Investor applies the Swedish Code of Corporate Governance which was used to prepare this corporate governance report. The Swedish Code of Corporate Governance is based on the “comply or explain” principle. According to the principle, a company that applies the code may deviate from individual rules but is required to explain why. The Code states, among other things, that a company shall issue, in connection with the annual report, a special report on corporate governance in which the company describes how the Code has been applied within the most recent fiscal year.

This Corporate Governance Report is for fiscal year 2006 and also describes the work of the Nomination Committee prior to the 2007 Annual General Meeting. The report has not been reviewed by Investor’s auditors. Deviations from the Code are reported in each section of the report. In accordance with the application instructions of the Swedish Corporate Governance Board, the board of director’s report on internal control is to constitute a special section in the corporate governance report.

Deviations from the Code
- Investor does not comply with all of the Code’s criteria for independence of the board.

Deviations from the Code are reported and explained in greater detail in each section of the report.

Corporate governance within Investor
Corporate governance practices define the decision-making systems and structure through which owners directly or indirectly control a company. In a stock corporation like Investor, authority, management and control are distributed between the shareholders, the board of directors and the CEO and management group. Corporate governance practices in Sweden are regulated by Swedish law, primarily the Swedish Companies Act, the Listing Agreement of the Stockholm Stock Exchange and other rules and recommendations, such as the Swedish Code of Corporate Governance. For more information about laws and corporate governance practices in Sweden, see the document “Special features of Swedish Corporate Governance” on the website of the Swedish Corporate Governance Board, www.bolagsstyrning.se.

In addition to legislation, regulations, recommendations and the Swedish Code of Corporate Governance, Investor’s Articles of Association constitute a central document that establishes the company’s name and purpose, where the board is registered, the focus of Investor’s business activities and information concerning the share capital. Investor’s Articles of Association are available on Investor’s corporate website, www.investorab.com, in the section on Corporate Governance.

The Annual General Meeting (AGM) is Investor’s highest decision-making body. The AGM decides how the Nomination Committee is to be appointed. The Nomination Committee proposes the composition of the board for resolution by the AGM. As part of the company’s efforts to increase the efficiency and depth of the board’s work

Primary external regulations affecting Investor’s governance:
- Swedish Companies Act
- Listing Agreement of the Stockholm Stock Exchange
- Swedish Code of Corporate Governance

Examples of Investor’s internal control documents:
- Instructions, formal work plans
- Policies, such as for risk management and compliance
- Process descriptions for each business area
on certain issues, the board has established three committees: the Audit Committee, Remuneration Committee and Finance and Risk Committee. Each committee’s work and areas of responsibility are described in further detail under the respective heading in this report.

As control documents, Investor has instructions, formal work plans and policies for the board and CEO which clarify the distribution of responsibilities and control procedures in the Group. External auditors, appointed by the AGM, audit the company’s financial reports and the administration of the board and the president. The internal control process is an objective support function for the board for the internal control structure.

Investor’s wholly owned investment operations are organized in five departments: Core Investments, Business Development, Investor Growth Capital, Active Portfolio Management and Operations. Operations includes functions such as Finance, Human Resources, Corporate Communications and Research, IT, Risk Management and Treasury. In addition to the President and CEO, Investor’s Management Group includes the heads of Core Investments, Business Development, Investor Growth Capital and Operations. The illustration on the preceding page shows Investor’s basic governance structure.

Shares and ownership in Investor
At year-end 2006, Investor had 134,230 shareholders according to the register of shareholders maintained by VPC AB. In terms of ownership share, institutional owners dominate with 87 percent of the shares being owned by 13,417 institutional owners. Foundations constitute the largest single shareholder category in terms of ownership stake. At year-end, Investor’s share capital totaled SEK 4,795 m., represented by 767 million shares, of which 312 million are class A-shares and 455 million are class B-shares. A-shares carry one vote while B-shares carry 1/10th vote, although both types of shares are entitled to dividends. See page 6 for information about Investor’s dividend policy.

<p>| Investor’s 10 largest shareholders listed by voting rights, on December 31, 2006 |
|-----------------------------------|-------------------|-----------------|</p>
<table>
<thead>
<tr>
<th>% of votes</th>
<th>% of capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knut and Alice Wallenberg Foundation</td>
<td>40.0</td>
</tr>
<tr>
<td>SEB Foundation</td>
<td>4.9</td>
</tr>
<tr>
<td>Marianne and Marcus Wallenberg Foundation</td>
<td>4.1</td>
</tr>
<tr>
<td>Skandia Liv</td>
<td>3.9</td>
</tr>
<tr>
<td>Swedbank Robur’s mutual funds</td>
<td>3.6</td>
</tr>
<tr>
<td>Nordea’s mutual funds</td>
<td>2.7</td>
</tr>
<tr>
<td>Marcus and Amalia Wallenberg Memorial Fund</td>
<td>2.6</td>
</tr>
<tr>
<td>Custodial Trust Company</td>
<td>1.9</td>
</tr>
<tr>
<td>Alecta</td>
<td>1.5</td>
</tr>
<tr>
<td>JP Morgan Chase Bank</td>
<td>1.4</td>
</tr>
</tbody>
</table>

