

# Swedish Foundation for Strategic Research

## Annual Report 2007

### Administration Report

#### Mission

The Swedish Foundation for Strategic Research was established in January 1994 following decisions by the Swedish Parliament and the Government in 1993. The Foundation's founding capital was SEK 6 billion.

The purpose of the Foundation is to support scientific, technological and medical research. The Foundation will thereby promote the development of strong research settings of the highest international standard and of importance for Sweden's future competitiveness.

The Foundation's activities will be pursued based on the Foundation's own, independent judgements.

The research supported may involve both pure basic research and applied research, as well as research that bridges the gap between these extremes.

The Foundation will have a long, though not eternal, life, which can be expressed by saying that a reasonable volume of work may continue into the 2020s.

## The Governing Board

*The composition of the Governing Board during 2007 was as follows:*

Chairman: Lena Hjelm-Wallén, former Deputy Prime Minister  
Lars Björck, Professor, Lund University  
Karin Caldwell, Professor, Uppsala University  
Peter Garvin, doctoral student, Linköping University  
Ulla Grönlund, Manager of Industry and Commerce, County Administrative Board, Västerbotten  
Göran Johnsson, former President of the Swedish Metalworkers' Union  
Carola Lemne, Chief Executive, Danderyd Hospital  
Lennart Låftman, Director, Deputy Chairman  
Christer Ovrén, D.Eng., ABB Corp. Research.  
Tuula Teeri, Professor, Royal Institute of Technology  
Jan Uddenfeldt, Senior Vice President, Telefon AB LM Ericsson

*As from 1 January 2008, the Governing Board has the following composition:*

Chairman: Ulla-Britt Fräjdin-Hellqvist  
Bert Allard, Professor, Örebro University  
Lars Björck, Professor, Lund University  
Karin Caldwell, Professor, Uppsala University  
Ulla Grönlund, Manager of Industry and Commerce, County Administrative Board, Västerbotten  
Göran Johnsson, former President of the Swedish Metalworkers' Union  
Carola Lemne, Managing Director, Praktikertjänst  
Christer Ovrén, D.Eng., ABB Corp. Research.  
Bengt Ågerup, Managing Director, Q-med AB  
Barbo Åsman, Professor, Stockholm University

## Auditors

*Appointed by the Governing Board*

Jan-Erik Söderhielm, Authorised Public Accountant, Ernst & Young  
Deputy: Magnus Fredmer, Authorised Public Accountant, Ernst & Young

Gunnar Brodin, former Marshal of the Realm,  
Annika Sandström, Senior Judge

*Appointed by the National Audit Office*

Anita Nilsson, Authorised Public Accountant, National Audit Office  
Deputy: Filip Cassel, Authorised Public Accountant, National Audit Office

## Executive Management

Lars Rask, Executive Director  
Ann-Katrin Croon, Administrative Director

## Directorships etc. disclosed by the Governing Board

### Lena Hjelm-Wallén

- Chairperson of Swedish Committee for Afghanistan
- Chairperson of Olof Palme International Center
- Chairperson of IDEA (International Institute for Democracy and Electoral Assistance)
- Chairperson of Dalhalla
- Chairperson of European Forum for Democracy and Solidarity
- Chairperson of Committee on Labour Immigration
- Chairperson of Living History Forum
- Member of the Committee on the Constitution
- Member of the Board of the Raoul Wallenberg Institute
- Member of the Board of the International Crisis Group

### Lars Björck

- Member of the Board, Craafordska Stiftelsen
- Hansa Medical AB, advisor and scientific cooperation

### Karin Caldwell

- Dean of Chemistry, Uppsala University
- University of Kalmar, external member of technical-scientific faculty board

### Peter Garvin

- Student representative on the faculty board for the medical faculty at Linköping University
- Student representative on the steering committee for CIRC, Cardiovascular Inflammation Research Center, Linköping University
- Student representative on the steering committee for Junior Faculty at medical faculty at Linköping University

### Ulla Grönlund

- Member of the Board of Nils and Dorti Troëdsson Research Foundation
- Member of the Board of Växjö University

### Göran Johnsson

- Centre for High Performance Steel (CHS), chairman
- First Deputy Chairman of the Swedish Export Credits Guarantee Board
- Member of the Board of Elanders AB
- Member of the Board of the Fourth AP Fund
- Member of the Board of IQ-Initiativet AB
- Member of the Board of Swedbank AB
- Member of the Board of SVT
- Chairman of Unionkonsult
- Vinnova (MERA Project, Chairman)
- Blekinge Institute of Technology (ambassador)
- Region Blekinge, adviser
- Member of the Board of Umeå University

### Carola Lemne

- Member of the Board of Getinge AB
- Member of the Board of Apoteket AB
- KI Research Board – represents the Stockholm County Council, co-opted member
- Member of Industrifonden's Life Science Advisory Board

