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Investor AB

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Investor AB

Major Rating Factors

Strengths:

- Diverse and highly liquid portfolio of mainly listed securities
- Excellent financial flexibility
- Generally high investment creditworthiness
- Expectation of low leverage over the cycle
- Very long debt maturity structure and stable ownership

Weaknesses:

- Exposure to volatile and unpredictable stock markets
- Exposure to some high risk and unlisted investments
- Occasional high exposure to a few large holdings

Corporate Credit Rating

AA-/Stable/A-1+

Nordic National Scale Rating

--/--/K-1

Rationale

The ratings on Sweden-based investment holding company Investor AB (Investor) reflect its strong capital structure and excellent financial flexibility. At Sept. 30, 2007, Investor could have covered its net debt (including a Swedish krona (SEK) 4.2 billion loan guarantee to mobile operator 3 Scandinavia) 24x by liquidating its core investments only. At the same date, the company had total on-balance-sheet debt of about SEK18.4 billion (about €2.0 billion).

Investor principally comprises a portfolio of listed shares, together with a smaller share of unlisted equity holdings. At Sept. 30, 2007, the company's portfolio of 10 listed core investments had a market value of SEK145 billion, representing about 82% of the total investment portfolio. Investor's core investments are largely international companies, with predominantly solid investment-grade ratings, that are only modestly exposed to economic conditions in Sweden. Furthermore, the core investments include shares in companies spanning several different industries. These holdings have strong liquidity, being among the most traded stocks on the Stockholm stock exchange. In addition, several holdings are listed on foreign stock exchanges. Although Investor regards most of its holdings as strategic, they can be sold if necessary. This provides the company with very strong financial flexibility to compensate for its weak operating cash flows (mainly dividends received).

The company's operating and private-equity investments (primarily in technology and health care) are relatively illiquid and carry higher risk (although the portfolio is spread across a large number of holdings). Although these investments heighten portfolio risk, Standard & Poor's Ratings Services does not expect this type of investment to represent more than 25% (about 16% at the end of September 2007) of the company's total portfolio. Investor's current ownership structure--with the Wallenberg Foundations controlling almost 50% of the voting rights--provides long-term stability and supports the ratings.

We expect Investor to maintain relatively low leverage over the long term, with net debt not expected to exceed 25% of the investment portfolio's estimated market value. The company is currently very strongly capitalized and has very little net debt (Investor's net debt to portfolio value was 3% including guarantees at Sept. 30, 2007), reflecting strong equity market performance over the past few years and large net divestments.

Short-term credit factors

The short-term rating on Investor is 'A-1+', reflecting a large portfolio of listed, very liquid holdings that provides a high degree of financial flexibility. The company's liquidity is very strong, with SEK16.6 billion in cash and equivalents at Sept. 30, 2007 and a SEK10 billion syndicated backup facility due in 2012, which is currently undrawn. This compares with only about SEK1.3 billion in debt maturing before 2011 (Investor's average debt maturity was a long 13.6 years at Sept. 30, 2007). In addition, the company has no financial covenants that could constrain its borrowing capacity in the event of a stock market decline.