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

Annual General Meeting
Shareholders can exercise their right to decide on the company’s business at the AGM, which is Investor’s highest decision-making body. Investor’s AGM is held in the Stockholm area during the first half of the year. The date and location of the AGM is announced publicly, not later than in connection with the release of the company’s third-quarter report. Shareholders are also informed, not later than the third quarter report, about their right to participate in the business of the AGM and the deadline for submitting proposals to the company for business to be taken up at the AGM so that such business can be included in the notice of the AGM. The notice of the AGM is published not earlier than six weeks, but not later than four weeks, before the date of the AGM. The business of the AGM is to report on the company’s financial performance during the past fiscal year and to make decisions on a number of central issues, such as the dividend, changes to the company’s Articles of Association, the appointment of auditors, discharging the board from liability for the fiscal year, remuneration for the board and auditors and approving the number of board members and the new board for the period up to the next AGM. Investor always strives to have the board, the Management Group and at least one auditor present at the AGM.

To be entitled to participate in the AGM, shareholders must be recorded in the register of shareholders and report their intention to attend the AGM by a certain date. Shareholders who cannot attend the AGM in person, such as foreign shareholders, may appoint a proxy. 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 be temporarily re-registered in their own names in the register of shareholders by a certain date before the AGM in order to be entitled to participate in the AGM. Shareholders are requested to inform their bank or nominee in good time prior to this date. Shareholders can give notice of their participation on Investor’s website, by phone or by completing and mailing the invitation to the AGM.

To allow non-Swedish-speaking shareholders to participate, the AGM’s proceedings are simultaneously interpreted into English. All information material is also available in 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 be approved by a higher percentage of the shares and votes represented at the AGM.
INVESTOR’S 2006 ANNUAL GENERAL MEETING

Investor’s 2006 AGM was held at Cirkus in Stockholm on March 21. The AGM was attended by 921 shareholders, including proxies, representing 72.7 percent of the votes and 52.8 percent of the capital. Investor’s board and management, as well as the company’s two auditors, were present at the meeting.

The following important decisions were made at the 2006 AGM:

- election of Jacob Wallenberg as chairman of the AGM,
- confirmation that the annual report was presented in the prescribed manner,
- approval of the dividend to shareholders, SEK 3.50 per share,
- board members and the president were discharged from liability for fiscal 2005,
- board members Sune Carlsson, Sirkka Hämäläinen, Håkan Mogren, Anders Scharp, O. Griffith Sexton, Björn Svedberg and Jacob Wallenberg were re-elected.
- Grace Reksten Skaugen, Peter Wallenberg Jr and Börje Ekholm were elected new members,
- reelection of Jacob Wallenberg as chairman of the board,
- approval of total remuneration to the board of SEK 6,937,500, of which SEK 1,875,000 to the chairman, SEK 500,000 to each board member not employed in the company, and a total of SEK 1,062,500 for work in the committees of the board,
- approval of proposed changes to the company’s Articles of Association,
- approval of the decision by the board regarding the principles for remuneration and other terms of employment for management for 2006 and the long-term variable remuneration (LTVR) program for management and other employees,
- authorization of the board to decide on the purchase and transfer of the company’s own shares to give the board wider freedom of action in the work with the company’s capital structure and to secure costs associated with the LTVR program,
- approval of the transfer of shares in Novare Human Capital to certain senior executives employed in the company,
- approval of the proposal for a Nomination Committee.

In connection with the 2002 AGM, all shareholders were given the opportunity to follow the meeting by viewing a live webcast on Investor’s website. Demand for this service was very limited in relation to the production and administration costs. Investor has therefore decided not to webcast the proceedings of meetings for shareholders, on Investor’s website, until further notice. Instead, the President’s address has been published on Investor’s website the day after the AGM.

The minutes from the meeting have been made available on Investor’s website in both Swedish and English language versions. All requisite documents prior to the AGM, such as the report on the work of the Nomination Committee and all proposals in their full versions, are published on Investor’s website in advance of the AGM.

INVESTOR’S 2007 ANNUAL GENERAL MEETING

Investor’s 2007 AGM will take place on March 27 at Cirkus at the City Conference Centre in Stockholm. The location and date were published in conjunction with the release of the third quarter report in 2006. Information about the right of shareholders to have business taken up at the meeting and the deadline for submitting proposals, to ensure that they can be included in the notice of the AGM, was also announced at the time of the third quarter report. Information about the AGM is available on Investor’s website.

Nomination process for electing the board and auditors

The AGM decides how Investor’s nomination process will be carried out. At the 2006 AGM, it was decided that the company shall have a Nomination Committee consisting of one representative each for the four shareholders controlling the largest number of votes, plus the chairman of the board. The composition of the Nomination Committee was based on the register of recorded shareholders supplied by VPC as of August 31, 2006. The names of the four shareholder representatives, and the names of the shareholders they represent, are announced not later than six months before the upcoming AGM. Unless decided otherwise, the person representing the owner with the largest number of votes is appointed chairman of the committee.

