

NUMBERS

ANNUAL REPORT 2008

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THE CEO'S VIEW.

Daniel Sachs CEO Proventus

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s 2008 ended, we looked back on what has been one of the most turbulent years in the financial history of mankind. That is a fact. What is less certain is where we go from here and what the long-term effects will be. Without any doubt the current crisis is the deepest since the Depression of the 1930s. Whereas credit in the US was 265 per cent of GDP in 1929, it reached 365 per cent in 2007. We may be experiencing what is only “the end of the beginning” – the real effects may be monumental.

Regular readers of our annual reports know that we have been observing major structural risks for a number of years. We have had many discussions on the unsustainable development of the Western economies; wage deflation and asset inflation making consumer buying power very unpredictable, the illusory benefits of outsourcing leading to Western companies losing key know-how in production, materials and technology, profit levels being 50 per cent higher in relation to GDP than normal and above all extreme profitability in the financial sector. It is difficult to be wrong – as we have been perceived to be for a number of years, but I am not sure it is much easier to be right...

Much of the discussion at present concerns what we can do and when we will see the turning point. Hopefully we can avoid the extreme economic hardship, nationalism, extremism and totalitarianism to which the events of the early 1930s led. This depends on our ability to avoid the mistakes that were made back then. It depends on our ability to shun protectionism and keep international markets open. It depends on how well we can restore the financial system to full functionality. It

depends also on a fiscal response that is sufficiently large-scale, timely and well-directed – as well as our coming to the realisation that although these large fiscal interventions may help us solve our short-term problems, they will only exacerbate the structurally challenging situation by widening budget deficits. Then there are all the new potential mistakes that we can hopefully avoid. The question is not when we will see the turning point, but rather how the new structural context for the global economy will look. The jury is still out.

THE MYTHOLOGY OF CRISIS

As always in times of great economic turmoil there is an abundance of analyses, theories and explanations. Parallel with this we also have to endure the creation of myths, oversimplifications and a certain universal vocabulary that sometimes hides the truth. If anything, the scale of the current challenges makes the mythology even more vivid.

“The financial crisis is spreading to the real economy”
Since this crisis first became visible through the sub-prime crisis and in due course the collapse of banks and financial institutions, there is an implied causality leading from the financial sector into the real economy. In my view, the causality is much more complex than that. The economies in the West have had severe structural problems for decades: the problems have been concealed through easy credit and overly liquid capital markets and the artificial demand that these create. An overextended financial economy has allowed us to pursue much more than we have produced. These structural problems first became visible in the failings of the financial

markets, but they have been present for a long time. It is another matter that there are obviously severe long-term real effects from the present lack of financing and liquidity – it is probably the severest supply shock an economy can go through.

“This is the worst recession in decades”

The change in the real economy that we are facing is often labelled a recession – which in my book means a cyclical change in the ever-present cycle of boom and bust. But this is not a recession. What we are witnessing is a monumental structural shift – the unravelling of decades of financial overstretching and credit-financed overconsumption – especially in the USA. Notwithstanding all the bubbles in financial markets, the biggest bubble is the US consumption bubble. In 2005-2007 the US personal savings rate fell below 1 per cent¹⁾ and was thus lower than it had been since the 1930s, at a time when an ageing population and underfinanced pensions and social security in fact require savings to be higher than historical levels. The structural shift from consumption to savings that needs to take place in the USA will have enormous effects on the world economy (see below). The realisation of this new reality is already leading to major effects on the real economy.²⁾ Some claim that this will benefit the economy, since increased savings will lead to investment and spur growth in the economy. However, I fear that we are in a situation where Keynes’s “Paradox of Thrift” applies; i.e. where individual savings reduce the overall level of savings in the economy and savings do not go towards investment because of both a lack of investment opportunities and general caution.

“The world economy is decoupling”

In the years leading up to the financial crisis, there was frequent mention of decoupling, the idea being that as the large developing economies (China, Russia, India, Brazil, South Africa, etc.) grew, dependence on the USA in the world economy would diminish and the global economy would therefore be better equipped to cope with a crisis. This is turning out to be completely false. With the USA representing over 25 per cent of the world economy and consumption being 72 per cent of US GDP, the

US consumer in fact indirectly represents over 20 per cent of the world economy. This should be contrasted with the entire Chinese economy being 6 per cent of the world economy and the fact that 40 per cent of the Chinese economy constitutes exports largely driven by the growth in US consumption.³⁾ Add to this that the realignment of commodities and oil prices driven by the changing real economy has had a major impact on Russia and the Middle East. This crisis shows that as a consequence of globalisation the global economy is more interconnected than perhaps it has ever been. True, there is a different dynamic in China, driven by urbanisation and development, but this is still far from strong enough to have a major impact on the world economy.

“The crisis is spreading to Europe”

I realise that it is very convenient for European politicians to describe the crisis as a plague that originated in the sub-prime marshes of the American South and is now spreading over the world. The fact is however that even though the problems became visible and acute through the credit crisis, Europe has had severe structural problems for many years. Even if it is only a few European countries such as the UK and Spain that suffer from the kind of overleveraged household economy that we see in the USA, all of Western Europe is suffering from weak competitiveness and a dwindling industrial base. Where the crisis has really come in the form of contagion has been in the less developed economies that because of the flight to safety have seen their currencies collapse and interest rates explode. This is true for Eastern Europe as well as for example Latin America. A friend of mine in the Dominican Republic saw her mortgage rate rise from 12 per cent to 22 per cent in a month. In the last decades, globalisation has roughly divided the world into three groups; the Western world which has benefited greatly, the parts of the developing world that have also benefited greatly (such as China and other emerging industrial powers in Asia) and the part of the developing world which has been too far behind to benefit. Cruelly, all three groups are now suffering from the reversal of this development, even the countries that have never had the benefits.

“The crisis is reducing wealth and income inequalities”

The issue of income and wealth inequality is widely debated. When looking at a broad sample of countries in the world, a simplified conclusion is that in the period 1980-2000, although the inequality between countries has decreased (driven by the emergence of a middle class in China and India), inequality has increased within countries (in some cases this increasing inequality is characterised by increasing incomes on all levels but higher growth for the well-to-do; in other cases it is characterised by falling incomes among the poor). Looking at the developed economies in the West, a large part of the explanation for these increasing differentials is the extreme growth in income among the very top income brackets, largely thanks to capital gains. We now hear voices predicting that this will change with the crisis. However, the prediction is based on the loss of income and wealth for the top earners being the “canary in the coal mine”. Whereas stock prices, bonuses, house prices and executive compensation fall dramatically at an early stage in reaction to financial problems and in anticipation of future problems in the real economy, in the next few years we will see these problems taking the form of higher unemployment and falling incomes for a large number of individuals at the other end of the income distribution. We still do not know how this will affect income distribution over time, but the people who will suffer most are likely to be the low income earners – especially in Western countries, where certain industries (notably the car industry) are experiencing technology shifts and changes in competitiveness that may be permanent.

“Our way out of this crisis depends on our ability to sustain consumption growth”

It is true that consumption makes the world go round. As I have tried to show above, US consumption in particular has been the driving force behind the strong growth in the world economy in the last couple of decades. But we also know that a lot of this growth has come from unsustainable levels of leverage. While salary levels have not kept up with the development of the economy, asset inflation has made us all feel better off. As the structural changes we are now witnessing adjust the balance between spending and savings, we will witness

structurally lower consumption levels. Also, these economic changes coexist with ideological changes which make us question our consumption-centred lifestyle. Furthermore, changing perspectives on resource usage, environmental protection and social responsibility will make us question our established attitudes to consumption and our lifestyle. Sustaining consumption growth therefore does not seem realistic or even desirable. We will have to revise our lifestyle and at least in certain parts of the world also accept a different level of economic activity. We can no longer rely on the US consumer to be the motor powering the global economy.

THE NEW POLITICAL ECONOMY; BACKLASH AGAINST THE OPEN SOCIETY

The economic crisis coexists with and impacts politics on national and global levels. As mentioned above, one of the political imperatives to avoid slipping into the closed and nationalistic world of the inter-war period is to protect free international trade. The explosion in international trade in the last decades (world merchandise exports have more than doubled each decade between 1977 and 2007) has led to massive changes in both the developed world and the developing world. The beneficiaries so far (to simplify slightly) have been mainly the emerging middle class of countries like China and India and corporations benefiting from the reduction in production costs. When we look at the citizens of the West, the picture is more complex; while as consumers we may have benefited from lower prices, we may have suffered as employees and citizens as the competitiveness of our industry is under pressure and employment opportunities and salaries shrink. This is reflected in the attitudes toward globalisation. Over 40 per cent of both Europeans and Americans are negative to globalisation and 50 per cent want to keep or strengthen trade barriers.⁴⁾ Also, we see a new political climate where income differences have reached a point beyond the politically acceptable. According to a recent FT/Harris poll, 76-87 per cent of people in European countries, 78 per cent in the USA and 80 per cent in China are of the opinion that income differences are too large.⁵⁾

These protectionist tendencies are worrying.

Unless we devise a new model of globalisation that is good for the many, we will fail to keep the open international system alive. Paradoxically, while globalisation has increased the need for social protection, it has decreased the ability of governments to provide it (because of tax competition, etc). The advantages of globalisation are greater than the drawbacks, but we need to reinvest part of the profits from trade in systems for welfare and social protection for the many. If not, we can expect to see populist moves towards protectionism in many democratic countries. We risk a giant backlash against globalisation, against free trade and as a consequence also, against the market economy and open society. We know that the changing political climate in the aftermath of the Great Depression in the 1930s was one of the driving forces behind nationalism, fascism and eventually, war.

Another assumption that has gained ground over time is that there is a conflict between social protection and free trade. All measures of social protection such as strong unions, minimum wages, welfare systems, etc. have traditionally been seen as having protectionist effects. Perhaps we need to revise this assumption and realise that adequate social protection is conducive to risk-taking and may thus be a necessary prerequisite to positive attitudes towards trade and globalisation. There is no trade-off between protection and openness, they are complements. Social protection is an anti-protectionist measure.

Politically, the risk of a backlash against the open market economy on a national level is paralleled at geopolitical level by the declining legitimacy of the Western liberal model. One of the driving factors of this has of course been the foreign policy and unilateralist approach of the Bush administration. In parallel, the lack of unity and coherence in European foreign policy has meant that there has been no strong advocate or custodian of the liberal model. And now the financial crisis has dealt another devastating blow to the Western model and the so-called “Washington Consensus”.

This legitimacy crisis of the West is leading to major geopolitical shifts. Both the soft power and the economic power of the West are decreasing and at the same time the soft power and economic power of alternative models of modernisa-

tion, e.g. China, are increasing.⁶⁾ The increasingly conspicuous and provocative balance of power in multilateral institutions has also led to the rapidly decreasing legitimacy of the UN as well as the Bretton Woods institutions (the widely-quoted fact that Belgium has equal weight to India in the IMF says it all...). As a symptom of these geopolitical shifts, China has gained influence in the UN and is now on the winning side in 74 per cent of human rights-related votes. At the same time, European power is dwindling and as a consequence the UN with increasing frequency lacks teeth where human rights are being violated.⁷⁾

EUROPE!?

Hopefully, the new US administration can help restore the legitimacy of the liberal model and also take the lead in finding solutions to some of the global problems that we face. However, Europe has a crucial role to play. Europe is a continent with great potential. We have a long history of established democracies securing norms and political traditions of individual freedom and popular sovereignty. We have a strong tradition of intellectual questioning and curiosity. Our long experience of the free-market economy has cultivated trust and compromise – both central to democratic government – as well as opening up our continent to free trade. Most Europeans live in prosperous societies with equitable welfare systems and far-reaching individual rights. Many people worldwide look to Europe as a model for what they want to become, and they expect European leadership in fields such as human rights, democracy, culture and sustainable development.

Yet, for the first time in many generations, today’s young European parents are not convinced that their children will be better off than they are. Europe is increasingly characterised by fear, polarisation and lack of vision for its future socio-economic wellbeing and geopolitical role. Worries about immigration, welfare and national security are being populistically exploited, rather than addressed. At the same time Europe’s dwindling competitiveness shows the vulnerability of regions losing their industrial base. We need a clearer vision on European competitiveness and on what will create the new industries, jobs and

welfare for Europeans as well as a new, united and coherent vision for Europe’s role in the world.

Europe could take the lead in some of the processes that we need in addressing these global economic and political challenges, for example, in reforming multilateral institutions to make them credible, fair and legitimate. We often blame the smaller states in the EU for blocking development, but when it comes to the reform of the multilateral system, what will probably suffocate all such efforts is the refusal of the three largest states to accept that they need to cede their own representation in exchange for stronger European representation. If we do not manage to reform multilateral institutions in the next couple of years, we may lose the opportunity for ever as new regional networks and institutions emerge to replace them.

SHORT-TERMISM IN THE LONG RUN

One of Europe’s foremost challenges is the continuous erosion of the old industrial base. Especially in these times of rapid structural shifts, European competitiveness is woefully challenged. This is, as mentioned above, one of the forces driving scepticism about globalisation. But the issue should not be whether globalisation is good or bad, but rather: how do we choose to take advantage of the opportunities offered by technical advances and global markets for the creation of widespread prosperity?

The opportunities hitherto offered have been used for an intensive redistribution of production resources between the East and the West with short-term profitability and returns as lodestars, and with revolutionary changes as a consequence. In the West, the weakened competitiveness of industry has led to factory closures and increased polarisation. In the general eagerness to achieve cost advantages, production has in many cases been relocated without sufficient focus on the retention of key knowledge.

Our self-assured behaviour while sitting in offices in London, Paris or Stockholm devoting our time to strategic development, brand building and communication, while production is being moved to the lowest-cost location, is also in many cases short-sighted. In ten or fifteen years time, by which time production will have been

remotely located for a long time, who will have the greatest knowledge of production technology, new materials and processes and from where is it most likely that innovations will come?

In a historical comparison, the capital market over the last decades has been extreme – with low interest rates, reduced risk premiums and enormous liquidity. This gave us a capital market that was principally driven by the supply of capital, not the demand. Almost all capital being managed by institutions circulates in the secondary market in pursuit of rapid returns – capital characterised by short-term valuation, the striving towards high liquidity and remoteness from industrial processes. Monthly benchmarking against profit and liquidity targets and the incentive system for money managers contributed to the short-termism of the institutions. Ironically, the same companies that were very recently targets of shareholder activists pushing for extraordinary cash distribution to shareholders are now seeking state guarantees.

How do we create a capital market that can replace the old industrial base with a new strong base; a capital market that has a sufficiently long perspective to invest in the necessary strategic research and product development initiatives; a capital market which is good not only at exploiting old innovations, but also at creating new ones? When looking at the current state of the Western economies, we must place our hope in technology. For many years now, the management of Western companies has been increasingly focused on efficiency and financial engineering – in short, on maximisation of the return on old innovations. We must turn our focus to developing new innovations and investing in the technologies that have the potential of creating a new industry in the West – such as renewable energy.

We need a capital market in which a greater proportion of the capital has a longer-term perspective and takes greater industrial responsibility. The great paradox in this is that a large proportion of the funds in the market is pension capital that in reality carries commitments that are often over twenty, thirty or forty years. Nevertheless, this capital is often characterised by the same incentive models and liquidity preferences as for the short-term capital; a yearly and quarterly per-

ADMINISTRATION REPORT

spective. The capital market has been characterised by mainstreaming rather than diversity – this is also visible in the current liquidity drought. Even with the restrictions present in current regulations on pension funds, the degree of freedom should be sufficient for a course of action that is different to the present one, so that the managers of our pension capital could utilise the opportunity to adopt a long-term perspective.

I am thirty eight as I write this, and my pension savings will have to mature for at least another thirty years. I would very much prefer to see a proportion of my pension capital being invested in structures that contribute to the building of a sustainable and competitive industry in Europe and thereby to long-term prosperity and a more humanistic social climate: building an industry that utilises the opportunities for a global division of labour, but which does so in a sustainable and responsible way; long-term capital that has the time and means to mature and that can afford to fail at times. This could of course be at the expense of short-term returns. But if you, like myself, do not believe that present developments are sustainable, it is even likely that we will achieve better long-term returns in this way.

I am not moralising. This is not a question of altruism, but rather of crass economic reality. It is not that we who are active in the capital market should give up opportunities for business and returns but rather conversely that in order to ensure these for the long-term we need to shift focus from a perspective of between three and twenty-four months to a perspective of between three and twenty-four years. Our pension money is an excellent departure point to lead this change of perspective.

TALKING 'BOUT MY GENERATION
Politics is making a major comeback in the economy and this is warranted. There seems to be a constant cycle between common purpose and private interest – after decades where private interest has taken centre stage, we are now seeing a major comeback of common purpose. This is an acute need in order to deal with challenges to the common good such as social polarisation and issues of environmental preservation and resilience.

However, considering the economic challenges, there is a high risk of populism. Politicians being under pressure to “do something” may not be cool-headed enough to wait for a clearer analysis but may instead resort to short-sighted and populist measures and window dressing. It would be very damaging if the solutions to this huge shift were characterised by the same short-termism that brought us here in the first place.

We are in a time of severe structural crisis. Many of the things we value and take for granted are threatened – our environment, our democracy, our welfare and our prosperity. Economic historians have studied the rise and fall of family businesses. It is a generally accepted truth that the first generation builds, the second manages and maximises and the third sees decline as the advances of previous generations are taken for granted. Analogically, my generation is the third generation of modern liberal democracy. We have grown up in democratic systems, but we have never had to fight to protect their fundamental values. We have grown up with functioning welfare systems, but we have not had to strike the compromises and endure the revolutions needed to form them. We have grown up in prosperity, but it has largely been a prosperity built on past successes.

This moment offers both the threat of destructive conservatism and, at the same time, an opportunity for radical change. Fear may lead us to regress into the false safety of what was before, that which is most familiar and close to us; or it may lead us to take the opportunity that turbulence offers to fundamentally rethink our models and systems and embrace difference and alternative thinking. This is the time to revise our ideals and start anew – to build a new society.

