

Corporate Governance Report

“Effective decision-making is based on good corporate governance. For this reason, we strive to continuously develop our corporate governance both internally and in the companies where we have ownership responsibilities.”

Jacob Wallenberg

Corporate governance practices refer to the decision making systems through which owners, directly or indirectly, govern a company. Investor’s business model of active ownership is to create value in the portfolio companies. Good corporate governance is not only an important matter for Investor’s own organization, it is an important part of Investor’s core business.

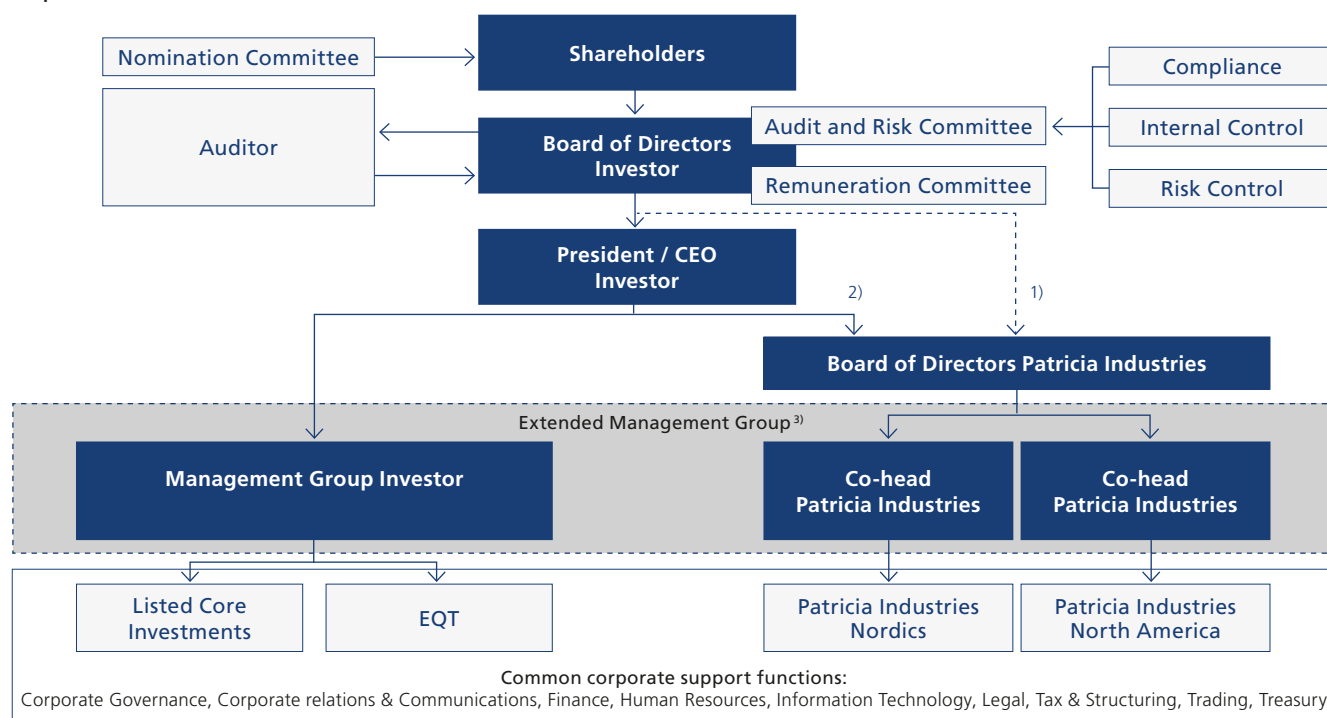
Investor is a Swedish limited liability company, publicly traded on Nasdaq Stockholm, and adheres to the Swedish Code of Corporate Governance (the Code). The Code is published on

www.corporategovernanceboard.se, where a description of the Swedish Corporate Governance model can be found.

This Corporate Governance Report is submitted in accordance with the Swedish Annual Accounts Act and the Code. It explains how Investor has conducted its corporate governance activities during the 2016 financial year.

The Corporate Governance Report has been reviewed by Investor’s auditor, see page 84.

Corporate Governance at Investor



The corporate culture is based on the core values:
Create value / Continuous improvement / Contribute your view / Care for people

- 1) Within given mandate from Investor’s Board of Directors the operation within Patricia Industries is run independently. The Board of Patricia Industries consists of Gunnar Brock, Sune Carlsson, Johan Forssell, Jacob Wallenberg (Vice Chairperson) and Marcus Wallenberg (Chairperson). For members in Investor’s Board of Directors, see page 30.
- 2) The President and CEO of Investor has the overall responsibility for the whole Investor Group. In the daily operations, the President and CEO of Investor, however works closer to the two business areas Listed Core Investments and EQT, as Patricia Industries has a Board of Directors that independently makes investment and management decisions, within a given mandate from Investor’s Board of Directors, regarding the companies within Patricia Industries. The President and CEO of Investor is a member of the Patricia Industries’ Board.
- 3) As of January 17, 2017, an Extended Management Group was established, which includes the Co-heads of Patricia Industries. For members of the Management Group including the Extended Management Group, see page 32.

