opportunity for a number of years to make parallel investments to some extent with Investor. The plans are designed in accordance with market practice in the venture capital market and are evaluated periodically against similar programs in Europe, the United States and Asia. Carried interest plans provide an economic incentive for managers and encourage personal commitment to analysis and investment work since the result is directly connected to the financial performance of the business.

Carried interest plans are linked to realized growth in the value of holdings, after deduction for costs, seen as a portfolio. This means that when an investment is realized with a profit, each parallel investor receives his or her share of the profit, after provisions for any unrealized declines in value or write-downs of other investments.

The plans allow a maximum share of 15 percent that can be given to parallel investors, which is in line with practice in the venture capital market.

#### Co-investment plans

Key persons, including Board members, senior executives and certain selected employees, are offered the opportunity to invest in, or make parallel investments with, the funds that EQT establishes. These investments are made in accordance with the same terms and conditions as for other investors.

#### Management Participation Programs

Board members and senior executives in unlisted investments, including Mölnlycke Health Care and Aleris, are offered the opportunity to invest in the companies through management participation programs. The terms of the programs are based on market valuations and are designed to yield lower return to the participants than that of the owners if the investment plan is not reached but higher return to the participants than that of the owners if the plan is exceeded. In connection with the position as Chairman of the Board of Mölnlycke Health Care in 2007, prior to election to the Board of Directors of Investor, Gunnar Brock acquired shares under the program. No other members of the Board of Directors of Investor AB participate in these programs.

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## Note 32 Events after the reporting period

In December, Investor announced the acquisition of 8 million shares in NASDAQ OMX Group, adding to its existing holding of 9 million shares. After regulatory approval, received on January 17, 2011, and additional acquisitions of shares Investor holds 18,004,142 shares in total, corresponding to 10.2 percent of the capital.

Gambro AB, jointly controlled by Investor (49%) and EQT (51%), has signed an agreement to sell CardianBCT to the Japanese medical technology company Terumo Corporation for a total enterprise value of USD 2,625 m. Subject to regulatory approval, the total positive net asset value impact on Investor will be approximately SEK 4.2 bn.

### Note 33 Critical estimates and key judgements

Investor's financial reports are prepared in accordance with IFRS. Valuation principles applied are described in Note 28. The choice of valuation principle requires, in certain cases, that management evaluates and selects the principle giving the truest and fairest view. Developments within the accounting field, and the choice of principles, are discussed with the company's Audit Committee.

The following are the most important areas where key estimates have been used when applying the valuation principles of the Group, together with other key sources of uncertainties in estimates, and the sections where they are described.

#### Associates

In accordance with IAS 28, Item 1, investments in associates in Core Investments and Private equity-investments are recognized at fair value. As a result, associates are not consolidated in accordance with the equity method and the values of associates are instead accounted for in a way that is more true and fair for an investment company.

Associates within business areas Operating Investments and Financial Investments for which the equity method is applied are companies in which Investor holds a large participation and pursues a significant influence in the underlying business.

#### Important sources of uncertainty in estimates

When applying the valuation principles, assumptions and estimates are made of factors that are uncertain at the time the estimates are made. Changes to assumptions may have a significant effect on financial reports during the periods when the assumptions are changed. The following is a description of the valuation principles that require assumptions and estimates.

Unlisted holdings and fund holdings are recognized at fair value according to the methods described in Note 28. Market information is used to the greatest extent possible. When this information is not transparent in the market, changes to assumptions may affect the reported fair value of financial instruments. The Group applies its models in a consistent manner between periods, although estimates of fair value always require a significant degree of assumption. Based on the controls and security procedures that are applied, Investor considers the fair value recognized in the balance sheet, and the changes in fair value recognized in the income statement, to be cautious and weighted and reflecting the underlying economic values.

Note 30 provide a detailed analysis of how interest-bearing liabilities and related derivatives are managed and assessed. Note 15 shows the value of unlisted holdings and participations recognized at fair value.

At the impairment testing of surplus values that have aroused in conjunction with business combinations estimates of the development of the respective cash generating units' future cash flows. These estimates are in turn based on assumptions regarding for instance; development of interest rates and growth rate. The estimates extends in the long-term future and are associated with uncertainty. The carrying values are directly influenced by how these estimates are done. For further information about impairment testing see note 1 and note 12.

The purchase price allocations regarding acquisitions made during 2010 are preliminary and may be adjusted during 2011.

As a result of a tax audit, the Swedish tax authorities challenged the tax deductability of part of interest charges on shareholders' loans in Mölnlycke Health Care. Investor has made the assumption that the interest rate is at market level and because of that the decision made by the tax authorities has not affected carrying amounts.

### Note 34 Information about Parent Company

Investor AB is a corporation registered in Sweden and has its registered office in Stockholm. The shares in the Parent Company are listed on the OMX Nordic Exchange in Stockholm. The address of the company's headquarters is Arsenalsgatan 8C, SE-103 32, Stockholm, Sweden.

The consolidated financial statements for 2010 consist of both the Parent Company and its subsidiaries, together designated the Group.

