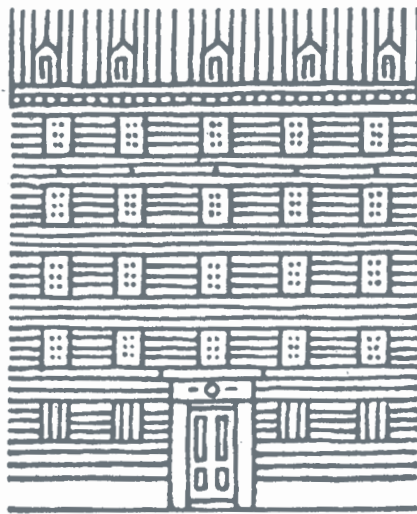


*The* NOBEL-  
FOUNDATION



*Annual Report 2015*



NOBELSTIFTELSEN

The Nobel Foundation



# THE NOBEL FOUNDATION

SWEDISH REGISTRATION NUMBER 802002-4462

## ANNUAL REPORT 2015

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

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# REPORT OF THE DIRECTORS, 2015

## 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. Since 1965, the Nobel Foundation has also administered 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 are not 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.

During 2015 the non-profit Nobel Foundation Rights Association was replaced by the Alfred Nobel Memorial Foundation. The Memorial Foundation 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 in Stockholm. 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 2015 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 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.

## THE NOBEL PRIZE

### THE 2015 NOBEL LAUREATES

Since 1901, the Nobel Prize has been awarded 573 times to 900 Laureates. Because some have been awarded the Prize twice, a total of 870 individuals and 23 organisations have received a Nobel Prize or the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. During 2015 the following Prizes were awarded:

THE NOBEL PRIZE IN PHYSICS was awarded to TAKAAKI KAJITA and ARTHUR B. MCDONALD

*“for the discovery of neutrino oscillations, which shows that neutrinos have mass”.*

THE NOBEL PRIZE IN CHEMISTRY was awarded to TOMAS LINDAHL, PAUL MODRICH and AZIZ SANCAR *“for mechanistic studies of DNA repair”.*

THE NOBEL PRIZE IN PHYSIOLOGY OR MEDICINE was awarded WILLIAM C. CAMPBELL and SATOSHI ŌMURA *“for their discoveries concerning a novel therapy against infections caused by roundworm parasites”* and TU YOUYOU *“for her discoveries concerning a novel therapy against Malaria”.*

THE NOBEL PRIZE IN LITERATURE was awarded to SVETLANA ALEXIEVICH *“for her polyphonic writings, a monument to suffering and courage in our time”.*

THE NOBEL PEACE PRIZE was awarded to THE TUNISIAN NATIONAL DIALOGUE QUARTET *“for its decisive contribution to the building of a pluralistic democracy in Tunisia in the wake of the Jasmine Revolution of 2011”.*

THE SVERIGES RIKSBANK PRIZE IN ECONOMIC SCIENCES IN MEMORY OF ALFRED NOBEL was awarded to ANGUS DEATON *“for his analysis of consumption, poverty and welfare”.*

#### THE NOBEL WEEK IN STOCKHOLM

The official Nobel Week programme began on December 6, when the Laureates were welcomed to the Nobel Museum and the *Nobel Creations* exhibition, which focused on the discoveries and contributions being rewarded in 2015. In the following days the Laureates participated in press conferences, Nobel lectures and dinners organised by the prize-awarding institutions. The Nobel lectures were broadcast live on the Nobel Prize website, Nobel-prize.org. A 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 in Gothenburg – a full-day seminar entitled *The Future of Intelligence*, aimed at promoting a broader dialogue between researchers and society on the theme of future learning. Nobel Media also hosted the Nobel Prize Concert that was organised on December 8 at the Concert Hall. The Nobel Week ended on December 12 with a reception at the Nobel Foundation for all 2015 Laureates, including representatives of the Tunisian National Dialogue Quartet.

