

THE
NOBEL
PRIZE

THE NOBEL FOUNDATION
ANNUAL REPORT

.

2019

The Nobel Foundation

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REPORT OF THE DIRECTORS

Tasks and organisation

The 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 is also ultimately responsible for the Nobel Symposia, which are being organised by the Royal Swedish Academy of Sciences and the Norwegian Nobel Committee, respectively, starting in 2019.

Over the past 20–25 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 are not defrayed by funds from the Nobel Foundation.

During 2015 the Alfred Nobel Memorial Foundation was established. The Memorial Foundation has an overall function as the umbrella organisation for the following entities: the wholly owned limited liability companies Nobel Group Interests AB, Nobel Media AB, Nobelmuseet AB (Nobel Prize 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 Stiftelsen Nobel Center (the Nobel Center Foundation) in Stockholm. At the beginning of 2019, the museum activities previously carried out by Nobelmuseet AB were transferred to the

Nobel Center Foundation. The activities will henceforth be carried out in the form of a foundation. 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, humanism and peace efforts. For detailed presentations of the organisations and their activities, see the printed publication *The Nobel Foundation 2019 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 calendar 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. 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.

The Nobel Prize

The Year's Nobel Laureates

Since 1901, the Nobel Prize has been awarded 597 times to 950 Laureates. Because some have been awarded the prize twice, a total of 919 individuals and 24 organisations have received a Nobel Prize or the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. During 2019 the following prizes were awarded:

THE NOBEL PRIZE IN PHYSICS was awarded to James Peebles *“for theoretical discoveries in physical cosmology”* and to Michel Mayor and Didier Queloz *“for the discovery of an exoplanet orbiting a solar-type star”*.

THE NOBEL PRIZE IN CHEMISTRY was awarded to John B. Goodenough, M. Stanley Whittingham and Akira Yoshino *“for the development of lithium-ion batteries”*.

THE NOBEL PRIZE IN PHYSIOLOGY OR MEDICINE was awarded to William G. Kaelin Jr., Sir Peter J. Ratcliffe and Gregg L. Semenza *“for their discoveries of how cells sense and adapt to oxygen availability”*.

THE NOBEL PEACE PRIZE was awarded to Abiy Ahmed Ali *“for his efforts to achieve peace and international cooperation, and in particular for his decisive initiative to resolve the border conflict with neighbouring Eritrea”*.

THE SVERIGES RIKSBANK PRIZE IN ECONOMIC SCIENCES IN MEMORY OF ALFRED NOBEL was awarded to Abhijit Banerjee, Esther Duflo and Michael Kremer *“for their experimental approach to alleviating world poverty”*.

During 2018 the Swedish Academy came to be strongly called into question due to how its activities were carried out, and it dealt with an acute crisis of confidence with the support of the Nobel Foundation. During this process, the Nobel Foundation reached an agreement with the Swedish Academy that no Nobel Prize in Literature would be awarded during 2018.

THE 2018 PRIZE was instead awarded in 2019 to Olga Tokarczuk *“for a narrative imagination that with encyclopaedic passion represents the crossing of boundaries as a form of life”*.

THE 2019 NOBEL PRIZE IN LITERATURE was awarded to Peter Handke *“for an influential work that with linguistic ingenuity has explored the periphery and the specificity of human experience”*.

The prize announcement week

Starting on the first Monday in October 2019, announcements of the year's Nobel Prizes began. The prize-awarding institutions announced the Nobel Prizes at press conferences that were followed by media from all over the world.

To tell about the new Nobel Prizes, a series of programmes known since 2017 under the name *Nobel Calling* took place in Stockholm. The name alludes both to the telephone calls received by new Laureates and to an invitation to the general public to join in celebrating and understanding the Laureates' contributions.

At Nobel Prize Museum, experts from the prize-awarding institutions helped explain to school classes and the public about the discoveries that were being rewarded. Södra Teatern was filled to capacity when three Nobel Committee members helped present a playful *Crash Course* about the year's scientific Nobel Prizes. On the day when the 2018 and 2019 Laureates in Literature were announced, the Chairman of the Nobel Committee for Literature and three members from the newly expanded Committee explained at the Stockholm Public Library their way of thinking about the prizes. The same day as the Peace Prize was announced, an international teachers' conference was held at the Brewery Conference Centre (Münchenbryggeriet) on the theme *Climate change changes everything*. Speakers included Nobel Laureates Mario J. Molina, Beatrice Fihn (International Campaign to Abolish Nuclear Weapons, ICAN) and Hiroshi Amano. On Saturday, Amano and Molina spoke at the Great Hall of the Swedish Academy about *Science for the greatest benefit to humankind*, followed by a showing of the new exhibition at Nobel Prize Museum.

More than 30 events took place at various venues in the Swedish capital during the week, including a conversation about the year's Economics Prize at Sveriges Riksbank (Sweden's central bank), a public programme featuring Beatrice Fihn about disarmament and the United Nations Treaty on the Prohibition of Nuclear Weapons, daily live-streaming of the prize announcements for school classes at Nobel Prize Museum and various events at Karolinska Institutet (a medical university), the Royal Institute of Technology and Stockholm University.