### Note 35 Results from participations in Group companies

	2010	2009
<i>Parent Company</i>		
Liquidation of Group company	7,695	–
Impairment losses, participations in Group companies	–520	0
Reversal of impairment losses, participations in Group companies	3	20
<b>Total</b>	<b>7,178</b>	<b>20</b>

Impairment losses in participations in Group companies was due to the fact that the value of shares and participations held by these companies developed negatively during 2010. The recoverable amount has been determined at the net realizable value.

### Note 36 Results from other receivables that are non-current assets

	2010	2009
<i>Parent Company</i>		
Interest income from Group companies	1,904	1,962
Change in value	0	303
Exchange rate differences	–3,052	–935
<b>Total</b>	<b>–1,148</b>	<b>1,330</b>

### Note 37 Interest income and similar items

	2010	2009
<i>Parent Company</i>		
Interest income from Group companies	6	11
Change in value	0	–
Change in value, hedges of long-term share-based remuneration	1	0
Other interest income	12	81
Exchange rate differences	2	2
<b>Total</b>	<b>21</b>	<b>94</b>

### Note 38 Interest expenses and similar items

	2010	2009
<i>Parent Company</i>		
Interest expenses to Group companies	–234	–353
Change in value	–41	–303
Net financial items, internal bank <sup>1)</sup>	–504	–46
Interest expenses, other borrowings	–929	–941
Exchange rate differences	3,372	1,117
Other	–17	–26
<b>Total</b>	<b>1,647</b>	<b>–552</b>

1) Settlement of net financial items between the Parent Company and the internal bank company, AB Investor Group Finance.

### Note 39 Participations in Group companies

	12/31 2010	12/31 2009
<i>Parent Company</i>		
<i>Accumulated costs</i>		
Opening balance	29,862	29,862
Acquisitions and capital contributions	8,059	–
Liquidation of Group company	–783	–
Divestments	0	–
	<b>37,138</b>	<b>29,862</b>
<i>Accumulated impairment losses</i>		
Opening balance	–3	–23
Impairment losses	–520	0
Reversed impairment losses for the year	3	20
	<b>–520</b>	<b>–3</b>
<b>Carrying amount at year-end</b>	<b>36,618</b>	<b>29,859</b>

#### Specification of the Parent Company's direct holdings of participations in Group companies

Subsidiary/Registered office/Registration number	Number of participations	Ownership interest in % <sup>1)</sup>		Carrying amount	
		12/31 2010	12/31 2009	12/31 2010	12/31 2009
Investor Growth Capital AG, Zug (CH), 1.703.021.811-3	135,000	100.0	100.0	12,461	12,461
Investor Growth Capital Holding B.V., Amsterdam, 33218354	351	100.0	–	7,353	–
Rotca AB, Stockholm, 556693-6661	1,000	100.0	100.0	4,825	2,522
Indap Invest AB, Stockholm, 556690-7084	1,000	100.0	100.0	4,246	4,246
Instoria AB, Stockholm, 556270-6308	10,000	100.0	100.0	3,665	0
Sirela AB, Stockholm, 556812-2633	50,000	100.0	–	1,522	–
Indif AB, Stockholm, 556733-9915	11,000	100.0	100.0	1,056	882
The Grand Group AB, Stockholm, 556302-9650	10,000	100.0	100.0	577	577
Invifid 2 AB, Stockholm, 556752-6057	100,000	100.0	100.0	395	0
AB Vectura, Stockholm, 556012-1575	50,000	100.0	100.0	393	393
Investor Investments Holding AB, Stockholm, 556598-2815	1,000	100.0	100.0	55	55
AB Investor Group Finance, Stockholm, 556371-9987 <sup>2)</sup>	100,000	100.0	100.0	54	54
Investor Holding AB, Stockholm, 556554-1538	1,000	100.0	100.0	8	8
AB Cator, Stockholm, 556619-6811	1,000	100.0	100.0	6	3
Duba AB, Stockholm, 556593-5508	1,000	100.0	100.0	2	2
Expibel Holding AB, Stockholm, 556548-6684	–	–	100.0	–	8,656
Invifid AB, Stockholm, 556752-6065	–	–	100.0	–	0
Dormant companies				0	0
<b>Carrying amount in the Parent Company</b>				<b>36,618</b>	<b>29,859</b>

1) Refers to share of equity, which also corresponds to the share of voting power.

2) The Group's internal bank.

#### Other material holdings in subsidiaries

Subsidiary/Registered office	Ownership interest in % <sup>1)</sup>	
	12/31 2010	12/31 2009
Investor Growth Capital Ltd, Guernsey <sup>2)</sup>	100.0	100.0
Investor Investment Northern Europe Ltd, Guernsey <sup>2)</sup>	100.0	100.0
Investors Trading AB, Stockholm <sup>3)</sup>	100.0	100.0
Mölnlycke AB, Göteborg	91.6	59.2
Sirela Sweden AB, Stockholm <sup>4)</sup>	90.3	–

1) Refers to share of equity.