Lennart Låftman

- Chairman of Intervalor AB
- Member of the Board of the Center for Molecular Medicine Foundation
- Member of the Board of the Petrus and Augusta Hedlund Foundation
- Chairperson of AB Dalademokraten
- Chairperson of Plena AB
- Chairperson of Stadshagen Fastighet AB
- Chairperson of Vattenfall Pension Fund
- Chairperson of Erik Penser funds
- Chairperson of Vargön Alloys AB

Christer Ovrén

- no other posts disclosed

Tuula Teeri

- Member of the Board of the Bo Rydin Foundation
- Member of the Board of Woodheads AB
- Member of the Board of the Institute for Future Studies
- Member of the Board of SweTreeFiberzyme AB
- Member of the Vinnova programme committee Green Materials
- Member of the Swedish Research Council
- SAC Member of the Board of SweTree Technologies AB
- SweTreeFiberzyme AB, consultancy assignment

Jan Uddenfeldt

- Member of the Board of KTH (Royal Institute of Technology)
- Chairman of the Board of the Electrum Foundation

## **Posts disclosed by the Executive Director**

Lars Rask, Executive Director from January 2006

- no other posts disclosed

## Activities during 2007

### Fulfilment of purpose

A large number of research programmes in all of SSF's areas of activity were concluded at the end of 2007. These programmes were created when the Foundation had a much larger budget than the current one. In order to be able to replace these programmes, a concentration of resources is required in order to sustain the international efficacy of the research.

The Governing Board therefore initiated a strategy project in 2006, which continued throughout 2007. The four panels for the strategy project, which were appointed in the spring of 2006, submitted their final reports to the Governing Board on 30 September 2007. The reports have been discussed at two Board meetings as well as at a meeting with SSF's Collegium. The reports were also posted on the Foundation's website and the research community was invited to offer their viewpoints, which resulted in a number of comments and suggestions.

For the continued strategy work, the Governing Board and Executive Director appointed four drafting groups for

*Biotechnology, drug discovery and development, and medical technology*  
*Information, communication and systems technologies – hardware*  
*Information, communication and systems technologies – software*  
*Materials development*

Based on the reports of the strategy panels, discussions within the Governing Board, the viewpoints of the Collegium and comments received from the research community, the drafting groups were instructed to delimit and define topics within the above areas for framework grants in support of research to be carried out during 2008/2009. It is particularly important that interdisciplinary research projects are not excluded from the various calls for proposals.

Since SSF has been the principal funder of all university research in the country within "information, communication and systems technologies – hardware", the Governing Board instructed the drafting group to prepare the call for proposals within this area in 2007 in order to avoid a prolonged funding hiatus. The call went out in September 2007, and a decision on the allocation of research grants is expected in April 2008.

According to its statutes, SSF should work for the establishment of networks or firmer forms of collaboration nationally and internationally, for example by establishing an international researcher exchange programme. The Governing Board therefore decided to announce the programme "Strategic international recruitment". The purpose of the programme is to recruit world-leading researchers as visiting researchers at Swedish universities. The idea is that by working in a Swedish "host research group", the visiting researcher will raise the latter's scientific and technological level, broaden its international contacts and enhance its innovation potential. The programme should also contribute to a revitalisation of Swedish research in the Foundation's areas of activity.

In another initiative to further internationalise Swedish research, SSF, in collaboration with VINNOVA (the Swedish Governmental Agency for Innovation Systems) and the Knut and Alice Wallenberg Foundation, decided to contribute funds to the Swedish node at Karolinska Institutet within the Structural Genomics Consortium for another 3 years.

According to its statutes, SSF is also supposed to promote the mobility of researchers internationally and between universities, institutes and companies. The Governing Board therefore decided to announce the research programme "Strategic mobility". The programme is supposed to promote mobility in both directions between academia and industry/research institutes in order to foster a better understanding of the activities pursued in the different sectors.

Another of SSF's missions according to the statutes is to promote the international mobility and recruitment of researchers. For a number of years the Foundation has supported the recruitment of young researchers back to Sweden after their postdoctoral sojourns abroad through the "Ingvar Carlsson Award" and "Individual grants for the advancement of research leaders". Eleven young researchers were awarded grants within the former programme at the beginning of 2007 as well as further training within the programme's leadership programme. "Individual grants for the advancement of research leaders III" was announced in the autumn of 2006, and applications were processed in 2007 for decision in February 2008.

SSF is also supposed to promote collaboration between universities and industry with regard to research in areas of particular interest to industry. Towards this end the Board announced the programme "ProViking2", with Chalmers University of Technology as the host school. The field of product development is being researched within the programme in close collaboration with the engineering industry. In this second round of the programme, further efforts will be made to include small and medium-sized enterprises in the programme and to better integrate a life cycle approach and sustainability aspects in product realisation.