The Nobel Week in Stockholm

The Nobel Week in Stockholm featured an extensive programme in which one of the most important elements was the Laureates' Nobel lectures – the only task in exchange for the prize mandated by the Statutes of the Nobel Foundation. The prize-awarding institutions hosted these lectures as well as the press conferences in which the Laureates participated. The Nobel lectures were live-streamed on the Nobel Prize website, Nobelprize.org.

The Nobel Foundation was responsible for carrying out the Nobel Prize Award Ceremony at Konserthuset (the Stockholm Concert Hall) and the Nobel Banquet at the City Hall on 10 December. Before that, on 6 December, the Laureates had been welcomed to Nobel Prize Museum. On the same day, the museum organised a live conversation between three of the 2019 Laureates and two astronauts on the International Space Station (ISS), which attracted a large audience. On 9 December the TV programme *Nobel Minds* was recorded for the sixtieth consecutive year, and in the evening the Nobel Foundation and the Royal Swedish Academy of Sciences jointly organised a reception at the Nordic Museum.

In addition, a broad programme was carried out – including a number of school visits. Many Laureates attended the annual Nobel Prize Concert on the evening of 8 December. There were also various meetings with research colleagues and visits to the Laureates' respective embassies. The Nobel Week ended on 12 December with a reception at the Nobel Foundation for all of the year's Laureates.

The Nobel Days in Oslo

Peace Prize Laureate Abiy Ahmed Ali, Prime Minister of Ethiopia, participated in parts of the 2019 Nobel Days programme in Oslo, Norway. Abiy Ahmed held his Nobel lecture at the Nobel Prize Award Ceremony at the City Hall in Oslo but declined participation in press conferences and other interviews. The Ceremony was followed by a Nobel Banquet at the Grand Hotel.

On the following day, the Nobel Peace Prize Forum took place on the theme *Yemen's Fight for Survival* and featured Tawakkol Karman, 2011 Peace Prize Laureate, as the keynote speaker. On 11 December, the Nobel Peace Center inaugurated the exhibition *Crossroads Ethiopia* in the presence of Abiy Ahmed.

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.

During 2017 the Nobel Foundation decided that it will no longer administer the Nobel Symposia. Starting in 2019, the responsibility for funding and administering the symposia is being licensed out to the Royal Swedish Academy of Sciences and the Norwegian Nobel Committee.

Symposium activities as well as other large interdisciplinary meetings in the Nobel sphere are prepared by the Nobel Foundation's Programme Committee, which includes representatives of the prize-awarding institutions and the Nobel Foundation.

During 2019 the Nobel Foundation's Programme Committee approved ten Swedish Nobel symposia in physics, chemistry, medicine, literature and economics, as well as one symposium related to the Peace Prize, which will take place in 2020 and 2021. One of the symposia will take place in Stellenbosch, South Africa, the others in Sweden and Norway.

Financial management

Organisation and strategy of financial 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 Foundation's 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 annually. This return shall be achieved while maintaining well-balanced overall risks. Given a return at this level, the Foundation believes that it will be possible to cover its future expenses. The rising expectations imposed on a global actor like the Nobel Foundation, with its overall responsibility for the Nobel Prize, and a high proportion of labour costs, create underlying cost pressure.

The Foundation's asset management follows well-known 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 responsible investments. Based on an assessment of risk and return, the Board sets intervals for how large the Foundation's holdings of equities, fixed income assets, alternative assets and property funds should normally be. This has resulted in a normal portfolio strategy of 55 per cent with an interval of -15 to +10 percentage points invested in equities, 10 per cent with an interval of -10 to +45 points in fixed income assets, 10 per cent ± 10 points in properties and 25 per cent ± 20 points in alternative assets. These intervals normally apply, but they can be changed by the Board of Directors.

In addition to its 3.5 per cent return target, the Nobel Foundation uses a benchmark index resembling its normal portfolio to evaluate short-term outcomes. In a longer perspective, the Foundation also compares its returns with those of other public, primarily Nordic asset managers. However, it is not an explicit objective of the Foundation to generate higher returns than the benchmark index or its peer group. Instead, these comparisons are a tool for evaluating the Foundation's asset management. When making comparisons to other asset management organisations, it is important to take into account various financial conditions, which may imply both advantages and disadvantages for the Foundation's asset management.

The benchmark index consists of 55 per cent equities (44 per cent MSCI All Country World Index and 11 per cent SIX Return Index, both including dividends), 10 per cent bonds (Handelsbanken All Bond Index), 10 per cent properties (MSCI ACWI Real Estate) and 25 per cent alternative assets (HFRI Fund of Funds Composite Index).

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 rules 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 – so-called tactical asset allocation decisions. The Committee also decides how to apportion the Foundation's assets between continents and countries as well as currency, interest rate and credit risks.

The choice of managers of the different assets is also made by the Committee. In choosing managers, the Committee attaches importance to such factors as investment philosophy, investment process, historically achieved asset management outcomes, risk control systems, management organisation, the manager's approach to responsible investments and fees.