2) The business of the companies is share portfolio management.

3) The company's main business is Active Portfolio Management.

4) Holding company of Aleris.

## Note 40 Participations in associates

### Specification of carrying amount for participations in associates valued at cost method

	12/31 2010	12/31 2009 <sup>1)</sup>
<b>Parent Company</b>		
Accumulated cost		
Opening balance	5,583	5,525
Acquisitions	140	58
	<b>5,723</b>	<b>5,583</b>
<b>Accumulated impairment losses</b>		
Opening balance	-5,381	-5,139
Impairment losses for the year	-253	-242
	<b>-5,634</b>	<b>-5,381</b>
<b>Carrying amount at year-end</b>	<b>89</b>	<b>202</b>

The impairment loss refers to the holdings in Hi3G Holdings AB and Hi3G Enterprise AB, based on the holdings' value recognized in the Group.

### Specification of carrying amount for participations in associates valued at fair value

	12/31 2010	12/31 2009 <sup>1)</sup>
<b>Parent Company</b>		
Accumulated cost		
Opening balance	67,006	27,709
Effect of changed accounting policies	-	10,556
	<b>67,006</b>	<b>38,265</b>
<b>Restated opening balance</b>		
Acquisitions	3,141	4,783
Divestments	-	-450
Revaluations disclosed in Income Statement	23,129	24,408
	<b>93,276</b>	<b>67,006</b>
<b>Carrying amount at year-end</b>		

1) As of January 1, 2010, associates are reported in accordance with the Group's policies and comparative figures have been restated accordingly. See Note 1 Accounting policies for further information.

### Specification of participations in associates

12/31 2010

Company/Registered office/Registration number	Number of shares	Share of voting power %	Proportion of equity %	Investor's share of				
				Equity <sup>1)</sup>	Profit/loss for the year <sup>2)</sup>	Carrying amount <sup>3)</sup>	Fair value	
<b>Parent Company</b>								
<b>Operating Investments:</b>								
Hi3G Holdings AB, Stockholm, 556619-6647 <sup>4)</sup>	40,000	40	40	53	50	53	53	
Hi3G Enterprise AB, Stockholm, 556782-9329 <sup>4)</sup>	40,000	40	40	36	-143	36	36	
<b>Total participations in associates valued at cost</b>						<b>89</b>	<b>89</b>	
<b>Core Investments:</b>								
Atlas Copco, Stockholm, 556014-2720	205,471,326	22	17	4,900	1,662	34,671	34,671	
SEB, Stockholm, 552032-9081	456,089,264	21	21	20,691	1,413	25,579	25,579	
Ericsson, Stockholm, 556016-0680	164,078,702	19	5	7,358	563	12,396	12,396	
Electrolux, Stockholm, 556009-4178	42,166,133	30	14	2,814	546	8,054	8,054	
Husqvarna, Jönköping, 556000-5331	90,667,692	31	16	1,920	275	5,058	5,058	
Saab, Linköping, 556036-0793	32,778,098	40	30	3,437	136	4,032	4,032	
						<b>89,790</b>	<b>89,790</b>	
<b>Operating Investments:</b>								
Swedish Orphan Biovitrum AB, Stockholm, 556038-9321	86,075,332	41	40	1,745	-42	3,486	3,486	
						<b>3,486</b>	<b>3,486</b>	
<b>Total participations in associates valued at fair value</b>						<b>93,276</b>	<b>93,276</b>	
<b>Total participations in associates</b>						<b>93,365</b>	<b>93,365</b>	

1) Equity refers to the ownership interest in the equity of a company including the equity component in untaxed reserves and after adjustments to Investor's accounting policies and evaluation principles.

2) Profit/loss for the year refers to the share of the company's results after tax including the equity component in the change for the year in untaxed reserves after adjustments to Investor's accounting policies and evaluation principles.

3) Carrying amount includes acquisition cost, additional investments and divestments for the period and value changes due to write-downs to correspond with the fair value of the investments valued at cost and fair value for participations in associates valued at fair value, respectively.

4) Reporting from Hi3G Holdings AB and Hi3G Enterprise AB is received with one month's delay.