1. *The Economist*, December 4, 2008.
2. For example, *USA Today* (October 2, 2008) reports that US car sales in September 2008 were the lowest since 1993 and the *Financial Times* (December 2, 2008) reported that US personal consumption expenditures are on track for rare back-to-back quarterly declines in the second half of 2008, at roughly a 3.5 per cent average annual rate. Since 1950, there have been only four instances when real consumer demand fell for two consecutive quarters.
3. According to The World Bank and *The Economist*, November 12, 2008.
4. According to a poll by The German Marshall Fund, cited in *Financial Times*, October 15, 2008.
5. *Financial Times*, May 18, 2008.
6. For a more detailed discussion of this I would recommend Glasshouse Forum's project “The return of the capitalist-authoritarian great powers”, www.glasshouseforum.org.
7. For a fuller description of this development, see *A Global Force for Human Rights? An Audit of European Power at the UN*, published by the European Council on Foreign Relations, www.ecfr.eu.

The Board of Directors and Chief Executive Officer of Proventus AB, 556042-3443, hereby present the annual report for the operations in the Parent Company and the Group for the 2008 financial year. The following income statements and balance sheets, specifications of changes in equity, cash flow analyses, accounting principles, and notes to the accounts comprise an integral part of the annual report.

Financial Year 2008

OPERATIONS

Proventus is a privately held company investing in companies in need of change and actively contributes to their development. Proventus also provides capital for expansion and restructuring to medium-sized companies and conducts its own asset management operations.

In addition to its investing activities, Proventus owns the cultural institutions Magasin 3 Stockholm Konsthall and the Jewish Theatre.

Operations are conducted in the following business segments: Active Investments, Development Capital, Asset Management, and Operating Investments.

Proventus was founded by Robert Weil in 1980. In 2007, ownership changed and Robert Weil is no longer the sole owner of the Company.

A portion of the shares in the Company have been transferred within the family and within family-controlled companies. The change in ownership has taken place as a part of a generation shift in Proventus. The Company is, however, under the continued control of Robert Weil, who holds a majority of the shares and votes.

THE GROUP

The Group's net worth per 31 December 2008, amounted to MSEK 3,018 (2,927) comprising a net change of MSEK 91 (136). During 2008, MSEK 103 (75) was distributed to shareholders in dividends, which should be taken into account in a comparison between years. The Board estimates that the net worth, including hidden reserves amounts, to approximately SEK 3.5–4 billion.

The Group's operating profit amounted to MSEK 208.8 (211.3). Profits after financial items amounted to MSEK 178.0 (163.7). Profits for the year amounted to MSEK 133.5 (107.7).

Results from investing activities decreased from MSEK 343.5 to MSEK 294.5. Profit was impacted by a write-down of goodwill attributable to Proventus' investment of MSEK –57.6 in BRIO.

Results from operational investments increased by MSEK 46.4 from MSEK –132.1 to MSEK –85.7. Included in these results are capital gains from the sale of a property in BRIO amounting to MSEK 82. Excluding these capital gains, there

was a decline in the company's results. This decline in results was entirely due to this exclusion of the gains in BRIO. Other companies within the Group remain at the same levels as in 2007 or better.

Proventus is exposed against the Euro (EUR). Slightly more than a third of the Group's assets at the end of the year were invested in EUR. The EUR strengthened during the year by 15.4 (4.7) per cent against the Swedish crown (SEK). The exchange rate effect on the Group's results amounts to approximately MSEK 183 (47). A certain amount of exposure remains against the dollar (USD) due to the Group's property holdings in Israel and the US, which are financed by the Parent Company. Both the Parent Company's and the Group's equity are affected by the revaluation of the assets. The USD has strengthened against SEK during 2008 by 19.9 per cent, but was weakened during 2007 by -5.9 per cent. Net assets had previously been hedged at their full amounts, however, during 2008 hedging was reduced which has resulted in increased positive impact of exchange rate effects on equity. The translation effect on the Parent Company's receivables against foreign subsidiaries amounts to MSEK 60.5 (-19). Profits from hedging amount to MSEK 6.6 (21.6). The effect is reported directly in equity.

At the end of the financial year, the Group's liquid funds amounted to MSEK 197.6 (199.7). With the inclusion of current investments, the Group's liquidity amounts to MSEK 851.3 (1,292.1).

Interest-bearing current and long-term liabilities amounted to MSEK 1,237.1 (458.0). The equity/assets ratio amounted to 61.1 (72.3) per cent. The equity/assets ratio diminished as a result of the Group's investments in wind power, which have been more than 70 per cent financed with loans from credit institutions.

THE PARENT COMPANY

The Parent Company's operating profit amounted to MSEK 243.6 (472.4). Net income for the year amounted to MSEK 201.0 (422.5).

During 2007, the Parent Company received a large dividend of MSEK 406.3 from the subsidiary Proventus Industrier in conjunction with the Company's disposal of its holdings in the

media group, Nordic Broadcasting. Dividends from subsidiaries during 2008 amounted to only MSEK 18.3 which is the primary explanation for the decrease in profits in 2008. In all other respects, operations within the Parent Company have developed positively during the year.

The outcome of the Parent Company's capital management operations has been very positive during the year. Profits from the position in the share index S&P 500 amounted to MSEK 30.2 compared with MSEK 24.4 in 2007. This position in the share index was terminated in its entirety during the fall of 2008.

Profits from the bond portfolio, including exchange rate differences, amounted to MSEK 49.9 (56.7). Other holdings and derivatives contributed with MSEK 30.9 (16.4). A position in USD against EUR and an interest position in credit derivatives is the primary explanation for the improvement in profits of the derivative positions. During the fall, the Parent Company acquired a loan portfolio from the subsidiary Proventus Capital. Profits from the portfolio, including exchange rate gains, amounted to MSEK 122. A large portion of the portfolio is exposed to the EUR, which strengthened significantly against SEK since the time of the acquisition. Except for the lending in EUR, Proventus has consistently sold SEK against EUR. During 2008, the forward agreements have resulted in gains of MSEK 9.4 (8.8). With consideration of the development of the subsidiary BRIO, the Parent Company's subordinated debenture in BRIO was written-down by MSEK -49.3. The write-down is reported as a change in value in the investment operations.

The Parent Company's balance sheet total as of 31 December 2008 amounted to MSEK 3,561 (2,655). The increase in the balance sheet total is attributable to the acquisition of a loan portfolio from the subsidiary Proventus Capital. Equity amounted to MSEK 2,662 (2,407). The Parent Company's equity was further impacted by the year's profits and the translation difference on loans to foreign subsidiaries and paid Group contributions.

Investing Activities

ACTIVE INVESTMENTS

During 2005, Proventus began conducting loan operations with the purpose of building up a portfolio of development financing for small and medium-sized companies. The portfolio has undergone very positive growth and experienced a net increase from MSEK 340 in 2007 to MSEK 614 in 2008. Duration in the portfolio varies from between 3 to 5 years. There has been a certain degree of turnover in the portfolio both in 2008 and 2007.

In total, interest income from borrowing operations amounted to MSEK 75.6 (37.7).

ASSET MANAGEMENT

Earnings from asset management amounted to MSEK 257.4 (130.1). The improvement in results compared to 2007 is primarily due to the following main factors. Proventus has a negative position on the American S&P 500 share index. In 2007 and 2008, when the market fell, the Company's results took a positive turn. The effect on profit/loss amounted to MSEK 38 (35). The Parent Company's liquidity was considerably strengthened in connection with the disposal of its holdings in Nordic Broadcasting. The liquidity was invested in European treasury bonds. Returns on investments from the portfolio, together with the strengthening EUR against SEK, contributed to a total of MSEK 105.3 (56.7) of the profits within asset management. Additional derivative positions and holdings in asset management contributed a total of MSEK 114.1 (27.5).

For additional information on Proventus' risk management, holdings and underlying positions in derivative contracts see Notes 3 and 23.

ACTIVE AND OPERATING INVESTMENTS

Investing activities are conducted primarily through Proventus Invest, previously Proventus Industrier. The Company is 85 per cent owned by Proventus and the subsidiary Proventus Capital. The remaining shares in Proventus Invest are owned by Daniel Sachs AB. Financing for Proventus Invest has primarily taken place through conditional shareholders' contributions from Proventus.

The following are considered active investments: BRIO, the wind-power company o2 Produktion, J.Lindeberg, Design Research, with subsidiaries Artek and Tom Dixon and, during 2007, Nordic Broadcasting. Active investments that are subsidiaries are consolidated entirely and are recorded as results from operating investments.

The reported development in value of the holdings is summarised below.

BRIO

The BRIO share, which is listed on the Stockholm Stock Exchange, has continued to experience negative development during 2008. Results have been worse than expected and the share price has fallen by -56.5 per cent and was listed, at the end of the year, at a share price of SEK 20 per share. After the Press Release in February 2009, the share price has continued to fall to below SEK 10 per share and the company has been moved to the observation list. Proventus' holdings in BRIO have steadily increased since the first acquisition in 2004. At the beginning of the year, the holdings amounted to 30.5 per cent of capital and 42.5 per cent of the votes. At the close of financial year 2008, holdings in BRIO had increased to 57.8 per cent of capital and 61.5 per cent of the votes.

2008 was another year of losses for BRIO and the company was, therefore, in a very difficult situation towards the end of the financial year. Capital tied-up in the company increased to an unexpectedly large degree during the last quarter, and the company, therefore, received a short-term loan from Proventus of MSEK 60. The company will undertake a refinancing in 2009 as their liquidity situation is assessed as being acute. Proventus will guarantee a new issue of preferential shares in the company amounting to a total of MSEK 164. At the same time, the bank will convert MSEK 150 of the company's loans to equity. BRIO's equity will, thereby, be strengthened by MSEK 314.

Consolidated results before tax in 2008 amount to MSEK -55.9 (-75.1). Included in the results are capital gains from the sale of properties of MSEK 82. Turnover in BRIO in 2008 amounted to MSEK 892 (930).

o2 PRODUKTION

o2 Production is Proventus' company for investments in wind power. The company was started in 2006, together with the Vindkompaniet in Mörbylånga, which is a subsidiary to o2 Vind AB. Proventus' primary contribution has been to provide the financing of the joint company. In order to facilitate further investments and to strengthen the company's possibility to obtain financing, Proventus sold an equivalent to 25 per cent of its holdings to Foundation Asset Management AB. Both companies, thereafter, have jointly invested in o2 Vind in an amount of MSEK 100 and have contributed with MSEK 150 in financing for ongoing wind power projects.

o2 Produktion's first facility, Röbergfjället Vind, consisting of eight wind power stations, has been operational for approximately one year. The facility had a turnover of slightly more than MSEK 33 during the first year, and has been profitable from the start.

Three new facilities – Säliträdberget Vind in the municipality of Mora, Hedbodberget Vind in the municipality of Rättvik and Bliekevarv Vind in the municipality of Dorotea – were largely completed by the end of the year. The facility in Säliträdberget had a test run during December. All facilities will be made operational during the first half of 2009.

Total investments in wind power amounted to MSEK 1,056 (289).

J.LINDEBERG

J.Lindeberg has, since the summer of 2007, been a part of the Group. Proventus carried out a directed new issue of shares, contributing a total of MSEK 72 to the company. Proventus' participating interest amounts to 34.7 per cent of capital and 84.1 per cent of the votes.

Operations have developed according to plan and report negative results amounting to MSEK -15.8, to be compared with MSEK -38.5 during the second half of 2007, when the company joined the Proventus Group. Turnover from operations decreased from MSEK 341 in 2007, (MSEK 166 of which occurred in the second half of the year) to MSEK 272.1. A portion of the decrease in turnover is attributable to the disposal of the company's own subsidiary in the US during

2008. Operations in the US are run in an associated company of which J.Lindeberg owns 50 per cent. The company is reported as an associated company, which is the reason why turnover from this company does not appear in the consolidated accounts. Operations in the US had a total turnover of MSEK 29.5.

NORDIC BROADCASTING

Holdings in Nordic Broadcasting, which included TV4 and the Finnish media company MTV, were disposed of in May 2007. During the holding period, the Company's holdings in Nordic Broadcasting have been valued at fair value. The effect on the results in 2007 was MSEK 283.

OTHER HOLDINGS

Operating investments also include results from the design group, Design Research, with subsidiaries Artek and Tom Dixon, Magasin 3 Stockholm Konsthall, the Jewish Theatre, and the advertising agency Voice – The Brand Liberation Company. Operating investments also include Proventus Israel and Proventus Inc, which own the Group's real estate properties.

Artek and Design Research have experienced positive development during 2008. Both operations report gains during 2008. The financial crisis had a negative impact on turnover in the Finnish operations during the last few months of the financial year, which significantly impaired the outcome compared with the results of the first three quarters.

Proventus invested a total of MSEK -35.5 (-36.4) in these cultural operations.

Financial expenses

Financial expenses have increased primarily due to interest expenses and currency exchange results in BRIO, J.Lindeberg and o2 Produktion. Also included in financial expenses for 2007 is interest compensation in connection with the redemption of a convertible bond in the Parent Company of MSEK -10.8.

Personnel

The number of employees within the Group

amounts to 613 (605). Of these, 7 (6) work primarily within investing activities. The number of employees has increased during the year in Design Research, Artek and the cultural operations, and has decreased within Voice –The Brand Liberation Company and within BRIO.

Work of the Board of Directors within Proventus

The Board of Directors consists of four individuals, including the Chief Executive Officer. In addition to the Board of Directors, there is a Proventus Investment Committee, which makes key business decisions. The Committee consists of three ordinary Board members and three external representatives.

Proventus has Board representation in all investments of major significance.

Risks and risk control

The risks in Proventus' asset management operations are monitored on a daily basis. All positions are based on proprietary macroeconomic analyses. The analyses are supplemented with supporting documentation from external analysts. The Investment Committee provides support for the strategies which are being developed. Thereafter, the Board determines a risk mandate for the different strategies. Risks and results are reported to management on a weekly basis and a smaller group of senior managers within Proventus continually evaluates the asset management operations based on these reports. For further information regarding holdings and positions, see Notes 3 and 23.

Future developments

The primary focus of Proventus' operations is to invest in and actively develop companies in need of change.

The Company's profits are to be generated by these companies through vigorous change programmes to improve their profitability and to increase their value. Sustainable change in these companies is partially based on enhanced products or service offerings – processes normally requiring a relatively long period of time.

Significant events after balance sheet date

Proventus will guarantee an issue of preferential rights in BRIO during the spring of 2009. The issue will amount to MSEK 164. A portion of the issue liquidity will be utilised to amortise the short-term credit which Proventus provided to the company during the fourth quarter. For Proventus, the guarantee entails a maximum net payment of MSEK 104.

Dividends

The Board of Directors has not proposed any dividends to the annual general meeting of shareholders.

Appropriation of profits

The proposed appropriation of profits is presented on page 70.

CONSOLIDATED INCOME STATEMENT

1 January – 31 December

TSEK	Note	2008	2007
Investing activities			
Dividends		-	-
Interest income		95,446	46,302
Changes in value	7	237,233	350,048
Other income		-	674
Administrative expenses		-38,194	-53,666
Net income – Investing activities		294,485	343,359
Operating investments			
Net sales		1,409,860	1,279,220
Cost of goods sold		-779,027	-845,811
Selling costs		-490,962	-317,670
Research and development expenses		-50,931	-52,745
Administrative expenses		-289,671	-231,070
Other income		144,976	54,202
Other expenses		-29,931	-18,235
Net income – Operating investments		-85,686	-132,109
Operating income	5, 6, 8, 9, 10	208,799	211,250
Result from participations in associated companies		-931	-
Financial income	11	2,739	4,653
Finance expenses	12	-32,598	-52,246
		-30,790	-47,593
Profit/loss after financial items		178,009	163,657
Tax on profit/loss for the year	13	-44,521	-55,988
Net profit/loss for the year		133,488	107,669
Attributable to:			
Parent Company's shareholders		100,767	98,534
Minority shareholding		32,721	9,135
		133,488	107,669

CONSOLIDATED BALANCE SHEET

31 December

TSEK	Note	2008	2007
Assets			
Intangible fixed assets	14		
Capitalised development expenditure		36,492	11,557
Trademarks		165,098	169,584
Goodwill		108,904	168,548
Renting rights		63,344	52,139
Investments in progress		3,204	25,710
		<u>377,042</u>	<u>427,538</u>
Tangible fixed assets	15		
Buildings, Land and land improvements		277,436	504,679
Plant and machinery		1,019,484	936
Equipment		58,464	48,616
Investments in progress		1,231	16,268
		<u>1,356,615</u>	<u>570,499</u>
Financial fixed assets			
Participations in associated companies	16	1,796	-
Other investments held as fixed assets	17	102,894	981
Deferred tax assets	19	158,710	189,627
Long-term receivables	20	677,642	875,172
		<u>941,042</u>	<u>1,065,780</u>
Total fixed assets		<u>2,674,699</u>	<u>2,063,817</u>
Inventories	21	438,724	372,776
Current receivables	22		
Accounts receivable - trade		187,816	195,110
Other receivables		744,095	85,187
Prepaid expenses and accrued income		45,909	38,049
Current investments	23	653,831	1,092,345
Cash and bank balances	24	197,595	199,721
Total current assets		<u>2,267,970</u>	<u>1,983,188</u>
Total assets		<u>4,942,669</u>	<u>4,047,005</u>

CONSOLIDATED BALANCE SHEET

31 December

TSEK	Note	2008	2007
Equity			
Share capital	25	58,300	58,300
Other contributed equity		31,431	31,431
Other reserves		-10,906	-1,698
Profit/loss brought forward		2,325,851	2,224,596
Equity attributable to the Parent Company's shareholders		<u>2,404,676</u>	<u>2,312,629</u>
Minority shareholding		613,402	613,952
Total equity		<u>3,018,078</u>	<u>2,926,581</u>
Long-term liabilities			
Pension commitments	26	63,970	67,849
Other provisions	27	35,732	14,901
Other long-term liabilities	28	1,325,736	507,734
Deferred tax liabilities	19	54,599	63,233
Total long-term liabilities		<u>1,480,037</u>	<u>653,717</u>
Current liabilities			
Accounts payable - trade		185,504	228,957
Income tax liabilities		2,117	2,864
Other liabilities	29	132,130	122,150
Accrued expenses and deferred income	30	124,803	112,736
Total current liabilities		<u>444,554</u>	<u>466,707</u>
Total liabilities		<u>1,924,591</u>	<u>1,120,424</u>
Total equity and liabilities		<u>4,942,669</u>	<u>4,047,005</u>
Pledged assets			
Pledged assets	32	1,586,197	639,036
Total pledged assets		<u>1,586,197</u>	<u>639,036</u>
Contingent liabilities			
Other contingent liabilities	33	191,311	251,953
Total Contingent liabilities		<u>191,311</u>	<u>251,953</u>