The ambition of the Nobel Foundation is to carry out asset management that takes into account long-term sustainable development and also in other respects to follow good ethical principles in its investment activities. For this reason, the Foundation has established special guidelines for responsible investments, which are published separately. Since 2016 the Foundation is a signatory of the United Nations Principles for Responsible Investments (PRI).

During 2019, the Nobel Foundation continued its work with responsible investments, mainly by significantly reducing holdings related to tobacco and fossil fuels via its asset managers and by choosing active managers that integrate sustainability criteria and objectives in their selection of companies. The Nobel Foundation has successfully implemented a screening of its equities portfolio in collaboration with Impact-Cubed for the purpose of examining the total sustainability footprint of the portfolio.

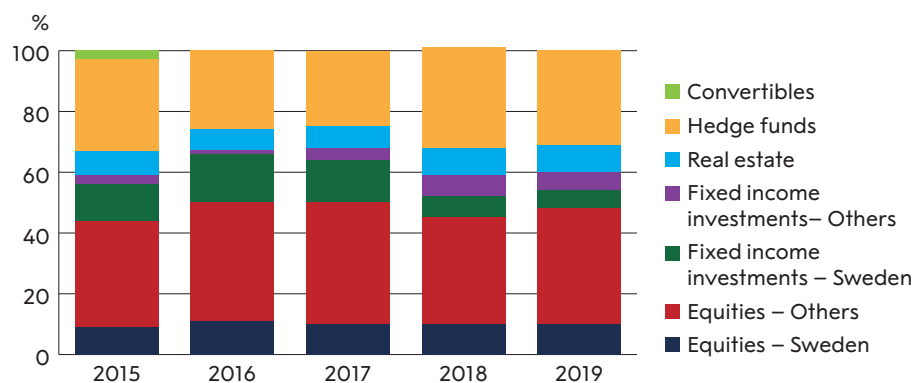
The Investment Committee itself determines what decisions it wishes to delegate to the executive management of the Foundation. Asset management is carried out with a small organisation. The Chief Investment Officer is responsible for preparing matters for decisions by the Committee, following up and executing these decisions, procuring fund managers and providing the necessary analytical and preparatory materials. The Investment Committee works without remuneration.

Overall position and profit

The market value of the Nobel Foundation’s total invested capital amounted to SEK 4,902 m (4,338) at the end of 2019. Excluding the value of the Foundation’s directly owned properties, investment capital amounted to SEK 4,618 m (4,073) at the end of 2019. The investment capital allocation was 47 (44) per cent equity funds and equity index futures, 9 (9) per cent property funds, 13 (15) per cent fixed income assets, 31 (33) per cent alternative assets and +0.1 (–1.5) per cent accrued currency hedging loss.

The allocation of investment capital by asset classes diverges from reported book value because only indirectly owned properties are included under the heading “Properties” and because the allocation includes exposure from derivatives.

Allocation of capital exposures



Total return on equity including directly owned properties (growth in Foundation assets after the reversal of the overall sum of all Nobel Prizes and operating expenses) amounted to +16.0 (–1.4) per cent. The year’s return on investment capital was +16.6 (–2.1) per cent.

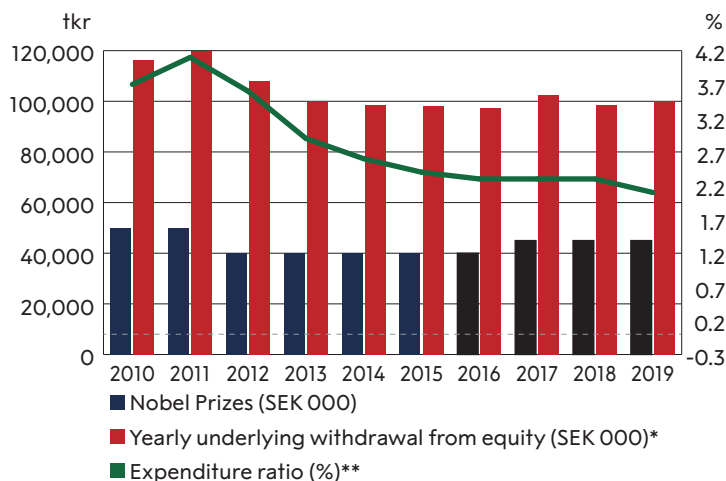
Outflow and expenses

During 2019, the overall sum of all Nobel Prizes and operating expenses was SEK 109.2 m (89.6). This was divided among four main categories: the Prizes, SEK 54 m (36); compensation to the Prize Committees, SEK 25.4 m (27.4); the Nobel Week in Stockholm and Oslo, SEK 17.4 m (14.2); plus administration etc., SEK 12.4 m (12.0). The higher level of expenses was primarily explained by the fact that both the 2018 and 2019 Nobel Prizes in Literature were awarded during 2019.

In 2017 the Nobel Prize was raised from SEK 8 m to SEK 9 m per prize.

The Prize Committees are, to some extent, entitled to allocate approved compensation between years, and minor natural fluctuations may thus occur.