#### Note 40 cont'd Participations in associates

##### Specification of participations in associates

12/31 2009

Company/Registered office/Registration number	Number of shares	Share of voting power %	Proportion of equity %	Equity <sup>1)</sup>	Profit/loss for the year <sup>2)</sup>	Investor's share of						
						Carrying amount <sup>3)</sup>	Fair value					
<i>Parent Company</i>												
<i>Operating Investments:</i>												
Hi3G Holdings AB, Stockholm, 556619-6647 <sup>4)</sup>	40,000	40	40	163	-240	163	163					
Hi3G Enterprise AB, Stockholm, 556782-9329 <sup>4)</sup>	40,000	40	40	39	-18	39	39					
<b>Total participations in associates valued at cost</b>						<b>202</b>	<b>202</b>					
<i>Core Investments:</i>												
Atlas Copco, Stockholm, 556014-2720	204,384,326	22	17	4,267	1,043	21,408	21,408					
SEB, Stockholm, 552032-9081	456,089,264	21	21	20,718	245	20,227	20,227					
Ericsson, Stockholm, 556016-0680	164,078,702	19	5	7,069	207	10,721	10,721					
Electrolux, Stockholm, 556009-4178	39,165,071	29	13	2,389	331	6,560	6,560					
Husqvarna, Jönköping, 556000-5331	89,667,692	29	16	1,887	140	4,579	4,579					
Saab, Linköping, 556036-0793	21,611,925	38	20	2,115	138	2,540	2,540					
						<b>66,035</b>	<b>66,035</b>					
<i>Operating Investments:</i>												
Biovitrum AB, Stockholm, 556038-9321	34,941,921	23	23	312	7	971	971					
						<b>971</b>	<b>971</b>					
<b>Total participations in associates valued at fair value</b>						<b>67,006</b>	<b>67,006</b>					
<b>Total participations in associates</b>						<b>67,208</b>	<b>67,208</b>					

1) Equity refers to the ownership interest in the equity of a company including the equity component in untaxed reserves and after adjustments to investor's accounting policies and evaluation principles.

2) Profit/loss for the year refers to the share of the company's results after tax including the equity component in the change for the year in untaxed reserves after adjustments to investor's accounting policies and evaluation principles.

3) Carrying amount includes acquisition cost, additional investments and divestments for the period and value changes due to write-downs to correspond with the fair value of the investments valued at cost and fair value for participations in associates valued at fair value, respectively.

4) Reporting from Hi3G Holdings AB and Hi3G Enterprise AB is received with one month's delay.

#### Note 41 Other long-term holdings of securities

	12/31 2010	12/31 2009
<i>Parent Company</i>		
Accumulated cost		
Opening balance	40,197	35,008
Acquisitions	2	71
Divestments	-2	-67
Revaluations disclosed in Income Statement	841	5,185
<b>Carrying amount at year-end</b>	<b>41,038</b>	<b>40,197</b>

#### Note 42 Receivables from Group companies

	12/31 2010	12/31 2009
<i>Parent Company</i>		
Accumulated cost		
Opening balance	27,179	23,997
New lending	1,140	7,607
Divestments/due/redeemed	-	-3,004
Reclassifications	-91	-183
Unrealized change in value	-3,035	-1,238
<b>Carrying amount at year-end</b>	<b>25,193</b>	<b>27,179</b>

# Audit report

## To the Annual Meeting of the Shareholders of Investor AB (publ.)

### **CORPORATE IDENTITY NUMBER 556013-8298**

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Investor AB for the year 2010. The company's annual accounts are included in the printed version of this document on pages 64 to 136. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts.

Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated

accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual Meeting of Shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 10, 2011

KPMG AB

  
Helene Willberg  
Authorized Public Accountant

# Auditors' report of the Corporate Governance Statement

## To the Annual Meeting of the Shareholders of Investor AB (publ.)

### **CORPORATE IDENTITY NUMBER 556013-8298**

#### **Engagement and responsibility**

We have audited the Corporate Governance Statement for the year 2010 on pages 42-59. It is the Board of Directors who is responsible for the Corporate Governance Statement and that it has been prepared in accordance with the Annual Accounts Act. Our responsibility is to express an opinion on the Corporate Governance Statement based on our audit.

#### **The scope of the audit**

We conducted our audit in accordance with Far's auditing standard RevU 16. The auditors examination of the Corporate Governance Statement. Those standards require that we have planned and performed the audit to obtain reasonable

assurance that the Corporate Governance Statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the information included in the Corporate Governance Statement. We believe that our audit procedures provide a reasonable basis for our opinion as set out below.

#### **Opinion**

In our opinion, the Corporate Governance Statement has been prepared and is consistent with the annual accounts and the consolidated accounts.