Investor complied with the Code during 2016. Investor did neither deviate from the Nasdaq Stockholm Rule Book for Issuers nor from good stock market practice.

Annual General Meeting

The 2017 Annual General Meeting (AGM) of Investor will take place on May 3 at the City Conference Centre in Stockholm. Shareholders who would like to have a particular matter discussed at the AGM should have submitted such request to the Nomination Committee before March 8 and to the company before March 15, 2017. Contact information is available on the company website.

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 and B-shares are entitled to 1/10 vote.

In addition to what follows from applicable law regarding shareholders' right to participate at General Meetings, under Investor's Articles of Association shareholders must (within the time stated in the convening notice) give notice of their attendance and notify the company of any intention to bring assistance.

The documents from the AGMs and the minutes recorded at the AGMs are published on the website.

Shares

At year-end 2016, Investor had 175,478 shareholders according to the register of shareholders maintained by Euroclear Sweden. Shareholdings in Investor representing at least one tenth of the votes of all shares in the company: Knut and Alice Wallenberg Foundation with 20.0 percent of the capital and 42.9 percent of the votes.

Since year 2000, the Board has requested and been granted a mandate by the AGM to repurchase and transfer Investor shares. The 2017 AGM is proposed to grant a corresponding authorization to the Board to repurchase and transfer Investor shares as was granted by the AGM 2016.

For more information about the Investor share and the largest shareholders, see page 22.

Nomination Committee

According to the current instruction for the Nomination Committee, the Committee shall consist of one representative from each of the four shareholders or groups of shareholders controlling the largest number of votes that desire to appoint a representative and the Chairperson of the Board. The Nomination Committee is obliged to perform its tasks according to the Code. For further information regarding instruction for the Nomination Committee, see the website.

The members of the Nomination Committee for the AGM 2017:

- Hans Wibom, Wallenberg Foundations, Chairperson of the Nomination Committee
- Anders Oscarsson, AMF
- Lars Isacson, SEB Foundation
- Ramsay Brufer, Alecta
- Jacob Wallenberg, Chairperson of the Board of Directors

The composition of the Nomination Committee meets the requirements concerning the independence of the Nomination Committee.

The AGM documents related to the Nomination Committee are published on the website.

Auditor

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. The auditor is appointed by the AGM for a mandate period of one year, as nothing further is stated in Investor's Articles of Association.

At the 2016 AGM, the registered auditing company, Deloitte AB was re-elected as auditor for the period until the end of the 2017 AGM. Deloitte AB has been the auditor in charge since 2013. The Authorized Public Accountant Thomas Strömberg is since 2013 the auditor in charge for the audit.

For details on fees to auditors, see note 10, Auditor's fees and expenses.

Board

The Board of Directors is ultimately responsible for Investor's organization and administration. Pursuant to the Articles of Association, the Board must consist of no less than three and no more than thirteen Directors, as well as no more than four deputies. Since the 2016 AGM, the Board has consisted of eleven members and no deputies. The CEO is the only Board member employed by the company. The number of female Board members are four and three Board members are not Swedish citizens.

The composition of Investor's Board 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. This consideration is not considered to entail a dependence of these members on Investor or its Management. Investor is an industrial holding company and works actively through the Boards of its holdings to identify and drive value-creating initiatives. The work of the Board of Directors in Investor's holdings is the core of Investor's active ownership model. For Investor, where a fundamental component is to have the right Board in each company, it is natural that Members of Investor's Board of Directors and Management have Board assignments in Investor's holdings.

A more detailed presentation of the Board is found on page 30 and on the website.

Evaluation of the Board and CEO

Pursuant to the Rules of Procedure, the Chairperson of the Board initiates an annual evaluation of the performance of the Board. 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 2016 evaluation was answered by each Board member. In addition, the Chairperson met with each Board member separately to discuss the work done by the Board during the year. The Board discussed the results of this year's evaluation and the Chairperson of the Board reported 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.

Work of the Board in 2016

During the year, the Board held 11 meetings (of which 2 per capsulam meetings). The Board members' attendance is shown in the adjacent table. The secretary of the Board meetings was, with a few exceptions, General Counsel, Petra Hedengran. Prior

to each meeting, Board members were provided with written information on the issues that were to be discussed. Each Board meeting has included an item on the agenda during which Board members had the opportunity to discuss without representatives of the company's Management being present.

The Board devoted considerable time to value creation plans in the portfolio companies, acquisition of shares in, inter alia, Atlas Copco, Wärtsilä and Ericsson, investments in EQT funds and other strategic matters.

The Board devoted time to both internal and external presentations of the financial markets. 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. The CEO of Saab presented the company. Furthermore, the Management for Patricia Industries held a presentation on the development of this business area and its portfolio companies including the key points in the value creation plans.

