# NUMBERS

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*The facts in figures 2006.*

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# THE CEO'S VIEW.

*Daniel Sachs CEO.*

During 2006, Proventus has continued contributing to the development of the companies that we are involved in. We have also made some new investments, but are reasonably cautious in what we see as a high-risk investment environment. Before I comment more on our activities, let me describe how I look upon the larger environment.

## RISK PREMIA AT HISTORIC LOWS.

When I look back at the developments around us in the last year, I realise that we are in an extreme situation. The financial markets are driven by the strongest liquidity we have seen for decades and at the same time are becoming increasingly complex. One sign of this is the amount of outstanding derivatives contracts, which has gone from a level equal to world economic output 10 years ago to seven times as much at present. I am reasonably young, but even when I turn to people in my vicinity who have been around for longer, no-one seems to recall a time when the risk premia were lower. We are conscious of a number of destabilising risks globally – geopolitical tensions, environmental concerns, demographic challenges, structural imbalances in the economy – yet none of this seems to be reflected in the capital markets. Securities are priced as if all these risks were merely theoretical.

## BANKS SELLING RISKS.

The "overhang" of capital is present in many parts of the capital market and, on one hand, can cushion a negative development. On the other hand, when hedge funds and others fail to deliver the expected returns, it risks creating a crisis of confidence in financial markets – a run. The complexity of financial markets and the increased use of derivatives are arguably also making risk less transparent. Banks have increasingly been selling risks to hedge funds, while also investing in and supplying leverage to these funds. Until now, this method of risk packaging seems to have reduced the effect of shocks in financial markets. But the interdependence of different parts of the financial system risks becoming very visible in the event of a major crisis.

## CHANGING INDUSTRIAL DYNAMICS.

At the same time, the development of global markets is changing the industrial dynamics of the world. From a European perspective, industry is

finding it increasingly difficult to compete. In many regions, this is leading to higher unemployment as industries are downsizing and entire cities are shrinking. The economic prospects for the European middle class are challenged. In these testing times, many take relief from the short-term benefits of the low price of risk providing a possibility for households to replace shrinking salaries with lending for consumption. Parallel to this, a competitive industry is rapidly being built in China and India, lifting the material living standard in underdeveloped regions. These countries are establishing the economic foundations for a growing middle class.

## OVERSIMPLIFICATION OF GLOBALISATION.

A central question is if these growing societies can be built with respect for human rights, democratic and liberal values and a sustainable development with responsible use of natural resources. Currently, there are many indications to the contrary. Yes, there are large potential industrial and societal benefits from trade and the global division of labour, but at present the debate is suffering from oversimplification. Globalisation is neither good nor bad. It is – like gravity – a given. It will continue and the only question is how we use the opportunities that it offers.

The most militant anti-globalisation campaigners are shutting their eyes to dynamic benefits in the interest of self-protection. But, paradoxically, it is the overenthusiastic proponents of globalisation who pose the greatest risk. The short-term attitude to globalisation has created a movement which pushes the short-term economic benefits of this development while largely ignoring the social, democratic, environmental and human costs. This in turn is leading to increasing protectionism and anti-globalisation protests. We must approach this new world order sensibly, not allow it to be buried in the populist grave of Doha criticism.

Yes, globalisation is building a middle class in China, but we are not carrying the full costs. We are not carrying the costs of reasonable social security and pensions to Chinese workers. Nor are we carrying the costs of environmental destruction in the Far East. As Western consumers, we keep reaping the profits of cheap goods and the existence of cheap credit. But we are leaving a huge bill behind us.

## THE ILLUSION OF OUTSOURCING.

At the same time, back home, we are exploiting the benefits of the combination of established Western innovations and brands and cheap production. The illusion of outsourcing tells us that we will be able to sustain a division where brand creation, strategic direction and innovation take place in the West and cheap production in the East. China is already training a huge number of engineers, designers and so on – do we really believe that they will stay happy with subcontracting? As a consequence of these global shifts and the short-term capital markets pushing for exploitation of existing innovations rather than the financing of new ones, we are not seeing enough innovation from European companies.

## RECORD PROFITS AND INCREASING ANTI-DEMOCRATIC TENDENCIES.

Short-term profitability has been improving rapidly on the back of outsourcing – driving down the cost of production as well as putting downward pressure on salaries in the West. US corporate profits are up from 8 per cent of GDP to a record 14 per cent in 2006. As a result of the benign short-term environment, we also see short-term improvements in certain Western economies. In Germany for example, the unemployment rate has fallen and is now under 10 per cent. But this is largely due to pay cuts. Disposable income has decreased yearly since 2002. Up till now, consumption has been maintained with the help of cheap credit, but over time, the structural problems that European industry is facing are bound to have a more severe impact on European economic development and standard of living.

For a long time, we have been pointing out the risks of economic development and increasing pressure from demographic change having a negative impact on the democratic climate in Europe. During 2006 we have seen continued anti-democratic tendencies. For the first time, Europe's extreme right wing parties have sufficient numbers of deputies to form their own political group in the European Parliament. The group is formed around

an agenda of racism, anti-Semitism, xenophobia and homophobia.

## LONGER-TERM PERSPECTIVE NEEDED.

So, is there a better way? We believe so. It starts at home – Europe is in desperate need of a new industrial base. A European industry that can compete on a global scale based on strong proprietary products. This builds on the capital markets having a longer-term perspective. We need more active private capitalists and other investors with the capacity to take a longer-term perspective. Today, almost all of the capital is institutional and most of it is pension money. These are funds that in reality often have a 20- or 30- or 40-year perspective, but which – because of short-term incentive systems and striving for liquidity – almost always assume a short-term and passive perspective. To create new strong industrial companies and recreate the suffering ones so that they regain competitiveness, a perspective of at least 10 years is necessary.

For those of us who do not retire in the next 10 years, would it not make sense to use our pension money in change processes to create a European industry with a sustainable competitive advantage? Rather than maximising the short-term return on our pension money through exploiting the benefits of old innovations and the accessibility of cheap labour, this will surely generate greater longer-term returns – even if liquidity will not be as great and if the short-term returns over a given period may be lower. Surely it must be the best long-term investment, helping to make Europe a more successful, humanistic and creative society in the process.

## OUTSOURCE RESPONSIBLY.

Development is also needed in the Far East. The benefit of outsourcing is not simply cost reduction. There are many sectors where the quality of the product is improved through outsourcing production. But we must outsource responsibly. We must make sure that we retain enough knowledge to be a strong partner and to protect our interests and intellectual property. With BRIO, in which Proventus is majority owner, we have experienced the paradoxical development that outsourcing production actually means we have to hire more qualified production people than we have ever had. We have to be at the forefront of production technology, materials knowledge and design to be able to outsource sensibly. The other aspect of this is that we cannot apply different standards to the people we or our subcontractors employ in other parts of the world than we would at home. It is not enough to say that since everyone else is outsourcing, we have to. We should use our economic power to make sure that the work environment, social safety nets, pensions and environmental responsibility are developed over time. It will increase the prices of our products in the short term, but it is much more likely to create structures and conditions of trade that can be sustained for the long term.

## INCREASING QUALITY AWARENESS EVEN IN THE TOY MARKET.

BRIO exists in one of the industries where globalisation has progressed the furthest. On the one hand, the US is still by far the largest market with only 4 per cent of the children of the world but almost 45 per cent of the global toy market. On the other hand, China's toy production accounts for around 80 per cent of the world's total toy production. This, together with the mega-retailers taking over distribution and the decreasing toy lifecycles, makes the toy market become more and more of a wear-and-tear market. However, we are seeing increasing quality awareness even in the toy market and BRIO (which also makes nursery products and furniture) has gained a reputation for making high-quality products. Of course, being competitive in these markets comes down to innovation. During 2006, BRIO launched its first early products under the new management in line with the new strategy and we look forward to many new launches in the years to come. Financially, 2006 was another difficult year with BRIO in the midst of a turnaround process. The management has communicated to the market that BRIO should deliver positive cash flow from 2007 and a positive net result from 2008.

## TRADITIONAL BROADCASTING UNDER PRESSURE.

The world of television will of course not be unaffected by the larger developments in society that I

comment on above. At the same time, technological development, deregulation and a revolution in media consumption behaviour is reshaping the industry. The traditional broadcasting model of television is under pressure. Over time, this means that the traditional national broadcasters need to find new positions – go from distribution to an increasing emphasis on owned rights and ideas. News and debate and other unique programming will be of rising interest and profitability. Financially, 2006 was a very good year for our television companies TV4 in Sweden and MTV in Finland on the back of an excellent advertising market, but also thanks to successful change leading to both lower costs and increasing profitability in new channels, local transmissions and new media.

In March 2007 Proventus announced a change in the structure of our engagement in television. Our 50 per cent ownership of Nordic Broadcasting, which owns TV4 and MTV, was terminated and Proventus extended a subordinated loan to Nordic Broadcasting instead. We will continue to play an active role in the future development of the two television companies.

## THERE IS A MARKET FOR A MORE INTELLIGENT AND FLEXIBLE LENDER.

We are also continuing to build on our investments in development capital. In Europe, there is a need for a more active mezzanine market for medium-sized companies. The flood of liquidity we described above gives larger corporations ample – perhaps too ample – access to external capital. However, for medium-sized companies, the available alternatives are relationship banks or private equity money. Due to the Basel II rules of capital adequacy and a regulatory weakening of the creditors' position in cases of default, the banking world's appetite for lending to these companies is falling. Many family-owned companies, reluctant to surrender control to the private equity world, are therefore abstaining from economically sound investments and other opportunities for growth. With the demographic and other challenges we face, this is something we cannot afford.

We also believe there is a market for a more intelligent and flexible lender, one who can provide not only money but also experience and support for the company. Our experience is that many of these companies, perhaps turning to new market niches or new regions, face the same problems, and make the same mistakes. Proventus aims to assist the companies we invest in to grow profitably, both because it is vital to our situation as a lender and because it will lead to more business opportunities for us in the future.

## INVESTMENTS IN RENEWABLE ENERGY.

The investment team at Proventus spends a great amount of time and energy on proactive analysis. Apart from macro analysis on economic development, demography and changing democratic and social patterns, we follow closely the development of financial markets, as well as larger trends that affect the economy and indicate business opportunities. Two of the fields that we have spent time on in the last few years are functional food and renewable energy. Our efforts in functional food – based on a belief in the need for increasing preventive health awareness – are yet to result in an investment. In the field of renewable energy, we formed o2 Produktion in 2006. Proventus owns 70 per cent of o2 Produktion in partnership with the Swedish energy co-operative o2 Gruppen. The ambition is to build an electricity production company based solely on renewable sources, with wind power as the main focus. As fossil fuels approach peak levels, we will need to seek alternative sources of energy. Wind power is still in need of subsidies, but we believe that over time it will be an efficient technology that has the potential to replace some of the capacity of increasingly obsolete methods. o2 Produktion is currently building its first wind power plant in Dalarna, Sweden. The plant will be up and running by the end of 2007.

