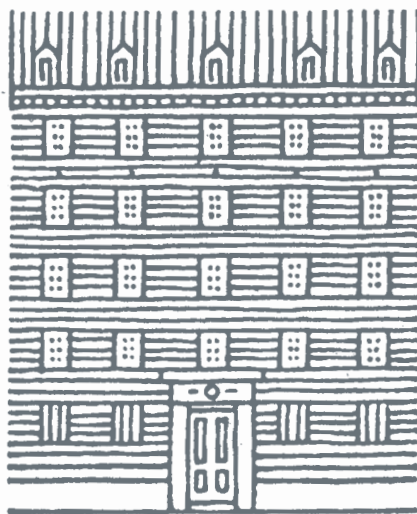


NOBEL-  
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*Annual Report 2014*



NOBELSTIFTELSEN

The Nobel Foundation



# THE NOBEL FOUNDATION

SWEDISH REGISTRATION NUMBER 802002-4462

## ANNUAL REPORT 2014

The Nobel Foundation, Box 5232, SE-102 45 Stockholm

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# TASKS AND ORGANISATION

**T**he Nobel Foundation is a private foundation established in 1900 on the basis of the will of Alfred Nobel and the founding statutes promulgated in connection with the will. Its primary purpose is to ensure that the intentions of the will of Alfred Nobel are fulfilled.

The Foundation is responsible for ensuring that the assets made available for awarding the Nobel Prize are managed in such a way as to safeguard the economic base of the Prize and guarantee the independence of the prize-awarding institutions in their work of selecting Laureates. The Nobel Foundation is also entrusted with managing and carefully developing the trademarks and intangible assets that have been built up during the more than century-long history of the Nobel Prize.

Another central task of the Foundation is to protect the common interests of the prize-awarding institutions and represent all the Nobel institutions externally. This includes, for instance, broad informational activities aimed at disseminating knowledge about the Nobel Prize. The Nobel Foundation also administers Nobel Symposia in the respective fields covered by the Prize.

In recent years, the Nobel Foundation has expanded its informational activities to such an extent that it has become necessary to form new organisations to run and develop these activities, which may not be defrayed by funds from the Nobel Foundation. In 1999 the non-profit Nobel Foundation Rights Association was thus established. Its purpose is to engage in informational, museum, research, development, media and related work in the Nobel Foundation's sphere of interest.

The non-profit association has an overall function as the umbrella organisation for the following units: the wholly owned limited liability companies Nobel Group Interests AB, Nobel Media AB, Nobelmuseet AB (the Nobel Museum), Nobelhuset AB in Stockholm and Nobels Fredspris – Forskning og Informasjon AS (Nobel Peace Prize – Research and Information) in Oslo, Stiftelsen Nobels Fredssenter (the Nobel Peace Center Foundation) in Oslo as well as the Nobel Center Foundation, which was established during 2014. The foremost task of these organisations is to disseminate information and knowledge about the Nobel Prize and the contributions of the Nobel Laureates and to stimulate interest in science and humanism. For detailed presentations of the organisations and their activities, see the printed publication “The Nobel Foundation 2014 Annual Review”.

The Nobel Prize-awarding institutions – the Royal Swedish Academy of Sciences, the Nobel Assembly at Karolinska Institutet, the Swedish Academy and the Norwegian Nobel Committee – appoint fifteen members to the Trustees of the Nobel Foundation, for two cal-

endar years at a time. Of these, the Academy of Sciences elects six representatives, and the other prize-awarding institutions three each. In addition to these members, the Academy of Sciences appoints four deputy members and each of the other prize-awarding institutions two. The Trustees elect a Chairman from among their own number. The most important task of the Trustees is to appoint the Board of Directors of the Nobel Foundation.

The Nobel Foundation is represented by a Board of Directors, which consists of seven members and two deputy members appointed by the Trustees of the Nobel Foundation. The Board members and deputy members are selected for a period of two years at a time. From among its own members, the Board elects a Chairman, a Vice Chairman and an Executive Director. The Trustees decide whether to discharge the members of the Board from personal liability for the preceding financial year.

The Nobel Foundation's administration and accounts are examined annually by six auditors, who work together in the Council of Auditors. The Trustees appoint one of the Foundation's auditors, who is to be an authorised public accountant. The other auditors are appointed by the prize-awarding institutions, except that their Chairman is appointed by the Swedish Government. All auditors are elected for a period of one year at a time.

The Nobel Foundation owns two properties, located at Sturegatan 14 in Stockholm and Henrik Ibsens gate 51 in Oslo. The Foundation has its registered office in Stockholm but also carries out administrative activities in Oslo.

# REPORT OF THE DIRECTORS, 2014

## THE NOBEL PRIZE

### THE 2014 NOBEL LAUREATES

Since 1901, the Nobel Prize has been awarded 567 times to 889 Laureates. Because some have been awarded the Prize twice, a total of 860 individuals and 22 organisations have received a Nobel Prize or the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.

THE NOBEL PRIZE IN PHYSICS was awarded to ISAMU AKASAKI, HIROSHI AMANO and SHUJI NAKAMURA *“for the invention of efficient blue light-emitting diodes which has enabled bright and energy-saving white light sources”*.

THE NOBEL PRIZE IN CHEMISTRY was awarded to ERIC BETZIG, STEFAN W. HELL and WILLIAM E. MOERNER *“for the development of super-resolved fluorescence microscopy”*.