Early in the 2010s, overall operating expenses totalled around SEK 120 m. The withdrawals that are made yearly from the Foundation's equity are of crucial importance to its finances. Unlike returns, this amount is controlled by the Foundation itself. By lowering expenses and, starting in 2018, also receiving larger compensation from Sveriges Riksbank, it has been possible to reduce the annual withdrawal from equity to about SEK 100 m.



* Yearly operating expenses minus external compensation (Riksbank), smoothed for temporary fluctuations.

** Yearly underlying withdrawal from equity as a percentage of the market value of the Foundation's equity at year-end.

The expenditure ratio (calculated as operating expenses including those for the Nobel Prizes as a percentage of the market value of the Foundation's equity at year-end) has decreased over a period of years. During 2019 it was 2.2 (2.1) per cent. The corresponding figure for the underlying expenditure ratio (when the 2018 Nobel Prize in Literature is subtracted in the 2018 income statement) was 2.1 (2.3) per cent.

The investment portfolio

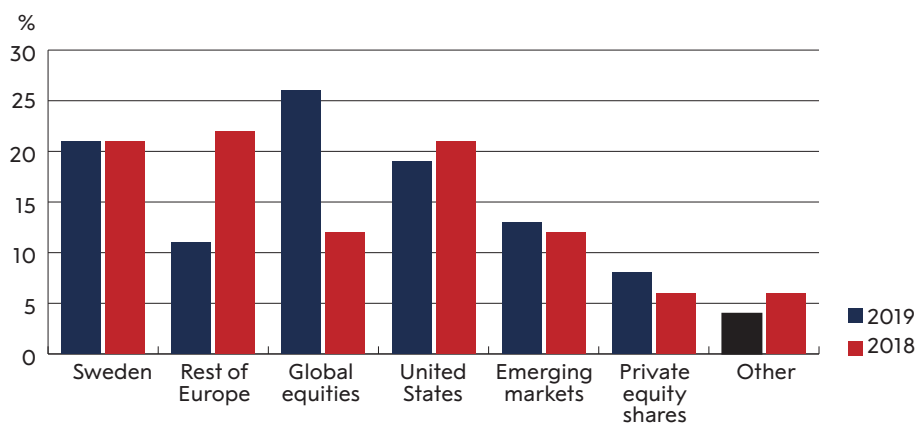
The total market value of investment capital (total invested capital excluding directly owned properties) amounted to SEK 4,618 M (4,073). Return on investment capital was 16.6 per cent, compared to 20.2 per cent for benchmark indices. During the past five years, investment capital rose by 42 per cent, compared to 39 per cent for benchmark indices. The Nobel Foundation also compares itself to a group of long-term Swedish investors, many of them pension companies. In this comparison, the Foundation showed a good result.

The primary reason why profit was weaker than benchmark indices during 2019 was lower exposure to equities and thus a lower risk level than the normal portfolio. Another reason for weaker profit is that property investments are measured against an index of market-listed property fund shares with a substantially higher element of equity risk. In the short term this index does not correspond to the risk level in the Nobel Foundation's property portfolio, but in the long term the comparison is expected to be more relevant. Including currency hedging, equity funds contributed 13.2 per cent to overall profit, fixed income investments 0.6 per cent, property funds 0.8 per cent and alternative investments 2.0 per cent.

Investments in equities

The market value of the Foundation's investments in equities, together with exposure to equity index futures, totalled SEK 2,189 m (1,809). Investments in equities accounted for 47 (44) per cent of investment capital at year-end 2019. The market value of private equity funds amounted to SEK 166 m (105).

Geographic allocation of equities

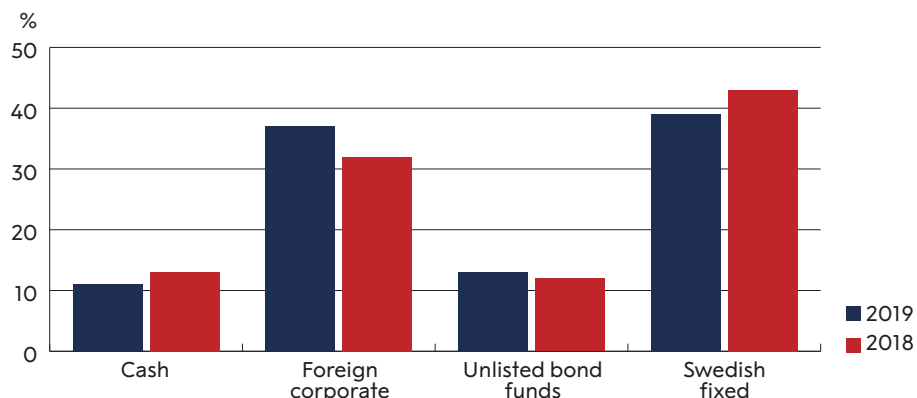


The world's stock exchanges rose sharply during 2019. The value of the Foundation's total equities portfolio including currency hedges increased by 31.0 (–5.7) per cent. This was in line with benchmark indices¹, which rose by 31.0 (–4.7) per cent. Before currency hedging, the equities portfolio performed somewhat worse than its benchmark indices. The year's return on private equity funds was 34.7 (17.1) per cent in Swedish kronor. The latest valuation of these funds was made on September 30, 2019.