## ENGAGEMENTS IN CULTURE AND SOCIETY.

In addition to our investment activities, Proventus is engaged in research, experimenting, learning and debate, aiming at contributing to European society-building. This engagement is characterised by a long-term perspective and a focus on humanistic

values and falls into three categories: contemporary culture, currently within Magasin 3 Stockholm Konsthall, the Jewish Theatre and the Batsheva Dance Company; environmental issues with special focus on our seas and oceans through our engagement in the Israeli environmental organisation EcoOcean; and research focusing on economic, demographic and democratic developments in Europe, carried out through the Jewish Cultural Heritage Foundation as well as through the research that is done in-house at Proventus.

Our engagements in the arts have continued to develop in experimental and exciting ways. The inspiration and learning we get through living close to these institutions is immense. 2006 saw a number of very strong exhibitions at Magasin 3 Stockholm Konsthall, including Paul Chan, Gunnel Wåhlstrand, Kimsooja and Fabrice Gygi. Magasin 3 was also rebuilt during the summer and now includes a library and a café. The first major exhibition of Pipilotti Rist in Scandinavia and another strong group exhibition, "Fleeing away from what bothers you most", resulted in a record number of visitors during the first months of 2007.

At the Jewish Theatre, we were happy to see the successful result of the cooperation with Batsheva Dance Company in the truly innovative dance installation Furo. In February 2006, as part of the Stockholm New Music festival, the Jewish Theatre also staged Shadowtime, with music by Brian Ferneyhough and text by Charles Bernstein.

As part of Proventus' interest in research on long-term European economic, demographic and political developments, and through our engagement in the Jewish Cultural Heritage Foundation, we were involved in arranging the international congress "The New European Cultural Landscape and the Jewish Experience", which took place at the Museum of Modern Art in Stockholm in March. We were very happy to be part of the congress, which was a great success in terms of content as well as press coverage.

## PROVENTUS MOVING ON.

Our physical environment has also changed. In May, Proventus moved to the top floor of the so-called 'Glass Building' (Swedish: Glashuset) at Slussen right on the Stockholm waterfront. For a number of years, we have been looking for a modern, functional and inspiring office space – an office that suits our activities and reflects our values. This new space mirrors the breadth of our activities – from culture to commerce. At the same time, it has been important for us to create a good environment for committed and creative work, as well as an inspiring setting for conversations and meetings. We believe that an office with these qualities is an important element in continuing to develop Proventus.

If you have a deeper interest in Proventus, our projects and activities, there is always up-to-date information on *www.proventus.se*. Launched in June, the aim of this site is to show our wide range of engagements, convey our values, release news about our projects and function as a node for the Proventus group.

In all, even though our view of the world may be seen as pessimistic, we believe that through continuing to develop our model of product-centric change and our activities – in business, culture and research – we can be successful and also hopefully contribute to a more positive development in society.

Stockholm, 2 May 2007
Daniel Sachs

# ADMINISTRATION REPORT

The Board of Directors and Chief Executive Officer of Proventus AB, 556042-3443, hereby present the annual report for the operations of the parent company and the Group for the 2006 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 of 2006

### OPERATIONS

Proventus is a privately held company that invests 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 investing activities, Proventus is the owner of 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.

During 2006, Robert Weil's ownership of Proventus Industrier AB was consolidated to the parent company Proventus AB. The Proventus Group thereby increased its ownership in Proventus Industrier from 36 per cent to 85 per cent. In order to increase comparability, the 2005 annual report has been adjusted as if Proventus Industrier had been consolidated as of 1 January 2005. See additional information in Note 2.2. The effect on the results after financial items is an improvement of MSEK 36.2 during 2005.

Proventus was founded by Robert Weil in 1980, who has owned 100 per cent of the parent company since 1999.

### THE GROUP

The most accurate reflection of the Group's progress is the net worth (the market value of total assets minus total liabilities) and the changes in net worth. The company's net worth per 31 December 2006 amounted to MSEK 2,791 (2,750), comprising a net change of MSEK 41 (213). During 2006, MSEK 119 were distributed to shareholders in dividends, which should be taken into account in comparisons between the years.

The Group's operating income amounted to MSEK 115.8 (187.7). Income after financial items amounted to MSEK 107.1 (189.7). Net profit for the year amounted to MSEK 110.7 (160.1). The deterioration of the results is partially attributable to declining results in investing activities, MSEK 153.5 compared to MSEK 217.9 in 2005, but it is also due to declining results in operating investments. As of 1 October 2006, BRIO has been a subsidiary. The company lost MSEK -25 before taxes during the last quarter, which has directly affected the result for other operating investments. The net result for the cultural operations of Proventus deteriorated by slightly over MSEK -14, while other

companies' net result deteriorated by MSEK -5. The weakening of the dollar and euro against the SEK, -13.6 per cent and -4.0 per cent respectively, have negatively affected the result and the company's equity. Nearly half of the Group's assets are exposed in euro and the main part of the Group's real estate properties is exposed against the dollar. The weakening of the euro has primarily affected investing activities while the dollar affects equity through the conversion difference.

On 5 November, a large acquisition was executed within the Group. The associated company Nordic Broadcasting, which is co-owned 50/50 with Bonnier & Bonnier, acquired 26.9 per cent of the shares of TV4 from Schibsted, and an additional 2.2 per cent from Trafalgar Catalyst Fund. In association with the approval of the transaction by the competition authority, Bonnier and Proventus contributed their directly owned shares in TV4 in kind to Nordic Broadcasting, which subsequently holds all the shares in TV4.

At the end of the financial year, the Group's liquid funds amounted to MSEK 194.1 (53.1). Interest-bearing current and long-term liabilities amounted to MSEK 456.0 (46.0). The equity/assets ratio amounted to 73.5 (93.1) per cent.

### THE PARENT COMPANY

The parent company's operating loss amounted to MSEK -51.0 (64.3). Net income for the year amounted to MSEK -51.4 (35.8). The deterioration in the total income compared to the previous year is due to the decline in the result within capital management operations, in which developments in the parent company's position in the S&P500 share index deteriorated considerably. During 2005, the position contributed to the result with MSEK 33.2 while the development in 2006 led to a loss of MSEK -26.6. The weakening of the euro against the SEK also affected the result negatively. Proventus has consciously selected exposure in the euro and has consistently sold SEK against the euro. During 2006, the forward contracts alone accounted for a loss of MSEK -20, while the development during 2005 was the opposite, resulting in a profit of MSEK 24.

Dividends from subsidiaries amount to MSEK 38 (-).

The parent company's balance sheet total per 31 December 2006 amounted to MSEK 2,323 (2,294). Equity amounted to MSEK 2,023 (2,127). Apart from the annual loss, the parent company's equity is affected by conversion discrepancies on loans to foreign subsidiaries, distributed dividends, and distributed Group allowances.

## Investing Activities

### ACTIVE INVESTMENTS

Investing activities are conducted primarily within Proventus Industrier, in which Proventus and the subsidiary Proventus Capital own 85 per cent, following the acquisition of 49 per cent during 2006 from Robert Weil AB. The remainder of Proventus Industrier is owned by Daniel Sachs AB. Financing of Proventus Industrier has primarily been carried out on the basis of conditional shareholder contributions from Proventus and Proventus Capital.

The toy company BRIO and media groups MTV and TV4 are considered active investments. In addition, the design group Design Research is treated as an active investment. Active investments that are associated companies are recorded in the Group at market value with change in value of the result under investing activities. Active investments that are subsidiaries are consolidated entirely and are recorded as results from operating investments.

The recorded changes in the value of holdings are summarised below.

BRIO. The BRIO share, which is listed on the Nordic Exchange, has experienced negative development during 2006. The share was quoted at SEK 74.5 per share on 31 December 2005. The 2006 result has deteriorated beyond anticipation and the share price has fallen by -34.2 per cent during the year, quoted at the end of 2006 at SEK 49 per share. During September, a new capital issue was carried out in the company. A total of MSEK

224 was contributed, of which MSEK 168 was in the form of shares and MSEK 56 in the form of subordinate loans. Proventus guaranteed the issue and increased its ownership to 44.5 per cent of capital and 52.5 per cent of the votes. At that point, Proventus' contribution amounted to MSEK 154.7, of which MSEK 110.9 refers to shares and MSEK 43.8 to subordinate loans. As Proventus after the issue controls more than 50 per cent of the votes, BRIO is consolidated as a subsidiary as of 1 October 2006. The consolidated result from BRIO is recorded under operating investments and amounted to MSEK -25 before taxes during the last quarter. The change in value of the BRIO share until and including September, when the market value in Proventus of the company's share was determined, is accounted for as net changes in value under investing activity with a total of MSEK -38. BRIO thereby burdened the Proventus Group's result during 2006 with a total of MSEK -63 before taxes. During 2005, the value of BRIO increased by MSEK 11, which is recorded under Change in Value.

TV4. TV4 and the TV4 share, that during the year was quoted on First North, have continued to develop positively. The channel presented its best financial closing ever during 2006. The result after financial net amounted to MSEK 395, compared to MSEK 262 in 2005. The value of the share increased from SEK 207 to SEK 270 per share, an increase of 30.4 per cent during the year, and 58.8 per cent since the time of acquisition. Proventus gained a total of MSEK 30.2 (MSEK 7.6) in dividends from TV4 during the year.

On 28 December 2006, Proventus' ownership of TV4 was contributed in kind into Nordic Broadcasting with the intention of consolidating ownership in TV4 into one company. The value of the formation by subscription in kind was set at SEK 270 per share.

NORDIC BROADCASTING. Following executed transactions and restructuring of holdings, Nordic Broadcasting controls nearly 99 per cent of the shares in TV4 and 100 per cent of the shares in corresponding Finnish media company MTV. The ownership is appraised at MEUR 165, which is MSEK 92 more than the total appraised value of both companies in 2005. The effect on the result during 2005 was slightly over MSEK 138.

## DEVELOPMENT CAPITAL

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 that amounted to MSEK 83 in 2005 experienced a net increase of MSEK 163 to MSEK 246 during 2006. A larger loan of MSEK 50 was redeemed prematurely during the year. Income on interest from the loan operations amounted to a total of MSEK 21.1 (MSEK 6.6).

During 2006 an agreement was signed regarding the sale of an unlisted holding, resulting in changing values of MSEK 127.2. The non-finalised purchase price amounted to MSEK 140, which will be disbursed during 2007 and 2008.

