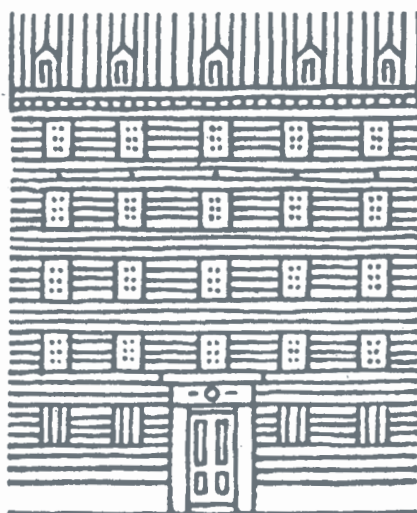


The NOBEL -
FOUNDATION



Annual Report 2012



NOBELSTIFTELSEN

The Nobel Foundation



THE NOBEL FOUNDATION

SWEDISH REGISTRATION NUMBER 802002-4462

ANNUAL REPORT

2012

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

© The Nobel Foundation 2013. Nobel Prize®, The Nobel Prize® medal design mark and the N® design mark are registered trademarks of the Nobel Foundation.

TABLE OF CONTENTS

TASKS AND ORGANISATIONAL STRUCTURE.....	4
REPORT OF THE DIRECTORS.....	6
The Nobel Prize	6
The 2012 Nobel Laureates	6
The Nobel Week in Stockholm	7
The Nobel Days in Oslo	7
Statement to the Stockholm County Administrative Board	
Concerning the Nobel Peace Prize	7
Informational activities.....	8
The Nobel Center in Stockholm	8
Nobel Symposia.....	8
Financial management	9
Organisation and strategy of asset management.....	9
Overall position and earnings	10
Outflow and expenses	10
The investment portfolio.....	13
Investments in equities.....	13
Fixed income investments.....	13
Alternative assets.....	14
Currency hedging	15
Allocation of profit for the year.....	15
Income statement.....	16
Balance sheet.....	17
Notes to the financial statements.....	20
Auditors' report	28
Trustees of the Nobel Foundation	30
Board of Directors.....	31
International Advisory Board	32
Investment Committee	32
Auditors	32

TASKS AND ORGANISATIONAL STRUCTURE

The Nobel Foundation is a private foundation established in 1900 on the basis of the will of Alfred Nobel and the founding statutes promulgated in connection with the will.

One central task of the Nobel Foundation is to manage the assets made available for awarding the Nobel Prizes in such a way as to safeguard the economic base and guarantee the independence of the Nobel Prize-awarding institutions in their work of selecting Laureates.

Another important 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 and at preserving the trademarks that have been established during more than a century in conjunction with the awarding of the Nobel Prize.

The Nobel Foundation also administers Nobel Symposia in the respective fields covered by the Prizes and is responsible for the publication of the Nobel Lectures of the Laureates on the official website of the Nobel Prize, Nobelprize.org.

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

The non-profit association has had an overall function as the umbrella organisation for the following four units: the wholly owned limited liability companies Nobel Media AB and Nobelmuseet AB (the Nobel Museum) in Stockholm and Nobels Fredspriskonsert AS (the Nobel Peace Prize Concert) and the Stiftelsen Nobels Fredssenter (the Nobel Peace Center Foundation) in Oslo. The foremost task of these organisations is to disseminate information and knowledge about the Nobel Prize and the contributions of the Nobel Laureates and stimulate interest in science and humanism.

During 2012 the association established the wholly owned limited liability company Nobelhuset AB for the purpose of creating a Nobel Center on the Blasieholmen peninsula in central Stockholm. During the latter part of the year, the wholly owned limited liability company Nobel Group Interests AB was also established for the purpose of facilitating financial and administrative coordination between the companies. The non-profit association's shareholding in the other limited liability companies was then transferred to Nobel Group Interests AB.

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 has its registered office in Stockholm and 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.

REPORT OF THE DIRECTORS, 2012

THE NOBEL PRIZE

THE 2012 NOBEL LAUREATES

Since 1901, the Nobel Prize has been awarded 555 times to 863 Laureates. Because some have been awarded the Prize twice, a total of 835 individuals and 21 organisations have received a Nobel Prize or the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.

THE NOBEL PRIZE IN PHYSICS was awarded to SERGE HAROCHE and DAVID J. WINELAND “*for ground-breaking experimental methods that enable measuring and manipulation of individual quantum systems*”.

THE NOBEL PRIZE IN CHEMISTRY was awarded to ROBERT J. LEFKOWITZ and BRIAN K. KOBILKA “*for studies of G-protein-coupled receptors*”.

THE NOBEL PRIZE IN PHYSIOLOGY OR MEDICINE was awarded to JOHN B. GURDON and SHINYA YAMANAKA “*for the discovery that mature cells can be reprogrammed to become pluripotent*”.

THE NOBEL PRIZE IN LITERATURE was awarded to MO YAN, “*who with hallucinatory realism merges folk tales, history and the contemporary*”.