Fixed income investments

The market value of the Foundation's fixed income assets including cash, adjusted for exposure to equity index futures, amounted to SEK 579 m (611). Liquid assets amounted to SEK 67 m (86). In addition, there was an accrued gain from currency hedging.

Allocation of fixed income securities



¹ 80% MSCI All Countries net (half of it currency hedged) + 20% SIX RX

The return on the Foundation's fixed income investments amounted to 3.9 (0.2) per cent during the year. This was higher than the benchmark index², which rose by 1.2 (1.0) per cent. The main reason for this higher return was that the Foundation had a higher percentage of corporate bonds than the benchmark index. The return on fixed income securities before currency hedging was 4.5 per cent. The year's return on unlisted bond funds was 9.9 (9.6) per cent in Swedish kronor.

Alternative investments

The market value of the Foundation's alternative investments, of which 100 per cent consisted of hedge funds, amounted to SEK 1,451 m (1,355). Hedge funds accounted for 31 (33) per cent of total investment capital at year-end. The Foundation had holdings in five hedge funds with different strategies. There were also three holdings that were in the process of final redemption. During 2019, the hedge fund portfolio including currency hedging rose in value by 5.9 (0.6) per cent, while the corresponding figure for the benchmark index³ was 5.8 (−6.5) per cent in Swedish kronor. The hedge fund portfolio, before currency hedging, rose by 13.1 (11) per cent while the benchmark index rose by 14.4 (3.9) per cent in terms of Swedish kronor.

Properties

The market value of the Foundation's holdings in property and infrastructure funds amounted to SEK 393 m (363). This accounted for 9 (9) per cent of its investment capital. The Foundation has holdings in nine property and infrastructure funds. During 2019, the value of property fund holdings including currency hedges rose by 7.8 (−0.7) per cent in Swedish kronor, while the benchmark index rose by 20.2 per cent (−10.0). The property fund before currency hedging rose by 14.0 (9.7) per cent, while the benchmark index rose by 30.0 (−0.1) per cent in terms of Swedish kronor.

The market value of directly owned properties amounted to SEK 284 m (265). This refers to the two properties in Stockholm and Oslo which the Foundation owns. They were appraised at 5.8 (6.1) per cent of total capital.

² Handelsbanken All Bond Index

³ HFRI Fund of Funds Composite Index (synthetically hedged to SEK)

Currency hedging

At year-end 2019, the Foundation's net investment capital was allocated among SEK 3,579 m (3,416), USD 76 m (46), EUR –3 m (–2) and SEK 365 m (264) worth of other currencies. Most foreign fixed income and alternative investments and about half of exposure to equities are normally currency hedged.

At year-end 2019, the amount of underlying currency forward contracts was USD 221 m, EUR 68 m and JPY 435 m. At year-end, the value of these contracts was SEK 6.8 m (–64) or 0.1 (–1.5) per cent of investment capital.

Allocation of profit for the year

Profit for the year before appropriations totalled SEK 154.8 m (434.6), of which SEK 165.7 m (483.9) consisted of realised change in value. In accordance with its Statutes, the Foundation is adding SEK 76.4 m (86.6) to restricted equity in order to safeguard the inflation-adjusted value of its equity over time. In its accounts, the Foundation must make a provision to restricted equity 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. The former alternative applies to the 2019 provision. The above allocation has been taken into account in preparing the balance sheet.

Change in equity

	Restricted equity	Unrestricted equity	Total
Amount on January 1	2,395,077	931,378	3,326,455
Capitalisation	76,367	–76,367	-
Reported income for the year		154,807	154,807
The year's Nobel Prizes		<u>–54,000</u>	<u>–54,000</u>
Amount on December 31	2,471,444	955,818	3,427,262

Financial report

Income statement (amounts in SEK 000)

	Note	2019	2018
<i>Asset management</i>			
Interest income		3,419	3,617
Dividends		62,699	29,921
Realised change in value		165,723	483,876
Less direct external asset management costs	1	<u>-21,857</u>	<u>-29,218</u>
Reported profit, asset management		209,983	488,196
<i>Operating expenses</i>			
Compensation to Prize Committees		-25,412	-27,408
The Nobel Week in Stockholm and Oslo		-17,386	-14,215
Central administration	2	-12,378	-11,809
Symposium activities		<u>-</u>	<u>-164</u>
	3	-55,176	-53,596
Reported book profit/loss for the year before appropriations		154,807	434,600

Allocation of profit/loss for the year

Capitalisation, restricted equity		76,367	86,609
Capitalisation, unrestricted equity		<u>78,440</u>	<u>347,991</u>
		154,807	434,600
The year's Nobel Prizes		<u>-54,000</u>	<u>-36,000</u>
The year's change in book value of equity		100,807	398,600
The year's change in unrealised surplus values	4	<u>476,004</u>	<u>-549,799</u>
The year's change in market value of equity		576,811	-151,199
Adjustment for inflation		<u>-76,367</u>	<u>-86,609</u>
Inflation-adjusted change in equity		500,444	-237,808