CHANGE IN EQUITY FOR THE GROUP

TSEK	Attributable to Parent Company shareholder		Minority- interest	Total equity		
	Share capital	Other contributed capital			Other reserves	Profits brought forward
Opening balance, 1 January 2007	58,300	31,431	-739	2,150,718	551,485	2,791,195
Total transactions reported directly against equity						
New share issue	10,000	-	-	617,628	-	627,628
Redemption	-10,000	-	-	-617,628	-	-627,628
Acquired minority	-	-	-	-	98,309	98,309
Dividend	-	-	-	-24,630	-50,695	-75,325
Hedging of net investment	-	-	21,588	-	-	21,588
Currency differences (translation difference)	-	-	-22,547	26	5,718	-16,855
Total transactions reported directly in equity	-	-	-959	-24,656	53,332	27,717
Net profit/loss for the year	-	-	-	98,534	9,135	107,669
Closing balance, 31 December 2007	58,300	31,431	-1,698	2,224,596	613,952	2,926,581
Opening balance, 1 January 2008	58,300	31,431	-1,698	2,224,596	613,952	2,926,581
Total transactions recorded directly against equity						
New share issue Minority	-	-	-	-	67,588	67,588
Dividend	-	-	-	-	-102,726	-102,726
Cash flow hedging, borrowings	-	-	-64,899	-	-	-64,899
Tax referring to hedging items	-	-	17,198	-	-	17,198
Hedging of net investment	-	-	6,642	-	-	6,642
Currency differences (translation difference)	-	-	31,851	488	1,867	34,206
Total transactions reported directly in equity	-	-	-9,208	488	-33,271	-41,991
Net profit/loss for the year	-	-	-	100,767	32,721	133,488
Closing balance, 31 December 2008	58,300	31,431	-10,906	2,325,851	613,402	3,018,078

CONSOLIDATED CASH FLOW STATEMENT

1 January – 31 December

TSEK	Note	2008	2007
Cash-flow from operating activities			
Current investments			
Dividends received		-	-
Asset management			
Acquisitions/disposals net		744,696	-512,457
Lending operations			
Received interest		95,446	46,302
Operating investments and operating expenses		-162,841	-195,002
Income tax paid		-5,040	-328
	31	<u>672,261</u>	<u>-661,485</u>
Cash flow from investing activities			
Current investments			
Disposals		-	1,776,360
Lending operations			
Acquisitions		-	-587,609
Decrease of long-term receivables		245,976	
Increase of short-term receivables		-647,085	
Operating investments			
Acquisitions of subsidiaries		-	-23,521
Acquisitions of intangible fixed assets		-30,680	-78,210
Acquisitions of tangible fixed assets		-779,567	-280,346
Förvärv av finansiella anläggningstillgångar		-104,640	-
Increase in long-term receivables		-48,446	-160,584
Increase of short-term receivables		-82,613	-
Decrease of long-term liabilities		-115,070	-
		<u>-1,562,125</u>	<u>646,090</u>
Cash flow from financing activities			
Increase in long-term receivables		818,002	11,675
Emission		51,836	-
Sales of tangible assets		78,876	15,561
Sales of other long-term securities holdings		41,750	2,711
Increase in current liabilities operating investments		-	44,614
Decrease in current receivables operating investments		-	21,743
Dividends paid		-102,726	-75,325
		<u>887,738</u>	<u>20,979</u>
Cash flow for the year		-2 126	5,584
Cash and cash equivalents at beginning of year		199,721	194,137
Cash and cash equivalents at end of year		<u>197,595</u>	<u>199,721</u>

PARENT COMPANY INCOME STATEMENT

1 January – 31 December

TSEK	Note	2008	2007
Investing activities			
Dividends		18,256	406,361
Changes in value	7	272,626	116,948
Administrative expenses		<u>-36,451</u>	<u>-39,686</u>
Net income – Investing activities		254,431	483,623
Operating investments			
Administrative expenses		-2,803	-2,386
Other income		11,638	10,770
Other expenses		<u>-19,661</u>	<u>-19,590</u>
Net income – Operating investments		-10,826	-11,206
Operating income	6, 8, 9, 10	243,605	472,417
Financial income	11	38,511	12,698
Financial expenses	12	<u>-55,948</u>	<u>-15,073</u>
		-17,437	-2,376
Profit/loss after financial items		226,168	470,041
Tax on profit for the year	13	<u>-25,135</u>	<u>-47,540</u>
Net profit/loss for the year		<u>201,033</u>	<u>422,501</u>

PARENT COMPANY BALANCE SHEET

31 December

TSEK	Note	2008	2007
Assets			
Tangible fixed assets	15		
Land and buildings		19,557	20,114
Equipment		19,418	19,309
		<u>38,975</u>	<u>39,423</u>
Financial fixed assets			
Participations in Group companies	18	608,047	531,573
Receivables from Group companies		779,152	841,986
Participations in associated companies	16	-	-
Deferred tax assets	19	117,196	149,663
Long-term receivables	20	633,374	19,361
		<u>2,137,769</u>	<u>1,542,583</u>
Total fixed assets		2,176,744	1,582,006
Current receivables			
Accounts receivable - trade	22	320	508
Receivables from Group companies		61,208	929
Other receivables		654,763	3,073
Prepaid expenses and accrued income		2,133	2,572
		<u>718,424</u>	<u>7,082</u>
Current investments	23	623,041	1,018,420
Cash and bank balances	24	43,176	47,908
Total current assets		1,384,641	1,073,410
Total assets		<u>3,561,385</u>	<u>2,655,416</u>

PARENT COMPANY BALANCE SHEET

31 December

TSEK	Note	2008	2007
Equity			
Restricted equity			
Share capital	25	58,300	58,300
Statutory reserve		31,411	31,411
		<u>89,711</u>	<u>89,711</u>
Non-restricted equity			
Other funds		66,575	-643
Profits brought forward		2,304,778	1,895,049
Net profit/loss for the year		201,033	422,501
		<u>2,572,386</u>	<u>2,316,907</u>
Total equity		2,662,097	2,406,618
Provisions			
Provisions for pensions	26	14,324	14,225
Total provisions		14,324	14,225
Long-term liabilities			
Other long-term liabilities	28	195,374	94,405
Liabilities with Group companies		42,514	-
Deferred tax liabilities	19	15,772	23,104
Total long-term liabilities		253,660	117,509
Current liabilities			
Accounts payable - trade		1,312	1,880
Liabilities to Group companies		589,945	70,351
Other liabilities	29	26,246	40,501
Accrued expenses and deferred income	30	13,801	4,332
Total current liabilities		631,304	117,064
Total liabilities		899,288	248,798
Total equity, provisions and liabilities		<u>3,561,385</u>	<u>2,655,416</u>
Pledged assets			
Receivables	32	50,211	-
Pledged assets for forward and warrant agreements		29,433	197,095
Total pledged assets		<u>79,644</u>	<u>197,095</u>
Contingent liabilities			
Unfunded pension commitments in foundations	33	3,164	2,952
Guarantees		7,357	41,823
Other contingent liabilities		262	262
Total contingent liabilities		10,783	45,037

CHANGE IN EQUITY FOR THE PARENT COMPANY

TSEK	Share capital	Statutory reserve	Other funds	Profit/loss brought forward	Net profit/loss for the year	Total equity
Opening balance, 1 January 2007	58,300	31,411	-3,254	1,988,401	-51,441	2,023,417
Transactions reported directly against equity						
New share issue	10,000	-	-	617,628	-	627,628
Redemption	-10,000	-	-	-617,628	-	-627,628
Hedging of net investment	-	-	21,588	-	-	21,588
Currency differences (translation difference)	-	-	-18,977	-	-	-18,977
Dividend paid	-	-	-	-24,630	-	-24,630
Group contributions	-	-	-	-17,281	-	-17,281
Reversal of profits from previous years	-	-	-	-51,441	51,441	-
Total transactions reported directly against equity	-	-	2,611	-93,352	51,441	-39,300
Net profit/loss for the year	-	-	-	-	422,501	422,501
Closing balance, 31 December 2007	58,300	31,411	-643	1,895,049	422,501	2,406,618
Opening balance, 1 January 2008	58,300	31,411	-643	1,895,049	422,501	2,406,618
Total transactions reported directly against equity						
Hedging of net investment	-	-	6,642	-	-	6,642
Currency translation (translation difference)	-	-	60,576	-	-	60,576
Dividend paid	-	-	-	-	-	-
Group contributions	-	-	-	-12,772	-	-12,772
Reversal of previous year's profit	-	-	-	422,501	-422,501	-
Total transactions reported directly against equity	-	-	67,218	409,729	-422,501	54,446
Net profit/loss for the year	-	-	-	-	201,033	201,033
Closing balance, 31 December 2008	58,300	31,411	66,575	2,304,778	201,033	2,662,097

PARENT COMPANY CASH FLOW STATEMENT

1 January – 31 December

TSEK	Note	2008	2007
Cash flow from operating activities			
Current investments			
Dividends received from subsidiaries		18,256	406,361
Asset management			
Acquisitions/disposals net		708,242	-624,570
Operating investments and operating expenses		-42,685	-20,733
Income tax paid		-	-
	31	<u>683,813</u>	<u>-238,942</u>
Cash flow from investing activities			
Current investments			
Acquisitions		-	-
Operating investments			
Acquisition of tangible fixed assets		-1,921	-296
Capital contributions to subsidiaries		-76,474	-
Increase in long-term receivables		-614,013	-216,895
Increase in current receivables		-651,063	-
Decrease in receivables, Group companies		30,699	-
Decrease in long-term liabilities		-	-94,611
Dividends paid		-	-24,630
		<u>-1,312,772</u>	<u>-336,432</u>
Cash flow from financing activities			
Settlement of subsidiaries		-	476,224
Decrease in long-term receivables		-	-
Decrease in current receivables		-	2,026
Increase in long-term liabilities		143,582	-
Increase in current liabilities		480,645	63,736
Cash flow from financing activities		<u>624,227</u>	<u>541,986</u>
Cash flow for the year		-4,732	-33,388
Cash and cash equivalents at beginning of year		47,908	81,296
Cash and cash equivalents at end of year		<u>43,176</u>	<u>47,908</u>

NOTES

1. General information

The Parent Company is a limited liability company with its registered offices in Stockholm. The address of the head office is Katarinavägen 15, Box 1719, SE-111 87 Stockholm. This annual report was approved by the Board on 3 April 2009.

2. Accounting principles

General principles

The Group applies the International Financial Reporting Standards, IFRS, as adopted by the European Commission, the Swedish Annual Accounts Act and RFR 1.1, Supplementary Reporting Regulations for Groups. The Parent Company applies the Swedish Annual Accounts Act and RFR 2.1, Accounting for Legal Entities. The applied principles are unchanged in comparison with previous years. In cases in which the Parent Company applies accounting principles other than those applied by the Group, this is separately stated at the end of this Note.

The following standards, amendments and interpretations to published standards have come into effect during 2008 but have not been assessed as relevant for application by Proventus:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions',
- IFRIC 12, 'Service concession arrangements'),

In preparation of the consolidated accounts on 31 December 2008, certain standards, amendments and interpretations to existing standards have been published, but have not yet come into effect. Proventus AB has not adopted these standards prematurely. A preliminary assessment of the impact of these standards, amendments and statements on Proventus AB's financial statements is presented below:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Proventus will apply IAS 23 (Amendment) from 1 January 2009.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All

non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. Proventus will apply IAS 1 (Revised) from 1 January 2009. According to a preliminary assessment, Proventus will select the option of presenting in two statements, that is, a separate income statement and statement of comprehensive income.

- IAS 27 (Revised), 'Consolidated and separate financial statements'), effective from 1 July 2009. The revised standard requires the effects of all transactions with minority shareholders to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the case of a Parent Company losing controlling interest. In this case, the remaining participation is revalued at fair value and a gain or loss is recognised in the income statement. Proventus will apply IAS 27 (Revised) prospectively to transactions with minority shareholders from 1 January 2010.

- IFRS 3 (Revised), 'Business combinations') effective from 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with certain significant changes. For example, all payments to purchase a business are to be recorded at fair value at acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority shareholder's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRS 8, 'Operating segments'. Effective from 1 January 2009 and is mandatory for accounting periods beginning on or after this date. The standard is mandatory for listed companies. Proventus will not apply IFRS 8.

In preparation of the consolidated accounts on 31 December 2008, certain standards, amendments and interpretations to existing standards have been published, but have not yet come into effect which, according to a preliminary assessment of their impact, are not considered as relevant to the preparation of Proventus AB's financial statements. The title and a brief description of the implications of the amendment and the point in time which the

amendment will come into effect is provided below.

- IFRS 2 (Amendment), 'Share-based payment', effective from 1 January 2009. The amended standard deals with vesting conditions and cancellations.

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation', effective from 1 January 2009. The amendment states that certain financial instruments, under certain circumstances, shall be reported in equity.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' – 'Eligible Hedged Items'), effective from 1 January 2009. The amendment clarifies the manner in which the principles in IAS 39 are to be applied as regards the hedging of risk or portions of the cash flow.

- IFRIC 13, 'Customer loyalty programmes', effective from 1 January 2009. The interpretation clarifies how goods or services which are sold together with a customer loyalty incentive are to be reported.

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', effective from 1 January 2009. The interpretation provides guidance as regards in which situations a company can report a receivable on a defined benefit pension plan and how this reporting may be affected by a statutory or contractual minimum funding requirement.

- IFRIC 15, 'Agreements for construction of real estates'), effective from 1 January 2009. The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions.

- IFRIC 16, 'Hedges of a net investment in a foreign operation'), effective for the financial year beginning after 1 October 2008. IFRIC 16 clarifies, among other things, that hedge accounting in respect of net investment shall only refer to foreign exchange risks arising between the parent company's and subsidiaries' functional currencies.

- IFRIC 17, 'Distributions of Non-cash Assets to Owners'), effective for the financial year beginning on 1 July 2009 or later. The interpretation provides guidance regarding when a liability related to distribution in kind shall be reported.

- IFRIC 18, 'Transfer of Assets from Customers'). The interpretation refers to the transfer of tangible fixed assets or cash from customers, when these assets have been received on 1 July 2009 or later. In addition to the above, IASB has published certain minor amendments to standards through its annual improvement project, published in May 2008. None of these changes are assessed as having an impact on the presentation of Proventus' financial statements.

*) These standards and interpretations have not yet been adopted by the EU.

Basis for the reporting

The consolidated accounts have been prepared in accordance with the cost method, in addition to that related to certain financial assets and liabilities (including derivative instru-

ments), which are valued at fair value via the income statement. The balance sheet items under the headings Current assets and Current liabilities are expected to be recovered or paid within a 12 month period. All other balance sheet items are expected to be recovered or paid at a later date.

2.1 Basis for the preparation of the reports

The Parent Company's functional currency is SEK which is also the reporting currency for both the Parent Company and the Group. All amounts are rounded to the nearest thousand unless otherwise stated. The consolidated accounts are prepared according to the cost method, except as regards certain financial assets and liabilities which are valued at fair value. Financial assets valued at fair value comprise shares in associated companies, current investments and derivatives. These are classified as financial assets at fair value and financial assets held for sale. Preparing reports in accordance with IFRS requires the use of important accounting estimates. Furthermore, management is required to make certain assessments during application of the Company's accounting principles. The areas which entail a high degree of assessment, are complex, or contain a significant degree of estimation in reporting are stated in Note 4. The Parent Company applies the same accounting principles, with the exceptions and amendments stipulated by the Swedish Financial Accounting Standards Council's recommendation RFR 2:1, Accounting for Legal Entities. The accounting principles for the Parent Company are stated in the section entitled "The Parent Company's Accounting Principles", 2.19.

2.2 Consolidated financial statements

Subsidiaries

Subsidiaries are those companies in which the Group has the right to formulate financial and operative strategies in a manner that normally results from share ownership corresponding to more than half of the voting rights. Subsidiaries are consolidated from the date on which controlling interest is transferred to the Group. Subsidiaries are deconsolidated on the date on which the Group ceases to exercise control.

The acquisition method is utilised for accounting of the Group's acquisition of subsidiaries. The acquisition cost for an acquired subsidiary consists of the fair value of the assets provided as compensation, issued equity instruments and liabilities arising or assumed per the transfer date, plus expenses directly attributable to the acquisition. Identifiable acquired assets and assumed liabilities and contingent liabilities in a company acquisition are initially valued at fair value on acquisition date, regardless of the scope of the minority interest. The surplus, consisting of the difference between the acquisition value and the fair value of the Group's participation in the identifiable net assets is reported as goodwill. If the acquisition cost is

below the fair value of the acquired subsidiary's net assets, the difference is reported directly in the income statement.

Intra-Group transactions and balance sheet items and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated if the transaction does not constitute evidence that a write-down is necessary regarding the transferred asset. The subsidiaries' accounting principles have, in certain cases, been altered in order to guarantee consistent application of the Group's principles.

Associated companies

Considering the primary focus of its operations, Proventus has chosen to report participations in associated companies at fair value with changes in value reported in the income statement, in accordance with IAS 39 and paragraph 1 of IAS 28.

2.3 Segment reporting

Segment reporting is divided among the Group's business areas: Current Investments, Asset Management, Development Capital and Operating Investments. Operations are divided internally in a corresponding manner.

Segment reporting is not prepared according to geographical areas. The majority of the Group's operations were, prior to the acquisition of BRIO, concentrated in Sweden, regardless of the fact that operations are also conducted in England, Finland, Israel and the USA. Asset management operations have a global focus and positions are taken in the larger securities, interest and currency markets, but this does not justify geographic segment reporting.

2.4 Translation of foreign currencies

Items included in the financial reports for the various units within the Group are valued in the currency used in the economic environment in which the respective company primarily operates. The functional currency in the consolidated accounts is the SEK, which is the Parent Company's functional and reporting currency.