## ASSET MANAGEMENT

Return on investment from asset management amounted to MSEK -39.6 (87.3). The deterioration compared to 2005 is primarily due to the negative development of the position in the American S&P500 share index, MSEK -34.8 (32.6). The strengthening of the euro against the SEK also contributed to the effect, as the main part of the bond portfolio is made up of underlying euro securities.

For additional information about Proventus' holdings of underlying positions in derivative contracts see Notes 3 and 23.

## OPERATING INVESTMENTS

Operating investments include BRIO (as of 1 October), 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.

Operating investments affected the Group's result by MSEK -46.5 (-28.2) after taxes, but this includes the dissolution of allocations with MSEK 39, which improves the 2006 result. The allocation was designated to an old commitment in previously terminated operations. The risk of needing to realise the commitment has ceased entirely during 2006 and the allocation has been recorded as other income. Proventus invested a total of MSEK -31.1 (-29.4) in cultural operations.

## Financial expenses

Financial costs have increased primarily due to interest expenses in BRIO.

## Personnel

The number of employees within the Group amounts to 660 (111). Of these, 6 (6) work primarily within investing activities. The increase during the year is due to BRIO, which has been added as subsidiary during the year.

## 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 takes key business decisions. The committee consists of three regular Board members and an external representative.

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 our own macroeconomic analyses. The analyses are supplemented with supporting documentation from external analysts. An investment committee comprised of internal as well as external members supports the adopted strategies. 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 about holdings and positions, see Note 23.

## Future developments

The primary emphasis of Proventus' operations is to invest in and actively develop companies in need of change. Its profits are to be generated by these companies through vigorous programmes for change to improve their profitability and to increase their value. Sustainable change in these companies is partially based on enhanced product or service offerings – processes that normally require a relatively long time.

## Significant events after balance sheet date

During March 2007 Proventus signed an agreement with Bonnier regarding divestment of the holding in Nordic Broadcasting. The acquisition has been approved by relevant competition authorities.

Proventus will provide a loan amounting to MSEK 55 to Nordic Broadcasting and keep board representation.

Proventus has increased its ownership in BRIO. As from April it amounts to 50.5 per cent of the shares and 60.1 per cent of the votes.

Proventus has started a long-term partnership with the o2 Group with the objective of developing the co-owned o2 Produktion into a leading producer within renewable energy. At the beginning of 2007, o2 Produktion made its first investment in Vansbro in Sweden.

## Dividend

The Board has not proposed dividend during the annual general meeting.

## Appropriation of profits

The proposed appropriation of profits is presented on page 63.

# CONSOLIDATED INCOME STATEMENT

1 January – 31 December

| KSEK | Note | 2006 | 2005 |
|---|---|---|---|
| **Investing activities** | | | |
| Dividends | | 30,200 | 7,550 |
| Interest income | | 21,094 | 6,611 |
| Changes in value | 7 | 141,550 | 237,006 |
| Other income | | 1,211 | - |
| Administrative expenses | | -40,475 | -33,225 |
| **Net income – investing activities** | | **153,579** | **217,942** |
| | | | |
| **Operating investments** | | | |
| Net sales | | 530,665 | 140,364 |
| Cost of goods sold | | -355,760 | -71,350 |
| Selling expenses | | -109,204 | -29,324 |
| Research and development costs | | -12,598 | -2,322 |
| Administrative expenses | | -125,967 | -76,924 |
| Other income | | 49,560 | 11,214 |
| Other costs | | -14,521 | -1,856 |
| **Net income – operating investments** | | **-37,825** | **-30,197** |
| | | | |
| **Operating profit/loss** | 6, 8, 9, 10 | **115,754** | **187,746** |
| | | | |
| Financial income | 11 | 3,925 | 3,830 |
| Financial expenses | 12 | -12,620 | -1,852 |
| **Net financial income** | | **-8,695** | **1,978** |
| | | | |
| **Profit/loss before tax** | | **107,059** | **189,724** |
| | | | |
| Tax on net income for the year | 13 | 3,675 | -29,597 |
| **Net profit/loss for the year** | | **110,734** | **160,126** |
| | | | |
| *Attributable to:* | | | |
| The parent company's shareholder | | 120,123 | 128,260 |
| Minority interest | | -9,389 | 31,866 |
| | | **110,734** | **160,126** |

# CONSOLIDATED BALANCE SHEET

31 December

| KSEK | Note | 2006 | 2005 |
|---|---|---|---|
| Assets | | | |
| Intangible fixed assets | 14 | | |
| Development expenditure brought forward | | 15,354 | - |
| Brands | | 134,903 | - |
| Goodwill | | 94,592 | 15,071 |
| Right of tenancy | | 39,797 | 33,234 |
| Ongoing investments | | 6,230 | - |
| | | **290,876** | **48,305** |
| Tangible fixed assets | 15 | | |
| Land and buildings | | 277,081 | 309,514 |
| Equipment and tools | | 8,180 | - |
| Other equipment | | 49,198 | 33,276 |
| Current investments | | 522 | - |
| | | **334,981** | **342,790** |
| Financial fixed assets | | | |
| Participations in associated companies | 16 | 1,493,250 | 1,529,378 |
| Receivables from associated companies | | - | - |
| Other long-term securities holdings | 17 | 3,629 | 4,412 |
| Deferred tax receivables | 19 | 223,565 | 187,674 |
| Long-term receivables | 20 | 124,182 | 82,600 |
| Pension commitments | 26 | - | 281 |
| | | 1,844,689 | 1,804,353 |
| **Total fixed assets** | | **2,470,546** | **2,195,448** |
| Inventories | 21 | 306,961 | 119,237 |
| Current receivables | 22 | | |
| Accounts receivable – trade | | 220,591 | 16,952 |
| Other receivables | | 61,267 | 31,486 |
| Prepaid expenses and accrued income | | 26,523 | 15,597 |
| Current investments | 23 | 538,267 | 522,303 |
| Cash and bank | 24 | 194,137 | 53,156 |
| **Total current assets** | | **1,348,106** | **758,731** |
| **Total assets** | | **3,818,652** | **2,954,179** |

# CONSOLIDATED BALANCE SHEET

31 December

| KSEK | Note | 2006 | 2005 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 25 | 58,300 | 58,300 |
| Capital contributed | | 31,431 | 31,431 |
| Other reserves | | -739 | 24,963 |
| Profit brought forward | | 2,150,718 | 2,077,708 |
| **Equity attributable to parent company's shareholder** | | **2,239,710** | **2,192,402** |
| Minority interests | | 551,485 | 557,790 |
| **Total equity** | | **2,791,195** | **2,750,192** |
| Long-term liabilities | | | |
| Pension commitments | 26 | 71,367 | - |
| Other provisions | 27 | 18,913 | 39,560 |
| Other long-term liabilities | 28 | 464,223 | 46,016 |
| Deferred tax liability | 19 | 49,432 | 13,575 |
| **Total long-term liabilities** | | **603,935** | **99,151** |
| Current liabilities | | | |
| Accounts payable – trade | | 123,404 | 17,131 |
| Income tax liabilities | | 1,795 | 499 |
| Other liabilities | 29 | 204,736 | 73,074 |
| Accrued expenses and deferred income | 30 | 93,587 | 14,132 |
| **Total current liabilities** | | **423,522** | **104,836** |
| **Total liabilities** | | **1,027,457** | **203,987** |
| **Total equity, provisions and liabilities** | | **3,818,652** | **2,954,179** |
| **Pledged asset** | 32 | | |
| Pledged assets | | 630,530 | 203,620 |
| **Total pledged assets** | | **630,530** | **203,620** |
| **Contingent liabilities** | 33 | | |
| Other contingent liabilities | | 25,506 | 2,855 |
| **Total contingent liabilities** | | **25,506** | **2,855** |

# CONSOLIDATED CHANGES IN EQUITY

| | Attributable to parent company shareholder | | | | Minority interest | Total equity |
|---|---|---|---|---|---|---|
| KSEK | Share capital | Other added capital | Other reserves forward | Profit/loss brought | | |
| **Opening balance as per 1 January 2005** | **58,300** | **31,431** | **-23,091** | **1,938,971** | **521,769** | **2,527,380** |
| **Transactions accounted for directly in equity** | | | | | | |
| Acquisition of subsidiary company | | | | 10,477 | 3,353 | 13,830 |
| Convertible promissory notes – equity | | | -8,021 | | | -8,021 |
| Exchange rate differences – (translation difference) | | | 56,075 | | 802 | 56,876 |
| **Total transactions accounted for directly in equity** | | | **48,054** | **10,477** | **4,155** | **62,686** |
| Net profit/loss for the year | | | | 128,260 | 31,866 | 160,126 |
| Closing balance as **per 31 December 2005** | **58,300** | **31,431** | **24,963** | **2,077,708** | **557,790** | **2,750,192** |
| **Opening balance as per 1 January 2006** | **58,300** | **31,431** | **24,963** | **2,077,708** | **557,790** | **2,750,192** |
| **Transactions accounted for directdly in equity** | | | | | | |
| Acquisition of subsidiary company | | | | -38,426 | | -38,426 |
| Acquired minority | | | | | 104,867 | 104,867 |
| Dividend | | | | -8 687 | -101,343 | -110,030 |
| Hedged net investment | | | 20,949 | | | 20,949 |
| Exchange rate differences (translation differences) | | | -46,651 | | -440 | -47,091 |
| **Total transactions accounted for in equity** | | | **-25,702** | **-47,113** | **3,084** | **-69,731** |
| Net profit/loss for the year | | | | 120,123 | -9,389 | 110,734 |
| **Closing balance as per 31 December 2006** | **58,300** | **31,431** | **-739** | **2,150,718** | **551,485** | **2,791,195** |

Capital share attributable to BRIO during the period that the company was an associated company has been accounted for directly in equity.