Balance sheet (amounts in SEK 000)

	Note	Dec 31, 2019	Dec 31, 2018
Assets			
Fixed assets			
<i>Tangible fixed assets</i>			
	5		
Buildings and land		1,396	1,396
Equipment		<u>451</u>	<u>560</u>
		1,847	1,955
<i>Financial fixed assets</i>			
Long-term holdings of securities	6	<u>3,390,035</u>	<u>3,199,908</u>
		3,390,035	3,199,908
Total fixed assets		3,391,882	3,201,863
Current assets			
<i>Current receivables</i>			
Prepaid expenses and accrued income		10,834	6,560
Other current receivables		<u>3,925</u>	<u>3,581</u>
		14,759	10,141
<i>Short-term investments</i>			
Miscellaneous short-term investments	7	<u>3,082</u>	<u>36,977</u>
		3,082	36,977
<i>Cash and bank balances</i>		66,146	134,295
Total current assets		83,987	181,413
Total assets		3,475,869	3,383,276

Balance sheet (amounts in SEK 000)

	Note	Dec 31, 2019	Dec 31, 2018
Equity and liabilities			
Equity			
<i>Restricted equity</i>		2,471,444	2,395,077
<i>Unrestricted equity</i>		<u>955,818</u>	<u>931,378</u>
Total equity		3,427,262	3,326,455
Liabilities			
Accounts payable		12,446	10,176
Accrued expenses and prepaid income		3,442	2,825
Other liabilities	8	<u>32,719</u>	<u>43,820</u>
Total liabilities		48,607	56,820
Total equity and liabilities		3,475,869	3,383,276

Cash flow statement (amounts in SEK 000)

	2019	2018
Cash flow from asset management	209,983	488,196
Operating expenses, excluding depreciation	<u>-54,982</u>	<u>-53,354</u>
Cash flow from operations	155,001	434,842
Change in portfolio funds	-156,129	-290,897
Other changes in assets and liabilities	-13,021	-7,544
The year's Nobel Prizes	<u>-54,000</u>	<u>-36,000</u>
Cash flow for the year	-68,149	100,401
Liquid funds on January 1	<u>134,295</u>	<u>33,894</u>
Liquid funds on December 31	66,146	134,295

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 costs of property, plant and equipment and is distributed over their estimated economic life. Computers are depreciated in three years, other equipment 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 direct external asset management costs, when it comes to the Foundation's unit trust (equity mutual fund) 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 currency 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

Direct external asset management costs

This item in the income statement includes certain external asset management costs (fixed and variable), discounts and taxes. In addition, there are indirect external asset management fees. This year's asset management profit of 16.6 per cent is calculated after all external asset management costs.

Note 2

Central administration

	2019	2018
Salaries and pensions, including social insurance expenses	8,512	8,690
Fees, including social insurance expenses	3,355	2,675
Travel expenses	272	392
Other personnel expenses	217	287
Office administration	1,588	1,532
Expenses for premises	1,778	2,051
Depreciation	71	69
Exchange rate differences	-590	79
Other administrative expenses	<u>398</u>	<u>513</u>
	15,601	16,288
Outcome, Stockholm property	-1,943	-1,950
Outcome, Oslo property	1,150	963
Cost compensation from Sveriges Riksbank	<u>-2,430</u>	<u>-3,492</u>
	12,378	11,809

Note 3

Salaries, fees and social insurance expenses

	Board of Directors and Executive Director		Other employees	
	2019	2018	2019	2018
Salaries and fees	2,273	2,234	6,368	6,533
Social insurance expenses	322	385	3,127	3,201
– of which pension expenses	0	0	1,120	1,142

The average number of employees was 11 (12), of whom 9 (10) were women. The Board of Directors has one female member. In keeping with the Nobel Foundation's pension policy, a reverse salary sacrifice arrangement applies to the Executive Director. This is completely cost-neutral to the Foundation.

Note 4

The year's change in unrealised surplus values

<i>Equity</i>	Dec 31, 2019	Dec 31, 2018	<i>Changee</i>
Market value	4,867,093	4,290,282	576,811
Less book value	<u>-3,427,262</u>	<u>-3,326,455</u>	<u>-100,807</u>
Surplus value	1,439,831	963,827	476,004

Note 5
Tangible fixed assets
Buildings and land

Properties

Humlegården 15, Sturegatan 14, Stockholm (tax value 75,600)
The Norwegian Nobel Institute, Henrik Ibsens gate 51, Oslo
(no tax value due to tax exemption)