Receivables and liabilities in foreign currency have been translated at the closing rate of exchange. Exchange rate differences arising within investment and asset management operations are reported in operating income, while exchange rate differences arising in other receivables and liabilities are reported among financial items.

The assets and liabilities of foreign subsidiaries are reported at the closing rate of exchange. Income and expenses are translated at the average exchange rate. Exchange rate differences arising in conjunction with the translation of net assets of foreign subsidiaries are reported directly against equity. Net assets in foreign subsidiaries are hedged. Exchange rate differences referring to these currency contracts have been offset in the consolidated accounts against translation differences arising in preparation of the consolidated accounts.

The Group has loans in foreign currencies to certain subsidiaries in which the loans represent a permanent portion

of the Parent Company's financing of the subsidiary. The loans are translated at the closing rate of exchange and any exchange rate differences are reported directly in equity.

2.5 Tangible fixed assets

Buildings and equipment are reported at acquisition cost. Additional expenses are added to acquisition cost when it is deemed that such expenses increase the value of the property. All other forms of repair and maintenance are reported as expenses in the income statement in the period in which they occur. Depreciation begins from the date value-adding actions are considered complete.

Land is not depreciated. Depreciation on buildings and equipment is performed on a straight-line basis over the asset's estimated useful lifetime, as follows:

- Buildings 20–50 years
- Land improvements 20–27 years
- Equipment 3–10 years

2.6 Intangible fixed assets

Capitalised development expenditure

Expenses for research are expensed as they arise. Expenses that have arisen in the development project (attributable to design and testing of new or improved products) are reported as intangible assets when the following criteria have been fulfilled:

- a) it is technically possible to complete the intangible asset so that it can be used or sold,
- b) management intends to complete the intangible asset and use or sell it,
- c) conditions for the use or sale of the intangible asset exist,
- d) it can be demonstrated how the intangible asset will generate probable future economic benefits,
- e) adequate technical, economic and other resources for completing the development and for the use or sale of the intangible asset are available, and
- f) the expenses attributable to the intangible asset during its development can be calculated in a reliable manner.

Development expenditures which do not fulfil these conditions are reported as expenses when they arise.

Development expenditure previously reported as cost is not reported under assets in a following period. Capitalised development expenditure is reported under intangible assets and depreciation is performed using the straight-line method over the useful lifetime, from the point in time at which the asset is ready for use, but not exceeding four years.

Capitalised development expenditure is tested annually regarding any write-down requirement in accordance with IAS 36.

Goodwill

Goodwill consists of the amount by which acquisition cost exceeds the fair value of the Group's participations in the acquired subsidiary's identifiable net assets at the time of acquisition.

Goodwill regarding acquisition of subsidiaries is reported as intangible assets with indeterminable useful lifetimes.

Goodwill is reported at acquisition cost with deductions for accumulated impairment losses. Goodwill is distributed into cash-generating units upon testing of any write-down requirement. This distribution performed on the cash-generating units expected to benefit from the business acquisition that has given rise to the goodwill item. Goodwill in the Proventus Group is attributable to BRIO's acquisition of European Nursery Group, Proventus' additional acquisition in BRIO, J.Lindeberg and in a smaller portion of the design group Design Research. Goodwill has arisen through the synergy effects created through the acquisition of European Nursery Group. In connection with the acquisition, market activities, logistics, sales channels, distribution and administration were incorporated into BRIO's infrastructure, creating conditions for a significant increase in both efficiency and profitability. Furthermore, through the acquisition, BRIO has begun to coordinate and improve efficiency in a number of different purchasing processes and to negotiate better purchase and delivery terms. The work with the integration of the European Nursery Group will continue for a number of years.

Trademarks

Trademarks within Proventus are, as a whole, related to BRIO and J.Lindeberg. The trademarks for the Group have been assessed as having an indeterminable useful lifetime. The useful life is assessed as indeterminable as this is an issue of well-established trademarks within the respective markets. The Group intends to maintain and develop these trademarks. In assessing the indeterminable useful lifetime, special consideration has been taken of the long and successful history of the trademarks. The BRIO Group has been successfully operational for over 125 years and these trademarks are characterised by high quality and safety. Through planned efforts, BRIO has been able to maintain its position as one of the most popular trademarks both in Sweden and internationally. BRIO has carried out investigations with a focus on trademarks and customer-group perceptions of trademarks in which the BRIO trademark has been shown to be one of the most popular and famous trademarks regardless of business area or market. J.Lindeberg has, in a relatively short period of time, established itself as an international trademark in golfing, as well as in fashion. The above conditions create a solid platform for the launching of upcoming product series, in which the Group's trademarks will comprise a central factor in terms of the volume and price premiums. The Group's trademarks are undoubtedly one of the most important factors for future profitability.

The item is tested annually in order to identify any write-down requirement and is reported at acquisition cost reduced by any write-downs.

The item Trademarks is divided into cash-generating units at the testing of any write-down requirement.

Rental rights

Renting rights are reported at acquisition value. Additional expenses are added to acquisition expenses in cases in which they are assessed to raise the value of the asset. Repairs and maintenance are reported in the income statement during the period in which they arise. Rented flats are amortised on a straight-line basis over 20 years.

2.7 Financial instruments

The Group classifies its financial instruments as financial investments reported as fixed assets, current investments reported as current assets and as other current liabilities. The instruments reported as other current liabilities refer to derivative contracts with a negative value.

Financial investments reported as fixed assets

Investments intended to be held for more than one year are included among financial investments reported as fixed assets.

Loan receivables are valued at their accrued acquisition cost in the respective currencies and are, thereafter, recalculated at the closing rate of exchange.

Investments in associated companies are valued at market value with any changes in value reported in the income statement. Quoted holdings are valued based on listed market values and unlisted holdings are valued based on a suitable valuation model for the holding in question.

Current investments reported as current assets

Current investments reported as current assets primarily consist of transactions carried out within asset management operations. The investments primarily consist of interest-bearing government bonds and corporate bonds with high liquidity, but are also invested in shares to a certain extent. The share, interest and currency terms and options with positive market value are also reported under investments, see Note 23.

Derivative instruments are used both to establish a trading position and to hedge assets and liabilities in foreign currency and to hedge borrowing costs in the wind power investments. The derivative instruments are reported at fair value as at balance sheet date. Income from the hedging instruments is reported directly in equity. The derivatives used in trading purposes are reported at fair value with changes in fair value reported in the income statement. The derivative instruments with positive market value are reported as a separate heading in the balance sheet under current assets, whilst derivative instruments with negative market value are reported as a separate heading under short-term liabilities.

For derivative instruments comprising hedging instruments held for purposes of cash flow hedging, the effective portion of the change in fair value is reported in equity, whilst the ineffective portion is reported directly in the income statement. The portion of the change in fair value

reported in equity is then, subsequently, transferred over to the income statement in the period in which the hedged item impacts the income statement. If the premises for hedge accounting are no longer met, then the accumulated change in fair value is reported in equity in the income statement/balance sheet. Any change in fair value arising from and including the date on which the premises for hedging accounting are no longer in place, is reported directly in the income statement. If the hedged transaction is no longer expected to take place, then the accumulated change in fair value of the hedging instrument is immediately transferred from equity and reported in the income statement. Cash flow hedging is applied primarily when interest rate swaps are used to replace borrowing at variable interest rates with borrowing at fixed interest rates.

Income from the hedging of foreign net assets is reported directly against equity with the aim of eliminating the translation differences arising in conjunction with the consolidation.

Current investments reported as other current liabilities

Derivative instruments with negative values are reported under other current liabilities. Changes in value in these instruments are reported in the income statement as changes in value, in those cases in which the instrument is held for trade, and is reported directly against equity in those cases in which the purpose of the instrument is the hedging of foreign subsidiaries.

Valuation principles for financial instruments

Listed holdings are valued on the basis of the holding's market price (buying rate, if one is listed) on the balance sheet date.

Unlisted holdings are valued on the basis of the valuation method that is deemed to be the most suitable for the holding in question. Consideration is taken of whether a round of financing or "arms-length" transaction has recently taken place. In other cases, value is assessed through the use of relevant multiples of the key ratios of the company in question (e.g. EBITA). In assessment of the relevant multiples, consideration is taken of the specific industry within which the company is active.

In those cases in which other methods are deemed to better reflect market value, these methods are utilised.

Holdings in foreign currency are market valued in local currency and subsequently translated to SEK on the basis of the exchange rates established by the Swedish Central Bank.

2.8 Inventories

Inventories are valued at the lower of either acquisition value or net realisable value. Acquisition cost is determined using the first-in, first-out method. The acquisition cost of finished products is comprised of raw materials, direct salaries and other direct, and directly attributable indirect, production overheads (based on normal manu-

facturing capacity). Borrowing costs are not included. Net realisable value is the estimated sales price in current operations, with deduction for applicable variable sales costs. The art held in Magasin 3 Stockholm Konsthall is also reported in the inventory. The art is valued at the lowest of acquisition value and net realisable value.

2.9 Accounts receivable

The terms of accounts receivable are short, and consequently they are valued at nominal value less any provisions for reduction in value. Provisions are accounted for in the income statement.

2.10 Liquid funds

Cash and bank balances, as well as bank overdraft facilities with positive balances, are included in the liquid funds. Utilised overdraft facilities are reported as borrowings among accounts payable.

2.11 Borrowings

The Group's borrowings consist of deposits from the Company's owners and utilised overdraft facilities in its subsidiaries. During 2006, a convertible bond was issued to the family. The convertible bond was redeemed during 2007. The interest for the remaining term and reported tax has been reversed via the income statement.

2.12 Deferred tax

Deferred tax is reported in its entirety according to the balance sheet method on all temporary differences arising between the written-down value of assets and liabilities and their reported value in the consolidated financial statements. Deferred tax is calculated using the application of tax rates (and tax laws) which have been decided upon or announced as per the balance sheet date and that are expected to apply when the deferred tax claim in question is utilised or the deferred tax liability is settled.

Deferred tax assets are reported to the extent that it is likely that future tax surplus will be available, against which the temporary differences can be utilised.

2.13 Employee compensation

Compensation to employees following termination of employment

The Group has both defined contribution plans and defined benefits plans. For defined contribution plans, the company pays a determined fee and has thereafter fulfilled its obligations. The fee principally follows the ITP plan and is dependant upon the employee's age and income. The Group's result is charged as the benefits are earned.

As regards defined benefit plans, remuneration is payable

to employees and former employees based on the number of years in service and salary at the time of retirement. The Group bears the risk for payment of the offered benefits. Commitments regarding defined benefit plans are established via actuarial calculations based on a number of actuarial assumptions. The calculations are performed annually by an independent actuary. The defined benefit commitments are secured in two different ways. A portion of the plans are reported as liabilities in the company's own balance sheet. The commitments are secured through FPG/PRI, as well as through SPP Livförsäkring AB. The other defined benefit plans are secured via two pension funds.

Defined benefit plans

The current value of future, predetermined commitments has been calculated on an actuarial basis according to actuarial assumptions. The pension levels prevailing on balance sheet date form the basis for the calculation of current value. Pension commitments are reported in the balance sheet under the heading "provisions for pensions and similar commitments".

Actuarial profits and losses arising from changes in actuarial assumptions exceeding the greatest of either 10 per cent of the value of plan assets or 10 per cent of the defined benefits commitment are reported as expenses or income over the employees' estimated average remaining period of service.

The subsidiary BRIO has an ITP plan secured by Alecta, which is a defined benefit plan. The Company has not had access to information making it possible to record the plan as a defined benefit, so it has been recorded as a defined contribution plan. The portion of the pension costs that refer to calculated interest is recorded as interest expenses.

Defined contribution plans

The Company's commitments for each period are comprised of the amount by which the company will contribute during the actual period. Consequently, no actuarial assumptions are required in order to calculate the commitment or expenses.

Foreign subsidiaries

All foreign subsidiaries have defined contribution plans.

Remuneration upon termination

Provisions for remuneration in conjunction with termination are reported only in cases in which the employee does not have any formal obligation to work but, at the same time, has a right to remuneration. Benefits maturing within 12 months after the end of the accounting year are reported at present value.

Share-based compensation

Proventus does not have an options programme for its employees. However, an option programme is available in the subsidiary Proventus Invest. The options programme covers a total of 6 individuals within the Group. The value

of the options programme is calculated continuously and is charged to profit. The programme did not have any value at year-end.

The options programme in Proventus Industrier has impacted the profit of the Group until the close-down during 2007. Regulation of the programme to the holders will be made in 2012, at earliest.

Option and incentive programmes exist in BRIO as well. The programme covers 275,000 signing options in total, out of which 100,000 are subscribed and the remaining 175,000 have been reserved for use in the future. The subscription price is set at SEK 72.64 per share.

2.14 Provisions

A provision is reported in the balance sheet when there exists a formal or informal commitment resulting from an incident for which it is likely that an outflow of resources will be required to settle the commitment, and when a reliable estimation of the amount can be made.

2.15 Revenue recognition

Revenue is primarily composed of capital gains, changes in the value of securities, dividends and sales of goods and services in operating investments. Revenue is recognised in the income statement when it is likely that future economic benefits will accrue to the Company and these advantages can be calculated in a reliable manner. Revenue is reported at the fair value of the amount which has been received or is to be received. Dividends are reported when the right to receive payment has been established. Revenue in operating investments is reported when the goods are delivered. Fees are reported as they arise.

2.16 Dividends

Dividends to the Parent Company's shareholders are reported as a liability in the Group's financial statements in the period in which the dividend was approved by the Parent Company's shareholders.

2.17 Leasing

Fixed assets that are utilised through leasing are classified in accordance with the financial implications economic meaning of the leasing agreement. Leased objects that are utilised through financial leasing are reported as fixed assets and the future leasing fees are reported as interest-bearing liabilities. For leased objects that are classified as operational leases, the leasing cost is reported as an operational cost in the income statement.

Leasing of fixed assets, in which the Group bears the material economic risk and advantages that are associated with the ownership, is to be considered financial leasing.

Financial leasing is reported at the start of the accounting period at the lowest of either the leased object's real value or present value of the minimum leasing fees.

Each leasing payment is distributed between repayments of the debt and financial expenses to achieve a fixed interest rate for the recorded debt. The equivalent payment obligations, following deduction of financial expenses, are included in the item Other long-term liabilities. The interest share in the financial expenses is reported in the income statement, distributed over the leasing period so that each accounting period is charged with an amount corresponding to a fixed interest rate. Fixed assets held under financial leasing agreements are depreciated according to the shorter of either the period during which they are used or the leasing period.

Other leasing agreements are classified as operational leases. Payments that are made during the leasing period are recorded over the period using the straight-line method.

2.18 Write-downs

The reported value of Group assets, with the exception of financial assets reported at fair value with value changes in the income statement, are tested for impairment in conjunction with each balance sheet date. A write-down is reported when the recoverable amount is deemed to be lower than the reported value. Write-downs are expensed to the income statement.

2.19 Accounting principles – Parent Company

Subsidiaries

Shares in subsidiaries are reported in the Parent Company according to the cost method. Reported values are assessed each reporting date in order to determine whether any write-down requirement exists. Only received dividends are reported as income under the condition that these derive from profits earned after the acquisition. Dividends exceeding these earned profits are considered to comprise repayment of the investment and reduce the fair value of the participation.

Associated companies

Associated companies are reported in the Parent Company at acquisition cost in accordance with the Swedish Annual Accounts Act.

Pensions

The Company applies the Swedish Annual Accounts Act. Pension commitments regarding former employees are reported in the Company's own balance sheet. The present value of the commitments has been calculated according to actuarial commitments and is based on actuarial assumptions. The commitment has been reinsured with the FPG/PRI system.

For defined contribution plans, the expenses are taken up on an ongoing basis in line with the commitment.

3. Financial risk management

Financial risk factors

Through its operations, Proventus is exposed to a number of financial risks: primarily exchange risks, price risks and credit risks, but also liquidity, counterpart and operational risks. A central finance department performs risk management regarding asset management and lending operations, while the larger subsidiaries within the Group have their own financial risk management.

Risk-taking takes place in a conscious and controlled manner as regards asset management. Operations are regulated by a policy established by the Board. Limits for the various strategies are established by the Investment Committee. Risks are measured through an internally developed method, whereby the Board determines the risk level for each strategy, and for the portfolio as a whole. The risk is continually followed-up by the Chief Executive Officer and the Chief Financial Officer.

Within lending operations and the larger subsidiaries, the focus is primarily on protecting against and limiting financial risks. Here, returns are generated through the underlying transactions and not through financial risk-taking.

Currency risk

The primary currency exposure in the Proventus Group is against the EUR. A certain degree of exposure also exists against the USD and other currencies where deficiencies in pricing have been identified. Positions can be established in accordance with an established mandate from the Board and the Investment Committee.

It was determined that significant investments would be made in EUR, both within the areas of asset management and lending operations, and this has taken place. Changes in the EUR exchange rate against SEK therefore impact results on an ongoing basis. This can, in certain years, have significant effects in the balance sheet and income statement, both in the Parent Company, and at Group level. The EUR has long been seen as a more appropriate currency for the Group's operations than SEK.

The Group's exposure to the USD arises partly due to its holdings in foreign subsidiaries assets in USD, and partly due to the transaction exposure existing primarily in BRIO but also in J.Lindeberg. The Parent Company's investments in subsidiaries are hedged so as to minimise currency risk. Hedging takes place through the sale of USD against the EUR on the basis of forward exchange agreements. The results of the forward exchange agreements, as well as the results of currency effects on the underlying investments, are accounted for directly in equity in both the Parent Company and the Group.

The existing transaction exposure is primarily related to operations in BRIO and J.Lindeberg. A large portion of the revenue in BRIO is generated in the Nordic region, other parts of Europe, the USA and Japan. Invoicing takes place in the local currency while at the same time, expenses lar-

gely relate to purchases made in USD. In order to reduce the currency risk, significant portions of the contractual flows in foreign currency are hedged. Generally, during a six-month period, 50 to 80 per cent of future flows are hedged. Hedging takes place via currency transactions. When the requirements for hedge accounting according to IAS 39 are not completely complied with as regards operational cash flows, the forward exchange agreements are reported at market value with any changes being reported in the income statement.