#### THE NOBEL DAYS IN OSLO

Representatives of the Tunisian National Dialogue Quartet participated during the 2015 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 Laureate interviews with the Cable News Network (CNN). On the same evening, a Nobel Banquet was held at the Grand Hotel.

On December 11 the Nobel Peace Center inaugurated an exhibition on the overall theme of Tunisia after the Arab Spring. That same evening, the Nobel Peace Prize Concert took place for the first time at the Telenor Arena.

#### OVERALL STRATEGY FOR THE NOBEL SPHERE

During 2015 the Board of Directors of the Nobel Foundation completed the task of developing an overall strategy for the Nobel sphere. Its purpose was to define the values and ambitions that will guide the activities of the sphere.

The Nobel Foundation is ultimately responsible for ensuring that the trademarks and other resources in the Nobel sphere are used in an effective way. The strategy thus deals mainly with the management of the various assets associated with the Nobel Prize. The strategy also deals with the tasks of the public entities in the Nobel sphere and how they can best contribute to preserving and strengthening the long-term position of the Nobel Prize.

#### LAWSUIT, STOCKHOLM DISTRICT COURT

On December 4, 2015 a lawsuit was filed with the Stockholm District Court aimed at the individuals who were regular members of the Board of Directors of the Nobel Foundation in 2012, when the Nobel Peace Prize was awarded to the European Union. Behind the suit was a group of individuals and organisations that took the initiative in 2012 which led the Stockholm County Administrative Board to initiate a regulatory oversight case against the Nobel Foundation. This group is critical of how the Foundation's Statutes are interpreted with regard to the criteria for the Peace Prize and believes that the 2012 Peace Prize to the EU violates the intentions of Alfred Nobel and the purposes of his will. The claim thus concerned liability by the Board members to the Nobel Foundation for damages due to erroneous disbursement of the Foundation's assets. The Stockholm District Court dismissed the claim in February 2016.

#### LEGAL ACTION IN CALIFORNIA

The lawsuit filed by Rongxiang Xu in California in December 2012, which was then appealed to a higher court, was withdrawn in June 2015 since Rongxiang Xu had died and his survivors did not wish to pursue the matter further.

#### LINDAU

During 2015 the Nobel Foundation reached a coexistence agreement with the organisations behind the Nobel-related activities in Lindau, Germany: the *Lindau Nobel Laureate Meetings*. The agreement describes and formalises the many years of dialogue and cooperation between the parties. The purpose of the agreement is to define the trademarks of the respective parties and the activities that the Lindau organisations arrange and will arrange in the future; these will consist of meetings between Nobel Laureates and students in the Lindau area concerning the scientific Nobel Prizes.

#### 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 2015 totalled SEK 0.8 m (0.8).

Symposium activities as well as other large interdisciplinary meetings in the Nobel sphere are 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 2015 the following Nobel Symposia took place:

NS 159

*Adaptive immunity: Defence and Attack*

Organiser: Professor Klas Kärre

Häringe Slott, Västerhaninge, Sweden, June 10–13, 2015

NS 158

*Free Electron Laser Research*

Organiser: Professor Mats Larsson

Sigtunahöjden, Sigtuna, Sweden, June 14–18, 2015



## 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 property funds, infrastructure funds and hedge funds) should normally be. This has resulted in a portfolio strategy of 55 per cent equities with an interval of  $-15$  to  $+10$  percentage points, 20 per cent fixed income assets with an interval of  $\pm 15$  points and alternative assets, including properties and hedge funds with an interval of  $\pm 20$  points. These intervals normally apply but can be changed by the Board of Directors.

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 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 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 – 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 working methods.

The ambition of the Nobel Foundation is to carry out asset management that contributes to long-term sustainable development and also to follow good ethical principles in its investment activities. For this reason, for a long time it has maintained 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. In recent years, the Nobel Foundation has also moved some of its fixed income investments into "green bonds". Today the Foundation is working to develop a general sustainability policy.