Stockholm, March 10, 2011

KPMG AB

  
Helene Willberg  
Authorized Public Accountant

# Ten-Year Summary

## Investor Group<sup>1)</sup>

	2001	2002	2003	2004	2005 <sup>1)</sup>	2006	2007	2008	2009	2010	Annual average growth 5/10 years
SEK m.											
<b>Net asset value<sup>2)</sup></b>											
Core Investments	110,518	63,304	85,841	87,408	115,419	135,274	127,293	73,272	106,231	130,828	
Operating Investments	1,822	2,875	3,080	2,811	2,522	5,981	11,806	16,092	15,931	28,194	
Private Equity Investments	12,410	12,860	12,745	13,896	15,478	15,181	17,718	15,295	18,333	19,297	
Financial Investments	5,134	1,541	1,405	788	1,380	3,008	2,583	1,269	3,283	3,706	
Other assets and liabilities	-518	-1,353	585	3,265	-631	-540	-613	-432	-517	-606	
Total assets	129,366	79,227	103,656	108,168	134,168	158,904	158,787	105,496	143,261	181,419	
Net debt (-)/Net cash (+)	-11,082	-16,358	-20,593	-16,082	-223	416	-3,583	9,737	-588	-11,472	
Net asset value	118,284	62,869	83,063	92,086	133,945	159,320	155,204	115,233	142,673	169,947	
Change in net asset value with dividend added back, %	-15	-43	36	13	47	21	0	-23	26	21	
<b>Condensed Balance Sheet</b>											
Shares and participations <sup>3)</sup>	130,780	79,836	102,981	104,008	133,521	157,481	153,781	97,628	134,728	160,771	
Other	7,686	8,000	14,411	21,366	28,612	23,459	23,450	43,031	35,496	60,557	
Balance Sheet total <sup>3)</sup>	138,466	87,836	117,392	125,374	162,133	180,940	177,231	140,659	170,224	221,328	
<b>Profit and loss</b>											
Profit/loss for the year attributable to Parent Company shareholders	2,935	-1,379	-169	8,736	43,842	28,468	-365	-36,708	31,379	30,713	
Comprehensive income <sup>4)</sup>	-	-	-	-	-	-	-	-36,093	30,858	30,584	
Dividends received of which from Core Investments	2,710	2,003	1,846	1,710	2,415	3,171	3,474	4,147	2,900	3,622	
2,351	1,741	1,665	1,574	2,163	2,852	3,161	3,803	2,358	3,203		
<b>Change in value<sup>2)</sup></b>											
Change in value, Core Investments <sup>5)</sup>	-22,065	-48,968	22,466	7,842	37,424	27,260	-7,537	-35,269	29,584	22,904	
Total return, Core Investments, %	-15	-43	38	11	45	26	-3	-25	44	25	
Change in value, Operating Investments <sup>5)</sup>	371	54	-135	-588	-1,563	-2,059	-748	-27	-1,286	3,580	
Change in value, Private Equity Investments <sup>5)</sup>	-2,474	-2,071	202	1,204	6,053	583	5,907	-3,582	396	1,170	
<b>Transactions<sup>2)</sup></b>											
Divestments, Core Investments	13,356	2,995	1,891	7,733	10,570	10,530	6,015	20,902	450	-	
Investments, Core Investments	15,095	4,749	1,962	1,509	1,157	3,125	5,571	2,150	3,825	1,693	
Divestments, Operating Investments	-	-	-	-	2,862	123	292	-	143	133	
Investments, Operating Investments	318	1,090	1,830	2,090	-	5,626	6,864	4,705	1,520	9,292	
Divestments, Private Equity Investments	3,820	1,926	2,364	4,448	9,268	5,630	7,401	2,937	563	3,811	
Investments, Private Equity Investments	6,893	4,364	1,914	1,818	4,580	4,490	3,627	3,729	2,921	3,308	
<b>Key figures per share</b>											
Net asset value per share, SEK	154	82	108	120	175	208	203	150	187	224	
Basic earnings per share, SEK	3.83	-1.80	-0.22	11.39	57.15	37.13	-0.48	-47.98	41.12	40.35	
Diluted earnings per share, SEK	3.83	-1.80	-0.22	11.37	57.02	37.03	-0.48	-47.98	41.08	40.31	
Equity per share, SEK	80	69	64	120	175	208	203	150	187	224	
<b>Key ratios</b>											
Leverage, %	9	21	20	15	0	0	2	-9	0	6	
Equity/assets ratio, %	85	72	71	73	83	88	88	82	84	77	
Return on equity, %	5	-2	0	10	39	19	0	-27	24	20	
Discount to net asset value, %	26	37	36	30	21	20	28	24	29	37	
Administrative expense as a % of net asset value	0.6	0.7	0.7	0.5	0.4	0.4	0.4	0.5	0.4	0.3	
<b>Share data</b>											
Total number of shares, millions	767.2	767.2	767.2	767.2	767.2	767.2	767.2	767.2	767.2	767.2	
Holding of own shares, millions	-	-	-	-	0.7	1.4	2.5	4.7	6.7		
Share price on December 31, SEK <sup>6)</sup>	114.50	52.00	69.50	84.50	139.00	168.00	147.00	117.00	132.90	143.9	1%/0%
Market capitalization on December 31	87,686	39,893	53,007	64,826	106,326	127,950	111,244	88,066	100,992	107,907	
Dividend paid to Parent Company shareholders	4,219 <sup>7)</sup>	2,608 <sup>7)</sup>	1,726	1,726	2,685	3,449	3,637	3,059	3,050	3,836 <sup>8) 9)</sup>	
Dividend per share, SEK	5.50	3.40	2.25	2.25	3.50	4.50	4.75	4.00	4.00	5.00 <sup>8)</sup>	7%/-1%
Dividend payout ratio, %	179	150	104	110	124	121	115	80	130	120 <sup>8)</sup>	
Dividend yield, %	4.8	6.5	3.2	2.7	2.5	2.7	3.2	3.4	3.0	3.5	
Total annual turnover rate, Investor shares, % <sup>6)</sup>	69	101	168	121	130	146	165	135	117	100	
Total return, Investor shares, % <sup>6)</sup>	-15	-52	43	25	68	24	-10	-18	18	11	4%/4%
SIXRX (return index), %	-15	-36	34	21	36	28	-3	-39	53	27	8%/6%
OMXS30 index, %	-20	-42	29	17	29	20	-6	-39	44	21	4%/1%
Foreign ownership, capital, %	37	30	19	19	20	28	28	31	29	31	

See page 139 for definitions.