In the table below, the effects per class of asset are shown in terms of a five per cent fluctuation in each currency against SEK, or against the currency shown in the table. Transactions in EUR/USD refer to the hedging of assets in foreign subsidiaries. The effect on net assets in these companies is reported in corresponding, but reversed amounts as appropriate.

The table also shows the transaction exposure of a 5 per cent exchange rate fluctuation in the three most important currencies for the subsidiaries.

Currency risk in financial assets 2008

Financial assets	Total	USD -5%	EUR -5%	JPY -5%	EUR/USD -5%	ISK -5%	NOK -5%
Lending and long-term receivables	677,642	-	-7,022	-	-	-	-3,751
Accounts receivable	187,816	-	-	-	-	-	-
Other receivables	744,095	-	-32,354	-	-	-	-
Current investments excluding derivatives	605,538	-956	-19,159	-	-	-	-
Warrants and forward exchange rate agreements	48,195	339	-5,558	-	-15,882	-	2,979
Liquid funds	197,595	-304	-424	-	-	-	-
Total	2,460,881	-921	-64,517	-	-15,882	-	-772
Transaction exposure in subsidiaries	-	7,600	-1,800	-	-	-	-1,300

Currency risk in financial assets 2007

Financial assets	Total	USD -5%	EUR -5%	JPY -5%	EUR/USD -5%	ISK -5%	NOK -5%
Lending and long-term receivables	875,172	-	-31,194	-	-	-	-3,771
Accounts receivable	195,110	-	-	-	-	-	-
Other receivables	85,187	-	-	-	-	-	-
Current investments excluding derivatives	1,043,708	-269	-40,418	-	-	-1,774	-
Warrants and forward exchange rate agreements	48,637	-3,444	1,457	-1,976	-11,451	-	3,563
Liquid funds	199,721	-257	-537	-	-	-	-
Total	2,447,535	-3,970	-70,692	-1,976	-11,451	-1,774	-209
Transaction exposure in subsidiaries	-	9,200	-1,300	-	-	-	-2,800

Price risk

Proventus is exposed to price risk regarding both interest rate risk and share price risk.

The interest rate risk is related to asset management in which the greater portion of investments is made in interest-bearing government bonds. At year-end, the duration of the bond portfolio was approximately one and a half years. Permitted instruments and their durations are regulated by the existing mandates for investment activities.

There is also an underlying interest rate risk as regards lending operations. However, interest rate risks are not measured for lending operations where the aim is to keep credits until maturity.

Proventus' asset management operations generally do not make equity investments in private, listed companies. Share price risks are, instead, assumed through positions in the share index. Over time, Proventus has built up a short position on the American S&P 500 index. The aim has been to capitalise on this position during the downturn of the index, with limited losses during an upturn.

The table shows the effect that an interest rate increase of one per centage point has on the bond portfolio. The effect on results is also shown in the table of a five per cent movement in the share index S&P 500. The effect of currency fluctuations on the share index is shown in the table above, see currency risks.

Price risks in financial assets 2008

Financial assets	Total	S&P 500 Index -5%	S&P 500 Index +5%	Intrest +1%	Internally determined credit risk
Lending and long-term receivables	677,642	-	-	-1,975	-137,677
Accounts receivable	187,816	-	-	-	-
Other receivables	744,095	-	-	-1,448	-30,073
Current investments excluding derivatives	605,538	-	-	-7,361	-
Warrants and forward exchange agreements	48,195	-	-	-27,022	-
Liquid funds	197,595	-	-	-	-
Total	2,460,881	-	-	-37,806	-167,750

Price risks in financial assets 2007

Financial assets	Total	S&P 500 Index -5%	S&P 500 Index +5%	Intrest +1%	Internally determined credit risk
Lending and long-term receivables	875,172	-	-	-	-115,272
Accounts receivable	195,110	-	-	-	-
Other receivables	85,187	-	-	-	-
Current investments excluding derivatives	1,043,708	-	-	-9,203	-
Warrants and forward exchange agreements	48,637	10,099	-2,299	-	-
Liquid funds	199,721	-	-	-	-
Total	2,447,535	10,099	-2,299	-9,203	-115,272

In the table below, the classification of assets and liabilities according to IFRS 7 is shown

Financial assets 2008	Total	Financial assets/liabilities valued at fair value through profit and loss	Derivatives used in hedge	Loans and Accounting	Other liabilities receivables
		Fair value option	Held for trading		
Lending and long-term receivables	677,642	-	-	-	677,642
Accounts receivable	187,816	-	-	-	187,816
Other receivables	744,095	-	-	-	744,095
Current investments excluding derivatives	605,538	605,538	-	-	-
Warrants and forward exchange agreements	48,195	-	17,178	31,017	-
Liquid assets	197,593	197,593	-	-	-
Total	2,460,879	803,131	17,178	31,017	1,609,553
Financial liabilities					
Loans from shareholders	92,664	-	-	-	92,664
Subordinated debentures	13,674	-	-	-	13,674
Liabilities to credit institutions	895,296	-	-	-	895,296
Bank overdrafts	217,082	-	-	-	217,082
Other liabilities	107,020	-	-	82,579	24,441
	1,325,736	-	-	82,579	1,243,157
Accounts payable	185,504				185,504
Derivatives	82,820	-	17,921	64,899	-
Other liabilities	49,310	-	-	-	49,310
	132,130	-	17,921	64,899	-
Total	1,643,370	-	17,921	64,899	82,579

In the table below, the classification of assets and liabilities according to IFRS 7 is shown

Financial assets 2007	Total	Financial assets/liabilities valued at fair value through profit and loss		Derivatives used in hedge	Loans and Accounting	Other liabilities receivables
		Fair value option	Held for trading			
Lending and long-term receivables	875,172	-	-	-	875,172	-
Accounts receivable	195,110	-	-	-	195,110	-
Other receivables	85,187	-	-	-	85,187	-
Current investments excluding derivatives	1,043,708	1,043,708	-	-	-	-
Warrants and forward exchange agreements	48,637	-	40,939	7,698	-	-
Liquid assets	199,721	199,721	-	-	-	-
Total	2,447,535	1,243,429	40,939	7,698	1,155,469	-
Financial liabilities						
Loans from shareholders	73,984	-	-	-	-	73,984
Subordinated debentures	12,368	-	-	-	-	12,368
Liabilities to credit institutions	293,559	-	-	-	-	293,559
Bank overdrafts	107,969	-	-	-	-	107,969
Other liabilities	19,854	-	-	-	-	19,854
	507,734	-	-	-	-	507,734
Accounts payable	228,957	-	-	-	-	228,957
Derivatives	48,231	-	46,317	1,914	-	-
Other liabilities	73,919	-	-	-	-	73,919
	122,150	-	46,317	1,914	-	73,919
Total	858,841	-	46,317	1,914	-	810,610

Credit risks

Lending operations and, to a certain extent, asset management are exposed to credit risks. Lending is usually made to companies without credit ratings while investments within asset management are made with counterparties with high credit ratings. Further information is presented in Note 23. In order to diminish credit risk, a thorough internal analysis is made of each company, owner and market with which, and within which, the company operates. This internal analysis is supplemented by financial and legal due diligence before any decision regarding an investment is made and before transactions are carried out. All lending transactions are resolved upon in Proventus' Investment Committee. In connection with each transaction, an internal risk assessment is made of the maximum risk of loss. The companies report on a quarterly basis to Proventus who evaluates whether the terms for each credit have been adhered to.

The internally assessed credit risk for the lending portfolio is shown in the table price risks in financial assets above.

Liquidity risk

The Board has established a framework dictating the amount of liquidity reserves the Parent Company is to maintain. Normally, a significant portion of the assets (more than MSEK 250) within asset management are held as liquid funds available on short notice. At year-end financial receivables falling due within one year in the Group amounted to approximately SEK 1.5 billion. Current liabilities within the Group, with a corresponding duration, amounted to approximately SEK 0.7 billion, however, 50 per cent of these liabilities consist of bank overdrafts which, per definition, are short-term but, in practice, have a significantly longer duration. With regard to the above, and the fact that the majority of the investments are made in secure counterparties and in highly standardised instruments with a high level of liquidity and with a low price risk, the Board has concluded that the Group's liquidity risk is of no material value.

The table below shows the Group's financial receivables and liabilities specified according to the amount of time remaining to maturity, as per balance sheet date, up until the contractual due date. The amounts stated are the undiscounted contracted amounts. Forward exchange contracts have been reported at net amounts. The settlement of these may vary. In some cases gross amounts are exchanged and in other cases settlement takes place by adjusting the net amount of the contract. However, all forward contracts are entered into with established counterparties and, hence, the risk that only one cash flow in the forward contract will be exchanged, and therewith result in a risk for Proventus, is considered to be only theoretical. The underlying gross amounts are evident from the information presented in Note 23.

Financial assets 2008	Total	FFD			
		< 1 year	1–2 years	2–5 years	> 5 years
Lending and long-term receivables	915,668	144,170	87,574	515,682	168,242
Accounts receivable	187,816	187,816	-	-	-
Other receivables	744,095	744,095	-	-	-
Current investments excluding derivatives	658,108	208,058	373,598	56,541	19,911
Warrants and forward exchange agreements	48,195	48,195	-	-	-
Liquid assets	197,595	197,595	-	-	-
Total	2,751,477	1,529,929	461,172	572,223	188,153
Financial liabilities					
Loans from shareholders	92,664	-	-	92,664	-
Subordinated debentures	16,902	453	453	15,996	-
Liabilities to credit institutions	1,131,951	49,915	49,915	154,481	877,640
Bank overdrafts	293,662	293,662	-	-	-
Other liabilities	109,625	84,500	500	24,625	-
	1,644,804	428,530	50,868	287,766	877,640
Accounts payable	185,504	185,504	-	-	-
Derivatives	79,293	14,394	-	-	64,899
Other liabilities	52,837	52,837	-	-	-
	132,130	67,231	-	-	64,899
Total	1,962,438	681,265	50,868	287,766	942,539

Financial assets 2007	Total	FFD			
		< 1 year	1–2 years	2–5 years	> 5 years
Lending and long-term receivables	1,045,647	50,417	672,777	149,388	54,751
Accounts receivable	195,110	195,110	-	-	-
Other receivables	85,187	85,187	-	-	-
Current investments excluding derivatives	1,114,268	793,997	228,940	40,455	-
Warrants and forward exchange agreements	48,637	48,637	-	-	-
Liquid assets	199,721	199,721	-	-	-
Total	2,688,570	1,373,069	901,717	189,843	54,751
Financial liabilities					
Loans from shareholders	73,984	-	-	73,984	-
Subordinated debentures	17,355	453	453	15,543	-
Liabilities to credit institutions	300,209	139,658	-	10,661	149,890
Bank overdrafts	113,367	113,367	-	-	-
Other liabilities	21,854	59	500	5,500	14,795
	526,770	253,538	953	105,688	164,685
Accounts payable	228,957	228,957	-	-	-
Derivatives	48,231	48,231	-	-	-
Other liabilities	73,919	30,303	-	20,984	22,632
	122,150	78,534	-	20,984	22,632
Total	877,877	561,029	953	126,672	187,317

Counterparty risk

Counterparty risk refers to the risk that a counterparty or intermediary will not be able to fulfil its commitments. In its policy, the Board has stipulated the types of counterparty risk which are acceptable. The Company may only enter into contracts with counterparties with high creditworthiness, i.e. those having a credit rating of BBB or higher from Moody's or Standard & Poor's. Proventus further limits risk by using a number of intermediaries and business contracts to spread the counterparty risk.

Operational risk

Operational risk is the risk for loss due to shortcomings in the internal routines and systems. Proventus strives to reduce operational risk within the central finance department to the greatest degree possible by means of clear instructions and division of responsibilities, as well as via controls and follow-ups. Other subsidiaries and associated companies have their own instructions that are designed according to the risk managed at each respective company.

4. Important estimates and assessments for accounting purposes

Electricity risk

Electricity risk and interest rate risk are the risks with the single, greatest impact on Proventus' wind power investments and are, therefore, also the most important value creating factors. As regards interest rate risks, see further detail under 2.7.

The electricity price is impacted by fundamental factors, such as access to water and production capacity, fuel prices, the price of CO2 emission rights and electricity consumption. A continual analysis of these factors is a premise for the successful handling of electricity price risk.

In order to secure the return on the wind power investments, a 5-year agreement has been established with Telge Energi. The agreement implies that all produced electricity is to be delivered to Telge Energi at a fixed price within an interval of 85 per cent to 115 per cent of the quarterly expected production. The risk of delivery not being able to take place during certain periods of the day or on certain days is, hereby, eliminated. If the contractually agreed upon volume per quarter deviates from the contractually agreed upon interval, then a settlement is to take place between the parties on the basis of the spot price.

The execution of all wind power investments is preceded by careful wind measurement at the site of the station. In addition to these measurements, the historical wind statistic is studied for the close-lying area. The probability of production being less than 85 per cent of expected production is deemed, consequently, as low. The delivery contract is assessed, consequently, to comprise a so-called "own use" contract according to IAS 39, p 5-6. The contract is, therefore, not treated as a financial instrument but as a delivery contract for which the revenue recognition takes place in pace with the electricity deliveries. The market value of the sold volumes compared with the actual spot price at year-end was 65,6 (-) MSEK.

Buildings

With regard to the difficulty of making a relevant market valuation of all property, the Group's property is reported at acquisition value. Due to its character and geographic location, the market value of the property in Israel is difficult to estimate, while the value of the Group's property in central New York is significantly easier to determine.

Shares in associated companies

The Group's participation in its associated companies is valued at market value. Listed holdings are valued at the buying rate on balance sheet date. The rate is determined based upon Proventus' knowledge of each respective company's future earnings.

Holdings in unlisted companies are valued on the basis of the underlying company's earnings with application of relevant EBIDTA calculations for comparable companies within the same line of business.

Deferred income taxes recoverable

Deferred income taxes recoverable are reported as assets to the extent that it is deemed possible to utilise the assets during the next 5-year period. Earnings have been estimated based on holdings in current investments and underlying derivative positions. The assumptions applied regarding future earnings are reinforced by historical results from the management of the assets.

Intangible assets

See Notes 2.6 and 14.

5. Segment information

Proventus' investing activities are primarily organised according to the following business segments: Active share investments in which Proventus invests in companies in need of change. Proventus assumes an active ownership role in these investments. Asset management, which comprises both internal and external management. External management primarily takes place in highly liquid fixed-interest securities with short maturity periods. Internal management comprises a more active approach as regards taking positions concerning shares, interest and currencies. The assumptions of long-term risks is based on analyses of the business environment and expected scenarios based on those analyses. Development capital offers financing in the form of intermediate-term capital to medium-sized companies. The financing is adapted to each individual case. These operations began during 2005.

Operating investments within the Group mainly relate to design, culture and active investments consisting of subsidiaries. Included in the Group are BRIO, J.Lindeberg, Design Research and its subsidiaries Artek and Dixon as well as o2 Produktion. Included in Operating investments are the cultural organisations The Jewish Theatre and the art museum, Magasin 3 Stockholm Konsthall.

Development per business segment, 1 Jan 2008 – 31 Dec 2008

TSEK	Active investments	Asset management	Development capital	Operating investments	Total
Investments	-	-	-	-	-
Dividends	-	-	-	-	-
Interest income	-	19,861	75,585	-	95,446
Change in value	-57,647	237,556	57,324	-	237,233
Net sales	-	-	-	1,409,860	1,409,860
Cost of goods sold	-	-	-	-779,027	-779,027
Operating expenses	-24,794	-3,537	-9,863	-831,564	-869,758
Other income	-	-	-	144,976	144,976
Other expenses	-	-	-	-29,931	-29,931
Operating profit/loss	-82,441	253,880	123,046	-85,686	208,799
Net profit/loss after financial items	-	-	-	-30,790	-30,790
Tax	-	-25,135	-	-19,386	-44,521
Profit/loss after tax	-82,411	228,745	123,046	-135,862	133,488
Total assets	-	697,007	615,853	3,629,809	4,942,669

Development per business segment, 1 Jan 2007 – 31 Dec 2007

TSEK	Active investments	Asset management	Development capital	Operating investments	Total
Investments					
Dividends	-	-	-	-	-
Interest income	8,638	-	37,664	-	46,302
Change in value	283,111	130,131	-63,194	-	350,048
Net sales	-	-	-	1,279,220	1,279,220
Cost of goods sold	-	-	-	-845,811	-845,811
Operating expenses	-42,484	-5,213	-5,968	-601,485	-655,151
Other income	-	-	674	54,202	54,876
Other expenses	-	-	-	-18,235	-18,235
Operating profit/loss	249,265	124,918	-30,824	-132,109	211,250
Net profit/loss after financial items	-	-	-	-47,593	-47,593
Tax	-	-47,540	-	-8,448	-55,988
Profit/loss after tax	249,265	77,378	-30,824	-188,150	107,669
Total assets	-	1,140,253	861,829	2,044,923	4,047,005

6. Employees, personnel costs and information regarding senior management benefits

Salaries and remuneration

TSEK	2008			2007			Total	
	Board/CEO		Other employees	Board/CEO		Other employees		
	Remunerations	of which bonus		Remunerations	of which bonus			
Parent Company	1,139	-	10,574	11,713	1,157	-	9,894	11,051
Swedish subsidiaries	4,775	-	110,923	115,698	7,344	-	94,107	101,451
Total in Sweden	5,914	-	121,497	127,411	8,501	-	104,001	112,502
Denmark	1,387	-	8,828	10,215	1,280	-	8,059	9,339
UK	1,170	121	19,907	21,198	2,663	135	23,672	26,470
Finland	2,130	-	29,363	31,493	1,866	-	29,307	31,173
France	1,160	-	2,808	3,968	1,089	-	1,522	2,611
Hong Kong /China	1,101	1,599	6,256	8,956	1,779	1,011	3,840	6,630
Israel	-	-	1,466	1,466	-	-	1,226	1,226
Japan	625	50	1,525	2,200	536	43	1,288	1,867
Norway	1,537	-	22,888	24,425	1,362	-	23,292	24,654
Germany	1,093	182	5,770	7,045	1,079	83	5,784	6,946
Hungary	273	81	3,798	4,152	336	78	3,590	4,004
USA	-	-	2,167	2,167	-	-	4,292	4,292
Total abroad	10,476	2,033	104,776	117,285	11,990	1,350	105,872	119,212
Total	16,390	2,033	226,273	244,696	20,491	1,350	209,873	231,714

Average number of employees

	2008			2007		
	Men	Women	Total	Men	Women	Total
Parent Company	10	10	21	10	10	20
Swedish subsidiaries	135	139	274	142	134	276
Total in Sweden	145	150	295	152	144	296
Denmark	12	8	20	11	8	19
UK	23	26	49	20	20	40
Finland	24	61	85	21	56	77
France	3	2	5	3	2	5
Hong Kong/China	10	22	32	20	10	30
Israel	2	2	4	2	2	4
Japan	3	2	5	3	2	5
Norway	21	23	44	29	21	50
Germany	8	9	17	7	11	18
Hungary	20	31	51	21	33	54
USA	4	2	6	5	2	7
Total abroad	130	188	318	142	167	309
Total	275	338	613	294	311	605

Social security contributions

	2008			2007		
	Board/CEO	Other employees	Total	Board/CEO	Other employees	Total
Pensions	90	27,475	27,566	503	18,978	19,481
Other social security contributions	785	52,154	52,939	2,139	51,822	53,961

The senior management in the Parent Company totals 7 (7), of whom 2 (1) are women.