THE NOBEL PRIZE IN PHYSIOLOGY OR MEDICINE was awarded to JOHN O’KEEFE, MAY-BRITT MOSER and EDVARD I. MOSER *“for their discoveries of cells that constitute a positioning system in the brain”*.

THE NOBEL PRIZE IN LITERATURE was awarded to PATRICK MODIANO *“for the art of memory with which he has evoked the most ungraspable human destinies and uncovered the life-world of the occupation”*.

THE NOBEL PEACE PRIZE was awarded to KAILASH SATYARTHI and MALALA YOUSAFZAI *“for their struggle against the suppression of children and young people and for the right of all children to education”*.

THE SVERIGES RIKSBANK PRIZE IN ECONOMIC SCIENCES IN MEMORY OF ALFRED NOBEL was awarded to JEAN TIROLE *“for his analysis of market power and regulation”*.

#### THE NOBEL WEEK IN STOCKHOLM

The official Nobel Week programme began on December 6, when the Laureates were welcomed to the Nobel Museum. In the following days the Laureates participated in press conferences, Nobel lectures and dinners organised by the prize-awarding institutions. The reception at the Nordic Museum on December 9 was organised jointly by the Nobel Foundation and the Royal Swedish Academy of Sciences. The Nobel Foundation was also responsible for carrying out the Nobel Prize Award Ceremony at the Concert Hall and the Nobel Banquet at the City Hall on December 10.

As part of the official Nobel Week programme, on December 9 the Nobel Media organised the Nobel Week Dialogue – a full-day seminar entitled “The Age to Come”, aimed at promoting a broader dialogue between researchers and society on the theme of ageing. In conjunction with the Nobel Week, the website Nobelprize.org published interviews with Laureates, video recordings of the 2014 Nobel Lectures, the Nobel Prize Award Ceremonies in Stockholm and Oslo as well as podcasts of interviews with the Laureates. Nobel Media also hosted the Nobel Prize Concert. The Nobel Week ended on December 12 with a reception at the Nobel Foundation for all 2014 Laureates, including Peace Prize Laureate Kailash Satyarthi.

#### THE NOBEL DAYS IN OSLO

Malala Yousafzai and Kailash Satyarthi participated during the 2014 Nobel Days in Oslo. On December 9, a press conference took place and the British Broadcasting Corporation (BBC) and the Norwegian Broadcasting Corporation (NRK) conducted interviews. The Prize Award Ceremony at the City Hall in Oslo on December 10 was followed by interviews with the Cable News Network (CNN). On the same evening, a Nobel Banquet was held at the Grand Hotel.

On December 11 the exhibition “Malala and Kailash” was inaugurated at the Nobel Peace Center by the Laureates. That same evening, the Nobel Peace Prize Concert took place at the Oslo Spektrum Arena.

CASES BEFORE THE STOCKHOLM COUNTY ADMINISTRATIVE BOARD  
AND THE LEGAL, FINANCIAL AND ADMINISTRATIVE SERVICES  
AGENCY (KAMMARKOLLEGIET)

During 2012, the County Administrative Board initiated and later closed a regulatory oversight case concerning the Nobel Foundation's responsibility for the task of selecting Nobel Laureates. To follow up this case, the Nobel Foundation subsequently took steps to ensure that the working processes of the prize-awarding institutions live up to high standards, among other things related to confidentiality and conflicts of interest. During 2013, the Nobel Foundation's Board of Directors petitioned Sweden's Legal, Financial and Administrative Services Agency (Kammarkollegiet) to request that regulatory oversight of the Nobel Foundation pursuant to the Foundations Act shall not include evaluating the merits of prize-awarding decisions. In March 2014, the Agency rejected this petition. The Nobel Foundation's Board has chosen not to appeal the Agency's decision.

LEGAL ACTION IN CALIFORNIA

In December 2012 Rongxiang Xu, a private individual based in the United States, filed a lawsuit against the Nobel Assembly at Karolinska Institutet and thus the Nobel Foundation in the Superior Court of California, County of Orange. The suit demands an unspecified amount of financial damages due to alleged defamation owing to the way the announcement of the 2012 Nobel Prize in Physiology or Medicine ascribes certain scientific discoveries to the Laureates, John B. Gurdon and Shinya Yamanaka. The suit was dismissed in September 2013. The reason given for the dismissal was that the Nobel Foundation is not subject to the jurisdiction of the California court. A concurrent request by Xu to change his suit was dismissed by the same ruling. In December 2013 Rongxiang Xu appealed the dismissal ruling to the United States Court of Appeal for the Ninth Circuit. Oral arguments are expected to take place before the Ninth Circuit Court during the spring of 2015, whereupon a ruling can be expected after 3-12 months.



## NOBEL SYMPOSIA

The Nobel Foundation's symposium activities were initiated in 1965. Over the years, they have achieved a high international standing. The symposia are devoted to areas of science where breakthroughs are occurring or deal with topics of primary cultural or social significance. The cost of symposium activities during 2014 totalled SEK 0.8 m (0.3).

Since 2014, symposium activities as well as other large interdisciplinary meetings in the Nobel sphere have been administered by the Nobel Foundation's Programme Committee, including representatives of the prize-awarding institutions. The Executive Director of the Nobel Foundation is the committee chairman.