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 4,065 m (3,869) at the end of 2015. Excluding the value of the Foundation's directly owned properties, portfolio capital amounted to SEK 3,854 m (3,684) at the end of 2015. Portfolio capital was allocated among 44 (55) per cent equities, 15 (12) per cent fixed income assets and 41 (33) per cent alternative assets. Private equity holdings accounted for 2.1 per cent of portfolio capital at year-end. Return on portfolio capital amounted to 7.3 per cent (16.5) for the year.

Total return on equity including directly owned properties – growth in Foundation assets after adding back the overall sum of all Nobel Prizes and operating expenses – amounted to 7.7 (15.8) per cent.

Book profit for the year amounted to SEK 158.4 m (-71.9). The year's improvement in earnings was mainly attributable to asset management, with net realised change in value contributing the most and totalling SEK 165.1 m, compared to SEK -48.3 m in 2014. Dividends rose from SEK 27.1 m to SEK 63.0 m. Operating expenses fell from SEK 58.6 m to SEK 58.0 m.

#### OUTFLOW AND EXPENSES

During 2015 the overall sum of all Nobel Prizes and operating expenses was SEK 98.0 m (98.6). This was divided among three main categories: the Prizes and compensation to the Prize Committees, SEK 66.9 m (66.0); the Nobel Week in Stockholm and Oslo, SEK 16.9 m (16.7); plus administration etc., SEK 14.2 m (15.9).

Compensation to the Prize Committees amounted to SEK 26.9 m (26.0) during the year. The Prize Committees are, to some extent, entitled to allocate approved compensation between years, and natural fluctuations thus occur.

Expenses related to the Nobel Week in Stockholm and Oslo increased by SEK 0.2 m and totalled SEK 16.9 m for the year. Continued restrictiveness, with the ambition of reducing expenses, characterised this work again in 2015, but travel expenses for the Laureates increased compared to the preceding year.

Central administrative expenses decreased from SEK 15.9 m to SEK 14.2 m. The reduction in expenses consisted primarily of improved earnings from directly owned properties, which showed positive earnings of SEK 0.5 m compared to SEK -1.1 m during the previous year, when a large-scale façade renovation took place.

During 2015 two Nobel Symposia took place at a cost of SEK 0.8 m.

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 2.6 (2.9) per cent in 2015.

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

	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
<i>Investments in equities</i>					
Sweden	9	10	9	8	8
Other countries	35	45	47	46	43
	<u>44</u>	<u>55</u>	<u>56</u>	<u>54</u>	<u>51</u>
<i>Fixed income investments</i>					
Sweden	12	7	10	12	15
Other countries	3	5	5	4	5
	<u>15</u>	<u>12</u>	<u>15</u>	<u>16</u>	<u>20</u>
<i>Alternative investments</i>					
Property funds	8	7	9	9	9
Hedge funds	30	23	20	21	20
Convertible bonds	3	3	0	0	0
	<u>41</u>	<u>33</u>	<u>29</u>	<u>30</u>	<u>29</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 directly owned properties) amounted to SEK 3,854 m (3,684). Return on portfolio capital was 7.3 per cent, compared to 2.8 per cent for benchmark indices. Compared to most of the investors that the Foundation compares itself to, earnings were also good, as during the preceding year.

The main explanation behind these better returns was a certain overweighting of equities early in the year and underweighting towards the end of the year, comparatively large hedge fund holdings and exposure to the US dollar. Both equity investments and hedge fund holdings performed better than their indices. Investments in fixed income instruments pulled down returns, especially since the return in this category was somewhat below benchmark indices. Equities contributed 4.1 per cent to overall earnings, fixed income investments 0.0 per cent and alternative investments 4.8 per cent, while currency hedges lowered earnings by 1.6 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 1,699 m (2,040). Investments in equities accounted for 44.1 (55.4) per cent of portfolio capital at year-end 2015. This consisted of investments in Sweden, 19 (17) per cent; the rest of Europe, 18 (18) per cent; the United States, 25 (36) per cent; emerging markets, 16 (11) per cent; private equity 5 (5) per cent; and other equities 17 (13) per cent. The biggest changes during the year were divestments of equities from the US, but also Sweden and the rest of Europe. The market value of private equity holdings totalled SEK 82 m (105).