	Dec 31, 2019	Dec 31, 2018
<i>Buildings</i>		
Cost, January 1/December 31	20,148	20,148
Depreciation and write-downs, January 1/December 31	<u>-19,129</u>	<u>-19,129</u>
	1,019	1,019
<i>Land</i>		
Cost, January 1/December 31	<u>377</u>	<u>377</u>
	377	377
Value of buildings and land, December 31	1,396	1,396
Humlegården 15, Sturegatan 14, Stockholm	156,521	146,252
Henrik Ibsens gate 51, Oslo	<u>127,056</u>	<u>118,393</u>
Market value, directly owned properties	283,577	264,645
Equipment		
Cost, January 1	13,531	13,415
Purchases	<u>86</u>	<u>116</u>
Accumulated cost, December 31	13,617	13,531
Depreciation, January 1	-12,971	-12,730
Depreciation for the year	<u>-195</u>	<u>-241</u>
Accumulated depreciation, December 31	-13,166	-12,971
Value of equipment, December 31	451	560
The year's depreciation was apportioned as follows:		
Central administration	-71	-69
The Nobel Week in Stockholm and Oslo	<u>-124</u>	<u>-172</u>
	-195	-241

Note 6

Long-term holdings of securities

	ISIN	Book value	Market value
<i>Unit trusts (equity mutual funds)</i>			
Alpinvest Secondaries Fund VI		45,129	52,854
Blackrock MSCI US Equity Index ESG Screened Fund B		284,851	406,206
Galdana Ventures II		11,892	11,140
Generation IM Asia		119,958	133,879
Generation IM Global		230,688	266,962
Guard Cap Global Equity	1E00BSJCNS13	226,995	297,879
Handelsbanken Europafond Index	SE0000624421	159,010	237,675
Handelsbanken Svenska Småbolag	SE0000356065	971	1,773
Handelsbanken Sverige Index Criteria	SE0001466368	402,725	450,921
Innovation Endeavors III LP		14,842	14,176
Partners Capital Condor III		12,636	11,896
Partners Capital Condor IV		5,847	15,643
Skandia Japan Exponering	SE0000810764	71,328	78,413
Stewart Inv Asia Pac Ldrs B Acc EUR	IE00BFY85MI4	102,243	148,801
The Column Group III		<u>37,605</u>	<u>60,486</u>
		1,726,718	2,188,702
<i>Property funds</i>			
Aberdeen Property Investors (Asia)		17,033	2,587
Aberdeen Property Investors (Europe)		25,550	1,155
Carlyle Realty III (USA)		0	41,405
Carlyle Realty IV (USA)		9,304	16,687
Carlyle Realty VII (USA)		39,025	49,755
EQT Infrastructure III		82,852	110,246
Global Infrastructure Partners 2		683	56,713
Global Infrastructure Partners III		95,023	113,748
Global Infrastructures Partners IV		<u>0</u>	<u>384</u>
		269,470	392,679

	ISIN	Book value	Market value
<i>Hedge funds</i>			
Alternative Liquidity Fund		6,691	1,350
AQR Style Premia Offshore Fund		99,648	106,692
Millennium International		207,462	441,273
Renaissance		78,454	74,417
Tudor BVI Global		90	146
Two Sigma Spectrum		226,584	375,874
Viking Global Equities III		<u>283,320</u>	<u>450,928</u>
		902,249	1,450,679
<i>Fixed income investments (maturity longer than one year)</i>			
Arcmont Direct Lending Fund II		39,151	43,932
Arcmont Direct Lending Fund III		27,262	27,131
M&G Total Return Credit Inv.	LUO895902640	200,754	211,515
Proventus		886	1,332
Öhman bonds		<u>223,545</u>	<u>224,957</u>
		491,598	508,867

Note 7

Miscellaneous short-term investments

<i>(maturity less than one year)</i>	Book value	Market value
Öhman bonds	2,017	2,007
Azelio	125	125
Liquidity in managed portfolios	940	940
Market value, currency hedge	—	<u>6,766</u>
	3,082	9,838

Note 8

Other liabilities

	Dec 31, 2019	Dec 31, 2018
Debts, Nobel Laureates	30,325	41,528
Account settlements, Prize Committees	2,040	1,750
Miscellaneous liabilities	<u>354</u>	<u>542</u>
	32,719	43,820

Note 9

Assets pledged and contingent liabilities

	Dec 31, 2019	Dec 31, 2018
Assets pledged	None	None
Contingent liabilities		
Investment obligations, unlisted holdings	503,097	401,903
<i>This is capital committed (but not yet disbursed) to property and infrastructure funds as well as private equity funds and corporate debt.</i>		

Note 10

Important events after the balance sheet date

In late February and early March, it became clear that the spread of the new coronavirus around the world would have major consequences for developments in our societies. Large-scale measures began to be taken to reduce the impact of the virus outbreak on public health. The disease also began to affect national economies. This led to both sizeable economic policy interventions and powerful reactions in financial markets. When this Annual Report is published, the market value of the Nobel Foundation's financial assets can be expected to be significantly lower than at the turn of the year. The Foundation's operations may be affected in other respects as well, in any case during this year.

Stockholm, 2 April 2020

Carl-Henrik Heldin
Chairman

Göran K. Hansson
Vice Chairman

Mats Malm

Tomas Nicolin

Thomas Perlmann

Berit Reiss-Andersen

Lars Heikensten
Executive Director

Auditors' report

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

Report on the annual accounts

Opinions

We have audited the accounts of the Nobel Foundation related to the year 2019.

In our judgement, 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, 2019 and of its financial results and cash flows for the year according to the Annual Accounts Act. The Report of the Directors is consistent with the other parts of the annual accounts.