An important part of the Board's work is the financial reports presented at every regular Board meeting, including those prior to the year-end, the interim report, and the interim management statements. The Board also receives regular reports on the company's financial position. Also, regular monthly reports about the companies within the business area Patricia Industries are reviewed. At regular Board meetings, reports are delivered on the ongoing operations in the business areas, together with in-

Attendance record and Board remuneration in 2016

Member	Position	Attendance record, Board and Committee meetings 2016			Board remuneration resolved by the AGM 2016, SEK t.			
		Board meetings ¹⁾	Audit and Risk Committee	Remuneration Committee ¹⁾	Board fee ²⁾	Audit and Risk Committee	Remuneration Committee	Total
Jacob Wallenberg	Chairperson	9/9	6/6	7/7	2,400	170	160	2,730
Marcus Wallenberg	Vice Chairperson	9/9			1,390			1,390
Josef Ackermann	Member	9/9			640			640
Gunnar Brock	Member	9/9	6/6		640	170		810
Johan Forssell	Member	9/9						
Magdalena Gerger	Member	7/9	6/6		640	170		810
Tom Johnstone, CBE	Member	9/9		7/7	640		80	720
Grace Reksten Skaugen	Member	9/9	6/6		640	255		895
Hans Stråberg	Member	9/9			640			640
Lena Treschow Torell	Member	8/9		7/7	640		80	720
Sara Öhrvall	Member	9/9			640			640
Total					8,910	765	320	9,995

1) Per capsulam not included.

2) Non-employee Directors can choose to receive part of their Board remuneration (excluding Committee remuneration) in the form of synthetic shares. For total value of the Board fee including synthetic shares and dividends at year-end, see note 9, Employees and personnel costs.

depth analyses and proposed actions regarding one or more of the company's holdings. Succession planning is also evaluated yearly by the Board.

Committee work is an important task performed by the Board. For a description of the work conducted by the Committees during 2016, see the adjacent table.

During the year, the company's Management presented value creation plans for Listed Core Investments, including analyses of the holdings' operations and development potential in the business areas where they 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. The Board reviewed and approved these value creation plans for all listed core investments. The Board also discussed the overall strategy thoroughly at the yearly strategy review.

The Board regularly received and discussed reports on the composition of portfolios and developments within Patricia Industries and Investor's involvement in EQT.

In addition to participating in meetings of the Audit and Risk 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.

Board Committees

In order to increase the efficiency of its work and enable a more detailed analysis of certain issues, the Board has formed Committees. The Board Committees are the Audit and Risk Committee and the Remuneration Committee. The members of the Committees are appointed for a maximum of one year at the statutory Board meeting. The Committee's duties and decision making authorities are regulated in the annually approved Committee instructions.

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

The Audit and Risk Committee is responsible for assuring the quality of the financial reporting and the efficiency in the internal control system. The Audit and Risk Committee also evaluates financial strategies, risk exposure and that the company's compliance efforts are effective. The Audit and Risk Committee is the primary way in which the Board and the company's auditor communicate with each other.

The responsibilities of the Remuneration Committee are, among other things, to monitor, evaluate and prepare guidelines for salary and other remuneration and to decide remuneration to the members of the Management Group, except for the President for whom the Board as a whole sets the remuneration.

Board Committees' work 2016

	Audit and Risk Committee	Remuneration Committee
Members	Grace Reksten Skaugen (Chairperson) Gunnar Brock Magdalena Gerger Jacob Wallenberg	Jacob Wallenberg (Chairperson) Tom Johnstone, CBE Lena Treschow Torell
Number of meetings	6	8 (of which 1 per capsulam)
Focus areas in 2016	<ul style="list-style-type: none"> Analyzed each interim report, interim management statement and the year-end report for completeness and accuracy. Evaluated accounting and valuation principles. Followed-up Audit reports. Followed-up on the internal control in the financial reporting process. Evaluated risk for errors in the financial reporting and followed-up recommendations on improvements. Evaluated the auditor performance and presented to the Nomination Committee. Followed-up on limits, mandates and risk exposure. Approved updates of Group policies. Assessed the effect on Investor and specifically the Audit and Risk Committee work, regarding new and coming regulations. 	<ul style="list-style-type: none"> Evaluated and approved remuneration structures for personnel and salary reviews for Management. Evaluated and assessed the President's goals and terms and conditions for remuneration, which were then approved by the Board. Discussed strategic personnel and compensation related issues. Monitored and evaluated guidelines for salary and other remuneration including the long-term variable remuneration programs, both ongoing and those that have ended during the year. Monitored and evaluated the application of guidelines for salary and other remuneration that were approved by the AGM. Proposed to the Board to submit to the AGM 2017 long-term variable remuneration programs.

The President and Management

The Board appoints the President and approves the Instruction for the President. The President, Johan Forssell, is responsible for the day to day business of the company. The responsibilities include among other things 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 ensures that the Board is provided with the requisite material for making well-informed decisions.