Most of the world’s stock exchanges, except in emerging markets, rose during 2015. The value of the Nobel Foundation’s total equities portfolio rose by 6.6 (26.6) per cent. This was better than its benchmark indices<sup>1</sup>, which rose by 4.7 (17.4) per cent. These better returns were explained primarily by the Foundation’s comparatively large percentage of European equities, excess returns by several of the active asset managers selected by the Foundation and larger currency exposure than in benchmark indices. The year’s return on private equity holdings was 10.4 (16.7) per cent in local currencies.

During 2015 the Foundation decreased its holdings in IPM RAFI US, IPM RAFI Europe, the Handelsbanken MSCI USA Index, the Handelsbanken Europe Fund Index and the Handelsbanken Sweden Fund Index. It switched from the Handelsbanken Sweden Fund Index to the Handelsbanken Swedish Small Cap Fund, and from the Handelsbanken MSCI USA Index to the BlackRock MSCI US Equity Fund B. The Foundation purchased further units in the equity fund First State Asia Pacific Leaders Fund.

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<sup>1</sup> 80% MSCI All Countries 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 581 m (457). Fixed income assets accounted for 15.1 (12.4) per cent of portfolio capital at year-end 2015. Of these assets, 82 (66) per cent were attributable to Sweden while 18 (24) per cent consisted of international credits. Unlisted bond funds accounted for 9.6 (9.0) per cent of fixed income assets.

In addition to bond holdings, the fixed income investments asset class included liquid funds, which totalled SEK 68 m (80).

The return on the Foundation's fixed income investments amounted to -0.3 (4.7) per cent during the year. This was worse than the benchmark index<sup>2</sup>, which rose by 0.5 per cent. The Foundation's lower return was explained primarily by its having had a higher proportion of investments in credit bonds, which provided relatively worse returns. Also contributing to these worse returns was a comparatively short average duration. The year's return on unlisted bonds was 6.3 (9.8) per cent in local currencies.

During 2015 the Nobel Foundation increased its holding in the Öhman FRN Fund and also invested in the Blue Bay Direct Lending Fund II.

## ALTERNATIVE INVESTMENTS

The market value of the Foundation's alternative investments amounted to SEK 1,570 m (1,235). Alternative assets accounted for 40.7 (33.5) per cent of portfolio capital at year-end 2015. They were apportioned among hedge funds, property funds and convertible bonds.

The market value of hedge fund holdings was SEK 1,156 m (838). Hedge funds accounted for 30.0 (22.7) per cent of portfolio capital at year-end 2015. The Foundation had holdings in eight hedge funds with different strategies. There were also three minor holdings that were in the process of final redemption. During 2015, the Foundation's hedge fund portfolio rose in value by 6.7 (4.1) per cent, while the corresponding benchmark index<sup>3</sup> returned -0.3 (3.3) per cent in local currencies.

During 2015 the Foundation increased its investments in Millennium and Two Sigma and made an investment in the AQR Style Premia Fund.

The Foundation's exposure to property funds, including infrastructure funds, amounted to 7.7 (7.7) per cent of portfolio capital at year-end 2015. This consisted of holdings in eight 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 17.5 (3.7) per cent in local currencies.

The Nobel Foundation's investments in global convertible bonds accounted for 3.1 (3.1) per cent of the balance sheet. The return on these in SEK was 5.8 (16.0) per cent during 2015.

The market value of directly owned properties amounted to SEK 211 m (184). This refers to the two properties in Stockholm and Oslo, which the Foundation owns. They were appraised at 5.2 (4.8) 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 2015, the Foundation's net invested capital was divided among SEK 2,659 m, USD 66 m, EUR 17 m and SEK 487 m worth of other currencies. Most foreign fixed income and alternative investments and about half of equity exposure were currency hedged.

At year-end 2015 the amount of the underlying forward contracts was USD 170 m and EUR 34 m. At year-end, the value of these contracts was SEK 4.9 m (-47.9) or 0.1 (-1.3) per cent of the balance sheet.