# CONSOLIDATED CASH FLOW STATEMENT

1 January – 31 December

| KSEK | Note | 2006 | 2005 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Active investments | | | |
| Dividends received | | 30,200 | - |
| Asset management | | | |
| Acquisition/sales, net | | 190,871 | 1,352,250 |
| Lending operations | | | |
| Received interest | | 21,094 | 6,611 |
| Other activities and operational expenses | | -87,000 | -37,306 |
| Tax paid | | - | -183 |
| | 31 | **155,165** | **1,321,372** |
| **Cash flow from investment activities** | | | |
| Active investments | | | |
| Acquisitions | | - | -1,260,779 |
| Sales | | - | - |
| Lending operations | | | |
| Acquisitions | | -36,744 | -66,380 |
| Sales | | - | - |
| Operating investments | | | |
| Acquisition of subsidiary companies | | -110,869 | - |
| Sale of subsidiaries companies | | - | - |
| Acquisition of intangible fixed assets | | -16,046 | -261 |
| Acquisition of tangible fixed assets | | -15,728 | -30,266 |
| Sale of tangible fixed assets | | - | 100 |
| Increase of long-term receivables | | - | - |
| Decrease of long-term receivables | | -20,105 | -2,220 |
| | | **-199,492** | **-1,359,806** |
| **Cash flow from financing activities** | | | |
| Increase of long-term receivables | | 197,307 | - |
| New share issue | | 720 | - |
| Reduction of long-term receivables operating investments | | - | 3,713 |
| Increase of short-term liabilities operating investments | | 14,731 | 3,283 |
| Change of short-term receivables operating investments | | 82,580 | 8,621 |
| Dividend | | -110,030 | - |
| | | **185,308** | **15,617** |
| **Cash flow for the year** | | **140,981** | **-22,818** |
| Liquid funds at the beginning of the year | | 53,156 | 75,973 |
| **Liquid funds at the end of the year** | | **194,137** | **53,156** |

# PARENT COMPANY INCOME STATEMENT

1 January – 31 December

| KSEK | Note | 2006 | 2005 |
|---|---|---|---|
| **Investing activities** | | | |
| Dividends | | 38,010 | - |
| Changes in value | 7 | -50,056 | 88,903 |
| Administrative expenses | | -32,115 | -26,279 |
| **Net income – investing activities** | | **-44,161** | **62,623** |
| | | | |
| **Operating investments** | | | |
| Administrative expenses | | -3,307 | -3,740 |
| Other income | | 10,042 | 10,576 |
| Other expenses | | -13,578 | -5,136 |
| **Net income – operating investments** | | **-6,844** | **1,700** |
| | | | |
| **Operating profit/loss** | 6, 8, 9, 10 | **-51,004** | **64,323** |
| | | | |
| Financial income | 11 | 3,968 | 3,004 |
| Financial expenses | 12 | 4,404 | -2,119 |
| | | **-437** | **885** |
| | | | |
| **Profit/loss after financial items** | | **-51,441** | **65,208** |
| | | | |
| Tax on income for the year | 13 | - | -29,414 |
| **Net profit/loss for the year** | | **-51,441** | **35,794** |

# PARENT COMPANY BALANCE SHEET

31 December

| KSEK | Note | 2006 | 2005 |
|---|---|---|---|
| **Assets** | | | |
| Tangible fixed assets | 15 | | |
| Land and building | | 20,671 | 21,227 |
| Equipment | | 20,581 | 15,234 |
| | | 41,252 | 36,462 |
| Financial fixed assets | | | |
| Participations in Group companies | 18 | 1,007,797 | 168,531 |
| Receivables from Group companies | | 692,736 | 556,982 |
| Participations in associated companies | 16 | - | 843,169 |
| Receivables from associated companies | | - | 27,301 |
| Other long-term securities holdings | 17 | - | - |
| Deferred tax receivables | 19 | 185,803 | 187,674 |
| Long-term receivables | 20 | 7,564 | 13,152 |
| | | 1,893,900 | 1,796,809 |
| **Total fixed assets** | | **1,935,152** | **1,833,271** |
| Current receivables | 22 | | |
| Accounts receivable – trade | | 561 | 91 |
| Receivables from Group companies | | 326 | 326 |
| Other receivables | | 2,433 | 8,475 |
| Prepaid costs and accrued income | | 5,788 | 8,904 |
| | | 9,108 | 17,796 |
| Current investments | 23 | 297,546 | 430,106 |
| Cash and bank | 24 | 81,296 | 12,841 |
| **Total current assets** | | **387,950** | **460,743** |
| **Total assets** | | **2,323,102** | **2,294,013** |

# PARENT COMPANY BALANCE SHEET

31 December

| KSEK | Note | 2006 | 2005 |
|---|---|---|---|
| **Equity** | | | |
| Restricted equity | | | |
| Share capital | 25 | 58,300 | 58,300 |
| Statutory reserve | | 31,411 | 31,411 |
| | | 89,711 | 89,711 |
| **Non-restricted equity** | | | |
| Other reserves | | -3,254 | 25,425 |
| Profit brought forward | | 1,988,401 | 1,976,373 |
| Net profit/loss of the year | | -51,441 | 35,794 |
| | | 1,933,706 | 2,037,592 |
| **Total equity** | | **2,023,417** | **2,127,303** |
| **Provisions** | | | |
| Pension provisions | 26 | 14,254 | 14,136 |
| **Total provisions** | | **14,254** | **14,136** |
| **Long-term liabilities** | | | |
| Other long-term liabilities | 28 | 85,124 | 39,206 |
| Liabilities to Group companies | | 93,043 | 32,228 |
| Deferred tax liability | | 11,704 | 13,575 |
| **Total long-term liabilities** | | **189,871** | **85,009** |
| **Current liabilities** | | | |
| Accounts payable – trade | | 2,929 | 691 |
| Liabilities to Group companies | | 8,623 | 6,507 |
| Other liabilities | 29 | 79,304 | 55,519 |
| Accrued expenses and deferred income | 30 | 4,704 | 4,848 |
| **Total current liabilities** | | **95,560** | **67,565** |
| **Total liabilities** | | **299,685** | **166,710** |
| **Total equity, provisions and liabilities** | | **2,323,102** | **2,294,013** |
| **Pledged asset** | 32 | | |
| Participation in Group companies | | 843,218 | - |
| Pledged assets for forward exchange/option agreements | | 143,557 | 198,245 |
| **Total pledged assets** | | **986,775** | **198,245** |
| **Contingent liabilities** | 33 | | |
| Non-funded pension commitments in foundations | | 3,121 | 3,779 |
| Guarantees | | 6,109 | 6,344 |
| Other contingent liabilities | | 2,885 | 2,855 |
| **Total contingent liabilities** | | **12,115** | **12,978** |

# PARENT COMPANY CHANGES IN EQUITY

| KSEK | Share capital | Statutory reserve | Other funds | Profit/loss brought forward | Net profit/loss for the year | Total equity |
|---|---|---|---|---|---|---|
| **Opening balance as per 1 January 2005** | **58,300** | **31,411** | **-22,899** | **2,003,008** | **-18,829** | **2,050,991** |
| Hedged net investment | | | -8,022 | | | -8,022 |
| Exchange rate differences (translation difference) | | | 56,346 | | | 56,346 |
| Group contribution | | | | -7,806 | | -7,806 |
| Transfer of previous years' profit/loss | | | | -18,829 | 18,829 | - |
| **Total transactions accounted for in equity** | | | **48,324** | **-26,635** | **18,829** | **40,518** |
| Net profit/loss for the year | | | | | 35,974 | 35,794 |
| **Balance carried forward as per 31 December 2005** | **58,300** | **31,411** | **25,425** | **1,976,373** | **35,974** | **2,127,303** |
| **Opening balance as per 1 January 2006** | **58,300** | **31,411** | **25,425** | **1,976,373** | **35,974** | **2,127,303** |
| Hedged net investment | | | 20,949 | | | 20,949 |
| Exchange rate differences (translation differences) | | | -49,628 | | | -49,628 |
| Paid dividend | | | | -8,687 | | -8,687 |
| Group contribution | | | | -15,078 | | -15,078 |
| Transfer of previous years' profit/loss | | | | 35,794 | -35,794 | - |
| **Total transactions accounted for in equity** | | | **-28,679** | **12,028** | **-35,794** | **-52,444** |
| Net profit/loss for the year | | | | | -51,441 | -51,441 |
| **Balance carried forward per 31 December 2006** | **58,300** | **31,411** | **-3,254** | **1,988,401** | **-51,441** | **2,023,417** |

**Other funds consist of**

| | |
|---|---|
| **Fair value reserve** | |
| Opening balance as per 1 January 2005 | -22,899 |
| Change | 48,324 |
| Opening balance as per 1 January 2006 | 25,425 |
| Change | -28,679 |
| Closing balance as per 31 December 2006 | -3,254 |
| **Total other funds** | **-3,254** |

# PARENT COMPANY CASH FLOW STATEMENT

1 January – 31 December

| KSEK | Note | 2006 | 2005 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Active investments | | | |
| Received dividends from subsidiaries | | 18,010 | - |
| Asset management | | | |
| Acquisition/sales, net | | 126,484 | 835,661 |
| Other activities and operational expenses | | -37,000 | -25,392 |
| Tax paid | | - | - |
| | 31 | **107,494** | **810,269** |
| **Cash flow from investment activities** | | | |
| Active investments | | | |
| Acquisitions | | - | -753,133 |
| Operating investments | | | |
| Acquisition of intangible fixed assets | | -7,184 | -843 |
| Acquisition of subsidiaries | | - | -100 |
| Increase of long-term receivables | | -138,083 | -70,028 |
| Decrease of long-term receivables | | -470 | - |
| Paid dividend | | -8,687 | - |
| Decrease of long-term liabilities | | - | -35,237 |
| Decrease of current liabilities | | - | -4,540 |
| | | **-154,424** | **-863,881** |
| **Cash flow from financing activities** | | | |
| Close-down of subsidiary | | 3,903 | - |
| Reduction of short-term receivable | | 5,587 | - |
| Reduction of short-term receivables | | 9,158 | 12,296 |
| Increase of long-term liabilities | | 91,773 | - |
| Increase of short-term liabilities | | 4,964 | - |
| **Cash flow from financing activities** | | **115,385** | **12,296** |
| **Cash flow for the year** | | **68,455** | **-41,316** |
| Liquid funds at the beginning of the year | | 12,841 | 54,157 |
| **Liquid funds at the end of the year** | | **81,296** | **12,841** |

# 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 16 April 2007.

## 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 RR 30, Supplementary Reporting Regulations for Groups. The parent company applies the Swedish Annual Accounts Act and RR 32, Accounting for Legal Entities. The applied principles are unchanged in comparison with previous years.

In cases where the parent company applies other accounting principles than the Group, this is separately stated at the end of this Note.

The following IFRS standards and interpretations which have been published but have not come into force per 31 December 2006 are not expected to have any significant effect on the Group's financial reports for 2007.

– Change of IAS 1, which entails increased supplementary information referring to definition of capital, capital structure and policies for handling of capital, among others.

– IFRS 7 Financial Instruments. This standard is not expected to cause any major changes of compared to the disclosures submitted in this annual report.