For his support the President has appointed a Management Group consisting of Petra Hedengran, General Counsel and Head of Corporate Governance and Compliance, Daniel Nodhäll, Head of Listed Core Investments, Helena Saxon, CFO, and Stefan Stern, Head of Corporate Relations, Sustainability and Communications. As of January 17, 2017, an Extended Management Group was established, which includes the Co-heads of Patricia Industries. For members of the Management Group including the Extended Management Group, see page 32.

Four to five times a year the Management Group holds meetings focused on the company's strategy and risk assessment.

The Management Group regularly works with specific business transactions, follow-up on value creation plans, sustainability issues, the company's financial flexibility and organization- and personnel related matters.

Control functions

The Risk Control function is responsible for coordinating the internal reporting of Investor's significant risks at the aggregate level. The Risk Control function reports to the Audit and Risk Committee.

The Compliance function supports Investor's compliance with laws and regulations, and maintains internal regulatory systems and education to this end. The Compliance function reports to the Audit and Risk Committee.

The review function, Internal Control, 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 Internal Control function regularly provides reports on its work to the Audit and Risk Committee during the year.

Remuneration

Remuneration to the Board

The total remuneration to the Board approved by the AGM 2016 was SEK 9,995 t. Since the 2008 AGM, it is possible for Board members to receive a portion of their remuneration in the form of synthetic shares. Information on specific remuneration is provided in the adjacent table and in note 9, Employees and personnel costs.

At the statutory Board meeting in May 2016, the Board adopted, as in 2011-2015, a policy stating that Board members, who do not already have such holdings, are expected to, over a five-year period, acquire an ownership in Investor shares (or a corresponding exposure to the Investor share, e.g. in the form of synthetic shares) with a market value equivalent to at least one year's Board remuneration, before taxes, excluding remuneration for Committee work.

Remuneration to Management

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

See note 9, Employees and personnel costs, and on the website, for the most recently approved guidelines on remuneration to senior executives and for a description on the long-term variable remuneration programs. See also the website for the information and evaluation that have to be reported according to the Code.

The Board of Directors' proposal regarding guidelines for salary and other remuneration for the President and other members of the Management Group to the AGM 2017 corresponds in substance with the guidelines for remuneration decided by the AGM 2016. The Management Group consists of the President Johan Forssell, Petra Hedengran, Daniel Nodhäll, Helena Saxon and Stefan Stern as well as the two additional members, Noah Walley and Christian Cederholm, who together with the other members form Investor's Extended Management Group. Noah Walley and Christian Cederholm are Co-heads of Patricia Industries North America and Nordics respectively.

The Board of Directors' proposal regarding long-term variable remuneration program to the AGM 2017 is substantially the same as the program decided by the AGM 2016. However, the Board of Directors also proposes to the AGM 2017 a new, separate program for employees within Patricia Industries.

Internal control over financial reporting

The description of the internal control over the financial reporting is based on the framework set by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Investor's internal control over the financial reporting is focused primarily on ensuring efficient and reliable control of, and accounting for, purchases, sales and accurate evaluation of securities. Correct consolidation of the operating subsidiaries is also a priority.

The Board of each operating subsidiary is responsible for ensuring the efficiency of the subsidiary's internal control structures, risk management and financial reporting. Patricia Industries' Board representative provides this information to Patricia Industries' Board, where analysis and follow-up take place. Patricia Industries' Board ensures that Investor's Board and Management receive information on any issues that could affect Investor's business or financial reporting.

Control environment

The 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. It also requires each individual's awareness of his/her role in maintaining effective internal control.

All of Investor's business areas have policies, instructions and detailed process descriptions for the various phases of each business flow. These documents establish rules on responsibilities for specific tasks, mandates and powers and how validation is to be carried out. Accounting and reporting rules and routines are documented in Investor's Financial Handbook. All governing documents are presented on the intranet for all employees. The documents are updated yearly or when needed. During 2016 the follow-up on the subsidiaries' work with their steering documents continued.

Risk assessment

Risk assessment is conducted continuously in the day to day business at Investor. Annually the Finance department assesses risk for major errors in the financial report and sets action plans to reduce identified risks. Focus is placed on risks of material weaknesses for significant Income Statement and Balance Sheet items, which have a higher risk because of the complexity, or where there is a risk that the effects of potential weaknesses may become significant because of the high transaction values involved. Conclusions drawn from the risk assessments on risks for errors in the financial reporting are reported to and discussed with the Audit and Risk Committee.

Using the risk assessment as a starting point to ensure the reliability of the financial reporting, the Audit and Risk Committee determines which of the identified risks should be prioritized by the Internal Control function. Suggestions for improvements

are identified and implemented on an ongoing basis. During 2016 the yearly risk assessment focused on information security, compliance risks and risks for errors in the financial reporting.

For a more detailed description of risks and other risk assessments, see note 3, Risks and Risk management.

Control activities

To ensure that the 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 the Board and company Management to other employees.