#### ALLOCATION OF PROFIT FOR THE YEAR

Profit for the year before appropriations totalled SEK 158.4 m (-71.9), of which SEK 165.1 m (-48.3) consisted of realised change in value. According to its statutes, the Foundation is adding SEK 21.6 m (0) 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 capital 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 latter alternative applies to the 2015 provision. The above allocation has been taken into account in preparing the balance sheet.

#### IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

On February 7, 2016, Urban Lendahl chose to leave his position as a Board member of the Nobel Foundation. During the period until the next meeting of the Trustees of the Nobel Foundation, he will be replaced by deputy member Lars Bergström.

# FINANCIAL REPORT

## INCOME STATEMENT (amounts in SEK 000)

	Note	2015	2014
<i>Asset management</i>			
Interest income		1,756	8,100
Dividends		63,025	27,131
Realised change in value	1	165,138	-48,266
Less external asset management costs	2	-13,473	-218
<b>Reported earnings, asset management</b>		<b>216,446</b>	<b>-13,253</b>
<i>Operating expenses</i>			
Compensation to Prize Committees		-26,870	-26,026
Central administration	3	-13,418	-15,055
The Nobel Week in Stockholm and Oslo		-16,897	-16,732
Symposium activities		-764	-811
Other expenses		-55	-26
	4	-58,004	-58,650
<b>Reported book profit/loss for the year before appropriations</b>		<b>158,442</b>	<b>-71,903</b>

## ALLOCATION OF PROFIT/LOSS FOR THE YEAR

	Note	2015	2014
Capitalisation, restricted equity		21,644	-
Capitalisation, unrestricted equity		136,798	-71,903
		<b>158,442</b>	<b>-71,903</b>
The year's Nobel Prizes		-40,000	-40,000
<b>The year's change in book value of equity</b>	5	<b>118,442</b>	<b>-111,903</b>
The year's change in unrealised surplus values		78,182	550,567
<b>The year's change in market value of equity</b>	5	<b>196,624</b>	<b>438,664</b>
Adjustment for deflation		1,921	6,215
<b>Inflation-adjusted change in equity</b>	6	<b>198,545</b>	<b>444,789</b>

## BALANCE SHEET (amounts in SEK 000)

	Not	Dec 31, 2015	Dec 31, 2014
<b>Assets</b>			
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>	7		
Capitalised development expenses		162	1,161
		<u>162</u>	<u>1,161</u>
<i>Tangible fixed assets</i>	7		
Buildings and land		1,396	1,396
Equipment		1,022	890
		<u>2,418</u>	<u>2,286</u>
<i>Financial fixed assets</i>			
Miscellaneous long-term holdings of securities	8	2,600,112	2,528,303
		<u>2,600,112</u>	<u>2,528,303</u>
<b>Total fixed assets</b>		<b>2,602,692</b>	<b>2,531,750</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Prepaid expenses and accrued income	9	3,343	3,626
Other current receivables	10	6,781	6,050
		<u>10,124</u>	<u>9,676</u>
<i>Short-term investments</i>			
Miscellaneous short-term investments	11	218,960	170,066
		<u>218,960</u>	<u>170,066</u>
<i>Cash and bank balances</i>			
		26,773	29,104
<b>Total current assets</b>		<b>255,857</b>	<b>208,846</b>
<b>Total assets</b>		<b>2,858,549</b>	<b>2,740,596</b>



## BALANCE SHEET (amounts in SE K 000)

	Note	Dec 31, 2015	Dec 31, 2014
<b>Equity and liabilities</b>			
<b>Equity</b>	12		
<i>Restricted equity</i>		2,193,599	2,171,955
<i>Unrestricted equity</i>		628,631	531,833
<b>Total equity</b>		2,822,230	2,703,788
<i>Provisions</i>			
Provisions for pensions		617	655
<b>Total provisions</b>		617	655
<b>Liabilities</b>			
Accounts payable		10,167	8,898
Accrued expenses and prepaid income	13	2,520	3,228
Other liabilities	14	23,015	24,027
<b>Total liabilities</b>		35,702	36,153
<b>Total equity and liabilities</b>		2,858,549	2,740,596
<b>Assets pledged</b>		None	None
<b>Contingent liabilities</b>			
Investment obligations, unlisted holdings		214,532	41,271