The Nomination Committee remains in office until a new Nomination Committee has been appointed. If there is a major change among the shareholders controlling the largest number of votes, the composition of the Nomination Committee may be changed to reflect this. Changes to the composition of the Nomination Committee are announced publicly as soon as changes are made. If only marginal changes in the number of votes have taken place, or if the changes occur later than two months prior to the AGM, and in the absence of imperative reasons, no changes will be made to the composition of the Nomination Committee.

The Nomination Committee is responsible for preparing and presenting proposals for the chairman, the members of the board, board remuneration (divided between the chairman, board members and for committee work), the chairman of the AGM, audit fees and, when applicable, the election of auditors. Shareholders have the opportunity to
submit nomination proposals to the committee. The Nomination Committee’s proposals are published in conjunction with the notice of the upcoming AGM.

NOMINATION COMMITTEE FOR THE 2007 AGM
The composition of the Nomination Committee was announced in advance of the 2007 AGM on September 27, 2006. In accordance with the decision of the 2006 AGM, the Nomination Committee for the 2007 AGM includes, in addition to the chairman of the board, the four shareholders controlling the largest number of votes in Investor. On August 31, 2006, the four largest shareholders were the Wallenberg foundations, SEB Foundation, the Skandia Liv insurance company and Swedbank Robur’s mutual funds. The following representatives were elected along with the chairman of the board to Investor’s Nomination Committee: Johan Stälhand for the Knut and Alice Wallenberg Foundation; Lars Isacsson for SEB Foundation; Caroline af Ugglas for Skandia Liv; Mats Lagerqvist for Swedbank Robur’s mutual funds; and Jacob Wallenberg, chairman of Investor. At the first meeting of the Nomination Committee, Johan Stälhand, representing the Knut and Alice Wallenberg Foundation, the shareholder controlling the largest number of votes in Investor, was elected chairman of the committee. The Nomination Committee represents approximately 50 percent of the votes in Investor (on December 31, 2006).

In accordance with a decision made by Investor’s 2006 AGM, the Nomination Committee has had the task to prepare proposals for presenting to the 2007 AGM concerning the chairman of the AGM, the board of directors, the chairman of the board, board fees, auditors and audit fees. All shareholders have the opportunity to submit nomination proposals to the committee.

The proposals of the Nomination Committee and the report on the committee’s work for the 2007 AGM, as well as supplementary information about the proposed board members and auditors, are published in conjunction with the notice of the AGM and are presented to the 2007 AGM for approval.

The Nomination Committee held six meetings during which minutes were taken and had informal contacts between meetings. As a basis for its work, the Nomination Committee performed an evaluation of the board and its work. In order to assess the extent to which the current board meets the demands that will be put to the board as a consequence of the company’s current position and future direction, the Nomination Committee discussed the size and composition of the board in terms of industry experience and expertise, for example. The Nomination Committee was also informed about an evaluation of auditing work for the year and the proposal prepared by the Audit Committee for the election of auditors and auditing fees.

### Board of Directors
The AGM elects the board of directors. The board, on behalf of the company’s owners, is responsible for the administration of Investor by establishing goals and strategy, evaluating the operative management, and ensuring that systems are in place for following up and controlling established goals. The board is also responsible for ensuring the release of correct information to the company’s stakeholders, that laws and regulations are complied with, and that ethical guidelines are in place. The board’s work to secure the quality of Investor’s financial reporting is described in the section "Board of Directors’ report on internal control".

The Articles of Association state that Investor’s board shall consist of no less than three and no more than 11 directors. The AGM decides the exact number of members that the board will have until the next AGM. The board is assisted by a secretary who is not a member 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 supplementary information that he/she might feel is necessary for making well-based decisions. New board members learn about Investor’s business operations by attending a comprehensive, internal orientation course involving meetings with all of Investor’s departmental managers, among other activities.

The AGM appoints the chairman of the board. The chairman is to organize and lead the board’s work, ensure that the board regularly updates and improves its knowledge of the company and its operations, communicate the owners’ views to board members, and function as support for the president. The chairman and the president develop proposals for the agenda of board meetings. The chairman verifies that the board’s decisions are implemented efficiently and is also responsible for ensuring that the work of the board is evaluated annually and that the Nomination Committee is informed of the result of the evaluation.

### FORMAL WORK PLAN FOR THE BOARD
In addition to laws and recommendations, the work of the board is governed by a formal work plan that is established each year. The work plan covers the board’s work and also
gives instructions for the president, reporting and the company’s Remuneration Committee, Audit Committee, and Finance and Risk Committee. The work plan states, among other things, that:

- the board shall meet at least five times per year, and in the event of urgent matters, a board meeting may take the form of a telephone or video conference,
- the president is empowered to sign the company’s interim reports and year-end report,
- certain items of business are to be taken up at each meeting and that special decisions are to be made at the statutory board meeting following the election of members,
- specific items of business always require a decision by the board,
- board members shall receive documentation regarding matters to be dealt with at board meetings in good time prior to the meeting, and be provided with a monthly report on the company’s operations and development, and
- auditors shall be invited to report on their auditing work during at least one board meeting that is not attended by representatives for the company’s management.