THE NOBEL PEACE PRIZE was awarded to the EUROPEAN UNION. “*The union and its forerunners have for over six decades contributed to the advancement of peace and reconciliation, democracy and human rights in Europe.*”

THE SVERIGES RIKSBANK PRIZE IN ECONOMIC SCIENCES IN MEMORY OF ALFRED NOBEL was awarded to ALVIN E. ROTH and LLOYD S. SHAPLEY “*for the theory of stable allocations and the practice of market design*”.

THE NOBEL WEEK IN STOCKHOLM

The official Nobel Week programme extended from December 6 to 12 and included a number of activities organised by the Nobel Foundation, the Nobel Museum, Nobel Media and the Nobel Prize-awarding institutions. The reception at the Nordic Museum in 2012 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, for the first time Nobel Media organised the Nobel Week Dialogue – a full-day seminar on December 9 on the theme of genetics, aimed at promoting a broader dialogue between scientific researchers and society. About 1,000 people attended the seminar.

Nobel Media also produced the “Nobel Minds” television discussion programme and hosted the Nobel Prize Concert. In conjunction with the Nobel Week, the website Nobel-prize.org published interviews with Laureates, video recordings of the 2012 Nobel Lectures as well as the Nobel Prize Award Ceremonies in Stockholm and Oslo.

THE NOBEL DAYS IN OSLO

Herman Van Rompuy, President of the European Council; José Manuel Barroso, President of the European Commission; and Martin Schultz, President of the European Parliament, participated during the 2012 Nobel Days in Oslo as representatives of the Peace Prize Laureate, the European Union (EU). On December 9, a press conference took place and the British Broadcasting Corporation (BBC) and the Norwegian Broadcasting Corporation (NRK) conducted interviews. The Prize Award Ceremony at the City Hall in Oslo on December 10 was followed by interviews with the Cable News Network (CNN). On the same evening, a Nobel Banquet was held at the Grand Hotel.

On December 11 the exhibition *Europe from war to peace* was inaugurated at the Nobel Peace Center. That same evening, the Nobel Peace Prize Concert took place at the Oslo Spektrum Arena.

STATEMENT TO THE STOCKHOLM COUNTY ADMINISTRATIVE BOARD CONCERNING THE NOBEL PEACE PRIZE

During the spring of 2012, the County Administrative Board initiated a regulatory oversight case against the Nobel Foundation concerning its responsibility for fulfilling the purposes stipulated in the will of Alfred Nobel. The Nobel Foundation submitted a statement, and the case was then closed. Both the complaint case and the subsequent debate illustrated the contradictions in the current regulatory framework. This framework requires the Nobel Foundation to be simultaneously responsible for ensuring both that the task of selecting Nobel Laureates is carried out independently by the prize-awarding institutions and that their Prize decisions do not conflict with the intentions of the will. In conjunction with the case, the Nobel Foundation’s Board of Directors decided to organise a conference with all the prize-awarding institutions to exchange experience about their selection processes, for the purpose of helping make these even more correct and appropriate if possible. In addition, the Board of Directors decided to petition Sweden’s Legal, Financial and Administrative Services Agency (Kammarkollegiet) and request that regulatory oversight of the Nobel Foundation pursuant to the Foundations Act shall not include evaluating the merits of prize-awarding decisions.

INFORMATIONAL ACTIVITIES

The Nobel Foundation is entrusted with managing and carefully developing the trademarks and the intangible assets that have been built up during the more than century-long history of the Nobel Prize. It has become increasingly important for the Nobel Foundation to actively maintain and protect its trademarks and copyrights in a long-term perspective. The value of these assets is closely connected to the good reputation and international status of the Nobel Prize.

A significant part of the day-to-day activities of the Nobel Foundation also consists of disseminating information about the Nobel Prize, the Nobel Laureates, the Nobel system and the Foundation and its work in general.

THE NOBEL CENTER IN STOCKHOLM

During 2012, the City of Stockholm and the Swedish Government expressed strong support for a permanent Nobel Center on the Blasieholmen peninsula in central Stockholm. Through a decision of its Development Committee, the City of Stockholm has made land available for the project. In its budget bill, the Government expressed its support for the project and appropriated funds for the future operation of the Nobel Center. The Nobel Foundation has also pursued positive discussions with potential donors regarding the financing of the building. At present, the conditions for carrying out the project appear good. The selection process also began in preparation for an international architectural competition. The project is being run by Nobelhuset AB.

NOBEL SYMPOSIA

The Nobel Foundation's symposium programme was initiated in 1965. The symposia are devoted to areas of science where breakthroughs are occurring or deal with topics of primary cultural or social significance. Over the years, they have achieved a high international standing. The cost of symposium activities during 2012 totalled SEK 3.3 m (1.8).

The symposium programme is administered by a committee including representatives of the prize-awarding institutions. The Executive Director of the Nobel Foundation is the committee chairman.