SSF evaluates its activities continuously. All research programmes are evaluated scientifically on being concluded. In addition, effect evaluations are performed. One of SSF's tasks is to promote postgraduate training. Since the postgraduate studies of well over 1,000 PhD students have been funded by research grants from the Foundation, SSF has initiated a study of the professional life of these PhDs, their assessment of the value of their postgraduate training in obtaining employment, and its value for their professional career.

SSF is also carrying out an effect evaluation of the biomedical graduate schools as well as an overall effect evaluation of SSF's programmes to date within the field of bioscience. A similar evaluation of SSF's research programme within "Information, communication and systems technologies – software" was also initiated in 2007. Finally, an evaluation is being carried out in collaboration with the Swedish Research Council and VINNOVA of all academic research within "Information, communication and systems technologies – hardware".

A more detailed account of the Foundation's research support during 2007 is provided in the separate Activity Report 2007.

| <b>Multi-year review (SEKm)</b>                           | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Grants approved (note 12)                                 | 538         | 419         | 778         | 444         | 444         |
| Total disbursed   | 595         | 659         | 647         | 595         | 798         |
| Net income/loss from other long-term investments (note 7) | 688         | 844         | 481         | 399         | 140         |
| Net profit for the year (note 12)                         | 960         | 1 092       | 703         | 644         | 422         |
| Equity capital (book value) (note 12)                     | 7 296       | 6 874       | 6 200       | 6 275       | 6 075       |
| Managed capital (SEKbn) (notes 8, 9, 11)                  | 10 064      | 10 384      | 10 047      | 8 863       | 8 653       |

## Future trend

SSF is currently working with an annual budget of SEK 500 million for new programmes. This budget is equivalent to perhaps half of the budget available several years ago, taking inflation into account. The research grants awarded by SSF are very attractive to the research community, since they are

often relatively large as well as of long duration, usually 5 years. If SSF were to work with broad calls for proposals, they would result in a very large number of applications, so large that the proportion of applicants awarded a grant would be discouragingly small.

Processing all the applications would consume time and resources, and a very large number of researchers would have to waste their time writing applications in vain. The Governing Board has therefore chosen to work with framework grants, where the areas open for applications have been restricted to ones judged to be of the greatest importance for present-day and future Swedish industry. The Board intends to continue this policy with large grants of long duration so that the grantees are able to tackle difficult and important research projects.

Aside from the framework grant programmes, the Governing Board intends to continue the two programmes "Ingvar Carlsson Award" and "Individual grants for the advancement of research leaders" to enable young, prominent researchers to establish themselves at Swedish universities. The Board has also indicated the possibility of developing a similar programme, perhaps named "Individual grants for the advancement of interdisciplinary researchers", to develop young researchers in interdisciplinary thinking.

The Governing Board also intends to continue the two programmes "Strategic mobility" and "Strategic international recruitment" if they prove successful, since there is a great need for mobility of researchers between different sectors of society to foster cross-fertilisation with new ideas.

## ***Financial Management***

The Governing Board is responsible for ensuring that the Foundation's assets are managed satisfactorily to limit risks and obtain a good rate of return. The Governing Board has delegated certain matters relating to direct control over asset management to a five-member Capital Committee. Asset management services are purchased from a number of professional asset managers. At the end of 2007, the capital was managed by five Swedish equity managers, four fixed-income managers, six special funds and six international banks. One portfolio is directly owned.

## **Risk management and investment policy**

The following guidelines are applied to capital management:

- The primary objective is capital growth.
- The Foundation's funds may not be invested in real estate or direct loans.
- Swedish managers invest in Swedish securities and international managers in equities on the market determined by the Foundation.
- The Foundation decides itself on the balance between equities and fixed-income investments.
- Securities from one and the same issuer may not comprise more than 10 per cent of the market value of the Swedish investments. Furthermore, shares in one and the same company may not comprise more than five per cent of the voting rights.

The Capital Committee had the following composition in 2007:

Olof Sjöström, Director, Chairman  
 Björn Brandt, consultant  
 Björn Franzon, Deputy Managing Director, Fourth AP Fund  
 Marie Giertz, Chief Economist, Länsförsäkringar  
 Lennart Låftman, Director, Deputy Chairman of the Governing Board

Capital management is conducted in a conservative and balanced manner with the aim of ensuring a satisfactory rate of return with low management costs and high administrative efficiency. Management of the Foundation's capital is focused on real growth of the capital over time. The capital should be

invested in such a manner that the best possible total return, defined as the sum of growth and interest/dividends, is achieved with reasonable risk-taking.

The fundamental thesis, based on historical observation, is that equities provide a better return in the long term than fixed-income investments. While equities are preferable as an investment in the long term, the stock market is subject to very large short-term fluctuations. This is why a portion of the assets should be invested in fixed-income instruments, so that the Foundation will not risk having to sell shares at a loss in order to raise the necessary cash at a time when the stock market is valued low.