During 2014 the following Nobel Symposia took place:

NS 156

*New forms of Matter – Topological Insulators and Superconductors*

Organiser: Professor Thors Hans Hansson

Högberga Gård, Stockholm, Sweden, June 13–15, 2014

NS 157

*Does the rise and fall of great powers lead to conflict and war?*

Organiser: Professor Geir Lundestad

Voksenåsen, Oslo, Norway, June 18–22, 2014

## FINANCIAL MANAGEMENT

### ORGANISATION AND STRATEGY OF ASSET MANAGEMENT

The objective of the Nobel Foundation's investment activities is to achieve a sufficiently high return over time to maintain the financial base of the Nobel Prize and guarantee the independence of the work of the Prize Committees in selecting the Laureates. The asset management must take into account the various risks that exist in financial markets.

The Foundation aims to deliver a total inflation-adjusted return of at least 3.5 per cent. This return level shall be achieved while maintaining well-balanced overall risks. One important reason why a return target of at least 3.5 per cent has been set is that returns could then exceed by a certain margin the Foundation's estimated cost ratio of about 3 per cent.

The Foundation's asset management follows customary principles in such contexts. The Board of Directors establishes the asset management framework. This includes deciding on the overall principles for asset management with respect to oversight and ethical guidelines. Based on an assessment of risk and return, the Board sets intervals for how large the Foundation's holdings of equities, fixed income assets and alternative assets (among them properties and property funds, infrastructure funds and hedge funds) should normally be. This has resulted in a portfolio strategy of 55 per cent  $\pm$  10 percentage points invested in equities including private equities (of which 20 per cent Swedish equities), 20 per cent  $\pm$  10 points in fixed income assets and 25 per cent  $\pm$  10 points in alternative assets, including properties and hedge funds. To measure short-term returns, the Foundation uses a benchmark portfolio consisting of 55 per cent equities (44 per cent MSCI All Country World Index and 11 per cent SIX Return Index), 20 per cent bonds (Handelsbanken All Bond Index) and 25 per cent alternative assets (HFRI Fund of Funds Composite Index). In a longer perspective, the Foundation also compares its returns on a moving five-year basis with those of other official, primarily Nordic asset managers.

The principles and mandates established by the Board of Directors constitute the starting point of the work of the Nobel Foundation's Investment Committee. The Committee is responsible for regularly re-assessing the principles and guidelines that govern asset management operations and submitting proposals for changes. In addition, the Committee makes decisions on how the intervals that the Board has set for various asset classes shall be utilised over time – allocation decisions. The Committee also decides how to apportion the Foundation's assets among various continents and countries and, where appropriate, what management style shall be applied, for example growth or value shares as well as interest rate and credit risk.

The choice of managers for each asset class is also made by the Committee. In choosing managers, the Committee attaches importance to such factors as investment philosophy, investment process, historically achieved returns, risk control systems, management organisation, fees and other processes and methods. The Nobel Foundation shall maintain a dialogue with its asset managers regarding ethical guidelines; for example, the United Nations Global Compact may be used. For the Nobel Foundation's direct investments, the UN Global Compact shall be used.

As for equities, the Nobel Foundation mainly invests in passive low-cost index funds in liquid and transparent markets. The reason is that in markets of this kind, it is difficult to achieve above-index returns after fees.

The Investment Committee itself determines what decisions it wishes to delegate to the executive management of the Foundation. Asset management is carried out with a small organisation. The Chief Investment Officer is responsible for preparing matters for decisions by the Committee, following up and executing these decisions, procuring fund managers and providing the necessary analysis and preparatory materials.

#### OVERALL POSITION AND EARNINGS

The market value of the Nobel Foundation's total invested capital amounted to SEK 3,869 m (3,437) at the end of 2014. Excluding the value of the Foundation's administrative properties, portfolio capital amounted to SEK 3,684 m (3,262) at the end of 2014. Portfolio capital was allocated among 55 (56) per cent equities, 12 (15) per cent fixed income assets and 33 (29) per cent alternative assets. Starting in 2013, private equity holdings have been included in the equities asset class. They accounted for 3 per cent of portfolio capital at year-end. Return on portfolio capital amounted to 16.5 per cent (16.4) for the year.

Total return on equity – growth in Foundation assets after adding back the overall sum of all Nobel Prizes and operating expenses – amounted to 15.8 (15.3) per cent.

Book profit for the year amounted to SEK –71.9 m (72.2). The year's deterioration in earnings was mainly attributable to asset management, with net realised change in value contributing SEK –48.3 m compared to SEK 81.3 m in 2013

#### OUTFLOW AND EXPENSES

During 2014 the overall sum of all Nobel Prizes and operating expenses was SEK 98.6 m (99.6). This was divided among three main categories: the Prizes and compensation to the Prize Committees, SEK 66.0 m (66.0); the Nobel Week in Stockholm and Oslo, SEK 16.7 m (16.4); plus administration etc., SEK 15.9 m (17.2).

Compensation to the Prize Committees remained at an unchanged level compared to 2013.

Central administrative expenses decreased from SEK 16.8 m to SEK 15.1 m. The reduction in expenses consisted primarily of decreased attorney expenses related to the lawsuit in the United States. These expenses totalled SEK 0.3 m, compared to SEK 3.0 m in 2013. Because of a large-scale façade renovation of the property in Stockholm, total earnings from directly owned properties amounted to SEK –1.1 m, compared to SEK 0.3 m during the previous year. Two Nobel Symposia were held during 2014.

The Foundation's expenditure ratio – the total amount for all Nobel Prizes and operating expenses as a percentage of the market value of the Foundation's equity on January 1 – was 2.9 (3.3) per cent in 2014.