– IFRS 8 Operating Segments. This standard comes into force on 1 January 2009 and is valid for the financial year which begins on this date. The standard deals with the division of the company's operations into different segments. According to the standard, the company shall use the internal reporting structure as a basis and decide on reportable segments on the basis of this structure. Proventus AB's preliminary assessment is that no additional segment will be presented in the annual report in 2009 as Proventus AB is currently already presenting the segments found within the Group.

– IFRIC 9 Reassessment of Embedded Derivatives. This interpretation comes into force on 1 June 2006 and applies for the financial year which begins as from 1 June 2006. The statement makes up a clarification of IAS 39 regarding embedded derivatives, primarily regarding changed assessment of embedded derivatives as a result of the change of market conditions. This assessment is not expected to have any significant effect on the Group's financial reports.

– The following IFRS standards and interpretations which have been published but have not come into force per 31 December 2006 are not applicable to the Group's financial reports for 2007.

– IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies. This interpretation comes into force on 1 March 2006 and applies for the financial year which begins after 1 March 2006. The Group currently has no operations in any countries where the restatement approach to financial reporting in a hyperinflationary economy is applied.

– IFRIC 8 Scope of IFRS 2. This interpretation comes into force on 1 May 2006 and applies for the financial year which begins after 1 May 2006. According to IFRIC 8, the regulations in IFRS 2 apply to goods and services received in exchange for equity instruments, even if these goods and services, in part or in whole, cannot be specifically iden-

tified. This statement is not applicable to the Group as these types of transactions do not occur.
– IFRIC 10 Interim Financial Reporting and Impairment. This interpretation comes into force on 1 November 2006 and applies for the financial year which begins after this date. In the interpretation, it is established that impairments in a previous interim report cannot be reversed in a following interim or annual report. The Group will apply IFRIC 10 as from 1 January 2007, but this is not expected to have any effect on the Group's accounts.
– IFRIC 11 IFRS 2 Group and Treasury Share Transactions. The interpretation comes into force on 1 March 2007 and applies for the financial year which begins after this date. The interpretation clarifies the treatment of the classification of share-related remuneration in which the company repurchases shares in order to regulate its commitment and the accounting of the options programme in subsidiaries which apply IFRS. The Group will apply IFRIC 11 as from 1 January 2008 but this is not expected to have any effect on the Group's accounts.
– IFRIC 12 Service Concession Arrangements. The interpretation comes into force on 1 January 2008 and applies for the financial year which begins after this date. The statement deals with the arrangements in which a private company shall erect an infrastructure for supplying public service for a specific time period. The company gets paid for this service during the term of this agreement. The Group will apply IFRIC 12 as from 1 January 2008 but this is not expected to have any effect on the Group's accounts.

### 2.1 Basis for the preparation of the reports

The parent company's functional currency is the 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 of 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 estimates in the accounts. 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 RR 32, 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 costs 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.

*Business combinations involving businesses under common control*
During 2006 Proventus acquired 49 per cent of the shares in Proventus Industrier from Robert Weil AB. The consolidated businesses are ultimately controlled by the same owner prior to and following the acquisition. The requirements for business combinations do not apply to business

combinations involving businesses under common control. In absence of more detailed IFRS guidance, management has made the decision to value the acquisition at historical acqusition value. According to this principle, the business is accounted for as if it had been consolidated as of 1 January 2005.

### 2.3 Segment reporting

Segment reporting is divided among the Group's business areas: Active 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 are 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. An increase in segment reporting may come into question during 2007 since BRIO's operations will have a larger effect on the Group's result and position as compared to 2006.

### 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. Exchange rate differences arising in conjunction with the translation of net assets of foreign subsidiaries are reported directly against equity. During 2005, net assets in foreign subsidiaries were partially 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 test 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, economical 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 costs 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 when 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 lifetime.

Goodwill is reported as acquisition cost with deductions for accumulated impairment losses. Goodwill is divided into cash-generating units at testing for any write-down requirement. Division is performed on the cash-generated units expected to benefit from the operational acquisition that has given rise to the goodwill item. Goodwill in the Proventus Group is attributable to BRIO's acquisition of European Nursery Group and 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 by negotiating 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. The trademark for the Group has 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. During the determination of 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 120 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 the 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. The conditions above create a solid platform for the launch of upcoming product series in which the Group's trademarks will be a central factor for volume premiums as well as 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 testing of any write-down requirement.

*Renting rights*
Renting rights are reported at acquisition value. Additional expenses are added to acquisition cost 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 five 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. The majority of these refer to investments in the associated company Proventus Industrier in which Proventus has chosen to place those holdings in which Proventus takes an active ownership role. The associated companies placed in Proventus Industrier are valued at market value.

Quoted holdings are valued based on the listed market values and unlisted holdings are valued based on a suitable valuation model for the respective holding.

*Investments reported as current assets*
Investments reported as current assets primarily consist of transactions carried out within capital investing activities. The investments primarily consist of interest-bearing 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 utilised both for positioning and for hedging of assets and liabilities in foreign currency. The results arising from hedging instruments are reported directly in equity with the aim of eliminating the translation difference arising in connection with consolidation. Derivatives utilised for trading purposes are reported at fair value with change in value in the income statement.

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

*Valuation principles for financial instruments*
Quoted 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 Inventory

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 material, direct salaries and other direct, and directly attributable indirect, production overheads (based on normal manufacturing capacity). Borrowing costs are not included. Net realisable value is the estimated sales price in current operations, with deductions 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 realizable 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, convertible instruments issued to the family, and utilised overdraft facilities in one of its subsidiaries. The issued convertibles have been divided into a loan portion and an equity portion. The portion reported against equity consists of the difference between the discounted present value of the convertible and the nominal value at the time of issue, with consideration of deferred taxes. The tax portion is reported against deferred tax assets. The liability is accounted over its duration with the initial interest rate. The tax liability is changed in corresponding amounts as interest is allocated.

### 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 utilized 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*
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 upon 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 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 which exceed 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 expense 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 plan*
The company's commitments for each period are comprised of the amount with 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 only reported 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 that mature within 12 months after the accounting year end are presented at net present value.

*Share-based compensation*
Proventus does not have an options programme for its employees. However, an option programme is available in Proventus Industier and the subsidiary Proventus Invest. The latter company has not had any operations in recent years but there is an intention to build up an operation based on investments in unlisted companies. As Proventus Invest did not conduct any operations, the options programme did not have any value as per 31 December 2006.

The option programme in Proventus Industrier covers a total of 6 individuals within the Group. The value of the options programme is calculated continuously and is charged to profit.

Option and incentive programmes exist in BRIO as well. The programme covers 275,000 signing options in total, out of which 212,000 are signed and the remaining 63,000 have been reserved for use in the future. The signing 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

Dividend to the parent company's shareholder is reported as a liability in the Group's financial reports in the period in which the dividend was approved by the parent company's shareholder.

### 2.17 Leasing

Fixed assets that are utilised through leasing are classified in accordance with the economic meaning of the leasing agreement. Leased objects that are utilised through financial leasing are reported as fixed assets and the future leasing fees 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 current value of the minimum leasing fees.

Every 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 every accounting period is charged with an amount that corresponds to a fixed interest rate. Fixed assets held under

financial leasing agreements are depreciated according to the shorter period of either the time when 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 fair value is deemed to be lower than the reported value. Write-downs are expensed to the income statement.

### 2.19 Accounting principles – parent company

*Subsidiary companies*
Shares in subsidiary companies are reported in the parent company according to the cost method. Reported values are assessed every reporting day 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 gained after the acquisition. Dividends exceeding earned profits are considered a repayment on the investment and reduce the share's fair value.

*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 current 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.

Costs for defined benefit plans are reported as they arise.

### 3. Financial risk management

*Financial risk factors*
Through its operations, Proventus is exposed to a number of financial risks: primarily exchange risks and price risks, but also liquidity, counterpart and operational risks. A central finance department performs risk management for the parent company and certain subsidiaries, while the associated companies have their own risk management. The associated companies' risk is mainly of a hedging character, consequently reducing price risk. The Board has established a written policy for the finance department's operations, which stipulates measurements method, liquidity targets and directives for the taking of positions.

*Currency risk*
Proventus' balance sheet at Group level is usually hedged against the euro. This hedging can, in certain years, produce significant effects in the balance sheet and income statement in Swedish crowns.

*Price risk*
Proventus is exposed to price risk, mainly regarding securities, but also in considerable amounts within currencies and interest instruments. Proventus measures its actual price risk in active holdings on the basis of long-term development in the companies and strives to increase value through an active dialogue with corporate managements and other owners.

Within the securities operations, earnings and risk are measured over longer periods of time, and in certain years, the price risk can be significant. The risk is measured through an internally developed method, whereby the Board establishes a risk level for each individual strategy and for the portfolio as a whole. The CEO and CFO continuously follow up this risk.

*Liquidity risk*
The Board has established a framework dictating the types of liquidity reserves the parent company is to have. Normally, a significant portion of the assets (more than MSEK 250) within the securities operations is held as liquid funds available on short notice. Furthermore, Proventus has legally binding promises of credit and a framework for the pledging of assets which together provide good preparation for new transactions.

*Counterparty risk*
Counterparty risk refers to the risk that a counterparty or intermediary will not be able to fulfil their commitments. In its policy, the Board has stipulated the types of counterparty risk which are acceptable. The company may only use counterparties with high creditworthiness, i.e. those having received a credit rating of A 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 depart-

ment as 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 handled at the respective company.

## 4. Important estimates and assessments for accounting targets

*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 the associated company Proventus Industrier is valued at market value based on the market of assets of underlying holdings. The adjusted net value of assets is calculated based on the company's income and the market value of the company's underlying holdings.

Holdings in unlisted companies in Proventus Industrier are valued on the basis of the underlying company's earnings with application of relevant EBIDA calculations for comparable companies within the same line of business. Relevant calculations are based on information received from Goldman Sachs Investment Research.

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

## 5. Segment information

Proventus' investing activities are primarily organised according to the following business segments: (1) Active share investments in which Proventus invests in companies in need of change. Proventus assumes an active ownership role in the made investments. (2) Asset management, which comprises both internal and external management. External management primarily takes place with highly liquid fixed-interest securities with short maturity periods. Internal management comprises a more active approach to the taking of positions regarding securities, interest and currencies. The taking of long-term risks is based on analyses of the business environment and expected scenarios based on the analyses. (3) 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 and culture. The furniture and design companies Design Research and Artek are included in the Group. Operating investments included are the cultural organisations the Jewish Theatre and the art museum Magasin 3 Stockholm Konsthall.

*Immaterial assets*
See Notes 2.6 and 14.