1) As a result of reclassifications and changes in accounting policies, comparative figures have been restated for the year preceding the year when the change was implemented, if not stated otherwise. In accordance comparative figures for 2004 have been restated in connection with the transition to IFRS in 2005. Detailed information about the transition to IFRS is available in the 2005 Annual Report.

2) The present business area reporting was implemented in 2005. For the years 2001-2004 a reallocation of values has been made in order to, as far as possible, resemble the present business area reporting.

3) Periods up to and including 2003 (before the transition to IFRS) include surplus value items.

4) New statement from 2009, comparative from 2008 have been restated.

5) For the years 2001-2003 changes in value have been calculated based on carrying amounts and surplus values.

6) Pertains to class B shares.

7) 2001: A definitive dividend of SEK 5.50/share, of which 2.50 was an extra dividend.

2002: A definitive dividend of SEK 3.40/share, of which SEK 1.15 was an extra dividend.

8) Proposed dividend of SEK 5.00/share.

9) Based on the total number of registered shares.

# Definitions

## Basic earnings per share

Profit/loss for the year attributable to the Parent Company's shareholders in relation to the weighted average number of shares outstanding.

## Basic net asset value per share

Net asset value per share in relation to the total number of shares on the Balance Sheet date.

## Cash conversion

Proportion of profits converted to cash flow.

## Change in value, Core Investments

Change in value as a percentage of opening value.

## Diluted earnings per share

Profit/loss for the year attributable to the Parent Company's shareholders, plus interest expenses after tax related to convertible debenture loans, in relation to the weighted average number of shares outstanding after full conversion and adjusted for the effect of share-based payments.

## Discount to net asset value

The difference between net asset value and market capitalization as a percentage of net asset value. If market capitalization is lower than net asset value, the share is traded at a discount. If market capitalization is higher, it is traded at a premium.

## Dividend payout ratio

Dividends paid in relation to dividends received from Core Investments.

## Dividend yield

Dividend per share in relation to share price on the Balance Sheet date.

## EBITDA

Earnings before interest, taxes, depreciation and amortization.

## Equity/assets ratio

Shareholders' equity and convertible debenture loans as a percentage of the Balance Sheet total.

## Equity per share

Equity including convertible debenture loans in relation to the number of shares on the Balance Sheet date after full conversion.

## Investment company

A company whose task is basically to offer shareholders the possibility to spread their risks and get attractive returns through long-term ownership of a well-distributed holdings of securities, and whose shares are owned to a large extent by a large number of individuals.

## IRR (Internal Rate of Return)

Annual average return calculated as the internal interest rate at which the present value of all cash flows for an investment is equal to zero.

## Leverage

Net debt/Net cash as a percentage of total assets.

## Market cost of capital

Defined as the risk-free interest rate plus the market's risk premium.

## Multiple valuation

A method for determining the current value of a company by examining and comparing the financial ratios of relevant peer groups.

## Net asset value

The market value of total assets less net debt (corresponds to equity).

## Net debt/Net cash

Interest-bearing current and long-term liabilities, including pension liabilities, less cash and cash equivalents, short-term investments and interest-bearing current and long-term receivables.

## Normalized EBITDA

EBITDA adjusted for extraordinary items, such as restructuring costs, certain amortization and impairment items, and specific investments.

## OMX Stockholm 30, OMXS30

A share index that is calculated for the 30 most actively traded shares on the Stockholm Stock Exchange (Stockholmsbörsen).

## Operating costs

General expenses for running investment operations.

## Profit/loss for the year

Profit/loss after tax.

## Return on equity

Profit/loss for the year as a percentage of average shareholders' equity.

## Risk-free interest rate

The interest earned on an investment in government bonds. In calculations, Investor has used SSVX 90 days.

## Risk premium

The surplus yield above the risk-free interest rate that an investor requires to compensate for the higher risk in an investment in shares.

## SIX's Return Index, SIXRX

A Swedish total return index calculated on share price change and reinvested dividends.

## Tier 1 ratio

Core capital as a percentage of the risk-weighted assets. Core capital consists of shareholders' equity, adjusted according to the capital adequacy rules.

## Total assets

All assets and liabilities not included in net debt or net cash, which is the same as the Balance Sheet total less asset items included in net debt or net cash and less non-interest-bearing liabilities.

## Total comprehensive income for the year

Change in equity during the period resulting from transactions and other events, other than those changes resulting from transactions with the owners in their capacity as owners.

## Total return

Sum of share price changes including reinvested dividends.

## Total return, Core Investments

Change in market value plus dividends received as a percentage of opening market value.

## Turnover rate

Number of shares traded during the year as a percentage of the total number of shares outstanding.