MARKET VALUE OF TOTAL PORTFOLIO CAPITAL BY ASSET CLASS (%)

	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
<i>Investments in equities</i>					
Sweden	10	9	8	8	9
Other countries	45	47	46	43	49
	<u>55</u>	<u>56</u>	<u>54</u>	<u>51</u>	<u>58</u>
<i>Fixed income investments</i>					
Sweden	7	10	12	15	16
Other countries	5	5	4	5	6
	<u>12</u>	<u>15</u>	<u>16</u>	<u>20</u>	<u>22</u>
<i>Alternative investments</i>					
Property funds	7	9	9	9	7
Hedge funds	23	20	21	20	13
Convertible bonds	3	0	0	0	0
	<u>33</u>	<u>29</u>	<u>30</u>	<u>29</u>	<u>20</u>
<b>Total portfolio capital</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## THE INVESTMENT PORTFOLIO

The total market value of portfolio capital (total invested capital excluding administrative properties) amounted to SEK 3,684 m (3,262). Return on portfolio capital was 16.5 per cent, compared to 11.8 per cent for benchmark indices. The main explanation behind these better returns was a certain overweighting of equities, comparatively large American equity holdings and exposure to the US dollar. Hedge fund holdings also performed somewhat better than benchmark. Investments in fixed income instruments and in properties pulled down returns. Equities contributed 13.8 per cent to overall earnings, fixed income investments 0.8 per cent and alternative investments 6.6 per cent, while currency hedges pulled down earnings by 4.7 per cent.

The allocation of portfolio capital by asset class diverges from reported book value because indirectly owned properties are included under the heading “Properties” and because liquidity in the portfolios of asset managers is reported by asset class.

## INVESTMENTS IN EQUITIES

The market value of the Foundation’s investments in equities totalled SEK 2,040 m (1,818). Investments in equities accounted for 55.4 (55.7) per cent of portfolio capital at year-end 2014. This consisted of investments in Sweden, 17 (17) per cent; the rest of Europe, 18 (18) per cent; the United States, 36 (36) per cent; emerging markets, 11 (10) per cent; private equity 5 (5) per cent; and other equities 13 (14) per cent. The biggest changes during the year were divestments of US equities, divestment of global equities and new investments in Asia. The market value of private equity holdings totalled SEK 105 m (90).

Most of the world’s stock markets rose during 2014. The value of the Nobel Foundation’s total equities portfolio rose by 26.6 (24.6) per cent. This was better than its benchmark indices<sup>1</sup>, which rose by 17.4 (22.8) per cent. These better returns were explained primarily by the Foundation’s comparatively large percentage of American equities and larger currency exposure. The Viking Long Fund stood out, with returns a full 7.5 per cent better than its benchmark index. The fundamentally weighted RAFI index funds in the US and Europe achieved returns that were below their benchmarks by 1.5 and 1.9 percentage points, respectively. The year’s return on private equity holdings was 16.7 (13.6) per cent in local currencies.

During 2014 the Foundation sold its holdings in Skagen Global and IPM RAFI Emerging Markets. The Foundation decreased its investment in the T. Rowe Price Mid Cap Fund and purchased units in the First State Asia Pacific Leaders Fund late in the year.

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1 MSCI All Country World net (of which one half currency hedged) + 20 per cent SIX Return Index

## FIXED INCOME INVESTMENTS

The market value of the Foundation's fixed income assets amounted to SEK 457 m (485). Fixed income assets accounted for 12.4 (14.9) per cent of portfolio capital at year-end 2014. Of these assets, 66 (77) per cent were attributable to Sweden while 25 (17) per cent consisted of international bonds, emerging market bonds and high yield bonds. Unlisted bond and loan funds accounted for 9.0 (6.0) per cent of fixed income assets.

In addition to bond holdings, the fixed income investments asset class included liquid funds, which totalled SEK 80 m (46).

Most sovereign bond yields in the world fell during 2014, and fixed income investments thus generally rose in value. The return on the Foundation's fixed income investments amounted to 4.7 (3.1) per cent during the year. This was lower than the benchmark index<sup>2</sup>, which rose by 7.5 per cent. The Foundation's lower return was explained primarily by having maintained a shorter average maturity than the benchmark index, which was partly offset by a higher proportion invested in credit bonds. Fixed income assets managed by DNB achieved better returns than their respective benchmark indices, while Bluebay did not match its benchmark. The year's return on unlisted bonds was 9.8 (16.5) per cent in local currencies.

During 2014 the Foundation sold part of its Swedish bonds managed by DNB.

## ALTERNATIVE INVESTMENTS

The market value of the Foundation's alternative investments amounted to SEK 1,235 m (950). Alternative assets accounted for 33.5 (29.1) per cent of portfolio capital at year-end 2014. They were apportioned among hedge funds, property funds and convertible bonds.

The market value of hedge fund holdings was SEK 838 m (652). Hedge funds accounted for 22.7 (20.0) per cent of portfolio capital at year-end 2014. The Foundation had holdings in seven hedge funds with different strategies. There were also three minor holdings that were in the process of final redemption. During 2014, the Foundation's hedge fund portfolio rose in value by 4.1 (9.4) per cent, while the benchmark index<sup>3</sup> rose by 3.3 (8.7) per cent in local currencies. Earnings on hedge fund holdings were mixed, with good earnings for Two Sigma, Viking and Millennium and poorer earnings for Discovery and Convexity.

During 2014, the Foundation increased its investments in Two Sigma and Discovery and reduced its investment in Nektar.

The Foundation's exposure to property funds, including infrastructure funds, amounted to 7.7 (9.2) per cent of portfolio capital at year-end 2014. This consisted of holdings in six property and infrastructure funds that invest in the United States, Asia, Sweden and other European countries. During the year, the value of property fund holdings rose by 3.7 (5.4) per cent in local currencies.