## CASH FLOW STATEMENT (amounts in SEK 000)

	2015	2014
Cash flow from asset management	216,446	-13,253
Operating expenses, excluding depreciation	-56,598	-57,300
<b>Cash flow from operations</b>	159,848	-70,553
Change in portfolio funds	-120,767	102,759
Other changes in assets and liabilities	-1,412	-7,836
This year's Nobel Prizes	-40,000	-40,000
<b>Cash flow for the year</b>	-2,331	-15,630
Liquid funds on January 1	29,104	44,734
<b>Liquid funds on December 31</b>	26,773	29,104

## 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 less 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

	2015			2014		
	Gains	Losses	Net amount	Gains	Losses	Net amount
Fixed income investments	3,119	429	2,690	6,024	–	6,024
Equities/fund units	393,773	231,325	162,448	91,323	145,613	–54,290
	396,892	231,754	165,138	97,347	145,613	–48,266

### Note 2

#### LESS EXTERNAL ASSET MANAGEMENT COSTS

This item in the income statement includes certain external asset management costs (fixed and variable), discounts and taxes. During 2015 the Foundation received larger dividends than normal from its property funds, which resulted in higher tax expenses and variable asset management costs.

### Note 3

#### CENTRAL ADMINISTRATION

	2015	2014
Salaries and pensions, including social insurance expenses	8,866	8,413
Fees, including social insurance expenses	2,628	2,495
Travel expenses	204	226
Other personnel expenses	157	179
Office administration	1,322	1,443
Expenses for premises	2,015	1,826
Outcome, directly owned property holdings	–451	1,084
Depreciation	187	194
Exchange rate differences	–988	–270
Other administrative expenses	578	565
Cost compensation from Sveriges Riksbank	–1,100	–1,100
	13,418	15,055

### Note 4

#### SALARIES, FEES AND SOCIAL INSURANCE EXPENSES

	Board of Directors and Executive Director		Other employees	
	2015	2014	2015	2014
Salaries and fees	1,611	1,554	6,189	5,833
Social insurance expenses	1,012	1,111	2,866	3,433
– of which pension expenses	522	637	939	1,697

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

The Board of Directors has two female members.

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 5*

CHANGE IN UNREALISED SURPLUS VALUES

<i>Equity</i>	Dec 31, 2015	Dec 31, 2014	<i>Change</i>
Market value	4,038,327	3,841,703	196,624
Less book value	<u>-2,822,230</u>	<u>-2,703,788</u>	<u>-118,442</u>
Surplus value	1,216,097	1,137,915	78,182

*Note 6*

INFLATION-ADJUSTED EQUITY

<i>Market value, Dec 31, 2014</i>	3,841,703
Deflation adjustment	-1,921
Deflation-adjusted equity	3,839,782
Inflation-adjusted change in equity	198,545
<i>Market value, Dec 31, 2015</i>	4,038,327
Of which, since Dec 31, 1995*:	
Inflation adjustment	703,167
Change in inflation-adjusted value	1,179,047

\*) The first year of these calculations was 1996.

Using average values for each year, the Swedish Consumer Price Index fell by 0.05 per cent from 2014 to 2015. The deflation adjustment was thus SEK -1,921.

Note 7

INTANGIBLE FIXED ASSETS

	Dec 31, 2015	Dec 31, 2014
<b>Capitalised development expenses</b>		
Cost, January 1	4,995	4,995
Purchases	—	—
<b>Accumulated cost, December 31</b>	<b>4,995</b>	<b>4,995</b>
Amortisation, January 1	-3,834	-2,835
Amortisation for the year	-999	-999
<b>Accumulated amortisation, December 31</b>	<b>-4,833</b>	<b>-3,834</b>
<b>Value, December 31</b>		
<b>Capitalised development expenses</b>	<b>162</b>	<b>1,161</b>

Amortisation for the year was charged to the Nobel Week in Stockholm and Oslo.