## Value at risk (VaR)

The largest loss likely to be suffered theoretically on a position or a portfolio of positions over a holding period with a given probability (confidence level).

## Volatility

A measure of the variability in an asset's return. Volatility is usually measured as a standard deviation in the return of an asset during a certain given period of time.

# History

Investor has had the same business philosophy ever since the company was founded in 1916 – to invest in companies and actively contribute to their success. Over the years, we have steadily evolved in step with boom times, depressions and recessions, with globalization trends and with constantly changing capital markets, all to capture new opportunities and create value. We have invested in new, exciting companies and industries, but have also divested holdings along the way. This is a tradition that we honor. Over the years, we have built up a unique international network and a strong brand, which together form our competitive edge as we enter the future.

**1916** Investor is established when new legislation makes it considerably more difficult for Swedish banks to own stocks in industrial companies on a long-term basis. The shareholdings of Stockholms Enskilda Bank are then transferred to the industrial holding company Investor. Several of Investor's Core Investments have been in the portfolio in some form since the start, such as Atlas Copco and SEB.

**1917** Investor is listed on the Stockholm Stock Exchange.

**1946** Stockholms Enskilda Bank forms the investment company Providentia. Jacob Wallenberg (1892–1980) is elected Chairman of Investor.

**1971–72** Stockholms Enskilda Bank and Skandinaviska Banken merge. The investment company Export-Invest is established in connection with the merger, and Investor gains a more independent role, separate from the bank.

**1978** Marcus Wallenberg (1899–1982) is elected Chairman of Investor. Claes Dahlbäck is appointed President and CEO.

**1982** Peter Wallenberg is elected Chairman of Investor.

**1984–91** Major structural deals among the Core Holdings (Core Investments today), including the sale of Kema Nobel and the following mergers: STORA/Billerud, STORA/Papyrus, STORA/Swedish Match, ASEA/Brown Boveri, STORA/Feldmühle Nobel and Tetra Pak/Alfa Laval. Saab-Scania and GM form the jointly owned company Saab Automobile, and OM Gruppen is formed.

**1991** Investor and Providentia make an offer for the outstanding shares in Saab-Scania. Through the acquisition of Saab-Scania, Investor becomes a diversified industrial holding company. The industrial conglomerate Incentive is listed on the Stockholm Stock Exchange following its demerger from ASEA/ABB.

**1992** Investor and Providentia merge.

**1994** Investor acquires Export-Invest. EQT is formed together with SEB and AEA.

**1995** Saab-Scania is divided into two independent companies, Scania AB and Saab AB. The intention is to broaden ownership in the two companies when the time is right. Novare Kapital is formed (Investor Growth Capital today).

**1996** Investor sells 55 percent of its holding in Scania and the company is listed on the Stockholm and New York stock exchanges. In connection with a refinancing of Saab Automobile, an option agreement is reached between Investor and GM to regulate long-term ownership in the company.

**1997** Investor's holding in TV4 is sold to the Finnish newspaper group Aamulehti. Investor participates in the merger between OM Gruppen and the Stockholm Stock Exchange and in the formation of the new SEB group through the merger between S-E-Banken and Trygg-Hansa. Percy Barnevik is elected Investor's Chairman.

**1998** British Aerospace becomes part-owner of Saab AB, which is then listed, and Stora Enso is formed through a merger between STORA and Enso. A merger is proposed between Astra and Zeneca.

**1999** Investor reaches an agreement with Volvo to sell its entire holding in Scania, but the EU's competition authority does not approve the deal. The merger between Astra and Zeneca is completed and Saab AB makes a bid for Celsius. Marcus Wallenberg is appointed President and CEO of Investor.

**2000** Investor sells shares in Scania to Volkswagen AG. Investor's new investments include b-business partners and imGO. 3 Scandinavia, co-owned with Hutchison Whampoa, is another new major initiative. The company is granted one of four UMTS licenses in Sweden.

**2001** Investor increases its ownership in Ericsson and SEB and sells its holdings in Stora Enso, SKF and SAS. GM purchases Investor's outstanding convertible debenture loan to Saab Automobile.

**2002** Investor increases its ownership in ABB, Electrolux, Ericsson, SEB and WM-data and sells its entire holding in Syngenta. Investor participates in Ericsson's new rights issue. Claes Dahlbäck becomes new Chairman of Investor AB.

**2003** Investor subscribes for its pro-rata share of ABB's new rights issue and sells its entire holding in Volvo. Tessera is listed on the NASDAQ exchange.

**2004** Investor sells part of its holding in AstraZeneca and strengthens its position in Scania. 3 Scandinavia establishes itself as the leading 3G operator in the region.

**2005** Investor sells part of its holding in ABB, AstraZeneca, Scania and SEB to restore strong financial flexibility. The Private Equity business area finalizes a number of successful transactions, such as the divestment of Bredbandsbolaget and Tessera. Jacob Wallenberg becomes Investor's new Chairman and Börje Ekholm is appointed President and CEO.