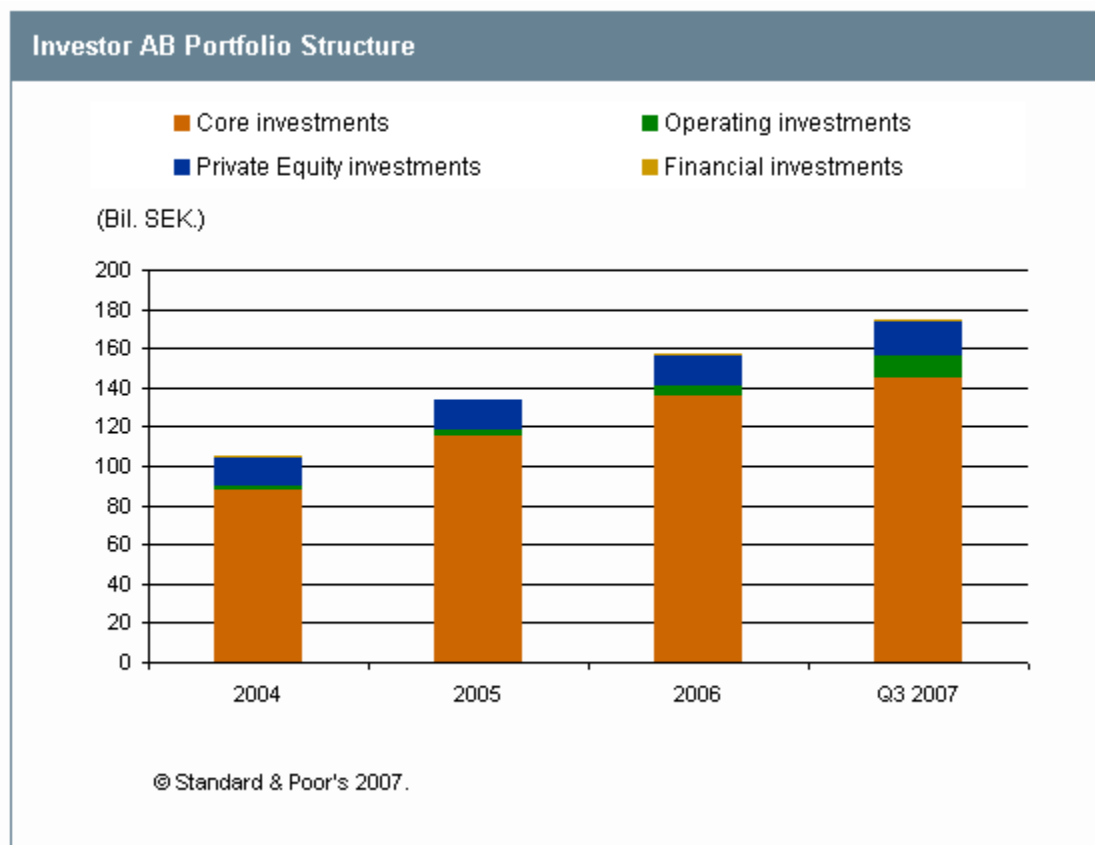
Outlook

The stable outlook assumes that Investor will maintain very high financial flexibility in relation to its debt. We do not expect the company's net debt to exceed 25% of its estimated portfolio value. If it does, because of a large investment opportunity, this is expected to be marginal and only for a temporary period. Maintenance of the ratings is also dependent on the investment portfolio's quality, including factors such as liquidity, the risk profile of investments, and diversification, balanced with a sound financial structure.

Higher-than-expected exposure to wholly or majority-owned companies or a reduction in overall portfolio quality would likely exert pressure on the ratings, while upside potential is constrained due to the limited additional positive rating implications of further diversification or debt reduction.

Business Description: Listed Investment Holding Company

Investor is a publicly held holding company listed on the Stockholm stock exchange, and is made up mainly of a portfolio of listed core investments, which was worth about SEK145 billion at Sept. 30, 2007. The company also had about SEK17 billion invested in private-equity investments (venture capital and buyout) and SEK11 billion invested in operating investments. The Wallenberg Foundations are Investor's largest shareholders, with almost 50% of the voting rights and 20% of the share capital. The foundations are controlled by the Wallenberg family, which is very influential in the Swedish economic and financial community.



Business Risk Profile: Highly Flexible Due To Strong Portfolio Liquidity

The separation of analysis between business and financial risks is blurred for investment holding companies. Investor's high creditworthiness is largely based on the excellent financial flexibility offered by its good quality, diversified, and liquid investment portfolio, and in particular on the company's ability to sell assets at short notice. Credit risk comes from its exposure toward equities, a highly volatile asset class. This is mitigated by low debt levels relative to asset values, providing adequate headroom for falling equity values.

Equity investments generally carry high risks. The basic risk is that the underlying company goes bankrupt, which would lead to a total loss of the investment. Equity instruments also fluctuate widely in value, reflecting company performance, investor appetite, stock liquidity, and macroeconomic factors such as interest rates and economic growth. This leads to highly volatile and often unpredictable swings in asset values. Consequently, the ratings on investment holding companies reflect, among other things, the size of the portfolio, liquidity, the diversification of the holdings (that is, the number of stocks, companies operating in different industries, and geographical exposure), and the creditworthiness of companies included in the portfolio. Other important factors are the company's willingness to sell assets, if needed, and its ability to manage the portfolio.