TANGIBLE FIXED ASSETS

	Dec 31, 2015	Dec 31, 2014
<b>Buildings and land</b>		
<i>Properties</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
	<u>1,019</u>	<u>1,019</u>
<i>Land</i>		
Cost, January 1/December 31	377	377
	<u>377</u>	<u>377</u>
<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>211,095</b>	<b>184,459</b>
<b>Equipment</b>		
Cost, January 1	12,553	12,030
Purchases	539	523
<b>Accumulated cost, December 31</b>	<b>13,092</b>	<b>12,553</b>
Depreciation, January 1	-11,663	-11,312
Depreciation for the year	-407	-351
<b>Accumulated depreciation, December 31</b>	<b>-12,070</b>	<b>-11,663</b>
<b>Value of equipment, December 31</b>	<b>1,022</b>	<b>890</b>
<b>The year's depreciation was apportioned as follows:</b>		
Central administration	-187	-194
The Nobel Week in Stockholm and Oslo	-220	-157
	<u>-407</u>	<u>-351</u>

Note 8

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	22,798
	<u>54,795</u>	<u>22,798</u>
<i>Unit trusts (equity mutual funds)</i>		
RAFI US Index	44,533	96,884
RAFI Europe Index	132,453	154,384
Aberdeen GEM	149,444	159,302
SHB Europa Index	99,324	140,949
SHB Svenska Småbolag	30,250	34,725
SHB Sverige OMXSB	194,997	296,198
Viking Long Fund	132,326	291,177
Partners Capital Condor III	25,524	40,979
Partners Capital Condor IV	17,787	40,713
T. Rowe Mid Cap Fund	162,776	258,898
First State Asia	108,117	108,747
Blackrock MSCI US	77,053	75,637
	<u>1,174,584</u>	<u>1,698,593</u>
<i>Property funds</i>		
Carlyle Realty III (USA)	–	35,096
Carlyle Realty IV (USA)	16,807	28,247
Carlyle Realty VII (USA)	27,306	27,285
Aberdeen Property Investors (Europa)	47,247	21,772
Aberdeen Property Investors (Asien)	26,486	23,898
White Peak Real Estate (Kina)	5,209	46,944
Global Infrastructure Partners	56,332	87,957
	<u>179,387</u>	<u>271,199</u>
<i>Hedge funds</i>		
D E Shaw	512	983
Tudor BVI Global	340	426
Brevan Howard	54,192	74,526
Viking Global Equities	55,792	128,169
Discovery Global	88,789	148,127
Nektar	70,818	82,796
Millennium	217,511	327,751
Two Sigma	126,818	191,724
Convexity	58,806	79,980
AQR	99,648	112,393
Alternative Liquidity Fund	8,885	8,885
	<u>782,111</u>	<u>1,155,760</u>

	<i>Book value</i>	<i>Market value</i>
<i>Convertible bonds</i>		
Bluebay Global Con	98,810	119,893
	<u>98,810</u>	<u>119,893</u>
<i>Fixed income investments</i> <i>(maturity longer than one year)</i>		
Öhman bonds	185,960	186,438
Bluebay Global Div	73,039	87,410
Bluebay Direct Lending	23,586	21,369
Proventus	27,840	34,662
	<u>310,425</u>	<u>329,879</u>
	<b>2,600,112</b>	<b>3,598,122</b>

*Note 9*

PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2015	Dec 31, 2014
Accrued interest income	1,980	1,916
Other items	1,363	1,710
	<u>3,343</u>	<u>3,626</u>

*Note 10*

OTHER CURRENT RECEIVABLES

	Dec 31, 2015	Dec 31, 2014
Nobel Week	843	976
Tax claim	1,448	1,326
Account settlement, Karolinska Institutet	1,436	876
Account settlement, Prize Committees	1,522	499
Miscellaneous receivables	1,532	2,373
	<u>6,781</u>	<u>6,050</u>