The formal work plan also describes how minutes of board meetings are to be prepared and distributed to members, and how the board is to be informed in connection with the issue of press releases, for example. The work plan also contains guidelines for decisions that can be delegated to the president.

Investor’s board continuously evaluates the president’s work by monitoring the development of the business in relation to established goals. A formal performance review is made once a year and discussed with the president. The board’s work is evaluated once a year by requesting board members to answer a questionnaire anonymously which is summarized by the secretary of the board. The results of the evaluation are discussed with the board. The chairman also has individual discussions with each board member about the board work for the year. The Nomination Committee is informed of the results of the evaluation.

**INVESTOR’S BOARD IN 2006**

The board had ten members during the year and no deputy members. At the 2006 AGM, Jacob Wallenberg, Anders Scharp, Sune Carlsson, Sirkka Hämäläinen, Håkan Mogren, O. Griffith Sexton and Björn Svedberg were re-elected. Ulla Litzén declined reelection. Peter Wallenberg Jr, Grace Reksten Skaugen and Börje Ekholm were elected new members. Börje Ekholm is the only board member who is a member of the company’s management. The AGM elected Jacob Wallenberg as chairman for the period up to the next AGM. The board appointed Anders Scharp vice chairman at the statutory meeting following the board’s election. See Investor’s 2006 Annual Report and Investor’s website for a more detailed presentation of the board.

**INDEPENDENCE OF THE BOARD IN 2006**

In its work for the 2006 AGM, the Nomination Committee discussed the independence of proposed board members. Before the 2006 AGM, the Nomination Committee’s members were Jacob Wallenberg (chairman), Marcus Wallenberg (Knut and Alice Wallenberg Foundation), Lars Isacsson (SEB Foundation), Caroline af Uggglas (Skandia Liv) and Peter Rudman (Nordea).

The composition of investor’s board meets the independence criteria of the Stockholm Stock Exchange. However, the composition of the board deviates from the rule in the Swedish Corporate Code of Governance which states that a majority of the directors elected by the AGM are to be independent of the company and its management. In the view of the Nomination Committee, half of the proposed board members are independent of the company and its management. Two of the ten board members have served on the board more than 12 years, namely Anders Scharp and Håkan Mogren, and are therefore not considered to be independent in accordance with the

<table>
<thead>
<tr>
<th>Board member</th>
<th>Elected</th>
<th>Position</th>
<th>Born</th>
<th>Nationality</th>
<th>Independent of the company and its management</th>
<th>Independent of the company’s major owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jacob Wallenberg</td>
<td>1998</td>
<td>Chairman</td>
<td>1956</td>
<td>Swedish</td>
<td>Yes</td>
<td>No (5)</td>
</tr>
<tr>
<td>Anders Scharp</td>
<td>1988</td>
<td>Vice Chairman</td>
<td>1934</td>
<td>Swedish</td>
<td>No (1)</td>
<td>Yes</td>
</tr>
<tr>
<td>Sune Carlsson</td>
<td>2002</td>
<td>Member</td>
<td>1941</td>
<td>Swedish</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Börje Ekholm</td>
<td>2006</td>
<td>Member</td>
<td>1963</td>
<td>Swedish</td>
<td>No (1)</td>
<td>Yes</td>
</tr>
<tr>
<td>Sirkka Hämäläinen</td>
<td>2004</td>
<td>Member</td>
<td>1939</td>
<td>Finnish</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Håkan Mogren</td>
<td>1990</td>
<td>Member</td>
<td>1944</td>
<td>Swedish</td>
<td>No (1)</td>
<td>Yes</td>
</tr>
<tr>
<td>O. Griffith Sexton</td>
<td>2003</td>
<td>Member</td>
<td>1944</td>
<td>American</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Grace Reksten Skaugen</td>
<td>2006</td>
<td>Member</td>
<td>1953</td>
<td>Norwegian</td>
<td>No (1)</td>
<td>Yes</td>
</tr>
<tr>
<td>Björn Svedberg</td>
<td>1998</td>
<td>Member</td>
<td>1937</td>
<td>Swedish</td>
<td>No (1)</td>
<td>No (1)</td>
</tr>
<tr>
<td>Peter Wallenberg Jr</td>
<td>2006</td>
<td>Member</td>
<td>1959</td>
<td>Swedish</td>
<td>No (1)</td>
<td>No (1)</td>
</tr>
</tbody>
</table>

1) Has been a member of the company’s board for more than 12 years.
2) President and Chief Executive Officer.
3) Receives remuneration from Investor in addition to board fees.
4) Has been employed in an associated company over the past three years.
5) Member of the Knut and Alice Wallenberg Foundation.
Code. In addition, Björn Svedberg, who receives remuneration from Investor in addition to board fees; Peter Wallenberg Jr, who has been employed in the subsidiary Grand Hôtel Holdings over the past three years; and CEO Börje Ekholm are not either considered independent in accordance with the Code. A few board members are directors of companies that are included in Investor’s Core Investments and receive board fees from these companies.