Financial controls in the company include approval of business transactions, reconciliation with external counterparties, daily monitoring of risk exposure, daily account reconciliation, monthly custody reconciliation, performance monitoring and analytical monitoring of decisions. Investor's financial reports are analyzed and validated by the company's control function within Finance. Frequent analysis of the operating subsidiaries' financial reports are also performed.

During 2016 the controls in the processes with Patricia Industries have been developed.

Information and communication

For the purpose of ensuring that the external information is correct, complete and timely, Investor's Board has adopted a Communication policy. Within the company, there are also instructions regarding information security and how to communicate financial information between the Board, Management and other employees as well as from Patricia Industries to Investor.

During 2016 continued focus has been on improving the process of information flow between Patricia Industries and Investor. During the year, reporting processes from the new subsidiary Laborie have also been set.

Investor has an established process for whistleblowing, accessible for all employees. It can be used anonymously.

Monitoring

Both the Board and the Management Group regularly follow-up on the effectiveness of the company's internal controls to ensure the quality of processes for the financial reporting. Investor's financial situation and strategy regarding the company's financial position are discussed at every Board meeting and the Board is provided with detailed reports on the development of the business to this end. The Board reviews all interim reports before public release.

The Audit and Risk Committee plays an important role in ensuring and monitoring that control activities are in place for important areas of risk inherent in the processes for financial reporting and regularly reports the results from the committee work to the Board. The Audit and Risk Committee, Management Group and Internal Control function regularly follow-up reported deviations.

Board of Directors



Jacob Wallenberg

Marcus Wallenberg

Josef Ackermann

Gunnar Brock

Johan Forssell

	Jacob Wallenberg	Marcus Wallenberg	Josef Ackermann	Gunnar Brock	Johan Forssell
Position	Chairperson Chairperson: RC Member: ARC	Vice Chairperson	Director	Director Member: ARC	Director President and CEO
Elected	1998 (Chairperson since 2005)	2012 (Vice Chairperson since 2015)	2012	2009	2015
Year of birth	1956	1956	1948	1950	1971
Nationality	Swedish	Swedish	Swiss	Swedish	Swedish
Education	B.Sc. in Economics and M.B.A., Wharton School, University of Pennsylvania Reserve Officer, Swedish Navy	B.Sc. of Foreign Service, Georgetown University	Dr. oec, economics and social sciences, University of St. Gallen	M.Sc. in Economics and Business Administration, Stockholm School of Economics	M.Sc. in Economics and Business Administration, Stockholm School of Economics
Other assignments	Vice Chairperson: ABB, Ericsson, FAM, Patricia Industries, SAS Director: The Knut and Alice Wallenberg Founda- tion, Stockholm School of Economics Member: IBLAC ¹⁾ , ERT ²⁾ , IVA ³⁾ , The Confederation of Swedish Enterprise	Chairperson: FAM, Patricia Industries, Saab, SEB Vice Chairperson: The Knut and Alice Wallen- berg Foundation Director: AstraZeneca, Temasek Holding Member: IVA ³⁾	Chairperson: Bank of Cyprus Honorary Chairperson: St. Gallen Foundation for International Studies Director: Renova Management International Advisory Board: Akbank	Chairperson: Mölnlycke, Stora Enso Director: Patricia Industries, Stena, Stockholm School of Economics, Syngenta Member: IVA ³⁾	Director: Atlas Copco, EQT AB, Patricia Industries, Saab, Wärtsilä Member: IVA ³⁾
Work experience	Chairperson: SEB Vice Chairperson: Atlas Copco, Investor, Stora President and CEO: SEB Director: The Coca-Cola Company, Electrolux, Stora, WM-data Executive VP and CFO: Investor	Chairperson: Electrolux, International Chamber of Commerce, LKAB President and CEO: Investor Executive VP: Investor Director: EQT Holdings, Deutsche Bank, Citicorp, SEB, SG Warburg, Stora Enso, Stora Feldmühle	Chairperson: Zurich Insurance Group Chairperson Manage- ment Board and the Group Executive Commit- tee: Deutsche Bank President Executive Board: Schweizerische Kreditanstalt	Chairperson: Rolling Optics CEO: Alfa Laval, Atlas Copco, Tetra Pak Group, Thule International Director: Lego, SOS Children's Villages, Total	Project Director: Aleris Head of Core Investments: Investor Head of Research: Investor Head of Capital Goods and Healthcare sector: Investor Head of Capital Goods: Investor
Independent to Investor and its Management	Yes	Yes	Yes	Yes ⁶⁾	No ⁷⁾
Independent to major shareholders	No ⁵⁾	No ⁵⁾	Yes	Yes	Yes
Shares in Investor⁸⁾	146,669 A shares 315,572 B shares 8,463 synthetic shares	536,000 A shares 16,223 B shares	7,042 synthetic shares	7,324 synthetic shares	34,000 A shares 50,000 B shares

ARC: Audit and Risk Committee, RC: Remuneration Committee.

1) IBLAC: Mayor of Shanghai's International Business Leaders Advisory Council.

2) ERT: The European Round Table of Industrialists.