Investment strategies

Investor's targets strategic stakes in large, listed entities in which the company can exert influence on strategies and management, or, alternately, investments in financial assets (listed or unlisted) that provide potential for long-term

value creation. Investor's listed core investments are expected to remain a core part of its investment portfolio. In recent years, however, the company has increased its exposure to unlisted and higher risk investments. Whole ownership or control of unlisted companies provides Investor with the benefit of effectively influencing management and controlling cash flows while maintaining subsidiary operational interdependence. Although this has gradually increased the risk profile of Investor's investment portfolio, we do not expect these investments to exceed 25% of the total investment portfolio value, which is in line with the ratings.

Table 1

| Summary Of Investor AB Portfolio Investment Strategies | | | | | | |
|--|--|-----------------------------|--------------------------------|--|--------------------|-------------------------------------|
| | Investment Focus | Investment Horizon | Level Of Control | Level Of Involvement | Return Requirement | Valuation Principle |
| Core investments (target 75%-80% of portfolio) | Larger, listed companies | Long | One of the largest owners | Board representation | 8%-10% | Share price |
| Operating investments | Medium-sized, listed or unlisted companies | Medium to long (5-15 years) | Controlling or relevant (>25%) | Active; mainly at board and management group level | 10%-15% | Equity method |
| Private equity investments | | | | | | |
| Investor Growth Capital | Venture capital | Medium (3-7 years) | One of the largest owners | Significant; both at management and board level | IRR of >20% | Fair value in accordance with IAS39 |
| EQT fund investments | Investor in private equity funds | Medium (3-7 years) | Full or majority (>50%) | Significant; both at management and board level | IRR of >20% | Fair value in accordance with IAS39 |

Portfolio Analysis: Core Holdings Focused On Highly Traded Stockholm Shares

Core investments

Investor's listed core investments are among the most traded on the Stockholm Stock Exchange, and several of the company's holdings are also listed on foreign stock markets. Although Investor regards most of its core investments as strategic, they can be sold entirely or in part if necessary, thereby contributing to the company's financial flexibility. Investor actively manages its portfolio of core investments, and several changes have occurred over the past few years. The company's flexibility with regard to the timing of the sale of different listed shares is an advantage that enhances the portfolio assessment.

At Sept. 30, 2007, the core investments consisted of 10 stocks (see table 1), of which the three largest shareholdings were: Skandinaviska Enskilda Banken AB (A+/Stable/A-1, SEK29 billion); ABB Ltd. (A-/Stable/A-2), SEK28 billion); and Atlas Copco AB (A-/Stable/A-2, SEK21 billion). Although the portfolio consists of shares in companies operating in different industries, it has from time to time been relatively concentrated on one industry, because of heavy fluctuations in the equity values of its core investments. The core investments consist of shares traded on the Stockholm Stock Exchange, but these companies are highly international, which limits Investor's portfolio exposure to domestic economic conditions. Investor is not limited to the Stockholm Stock Exchange and could invest in other stock exchanges or regions, although it is likely to retain a Swedish focus.

As a result of a differentiation in Sweden between the voting rights of different classes of shares in a company, a small percentage of shares with strong voting rights can give the owner considerable influence. Investor's large core investments, often involving shares with high voting rights, give it representation on these companies' boards, which is in line with Investor's strategy of being an active and long-term owner. Such holdings, therefore, would likely be

sold at a premium.

Operating investments

Investor's operating investments consist of unlisted investments in which the company has a controlling interest, significant minority stake, or strategic control. Such investments are generally higher risk, usually because of high financial leverage that results from a buyout by Investor and partners, which are mostly private equity sponsors. This business area heightens Investor's portfolio risks. Investor targets midsize companies headquartered in Northern Europe, which it can develop and own over the long term. The two main operating investments are Mölnlycke Health Care (in which Investor's equity share was worth SEK5.2 billion at Sept. 30, 2007) and Gambro Holding (SEK3.6 billion), a supplier of dialysis products.

Private-equity investments

Investor's private-equity operation invests in small and midsize unlisted companies globally, either as venture capital investments or as buyouts. The company either makes investments for its own portfolio (Investor Growth Capital) or through partly owned, self-managed funds such as EQT and EQT Asia (largely buyouts). Management of the fund investments is separate from Investor's core operations, and Investor earns management and transaction-based fees through a part-owned management company. These investments are less liquid than the core investments and require a great deal of active management. Returns are highly uncertain. Nevertheless, the private-equity markets have been generally favorable in recent years, and Investor has sold off a number of its holdings at a gain. The timing of divestitures is primarily dependent on market opportunities and liquidity, as well as investor demand.