During 2012 the following Nobel Symposia took place:

NS 152

Physics with Radioactive Beams

Organiser: Professor Björn Jonson

Clarion Post, Gothenburg, Sweden, June 11–15

NS 153

Nanoscale Energy Converters

Organiser: Professor Heiner Linke

Örenäs Castle, Glumslöv, Sweden, August 12–16

NS 155

Economic Growth and Development

Organiser: Professor Per Krusell

Elite Hotel Marina Tower, Stockholm, September 3–5

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 safeguard the financial base of the Nobel Prizes and guarantee the independence of the work of the Prize Committees. The asset management must take into account the various risks that exist in the financial markets.

The Foundation aims at average total real returns of at least 3.5 per cent. This return level shall be achieved while maintaining well-balanced overall risk. One important reason why a return target of at least 3.5 per cent has been set is that, with a certain margin, returns could then exceed the Foundation's estimated costs, which shall amount to about 3 per cent in the long term.

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

The principles and mandates set 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 – "asset allocation" decisions. The Committee also decides how to allocate the Foundation's assets among various regions 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, historically achieved returns, risk control systems, management organisation and other working methods. The Foundation shall maintain a dialogue with its asset managers regarding ethical guidelines; for example, the United Nations Global Compact may be used. For the Nobel Foundation's direct investments, the UN Global Compact shall be used.

During the autumn, asset management in liquid, transparent equity markets was shifted towards passive, low-cost management via index funds. Behind this decision is the assessment that in markets of this kind, it is difficult to achieve excess returns after fees. The task of gradually reducing the number of managers is under way concurrently.

In order to achieve a good combination of risk and return, the Foundation endeavours to invest in some globally leading hedge funds. The results to date are good; it has proved possible to gain access to several historically high-performing closed hedge funds.

The Investment Committee itself decides 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, hiring fund managers and providing the necessary analysis and preparatory materials.

OVERALL POSITION AND EARNINGS

The market value of the Nobel Foundation's total invested capital amounted to SEK 3,075 m (2,973) at the end of 2012. Excluding the value of the Foundation's administrative properties, portfolio capital amounted to SEK 2,900 m (2,803) at the end of 2012. Portfolio capital was allocated among 51 (47) per cent equities, 16 (20) per cent fixed income assets and 33 (33) per cent alternative assets. Return on portfolio capital amounted to 8.2 per cent for the year.

Total return on equity (growth in Foundation assets after adding back the overall sum of all Nobel Prizes and operating expenses) amounted to 7.8 (–2.6) per cent. Book profit for the year amounted to SEK –37.4 m (–19.2). Operating expenses amounted to SEK 67.9 m (70.0).

The year's deterioration in earnings was attributable to asset management, which showed a net realised change in value of SEK –6.7 m, compared to SEK 19.8 m in 2011. Interest income for the year decreased to SEK 15.7 m (19.3). Dividends totalled SEK 26.5 m (16.1).

Total return	2012	2011	2010	2009	2008
on equity	7.8 %	–2.6 %	5.5 %	14.4 %	–19.0 %

OUTFLOW AND EXPENSES

The overall sum of all Nobel Prizes and operating expenses was SEK 107.9 m (120.0). This was divided among three main categories: the Prizes and compensation to the Prize Committees, SEK 70.1 m (77.4); the Nobel Week in Stockholm and Oslo, SEK 15.6 m (20.2); plus administration, Nobel Symposia etc., SEK 22.2 m (22.4).

In June 2012 the Board of Directors decided to lower the Prize sum from SEK 10 m to SEK 8 m, a measure aimed at avoiding an undermining of the Foundation's capital in a long-term perspective. This made the overall Prize sum SEK 40 m (50). At the same time, a decision was made to reduce the average compensation to the Prize Committees by ten per cent. Since the Prize Committees are entitled to allocate their compensation to some extent between years, however, this decision was not visible in the year's results. Compensation to the Prize Committees amounted to SEK 30.1 m (27.4).

In accordance with the 1968 donation from Sveriges Riksbank for “a Prize in Economic Sciences in Memory of Alfred Nobel”, in 2012 the Foundation received SEK 13.2 m. This amount was equal to one 2012 Nobel Prize plus SEK 5.2 m (65 per cent of the Prize sum) to defray the costs of the Prize Committee and the Foundation in connection with the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. Because the Prize sum was lowered, the cost compensation that the Foundation received also decreased.

In addition to its decision to lower the Prize sum, during 2012 the Foundation also initiated efforts to reduce its operating expenses. As for the Nobel Week in Stockholm and Oslo, these efforts yielded an immediate effect and a cost reduction was achieved mainly by renegotiating terms with suppliers. During 2011, there were nonrecurring expenses related to the Prize Award Ceremony at the City Hall in Oslo. This circumstance, as well as fluctuations between years related to the number of Laureates visiting Stockholm and Oslo respectively, also contributed to the year’s improved outcome. At an overall level, the expenses of the Nobel Week in Stockholm and Oslo decreased by SEK 4.6 m to SEK 15.6 m.