**Develpoment per business segment, 1 Jan 2006 – 31 Dec 2006**

| KSEK | Active investments | Asset management | Development capital | Operating investments | Total |
|---|---|---|---|---|---|
| Dividends | 30,200 | - | - | - | 30,200 |
| Interest income | - | - | 21,094 | - | 21,094 |
| Change in value | 53,241 | -38,890 | 127,199 | - | 141,550 |
| Net sales | - | - | - | 530,665 | 530,665 |
| Cost of goods sold | - | - | - | -355,760 | -355,760 |
| Operating costs | -31,129 | -4,212 | -5,134 | -274,769 | -288,244 |
| Other income | - | - | 1,210 | 49,560 | 50,770 |
| Other costs | - | - | - | -14,521 | -14,521 |
| **Operating profit/loss** | **52,312** | **-43,102** | **144,369** | **-37,825** | **115,754** |
| Net profit/loss after financial items | - | - | - | -8,695 | -8,695 |
| Tax | - | - | - | 3,675 | 3,675 |
| **Profit/loss after tax** | **52,312** | **-43,102** | **144,369** | **-42,845** | **110,734** |
| **Total assets** | **1,493,250** | **376,701** | **267,057** | **1,681,644** | **3,818,652** |

**Developments per business segment, 1 Jan 2005 – 31 Dec 2005**

| KSEK | Active investments | Asset management | Development capital | Operating investments | Total |
|---|---|---|---|---|---|
| Dividends | 7,550 | - | - | - | 7,550 |
| Interest income | - | - | 6,611 | - | 6,611 |
| Change in value | 149,063 | 87,943 | - | - | 237,006 |
| Net sales | - | - | - | 140,364 | 140,364 |
| Cost of goods sold | - | - | - | -71,350 | -71,350 |
| Operating costs | -26,635 | -4,097 | -2,493 | -108,568 | -141,793 |
| Other income | - | - | - | 11,214 | 11,214 |
| Other costs | - | - | - | -1,857 | -1,857 |
| **Operating profit/loss** | **129,978** | **83,846** | **4,118** | **-30,197** | **187,745** |
| Net profit/loss after financial items | - | - | - | 1,978 | 1,978 |
| Tax | - | -29,717 | - | 120 | -29,597 |
| **Profit/loss after tax** | **129,978** | **54,129** | **4,118** | **-28,100** | **160,126** |
| **Total assets** | **1,529,378** | **522,303** | **83,140** | **819,349** | **2,954,179** |

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

### Salaries and remuneration

| KSEK | 2006 | | | | 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | Remunerations | Board/CEO of which bonus | Other employees | Total | Remunerations | Board/CEO of which bonus | Other employees | Total |
| Parent Company | 1,320 | - | 8,197 | 9,517 | 1,970 | - | 6,924 | 8,894 |
| Swedish subsidiary | 1,978 | 405 | 29,686 | 31,664 | 1,147 | - | 7,359 | 8,506 |
| **Total in Sweden** | **3,298** | **405** | **37,883** | **41,181** | **3,117** | **-** | **14,283** | **17,400** |
| Danmark | 173 | - | 1,696 | 1,869 | - | - | - | - |
| England | 3,578 | 135 | 7,940 | 11,518 | 2,831 | - | 4,063 | 6,894 |
| Finland | 1,181 | 83 | 17,661 | 18,842 | 604 | - | 14,419 | 15,023 |
| France | 291 | - | -74 | 217 | - | - | - | - |
| Hong Kong /China | 1,660 | 1,090 | 514 | 2,174 | - | - | - | - |
| Israel | - | - | 1,245 | 1,245 | - | - | 943 | 943 |
| Japan | 143 | - | 359 | 502 | - | - | - | - |
| Norway | 781 | 103 | 6,372 | 7,153 | - | - | - | - |
| Poland | 126 | 9 | 936 | 1,062 | - | - | - | - |
| Germany | 561 | 166 | 1,746 | 2,307 | - | - | - | - |
| Hungary | 138 | 62 | 181 | 319 | - | - | - | - |
| USA | - | - | 885 | 885 | - | - | 2,692 | 2,692 |
| **Total abroad** | **8,632** | **1,648** | **39,461** | **48,093** | **3,435** | **-** | **22,117** | **25,552** |
| **Totalt** | **11,930** | **2,053** | **77,344** | **89,274** | **6,552** | **-** | **36,400** | **42,952** |

No bonuses were paid in 2005.

**Average number of employees**

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total |
| Parent Company | 10 | 10 | 20 | 9 | 9 | 18 |
| Swedish subsidiary | 130 | 170 | 300 | 13 | 13 | 26 |
| **Total in Sweden** | **140** | **180** | **320** | **22** | **22** | **44** |
| Denmark | 7 | 8 | 15 | - | - | - |
| England | 11 | 16 | 27 | 8 | 9 | 17 |
| Finland | 23 | 50 | 73 | 16 | 29 | 45 |
| France | 4 | 2 | 6 | - | - | - |
| Hong Kong | 4 | 3 | 7 | - | - | - |
| Israel | 2 | 2 | 4 | 2 | 2 | 4 |
| Japan | 3 | 2 | 5 | - | - | - |
| China | 2 | 8 | 10 | - | - | - |
| Norway | 33 | 33 | 66 | - | - | - |
| Poland | 12 | 33 | 45 | - | - | - |
| Germany | 10 | 12 | 22 | - | - | - |
| Hungary | 24 | 25 | 49 | - | - | - |
| USA | 6 | 5 | 11 | 1 | - | 1 |
| **Total abroad** | **141** | **199** | **340** | **27** | **40** | **67** |
| **Total** | **281** | **379** | **660** | **49** | **62** | **111** |

**Social security contributions**

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| | Board/CEO | Other employees | Total | Board/CEO | Other employees | Total |
| Pensions | 25 | 7,417 | 7,442 | 17 | 1,367 | 1,384 |
| Other social security contributions | 1,274 | 20,472 | 21,746 | 1,285 | 9,913 | 11,198 |

The senior management in the parent company totals 7 (7), of whom 1 (1) is a woman.

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 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 | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Financial investments valued at fair value via the income statement | | | | |
| Bonds and shares | 127,412 | 45,506 | -2,795 | 40,346 |
| Derivative instruments | -39,862 | 41,800 | -47,261 | 48,557 |
| Fair value – changes concerning associated companies | 54,000 | 149,700 | - | - |
| **Total changes in value** | **141,550** | **237,006** | **-50,056** | **88,903** |

## 8. Costs allocated by type

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Cost of goods sold in operating investments | -320,950 | -64,621 | - | - |
| Personnel expenses (Note 9) | -124,513 | -59,555 | -14,599 | -12,530 |
| Rental and office expenses | -36,481 | -16,972 | -4,927 | -3,389 |
| Other overhead costs | -139,897 | -55,042 | -13,501 | -12,688 |
| Depreciations and write-downs (Notes 14, 15) | -22,163 | -16,955 | -2,394 | -1,412 |
| **Total costs** | **-644,004** | **-213,145** | **-35,421** | **-30,019** |

## 9. Remuneration to employees

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Salaries, including restructuring costs and compensation in connection with resignation | -89,274 | -42,952 | -9,517 | -8,971 |
| Social security contributions | -21,746 | -9,814 | -3,285 | -3,127 |
| Pensions costs – defined contribution and defined benefit plans | -7,442 | -1,384 | -1,253 | -1,251 |
| Refund of surplus funds, Alecta/SPP | - | 1,387 | - | 1,387 |
| Other personnel costs | -6,051 | -6,792 | -544 | -568 |
| **Total** | **-124,513** | **-59,555** | **-14,599** | **-12,530** |

## 10. Fees and reimbursements to auditors

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Audit assignment | -1,812 | -1,206 | -567 | -368 |
| Other assignments | -941 | -370 | - | -370 |
| **Total** | **-2,753** | **-1,576** | **-567** | **-738** |

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 incomes

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Interest income | 3,590 | 1,498 | 2,977 | 722 |
| Exchange rate gains | 335 | 2,332 | 991 | 2,282 |
| **Total** | **3,925** | **3,830** | **3,968** | **3,004** |

## 12. Financial costs

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Interest costs | | | | |
| – convertible debt instruments | -1,125 | -1,081 | -1,125 | -1,081 |
| – bank loans | -8,615 | -238 | - | -50 |
| – other interest costs | - | - | -2,284 | -266 |
| – pensions | -1,179 | -533 | -542 | -533 |
| Write-down of shares in subsidiaries | - | - | -453 | -189 |
| Other financial costs | -1,701 | - | - | - |
| **Total** | **-12,620** | **-1,852** | **-4,404** | **-2,119** |

## 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 | |
|---|---|---|---|---|
| Tax on income for the year | 2006 | 2005 | 2006 | 2005 |
| Current tax expense | -2,046 | -183 | -4,830 | -22,358 |
| Deferred tax referring to temporary differences | 5,721 | -29,414 | 4,830 | -7,056 |
| **Total** | **3,675** | **-29,597** | **-** | **-29,414** |

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

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Reported income before tax | 107,059 | 189,724 | -51,441 | 65,208 |
| Tax according to the applied tax rate, 28% | -29,976 | -53,123 | 14,403 | -18,258 |
| Tax effect of non-deductible costs | -11,422 | -2,421 | -9,017 | -1,779 |
| Tax effect of non-taxable costs | 77,669 | 41,965 | 12,992 | 8,022 |
| Tax effect of unreported taxable income | -8,893 | -12,430 | -9,464 | -12,529 |
| Utilised loss-carry forward amounts which have not been capitalised | 4,909 | 8,717 | -18,118 | - |
| Effect of net Group contributions paid | - | - | 4,373 | 2,186 |
| Deferred tax expense referring to temporary differences | 5,721 | -7,056 | 4,831 | -7,056 |
| Deficits which have not been capitalised | -34,622 | -5,066 | - | - |
| Effect of tax rate in foreign subsidiaries | 289 | - | - | - |
| Tax paid | - | -183 | - | - |
| **Reported tax expenses** | **3,675** | **-29,597** | **-** | **-29,414** |

## 14. Intangible fixed assets

### Capitalised development expenditure

| | Group | |
|---|---|---|
| | 2006 | 2005 |
| Opening acquisition value | - | - |
| Acquisitions for the year | 4,781 | - |
| Acquisition of companies | 19,366 | - |
| Re-classifications | - | - |
| Translation difference | -118 | - |
| Closing accumulated acquisition values | 24,029 | - |
| | | |
| Opening amortisation | - | - |
| Amortisation of the year | -1,466 | - |
| Acquisition of companies | -7,308 | - |
| Re-classifications | - | - |
| Translation difference | 99 | |
| Closing accumulated amortisation | -8,675 | - |
| | | |
| **Closing book value** | **15,354** | **-** |