During 2014 the Nobel Foundation invested in global convertible bonds, which accounted for 3.1 (0.0) per cent of the balance sheet. The return on these in SEK was 16.0 per cent starting in late May 2014.

The market value of directly owned properties amounted to SEK 184 m (175). This refers to the two administrative properties in Stockholm and Oslo, which the Foundation owns. They were appraised at 4.8 (5.1) per cent of total capital. These are not regarded as portfolio capital.

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<sup>2</sup> Handelsbanken All Bond Index

<sup>3</sup> HFRI Fund of Funds Composite Index (local currencies)

#### CURRENCY HEDGING

At year-end 2014, the Foundation's invested capital was divided among SEK 2,044 m, USD 124 m, EUR 23 m and SEK 453 m worth of other currencies. Most foreign fixed income and alternative investments and some equity exposure were currency hedged.

At year-end 2014 the amount of the underlying forward contracts was USD 123 m and EUR 32 m. At year-end, the value of these contracts was SEK -47.9 m (8.1) or -1.3 (0.2) per cent of the balance sheet.

#### ALLOCATION OF PROFIT FOR THE YEAR

Profit for the year before appropriations amounted to SEK -71.9 m (72.2), of which SEK -48.3 m (81.3) consisted of realised change in value. According to its statutes, the Foundation shall make a provision to restricted equity in its accounts, either in an amount equal to the year's inflation calculated on the basis of the market value of the Foundation's equity or equal to one tenth of total annual returns. Since the rate of price increases in Sweden during 2014 was negative and profit for the year was also negative, no provision was made to restricted equity. This has been taken into account in preparing the balance sheet.

## INCOME STATEMENT (amounts in SEK 000)

	Note	2014	2013
<i>Asset management</i>			
Interest income		8,100	14,869
Dividends		27,131	41,049
Realised change in value	1	-48,266	81,340
Less external asset management costs		-218	-5,483
<b>Reported earnings, asset management</b>		<u>-13,253</u>	<u>131,775</u>
<i>Operating expenses</i>			
Compensation to Prize Committees		-26,026	-25,958
Central administration	2	-15,055	-16,832
The Nobel Week in Stockholm and Oslo		-16,732	-16,408
Symposium activities		-811	-320
Other expenses		-26	-28
	3	<u>-58,650</u>	<u>-59,546</u>
<b>Reported book profit/loss for the year before appropriations</b>		<b>-71,903</b>	<b>72,229</b>

## ALLOCATION OF PROFIT/LOSS FOR THE YEAR

Capitalisation, restricted equity		-	13,178
Capitalisation, unrestricted equity		-71,903	59,051
		<u>-71,903</u>	<u>72,229</u>
The year's Nobel Prizes		<u>-40,000</u>	<u>-40,000</u>
<b>The year's change in book value of equity</b>	4	<b>-111,903</b>	<b>32,229</b>
The year's change in unrealised surplus values		<u>550,567</u>	<u>333,640</u>
<b>The year's change in market value of equity</b>	4	<b>438,664</b>	<b>365,869</b>
Adjustment for deflation/inflation		<u>6,215</u>	<u>1,215</u>
<b>Inflation-adjusted change in equity</b>	5	<b>444,789</b>	<b>367,084</b>



## BALANCE SHEET (amounts in SEK 000)

	Note	Dec 31, 2014	Dec 31, 2013
<b>Assets</b>			
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>	6		
Capitalised development expenses		1,161	2,160
		<u>1,161</u>	<u>2,160</u>
<i>Tangible fixed assets</i>	6		
Buildings and land		1,396	1,396
Equipment		890	718
		<u>2,286</u>	<u>2,114</u>
<i>Financial fixed assets</i>			
Miscellaneous long-term holdings of securities	7	2,637,351	2,727,653
Other long-term receivables		–	66,363
		<u>2,637,351</u>	<u>2,794,016</u>
<b>Total fixed assets</b>		<b>2,640,798</b>	<b>2,798,290</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Prepaid expenses and accrued income	8	3,626	6,285
Other current receivables	9	6,050	3,576
		<u>9,676</u>	<u>9,861</u>
<i>Short-term investments</i>			
Miscellaneous short-term investments	10	61,018	4,053
		<u>61,018</u>	<u>4,053</u>
<i>Cash and bank balances</i>			
		29,104	44,734
<b>Total current assets</b>		<b>99,798</b>	<b>58,648</b>
<b>Total assets</b>		<b>2,740,596</b>	<b>2,856,938</b>

## BALANCE SHEET (amounts in SEK 000)

	Note	Dec 31, 2014	Dec 31, 2013
<b>Equity and liabilities</b>			
<b>Equity</b>	11		
<i>Restricted equity</i>		2,171,955	2,171,955
<i>Unrestricted equity</i>		531,833	643,736
<b>Total equity</b>		2,703,788	2,815,691
<i>Provisions</i>			
Provisions for pensions		655	688
<b>Total provisions</b>		655	688
<b>Liabilities</b>			
Accounts payable		8,898	11,815
Accrued expenses and prepaid income	12	3,228	2,943
Other liabilities	13	24,027	25,801
<b>Total liabilities</b>		36,153	40,559
<b>Total equity and liabilities</b>		2,740,596	2,856,938
<b>Assets pledged</b>		None	None
<b>Contingent liabilities</b>			
Investment obligations, unlisted holdings		41,271	82,090

## CASH FLOW STATEMENT (amounts in SEK 000)

	2014	2013
Cash flow from asset management	-13,253	131,775
Operating expenses, excluding depreciation	-57,300	-58,240
<b>Cash flow from operations</b>	-70,553	73,535
Change in portfolio funds	102,759	-21,510
Other changes in assets and liabilities	-7,836	-5,766
This year's Nobel Prizes	-40,000	-40,000
<b>Cash flow for the year</b>	-15,630	6,259
Liquid funds on January 1	44,734	38,475
<b>Liquid funds on December 31</b>	29,104	44,734

## ACCOUNTING PRINCIPLES

The Annual Report has been drawn up in compliance with the Annual Accounts Act.