Central administrative expenses decreased from a total of SEK 20.6 m to SEK 18.9 m. The year’s expenditure related to salaries and pensions decreased, mainly due to a reversal of part of the Foundation’s pension liability due to a death during the year. The Foundation’s directly owned properties contributed higher earnings than the year before, mainly due to restrictiveness concerning regular maintenance. Cost-cutting efforts will continue during 2013.

Even though total outflow decreased from SEK 120.0 m to SEK 107.9 m, the decline in 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 limited. This was because market value fell during 2011. The ratio in 2012 was 3.7 (3.8) per cent.

The Foundation is reviewing its handling of value added tax (VAT) on asset management services and certain other services purchased from outside Sweden. The Swedish Tax Board has been contacted for consultation, and during 2013 the Foundation will adjust its handling of VAT to comply with the regulations in force.

MARKET VALUE OF PORTFOLIO CAPITAL BY ASSET CLASS (%)

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
<i>Investments in equities</i>					
Sweden	8	8	9	8	7
Europe excl. Sweden	7	8	10	13	17
United States	19	22	25	24	22
Japan	0	3	3	4	4
Other countries	17	6	7	4	2
	<u>51</u>	<u>47</u>	<u>54</u>	<u>53</u>	<u>52</u>
<i>Fixed income investments</i>					
Sweden	12	15	16	15	20
Other countries	4	5	6	4	4
	<u>16</u>	<u>20</u>	<u>22</u>	<u>19</u>	<u>24</u>
<i>Alternative investments</i>					
Properties	9	9	7	7	9
Hedge funds and private equity funds	24	24	17	21	15
	<u>33</u>	<u>33</u>	<u>24</u>	<u>28</u>	<u>24</u>
Total portfolio capital	100	100	100	100	100

Note. This table, which shows the allocation of the Foundation's capital by asset class, deviates from reported book value because indirectly owned properties are included under the heading "Properties" and because any liquidity in the portfolios of asset managers is reported by asset class.
Total portfolio capital is equivalent to total invested capital excluding administrative property holdings.

THE INVESTMENT PORTFOLIO

The total market value of portfolio capital (total invested capital excluding administrative properties) amounted to SEK 2,900 m (2,803). Return on portfolio capital amounted to 8.2 per cent, compared to 7.3 per cent for the benchmark index. The main explanation behind these better results was that the Foundation's fixed income investments and hedge fund holdings performed better than the benchmark index. Property funds pulled down earnings. Equities contributed 4.8 per cent to the overall results, fixed income investments 1.1 per cent and alternative investments 1.4 per cent.

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

INVESTMENTS IN EQUITIES

The market value of the Foundation's investments in equities totalled SEK 1,485 m (1,315). Investments in equities accounted for 51.2 (46.9) per cent of portfolio capital at year-end 2012. This consisted of investments in Sweden, 16 (16) per cent; the rest of Europe, 14 (17) per cent; the United States, 38 (48) per cent; Japan, 0 (6) per cent; and other countries 32 (13) per cent. The biggest change during the year was a re-allocation from the US and Japan to emerging markets.

Most of the world's stockmarkets rose during 2012. As a result, the MSCI All Country World Index, expressed in SEK, rose by 10.0 (-5.5) per cent. The value of the Nobel Foundation's total equities portfolio rose by 10.5 (-9.3) per cent. This was somewhat better than the benchmark index¹, which rose by 10.3 (-5.1) per cent. These slightly better results were explained primarily by the Foundation's comparatively large percentage of Swedish equities. The Foundation's asset managers showed mixed performance during 2012, but the Aberdeen emerging markets fund stands out, with earnings that were 7.8 per cent better than its benchmark index.

During the year, the Foundation sold its shares in the Swedish private equity company Ratos and its holdings in the Carmignac Patrimoine, Keppler, SHB Global, IPM RAFI Japan and Enter Select funds. The mandate with T. Rowe Price to manage holdings of US large-cap companies was discontinued. The Foundation made purchases of the Aberdeen emerging markets fund, the Viking Long Only fund and Handelsbanken's Sweden, US and Europe index funds.

FIXED INCOME INVESTMENTS

The market value of the Foundation's fixed income assets amounted to SEK 460 m (570). Fixed income assets accounted for 15.9 (20.2) per cent of portfolio capital at year-end 2012. Of these assets, 78 (72) per cent were attributable to Sweden while 22 (28) per cent consisted of international loans, emerging markets and high yield bonds. In addition to bond holdings, the fixed income investments asset class included liquid funds.