Trading portfolio

Investor's trading activities comprise short-term trading in financial instruments such as shares and share-related derivatives. Operations are conducted in accordance with a restricted investment mandate and are subject to strict risk controls.

Profitability

Investor's total return has been very strong over the past few years. Low interest rates, rapidly rising share prices, and ample liquidity in the capital markets have increased share prices and earnings multiples. The credit and liquidity cycles are, however, inherently cyclical, which could lead to large fluctuations in the valuation of Investor's portfolio. Recent credit market turmoil is likely to lead to negative asset revaluations over the near term.

Financial Risk Profile: Commitment To Low Financial Gearing Supports Ratings

As investment holding companies such as Investor have asset structures made up largely of shareholdings in listed stocks, conventional ratio analyses should be interpreted with caution. Given Investor's goal of obtaining the highest possible return for shareholders through investments in listed stocks and wholly or partly owned companies, turnover in its asset portfolio is high and the company's structure and leverage change over time.

The company's maintenance of low leverage through the cycle is a key rating factor. Leverage has remained very low over the past few years, as debt levels remain minimal and asset values (mainly share prices) have continued to strengthen. At Sept. 30, 2007, net debt was virtually zero (although net debt [including guarantees] to total investment portfolio market value was 3%). The group ceiling for net debt to total investment portfolio market value is 25%, but Investor is expected to operate at lower levels on a normalized basis, as that provides the company with flexibility to invest in new assets without having to make large disposals. If leverage were to exceed 25%, this

would only be expected to be for a temporary period. The ratings incorporate our expectation that Investor would take action to restore its capital structure quickly if share prices were to decline significantly over an extended period.

Investor's core sources of cash income are from stock dividend payments and share redemption programs by companies in which the company has holdings; cash flows generated by the operations of consolidated subsidiaries; trading activities; and periodic asset sales. Operating cash flows represent only a minor source of cash income. As Investor's dividend policy is to distribute a large portion of the dividends received in the form of an ordinary dividend to shareholders, we expect that the company will from time to time be dependent on cash income from asset sales and trading activities to cover net financial expenses and administrative costs. Weak operating cash flows are compensated by Investor's very liquid investment portfolio, which provides the company with very strong financial flexibility.

Accounting

Investor reports under IFRS. The major items affecting the company's reporting include:

- IAS 39--financial instruments. Most of Investor's assets are accounted for at market value, including nonlisted private equity investments. This affects the accounting treatment of Investor's financial instruments (that is, the loan portfolio). Investor has adopted hedge accounting for its debt portfolio (when applicable) instead of its historical amortized cost treatment, which is appropriate as the company's assets are also market valued. Operating investments are accounted for using the equity method, however.
- IFRS 2--share-based payment. Investor's earnings are reduced for the fair value of share-based payments, including employee share options, amortized over the life of the program.

Corporate governance/Risk tolerance/Financial policies

Investor's corporate governance practices are based on Swedish law and relevant rules and recommendations issued by various Swedish authorities. With the appointment of Börje Ekholm as CEO during 2005, the Wallenberg family has distanced itself from day-to-day operations, although it retains a strong presence on the board of directors. The family has two representatives on the board, including the chairman, while four out of ten board members are seen as independent. Overall, however, the Wallenberg family's influence is seen as positive, providing stability and long-term focus for Investor's operations.

Table 2

| Investor AB Core Investments At Sept. 30, 2007 | | | |
|---|--------------------------------|----------------------------------|------------------------------|
| | Market Value (Mil. SEK) | Share Of Total Assets (%) | Issuer Credit Rating* |
| Technology | | | |
| Ericsson | 20,734 | 14% | BBB+/Negative/A-2 |
| Saab | 3,274 | 2% | Not rated |
| Subtotal | 24,008 | 17% | |
| Health care | | | |
| AstraZeneca | 16,663 | 11% | AA-/Stable/A-1+ |
| Subtotal | 16,663 | 11% | |
| Engineering | | | |
| Husqvarna | 4,185 | 3% | Not rated |
| Atlas Copco | 20,921 | 14% | A-/Stable/A-2 |