In the view of the Nomination Committee, these board fees do not mean that these persons are to be considered dependent on Investor or its management. In the opinion of the Nomination Committee before the 2006 AGM, the ten members of the board were judged to be very well suited for carrying out Investor’s board work over their coming term of office. It has been judged important that Investor, with its active ownership philosophy and long-term ownership involvement in companies, has board members who have extensive experience and who are closely associated with Investor AB and its business model.

The board’s composition complies with the rules of the Code that at least two of the board directors who are independent of the company and its management are also to be independent of the company’s major shareholders. The independence of each board member is presented in the table on the preceding page.

BOARD WORK IN 2006
2006 was an intense year for Investor and the high level of business activity also affected the board’s work to a great extent. During the year, the board had 19 meetings, of which seven regular meetings, one statutory meeting and 11 extraordinary board meetings. The attendance record of each board member is shown in the table below. The secretary at the board meetings was attorney Hans Wilbom. Before meetings, board members were provided with comprehensive written information on the issues that would be discussed.

During the year, the board’s work was concentrated mainly on two strategically important items of business, as well as a number of complex business matters. One was Investor’s and EQT’s joint public offer to acquire the total shares outstanding in Gambro AB. The offer, the largest cash bid made by a Swedish company to date, was preceded by comprehensive work and the preparations and implementation of the offer were discussed by the board.

The second item of business that the board had reason to carefully analyze and discuss was MAN’s unsolicited bid for Scania. Based on information from Investor’s management, the board discussed a number of financial and strategic issues related to the bid.

The sale of Investor Asia Limited to EQT Partners, as well as Investor’s capital commitments in EQT’s new funds – EQT Greater China II and EQT V – were other issues that the board decided on. The board also discussed LogicaCMG’s offer for WM-data and questions concerning the spin-out of Husqvarna from Electrolux. In addition, a number of value creation plans were discussed for Core Investments.

The board and the Remuneration Committee in particular were involved in the development of the new long-term remuneration program consisting of variable and share-based payment for management and other employees. The program, which was also discussed with a number of major shareholders, requires personal investments on the part of employees and requires the fulfillment of certain goals. The board also decided that the exposure that might arise in connection with an increase in the value of the Investor shares in the program shall be eliminated through repurchases of the company’s shares, which was also decided and approved by the 2006 AGM.

As proposed by the company’s management, and after in-depth discussions about Investor’s long-term strategy and ability to adapt to the new conditions in the acquisitions market, the board decided that Investor’s operations are to be divided into four business areas: Core Investments, Operating Investments, Private Equity Investments and Financial Investments. As a result of changes in the market, there is also an increased requirement to discuss corporate governance issues related to companies in the different business areas.

In the Operating Investments business area, the board...
was also given a number of detailed presentations and discussed a number of potential acquisitions in addition to the implemented Gambro buyout.

The financial reports presented at each regular board meeting are an important part of the board’s work, such as those before the year-end report and the company’s quarterly reports. The board also receives monthly reports on the company’s financial position. At regular board meetings, the ongoing operations of the four business areas are reported on. In-depth analyses and proposed action plans are also presented for one or more associated companies at each board meeting.

Committee work is an important part of board work and at each meeting the board receives reports from the Remuneration Committee, Audit Committee and Finance and Risk Committee concerning decisions and recommendations that the committees have made about remuneration, tax and accounting questions, and risk policies.

During the year, one of the company’s auditors participated in a board meeting during which board members had the opportunity to pose questions to the auditor without representatives for the company’s management being present. In 2006, the board’s work was evaluated to provide information as a basis for the work of the Nomination Committee and the board’s continuing its work.

BOARD COMMITTEES AND COMMITTEE WORK IN 2006
As part of the company’s efforts to increase the efficiency and depth of the board’s work on certain issues, the board has established three committees: the Audit Committee, Remuneration Committee and Finance and Risk Committee. The committees are empowered to make decisions about business that the board has delegated to them and other issues concerning their respective areas of responsibility which are not matters of principle. Questions discussed by the committees, as well as the decisions at their meetings, are recorded in minutes and reports are given at the next board meeting.

AUDIT COMMITTEE
The Audit Committee is the primary communication channel between the board and the company’s auditors and is responsible for the board’s work to assure the quality of the company’s financial reporting.

Investor’s Audit Committee is appointed annually by the board and shall consist of at least three board members. In accordance with the Swedish Code of Corporate Governance, the majority of the committee’s members are to be independent of the company and its management. At least one member of the committee is also to be independent of the company’s major shareholders. Investor’s board instructions specify that a board member who is a member of the company’s management may not be a member of the Audit Committee. The Audit Committee is empowered to make decisions within its area of responsibility and shall inform the board afterwards.