In view of the volatility that has characterised the world's stock markets during 2007, the Capital Committee has, as mentioned above, decided to reduce the Foundation's equity exposure. At the same time it is difficult at current interest rates to get a good return on the portion of the capital that is not invested in the stock market. A vital task for the Capital Committee during 2008 is to achieve this, where the utilisation of alternative investments can provide greater risk diversification and a higher return than traditional bonds.

The Foundation applies the ethical and environmental guidelines adopted by the Governing Board. These guidelines state that the Foundation may not invest in companies that act in violation of international conventions (UN) or have been convicted of criminal activity, or whose principal business consists of trade in tobacco products. A consultant reviews the Foundation's holdings twice a year and issues recommendations regarding companies that should be excluded from the Foundation's equity portfolios. Nor may the Foundation's funds be invested in real estate or direct loans, and securities from one and the same issuer may not comprise more than 10 per cent of the market value of the Swedish investments. Furthermore, shares in one and the same company may not comprise more than five per cent of the voting rights.

#### *Strong start*

The year started strongly with great economic optimism, rising corporate profits, record-high dividends, low valuations and good liquidity. Share prices rose on a broad front, culminating in a new index record in the middle of July. The total return index was then 18% higher than at the beginning of the year.

#### *Weak end*

Share prices began falling during the second half of the year, accelerating as the American mortgage crisis grew and spread insecurity among the world's investors. Factors such as tighter liquidity, weaker economic figures, inflationary tendencies, higher volatility and higher risk premiums also contributed to strengthening the negative stock market trend. The index reached an annual low at the end of November, having fallen 6% since the start of the year. Viewed over the year, the Stockholm stock exchange returned a negative yield of -2,6% in 2007. The Foundation's total rate of return amounted to 2,3%.

The Foundation's capital amounted to SEK 10 384 million at the beginning of the year and SEK 10 064 million at year-end, a decrease of 3%. Altogether, SEK 595 million was disbursed during the year, including SEK 551 million in support of research.

The Foundation's total portfolio had the following composition at year-end, with equivalent figures for the start of the year in parentheses: The equity portion was 41% (47), fixed-income securities represented 51% (42), while special funds comprised 8% (11). All fixed-income investments were denominated in Swedish kronor. The reduction of the equity portion is explained by profit-taking during the year and a reallocation of capital in favour of increased interest rate exposure.

Funds are allocated between asset classes and regions within the framework set by the Governing Board. The asset classes and regions in which the Foundation's capital was invested in 2007 are Swedish fixed-income securities, Swedish equities, special funds, Western European equities, Eastern European equities, American equities, Japanese equities and Southeast Asian equities.

| Asset class<br>(notes 8, 9, 11)     | Capital<br>31 Dec. 2007 |      | Capital<br>31 Dec. 2006 |      |
|-------------------------------------|-------------------------|------|-------------------------|------|
|                                     | SEK thousand            | %    | SEK thousand            | %    |
| Swedish fixed-income                | 5 350                   | 53,2 | 4 332                   | 42,0 |
| Swedish equities and funds          | 2 610                   | 25,9 | 3 595                   | 35,0 |
| Special funds                       | 770                     | 7,7  | 1 167                   | 11,0 |
| Western European funds              | -                       | -    | 182                     | 1,8  |
| Eastern European funds excl. Russia | 444                     | 4,4  | 171                     | 1,6  |
| American funds                      | 123                     | 1,2  | 129                     | 1,2  |
| Japanese funds                      | 158                     | 1,6  | 507                     | 4,9  |
| Other Asian funds                   | <u>609</u>              | 6,0  | <u>301</u>              | 2,9  |
|                                     | 10 064                  |      | 10 384                  |      |

### Taxes

The Foundation has limited tax liability, since its purpose is research.

To be eligible for tax-exempt status, the Foundation must utilise at least 80% of the return from its capital, excluding net capital gain, for the Foundation's purposes.

To be eligible for limited tax liability under the Income Tax Act (Chap. 7 Sec. 3), the Foundation must meet three requirements: The purpose, activity and fulfilment requirements. The Foundation meets all three requirements and is therefore not taxed for investment income or wealth.

### Profit and financial position

The profit brought forward is supposed to serve as a buffer to the extent future impairments of the book value of the Foundation's capital should prove to be necessary.

The profit reported for 2007 amounts to SEK 960 118 thousand. Grants of SEK 537 540 thousand were awarded during the year. The profit brought forward increased by SEK 422 578 thousand (see Note 12).

Equity capital amounts to SEK 7 296 454 thousand at year-end (see Note 12), all of which is disposable capital.