1 MSCI All Countries net (SEK)

Most fixed income assets in the world rose in value during 2012. The Barclays Capital Global Aggregate Bond Index showed a return of 4.3 per cent in US dollars (–0.9% in Swedish kronor). The return on the Foundation’s fixed income investments amounted to 6.0 (3.3) per cent during the year. This was better than the benchmark index², which rose by 3.6 per cent. The Foundation’s higher return was explained primarily by its having assumed more credit risk than the benchmark index. All of the Foundation’s fixed income asset managers achieved better earnings than the index, and Bluebay’s return was a full 3.3 per cent better than its benchmark index.

During the year, the Foundation sold its holding in the Wellington fund. The percentage of credit bonds in the bond portfolio increased, while average maturity decreased.

ALTERNATIVE ASSETS

The market value of the Foundation’s alternative assets amounted to SEK 940 m (918). Alternative assets accounted for 32.4 (32.8) per cent of portfolio capital at year-end 2012. They are apportioned among property funds and hedge funds as well as private equity and unlisted bonds.

The market value of hedge fund holdings amounted to SEK 522 m (397). Hedge funds accounted for 18.0 (14.2) per cent of portfolio capital at year-end 2012. The Foundation has holdings in five hedge funds with different strategies, of which one is a “fund of funds”. There are also three minor holdings that are in the process of final redemption. During 2012, the Foundation’s hedge fund portfolio rose by 8.2 (3.0) per cent, while the benchmark index³ rose by 4.7 (–5.5) per cent in local currencies. Aside from the funds that are in the process of redemption, hedge fund holdings showed good results during the year.

During 2012, the Foundation sold its holding in the Rock Creek hedge fund and redeemed its holding in Signet. It made purchases of the Nektar and Millennium hedge funds.

The market value of the Foundation’s private equity and unlisted bonds amounted to SEK 173 m (276). Private equity and unlisted bond accounted for 6.0 (9.9) per cent of portfolio capital at year-end 2012. One of three of the funds that invest in private equity focuses on infrastructure investments. The year’s return on private equity was 8.7 (12.0) per cent and for unlisted bonds 17.1 per cent in local currencies.

The Foundation’s exposure to property funds amounted to 8.4 (8.7) per cent of portfolio capital at year-end 2012. This consisted of holdings in six property funds that invest in the United States, China, Sweden and other European countries. Fund ownership in Sweden is in the form of equities and shareholder loans. During the year, the value of the property funds rose by 5.8 (3.4) per cent in local currencies.

The market value of directly owned properties amounted to SEK 175 m (170). The Foundation directly owns only its two administrative properties in Stockholm and Oslo, valued at 5.7 (5.7) per cent of total capital. These are to be regarded as administrative properties, however, and not as portfolio capital.

² Handelsbanken All Bond Index

³ FRI Fund of Funds Composite Index (local currencies)

CURRENCY HEDGING

At year-end 2012, the Foundation's invested capital was divided among SEK 1,100 m, USD 182 m, EUR 39 m and a remaining SEK 465 m divided among other currencies. Exposure to foreign currencies lowered earnings by 3.1 per cent. This was because the dollar fell in value by 5.0 per cent and the euro lost 3.6 per cent against the Swedish krona. However, most foreign fixed income and alternative investment assets were currency hedged, which resulted in a positive contribution of 0.9 per cent.

At year-end 2012 the amount of the underlying forward contracts was USD 55 m and EUR 15 m. At year-end, the value of these contracts was SEK 14.8 m (2.8) or 0.5 (0.1) per cent of the balance sheet.

ALLOCATION OF PROFIT FOR THE YEAR

Profit for the year before appropriations totalled SEK -37.4 m (-19.2), of which SEK -6.7 m (19.8) consisted of realised change in value. In compliance with the Foundation's statutes, SEK 26.0 m (82.0) was transferred to restricted equity to safeguard the inflation-adjusted value of the Foundation's equity over time. The Foundation shall make a provision to restricted equity in its accounts, either in an amount equal to the year's inflation calculated on the basis of the market value of the Foundation's equity or one tenth of total annual returns. The provision for 2012 applies the former alternative.

The above allocation has been taken into account in preparing the balance sheet.

INCOME STATEMENT (amounts in SEK 000)

	Note	2012	2011
<i>Asset management</i>			
Interest income		15,686	19,267
Dividends		26,494	16,103
Realised change in value	1	-6,741	19,793
Less external asset management costs		-4,983	-4,359
Reported earnings, asset management		30,456	50,804
<i>Operating expenses</i>			
Compensation to Prize Committees		-30,062	-27,373
Central administration	2	-18,912	-20,581
The Nobel Week in Stockholm and Oslo		-15,605	-20,183
Symposium activities		-3,276	-1,783
Other expenses		-40	-60
	3	-67,895	-69,980
Reported loss/profit for the year before appropriations		-37,439	-19,176

ALLOCATION OF LOSS/PROFIT FOR THE YEAR

Capitalisation, restricted equity		25,958	82,004
Capitalisation, unrestricted equity		-63,397	-101,180
		-37,439	-19,176
The year's Nobel Prizes		-40,000	-50,000
The year's change in book value of equity	4	-77,439	-69,176
The year's change in unrealised surplus values		198,013	-132,239
The year's change in market value of equity	4	120,574	-201,415
Adjustment for inflation		-25,958	-82,004
Inflation-adjusted change in equity	5	94,616	-283,419