Basis for statements

We have conducted the audit according to generally accepted auditing standards in Sweden. The responsibility of the auditors according to these standards is described in more detail in the sections entitled *The responsibility of the authorised public accountants* and *The responsibility of the unqualified auditors*.

We are independent in relation to the Foundation according to generally accepted auditing standards in Sweden and as authorised public accountants have otherwise fulfilled our professional ethical responsibilities according to these requirements.

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

The responsibility of the Board of Directors

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

In preparing the annual accounts, the Board is responsible for the assessment of the ability of the Foundation to continue as a going concern. It discloses, as applicable, matters that may affect the Foundation's ability to continue as a going concern and to use the going concern basis of accounting. The going concern basis of accounting is not, however, applied if the Board intends to liquidate the Foundation, to cease operations or has no realistic alternative but to do so.

The responsibility of the authorised public accountants

Our objective is to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or mistakes, and to submit an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted according to ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably influence the economic decisions that users make on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or mistakes, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- obtain an understanding of the Foundation's internal controls relevant to our audit 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.

- evaluate the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- conclude on the appropriateness of the Board's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a foundation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform the Board of significant audit findings, including any significant deficiencies in internal controls that we have identified.

The responsibility of the unqualified auditors

Our responsibility is to conduct an audit in accordance with the Swedish Auditing Act and thereby according to generally accepted auditing standards in Sweden. Our objective is to achieve a reasonable degree of assurance that the annual accounts have been prepared in accordance with the Annual Accounts Act and that the annual accounts provide a fair view of the Foundation's financial results and position.

Report on other legal and statutory requirements

Opinion

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 2019.

We have not found that any member of the Board has taken any action or been guilty of any negligence that may give rise to liability to the Foundation.

Basis for opinion

We have conducted the audit according to generally accepted auditing principles in Sweden. Our responsibility according to these standards is described in more detail in the sections entitled *The responsibility of the authorised public accountants* and *The responsibility of the unqualified auditors*. We are independent in relation to the Foundation according to generally accepted auditing standards in Sweden. We, as authorised accountants, have otherwise fulfilled our professional ethical responsibilities according to these requirements.

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

The responsibility of the Board of Directors

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

The responsibility of the auditors

Our objective concerning our audit of the administration of the Foundation, and thereby our opinion, is to obtain audit evidence to assess, with a reasonable degree of assurance, whether any member of the Board of Directors, in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the Foundation.
- in any other way has acted in contravention of the Foundations Act, the Nobel Foundation's Statutes or the Annual Accounts Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted according to generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the Foundation.

As part of an audit in accordance with generally accepted auditing standards in Sweden, the authorised accountant exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration is based primarily on the audit of the accounts. Additional audit procedures performed are based on the authorised accountant's professional judgement, with risk and materiality as the starting point. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the Foundation's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion.

Stockholm, 2 April 2020

Jonas Björck
Chairman

Lars Bergström

Catharina Larsson

Tomas Riad

Bettina Banoun

Jonas Svensson
Authorised Public Accountant

Organisational structure

Trustees of the Nobel Foundation

Professor Sven Lidin, Chairman

Elected by the Royal Swedish Academy of Sciences

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Professor Per Delsing	Professor Anne L'Huillier
Professor Martin Jakobsson	Professor Kerstin Lidén
Professor Dan Larhammar	Professor Kerstin Sahlin
Professor Sven Lidin	

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Professor Anna Wedell	Professor Nils-Göran Larsson

Elected by the Swedish Academy

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Anne Swärd, Author	

Elected by the Norwegian Nobel Committee

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Dr Asle Toje	Professor Olav Njølstad

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Professor Göran K. Hansson, Vice Chairman
Secretary General of the Royal Swedish Academy of Sciences

Dr Lars Heikensten
Executive Director

Professor Mats Malm
Permanent Secretary of the Swedish Academy

Mr Tomas Nicolin, MSc

Professor Thomas Perlmann
*Secretary of the Nobel Assembly at Karolinska Institutet
and of the Nobel Committee for Physiology or Medicine*

Mrs Berit Reiss-Andersen
Chair of the Norwegian Nobel Committee

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Secretary of the Nobel Committee for Physics

Professor Gunnar von Heijne
Secretary of the Nobel Committee for Chemistry

Investment Committee

Mr Tomas Nicolin, MSc, Chairman
Professor Magnus Dahlquist
Dr Lars Heikensten
Professor Carl-Henrik Heldin
Mr Kent Janér
Mr Sven Nyman
Ulrika Bergman, Chief Financial Officer

Auditors

Dr Jonas Björck Chairman	appointed by the Swedish Government
Mr Jonas Svensson	elected by the Trustees of the Authorised Public Accountant Foundation
Professor Lars Bergström	elected by the Royal Swedish Academy of Sciences
Professor Catharina Larsson	elected by the Nobel Assembly at Karolinska Institutet
Professor Tomas Riad	elected by the Swedish Academy
Advokat Bettina Banoun	elected by the Norwegian Nobel Committee

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