*Income Statement***Income Statement** (SEK thousand)

|   | Note  | 2007           | 2006           |
|---|-------|----------------|----------------|
| <i>Foundation's income</i>                    |       |                |                |
| Dividends                                     |       | 148 380        | 154 662        |
| Interest income                               | 1     | 169 618        | 135 429        |
| Net income from other long-term investments   | 7,8,9 | <u>688 421</u> | <u>843 808</u> |
| <i>Total income</i>                           |       | 1 006 419      | 1 133 899      |
| <i>Foundation's expenses</i>                  |       |                |                |
| Financial expenses                            | 2     | -9 966         | -13 116        |
| Administrative expenses                       | 5     | -11 713        | -10 295        |
| Other external costs                          | 3     | -10 406        | - 4 640        |
| Personnel costs                               | 4     | -13 922        | -13 481        |
| Depreciation of property, plant and equipment | 6     | <u>-295</u>    | <u>-277</u>    |
| <i>Total expenses</i>                         |       | -46 302        | -41 809        |
| <i>Net profit for the year</i>                |       | 960 118        | 1 092 090      |

*Balance Sheet***Balance Sheet** (SEK thousand)

|                                      | Note | 2007-12-31       | 2006-12-31       |
|--------------------------------------|------|------------------|------------------|
| <i>Assets</i>                        |      |                  |                  |
| <i>Fixed assets</i>                  |      |                  |                  |
| <i>Property, plant and equipment</i> |      |                  |                  |
| Fixtures and fittings                | 6    | <u>842</u>       | <u>516</u>       |
|                                      |      | 842              | 516              |
| <i>Long-term investments</i>         |      |                  |                  |
| Shares and other interests           | 8    | 3 689 452        | 4 829 438        |
| Bonds                                | 9    | <u>4 681 340</u> | <u>3 320 011</u> |
|                                      |      | 8 370 792        | 8 149 449        |
| <i>Total non-current assets</i>      |      | 8 371 634        | 8 149 965        |
| <i>Current assets</i>                |      |                  |                  |
| <i>Short-term receivables</i>        |      |                  |                  |
| Other receivables                    |      | 203 597          | 1 732            |
| Deferred expenses and accrued income | 10   | <u>92 062</u>    | <u>63 878</u>    |
|                                      |      | 295 659          | 65 610           |
| <i>Short-term investments</i>        |      |                  |                  |
| Short-term investments               | 11   | <u>458 558</u>   | <u>459 047</u>   |
|                                      |      | 458 558          | 459 047          |
| <i>Cash and bank balances</i>        | 8.9  | <u>217 366</u>   | <u>260 449</u>   |
|                                      |      | 217 366          | 260 449          |
| <i>Total current assets</i>          |      | 971 583          | 785 106          |
| <i>Total assets</i>                  |      | 9 343 217        | 8 935 071        |

*Balance Sheet***Balance Sheet** (SEK thousand)

|   | Note | 2007-12-31       | 2006-12-31       |
|---|------|------------------|------------------|
| <i>Equity capital and liabilities</i>       |      |                  |                  |
| <i>Equity capital</i>                       | 12   |                  |                  |
| Donation capital                            |      | 6 000 000        | 6 000 000        |
| Profit brought forward                      |      | <u>1 296 454</u> | <u>873 876</u>   |
| <i>Total equity capital</i>                 |      | 7 296 454        | 6 873 876        |
| <i>Long-term liabilities</i>                |      |                  |                  |
| Awarded but not disbursed grants            |      | <u>1 548 911</u> | <u>1 558 141</u> |
| <i>Total long-term liabilities</i>          |      | 1 548 911        | 1 558 141        |
| <i>Short-term liabilities</i>               |      |                  |                  |
| Accounts payable                            |      | 3 771            | 1 157            |
| Awarded but not disbursed grants            |      | 487 278          | 491 324          |
| Other liabilities                           |      | 849              | 615              |
| Accrued expenses and deferred income        | 13   | <u>5 954</u>     | <u>9 958</u>     |
| <i>Total short-term liabilities</i>         |      | 497 852          | 503 054          |
| <i>Total equity capital and liabilities</i> |      | 9 343 217        | 8 935 071        |
| <i>Pledged assets</i>                       |      |                  |                  |
| Pledged assets                              |      | None             | None             |
| <i>Contingent liabilities</i>               |      |                  |                  |
| - Investment commitments, unlisted holdings |      | 281 584          | None             |