**2006** Investor and EQT take Gambro private. Husqvarna is spun out of Electrolux. WM-data is sold to LogicaCMG (U.K.). MAN makes a hostile bid for Scania that Investor, and later Volkswagen, rejects.

**2007** MAN's hostile bid for Scania is withdrawn and an agreement is signed to sell OMX to Borse Dubai. Mölnlycke Health Care is acquired. Gambro is divided into three independent entities, after which Gambro Healthcare is sold. Positions are increased in a number of Core Investments.

**2008** Investor divests OMX to NASDAQ/Borse Dubai and Scania to Volkswagen. Both transactions are industrially sound in addition to generating attractive returns. Lindorff is acquired.

**2009** Investor invests in Biovitrum and supports the merger between Biovitrum and Swedish Orphan International (previously owned by Investor Growth Capital). Investor participates in SEB's and Husqvarna's new issues.

**2010** Investor adds two subsidiaries through the acquisition of healthcare and care service provider Aleris and by acquiring additional shares in Mölnlycke Health Care. Investor acquires additional shares in Saab from BAE Systems, thereby clarifying the ownership structure in the company, and makes add-ons in Atlas Copco, Electrolux and Husqvarna. Additional shares are acquired in NASDAQ OMX which becomes the latest addition to Operating Investments.

# Shareholder information

## Annual General Meeting

Investor AB invites shareholders to participate in the Annual General Meeting on Tuesday, April 12, 2011, at 3 p.m. at the Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, in Stockholm. Registration for the Meeting commences at 1 p.m. Light refreshments will be served before the Meeting. Investor will present the interim report for the first quarter 2011 at 1:30 p.m. Shareholders are invited to the presentation.

## PARTICIPATION

Shareholders who would like to attend the Annual General Meeting must be recorded in the register of shareholders maintained by Euroclear Sweden AB on Wednesday, April 6, 2011, and must notify the Company of their intention to attend the Meeting no later than Wednesday, April 6, 2011.

## NOTICE OF PARTICIPATION IN THE ANNUAL GENERAL MEETING

Shareholders can give their notice of participation by:

- registering on Investor AB's website, [www.investorab.com](http://www.investorab.com) or
- calling +46 8 611 2910, weekdays, between 9:00 a.m. and 5:00 p.m. CET.

## NOMINEE-REGISTERED SHARES

In order to be entitled to participate in the Meeting, shareholders whose shares are registered in the name of a nominee through the trust department of a bank or similar institution must request that their shares are temporarily re-registered in their own names in the register of shareholders maintained by Euroclear Sweden AB. Such registration must be completed no later than Wednesday, April 6, 2011. Shareholders are requested to inform their nominees in good time prior to this date.

## PROXIES, ETC.

Shareholders who are represented by proxy must authorize such proxy by issuing a power of attorney. If such power of attorney is issued by a legal entity, an attested copy of the certificate of registration evidencing the authority to issue the power of attorney must be attached. The original power of attorney and the certificate of registration, where applicable, are to be sent to Investor AB, Annual General Meeting, SE-103 32 Stockholm, Sweden, well in advance of the Meeting. The form to use for a power of attorney is available on Investor's website: [www.investorab.com](http://www.investorab.com).

## REPRESENTATIVES

Shareholders or proxies for shareholders at the Annual General Meeting may take a maximum of two representatives with them to the Meeting. Representatives may be brought to the Meeting only if the shareholder of Investor AB gives notice of their attendance as described above for notification of participation of shareholders. If you have any questions about the Annual General Meeting, call +46 8 611 2910, weekdays, between 9:00 a.m. and 5:00 p.m. CET.

## Dividend

The Board proposes a dividend to the shareholders of SEK 5.00 per share for fiscal 2010. Friday, April 15, 2011, has been proposed as the record date. If the proposal is approved by the Annual General Meeting, the dividend is expected to be distributed by Euroclear Sweden AB on Wednesday, April 20, 2011.

## Calendar of events

- Annual General Meeting: April 12
- Interim Report, January-March: April 12
- Interim Report, January-June: July 19
- Interim Report, January-September: October 18
- Interim Report, January-December: January 24, 2012

## Information channels

Financial information about Investor can be accessed and ordered (information by mobile web, sms, e-mail or printed annual report) on [www.investorab.com](http://www.investorab.com), or by calling +46 8 614 2800.

## Information materials

Printed annual reports are distributed to shareholders that have requested it. All new shareholders will receive a letter asking how they would like to receive information.

## Investor relations

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## Corporate website

[www.investorab.com](http://www.investorab.com)

## Analyses of Investor

Firms publishing analyses of Investor AB include:

<ul style="list-style-type: none"><li>• ABG Sundal Collier</li><li>• Carnegie</li><li>• Cazenove</li><li>• Danske Bank</li><li>• Erik Penser</li><li>• Evli Bank</li><li>• Goldman Sachs</li></ul>	<ul style="list-style-type: none"><li>• Handelsbanken</li><li>• Nordea</li><li>• SEB Enskilda</li><li>• Swedbank Markets</li><li>• UBS</li><li>• Öhman</li></ul>
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