

Credit Opinion: Investor AB

Investor AB

Stockholm, Sweden

Ratings

Category	Moody's Rating
Outlook	Stable
Senior Unsecured	A1
Commercial Paper	P-1

Contacts

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Key Indicators

Investor AB	[1]2006	2005	2004	2003	2002
Total Assets SEK m (at market value)	158,904	134,403	105,517	103,656	79,103
% Core Investments of Total	85.1%	85.9%	83.1%	82.8%	80.0%
Net Debt/Total Assets	2.6%	4.5%	14.7%	19.8%	20.7%
Change in Net Asset Value	20.5%	42.7%	8.2%	32.5%	-47.0%
EBIT Interest Cover	17.4	29.9	7.3	1.5	2.8
Fixed Charge Cover	6.9	14.0	3.3	0.5	0.6

[1] 2005 and 2006 according to IFRS, 2002-2004 Swedish GAAP

Note: For definitions of Moody's most common ratio terms please see the accompanying [User's Guide](#).

Opinion

Company Profile

Investor AB ("Investor", rated A1 with a stable rating outlook) is the largest industrial holding company in the Nordic region. The company's business strategy is to generate attractive long term returns on investment, to create value by developing companies in sectors where it is deemed to have a strong knowledge and networking advantage and thus to grow Investor's net asset value in excess of market cost of capital over a business cycle. It manages total assets of about EUR 19 billion.

Investor operates its holdings in four different segments: Core Investments, Private Equity Investments, Operating Investments and Financial Investments. Core Investments have traditionally dominated Investor's activities and we expect these to continue to exceed 75% of total assets (83% as of 30 September 2007). Core Investments at 30 September 2007 consisted of ten mostly Swedish-based, multinational companies to which Investor acts as a committed shareholder, participating actively in their development. In September 2007, Investor agreed to a bid by Borse Dubai for its stake in OMX, valuing it at around SEK3.4 billion. Of the remaining nine Core Investments, the largest companies are SEB (rated Aa3, 16% of total assets), ABB (Baa1, 16%), Ericsson (Baa1) and Atlas Copco (A3), each accounting for 12%.

Rating Rationale

Moody's analytical approach for Investor AB focuses on portfolio size, quality, volatility and liquidity relative to the

company's debt level and debt service obligations. Recognising that the company's debt is not formally collateralised, we view management strategy and flexibility as key to future levels of asset coverage. The company's long, 90 years' track record and management's commitment to established policies, which have served to protect the company's financial flexibility through severe share price downcycles, are a major factor supporting the A1 rating.

Investor's rating maps to an A1 rating under Moody's methodology for global investment holding companies. However, the model rating is weakly positioned in the category and sensitive to adverse changes in certain subcategories, such as cash coverage, dividend payout policy/management discipline. However, this weak positioning in the methodology is mitigated by some qualitative features, which the model cannot capture. Investor's current rating of A1 is more solidly positioned in its rating category than the model rating because of: (i) the strong liquidity of its portfolio, with more than three quarters of assets listed on stock exchanges; (ii) management's track record of protecting its leverage ceiling by selling assets even in stock price downturn; and (iii) transparent asset valuations, investment strategies and performance checks.

Rating Outlook

The outlook for the ratings is now stable, reflecting the quality and liquidity of the investment portfolio with transparent valuations and confidence in management's commitment and ability to keep leverage below 25%. This view is supported by the actions taken during the market downturn in 2002 when assets disposals were executed at depressed prices in a severe stock market downturn.

What Could Change the Rating - UP

With the current investment profile and management targets, a rating upgrade to double-A appears unlikely. Investor would have to take measures to reduce the volatility of the portfolio and tighten its leverage standards or substantially enhance the resilient share of its cash inflows (e.g. dividends or interest income) relative to debt service.

What Could Change the Rating - Down

Investor would face downward rating pressure, if management were to allow its asset leverage to significantly exceed 20% for an extended period of time. Subject to the use of the credit facility, flexibility to address rising leverage in a falling equity price scenario may be limited, depending upon management's continued commitment to its core investments

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