*Cash Flow Statement***Cash Flow Statement) (SEK thousand)**

|  | 2007-12-31     | 2006-12-31    |
|--|----------------|---------------|
| <b>Cash flow from operating activities</b>                                   |                |               |
| Income after financial items   | 960 118        | 1 092 090     |
| Adjustments for items not included in cash flow:                             |                |               |
| Depreciation of property, plant and equipment                                | 294            | 277           |
| Reversals of long-term investments   |                |               |
| Capital gains/losses   | -695 916       | -843 808      |
| Changes in interest receivables  | -28 184        | -17 715       |
| Revaluation at closing of money market instruments to market value           | -              | -1 968        |
| <i>Cash flow from operating activities before changes in working capital</i> | 236 312        | 228 876       |
| Cash flow from changes in working capital                                    |                |               |
| Increase/decrease of receivables   | -201 865       | 4 319         |
| Increase in short-term liabilities   | -1 156         | 1 460         |
| <i>Cash flow from operating activities</i>                                   | 33 291         | 234 655       |
| <b>Cash flow from investing activities</b>                                   |                |               |
| Acquisition of property, plant and equipment                                 | -620           | -346          |
| Acquisition of long-term investments   | -7 325 132     | -10 150 109   |
| Sale of long-term investments  | 7 800 194      | 10 563 571    |
| <i>Cash flow from investing activities</i>                                   | 474 442        | 413 116       |
| <b>Cash flow from disbursing activities</b>                                  |                |               |
| Grants disbursed during the year   | -550 816       | -619 663      |
| <i>Cash flow from disbursing activities</i>                                  | -550 816       | -619 633      |
| <b>Cash flow for the year</b>  | <b>-43 083</b> | <b>28 138</b> |
| Cash and cash equivalents at beginning of year                               | 260 449        | 232 311       |
| Cash and cash equivalents at year-end  | 217 366        | 260 449       |

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**Notes** (SEK thousand)

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**SUPPLEMENTARY DISCLOSURES****Accounting principles**

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and the general recommendations of the Swedish Accounting Standards Board for large companies, unless otherwise stated below.

Reporting of profits and approved grants takes place in accordance with the Swedish Accounting Standards Board's statement (BFN U 95:3) concerning accounting in foundations.

The current portion of awarded but not disbursed grants has been recognised as budgeted disbursements for the year for research grants.

**Valuation principles**

Assets, provisions and liabilities are stated at their historical costs unless otherwise specified below.

Income is stated at fair value.

Long-term investments are recognised at historical cost less any impairment loss. Long-term investments are measured according to the portfolio method. This means that impairment of the historical cost of the portfolio as a whole is only recognised if the value of the entire portfolio is permanently reduced to below the book value.

Short-term investments are stated at fair value.

**Cash Flow Statement**

The Cash Flow Statement has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation no. 7.

**Depreciation of property, plant and equipment**

Depreciation according to plan is based on historical costs and is spread over the estimated economic life of the asset: computers 3 years, machinery and equipment 5 years.

**Receivables**

Receivables are recognised at the amounts that are expected to be recovered.

## Notes

**Notes** (SEK thousand)

|               |   |  |                |                |
|---------------|---|--|----------------|----------------|
| <i>Note 1</i> | <b>Interest income</b>                        |  | <b>2007</b>    | <b>2006</b>    |
|               | Bank  |  | 8 210          | 4 355          |
|               | Money market instruments                      |  | 8 554          | 5 998          |
|               | Bonds   |  | <u>152 854</u> | <u>125 076</u> |
|               |   |  | 169 618        | 135 429        |
| <i>Note 2</i> | <b>Financial expenses</b>                     |  |                |                |
|               | Fund management fee                           |  | 7 935          | 10 827         |
|               | Custodial account charge                      |  | 636            | 725            |
|               | Interest expenses                             |  | 23             | 15             |
|               | Other financial expenses                      |  | <u>1 372</u>   | <u>1 549</u>   |
|               | <i>Total</i>                                  |  | 9 966          | 13 116         |
| <i>Note 3</i> | <b>Other external costs</b>                   |  |                |                |
|               | Fees to working groups and valuers            |  | 6 605          | 3 052          |
|               | Other external costs                          |  | <u>3 801</u>   | <u>1 588</u>   |
|               | <i>Total</i>                                  |  | 10 406         | 4 640          |
| <i>Note 4</i> | <b>Employees and personnel costs</b>          |  |                |                |
|               | <b>Governing Board and company management</b> |  | <b>Number</b>  | <b>Number</b>  |
|               |   |  | <b>Women</b>   | <b>Men</b>     |
|               |   |  | <b>Women</b>   | <b>Men</b>     |
|               | Governing Board                               |  | 5              | 6              |
|               | Company management                            |  | 1              | 1              |
|               |   |  | 0              | 3              |
|               | <b>Average number of employees</b>            |  |                |                |
|               | Women   |  | 53%            | 8              |
|               | Men   |  | 47%            | <u>7</u>       |
|               | <i>Total</i>                                  |  |                | 15             |
|               |   |  |                | 13             |

The average number of employees is based on the number of FTEs (full-time equivalents).

The normal number of working hours per year is 1 940.

## Notes

**Notes** (SEK thousand)**Salaries, remuneration, social security contributions and pension costs**

|                                      | <b>2007</b> | <b>2006</b> |
|--------------------------------------|-------------|-------------|
| Board members and Executive Director |             |             |
| - salaries and remuneration          | 1 388       | 1 416       |
| - social security contributions      | 524         | 529         |
| - pension costs                      | <u>304</u>  | <u>295</u>  |
|                                      | 2 216       | 2 240       |

A pension is payable to the Executive Director in accordance with the state pension scheme PA 91-F.