Receivables have been reported at the amount the Foundation expects to be paid. Current receivables and liabilities in foreign currencies have been valued at the year-end exchange rate. Other assets and liabilities have been reported at cost.

Depreciation is based on the original cost of property, plant and equipment and is distributed over their estimated economic life. Computers are depreciated in three years, other equipment in five years. Capitalised development expenses are depreciated in five years. Property write-downs occur only if the value of the properties has permanently fallen below their book value.

In addition to the amount reported as external asset management costs, when it comes to the Foundation's unit trust holdings, such costs are subtracted directly from the asset value of the holding.

Securities have been valued at cost or market value, whichever is lower, for the entire securities portfolio including administrative properties. When securities are sold, their cost is calculated according to the averaging method, i.e. at the average cost of all securities holdings of the same class. Gains and losses from the sale of securities are reported in the income statement as realised change in value.

The Foundation enters into forward contracts to hedge certain exchange rate changes. At maturity, the gain or loss on the forward contracts is reported.

The market value of certain alternative investments is affected by the fact that reporting from funds occurs with a certain time lag.

Interest is allocated among time periods on the basis of effective acquisition interest rate, which means that interest income for the period consists of coupon interest and change in accrued cost.

The Foundation has chosen to divide up its operating expenses by function. These sub-items are reported on a net basis.

## NOTES TO THE FINANCIAL STATEMENTS (amounts in SEK 000)

### Note 1

#### REALISED CHANGE IN VALUE

			2014		2013	
	Gains	Losses	Net amount	Gains	Losses	Net amount
Fixed income investments	6,024	–	6,024	7,608	331	7,277
Equities/fund units	91,323	145,613	-54,290	150,914	76,851	74,063
	97,347	145,613	-48,266	158,522	77,182	81,340

### Note 2

#### CENTRAL ADMINISTRATION

	2014	2013
Salaries and pensions, including social insurance expenses	8,413	8,528
Fees, including social insurance expenses	2,495	6,207
Travel expenses	226	217
Other personnel expenses	179	139
Office administration	1,443	1,242
Expenses for premises	1,826	1,832
Outcome, administrative property holdings	1,084	-251
Depreciation	194	155
Exchange rate differences	-270	-759
Other administrative expenses	565	622
Cost compensation from Sveriges Riksbank	-1,100	-1,100
	15,055	16,832

### Note 3

#### SALARIES, FEES AND SOCIAL INSURANCE EXPENSES

	Board of Directors and Executive Director		Other employees	
	2014	2013	2014	2013
Salaries and fees	1,554	1,508	5,833	5,510
Social insurance expenses	1,111	1,091	3,433	3,487
– of which pension expenses	637	637	1,697	1,742

The average number of employees was 11 (11) of whom 9 (9) were women.

The Board of Directors has one female member and one female deputy member.

For a pension to the Executive Director after age 65, the Foundation paid an annual premium equivalent to 40 per cent of pensionable salary.

*Note 4*

CHANGE IN UNREALISED SURPLUS VALUES

<i>Equity</i>	<b>Dec 31, 2014</b>	<b>Dec 31, 2013</b>	<i>Change</i>
Market value	3,841,703	3,403,039	438,664
Less book value	<u>-2,703,788</u>	<u>-2,815,691</u>	<u>111,903</u>
<b>Surplus value</b>	<b>1,137,915</b>	<b>587,348</b>	<b>550,567</b>

*Note 5*

INFLATION-ADJUSTED EQUITY

<i>Market value, Dec 31, 2013</i>	3,403,039
Deflation adjustment	-6,125
Deflation-adjusted equity	3,396,914
Inflation-adjusted change in equity	444,789
<i>Market value, Dec 31, 2014</i>	3,841,703
Of which, since Dec 31, 1995*:	
Inflation adjustment	705,088
Change in inflation-adjusted value	980,502

\* The first year of these calculations was 1996.

Using average values for each year, the Swedish Consumer Price Index fell by 0.18 per cent from 2013 to 2014. The deflation adjustment was thus SEK -6,125.

