

CEO Börje Ekholm's speech at Investor AB:s Annual General Meeting, May 12, 2015

Dear shareholders, honored guests,

A warm welcome to Investor's Annual General Meeting 2015. This is the tenth and last time I speak to you as CEO of Investor, and I hope you have found the past ten years exciting. At least I have. A bit earlier today, you saw some pictures from Colorado. Colorado is probably my favorite place on earth, but it is also an important place for Investor's shareholders. Most of the major transactions we have been engaged in during my tenure as CEO have been negotiated when I have been in Colorado. At home, I have marketed these trips as vacations, but I do not know how much vacation they turned out to be, as I was mostly on the phone. But I think it worked, so maybe I should have spent more time in Colorado. Well, I am planning to, going forward at least.

Anyway, the past ten years have been eventful. In 2005, the only way was up, the wheels were turning rapidly and business activity was intense. Very few people had probably heard about subprime or quantitative easing, or QE as it is called nowadays. Instead, we talked about the supercycle. But as always, when nobody can identify any risks, they show up, so only a few years later, we were staring into the abyss as Lehman Brothers collapsed, the wheels stopped turning and the banking system froze. Well, since then, the global economy has recovered, but the remaining challenges are large and many. Even for Investor, this has been an eventful period. We have added Mölnlycke Health Care, Aleris, Permobil and Wärtsilä and increased the ownership in all our listed holdings. Scania and WM-data have left the portfolio. OMX disappeared but returned in the shape of global player Nasdaq. We have also privatized and exited Gambro. Our market value has moved from approximately SEK 85 bn. to SEK 250 bn. above all, I am happy that we have managed to build up a portfolio of wholly-owned subsidiaries with the ability to generate good cash flow to Investor, a cash flow that we control. Of course there are things I would have wanted to do differently. We should have increased more in some holdings and we should have avoided certain transactions, but everything is easy in hindsight. The only way to avoid making mistakes is to do nothing at all. Instead, I believe that one should learn from one's mistakes and look forward. One must not forget that the future belongs to the optimist.

Before I start talking about Investor, I would like to say a few words about business and our view on business. I do not think that profit can be the ultimate goal for a company. The goal must be to offer the customer products or services that solve a problem for the customer. If this is achieved at a lower cost than the customer is willing to pay, profit will be made. On the other hand, if the cost is higher than what the customer is willing to pay, the company loses money and will go out of business. In that case, the company does not contribute anything whatsoever to society. Therefore, we usually say that profit is merely a receipt showing that you are doing the right things. Consequently, there is nothing contradictory about long-term profitability and sustainability, popularly referred to as Corporate Social Responsibility. For Investor as a long-term owner, we have to act in alignment with society. As I see it, laws and regulations provide the outer framework for how you are allowed to act. This is necessary, but not sufficient. Inside these outer framework, there is a smaller circle defining what is morally and ethically acceptable or legit. Let me give you an example. To break a promise is rarely illegal, but it is morally and ethically wrong. Bad ethics hurt your brand name and will make it more difficult for a company to sell its products and services and recruit new employees.

Recently we have received numerous questions about our relation to our auditors. Of course we pay them the regular fee, but I have to admit that we have done something else as well. They have actually been given a t-shirt, looking like this. On the back, you can read "The IFRS resistance movement". IFRS refer to the accounting rules. They have also received a coffee mug that says "The fight goes on, the IFRS resistance movement". I actually believe that these two things clearly show my view on the accounting rules and I am not sure that the recipients have viewed them as rewards or even appreciated them. In fact, I am not sure that they have used them. At any rate, this is what we have done. Full transparency!

Now I will switch focus and talk about 2014 from Investor's perspective. Or before I do that, please let me say a few words about the surrounding world. The global economy is sputtering. The U.S. is often pointed out as the star, but its economy is actually not that strong either. Expansionary monetary policies have continued to push interest rates lower, but the fact is that lower interest rates do not seem to have had any major impact on the real economy. However, they have had an impact on the stock market. Investors chase returns and they have had nowhere else to turn but to the stock market. This has resulted in the current – in a historical perspective very high – valuation levels. I think one has to ask the question whether these levels are sustainable or not. I believe that this hinges on one's view on interest rates going forward. My view is that the Western economies will be under heavy pressure, call it inflationary pressure, driven by a number of factors. Technology, improving productivity, is one of them, but also, the urbanization of Asia, perhaps mainly China, provide a huge supply of low-cost manufacturing resources. In this context one has to remember that China is gradually urbanizing, Africa largely remains to be urbanized. Consequently, this trend of low-cost manufacturing is likely to remain for quite some time.