WORK OF THE AUDIT COMMITTEE IN 2006
As of the 2006 AGM, the Audit Committee has consisted of the following four board members: Sune Carlsson (chairman), Jacob Wallenberg, Peter Wallenberg Jr and Häkan Mogren. In the opinion of the board, which appoints the members of the committee, these persons were considered to be the most suited to serve as Investor’s Audit Committee for 2006 in terms of the continuity of the committee’s work, experience, interests and available time. In accordance with the Swedish Code of Corporate Governance, two of the committee’s are not considered to be independent of the company and its management, namely Häkan Mogren and Peter Wallenberg Jr. Investor therefore deviates from the Code’s rule that the majority of its members should be independent of the company and its management. The composition of the committee complies with all other rules of the Code which state that it shall consist of four board members, of whom two are to be independent of the company’s major shareholders, and that the president shall not be a member. The meeting attendance record and independence of each committee member are shown in the tables on the preceding pages.

During the year, the committee had six meetings during which minutes were taken. The members also continuously discussed issues as needed. One of the company’s auditors, the CFO or the head of finance participated in all meetings during the year. Among other business in 2006, the committee focused on the acquisition of Gambro and the accounting procedure for this holding. The Audit Committee works continuously with the quality assurance of the financial reporting system by conducting in-depth reviews of the auditors’ reports on the year-end financial statements and regular audit work. At all meetings of the committee in 2006, the internal control function reported on ongoing process evaluations and specific auditing measures that were implemented.

Before the publication of all of Investor’s financial reports in 2006, the committee has analyzed and discussed them with one of the company’s auditors and the CFO. The committee also approved the audit plan for the year and established which services that can be purchased from the auditors in addition to audit work. The auditors performed a so-called hard close audit of the company’s nine-month interim report. The results of this audit were presented to the Audit Committee.

Each year the Audit Committee evaluates the auditing
work and informs the Nomination Committee about results of the evaluation. During the fall, the Audit Committee assisted the Nomination Committee with the development of its proposal for the election of auditors for the period up to the end of the 2011 AGM.

REMUNERATION COMMITTEE
The main task of the committee is to prepare issues concerning remuneration and other employee terms and conditions for management and other employees. The purpose is to enable independent and thorough transparency regarding all aspects of Investor’s overall remuneration program. Questions regarding the president’s remuneration are presented to the board for decision. Issues concerning remuneration for the other members of management are decided by the committee and the board is informed afterwards.

Investor’s Remuneration Committee is appointed each year by the board. The Swedish Code of Corporate Governance states that the chairman of the board may be chairman of the Remuneration Committee. The committee’s other members, according to the Code, shall be independent of the company and its management. In accordance with the instructions to Investor’s board for the Remuneration Committee, the committee shall consist of the chairman of the board, who shall also be chairman of the Remuneration Committee, and two other members who are not employed by the company.

WORK OF THE REMUNERATION COMMITTEE IN 2006
At the statutory meeting of the board in 2006, the board appointed the following persons as members of the Remuneration Committee: Jacob Wallenberg (chairman), Anders Scharp and O. Griffith Sexton. Anders Scharp has been a director on the company’s board for more than 12 years and is considered, in accordance with the Code, not to be independent of the company and its management. Investor therefore deviates from the Code’s rule that the majority of its members shall be independent of the company and its management. However, in the opinion of the board, it is important for the Remuneration Committee to have a member who has extra long experience in remuneration issues. The meeting attendance record and independence of each member are shown in the tables on the preceding pages.

In 2006, the committee had seven meetings during which minutes were taken, and when needed, informal contacts between these meetings. The meeting year by the board. The committee identifies financial risks and proposes measures to either limit the risks or expose the company to them. The committee also works with operational risks, compliance and security issues, ensuring that risks are managed and monitored securely. The Finance and Risk Committee has the right to decide on matters in its areas of responsibility and is required to inform the board afterwards.

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FINANCE AND RISK COMMITTEE
Investor’s Finance and Risk Committee is appointed each year by the board. The committee identifies financial risks and proposes measures to either limit the risks or expose the company to them. The committee also works with operational risks, compliance and security issues, ensuring that risks are managed and monitored securely. The Finance and Risk Committee has the right to decide on matters in its areas of responsibility and is required to inform the board afterwards.

WORK OF THE FINANCE AND RISK COMMITTEE IN 2006
Until the 2006 AGM, the committee’s members consisted of board members Björn Svedberg (chairman), Börje Ekholm, Sirkka Hämäläinen and Grace Reksten Skaugen. Ulla Litzén left the committee after she resigned from the board in connection with the AGM in March 2006. In 2006, the committee had five meetings during which minutes were taken, and when needed, informal contacts between these meetings. The meeting attendance record and independence of each member are shown in the tables on the preceding pages. Representatives from management and risk management and specialist functions, participated in meetings.

The current risk situation for each area of operation is reported on and discussed at each meeting. In connection with the restructuring of the debt portfolio in the beginning of 2006, the committee’s work was particularly focused on the company’s financing strategy. In addition, the committee reviewed current insurance policies, launched a project for internal and external information security and updated Investor’s compliance policy.