*Note 11*

MISCELLANEOUS SHORT-TERM INVESTMENTS

*(maturity shorter than one year)*

	<i>Book value</i>	<i>Market value</i>
Öhman FRN-fond	169,264	172,700
Öhman bonds	7,618	7,633
Cleanergy	125	125
Liquidity in managed portfolios	41,953	41,953
Market value, currency hedge	–	4,936
	<u>218,960</u>	<u>227,347</u>

*Note 12*

CHANGE IN EQUITY

	<i>Restricted equity</i>	<i>Unrestricted equity</i>	<i>Total</i>
<b>Amount on January 1</b>	<b>2,171,955</b>	<b>531,833</b>	<b>2,703,788</b>
Capitalisation	21,644	–21,644	–
<b>Reported income for the year</b>		<b>158,442</b>	<b>158,442</b>
The year's Nobel Prizes		–40,000	–40,000
<b>Amount on December 31</b>	<b>2,193,599</b>	<b>628,631</b>	<b>2,822,230</b>

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 13*

ACCRUED EXPENSES AND PREPAID INCOME

	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Accrued expenses, Nobel Week	701	1,447
Accrued salaries, including holiday pay liability	299	250
Statutory payroll charges and special employer contribution	682	708
Accrued fees	241	326
Rents paid in advance	92	36
Less external asset management costs	–	51
Other items	505	410
	<u>2,520</u>	<u>3,228</u>

*Note 14*

OTHER LIABILITIES

	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Account settlement, Nobel Laureates	21,536	22,933
Account settlement, Prize Committees	1,107	710
Miscellaneous liabilities	372	384
	<u>23,015</u>	<u>24,027</u>



Stockholm, April 5, 2016

Carl-Henrik Heldin  
Chairman

Göran K. Hansson  
Vice Chairman

Sara Danius

Tomas Nicolin

Kaci Kullmann Five

Lars Bergström

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 accounts of the Nobel Foundation for the year 2015.

### 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, 2015 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 2015.

### 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 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, the Nobel Foundation's Statutes or the Annual Accounts Act.

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, the Nobel Foundation's Statutes or the Annual Accounts Act.

Stockholm, April 5, 2016

Katarina Bjelke  
Chairman

Lars Rask

Magnus Nordenskjöld

Peter Englund

Gudmund Knudsen

Peter Strandh  
Authorised Public Accountant

# ORGANISATIONAL STRUCTURE

## TRUSTEES OF THE NOBEL FOUNDATION

Professor Håkan Wennerström, Chairman

### ELECTED BY THE ROYAL SWEDISH ACADEMY OF SCIENCES

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

Professor Bo Angelin  
Professor Rune Toftgård  
Professor Juleen Zierath

*Deputy Trustees:*  
Professor Patrik Ernfors  
Professor Klas Kärre

### ELECTED BY THE SWEDISH ACADEMY

Professor Sture Allén  
Professor Göran Malmqvist  
Mrs Katarina Frostenson

*Deputy Trustees:*  
Professor Bo Ralph  
Professor Anders Olsson

### ELECTED BY THE NORWEGIAN NOBEL COMMITTEE

Mrs Berit Reiss-Andersen  
Professor Henrik Syse  
Mrs Inger-Marie Ytterhorn

*Deputy Trustees:*  
Mr Thorbjørn Jagland  
Professor Olav Njølstad

## BOARD OF DIRECTORS

### REGULAR MEMBERS

Professor Carl-Henrik Heldin, Chairman

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

Dr Lars Heikensten,  
*Executive Director*

Professor Sara Danius,  
*Permanent Secretary of the Swedish Academy*

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

Mr Tomas Nicolin, MSc

### DEPUTY MEMBERS

Professor Lars Bergström,  
*Secretary of the Nobel Committee for Physics*

Professor Gunnar von Heijne,  
*Secretary of the Nobel Committee for Chemistry*

## INTERNATIONAL ADVISORY BOARD

Mr Leif Johansson, Chairman

## INVESTMENT COMMITTEE

Mr Tomas Nicolin, MSc, Chairman

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