BALANCE SHEET (amounts in SEK 000)

	Note	Dec. 31, 2012	Dec. 31, 2011
Assets			
Fixed assets			
<i>Intangible fixed assets</i>	6		
Capitalised development expenses		2,974	3,496
		<u>2,974</u>	<u>3,496</u>
<i>Tangible fixed assets</i>	6		
Buildings and land		1,396	1,396
Equipment		931	941
		<u>2,327</u>	<u>2,337</u>
<i>Financial fixed assets</i>			
Equities and fund units	7	2,204,367	2,284,090
Bonds	8	392,259	359,693
Other long-term receivables	8	60,333	55,505
		<u>2,656,959</u>	<u>2,699,288</u>
Total fixed assets		2,662,260	2,705,121
Current assets			
<i>Current receivables</i>			
Prepaid expenses and accrued income	9	7,783	10,791
Other current receivables	10	3,712	4,140
		<u>11,495</u>	<u>14,931</u>
<i>Short-term investments</i>			
Miscellaneous short-term investments	8	117,749	180,319
		<u>117,749</u>	<u>180,319</u>
<i>Cash and bank balances</i>		38,475	26,587
Total current assets		167,719	221,837
Total assets		2,829,979	2,926,958

BALANCE SHEET (amounts in SEK 000)

	Note	Dec. 31, 2012	Dec. 31, 2011
Equity and liabilities			
Equity	11		
<i>Restricted equity</i>		2,158,777	2,132,819
<i>Unrestricted equity</i>		624,685	728,082
Total equity		2,783,462	2,860,901
<i>Provisions</i>			
Provisions for pensions		2,261	2,195
Total provisions		2,261	2,195
Liabilities			
Accounts payable		5,353	1,296
Accrued expenses and prepaid income	12	7,445	5,834
Other liabilities	13	31,458	56,732
Total liabilities		44,256	63,862
Total equity and liabilities		2,829,979	2,926,958
Assets pledged		None	None
Contingent liabilities			
Investment obligations, unlisted holdings		138,146	164,223

CASH FLOW STATEMENT (amounts in SEK 000)

	2012	2011
Cash flow from asset management	30,456	50,804
Operating expenses, excluding depreciation	-66,519	-68,704
Cash flow from operations	-36,063	-17,900
Change in portfolio funds	107,728	25,929
Other changes in assets and liabilities	-19,777	21,858
The year's Nobel Prizes	-40,000	-50,000
Cash flow for the year	11,888	-20,113
Liquid funds on January 1	26,587	46,700
Liquid funds on December 31	38,475	26,587

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 nowadays only if the value of the properties has permanently fallen below their book value.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(amounts in SEK 000)

Note 1

REALISED CHANGE IN VALUE

	2012			2011		
	Gains	Losses	Net amount	Gains	Losses	Net amount
Fixed income investments	8,763	937	7,826	1,862	796	1,066
Equities/fund units	145,067	159,634	-14,567	94,060	75,333	18,727
Total	153,830	160,571	-6,741	95,922	76,129	19,793

Note 2

CENTRAL ADMINISTRATION

	2012	2011
Salaries and pensions, including social insurance expenses	6,512	8,291
Fees, including social insurance expenses	9,978	9,268
Travel expenses	342	353
Other personnel expenses	129	63
Office administration	1,394	1,191
Expenses for premises	1,853	1,942
Outcome, administrative property holdings	-1,247	-287
Grants, the Nobel Museum in Karlskoga	400	400
Depreciation	236	247
Exchange rate differences	-118	-73
Other administrative expenses	533	769
Cost compensation from Sveriges Riksbank	-1,100	-1,583
	18,912	20,581

Note 3

SALARIES, FEES AND SOCIAL INSURANCE EXPENSES

	Board and Executive Director		Other employees	
	2012	2011	2012	2011
Salaries and fees	1,714	1,854	5,459	5,369
Social insurance expenses	1,145	1,147	3,221	3,115
– of which pension expenses	637	768	1,502	1,424

The average number of employees was 11 (11), of whom 9 (9) were women.
The Board has one female member and one female deputy member.

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

Note 4

CHANGE IN UNREALISED SURPLUS VALUES

<i>Equity</i>	Dec. 31, 2012	Dec. 31, 2011	<i>Change</i>
Market value	3,037,170	2,916,596	120,574
Less book value	<u>-2,783,462</u>	<u>-2,860,901</u>	<u>77,439</u>
Surplus value	253,708	55,695	198,013

Note 5

INFLATION-ADJUSTED EQUITY

<i>Market value, Dec. 31, 2012</i>	2,916,596
Inflation adjustment	25,958
Inflation-adjusted equity	2,942,554
Inflation-adjusted change in equity	94,616
<i>Market value, Dec. 31, 2012</i>	3,037,170
Of which, since Dec. 31, 1995*:	
Inflation adjustment	712,428
Change in inflation-adjusted value	168,629

*) The first year of these calculations was 1996.