### Brands

| | Group | |
|---|---|---|
| | 2006 | 2005 |
| Opening acquisition value | | |
| Acquisitions of the year | 78,279 | - |
| Acquisitions | 60,227 | - |
| Re-classifications | 690 | - |
| Translation difference | -1,676 | - |
| Closing accumulated acquisition value | 137,520 | - |
| | | |
| Opening amortisations | - | - |
| Amortisation of the year | -30 | - |
| Acquisition | -2,002 | - |
| Re-classifications | -635 | - |
| Translation difference | 50 | |
| Closing accumulated amortisation | -2,617 | - |
| | | |
| **Closing book value** | **134,903** | **-** |

### Goodwill

| | Group | |
|---|---|---|
| | 2006 | 2005 |
| Opening acquisition value | 15,071 | 15,017 |
| Acquisitions of the year | 21,918 | 54 |
| Acquisitions | 59,444 | - |
| Re-classifications | - | - |
| Translation difference | -1,487 | - |
| Closing accumulated acquisition value | 94,946 | 15,071 |
| | | |
| Opening amortisation | - | - |
| Amortisation of the year | - | - |
| Acquisition | -354 | - |
| Re-classifications | - | - |
| Translation difference | - | - |
| Closing accumulated amortisation | -354 | - |
| | | |
| **Closing book value** | **94,592** | **15,071** |

**Consideration of write-down requirements for goodwill**

The value of goodwill and brands refers to the acquisitions of Design Research and BRIO as well as BRIO's acquisition of the stroller manufacturer European Nursery Group (ENG). The respective parts constitute cash generating units (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 brands. Flows beyond reviewed period of time are extrapolated with the help of rate of growth according to data below. The rate of growth does not exceed the long term rate of growth for the industries of the operations.

Allocation of book value to goodwill

| | 2006 |
|---|---|
| BRIO | 21,918 |
| Design Research/Artek | 15,071 |
| ENG | 57,603 |
| **Book value** | **94,592** |

In the balance sheet, the Group reports values which are considered to have an undeterminable useful life. The useful life is considered to be undeterminable when it concerns brands that are well established within their markets, and which the group intends to keep and develop further. The BRIO Group has a long and successful history. The brand BRIO is characterised by quality and security. Of importance is that the company, through planned investments, has managed to keep and strengthen its position as one of the most liked brands, both in Sweden and abroad.

Assets with undeterminable useful life are not amortised. Instead, the value of the assets are regulated through write-downs. Testing for write-downs takes place annually, and, additionally, when the write-down requirement arises.

Testing of brands has taken place via calculation of the recoverable value, based on the value of use, and the subsequent comparison to reported values in accordance with the Royalty cash method. Testing of brands takes place twice a year in the same way as within BRIO. All brands have been considered for write-down as of 30 November 2006 and no write-down requirement was considered to exist at the time of testing.

Allocation of book value for brands

| | 2006 |
|---|---|
| BRIO | 57,179 |
| Scanditoy | 21,124 |
| BRIO strollers | 51,645 |
| Carena | 1,856 |
| Simo | 3,099 |
| **Book value** | **134,903** |

For the different brands, different percentages of royalty have been used.
For BRIO, a royalty of 1.30 per cent has been utilised, with brand costs of 0.25 per cent.
In the consideration, a rate of growth of 9 per cent has been used during the period 2007–2009, and there after 2 per cent per year.

For Scanditoy, a royalty of 0.65 per cent has been utilised, with brand costs of 0.25 per cent.
In the consideration, a rate of growth of 9 per cent has been used during the period 2007–2009, and there after 2 per cent per year.

For SIMO, a royalty of 2 per cent has been utilised, with brand costs of 0.25 per cent.
In the consideration, a rate of growth of 2 per cent has been used.

For Carena, a royalty of 1 per cent has been utilised, with brand costs of 0.25 per cent.
In the consideration, a rate of growth of 2 per cent has been used.

For BRIO strollers, a royalty of 4 per cent has been used, with brand costs of 0.25 per cent.
In the consideration, a rate of growth of 2 per cent has been used.

A discount rate of 12.46 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 brand analysis, the licensing agreements entered by BRIO in the past, earlier results, and expectations on market development.

Testing of goodwill has taken place through the comparison of the value in use to the reported value for 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 has been discounted over an undeterminable useful life with a yearly rate of growth of 2 per cent. The discount factor has been decided as 12.46 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 13.9 per cent to 12.46 per cent for both brands and goodwill. This has been justified by the lower risk found in the CGU utilised. ENG has been in a turn-around situation where the risk of the operations are mirrored in the level of discount rate. During 2005 and 2006, ENG has performed powerful changes of its organisation as well as its assortment, whilst being integrated into BRIO's operating investments. These changes have translated to an increased stability for ENG in terms of product development, purchasing processes, logistic solutions, sales channels and distribution. The discount rate is calculated with the help of the Capital Asset Pricing Model (CAPM). In a CAPM, different types of risk are calculated, and in this year's calculation of the discount rate, the specific risk premium supplement has been lowered as ENG managed to ensure a new process for product development according to above. The reduction of the specific risk premium supplement has led to a reduction of the disount rate from 13.9 per cent to 12.46 per cent.

| **Rights of tenancy** | **Group** | |
|---|---|---|
| | **2006** | **2005** |
| Opening acquisition value | 49,533 | 48,742 |
| Acquisitions for the year | 9,794 | 207 |
| Acquisitions | - | - |
| Re-classifications | - | 562 |
| Translation differences | - | 22 |
| Closing accumulated acquisition values | 59,327 | 49,533 |
| | | |
| Opening amortisation | -16,299 | -13,813 |
| Amortisation of the year | -2,983 | -1,924 |
| Acquisitions | - | - |
| Re-classifications | - | -562 |
| Translation differences | -248 | - |
| Closing accumulated amortisations | -19,530 | -16,299 |
| | | |
| **Closing book value** | **39,797** | **33,234** |

| **New investments in progress** | **Group** | |
|---|---|---|
| | **2006** | **2005** |
| Opening acquisition value | - | - |
| Acquisitions for the year | -1,158 | - |
| Acquisitions | 7,388 | - |
| Re-classifications | - | - |
| Translational differences | - | - |
| Closing accumulated acquisition values | 6,230 | - |
| | | |
| **Closing book value** | **6,230** | **-** |

## 15. Tangible fixed assets

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Opening acquisition value | 338,442 | 261,554 | 27,843 | 27,681 |
| Acquisitions for the year | 6,202 | 26,864 | - | - |
| Acquisitions | 61,684 | - | - | 162 |
| Sales and disposals | -9,709 | - | - | - |
| Re-classifications | - | - | - | - |
| Translation difference | -32,029 | 50,024 | - | - |
| Closing accumulated acquisition values | 364,590 | 338,442 | 27,843 | 27,843 |
| | | | | |
| Opening depreciation | -28,928 | -15,953 | -6,616 | -6,058 |
| Depreciation for the year | -13,818 | -11,141 | -556 | -558 |
| Acquisitions | -43,624 | - | - | - |
| Sales and disposals | 5,231 | - | - | - |
| Re-classifications | - | 498 | - | - |
| Translation difference | -6,370 | -2,332 | - | - |
| Closing accumulated depreciations | -87,509 | -28,928 | -7,172 | -6,616 |
| | | | | |
| **Closing book value** | **277,081** | **309,514** | **20,671** | **21,227** |
| | | | | |
| Book value, buildings in Sweden | 25,223 | 21,227 | 20,671 | 21,227 |
| Book value, land in Sweden | 4,295 | - | - | - |
| **Total** | **29,518** | **21,227** | **20,671** | **21,227** |
| | | | | |
| Tax assessment value, Swedish properties | 38,935 | 4,429 | 4,429 | 4,429 |
| Tax assessment value, Swedish land | 8,179 | - | - | - |
| **Total** | **47,114** | **4,429** | **4,429** | **4,429** |

| **Plant and machinery** | Parent Company | |
|---|---|---|
| | 2006 | 2005 |
| Opening acquisition value | - | - |
| Acquisitions for the year | 78 | - |
| Acquistions | 78,342 | - |
| Re-classifications | - | - |
| Translation difference | - | - |
| Closing accumulated acquisition values | 78,420 | - |
| | | |
| Opening depreciation | - | - |
| Depreciation for the year | -301 | - |
| Acquisitions | -69,933 | - |
| Re-classifications | - | - |
| | | |
| Translational difference | -6 | - |
| Closing accumulated depreciations | -70,240 | - |
| | | |
| **Closing book value** | **8,180** | **-** |

**Equipment**

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Opening acquisition value | 51,972 | 45,935 | 22,953 | 22,272 |
| Acquisitions for the year | 15,290 | 3,402 | - | - |
| Acquisitions | 141,072 | - | 7,330 | 781 |
| Sales and disposals | -18,461 | -437 | -467 | -100 |
| Re-classifications | - | - | - | - |
| Translation difference | -4,778 | 3,072 | - | - |
| Closing accumulated acquisition values | 185,095 | 51,972 | 29,816 | 22,953 |
| | | | | |
| Opening depreciation | -18,696 | -14,752 | -7,719 | -6,864 |
| Depreciation for the year | -7,981 | -3,890 | -1,837 | -855 |
| Acquisitions | -126,687 | - | - | - |
| Sales and disposals | 15,552 | 336 | 321 | - |
| Re-classifications | - | - | - | - |
| Translational difference | 1,915 | -390 | - | - |
| Closing accumulated depreciations | -135,897 | -18,696 | -9,235 | -7,719 |
| | | | | |
| **Closing book value** | **49,198** | **33,276** | **20,581** | **15,234** |

**Leasing agreements**

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

| | Parent Company | |
|---|---|---|
| | 2006 | 2005 |
| Acquisition value | 3,717 | - |
| Accumulated depreciations | -2,533 | - |
| **Closing value** | **1,184** | **-** |
| | | |
| Present value of remaining future minimum leasing charges | 879 | - |

At the end of the year, a financial leasing contract of material value remained. The contract refers, in its entirety, to the BRIO Group. Closing date for this is 30 June 2007, when there will be an opportunity to purchase the object for 12 per cent of residual value or approximately KSEK 426. The leasing charge is calculated with the interest parameter averaged by 90 days STIBOR.