3) IVA: The Royal Swedish Academy of Engineering Sciences.





4) IFN: The Research Institute of Industrial Economics.

5) Member of Knut and Alice Wallenberg Foundation.








6) In conjunction with taking over as the Chairperson of Mölnlycke 2007 (which was prior to joining the Board in Investor), Gunnar Brock acquired shares (ordinary and preferred) in Mölnlycke as part of the stock investment program for the Board and senior executives of that company. A part of this holding was reinvested in connection with the new program set in place during 2014 and the remainder was exited. However, it has been concluded that this does not make Gunnar Brock dependent on Investor or its Management.

7) President and CEO.

8) Includes holdings of close relatives and legal entities.

					
Magdalena Gerger	Tom Johnstone, CBE	Grace Reksten Skaugen	Hans Stråberg	Lena Treschow Torell	Sara Öhrvall
Director Member: ARC	Director Member: RC	Director Chairperson: ARC	Director	Director Member: RC	Director
2014	2010	2006	2011	2007	2015
1964	1955	1953	1957	1946	1971
Swedish	British	Norwegian	Swedish	Swedish	Swedish
M. Econ., and M.B.A., Stockholm School of Economics M.B.A. exchange, McGill University	M.A., University of Glasgow Honorary Doctorate in Business Administration, University of South Carolina Honorary Doctorate in Science, Cranfield University	M.B.A., BI Norwegian School of Management, Careers in Business Program, New York University Ph.D. and B.Sc., Laser Physics, Imperial College of Science and Technology, London University	M.Sc. in Engineering, Chalmers University Reserve Officer, Swedish Army	Ph.D., Physics, University of Gothenburg Docent, Physics, Chalmers University	M.Sc. in International Business, Umeå University
President and CEO: Systembolaget Director: Ahlsell, Husqvarna, IVA ³⁾ Member: IFN ⁴⁾	Chairperson: Combient, Husqvarna Director: Volvo Cars, Wärtsilä Member: IVA ³⁾	Chairperson: Norwegian Institute of Directors Deputy Chairperson: Orkla Director: Lundin Petroleum, Euronav	Chairperson: Atlas Copco, CTEK, Nikkarit, Roxtec Vice Chairperson: Orchid Director: Hedson, IVA ³⁾ Mellbygård, N Holding, Stora Enso	Chairperson: Chalmers University Director: Saab, SKF Member: IVA ³⁾	Co-Founder and Senior Advisor: MindMill Network Director: Bonnier News, Bonnier Books, Bisnode, SEB Member: Nobel Museum, Umeå University, Vinnova
Chairperson: IQ-initiativet Director: IKEA (Ingka Holding), Svenska Spel Vice President, responsible for Fresh Dairy, Marketing and Innovation: Arla Foods Management consultant: Futoria Category Director: Nestlé Marketing Director: ICI Paints, Procter & Gamble	President and CEO: SKF Director: Electrolux, SKF, The Association of Swedish Engineering Executive Vice President: SKF President, Automotive Division: SKF	Chairperson: Entra Eiendom, Ferd Deputy Chairperson: Statoil Director: Atlas Copco, Corporate Finance Enskilda Securities, Opera Software, Renewable Energy Corporation, Storebrand, Tandberg	President and CEO: Electrolux Director: The Confederation of Swedish Enterprise, The Association of Swedish Engineering Industries COO: Electrolux Various positions within Electrolux	Chairperson: Euro-CASE Chairperson and President: IVA ³⁾ Research Director: Joint Research Centre, European Commission Professor in Physics: Chalmers University, Uppsala University Director: Ericsson, Gambro, Getinge, Imego, IRECO, Micronic, ÅF	Chairperson: Newsmill, Workey, Feber Director: Adlibris, Bonnier Publications, Dagens Industri, Lunarstorm, Mag+, SF Bio, TV4 Executive VP, R&D: Bonnier Director of Product Development: Volvo Cars Partner and CEO: Differ
Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes
4,441 B shares 3,383 synthetic shares	7,324 synthetic shares	2,000 A shares	8,300 B shares 7,324 synthetic shares	2,500 B shares 7,324 synthetic shares	2,147 synthetic shares