The definition of senior management in the Parent Company is the CEO and the members of the managerial body.

In addition to these individuals, the Board of Directors of Proventus has three members.

Absence due to illness

Information regarding absence due to illness in the Parent Company is not provided as individual groups of employees are too small in number for the disclosure requirement to apply.

Severance pay agreements

No significant severance pay agreements exist in the Parent Company.

7. Changes in value

	Group		Parent Company	
	2008	2007	2008	2007
Financial investments valued at fair value via the income statement				
Bonds and shares	196,480	32,160	202,326	81,251
Derivative instruments	98,400	34,777	70,300	35,697
Fair value – changes concerning associated companies *)	-57,647	283,111	-	-
Total changes in value	237,233	350,048	272,626	116,948

8. Expenses allocated by type

	Group		Parent Company	
	2008	2007	2008	2007
Cost of goods sold in operating investments	-758,566	-712,7	-	-
Personnel expenses (Note 9)	-332,301	-322,999	-17,937	-15,640
Rental and office expenses	-78,700	-79,025	-5,989	-5,290
Other overhead expenses	-437,290	-356,380	-12,959	-16,602
Depreciation and write-downs (Notes 14, 15)	-41,928	-29,842	-2,369	-2,125
Total expenses	-1,648,785	-1,500,962	-39,254	-39,656

9. Remuneration to employees

	Group		Parent Company	
	2008	2007	2008	2007
Salaries, including restructuring costs and compensation in conjunction with resignations	-244,696	-231,714	-11,624	-11,474
Social security contributions	-52,939	-53,961	-4,020	-3,945
Pension costs – defined contribution and defined benefit plans	-27,566	-19,481	-1,536	-560
Other personnel costs	-7,100	-17,843	-757	-565
Total	-332,301	-322,999	-17,937	-16,544

10. Fees and reimbursements to auditors

	Group		Parent Company	
	2008	2007	2008	2007
Audit assignment	-5,521	-4,050	-458	-650
Other assignments	-3,659	-2,212	-513	-1,079
Total	-9,180	-6,262	-917	-1,729

For information regarding remuneration to auditors, the Swedish Institute of Authorised Public Accountants' guidelines for "Accounting in limited share companies" has been applied for the classification of audit assignments and other assignments.

11. Financial income

	Group		Parent Company	
	2008	2007	2008	2007
Interest income	2,739	3,922	38,511	12,698
Dividend	-	731	-	-
Total	2,739	4,653	38,511	12,698

*) = Refers to the Proventus' write-down of goodwill in BRIO in 2008.

12. Financial expenses

	Group		Parent Company	
	2008	2007	2008	2007
Interest expenses				
– convertible debt instruments	-	-10,820	-	-10,820
– bank loans	-21,269	-21,795	-	-
– other interest expenses	-	-	-5,275	-3,168
– pensions	-4,680	-5,604	-757	-576
Write-downs of shares in subsidiaries	-	-	-49,916	-379
Other financial expenses	-642	-2,112	-	-130
Exchange rate losses	-6,007	-11,915	-	-
Total	-32,598	-52,246	-55,948	-15,073

13. Tax on income for the year

Current tax

Tax on the Group's income for the year before tax differs from the theoretical amount which would have arisen if a weighted average tax rate had been applied on the profits in the Group companies, as follows:

	Group		Parent Company	
	2008	2007	2008	2007
Tax on income for the year				
Current tax expense	-95,121	-18,143	-88,577	-8,233
Deferred tax referring to temporary differences	50,601	-37,845	63,442	-39,307
Total	-44,521	-55,988	-25,135	-47,540

Disclosure of the relationship between tax for the period and recorded income before tax.

	Group		Parent Company	
	2008	2007	2008	2007
Reported income before taxes	178,009	163,657	226,168	470,041
Tax according to the applied tax rate, 28%	-49,843	-45,824	-63,327	-131,611
Tax effect of non-deductible expenses	-60,653	-8,459	-42,397	-7,018
Tax effect of non-taxable income	21,550	56,332	18,126	136,820
Tax effect of unreported taxable income	18,823	-8,806	-4,555	-11,113
Utilised loss-carry forward amounts which have not been capitalised	-24,815	-10,851	-	-
Tax effect of net Group contributions paid	-	-	3,576	4,689
Deferred tax expenses referring to temporary differences	-6,860	-23,470	63,442	-18,133
Deficits which have not been capitalised	57,461	-14,373	-	-21,174
Effect of tax rate in foreign subsidiaries	324	-209	-	-
Effect of change in tax rate	-508	-	-	-
Tax paid	-	-328	-	-
Reported tax expenses	-44,521	-55,988	-25,135	-47,540

14. Intangible fixed assets

Capitalised development expenditure

	Group	
	2008	2007
Opening acquisition value	24,920	24,029
Acquisitions for the year	9,162	3,029
Acquisitions	-	5
Expensed	-2,288	-177
Re-classifications	24,268	-2,110
Translation difference	-129	144
Closing accumulated acquisition values	55,933	24,920
Opening amortisation	-13,363	-8,675
Amortisation of the year	-7,488	-4,676
Acquisitions	-	-
Re-classifications	1,281	131
Translation difference	129	-143
Closing accumulated amortisation	-19,441	-13,363
Closing book value	36,492	11,557

Trademarks

	Group	
	2008	2007
Opening acquisition value	178,418	137,520
Acquisitions of the year	1,456	27,297
Acquisitions	-	10,359
Sales and disposals	-	-1,657
Re-classifications	-	-67
Translation difference	-4,284	4,966
Closing accumulated acquisition value	175,590	178,418
Opening amortisations	-8,835	-2,617
Amortisation of the year	-1,767	-982
Acquisition	-	-6,417
Sales and disposals	-	1,277
Re-classifications	-	46
Translation difference	109	-142
Closing accumulated amortisation	-10,493	-8,835
Closing book value	165,098	169,584

Goodwill

	Group	
	2008	2007
Opening acquisition value	171,696	94,946
Acquisitions of the year	4,065	66,289
Acquisitions	-	7,237
Translation difference	-2,787	3,224
Closing accumulated acquisition value	172,973	171,696
Opening amortisation	-3,148	-354
Amortisation of the year	-62,172	-
Acquisition	-	-2,855
Re-classifications	-	-
Translation difference	1,250	60
Closing accumulated amortisation	-64,070	-3,148
Closing book value	108,903	168,548

Testing of write-down requirements for goodwill and trademarks

The value of goodwill and trademarks refers to the acquisitions of Design Research/Artek and BRIO as well as BRIO's acquisition of the stroller manufacturer European Nursery Group (ENG) and J.Lindeberg's acquisition of JL Ltd. in the UK. Each portion constitutes a cash generating unit (CGU). Recoverable amounts for a CGU are decided based upon calculations of value of use. These calculations start from estimated future cash flows based on financial forecasts approved by the management and covering a two year period for goodwill and a ten year period for trademarks. Flows beyond the estimated period of time are extrapolated with the help of anticipated growth rates according to the information below. The rate of growth does not exceed the long term rate of growth for the industries of the operations. Goodwill attributable to Proventus' acquisition of BRIO has been written-down in 2008 and charged against the Group's earnings with MSEK -57.6. The write-down has been made with regards to the Company's earnings trend and financial position during 2008.

Allocation of book value for goodwill

	2008	2007
BRIO	-	53,582
Design Research/Artek	15,071	15,071
ENG	59,239	62,269
J.Lindeberg	34,593	37,626
Book value	108,903	168,548

In the balance sheet, the Group reports values which are considered to have an indeterminable useful life. The useful life is considered to be indeterminable when it applies to trademarks that are well established within their markets, and which the Group intends to keep and further develop. The BRIO Group has a long and successful history. The trademark BRIO is characterised by quality and security. It is important to note that the Company, through planned investments, has managed to maintain and strengthen its position as one of the most appreciated trademarks, both in Sweden and abroad.

Assets with indeterminable useful lifetimes are not amortised. Instead, the value of the assets is regulated through write-downs. Testing for write-downs takes place annually, and also in the event of a write-down requirement.

Testing of trademarks has taken place via the calculation of their recoverable value, based on the value of use, and the subsequent comparison to reported values in accordance with the Royalty cash method. All trademarks have been considered for write-down at year-end and no write-down requirement was considered to exist at the time of testing.

Allocation of book value for trademarks

	2008	2007
BRIO	57,144	57,179
Scanditoy	21,124	21,124
J.Lindeberg	29,886	29,879
BRIO strollers	51,958	56,026
Carena	1,868	2,014
Simo	3,118	3,362
Book value	165,098	169,584

For the various trademarks, different per centages of royalty have been applied.

For BRIO, a royalty of 1.65 per cent has been utilised, with trademark costs of 0.25 per cent.

For the testing, a growth rate of 8,5 per cent has been used during the period 2009–2011, and thereafter, 2 per cent per year.

For Scanditoy, a royalty of 0.50 per cent has been utilised, with trademark costs of 0.25 per cent.

In the consideration, a rate of growth of 8,5 per cent has been used during the period 2009–2011, and there after 2 per cent per year.

For SIMO, a royalty of 2 per cent has been utilised, with trademark costs of 0.25 per cent.

In the consideration, a rate of growth of 0 per cent has been applied.

For Carena, a royalty of 1 per cent has been utilised, with trademark costs of 0.25 per cent.

In the consideration, a rate of growth of 3.2 per cent has been applied.

For BRIO strollers, a royalty of 4 per cent has been used, with trademark costs of 0.25 per cent.

In the consideration, a rate of growth of 3.9 per cent has been applied.

A discount rate of 13.19 per cent has been utilised. Discount rate before tax has been applied on the estimated future cash flows.

Management has determined the royalty rate on the basis of performed trademark analysis, the licensing agreements entered into by BRIO in the past, previous results, and expectations on market development.

Testing of goodwill has taken place through the comparison of the value in use to the reported value of the cash generating unit in accordance with the relief-from-royalty method. The operating result less the investments exceeding replacement investment and cash flow from operating capital have been discounted over an indeterminable useful life with a yearly rate of growth of 2 per cent. The discount factor has been determined at 16.11 per cent.

Forecasts for the period have been determined by senior management based on earlier results and expectations regarding market development. Testing did not indicate any write-down requirement.

This year, the discount factor has been lowered from 13.52 per cent to 13.19 per cent for both trademarks and goodwill. This is the effect of a raised interest rate level of the risk-free interest rate which forms a part of the calculation of the discount rate. The discount rate is calculated with the help of the Capital Asset Pricing Model (CAPM). In a CAPM, different types of risk are calculated. Input risk components have not changed since the previous year.

	Group	
	2008	2007
Rights of tenancy		
Opening acquisition value	74,830	59,327
Acquisitions for the year	15,243	15,386
Acquisitions	-	-
Re-classifications	-	-
Translation differences	453	117
Closing accumulated acquisition values	90,526	74,830
Opening amortisation	-22,691	-19,530
Amortisation for the year	-4,126	-3,075
Acquisitions	-	-
Re-classifications	-	-
Translation difference	-364	-86
Closing accumulated amortisation	-27,181	-22,691
Closing book value	63,345	52,139
New investments in progress		
Opening acquisition value	25,710	6,230
Acquisitions for the year	3,205	17,281
Acquisitions	-	-
Expensed	-1,559	-149
Re-classifications	-24,152	2,348
Translation difference	-	-
Closing accumulated acquisition values	3,204	25,710
Closing book value	3,204	25,710

15. Tangible fixed assets

Land, buildings and plant	Group		Parent Company	
	2008	2007	2008	2007
Opening acquisition value	587,722	364,590	27,843	27,843
Acquisitions for the year	462	260,315	-	-
Acquisitions	-	-	-	-
Sales and disposals	-25,843	-20,557	-	-
Re-classifications	-260,301	-91	-	-
Translation difference	53,363	-16,535	-	-
Closing accumulated acquisition values	355,402	587,722	27,834	27,843
Opening depreciation	-83,043	-87,509	-7,729	-7,172
Depreciation for the year	-10,747	-10,871	-557	-557
Acquisitions	-	-	-	-
Sales and disposals	24,024	13,211	-	-
Re-classifications	588	91	-	-
Translation difference	-8,789	2,034	-	-
Closing accumulated depreciations	-77,966	-83,043	-8,286	-7,729
Closing book value	277,436	504,679	19,557	20,114
Book value, buildings in Sweden	24,534	24,534	19,557	20,114
Book value, land in Sweden	666	666	-	-
Total	25,200	25,200	19,557	20,114
Tax assessment value, Swedish buildings	4,429	35,367	4,429	4,429
Tax assessment value, Swedish land	-	4,595	-	-
Total	4,429	39,962	4,429	4,429
Plant and machinery				
Opening acquisition value			8,502	78,420
Acquisitions for the year			769,740	199
Acquisitions			-	-
Disposals			-3,236	-53,547
Re-classifications			260,406	-16,039
Translation difference			646	-531
Closing accumulated acquisition values			1,036,058	8,502
Opening depreciation			-7,566	-70,240
Depreciation for the year			-10,998	-1,052
Acquisitions			-	-
Disposals			3,198	52,303
Re-classifications			-588	10,882
Translation difference			-620	541
Closing accumulated depreciation			-16,574	-7,566
Closing book value			1,019,484	936

Equipment	Group		Parent Company	
	2008	2007	2008	2007
Opening acquisition value	189,410	185,095	28,407	29,816
Acquisitions for the year	20,634	6,757	1,977	445
Acquisitions	-	19,960	-	-
Sales and disposals	-16,582	-40,132	-1,104	-1,854
Re-classifications	3,031	15,685	-	-
Translation difference	9,562	2,044	-	-
Closing accumulated acquisition values	206,055	189,410	29,280	28,407
Opening depreciation	-140,794	-135,897	-9,098	-9,235
Depreciation for the year	-14,497	-15,015	-1,812	-1,568
Acquisitions	-	-14,338	-	-
Sales and disposals	14,755	37,557	1,048	1,705
Re-classifications	5	-10,503	-	-
Translational difference	-7,060	-2,598	-	-
Closing accumulated depreciation	-147,591	-140,794	-9,862	-9,098
Closing book value	58,464	48,616	19,418	19,309

Leasing agreements

Assets under financial leasing agreements are included in the above recorded values according to the following:

	Group	
	2008	2007
Acquisition value	1,184	1,184
Accumulated amortisation	-1,184	-1,184
Closing value	-	-
Present value of remaining future minimum leasing charges	-	-

Future and paid contracted fees pertaining to the Group for the financial year, referring to operational leasing agreements for premises and equipment amount to:

2008	41,186
2009	41,341
2010	38,603
2011	32,119
2012	28,832
2013	15,846

16. Participations in associated companies

	Group	
	2008	2007
Participations in associated companies		
At the beginning of the year	-	1,493,250
Changes in value via the income statement	-931	283,110
Disposals	-	-1,776,360
Acquisitions/capitalised contribution	2,727	-
Re-classifications to subsidiaries	-	-
At year-end	1,796	-

Participation in associated companies

31 Dec 2008

	Number of shares	Share of equity(%)	Share of voting power (%)	Market value/share	Market value
News and Crowd Casting AB	750 pref	30,0	30,3	-	1,293
Corp ID Nr. 556754-8440					
J.Lindberg USA, LLC	18,238	50,0	50,0	-	503
					1,796

Proventus invested MSEK 2.5 in the start-up media site Newsmill in 2008. Proventus' participating interest amounts to 30 per cent share of the capital and votes.

17. Other long-term security holdings

	Group		Parent Company	
	2008	2007	2008	2007
Other long-term security holdings				
At the beginning of the year	981	3,692	-	-
Changes in value via income statement	-	-	-	-
Acquisitions/disposals	100,248	-566	-	-
Re-classifications	1,665	-2,145	-	-
At year-end	102,894	981	-	-

Acquired shares mainly refer to holdings in o2 Vind AB. Proventus' participating interest amounts to 13.7 per cent. Other long-term securities holdings are valued at acquisition cost, which is deemed to correspond to the fair value.

18. Participations in Group companies

	Parent Company	
	2008	2007
Participations in Group companies		
At the beginning of the year	531,573	1,007,797
Changes in value via the income statement	-	-
Acquisitions	76,474	366,994
Disposals/liquidations	-	-843,218
At year-end	608,047	531,573

During the year, the subsidiary Proventus Industrier AB was sold. Before the sale, the company paid a dividend to the Parent Company amounting to TSEK 406,121. In addition to the dividend, conditional shareholders' contributions were repaid amounting to TSEK 843,134.

There are no indications of write-down requirements regarding the Parent Company's holdings in Group companies. The Group annually tests for write-down requirements.