Table 2

| Investor AB Core Investments At Sept. 30, 2007(cont.) | | | |
|---|---------|-----|-----------------|
| ABB | 28,110 | 19% | A-/Stable/A-2 |
| Scania | 14,480 | 10% | A-/Stable/A-2 |
| Electrolux | 4,674 | 3% | BBB+/Stable/A-2 |
| Subtotal | 72,370 | 50% | |
| Financial Services | | | |
| OMX | 3,412 | 2% | A/Watch Neg/A-1 |
| SEB | 28,647 | 20% | A+/Stable/A-1 |
| Subtotal | 32,059 | 22% | |
| Total | 145,100 | | |

SEK--Swedish Krona. *As at Dec. 5, 2007

Table 3

| Investor AB Peer Comparison | | | |
|---|-----------------|-------------------|-----------------------------------|
| (Mil. €) | Investor AB | Industrivärden AB | IFIL SpA |
| Country | Sweden | Sweden | Italy |
| Corporate credit rating* | AA-/Stable/A-1+ | A+/Stable/A-1 | BBB+/Stable/A-2 |
| Date of figures | Sept. 30, 2007 | Oct. 29, 2007 | March 31, 2007 |
| Business risk profile | | | Satisfactory |
| Investment portfolio (estimated portfolio value) | 19.210 | 7.819 | 10.780 |
| No. of stocks in core holdings | 10 | 9 | 7 |
| Three largest holdings/investment portfolio (%) | 44 | 60 | 87 |
| Market value of listed holdings | 16,011 | 7,819 | 10,139 |
| Portfolio diversification | Very strong | Strong | Weak |
| Level of liquidity | Very strong | Very strong | Moderate |
| Weighted-average credit quality of the portfolio holdings | High | High | Low |
| Majority-owned companies as % of portfolio | Capped at 25% | 0 | 75% (including 30% stake in Fiat) |
| Financial risk profile | | | |
| Net debt (cash) | 404¶ | 1.187 | 141 |
| Net debt/investment portfolio (%) | 3¶ | 15 | 1 |
| Net debt/investment portfolio listed holdings (%) | 4¶ | 15 | 1 |
| Net debt ceiling as % of investment portfolio | 25 | 25 | 20 |

*At Dec. 3, 2007. ¶Including guarantees.

Table 4

| Investor AB Financial Statistics* | | | | | | | |
|---|-------|------|------|------|------|------|------|
| (Bil. SEK) | 2007¶ | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| Estimated investment portfolio (market value) | 176 | 159 | 134 | 108 | 104 | 79 | 129 |
| Market value of listed core holdings | 145 | 135 | 115 | 87 | 86 | 63 | 111 |
| Dividends received | 3.7 | 3.2 | 2.4 | 1.7 | 1.7 | 2.0 | 2.6 |
| Dividends paid | 3.4 | 2.7 | 1.7 | 1.7 | 1.7 | 2.6 | 4.2 |
| Total debt§ | 18.4 | 18.2 | 23.3 | 28.0 | 30.1 | 21.5 | 14.3 |
| Net debt/estimated investment portfolio** (%) | 3.4 | 2.4 | 3.3 | 14.9 | 19.9 | 20.6 | 8.6 |

Table 4

Investor AB Financial Statistics*(cont.)

*Accounts for 2004-2007 prepared according to IFRS, accounts for 2001-2003 prepared according to the Swedish Annual Accounts Act. ¶First nine months to September 30. §Excluding guarantees. **Including guarantees. SEK--Swedish krona.

Ratings Detail (As Of December 6, 2007)***Investor AB**

| | |
|-------------------------------------|-----------------|
| Corporate Credit Rating | AA-/Stable/A-1+ |
| <i>Nordic National Scale Rating</i> | --/--/K-1 |
| Commercial Paper | A-1+ |
| <i>Nordic National Scale Rating</i> | K-1 |
| Senior Unsecured | AA- |

Corporate Credit Ratings History

| | | |
|-------------|-------------------------------------|-------------------|
| 12-Dec-2006 | | AA-/Stable/A-1+ |
| 04-Apr-2006 | | AA-/Negative/A-1+ |
| 16-Dec-1997 | | AA-/Stable/A-1+ |
| 09-Feb-2004 | <i>Nordic National Scale Rating</i> | --/--/K-1 |

Debt Maturities

At Sept. 30, 2007
 Remainder 2007: None
 2008-2011: SEK1.3 bil.
 Thereafter: SEK16.8 bil.

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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