BOARD REMUNERATION
Remuneration for the board for the coming fiscal year is decided each year by the AGM and is paid to board members not employed by the company. For 2006, the AGM approved remuneration totaling SEK 6,937,500. The distribution of board fees is shown in the table on page 37 and in Note 5 of this annual report. The chairman receives higher remuneration than the other board members, which reflects the extra work duties that this position involves.
Part of the total remuneration is used to pay the fees of board members who are members of the board’s committees. Members of the board who are not employed by the company do not participate in Investor’s share-based remuneration programs.

At its statutory meeting, the board approved a policy for share ownership for the board’s members in which board members each year use 25 percent of their board fee, net after tax, to purchase shares in Investor. Purchased shares are to be retained as long as a member remains on the board.

Auditing works and auditors
The company’s auditors are appointed by the AGM and their term of office is normally four years. The task of the auditors is to audit the company’s annual accounts and accounting records on behalf of shareholders, as well as the administration of the board and the president. Investor engages the services of two auditing firms: KPMG Bohlins AB, with Carl Lindgren as auditor in charge, and Ernst & Young AB, with Jan Birgerson as auditor in charge. The next election of auditing firms will take place at the 2007 AGM. The Nomination Committee’s proposal for auditors can be found on Investor’s website.

During the past three years, the auditing firms have had a limited number of other assignments from Investor in addition to their auditing work. These assignments have mainly involved in-depth reviews in connection with audits. To ensure the independence of the auditors from the company, elected auditors are only allowed to perform a limited number of other services than auditing. All remuneration paid to the auditors during the past two years is shown in Note 6 of this annual report. Information about the company’s auditors can be found on Investor’s website.

Management
The president Börje Ekholm, also Chief Executive Officer (CEO), is responsible for Investor’s day-to-day operations. Written instructions establish how responsibilities are divided between the board and the president. The president’s responsibilities cover ongoing investments and divestments, personnel, finance and accounting issues, regular contacts with the company’s stakeholders (such as authorities and the financial markets) and ensuring that the board receives the information it needs to make well-founded decisions. The president attends all board meetings, with the exception of the meeting when the board evaluates his performance, or when the board meets the auditors without the presence of the president or other persons from the company’s management. The president of Investor has appointed a management group that has day-to-day responsibility for different parts of Investor’s business activities. The management group has a scheduled meeting once a week to conduct and follow up current projects and issues within the organization. In addition to the weekly meetings, the management group has regular meetings four to five times a year to discuss basic strategy, as well as daily interaction between members. See page 43 in this report and Investor’s website for a more detailed presentation of the president and the management group.

MANAGEMENT REMUNERATION
Investor’s remuneration policy aims to offer remuneration ensuring that senior executives, as well as other employees, can be recruited and retained in the company. The total remuneration for Investor’s management consists of the following components: basic salary, variable salary, long-term share-based salary, pension and other remuneration and benefits. The basis for Investor’s total remuneration is that it is to reflect the employee’s performance as a whole and be in line with the market. The 2006 AGM decided on the principles for remuneration and other employment terms for the company’s management in 2006, as well as on programs for long-term share-based remuneration for 2006 for company management and other employees. At the AGM, the Remuneration Committee also reported on the principles for remuneration paid to Investor’s management and the programs for long-term share-based remuneration. For more information see Note 5 in this annual report and Investor’s website.

Policy for Corporate Social Responsibility
Corporate Social Responsibility (CSR) is the active commitment and responsibility of companies for developing society at large. Investor has a long tradition of acting as a responsible company and owner. Investor continuously develops its CSR activities. Investor’s basic principle is that the healthy long-term profitability of a company is ensured by taking into account the needs of stakeholders and society at large.

CORPORATE SOCIAL RESPONSIBILITY AS AN OWNER
As an owner, Investor strives to ensure that the companies it invests in, and has influence in, conduct their operations in a responsible and ethical manner. Since CSR risks and challenges will differ between companies, industries and countries, each company must identify and address the relevant CSR-related issues for its particular operations. Complying with local and national legislation and regulations in each country of operation is a basic requirement. Several of Investor’s holdings work actively with CSR issues and have come far in their CSR work. As part of its CSR activities, Investor has started to map how its investments work with carbon dioxide emissions. Investor’s basic position is
that the companies shall work actively with emission issues in their production and transportation operations, not least from a competitive standpoint.

CORPORATE SOCIAL RESPONSIBILITY AS A COMPANY AND EMPLOYER
Within Investor’s own operations, the primary CSR focus is to give staff a competitive and inspiring work environment. Investor supports the OECD Guidelines for Multinational Enterprises, which contain recommendations on employment, human rights, the environment, the disclosure of information and other areas of responsible business conduct. Investor has an environmental policy that strives to minimize its environmental impact through recycling and other measures. Work is being conducted to analyze how Investor can act as a company to reduce carbon dioxide emissions. However, Investor’s direct environment impact is considered to be minor since the company conducts relatively limited operations from offices.