Specification of Note 18, Holdings of participations in Group companies

	Location	Country	Corp ID Nr.	2008	2007
AB Art and Technology by Proventus	Stockholm	Sweden	556012-1807	15,000	15,000
AB Judiska Teatern i Sverige	Stockholm	Sweden	556543-4858	100	100
Djurgårdsbrunns Wårdshus AB	Stockholm	Sweden	556495-8626	1,000	1,000
Grafon AB	Stockholm	Sweden	556065-6497	24,336	24,336
Magasin 3 Tel-Aviv Ltd	Tel-Aviv	Israel		21	21
Proventus Capital AB	Stockholm	Sweden	556349-4748	90,659	90,659
Proventus Industrier AB	Stockholm	Sweden	556604-9135	-	-
Proventus Invest AB	Stockholm	Sweden	556641-3653	444,318	367,845
Proventus Holdings Inc	New York	USA		30,000	30,000
Proventus Pagoda Ltd	Tel-Aviv	Israel		2	2
Stockholms Konsthall Magasin 3 KB	Stockholm	Sweden	916615-6738	2,225	2,225
Parcom AB	Stockholm	Sweden	556553-7437	100	100
Voice the Brand Liberation Company AB	Stockholm	Sweden	556312-4741	285	285
				608,047	531,573

	Shares	2008		2007	
		Capital (%)	Votes (%)	Capital (%)	Votes (%)
AB Art and Technology by Proventus	40,000	100	100	100	100
AB Judiska Teatern i Sverige	100	100	100	100	100
Djurgårdsbrunns Wårdshus AB	1,000	100	100	100	100
Grafon AB	3,810,000	100	100	100	100
Magasin 3 Tel-Aviv Ltd	28,000	100	100	100	100
Proventus Capital AB	27,729,603	15	64	15	64
Proventus Industrier AB	840	-	-	-	-
Proventus Invest AB	8,400	84	84	84	84
Proventus Holdings Inc	200	100	100	100	100
Proventus Pagoda Ltd	32,700	100	100	100	100
Stockholms Konsthall Magasin 3 KB	99	99	99	99	99
Parcom AB	100	100	100	100	100
Voice the Brand Liberation Company AB	10,000	100	100	100	100

19. Deferred tax

Temporary differences exist in those cases in which recorded assets and liabilities differ from their fiscal value. The temporary differences of the Group have resulted in deferred tax liabilities and receivables regarding the following items:

	Group		Parent Company	
	2008	2007	2008	2007
<i>Deferred tax receivables</i>				
Tangible fixed assets	1,428	1,564	1,060	1,120
Current assets	3,478	1,197	-	-
Other current liabilities	21,012	-	3,814	-
Provisions	4,463	5,098	261	276
Loss carry-forward	128,329	181,768	112,061	148,267
Total deferred income tax receivables	158,710	189,627	117,196	149,663
<i>Deferred tax liabilities</i>				
Tangible fixed assets	-37,862	-39,110	-	-
Current investments	-15,772	-17,728	-15,772	-17,728
Provisions	-958	-1,002	-	-
Convertible debt instruments	-	-	-	-
Other current liabilities	-7	-5,393	-	-5,376
Total deferred tax liability	-54,599	-63,233	-15,772	-23,104
Net liabilities and receivables	104,111	126,394	101,424	126,559

Fiscal loss carry-forward

Deferred taxes receivable refer to the Parent Company Proventus and the subsidiary BRIO. Deficits in the Parent Company amounted to MSEK 423 at the closing of 2008 of which the entire amount has been deemed possible to utilise during the coming 3-year period. By increasing the loan portfolio, the taxable income will increase. The deficits do not have any time restrictions according to applicable practices, and may therefore be used indefinitely.

The subsidiary BRIO is currently undergoing an adjustment programme. The adjustment is due to a weak earnings trend during recent years. The adjustment has been significant, and has had a considerable effect on the results recorded for the financial years 2005 – 2008. Therefore, these years do not constitute a good point of reference for an assessment of the feasibility of assuming that the deferred tax receivables will not be reversed for a significant period of time in the future. The company is of the opinion that the performed adjustments of organisation and assortment have created a good prerequisite for utilising underlying loss carry forwards in the coming years.

At the end of 2008, there was a fiscal loss carry-forward of approximately MSEK 859 in BRIO. Various time limitations apply in different countries, but the majority of loss carry forwards do not have a due date. No deferred tax receivable has been calculated on loss carry-forward amounting to MSEK 580.1. Recorded deferred tax receivables can be found in BRIO and a number of its subsidiaries.

When assessing the prerequisites for utilising recorded deferred tax receivables, consideration has been taken regarding the adjustment process which has been charged to the result over the last years. The company believes that the completed adjustment will probably enable the regular utilisation of deferred tax receivables within a 3-year period.

Changes in deferred tax in temporary differences and loss carry-forward

	Amount at beginning of year	Change in con- junction with acquisition	Reported in income statement	Reported in equity	Amount at year-end
<i>Deferred tax receivables</i>					
Tangible fixed assets	1,564	-	-136	-	1,428
Current assets	1,197	-	2,281	-	3,478
Other current liabilities	-	-	3,814	17,198	21,012
Provisions	5,098	-	-635	-	4,463
Loss carry-forward	181,768	-	-53,439	-	128,329
	<u>189,627</u>	<u>-</u>	<u>-48,115</u>	<u>17,198</u>	<u>158,710</u>
<i>Provision for deferred tax</i>					
Fixed assets	-39,110	-	1,248	-	-37,862
Other current assets	-	-	-	-	-
Current investments	-17,728	-	1,956	-	-15,772
Provisions	-1,002	-	44	-	-958
Other changes	-	-	-	-	-
Other current liabilities	-5,393	-	5,388	-	-7
	<u>-63,233</u>	<u>-</u>	<u>8,634</u>	<u>-</u>	<u>-54,599</u>
Net liabilities and receivables	126,394	-	-39,481	17,198	104,111

20. Long-term receivables

	Group		Parent Company	
	2008	2007	2008	2007
Other long-term receivables, interest-bearing	639,382	872,070	631,931	18,062
Other long-term receivables, non-interest-bearing	38,260	3,102	1,443	1,298
	<u>677,642</u>	<u>875,172</u>	<u>633,374</u>	<u>19,361</u>

Long-term receivables are valued at acquisition cost, which is deemed to correspond with fair value. The decrease in long-term receivables is due to a reclassification of loans maturing in 2009 to Other current receivables. The volume in the loan portfolio, long-term and short-term loans, increased by MSEK 415, net in 2008. The loans have a duration of 3-5 years. The portfolio previously owned by the subsidiary Proventus Capital was taken over by the Parent Company during the year.

21. Inventories

	Group	
	2008	2007
Raw materials	6,500	6,417
Semi products	3,723	-
Finished products	428,501	366,359
	<u>438,724</u>	<u>372,776</u>

Inventories refer to trade inventories in the operating investments.

Art attributable to Magasin 3 Stockholm Konsthall, amounting to MSEK 110.5 (105.4), is included in the finished products inventory.

22. Current receivables

	Group		Parent Company	
	2008	2007	2008	2007
<i>Accounts receivable – trade</i>				
Accounts receivable – trade	215,649	216,226	320	508
Allocation for bad debts	-27,833	-21,116	-	-
Accounts receivable, net	187,816	195,110	320	508

The reduction in trade receivables was mainly a consequence of an increase in provisions for possible bad debts.

	Group		Parent Company	
	2008	2007	2008	2007
<i>Receivables, Group companies</i>				
Receivables, Group companies	-	-	61,208	929
Total	-	-	61,208	929

	Group		Parent Company	
	2008	2007	2008	2007
<i>Other receivables</i>				
Income tax recoverable	6,916	7,254	326	359
Advance payment from suppliers	3,113	3,595	-	-
Other receivables, interest-bearing	647,920	12,977	647,086	-
Other receivables, non-interest-bearing	86,146	61,361	7,351	2,714
Total	744,095	85,187	654,763	3,073

	Group		Parent Company	
	2008	2007	2008	2007
<i>Prepaid expenses and accrued income</i>				
Rent	14,914	6,259	1,301	1,228
Insurance	3,757	2,262	237	242
Prepaid royalty/MF contributions	1,571	1,877	-	-
Pensions	393	348	393	349
Interest	-	52	-	20
Other prepaid expenses	13,039	15,490	202	197
Royalty income	5,857	11,071	-	-
Other accrued income	6,378	690	-	536
Total	45,909	38,049	2,133	2,572

23. Current investments

	Group		Parent Company	
	2008	2007	2008	2007
<i>Listed securities</i>				
Government and corporate bonds – countries within the Euro area	376,376	833,714	345,684	822,171
Government and corporate bonds – USA	19,126	5,380	19,126	4,993
Government and corporate bonds – Sweden, UK	108,761	92,286	108,761	74,561
Derivatives	48,294	48,637	48,196	34,634
<i>Unlisted securities</i>				
Shares and fund shares – countries within the Euro area	8,783	10,129	8,783	-
Shares and fund shares – Sweden	92,491	102,199	92,491	82,061
	<u>653,831</u>	<u>1,092,345</u>	<u>623,041</u>	<u>1,018,420</u>

23. Current investments (cont.)

	Group		Parent Company	
	2008	2007	2008	2007
At the beginning of the year	1,092,345	538,267	1,018,420	297,546
Change in value via income statement	-34,756	-27,991	-3,795	32,335
Acquisitions/sales, net	-403,758	582,069	-391,584	688,539
At year-end	653,831	1,092,345	623,041	1,018,420

In its asset management activities, Proventus has a number of strategies which are implemented in the context of the Company's macro-understanding and the market's pricing of risk. The total contribution to income is estimated to be approximately MSEK 50–100, should the strategies be successful, and the negative effect on income is estimated at MSEK 25–50 should the market move in the opposite direction.

The following tables specify the underlying nominal and fair values of the derivative instruments in which the Group and the Parent Company have exposure.

Derivatives – Group

	Group 2008		Group 2007	
	Assets	Liabilities	Assets	Liabilities
Securities options – held for trade	-	-	36,107	43,402
Interest futures – held for trade	2,158	14,394	1,303	413
Interest rate swaps – held for hedging	-	64,899	-	-
Currency futures – held for trade	15,120	3,527	3,529	2,502
Currency futures – held for hedging	31,016	-	7,698	1,914
Total	48,294	82,820	48,637	48,231

Derivatives with negative values are reported as other current liabilities, see Note 29.

Group 2008, equity derivatives

	Currency	Type	Maturity date	Exposure*) (TSEK)	Fair value (TSEK)
Options with positive values held for trade	-	-	-	-	-

Group 2008, interest rate derivatives

	Currency	Duration (years)	Bought (nominal) (TSEK)	Sold (nominal) (TSEK)	Fair value (TSEK)
Futures with positive values held for trade					
Interest futures, corporate bonds	EUR	3,97	114,823	-	2,129
Interest futures, corporate bonds	EUR	3,74	-	328,065	29
			114,823	328,065	2,158
Futures with negative values held for trade					
Interest futures, corporate bonds	EUR	3,74	-	497,565	-7,758
Interest futures, corporate bonds	EUR	1,97	-	36,087	-6,636
			-	533,652	-14,394
Interest rate swaps with negative values held for hedging					
Interest rate swaps, fixed interest	SEK	7	824,196	-	-168,153
Interest rate swaps, variable interest	SEK	0,25	-	824,196	103,254
			-	-	-64,899

*) (-) = sold position

23. Current investments (cont.)

Group 2008, currency contracts

	Currency	Bought (TSEK)	Sold (TSEK)	Fair value (TSEK)
Futures with positive value held for trade				
	EUR/SEK	125,758	-111,159	14,599
	SEK/EUR	6,780	-6,357	423
	USD/GBP	1,946	-1,848	98
		134,484	-119,364	15,120
Futures with positive values held for hedging of foreign net assets and investments				
	EUR/USD	305,423	-276,909	28,514
	SEK/NOK	61,495	-59,589	1,906
	EUR/USD	12,225	-11,629	596
		379,143	-348,127	31,016
Futures with negative values held for trade				
	SEK/EUR	4,705	-5,443	-738
	USD/SEK	15,570	-16,014	-443
	USD/EUR	13,604	-14,880	-1,276
	USD/DKK	3,504	-3,952	-449
	SEK/DKK	3,771	-4,392	-621
		41,154	-44,681	-3,527

Group 2007, equity derivatives

	Currency	Type	Maturity date	Exposure*) (TSEK)	Fair value (TSEK)
Options with positive values held for trade					
Securities options	USD	call	March	637,000	326
Securities options	USD	call	June	427,348	1,180
Securities options	USD	call	September	142,449	1,795
Securities options	USD	put	March	142,449	3,839
Securities options	USD	put	June	522,314	21,498
Securities options	USD	put	September	142,449	7,469
				2,014,009	36,107
Options with negative values held for trade					
Securities options	USD	call	March	-661,779	-9,910
Securities options	USD	call	June	-425,647	-7,761
Securities options	USD	call	September	-142,449	-5,714
Securities options	USD	put	March	-142,449	-1,504
Securities options	USD	put	June	-522,314	-15,166
Securities options	USD	put	September	-142,450	-3,347
				-2,037,088	-43,402*) (-)

*) (-) = sold position

23. Current investments (cont.)

Group 2007, interest rate derivatives	Currency	Duration (years)	Bought (nominal) (TSEK)	Sold (nominal) (TSEK)	Fair value (TSEK)
Futures with positive values held for trade					
Interest futures, corporate bonds	EUR	5	-	258,627	-1,144
Interest futures, corporate bonds	EUR	10	258,627	-	2,447
			258,627	258,627	1,303
Futures with negative values held for trade					
Interest futures, corporate bonds	EUR	5	-	28,449	-413
			-	28,449	-413

Group 2007, currency contracts	Currency	Bought (TSEK)	Sold (TSEK)	Fair value (TSEK)
Futures with positive values that for trade				
	EUR/SEK	47,367	-46,049	1,318
	JPY/USD	39,519	-37,308	2,211
		86,886	-83,357	3,529
Futures with positive values held for hedging of foreign net assets				
	EUR/USD	238,708	-231,010	7,698
		238,708	-231,010	7,698
Futures with negative values held for trade				
	SEK/EUR	80,942	-81,746	-804
	EUR/SEK	5,236	-5,300	-64
	USD/SEK	76,178	-76,984	-806
	USD/EUR	15,280	-15,742	-462
	EUR/USD	-6,062	5,876	-186
	USD/GBP	3,931	-3,861	70
	USD/DKK	7,309	-7,509	-200
	SEK/DKK	1,854	-1,903	-49
		184,668	-187,169	-2,501
Futures with negative values held for hedging of foreign investments				
	SEK/NOK	69,336	-71,250	-1,914
		69,336	-71,250	-1,914

23. Current investments (cont.)

Derivatives – Parent Company	Group 2008		Group 2007	
	Assets	Liabilities	Assets	Liabilities
Securities options – held for trade	-	-	24,566	30,482
Interest futures – held for trade	2,158	14,394	879	279
Currency futures – held for trade	15,022	-	1,491	746
Currency futures – held for hedging of foreign net assets	31,016	-	7,698	-
Total	48,196	14,394	34,634	31,507

All derivatives are reported at fair value. Changes in value referring to derivatives that are held for trade are reported under changes in value in investing activities. Currency contracts held for hedging purposes refer mainly to the hedging of net investments in foreign subsidiaries. Changes in value for these contracts are reported directly against equity in other reserves.

Parent Company 2008, equity derivatives	Currency	Type	Maturity date	Exposure ^{*)} (TSEK)	Fair value (TSEK)
Options with positive values held for trade					
		-	-	-	-

Parent Company 2008, interest rate derivatives	Currency	Duration (year)	Bought (nominal) (TSEK)	Sold (nominal) (TSEK)	Fair value (TSEK)
Futures with positive values held for trade					
Interest futures, corporate bonds	EUR	3,97	114,823	-	2,129
Interest futures, corporate bonds	EUR	3,74	-	328,065	29
			114,823	328,065	2,158
Futures with negative values held for trade					
Interest rate futures, corporate bonds	EUR	3,74	-	497,565	-7,758
Interest rate futures, corporate bonds	EUR	1,97	-	36,087	-6,636
			-	533,652	-14,394

*) (-) = sold position

23. Current investments (cont.)

Parent Company 2008, currency contracts					
	Currency		Bought (TSEK)	Sold (TSEK)	Fair value (TSEK)
Futures with positive values held for trade	SEK/EUR		6,780	-6,357	423
	EUR/SEK		125,758	-111,159	14,599
			132,538	-117,516	15,022
Futures with positive values held for hedging of foreign net assets	EUR/USD		305,423	-276,909	25,514
	EUR/SEK		61,495	-59,589	1,906
	EUR/USD		12,225	-11,629	596
			379,143	-348,127	31,016
Parent Company 2007, equity derivatives					
	Currency	Type	Maturity date	Exposure*) (TSEK)	Fair value (TSEK)
Options with positive values held for trade					
Securities options	USD	call	March	458,745	234
Securities options	USD	call	June	290,596	803
Securities options	USD	call	September	96,866	1,220
Securities options	USD	put	March	96,865	2,611
Securities options	USD	put	June	355,174	14,619
Securities options	USD	put	September	96,866	5,079
				1,395,112	24,566
Options with negative values held for trade					
Securities options	USD	call	March	-471,063	-7,235
Securities options	USD	call	June	-308,526	-5,749
Securities options	USD	call	September	-96,866	-3,886
Securities options	USD	put	March	-96,865	-1,023
Securities options	USD	put	June	-355,173	-10,313
Securities options	USD	put	September	-96,866	-2,276
				-1,425,359	-30,482

*) (-) = sold position

23. Current investments (cont.)

Parent Company 2007, interest rate derivatives					
	Currency	Duration (year)	Bought (nominal) (TSEK)	Sold (nominal) (TSEK)	Fair value (TSEK)
Futures with positive values held for trade					
Interest futures, corporate bonds 5 years	EUR	5	-	174,502	-772
Interest futures, corporate bonds 10 years	EUR	10	174,502	-	1,651
			174,502	174,502	879
Futures with negative values held for trade					
Interest rate futures, corporate bonds 5 years	EUR	5	-	28,449	-279
			-	28,449	-279
Parent Company 2007, currency contracts					
	Currency		Bought (TSEK)	Sold (TSEK)	Fair value (TSEK)
Futures with positive values held for trade					
	JPY/USD		26,664	-25,172	1,492
			26,664	-25,172	1,492
Futures with positive values held for hedging of foreign net assets					
	EUR/USD		238,708	-231,010	7,698
			238,708	-231,010	7,698
Futures with negative values held for trade					
	SEK/EUR		47,987	-48,482	-495
	EUR/SEK		5,235	-5,300	-65
	USD/EUR		5,876	-6,062	-186
			59,098	-59,844	-746

24. Liquid funds

	Group		Parent Company	
	2008	2007	2008	2007
Cash and cash equivalents	197,595	199,721	43,176	47,908
	197,595	199,721	43,176	47,908

The Proventus Group has the following credit facilities:

	Group		Parent Company	
	2008	2007	2008	2007
Other loan facilities	1,013,490	305,926	-	-
Bank overdraft facilities	244,367	266,933	25,000	50,000
	1,257,857	572,859	25,000	50,000
Of which utilised	1,210,572	413,895	-	-

Credits are renewed on an annual basis after consultation with the respective credit institutions.
Other loan information, see Note 28.