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Other employees                 |              |              |
| - salaries and remuneration     | 6 572        | 6 149        |
| - social security contributions | 2 649        | 2 582        |
| - pension costs                 | <u>2 485</u> | <u>2 510</u> |
|                                 | 11 706       | 11 241       |

*Foundation total* 13 922 13 481

**Agreement concerning severance pay**

The Executive Director was appointed by the Foundation as from 1 January 2006 until 30 December 2011 with a period of notice of 6 months on termination by either party. On termination by the Foundation, the Executive Director is entitled not only to termination pay, but also to severance pay equivalent to twelve months' salary. The severance pay is paid in monthly instalments of 1/12th at a time starting on termination of the employment. Cash remuneration from new activities shall be deducted from the severance pay.

| <b>Disclosure of sickness absence</b> | <b>2007</b> | <b>2006</b> |
|---------------------------------------|-------------|-------------|
| Total sickness absence                | 0,76%       | 0,10%       |

| <i>Note 5</i> | <b>Administrative expenses</b>     | <b>2007</b>  | <b>2006</b>  |
|---------------|------------------------------------|--------------|--------------|
|               | Auditing and consultation          | 293          | 293          |
|               | Accountancy consultation           | 66           | 160          |
|               | Other consultancy services         | 3 015        | 1 694        |
|               | Rent and utilities                 | 4 129        | 4 156        |
|               | Travel and per diem                | 580          | 397          |
|               | Market information                 | 1 296        | 1 199        |
|               | Other costs for capital management | 681          | 448          |
|               | Other                              | <u>1 653</u> | <u>1 948</u> |
|               | <i>Total</i>                       | 11 713       | 10 295       |

## Notes

**Notes** (SEK thousand)**Note 6 Equipment**

|   |             |             |
|---|-------------|-------------|
| Opening historical costs                | 5 073       | 4 886       |
| Acquisitions for the year               | 621         | 346         |
| Disposals and retirements               | <u>-165</u> | <u>-159</u> |
| Closing historical costs                | 5 529       | 5 073       |
| <br>                                    |             |             |
| Opening depreciation                    | -4 557      | -4 439      |
| Disposals and retirements               | 165         | 159         |
| Depreciation for the year               | <u>-295</u> | <u>-277</u> |
| Closing depreciation                    | -4 687      | -4 557      |
| <br>                                    |             |             |
| Booked residual value according to plan | 842         | 516         |

**Note 7 Gains and losses on disposal of other long-term investments**

|                    |                | <b>2007</b>     |                |
|--------------------|----------------|-----------------|----------------|
|                    | <u>Gains</u>   | <u>Losses</u>   | <u>Net</u>     |
| Bonds              | 392            | -27 451         | -27 059        |
| Shares             | 643 932        | -73 889         | 570 043        |
| Other securities   | 10 795         | 0               | 10 795         |
| Mutual fund shares | <u>171 955</u> | <u>-28 893</u>  | <u>143 062</u> |
| <i>Total</i>       | <i>827 074</i> | <i>-130 233</i> | <i>696 841</i> |
| <br>               |                |                 |                |
| Exchange losses    |                |                 | <u>-8 420</u>  |
| <i>Total</i>       |                |                 | <i>-8 420</i>  |
| <br>               |                |                 |                |
| <i>Total</i>       |                |                 | <i>688 421</i> |
| <br>               |                |                 |                |
|                    |                | <b>2006</b>     |                |
|                    | <u>Gains</u>   | <u>Losses</u>   | <u>Net</u>     |
| Bonds              | 17 136         | -11 027         | 6 109          |
| Shares             | 635 396        | -40 389         | 595 007        |
| Other securities   | 330            | -28             | 302            |
| Mutual fund shares | <u>245 508</u> | <u>-38</u>      | <u>245 470</u> |
| <i>Total</i>       | <i>898 370</i> | <i>-51 482</i>  | <i>846 888</i> |
| <br>               |                |                 |                |
| Exchange losses    |                |                 | <u>-3 080</u>  |
| <i>Total</i>       |                |                 | <i>-3 080</i>  |
| <br>               |                |                 |                |
| <i>Total</i>       |                |                 | <i>843 808</i> |