Note 6

INTANGIBLE FIXED ASSETS	Dec 31, 2014	Dec 31, 2013
<b>Capitalised development expenses</b>		
Cost, January 1	4,995	4,810
Purchases	–	185
<b>Accumulated cost, December 31</b>	<b>4,995</b>	<b>4,995</b>
Amortisation, January 1	–2,835	–1,836
Amortisation for the year	–999	–999
<b>Accumulated amortisation, December 31</b>	<b>–3,834</b>	<b>–2,835</b>
<b>Value, December 31</b>		
<b>Capitalised development expenses</b>	<b>1,161</b>	<b>2,160</b>
Amortisation for the year was charged to the Nobel Week in Stockholm and Oslo		
<b>TANGIBLE FIXED ASSETS</b>	<b>Dec 31, 2014</b>	<b>Dec 31, 2013</b>
<b>Buildings and land</b>		
<i>Properties, any official designations, addresses</i>		
Humlegården 15 (property designation), Sturegatan 14, Stockholm		
The Norwegian Nobel Institute, Henrik Ibsens gate 51, Oslo		
<i>Buildings</i>		
Cost, January 1/December 31	20,148	20,148
Depreciation and write-downs, January 1/December 31	–19,129	–19,129
	<b>1,019</b>	<b>1,019</b>
<i>Land</i>		
Cost, January 1/December 31	377	377
	<b>377</b>	<b>377</b>
<b>Value of buildings and land, December 31</b>	<b>1,396</b>	<b>1,396</b>
<b>Market value, directly owned properties</b>	<b>184,459</b>	<b>174,947</b>
<b>Equipment</b>		
Cost, January 1	12,030	11,936
Purchases	523	94
<b>Accumulated cost, December 31</b>	<b>12,553</b>	<b>12,030</b>
Depreciation, January 1	–11,312	–11,005
Depreciation for the year	–351	–307
<b>Accumulated depreciation, December 31</b>	<b>–11,663</b>	<b>–11,312</b>
<b>Value of equipment, December 31</b>	<b>890</b>	<b>718</b>
<b>The year's depreciation was apportioned as follows:</b>		
Central administration	–194	–155
The Nobel Week in Stockholm and Oslo	–157	–152
	<b>–351</b>	<b>–307</b>

Note 7

MISCELLANEOUS LONG-TERM HOLDINGS OF SECURITIES

	<i>Book value</i>	<i>Market value</i>
<i>Miscellaneous equities</i>		
Profi I Fastigheter Sverige AB	54,795	29,091
	<u>54,795</u>	<u>29,091</u>
<i>Unit trusts (equity mutual funds)</i>		
RAFI US Index	165,197	343,831
RAFI Europe Index	185,782	211,987
Aberdeen GEM	149,444	172,194
SHB Mega Sverige Index	245,158	354,046
SHB USA Index	86,891	156,078
SHB Europa Index	115,236	154,603
Viking Long Fund	132,326	258,784
Partners Capital Condor III	31,530	45,890
Partners Capital Condor IV	28,568	59,389
T. Rowe Mid Cap Fund	147,493	224,809
First State Asia	56,895	53,381
	<u>1,344,520</u>	<u>2,039,992</u>
<i>Property funds</i>		
Carlyle Realty III (US)	–	34,177
Carlyle Realty IV (US)	29,999	37,397
Aberdeen Property Investors (Europe)	52,841	30,288
Aberdeen Property Investors (Asia)	37,587	33,184
White Peak Real Estate (China)	22,708	49,704
Global Infrastructure Partners	56,332	70,027
	<u>199,467</u>	<u>254,777</u>
<i>Hedge funds</i>		
Signet Event	20,042	13,836
D E Shaw	878	1,080
Tudor BVI Global	371	475
Brevan Howard	54,192	70,270
Viking Global Equities	55,792	109,925
Discovery Global	88,789	138,440
Nektar	70,818	78,008
Millennium	129,772	194,662
Two Sigma	85,149	119,196
Convexity	100,959	111,942
	<u>606,762</u>	<u>837,834</u>

<i>Convertible bonds</i>		
Bluebay Global Convertible	98,500	113,286
	<u>98,500</u>	<u>113,286</u>
<i>Fixed income investments (more than one-year maturity)</i>		
Mortgage bonds	119,545	124,138
DnB FRN fund	109,048	113,079
Bluebay Global Div	72,534	92,623
Proventus	32,180	35,262
Market value, currency hedge	—	-47,944
	<u>333,307</u>	<u>317,158</u>
	<b>2,637,351</b>	<b>3,592,138</b>

*Note 8*

PREPAID EXPENSES AND ACCRUED INCOME

	<b>Dec 31, 2014</b>	<b>Dec 31, 2013</b>
Accrued interest income	1,916	4,975
Other items	1,710	1,310
	<u>3,626</u>	<u>6,285</u>

*Note 9*

OTHER CURRENT RECEIVABLES

	<b>Dec 31, 2014</b>	<b>Dec 31, 2013</b>
Nobel Week	976	1,062
Tax claim	1,326	728
Account settlement, Karolinska Institutet	876	805
Account settlement, Nobel Symposia	—	48
Account settlement, Prize Committees	499	363
Miscellaneous receivables	2,373	570
	<u>6,050</u>	<u>3,576</u>

*Note 10*

MISCELLANEOUS SHORT-TERM INVESTMENTS

<i>(less than one-year maturity)</i>	<i>Book value</i>	<i>Market value</i>
Mortgage bonds	10,178	10,243
Cleanergy	125	125
Liquidity in managed portfolios	50,715	50,715
	<u>61,018</u>	<u>61,083</u>



*Note 11*

CHANGES IN EQUITY

	<i>Restricted Equity</i>	<i>Unrestricted Equity</i>	<i>Total</i>
Amount on January 1	2,171,955	643,736	2,815,691
Capitalisation	–	–	–
Reported income for the year		–71,903	–71,903
The year's Nobel Prizes		–40,000	–40,000
Amount on December 31	2,171,955	531,833	2,703,788

Unrestricted equity includes the financial base for Symposium activities, comprising funds received from Riksbankens Jubileumsfond as well as the Knut and Alice Wallenberg Foundation.