Management Group

	Education	Other assignments	Work experience	Shares in Investor ¹⁾
 <p>Johan Forssell President and CEO</p> <p>Member MG since: 2006 (President and CEO since 2015) Employed since: 1995 Year of birth: 1971 Nationality: Swedish</p>	M.Sc. in Economics and Business Administration, Stockholm School of Economics	Director: Atlas Copco, EQT AB, Patricia Industries, Saab, Wärtsilä Member: IVA	Project Director: Aleris Head of Core Investments: Investor Head of Research: Investor Head of Capital Goods and Healthcare sector: Investor Head of Capital Goods sector: Investor	34,000 A shares 50,000 B shares
 <p>Petra Hedengran General Counsel, Head of Corporate Governance and responsible for investments in EQT funds</p> <p>Member MG since: 2007 Employed since: 2007 Year of birth: 1964 Nationality: Swedish</p>	Bachelor of Laws, Stockholm University	Director: Electrolux, The Association for Generally Accepted Principles in the Securities Market	Director: EQT Partners, Lindorff Group Partner and Head of Banking and Financing Group: Advokatfirman Lindahl Legal Counsel and General Counsel: ABB Financial Services, Nordic Region	1,500 A shares 15,000 B shares
 <p>Daniel Nodhäll Head of Listed Core Investments</p> <p>Member MG since: 2015 Employed since: 2002 Year of birth: 1978 Nationality: Swedish</p>	M.Sc. in Economics and Business Administration, Stockholm School of Economics	Director: Husqvarna	Investment Manager, Head of Capital Goods: Investor	8,074 A shares 3,426 B shares
 <p>Helena Saxon Chief Financial Officer</p> <p>Member MG since: 2015 Employed since: 1997 Year of birth: 1970 Nationality: Swedish</p>	M.Sc. in Economics and Business Administration, Stockholm School of Economics, IMD, INSEAD	Director: SEB, Sobi	Director: Aleris, Gambro, Mölnlycke Investment Manager: Investor CFO: Hallvarsson & Halvarsson, Synchron International Financial analyst: Goldman Sachs	7,370 B shares
 <p>Stefan Stern Head of Corporate Relations, Sustainability and Communications</p> <p>Member MG since: 2015 Employed since: 2013 Year of birth: 1970 Nationality: Swedish</p>	Political science, Stockholm University	Director: Demoskop	State Secretary on Energy and Sustainability, Ministry of Sustainable Development: Government of Sweden Senior Advisor: Magnora CEO: Swedish District Heating Association Head of Planning, Prime Minister's Office: Government Offices of Sweden	3,426 B shares
Members of the Extended Management Group ²⁾				
 <p>Christian Cederholm Co-head Patricia Industries, Nordics</p> <p>Part of Extended MG since: 2017 Employed since: 2001 Year of birth: 1978 Nationality: Swedish</p>	M.Sc. in Economics and Business Administration, Stockholm School of Economics	Director: Aleris, Hi3G Scandinavia, Nasdaq Nordic, Permobil	Head of Patricia Industries Nordics Investment Professional: Investor	24,650 A shares 4,132 B shares
 <p>Noah Walley Co-head Patricia Industries, North America</p> <p>Part of Extended MG since: 2017 Employed since: 2003 Year of birth: 1963 Nationality: American / British</p>	B.A. and M.A. in History, Oxford University J.D. Stanford University Law School	Director: BraunAbility, Better Finance, Conductor, Pulsepoint, Retail Solutions, Spigit, Tangoe	Head of Patricia Industries U.S. President: IGC Managing Director: IGC General Partner: Morgan Stanley Consultant: McKinsey Investment Banker: N M Rothschild & Sons	6,325 B shares

See note 9, Employees and personnel costs, for shares and share-related instruments held by the Management Group members.

1) Includes holdings of close relatives and legal entities.

2) As of January 17, 2017, an Extended Management Group was established, which includes the Co-heads of Patricia Industries.

Auditor's Report

To the annual general meeting of the shareholders of Investor AB (publ.)

CORP. ID 556013-8298

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Investor AB (publ) for the financial year January 1 – December 31, 2016 except for the corporate governance report on pages 24-32. The annual accounts and consolidated accounts of the company are included on pages 4-5, 9-11 and 21-83 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 24-32. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general annual meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Governance over financial reporting

With Investor's focus on high quality financial reporting combined with tighter reporting deadlines and more reporting units, a well-controlled financial reporting process is critical. Wholly-owned subsidiaries and partner-owned investments within Patricia Industries are normally independent with separate internal control systems in place for their operating activities including financial reporting.

We focused our audit on the governance over financial reporting for several reasons. Firstly, it is important to ensure that the information reported by each entity is prepared in accordance with IFRS.

Secondly, with more tight reporting deadlines, changes to the timing and reporting structure, monitoring controls are critical to ensure high quality reporting. Thirdly, with Patricia Industries' intention to continue to seek new investments with significant ownership it is important to have well established procedures to ensure timely and correct financial reporting.

Investor AB's information regarding consolidation principles are included in Note 1 Significant accounting policies and Note 12 Shares and participation in associates on pages 38 and 52 respectively, providing further explanation on the method for accounting for associates.

Our audit procedures included, but were not limited to:

- We obtained an understanding of Investor's processes relating to internal controls over financial reporting and tested key controls.
- We evaluated internal controls in relation to critical IT-systems used for financial reporting.
- We assessed the company's procedures relating to controls over financial information reported from consolidated subsidiaries and associates reported under the equity method.
- We assessed unusual transactions, such as the accounting for the acquisition of Laborie, and the reporting thereof including assessment of application of new accounting rules and regulations and their compliance with IFRS.