I am personally not entirely convinced about this scenario, but I do not think that one should rule out that interest rates may remain lower for a longer period than we expect today. However, I would not bet all my money on this. I think this is like driving in reverse at a 150 kilometers per hour. It can end well, but the risk is high. Another uncertainty that we touched upon at the Investor Dialog is the geopolitical risk, including Russia, the Ukraine, IS in the Middle East and trouble in Africa. I believe that these risks raise the global uncertainty and this is never good for the investment environment. In Sweden we have experienced increased uncertainty following the elections in September. So far, a number of decisions have been made and proposals been presented that, in worst case, could limit the business community's ability to generate export revenues and jobs. I believe it is important to remind ourselves that it is the industry that is the backbone of our export. Often, our music export is recognized. It is quite difficult to measure but is often estimated at approximately SEK 1 bn. annually. I think that this is great and very fun and something we should be proud of. However, we must not forget that AstraZeneca's Södertälje factory generates the same amount of exports in a week.

There is a considerable risk that companies choose not to invest in Sweden but to grow abroad instead. Above all, long-term investments such as R&D could be moved out of the country. I do hope that my concerns turn out to be exaggerated, but the lay-offs earlier this year may be a sign of something else and should be treated seriously. I believe that it is important to remember that politics and politicians do not create jobs. Companies do. The role of politics is to make sure that there are clear and stable conditions allowing business to prosper. Then, jobs are created, tax revenues are generated and we can have the welfare society that we all want.

Now over to Investor. 2014 turned out to be another good year in our history of almost 100 years. Including reinvested dividends, our net asset value increased by 24 percent and our total shareholder return was 33 percent. This clearly beat the stock market's return index SIXRX that advanced by 16 percent. Over the past 20 years, Investor's total shareholder return has averaged 15 percent per year, almost two percentage points above the general market. While this difference may be perceived as small at first glance, one must not forget what Einstein used to refer to as the strongest power in the universe: the compounding effect. Given this effect, the difference ends up much larger over time so let me show an example.

If you invested SEK 100 in the index 20 years ago, these would be worth SEK 1,200 today. That is quite good. But if you had made the same investment in Investor, the SEK 100 would be worth SEK 1,600 today, almost 40 percent more.

Our listed Core Investments developed well during the year and activity was high. Let me give you a few examples. We increased our ownership in ABB. We also acquired shares in Wärtsilä from the former main owner Fiskars and became the largest owner in Wärtsilä. This is a fantastic company with considerable long-term potential. Electrolux announced a strategic acquisition of GE Appliances that will strengthen the company's position in the U.S. market considerably. We have committed to participating with our pro rata share in the rights issue that will be required to partially fund the acquisition. Husqvarna made progress in its turnaround and this is now becoming visible in the figures. Saab signed an agreement regarding the Gripen fighter with the Brazilian government and completed the acquisition of TKMS, better known as Kockums.

A few words about the subsidiaries. Mölnlycke Health Care continued to perform well with good growth and profitability under its new management. The company now has a strong balance sheet that allows investments in both organic growth and complimentary acquisitions. As always, from a shareholder perspective, organic growth is very valuable for the owners and something that we prioritize. Just a few weeks ago, Mölnlycke launched parts of its product range at CVS, the largest pharmacy chain in the U.S., a big and important step into a consumer market that offer great future opportunities. At the same time, a collaboration with Apria Healthcare regarding advanced wound care treatment at home. During the year, Mölnlycke also made its first capital distribution to Investor, SEK 1.2 bn., which I believe illustrates the cash flow capacity of our subsidiaries over time. Aleris showed good growth and continued to work with its operating challenges, for example through the restructuring of the Stockholm hospitals, a restructuring that is now running entirely according to plan. In early 2015, Aleris acquired Teres Medical Group, which will strengthen the company in Norway, Sweden and Denmark.

As you all know, we have a political debate and an investigation regarding profits in the welfare sector. This debate crates major uncertainty in the entire welfare sector, mostly so for many smaller companies that now have trouble financing their operations. I believe that these companies are critical to contribute development and innovation that is much needed if we are to afford welfare in the future. I think that profit is the wrong question to discuss. Instead we should focus on quality and innovation ability. But I have been talking so much about this before so I will move on and say a few words about Permobil instead. Permobil took an important step last year on its way to become an integrated supplier of advanced rehab solutions. Through the acquisition of U.S. TiLite we have now strengthened the product offering by being able to offer highly qualified manual wheelchairs. This enables us to address another market segment but also other geographic areas. In early 2015 Permobil

acquired Roho Group, a leading player within skin protection and positioning services for wheelchairs. For Permobil, continued profitable growth remains in focus. Also Grand and Vectura developed well. Our ambition is to continue to increase activity within real estate, predominantly by developing our existing ones, in other words the Grand Hôtel and our office building, but also by building new ones in cooperation with Aleris.