*Note 12*

ACCRUED EXPENSES AND PREPAID INCOME

	Dec 31, 2014	Dec 31, 2013
Accrued expenses, Nobel Week	1,447	591
Accrued salaries, including holiday pay liability	250	390
Statutory payroll charges and special employer contribution	708	864
Accrued fees	326	231
Rents paid in advance	36	491
External asset management costs	51	44
Other items	410	332
	3,228	2,943

*Note 13*

OTHER LIABILITIES

	Dec 31, 2014	Dec 31, 2013
Account settlement, Nobel Laureates	22,933	23,854
Account settlement, Prize Committees	710	1,205
Miscellaneous liabilities	384	742
	24,027	25,801

Stockholm, March 27, 2015

Carl-Henrik Heldin  
Chairman

Göran K. Hansson  
Vice Chairman

Peter Englund

Tomas Nicolin

Kaci Kullmann Five

Staffan Normark

Lars Heikensten  
Executive Director

## AUDITORS' REPORT

To the Trustees of the Nobel Foundation, Swedish organisational ID 802002-4462

### REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts of the Nobel Foundation for the year 2014.

#### THE RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE ANNUAL ACCOUNTS

The Board of Directors bears responsibility for preparing annual accounts that provide a true and fair view according to the Annual Accounts Act and for such internal controls that the Board deems necessary to prepare annual accounts that are free from material misstatement, whether due to fraud or error.

#### THE RESPONSIBILITY OF THE AUDITORS

Our responsibility is to express our opinion on the annual accounts based on our audit. This audit was conducted in accordance with generally accepted auditing standards. For the Authorised Public Accountant, this meant that he conducted the audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require the Authorised Public Accountant to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and other disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Foundation's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the annual accounts.

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

#### OPINION

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Foundation as of December 31, 2014 and of its financial results and cash flows for the year according to the Annual Accounts Act.

## REPORT ON OTHER LEGAL AND STATUTORY REQUIREMENTS

In addition to our audit of the annual accounts, we have also audited the Board of Directors' administration of the Nobel Foundation during the year 2014.

### THE RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board bears responsibility for the administration of the Nobel Foundation according to Foundations Act and the Foundation's Statutes

### THE RESPONSIBILITY OF THE AUDITORS

Our responsibility is to express, with reasonable assurance, our opinion on whether our examination has revealed that any member of the Board of Directors has acted in contravention of the Foundations Act or the Statutes. We have conducted our audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion regarding the administration of the Foundation, in addition to our audit of the annual accounts we have examined material decisions, measures and circumstances in the Foundation in order to assess the possibility of liability to the Foundation of any Board member or whether there are grounds for dismissal. We have also examined whether any Board member has in some other way acted in contravention of the Foundations Act or the Nobel Foundation's Statutes.

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

### OPINION

In our opinion, the members of the Board of Directors have not acted in contravention of the Foundations Act or the Nobel Foundation's Statutes.

Stockholm, March 27, 2015

Katarina Bjelke  
Chairman

Lars Rask

Magnus Nordenskjöld

Tomas Riad

Gudmund Knudsen

Peter Strandh  
Authorised Public Accountant

## TRUSTEES OF THE NOBEL FOUNDATION

Professor Håkan Wennerström, Chairman

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Professor Håkan Wennerström

Professor Lena Claesson-Welsh

Professor Joseph Nordgren

Professor Torsten Persson

Professor Anders Björner

Professor Stefan Claesson

#### *Deputy Trustees:*

Professor Siv Andersson

Professor Kersti Hermansson

Professor Sven Lidin

Professor Kerstin Lidén

### ELECTED BY THE NOBEL ASSEMBLY AT KAROLINSKA INSTITUTET

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Professor Rune Toftgård

Professor Juleen Zierath

#### *Deputy Trustees:*

Professor Patrik Ernfors

Professor Klas Kärre

### ELECTED BY THE SWEDISH ACADEMY

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Professor Göran Malmqvist

Mrs Katarina Frostenson

#### *Deputy Trustees:*

Professor Bo Ralph

Professor Anders Olsson

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Mr Gunnar Stålsett

Professor Geir Lundestad

#### *Deputy Trustees:*

Mr Thorbjørn Jagland

Mrs Inger-Marie Ytterhorn

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Professor Göran K. Hansson, Vice Chairman,  
*Secretary of the Nobel Assembly at Karolinska Institutet  
and of the Nobel Committee for Physiology or Medicine*

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*Executive Director*

Professor Peter Englund,  
*Permanent Secretary of the Swedish Academy*

Mr Tomas Nicolin, MSc

Mrs Kaci Kullmann Five,  
*Deputy Chair of the Norwegian Nobel Committee*

Professor Staffan Normark,  
*Secretary General of the Royal Swedish Academy of Sciences*

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*Secretary of the Nobel Committee for Physics*

Professor Astrid Gräslund,  
*Secretary of the Nobel Committee for Chemistry*

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Professor Carl-Henrik Heldin

Mr Kent Janér

Professor Magnus Dahlquist

Mr Sven Nyman

Dr Lars Heikensten

Mr Gustav Karner, Chief Investment Officer

## AUDITORS

Dr Katarina Bjelke,  
Chairman

appointed by the Government

Mr Peter Strandh  
Authorised Public Accountant

elected by the Trustees of the Nobel Foundation

Professor Lars Rask

elected by the Royal Swedish Academy of Sciences

Professor Magnus Nordenskjöld

elected by the Nobel Assembly at Karolinska Institutet

Professor Tomas Riad

elected by the Swedish Academy

Mr Gudmund Knudsen  
Attorney at Law

elected by the Norwegian Nobel Committee