Using average values for each year, the Swedish Consumer Price Index rose by 0.89 per cent from 2011 to 2012. The inflation adjustment is thus SEK 25,958.

Note 6

INTANGIBLE FIXED ASSETS

	Dec. 31, 2012	Dec. 31, 2011
Capitalised development expenses		
Cost, January 1	4,370	911
Purchases	<u>440</u>	<u>3,459</u>
Accumulated cost, December 31	4,810	4,370
Amortisation, January 1	-874	-
Amortisation for the year	<u>-962</u>	<u>-874</u>
Accumulated amortisation, December 31	-1,836	-874
Value, December 31		
Capitalised development expenses	2,974	3,496

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

TANGIBLE FIXED ASSETS

	Dec. 31, 2012	Dec. 31, 2011
Buildings and land		
<i>Properties, any official designations, addresses</i>		
Humlegården 15, Sturegatan 14, Stockholm		
Norwegian Nobel Institute, Henrik Ibsens gate 51, Oslo		
<i>Buildings</i>		
Cost, January 1/December 31	20,148	20,148
Depreciations 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	<u>377</u>	<u>377</u>
	377	377
Value of buildings and land, December 31	1,396	1,396
Market value, directly owned properties	175,148	170,083
 Equipment		
Cost, January 1	11,532	11,377
Purchases	404	428
Divestment/disposal	<u>-</u>	<u>-273</u>
Accumulated cost, December 31	11,936	11,532
Depreciation, January 1	-10,591	-10,462
Depreciation for the year	-414	-402
Divestment/disposal	<u>-</u>	<u>273</u>
Accumulated depreciation, December 31	-11,005	-10,591
Value of equipment, December 31	931	941
 The year's depreciation was apportioned as follows:		
Central administration	-236	-247
The Nobel Week in Stockholm and Oslo	<u>-178</u>	<u>-155</u>
	-414	-402

Note 7

EQUITIES AND FUND UNITS

	<i>Book value</i>	<i>Market value</i>
<i>Portfolios of equities</i>		
T. Rowe Price (mid-cap growth companies, US)	194,191	236,390
T. Rowe Price (large-cap growth companies, US)	15	15
	<u>194,206</u>	<u>236,405</u>
<i>Other equities</i>		
Profi I Fastigheter Sverige AB	13,754	7,135
Total equities	<u>207,960</u>	<u>243,540</u>
<i>Unit trusts (mutual funds)</i>		
Skagen Global	116,680	116,840
RAFI US	165,203	186,867
RAFI Europe	185,729	145,428
RAFI EM	132,006	119,467
Aberdeen GEM	99,502	106,236
SHB Mega Sweden Index	242,561	238,927
SHB US Index	128,455	130,525
SHB Europe Index	64,485	67,334
Viking Long Fund	132,326	131,868
Total unit trusts	<u>1,266,947</u>	<u>1,243,492</u>
Total equities and unit trusts	<u>1,474,907</u>	<u>1,487,032</u>
<i>Property funds</i>		
Carlyle Realty III (US)	0	20,817
Carlyle Realty IV (US)	32,078	22,781
Aberdeen Property Investors (Europe)	62,360	38,978
Aberdeen Property Investors (Asia)	46,332	38,513
White Peak Real Estate (China)	38,319	54,799
Total property funds	<u>179,089</u>	<u>175,888</u>

	<i>Book value</i>	<i>Market value</i>
<i>Hedge funds</i>		
Signet Global Fixed Income	125,000	117,438
Corbin Overlook Performance	1,361	1,340
D E Shaw	1,023	1,023
Tudor BVI Global	725	685
Brevan Howard	54,192	57,283
Viking Global Equities	55,792	65,309
Discovery Global	53,364	64,365
Nektar	107,131	111,889
Total hedge funds	398,588	419,332
<i>Private equity funds</i>		
Partners Capital Condor III	42,409	42,051
Partners Capital Condor IV	38,042	51,937
Global Infrastructure Partners	56,332	62,553
Total private equity funds	136,783	156,541
Other holdings		
Proventus Capital II	15,000	16,651
Total other holdings	15,000	16,651
Total equities and fund units	2,204,367	2,255,444

Note 8

FIXED INCOME INVESTMENTS

Fixed assets

	<i>Book value</i>	<i>Market value</i>
<i>Financial fixed assets</i>		
<i>(more than one-year maturity)</i>		
Mortgage bonds	200,467	210,876
Corporate bonds	97,563	100,393
Bluebay Global Div	94,229	100,876
Shareholders' loan, Profi I Fastigheter Sverige AB	60,333	61,303
	<u>452,592</u>	<u>473,448</u>