Let me say a few words about our Financial Investments as well. EQT continued to develop well with a good value increase and strong cash flow to Investor. Investor Growth Capital completed the wind-down of its Swedish portfolio and Investor took over a number of investments that we believe can become more valuable over time. One of these is Tobii that was listed a couple of weeks ago. Another one is Atlas Antibodies that builds on Professor Mattias Uhlén's world-leading research. 3 Scandinavia developed well with continued good subscriber growth service revenue growth. 3 now has more than 3 million subscribers. Together with Hutchison Whampoa, we refinanced 3 which means that 3 now generates cash flow that can be used for distribution rather than interest payments to the banks. It is nice and fun to see that 3 can generate really good cash flow.

The core of Investor's business is to be a long term owner with focus on maximizing the long-term fundamental value of our holdings. What do we mean by that? We mean the present value of all future cash flow. The development of Investor depends entirely on the development of our holdings. It is imperative that we are a world-class owner. Given that, we have spent a lot of energy to develop our value creation plans, i.e. the way we work with our companies. We have also worked actively to ensure that we have the best possible boards in place. Here we have taken a number of steps forward, but much remains to be done. There are a number of trends in the world affecting our ownership model for a long time. We have increasingly active institutional investors, a growing number of activist investors with more money and we have a consolidation trend in many industries. Our conclusion has been that we needed to increase our ownership in our holdings. We chose a strategy to divest those holdings in which we were not the best owner or which we did not believe would be able to consolidate their industries. Today we have a larger ownership in all listed core investments than ten years ago and we have not divested smaller stakes in any of them. I believe that our companies must be able to trust that we are there to stay and that we work for their long-term development and value creation.

Our need of a proprietary cash flow is something that has been discussed for decades, as you saw in the movie about Peter Wallenberg. Without a cash flow of our own, holding companies like Investor has to divest holdings in order to buy. As shareholders you know how hard it is to buy and sell simultaneously at good prices. It is important for us to be able to invest in our operations in order to generate long-term sustainable dividend growth to you, dear shareholders. That is why we started to build up a portfolio of wholly-owned subsidiaries. An advantage is the cash flow, but also that 100 percent of the value begets our own shareholders, there are no free-riders so to say. We are never better than our holdings. That is why we need to be an even better owner of both listed and unlisted companies. Therefore, in early 2015 we announced the next step in our strategy to sharpen our work to become a world-class owner. The step was the creation of the new division Patricia Industries, focusing on our wholly-owned subsidiaries.

We have seen that the way of working with listed and unlisted companies differ a bit and we believe that by focusing more on each respective part, we can become the best owner of all our companies. With a capital commitment of SEK 6 bn., divestitures of smaller holdings and cash flow from the subsidiaries, within Patricia we can expand our portfolio of subsidiaries further, thereby strengthening Investor's long-term cash flow capacity. The nearest two to three years, we will focus on further developing our existing subsidiaries and realize values in

some of our smaller holdings. New investment activity is likely to be limited during this period, but of course we will be ready to act on any attractive opportunities.

Yes dear shareholders, this is the last time I speak to you. Going forward, I will remain in the group, but then in Patricia Industries. I am looking forward to continue working within the Wallenberg sphere with its long-term focus on industrial development. I also like to work with this family. In this new role, I can focus entirely on building strong companies for the long-term. To work closely to the companies and their employees is the best thing I know and this I will be able to do in Patricia. Most of all, I will be able to avoid the media. This is something that I do not like and I am not good at it. I also know that Johan Forssell, whom I have been working with closely for many years, and his team will lift Investor to its next level. Against this background, I am convinced that for Investor and for you shareholders, “you ain’t seen nothing yet”.

To be the CEO of Investor is actually quite easy. It is about having the best companies in the portfolio and the best companies are created by the best employees. Therefore, I would like to take this opportunity to thank everyone who work on our boards, in our companies and at Investor for all your hard work. You are all fantastic, you always deliver and without you, this group would not be as strong as it is today. To put it simply, you are world-class. A big thanks to all of you.

With that, dear shareholder, thank you for giving me the chance to look after your company for ten years. It has been an honor and a great pleasure. Thank you and good buy!

Thank you!