25. Share capital

	Parent Company	
	2008	2007
Share capital	58,300	58,300
	58,300	58,300

Class of shares	Number of shares	Number of votes	Participations in %	
			Capital	Votes
A, 10 votes per share	3,070	30,700	52.7	89.0
C, 2 votes per share	1,010	2,020	17.3	5.9
D, 1 vote per share	1,750	1,750	30.0	5.1
Total	5,830	34,470	100	100

There are no issued options within the Parent Company. The distribution of shares in different classes of shares is presented above.

26. Pension commitments

The Parent Company's pension commitments for active employees are mainly defined contribution plans and, in principle, follow the ITP plan. Results are charged at the rate that pension is earned. Commitments which are defined benefit plans within the Parent Company are secured, in part, through provisions in the balance sheet and, in part, via two pension funds. The liability of the balance sheet is secured through FPG/PRI and SPP Livförsäkring AB. Administration of the foundations funds is undertaken through the Parent Company, and assets consist of bonds.

Commitments in BRIO, ITO plan are secured via Alecta.

Commitments for retirement pension and family pension for professional employees are secured through insurance in Alecta. According to IAS 19, this is a defined benefit plan comprising several employers. For the fiscal year 2007 and 2008, the Company did not have access to such information which makes it possible to record this plan as a defined benefit plan. The pension plan according to ITP, which is guaranteed through insurance in Alecta is, therefore, reported as a defined benefit plan. This year's charges for pension insurance with in Alecta amounts to TSEK 4,444 (4,069). Alecta's surplus may be distributed to the policy holder and/or the insured. At the closing of December 2006, Alecta's surplus in the form of the collective consolidation level amounted to 112.0 (152.0) per cent. The collective consolidation level consists of the market value of Alecta's assets in per centage of insurance commitments calculated according to Alecta's insurance-technical calculation assumptions, which do not concur with IAS 19.

	Group	
	2008	2007
<i>Defined benefit pension plans</i>		
Liability recorded in the balance sheet	63,970	67,849
Cost recorded in income statement (Note 9)	8,071	7,152
Net liability referring to benefits distributed on funded and non-funded pension benefits:		
Present value of funded pension commitments	77,873	78,839
Fair value of plan assets	-55,265	-59,762
	22,608	19,077
Present value of unfunded pension commitments	67,988	67,449
Unreported actuarial profits/losses	-26,626	-18,677
Liability reported in the balance sheet	63,970	67,849
Present value of pension commitments changed during the year according to the following:		
1 January	146,288	145,708
Cost of period according to specification	8,674	8,307
Actuarial profits and losses	3,591	224
Paid benefits	-3,826	-4,101
Redeemed benefits	-7,580	-6,955
Exchange rate differences	-1,286	3,105
31 December	145,861	146,288
Fair value of plan assets has changed as follows during the year		
1 January	-59,762	-57,684
Expected return on plan assets	921	-2,911
Compensation	1,045	1,389
Actuarial profits/losses	98	1,608
Charges from employers	-952	-1,299
Paid benefits	418	468
Exchange rate differences	2,967	-1,333
31 December	-55,265	-59,762
Non-reported actuarial profits/losses	-26,626	-18,677
Liability reported in the balance sheet	63,970	67,849
Actual return on plan assets		
Expected return on plan assets	-921	-2,911
Actuarial profits/losses	-98	2,328
	-1,019	-583
Fair value of plan assets in %, distributed according to the following:		
Shares and participations	7	8
Bonds	79	77
Bonds held for maturity	8	8
Other financial assets	6	7
	100	100

Plan assets refer to funded pension commitments within BRIO's Norwegian subsidiary, as well as to foundations linked to the Parent Company. As Norwegian life insurance companies do not complete their valuation per 31 December until May the following year, the value per 31 December 2008 has been estimated based on the most recent available information from Storebrand Livsforsikring AS.

The calculated return is based on calculations and estimations based on a weighting of the assets included in the plan.

Changes of the year in actuarial profits and losses	2008	2007
1 January	-18,661	-16,657
Profits and losses regarding plan assets	-98	-2,328
Profits and losses regarding pension benefits	-6,016	354
Profits and losses at redemption of pension commitment	1,085	586
Recorded profits and losses during the year	-2,609	-699
Exchange rate differences	-327	67
31 December	-26,626	-18,677
Cost of commitments referring to defined benefit plans are as follows:		
Earnings during the year	2,968	2,703
Interest rate component in this year's increase in the present value of the pension commitment	5,706	5,604
Retirement pensions, non-contracted	-	-
Other agreements	-	-
<i>Costs regarding defined benefit plans excluding effect of results on plan assets and actuarial profits/losses</i>	8,674	8,307
Expected return on plan assets	921	-2,911
Portion of the actuarial profits/losses reported during the year	-2,609	1,169
Portion of actuarial profit/loss referring to redeemed benefits	1,085	587
Net costs for defined benefit plans (Note 9)	8,071	7,152

Significant actuarial assumptions

Upon calculation of pension commitments, pension earnings and returns for the year, a number of assumptions have been established based upon the BRIO group's expectations regarding the operations, and are also based upon market expectations regarding financial factors. The assumptions used on balance sheet date constitute a weighted average of:

	Foundations Sweden (%)	Sweden PRI (%)	Norway (%)
Discount factor	4.0	4.0	3.8
Expected return	-	-	5.8
Expected inflation	-	-	4.0
Expected increase in pensions	2.0	2.0	1.5

Commitments in balance sheet for:

	Parent Company	
	2008	2007
Pension benefits	14,324	14,225
	14,324	14,225
At the beginning of the year	14,225	14,253
Paid pensions during the period	-1,732	-1,967
Interest on pension liabilities	-757	-576
Provisions	1,542	1,126
Redemption from pension fund	1,046	1,389
Book value at year end	14,324	14,225

27. Other deposits

	Group	
	2008	2007
Provisions, re-structuring reserve	32,572	12,241
Other provisions	3,160	2,660
	35,732	14,901
	2008	2007
Long-term portion	16,760	10,822
Short-term portion	18,972	4,079
	35,732	14,901

Remaining reserves are primarily attributable to BRIO. During 2008, an amount of TSEK -3,549 of the opening reserve has been utilised, whereupon a new provision has been established in the amount of TSEK 23,880. The new provision is related to new action plans which were initiated during the financial year.

28. Other long-term liabilities

	Group		Parent Company	
	2008	2007	2008	2007
Loans from shareholder	92,664	73,984	90,294	71,905
Other loans	82,580	-	82,580	-
Subordinated debenture	13,673	12,368	-	-
Other liabilities to credit facilities	915,296	293,559	-	-
Utilised bank overdraft facilities	197,083	107,969	-	-
Other liabilities	24,440	19,854	22,500	22,500
	1,325,736	507,734	195,374	94,405

Other liabilities to credit facilities have increased due to investments in wind power.

Utilised bank overdraft facilities refer to the subsidiaries Artek, J.Lindeberg and BRIO. Granted credits amount to a total of MSEK 244, see Note 24. Loans from shareholders refer to liabilities to Proventus' owner Robert Weil. Interest on the liability is calculated using the average government loan interest rate of +1 per cent i.e. 4.88 per cent 2008 and 5.13 per cent 2007.

The Parent Company issued a convertible promissory note during 2004 to a member of the Weil family. During 2007, the loan was redeemed as Robert Weil took over the Company's liability to the family. The nominal amount of the loan was SEK 39,520,000 It bore no interest and was extended to 30 November 2014. The loan has been discounted to present value in conjunction with the issue, and the equity portion of the loan was recognised directly against equity. The principal loan amount has thereafter been recalculated annually and the increase in liabilities has been recognised as interest via the income statement. In conjunction with the redemption, the profit of the Parent Company was charged with TSEK 10,820, corresponding to the remaining interest component.

Convertible promissory notes are reported in the balance sheet according to the following:

	Group		Parent Company	
	2008	2007	2008	2007
Nominal value of convertible bond issued 30 November 2004	-	39,520	-	39,520
Share in equity	-	-13,114	-	-13,114
Liability share at issue on 30 November 2004	-	26,406	-	26,406
Accumulated interest expenses	-	2,294	-	2,294
Premature redemption interest	-	10,820	-	10,820
Premature redemption of convertible in Proventus	-	-39,520	-	-39,520
Premature redemption of convertible in Proventus Capital	-	-	-	-
Liabilities as per 31 December	-	-	-	-

The fair value of the liability portion has been calculated applying a risk free 10-year interest rate. The equity portion is reported net after tax under profit brought forward. The tax portion is reported as deferred income tax recoverable. Interest expenses have been calculated using the risk free interest rate.

Maturity dates for long-term borrowings are as follows

	Group		Parent Company	
	2008	2007	2008	2007
Between 1 and 2 years	279,678	241,036	-	-
Between 2 and 5 years	218,094	102,013	195,374	71,905
More than 5 years	827,964	164,685	-	22,500
	1,325,736	507,734	195,374	94,405

29. Other current liabilities

	Group		Parent Company	
	2008	2007	2008	2007
Derivatives, see Note 23	82,820	48,230	14,394	31,507
Advance payments from customers	120	95	-	-
Other current liabilities	49,190	73,825	11,852	8,994
	132,130	122,150	26,246	40,501

Derivatives refer to positions with a negative market value at the end of the year. Received premiums are entered as liabilities in conjunction with their respective dates of issue. Net market value after reduction of received or paid premiums is reported per contract as current investments or as other current liabilities.

30. Accrued expenses and deferred income

	Group		Parent Company	
	2008	2007	2008	2007
Accrued staff expenses	42,647	34,059	4,900	2,135
Audit and consultancy remuneration	2,162	1,211	200	300
Accrued royalty	3,049	2,997	-	-
Accrued customer bonuses/marketing contribution	17,436	12,302	-	-
Accrued interest expenses	7,318	4,210	7,116	725
Other accrued expenses	35,246	55,762	1,585	985
Deferred rental income	16,945	2,195	-	187
Other prepaid income	-	-	-	-
	124,803	112,736	13,801	4,332

31. Cash flow from operations

	Group		Parent Company	
	2008	2007	2008	2007
Profit for the period	133,488	107,669	201,033	422,401
Adjustments for:				
– tax	39,481	55,660	25,135	47,540
– depreciation on tangible fixed assets	36,241	22,260	2,369	2,125
– depreciation on intangible fixed assets	75,553	7,582	-	-
– profit/loss for sales of tangible fixed assets	-106,200	-2,971	-	-
– realised profits from hedging instruments	6,632	13,890	6,642	13,890
– unrealised profits, current investments	56,961	-11,216	37,390	-66,869
– anticipated dividend	16,952	-	-	-
– reversal of allocation	8,464	-	-	-
– premature redemption of convertible	-	10,820	-	10,821
– acquisition/sale of current investments, net	403,758	-582,069	391,583	-688,539
– unrealized profits in associated companies	931	-283,110	19,661	19,590
Cash flow from operations	672,261	-661,485	683,813	-238,942

32. Pledged assets

	Group		Parent Company	
	2008	2007	2008	2007
Other assets	1,111,799	64,409	-	-
Property mortgages	1,829	35,711	-	-
Company mortgages	338,394	341,421	-	-
Accounts receivable and other receivables	67,211	-	50,211	-
Current investments	29,433	197,495	29,433	197,095
Cash and cash equivalents	37,531	-	-	-
	1,586,197	639,036	79,644	197,095

The Parent Company issues bonds, reported as current investments, as pledged assets for derivative contracts. Mortgages and other pledged assets in the Group comprise securities for loans and liabilities within the BRIO Group, o2 Produktion, J.Lindeberg and Artek. The increase in pledged assets is attributable to investments in wind power. Reported liabilities in sub-groups, for which securities have been pledged, amount to MSEK 1 204 (257).

33. Contingent liabilities

	Group		Parent Company	
	2008	2007	2008	2007
Non-funded pension commitments in foundations	-	-	3,164	2,952
Finance commitment	-	236,838	-	-
Warranties	189,235	11,956	-	-
Guarantees for subsidiaries	-	-	7,357	41,823
Other guarantees	1,814	2,897	-	-
Contingent liabilities, FPG/PRI	262	262	262	262
	191,311	251,953	10,783	45,037

The Parent Company's guarantees refer to granted credit limits in subsidiaries. In total, a corresponding amount of MSEK 7.0 (6.2) was utilised in the companies at the end of 2008.

Guarantees in the Group mainly refer to obligations with o2 Produktion regarding funding of wind power turbines.

34. Transactions with related parties

In addition to that has been previously reported in this annual report, further information regarding transactions with related parties is provided below.

Sales of goods and services

	Group		Parent Company	
	2008	2007	2008	2007
Sales of services		-		
– subsidiaries	-	-	9,445	9,301
– affiliated companies	-	425	-	425
Rent for premises				
– subsidiaries	-	-	-	725
	-	425	9,445	10,451

Services invoiced to the subsidiary refer to administrative services performed in the Parent Company on behalf of the subsidiary. Invoicing has also been made for the investing organisation's work in conjunction with the loan and share transactions performed in Proventus Capital and Proventus Invest.

Transactions with related parties in 2007 refer to invoiced fees to the Board Member Mikael Kamras' company. Proventus previously assisted the company with macro-analysis, capital management services and administrative duties. Proventus has also previously subletted premises to subsidiaries.

Purchases of goods and services

	Group		Parent Company	
	2008	2007	2008	2007
Purchases of services				
– subsidiaries	-	-	-	-
	-	-	-	-

Loans to related parties

	Group		Parent Company	
	2008	2007	2008	2007
Loans to Board members and senior management:				
At the beginning of the year	15,962	201	15,962	201
Loans paid during the year	357	15,842	357	15,842
Loans amortised during the year	-	-81	-	-81
At year-end	16,319	15,962	16,319	15,962

Loans to senior management mainly refer to management within the Parent Company. Interest charged on the loans follows the recommendations of the Swedish Tax Agency.

Other financial transactions

	Group		Parent Company	
	2008	2007	2008	2007
Other current investments:				
At the beginning of the year	-	-	-	-2,933
Actual change in value in the income statement	-	-	-	10,492
At year-end	-	-	-	-

Other financial transactions refer to an internal forward exchange rate contract against the former subsidiary, Proventus Industrier. The forward agreement was completed during 2007. The result is eliminated in the consolidated statements.

Loans from related parties

	Group		Parent Company	
	2008	2007	2008	2007
Loans from related parties	33,662	15,000	33,662	-
Loans from owners	92,664	73,984	90,294	71,905
	126,326	88,984	123,956	71,905

Interest on balances with the owner is calculated on a monthly basis, see also Note 28.

Loans from related companies refer to co-financing from the Board Member in Mijesi AB, Mikael Kamras, and from the Managing Director of the company Daniel Sachs AB.

35. Business acquisition

During July 2007, a directed new share issue was executed in J.Lindeberg. The issue implied that Proventus' subsidiary, JL Development, became owner of 34.7 per cent of the capital and 84.1 per cent of the votes. The value of acquired net assets at acquisition date, including issue proceeds, are shown below.

The total surplus value has been assigned to the trademark J.Lindeberg.

The acquired operation contributed revenue of MSEK 165 and profit was impacted by MSEK 38.5 before tax. If the acquisition had taken place on 1 January 2007, the Group's revenue would have been MSEK 341 and the profit before tax would have been affected by MSEK -9.5 in addition to that which has been consolidated during the second half of the year.

Details of net assets and surplus values

	Acquisition
Cash payment	72,000
Direct expenses in conjunction with the acquisition	907
Acquired net assets (carrying amount)	-46,863
Surplus value	26,044
– of which trademarks (Note 14)	26,044
– of which goodwill (Note 14)	
– of which deferred tax liability (Note 19)	
	26,044
	Acquired carrying amount
	30 June 2007
Intangible fixed assets	8,323
Tangible fixed assets	5,436
Financial fixed assets	2,797
Inventories	32,720
Trade receivables	53,807
Other receivables	10,366
Cash and cash equivalents	83,808
Long-term liabilities	-24,306
Current liabilities	-37,779
Net assets	135,172
Acquired portion of net assets	34.7%
Acquired net assets	46,863

Proposed appropriation of profits

The Board of Directors and the Chief Executive Officer propose that the profits at the disposal of Proventus AB be allocated as follows

Profit brought forward	2,371,354
Profit for the year	201,033
Total	<u>2,572,387</u>

To be carried forward.

AUDIT REPORT

(translation)

Stockholm, 30 April 2009

Robert Weil
Chairman

Daniel Sachs
Managing Director

Mikael Kamras

David Neuman

Our audit report concerning this annual report was submitted on 30 April 2009.

Peter Clemedtson

Ulf Westerberg

To the annual meeting of the shareholders of Proventus AB
Corporate identity number 556042-3443

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of Proventus AB for the year 2008. The board of directors and the Chief Executive Officer are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated 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 and the consolidated accounts are free of 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 used and their application by the board of directors and the Chief Executive Officer and significant estimates made by the board of directors and the Chief Executive Officer when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to

determine the liability, if any, to the company of any board member or the Chief Executive Officer. We also examined whether any board member or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the Parent Company and the group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the Chief Executive Officer be discharged from liability for the financial year.

Stockholm, 30 April 2009

Peter Clemedtson
*Authorized
Public Accountant*

Ulf Westerberg
*Authorized
Public Accountant*

PROVENTUS

KATARINAVÄGEN 15
BOX 1719
SE-111 87 STOCKHOLM, SWEDEN
PHONE +46 (0)8 723 31 00
FAX +46 (0)8 20 57 25

STAY UPDATED AT
WWW.PROVENTUS.SE

PROVENTUS