Current assets

<i>Prepaid expenses and accrued income</i>		
Accrued interest (included in market value)	6,826	
<i>Other short-term investments</i>		
<i>(less than one-year maturity)</i>		
Cleanergy	125	125
Liquidity in managed portfolios	117,624	117,624
Market value, currency hedge	–	14,849
	<u>117,749</u>	<u>132,598</u>
Total fixed income investments	577,168	606,046

*Note 9***PREPAID EXPENSES AND ACCRUED INCOME**

	Dec. 31, 2012	Dec. 31, 2011
Accrued interest income	6,826	9,655
Other items	957	1,136
	<u>7,783</u>	<u>10,791</u>

*Note 10***OTHER CURRENT RECEIVABLES**

	Dec. 31, 2012	Dec. 31, 2011
Nobel Week	648	603
Tax claim	1,525	2,028
Account settlement, Karolinska Institutet	610	615
Account settlement, Nobel Symposia	846	873
Miscellaneous receivables	83	21
Total	<u>3,712</u>	<u>4,140</u>

*Note 11***CHANGES IN EQUITY**

	Restricted equity	Unrestricted equity	Total
Amount on January 1	2,132,819	728,082	2,860,901
Capitalisation	25,958	-25,958	
Reported income for the year		-37,439	-37,439
The year's Nobel Prizes		-40,000	-40,000
Amount on December 31	<u>2,158,777</u>	<u>624,685</u>	<u>2,783,462</u>

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

*Note 12***ACCRUED EXPENSES AND PREPAID INCOME**

	Dec. 31, 2012	Dec. 31, 2011
Accrued expenses, Nobel Week	1,864	2,993
Accrued salaries, including holiday pay liability	515	272
Statutory payroll charges and special employers contribution	780	788
Accrued fees	810	354
Accrued website expenses	2,292	0
Rents paid in advance	84	125
External asset management costs	600	878
Other items	500	424
	<u>7,445</u>	<u>5,834</u>

Note 13

OTHER LIABILITIES

	Dec. 31, 2012	Dec. 31, 2011
Account settlement, Nobel Laureates	26,804	50,691
Account settlement, Prize Committees	4,273	5,560
Miscellaneous liabilities	381	481
Total	31,458	56,732

Stockholm, March 22, 2013

Marcus Storch
Chairman

Göran K. Hansson
Vice Chairman

Peter Englund

Tomas Nicolin

Kaci Kullmann Five

Staffan Normark

Lars Heikensten
Executive Director

AUDITORS' REPORT

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

REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts of the Nobel Foundation for the year 2012.

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, 2012 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 2012.

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 or the Nobel Foundation's Statutes.

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

OPINION

The members of the Board of Directors have not acted in contravention of the Foundations Act or the Nobel Foundation's Statutes.

Stockholm, March 22, 2013

Katarina Bjelke
Chairman

Rickard Lundin

Magnus Nordenskjöld

Torgny Lindgren

Gudmund Knudsen

Lars Bonnevier
Authorised Public Accountant

TRUSTEES OF THE NOBEL FOUNDATION

Mr Torgny Håstad, Chairman

ELECTED BY THE ROYAL SWEDISH ACADEMY OF SCIENCES

Mr Torgny Håstad

Professor Lena Claesson-Welsh

Professor Joseph Nordgren

Professor Torsten Persson

Professor Håkan Wennerström

Professor Anders Björner

Deputy Trustees:

Professor Siv Andersson

Professor Stefan Claesson

Professor Lars Brink

Professor Kersti Hermansson

ELECTED BY THE NOBEL ASSEMBLY AT KAROLINSKA INSTITUTET

Professor Karl Tryggvason

Professor Bo Angelin

Professor Rune Toftgård

Deputy Trustees:

Professor Christer Betsholtz

Professor Juleen Zierath

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

Mr Gunnar Stålsett

Professor Geir Lundestad

Deputy Trustees:

Mr Thorbjørn Jagland

Mrs Inger-Marie Ytterhorn

BOARD OF DIRECTORS

REGULAR MEMBERS

Mr Marcus Storch, MD h.c., Chairman,
Former President and CEO of AGA AB

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

Dr Lars Heikensten, *Executive Director*

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

Mr Tomas Nicolin, MSc

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

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

DEPUTY MEMBERS

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

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

INTERNATIONAL ADVISORY BOARD

Mr Leif Johansson, Chairman

INVESTMENT COMMITTEE

Mr Tomas Nicolin, MSc, Chairman

Mr Marcus Storch

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 Lars Bonnevier,

Authorised Public Accountant

elected by the Trustees of the Nobel Foundation

Professor Rickard Lundin

elected by the Royal Swedish Academy of Sciences

Professor Magnus Nordenskjöld

elected by the Nobel Assembly at Karolinska Institutet

Mr Torgny Lindgren

elected by the Swedish Academy

Mr Gudmund Knudsen,
Attorney at law

elected by the Norwegian Nobel Committee