Investor’s various sponsoring activities normally include some form of social engagement. Youth, education and entrepreneurship are prioritized areas. Investor sponsors Students for Free Enterprise (SIFE), a non-profit organization giving university students the opportunity to develop community outreach projects in an international project competition. Investor also sponsors Project Zon Moderna, an educational art outreach project for youth at Moderna Museet in Stockholm. Zon Moderna aims to develop the creative, innovative and entrepreneurial skills of students through encounters with art, artists and young people from different backgrounds.

Board of Directors’ Report on Internal Control
This report on internal control has been submitted by Investor’s board of directors and is prepared in accordance with the Swedish Code of Corporate Governance and the guidance provided by FAR SRS, the institute for the accounting profession in Sweden, and the Confederation of Swedish Enterprise. The report is therefore limited to internal control over financial reporting. In accordance with the application instructions of the Swedish Corporate Governance Board, this report describes how internal control is organized without making any statement on how well it has functioned. The report constitutes a special section of the Corporate Governance Report. The board’s report on internal control has not been reviewed by the company’s auditors.

Internal control over financial reporting is a process involving the entire organization, from the board and management to personnel. Investor’s internal control is designed to manage risks in processes related to financial reporting in order to achieve external reporting of high reliability. Investor’s main business is the management of financial transactions and the company’s internal control over financial reporting is focused primarily on ensuring an efficient and reliable process for managing and reporting on purchases and sales of securities and holdings of securities.

The system of internal control is normally described on the basis of the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The areas forming the basis for internal control are the control environment, risk assessment, control activities, information and communication and monitoring.

CONTROL ENVIRONMENT
The control environment, forming the basis of internal control over financial reporting, is made up of various parts that together shape the culture and values that guide how Investor operates. The organizational structure ensured by the board and management, with clearly defined roles and responsibilities in each process, is part of this. Investor’s ambition is that values such as professionalism, integrity should permeate the organization. This puts great demands on the competence and moral sense of Investor’s employees and their awareness of their role in maintaining good internal control process over financial reporting.

Each business area has policies and detail process descriptions for the various phases of transaction management and bookkeeping in the business flow, as well as other governing documents which lay down rules as to who shall bear responsibility for a specific task, which mandate and powers are to be included and how this is followed up. The Operating Investments business area is currently preparing policies and process descriptions for the Business Development unit.

RISK ASSESSMENT
At board level, the Finance and Risk Committee and the Audit Committee are respectively responsible for identifying and managing significant financial risks and any risks of material weaknesses in financial reporting. In the wake of this assessment, measures are taken and routines updated to ensure accurate financial reporting. One very important routine for Investor is to closely monitor current rules and laws concerning insider trading and the disclosure of information on transactions involving Investor’s listed holdings. Investor has ongoing procedures for assessing and evaluating risks in the process, such as requirements for new...
procedures emerging as a result of changes to laws and other external regulations.

The annual recurrent risk analysis identifies processes in which risks for material weakness in financial reporting for significant income statement and balance sheet items are relatively 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. The Audit Committee decides on the identified risks that the internal control function will focus on.

CONTROL ACTIVITIES
The risk assessment leads to a number of control activities. The purpose of the control activities is to prevent, detect and rectify weaknesses and deviations. Control activities include bank and custody reconciliations, analytical follow-up of decisions, comparisons between income statement items and automatic checking using IT-based systems. The fitness-for-purpose of IT-based checks is revised continuously on the basis of information received from system administrators in the business process and evaluated by an external partner once a year. The organization strives to separate duties in such a way that different individuals perform different aspects of control. The essential control activities are documented and improved on an ongoing basis.

During the year, a special audit was conducted of one of Investor’s foreign offices. This audit was focused on the evaluation of control activities in processes related to monthly financial reporting. In late autumn, Investor started to implement a new consolidation system. The internal control function participated actively in this project to establish new processes and control activities. As in 2005, particular emphasis was placed on devising and following up checks on the effects of new accounting policies under IFRS.

FOLLOW-UP
The board receives detailed monthly reports on Investor’s financial position and the development of Investor’s business activities. The company’s financial situation and strategy are discussed at every board meeting. Each quarterly report is examined by the Audit Committee for accuracy of the financial information. The Audit Committee also exercises an important role in ensuring that the required control activities are in place concerning important areas of risk related to the company’s financial reporting. Reported shortcomings are followed up regularly via management and the Audit Committee.

The internal control function serves as an objective support resource to the board with regard to the internal control structure, partly by investigating major areas of risk and partly by performing follow-ups and specific investigative auditing assignments in selected areas. The function works proactively by proposing improvements to control systems. The internal control unit plans its work in consultation with the Audit Committee, management and external auditors and regularly reports on its work to the Audit Committee.

In 2006, the internal control function focused on reducing risks identified in the risk analysis performed in 2005 regarding the risk of material weaknesses in the financial reporting system. Specific control initiatives were focused on the business processes of the Private Equity operations and evaluations of the loan portfolio and related hedge accounting. Observations from earlier auditing initiatives are continuously followed up.