Valuation of unlisted investments

The valuation process of unlisted investments requires estimates by management and is therefore more complex compared to the valuation of listed investments. Additionally, changes in the holding strategy for certain holdings and changes in ownership interests may have implications on the method for accounting and valuing these investments. The total carrying value recognized at fair value amounted to SEK 19,367 million as of December 31, 2016.

Investor's valuation policy is based on the International Private Equity and Venture Capital Valuation Guidelines. Inappropriate judgements made in the assessment of fair value, in particular, in respect of selection of valuation multiples could have a significant impact on the value of the unlisted investment.

We focused on the unlisted investments since the carrying value is material, the investment portfolio comprises a large number of unlisted securities and since the assessments made to arrive at the fair value is sensitive to judgements and estimates made.

Investor AB's principles for accounting for unlisted investments are described in note 29 on page 67 and detailed disclosures regarding these investments are included in Note 29 Financial instruments on page 67-70, see detailed description in section Measurement of financial instruments in level 3.

Our audit procedures included, but were not limited to:

- We obtained an understanding of the valuation process and key controls in this process and tested key controls.
- We agreed correct ownership percentages in Patricia Industries and EQT funds and proper accounting for changes in such ownership.
- We confirmed the reported valuations as of December 31, 2016 to audited financial statements of the funds of EQT.
- We tested that the methodology and consistency applied in the valuation of the portfolio companies is in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

- We recomputed the calculation of the enterprise value for a selection of portfolio companies including agreeing currency rates to independent sources.
- We assessed the relevance of multiples used in the portfolio companies' enterprise value calculations against market multiples from precedent transactions or traded data.

Valuation of listed investments

There is a lower degree of judgment involved in the valuation process for listed investments compared to unlisted investments. However, a substantial portion of Investor's total assets is embedded in the holdings in listed investments. The total value of listed investments amounted to SEK 253,496 million as of December 31, 2016.

We focused on the listed investments since the carrying value is significant, there is a risk that changes in ownership might not be properly recognized, and effects of dividend received might not properly reflected in the fair value.

Investor AB's principles for accounting for listed investments are described in note 29 on page 67 and detailed disclosures regarding listed investments are included in Note 29 Financial instruments on page 67-70, see detailed description in section Measurement of financial instruments in level 1.

Our audit procedures included, but were not limited to:

- We obtained an understanding of the valuation process and tested key controls.
- We validated the holdings towards external statements.
- We tested the fair value calculation arithmetically and compared values to official share prices.
- We reviewed disclosures relating to valuation of listed investments to ensure compliance with IFRS.

Intangible assets

Investor's acquisitions of Mölnlycke, Aleris, Permobil, BraunAbility and Laborie have led to a portion of the purchase price being allocated to intangible assets including goodwill. Changes in economic conditions or lower than expected improvement in performance may be indicators of potential impairment of the recoverable amount of these assets and hence the consolidated net asset value of Investor. The total carrying amount of goodwill relating to these holdings amounted to SEK 34,852 million as of December 31, 2016.

We focused on the impairment assessments above since the carrying value of intangible assets are material and as the assessment is sensitive to changes in assumptions.

Investor disclosures regarding intangible assets are included in Note 16 Intangible assets on page 56-58, which specifically explains that changes in the key assumptions used could give rise to an impairment of the intangible and tangible assets balances in the future.

Our audit procedures included, but were not limited to:

- We obtained an understanding of management's annual impairment testing process and controls for assessing impairment triggers and tested key controls.
- We reviewed the valuation and financial development of each entity and discussed historical performance with management.
- We analyzed the assumptions made in the impairment tests for each entity and compared to historical performance, external and other benchmark data.
- We evaluated the sensitivity of key assumptions.
- We reviewed the disclosures related to valuation of intangible assets and assessed whether the disclosures are in line with IFRS.

Treasury and hedge accounting

Investor manages its foreign currency exchange rate and interest rate exposures with derivatives such as forward contracts, options and swaps.

We focused on the treasury and hedge accounting since the risk mitigating relationships and contracts can be complex and it is essential to understand the financial effects of these instruments and that they are accurately presented.

Investor's disclosures regarding treasury and hedge accounting are included in Note 3 Risks on page 39-42, see detailed description in section Exchange rate risk and Interest rate risk and in Note 29 on page 65-70.

Our audit procedures included, but were not limited to:

- We obtained an understanding of the treasury process and tested key controls.
- We assessed the company's procedures to ensure adequate segregation of duties within the treasury function.
- We reviewed the assumptions, calculation, classification and documentation for hedge accounting including hedge effectiveness and compliance with disclosure requirements also with the support of internal specialists.
- We reviewed new hedge relationships entered into and validated the process around ensuring compliance with internal guidelines as well as external rules.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-3, 6-8, 12-20 and 87-88. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and the consolidated accounts is available on the Supervisory Board of Public Accountants' website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Investor AB (publ) for the financial year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the annual general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other mat-

ters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Supervisory Board of Public Accountants' website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 24-32 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures, in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law, are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 23 March, 2017
Deloitte AB



Thomas Strömberg
Authorized Public Accountant