## Notes

**Notes** (SEK thousand)

| <i>Note 8</i> | <b>Shares and interests</b>                       | <b>2007</b>      |                  |
|---------------|---|------------------|------------------|
|               | Opening historical costs                          |                  | 4 563 591        |
|               | Acquisitions for the year                         |                  | 2 783 242        |
|               | Sales during the year                             |                  | -3 657 381       |
|               | Closing historical costs                          |                  | 3 689 453        |
|               | <i>Book value</i>                                 |                  | 3 578 453        |
|               |   | Book<br>value    | Market<br>value  |
|               | <b>Swedish</b>                                    |                  |                  |
|               | Equities  | 1 835 105        | 2 120 842        |
|               | Mutual fund shares                                | 937 065          | 1 032 641        |
|               | <b>Foreign</b>                                    |                  |                  |
|               | Mutual fund shares                                | 917 283          | 1 333 951        |
|               | Cash and cash equivalents, shares & interests     |                  | 351 494          |
|               | <i>Total shares and interests</i>                 | <i>3 689 453</i> | <i>4 838 928</i> |
| <br>          |   |                  |                  |
| <i>Note 9</i> | <b>Bonds</b>                                      | <b>2007</b>      |                  |
|               | Opening historical costs                          |                  | 3 585 858        |
|               | Acquisitions for the year                         |                  | 2 804 433        |
|               | Sales during the year                             |                  | -1 708 951       |
|               | Closing acquisition values                        |                  | 4 681 340        |
|               |   | Book<br>value    | Market<br>value  |
|               | Bonds   | 4 681 340        | 4 618 743        |
|               | Accrued interest income on bonds<br>(see Note 10) | 90 587           | 89 192           |
|               | Cash and cash equivalents, bonds                  |                  | 59 337           |
|               | <i>Total bonds</i>                                | <i>4 771 927</i> | <i>4 767 272</i> |

## Notes

**Notes** (SEK thousand)**Note 10 Deferred expenses and accrued income**

|                       | <b>2007</b>   | <b>2006</b>   |
|-----------------------|---------------|---------------|
| Deferred expenses     | 1 475         | 1 723         |
| Accrued bond interest | <u>90 587</u> | <u>62 155</u> |
| <i>Total</i>          | 92 062        | 63 878        |

**Note 11 Short-term investments**

|                                     | Book<br>value | Market<br>value |
|-------------------------------------|---------------|-----------------|
| Money market instruments            | 458 558       | 458 558         |
| <i>Total short-term investments</i> | 458 558       | 458 558         |

**Note 12 Equity capital**

| Donation capital                     | Profit/loss<br>brought forward | Profit/loss<br>for the year | Total<br>Equity capital |
|--------------------------------------|--------------------------------|-----------------------------|-------------------------|
| Opening balance 6 000 000            | -218 214                       | 1 092 090                   | 6 873 876               |
| Reposting of last year's profit/loss | 1 092 090                      | -1 092 090                  | -                       |
| Net profit for the year              |                                | 960 118                     | 960 118                 |
| Awarded grants                       | <u>-537 540</u>                |                             | <u>-537 540</u>         |
| Closing balance 6 000 000            | 336 336                        | 960 118                     | 7 296 454               |

**Note 13 Accrued expenses and deferred income**

|                         | <b>2007</b> | <b>2006</b> |
|-------------------------|-------------|-------------|
| Personnel costs accrued | 2 840       | 3 282       |
| Manager fees            | 2 582       | 5 940       |
| Other accrued expenses  | <u>532</u>  | <u>736</u>  |
| <i>Total</i>            | 5 954       | 9 958       |

Stockholm, 4 April 2008

Ulla-Britt Fräjdin-Hellqvist  
Chairman

Christer Ovrén  
Deputy Chairman

Bert Allard

Lars Björck

Karin Caldwell

Ulla Grönlund

Göran Johnsson

Pernilla Klein

Carola Lemne

Bengt Ågerup

Barbro Åsman

Lars Rask  
Executive Director

# Audit Report

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## To the Governing Board of the Swedish Foundation for Strategic Research

Corp. ID no. 802017-9191

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We have audited the annual accounts, the accounting records and the administration of the Governing Board and the Executive Director of the Swedish Foundation for Strategic Research for 2007. These accounts and the administration of the Foundation, as well as the application of the Annual Accounts Act when preparing the annual accounts, are the responsibility of the Governing Board and the Executive Director. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles and their application by the Governing Board and the Executive Director and significant estimates made by the Governing Board and the Executive Director when preparing the annual accounts, as well as evaluating the overall presentation of information in the annual accounts. We examined significant decisions, actions taken and circumstances in the Foundation in order to determine the liability, if any, of any Board member or the Executive Director to the Foundation, whether reasons exist for dismissal, or whether any Board member or the Executive Director has in any other way acted in contravention of the Foundations Act or the Foundations Regulations. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts has been prepared in accordance with the Annual Accounts Act and gives a true and fair view of the Foundation's financial position and results in accordance with generally accepted accounting principles in Sweden. The Administration Report is consistent with the other parts of the annual accounts.

The members of the Governing Board and the Executive Director have not acted in contravention of the provisions of the Foundations Act or the Foundation's Regulations.

Stockholm, 4 April 2008

Gunnar Brodin

Jan-Erik Söderhielm  
Authorised Public Accountant

Annika Sandström

Anita Nilsson  
Authorised Public Accountant  
Appointed by National Audit  
Bureau