The future and paid charges of the financial year regarding operational leasing agreements for premises and equipment amount to:

| | |
|---|---|
| 2006 | 29,080 |
| 2007 | 27,512 |
| 2008 | 24,893 |
| 2009 | 23,237 |
| 2010 | 22,535 |
| 2011 | 23,041 |

## 16. Participations in associated companies

| Group | 2006 | 2005 |
|---|---|---|
| **Participations in associated companies** | | |
| At the beginning of the year | 1,529,387 | 1,380,324 |
| Changes in value via income statement | 53,241 | 149,063 |
| Acquisitions/capitalised contribution | 110,869 | - |
| Re-classifications to subsidiaries | -200,247 | - |
| **At year-end** | **1,493,250** | **1,529,387** |

**Participation in associated companies 31 Dec 2006**

| | Number of shares | Capital share (%) | Voting share (%) | Market value/share | Market value |
|---|---|---|---|---|---|
| BRIO AB | 2,403,318 A | 44.5 | 52.5 | - | - |
| | 1,752,863 B | | | - | - |
| | | | | | - |
| TV4 AB | - | - | - | - | - |
| Nordic Broadcasting Oy | 400,001 | 50.0 | 50.0 | - | 1,493,250 |
| | | | | | 1,493,250 |

**Participation in associated companies 31 Dec 2005**

| | Number of shares | Capital share (%) | Voting share (%) | Market value/share | Market value |
|---|---|---|---|---|---|
| BRIO AB | 1,200,00 A | 30.7 | 42.5 | 74,50 | 89,400 |
| | 518,811 B | | | 74,50 | 38,651 |
| | | | | | 128,051 |
| TV4 AB | 3,020,013 A | 15.1 | 15.1 | 207 | 625,143 |
| Nordic Broadcasting Oy | 400,000 | 50.0 | 50.0 | - | 776,193 |
| | | | | | 1,529,387 |

Through the new capital issue in BRIO during September, Proventus obtained more than 50 per cent of the votes in the company. The company is therefore, as of 1 October, treated as a subsidiary with full consolidation and the result is reported under operating investments. During the period until 30 September, the change in market value has been charged to the result, as changes of value in the investment activity, with MSEK -39 as a consequence of the price fall of the share during the period. During 2005, the change of value in BRIO was MSEK 11. The consolidated result before tax for the last quarter amounts to MSEK -25. In total, BRIO therefore charges the Proventus Group with MSEK -63 during 2006.

The holding in TV4 was contributed to Nordic Broadcasting on 28 December 2006. Nordic Broadcasting has been valued to MEUR 165 in the annual accounts, which corresponds to MSEK 1,493. The valuation is based on a discounting of underlying expected cash flows in the operating subsidiaries, comparative multiples of the industry as well as actual transactions performed. The holdings in TV4/Nordic Broadcasting have thereby been valued up to a total of MSEK 92 during 2006 and MSEK 138 during 2005.

| Parent company | 2006 | 2005 |
|---|---|---|
| **Shares and participations in associated companies** | | |
| At the beginning of the year | 843,169 | 90,036 |
| Changes in value via income statement | - | - |
| Acquisitions | 49 | - |
| Capital contribution | - | 753,133 |
| Re-classification of shares in subsidiaries | -843,218 | - |
| **At year-end** | **-** | **843,169** |

Proventus paid shareholders' contributions to Proventus Industrier as financing for the acquisitions in TV4 and Nordic Broadcasting. At the time of contribution, the company owned approximately 35 per cent of the shares in Proventus Industrier. During 2006, an additional 49 per cent of the shares have been acquired from Robert Weil AB. Proventus Industrier has therefore been re-classified to subsidiary status during 2006.

**Participation in associated companies 31 Dec 2006**

| | Number of shares | Capital share (%) | Voting share (%) | Market value |
|---|---|---|---|---|
| Proventus Industrier AB, Corporate Identity Number 556604-9135 | 840 | 84.0 | 84.0 | - |
| | | | | - |
| | | | | - |

**Participation in associated companies 31 Dec 2005**

| | Number of shares | Capital share (%) | Voting share (%) | Market value |
|---|---|---|---|---|
| Proventus Industrier AB, Corporate Identity Number 556604-9135 | 350 | 35.0 | 35.0 | 914,430 |
| | | | | 914,430 |

The market value for 2005 is based on the valuation of the underlying holdings in Proventus Industrier. Consideration has also been taken of the value of conditional shareholders' contribution.

**17. Other long-term security holdings**

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Other long-term security holdings** | | | | |
| At the beginning of the year | 4,412 | 6,999 | - | 2,589 |
| Changes in value via income statement | - | -2,589 | - | -2,589 |
| Acquisitions | 1,079 | 1 | - | - |
| Re-classifications | -1,795 | - | - | - |
| **At year-end** | **3,692** | 4,412 | **-** | **-** |

Other long-term security costs are valued at acquisition cost, which is deemed to correspond to the fair value.

## 18. Participations in Group companies

| Parent company | 2006 | 2005 |
|---|---|---|
| **Participations in Group companies** | | |
| At the beginning of the year | 168,531 | 168,431 |
| Changes in value via income statement | 396 | - |
| Acquisitions | - | 100 |
| Re-classifications of shares in associated companies | 843,218 | - |
| Disposals/liquidations | -4,348 | - |
| **At year-end** | **1,007,797** | **168,531** |

During the year, the liquidation of the dormant subsidiary Hodius Ireland Ltd was completed, resulting in a net profit of KSEK 396. No impairment is deemed to exist regarding the parent company's holdings in Group companies. Impairment is tested annually.

### Specification of Note 18, holdings of participations in Group companies

| | Location Country | Corporate | Identity Number | 2006 | 2005 |
|---|---|---|---|---|---|
| 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 Wärdshus AB | Stockholm | Sweden | 556495-8626 | 1,000 | 1,000 |
| Grafon AB | Stockholm | Sweden | 556065-6497 | 24,336 | 24,336 |
| Hodius Irland Ltd | Dublin | Ireland | | - | 3,853 |
| 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 | 843,218 | - |
| Proventus Invest AB | Stockholm | Sweden | 556641-3653 | 850 | 850 |
| 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 |
| Vindflöjeln AB | Stockholm | Sweden | 556692-9211 | - | 100 |
| | | | | **1,007,797** | **168,531** |

The subsidiary company Hodius Ireland Ltd went into liquidation during 2006. Liquidation brought a positive value to the Group of KSEK 396.

| | | 2006 | | 2005 | |
|---|---|---|---|---|---|
| | Share | 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 Wärdshus AB | 1,000 | 100 | 100 | 100 | 100 |
| Grafon AB | 3,810,000 | 100 | 100 | 100 | 100 |
| Hodius Irland Ltd | 3,852,773 | - | - | 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 | 84 | 84 | 35 | 35 |
| Proventus Invest AB | 8,500 | 85 | 85 | 85 | 85 |
| 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 |
| Vindflöjeln AB | 700 | - | - | 70 | 70 |

## 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 | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| *Deferred tax receivables* | | | | |
| Tangible fixed assets | 2,864 | 1,120 | 1,120 | 1,120 |
| Current assets | 4,326 | - | - | - |
| Other short-term liabilities | 6,449 | 3,020 | 6,449 | 3,020 |
| Provisions | 2,987 | 560 | 560 | 560 |
| Loss carry-forward | 206,939 | 182,974 | 177,674 | 182,974 |
| **Total deferred income tax receivables** | **223,565** | **187,674** | **185,803** | **187,674** |
| | | | | |
| *Deferred tax liabilities* | | | | |
| Tangible fixed assets | -38,260 | - | - | - |
| Investments | -8,674 | -10,230 | -8,674 | -10,230 |
| Provisions | 891 | - | - | - |
| Convertible debt instruments | -3,030 | -3,345 | -3,030 | -3,345 |
| Other short-term liabilities | -359 | - | - | - |
| **Total deferred tax liability** | **-49,432** | **-13,575** | **-11,704** | **-13,575** |
| | | | | |
| **Net liabilities and receivables** | **174,133** | **174,099** | **174,099** | **174,099** |

*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 769 at the closing of 2006, MSEK 636 of which it has been deemed possible to utilise during the coming 5-year period. The historical return on capital management has indicated that it is possible to achieve results which allow for the utilisation of the balanced deficits. 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 result recorded for the financial years 2004-2006. 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 the given budget and prognosis for the coming years.

At the end of 2006, there was a fiscal loss carry-forward of approximately MSEK 627.2 in BRIO. Different time limitations apply in different countries, but the majority of deficit deductions do not have a due date. No deferred tax receivable has been calculated on loss carry-forward amounting to MSEK 481.7. 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 three-year period.

Except for the above, unused deficits amounting to MSEK 150 (160.4) exist in Proventus Capital.

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

| | Amount at beginning of year | Change in conjunction with acquisition | Reported in income statement | Reported in equity | Amount at year-end |
|---|---|---|---|---|---|
| *Deferred tax receivables* | | | | | |
| Tangible fixed assets | 1,120 | - | 1,744 | - | 2,864 |
| Current assets | - | 6,225 | -1,899 | - | 4,326 |
| Other short-term liabilities | 3,020 | - | 3,429 | - | 6,449 |
| Provisions | 560 | 6,148 | -3,721 | - | 2,987 |
| Loss carry-forward | 182,974 | 26,759 | -2,793 | - | 206,939 |
| | **187,674** | **39,132** | **-3,240** | **-** | **223,565** |
| *Provision for deferred tax* | | | | | |
| Fixed assets | - | -38,678 | 418 | - | -38,260 |
| Other current assets | - | -4,067 | 4,067 | - | - |
| Short-term investments | -10,230 | - | 1,556 | - | -8,674 |
| Provisions | - | 100 | 791 | - | 891 |
| Convertible debts | -3,345 | - | 315 | - | -3,030 |
| Other short-term liabilities | - | -421 | 61 | - | -359 |
| | **-13,575** | **-43,066** | **7,208** | **-** | **-49,432** |
| **Net liabilities and receivables** | **174,099** | **-3,934** | **3,968** | **-** | **174,133** |

## 20. Long-term receivables

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Other long-term receivables, interest-bearing | 120,543 | 81,281 | 6,300 | 11,901 |
| Other long-term receivables, non-interest-bearing | 3,639 | 1,319 | 1,264 | 1,251 |
| | **124,182** | **82,600** | **7,564** | **13,152** |

Long-term receivables are valued at acquisition cost, which is deemed to correspond with fair value. The increase in receivables depends on an increased lending volume within Proventus Capital as well as an outstanding receivable regarding a disposed holding. The receivable regarding disposed operations will be cleared during the coming two-year period. The lending in Proventus Capital has a duration of 3–5 years.

## 21. Inventories

| | Group | |
|---|---|---|
| | 2006 | 2005 |
| Raw materials | 10,187 | 2,471 |
| Semi products | 719 | - |
| Finished products | 296,055 | 116,766 |
| | **306,961** | **119,237** |

Inventories refer to trade inventories in the operating investments. Art attributable to Magasin 3 Stockholm Konsthall, amounting to MSEK 95.8 (92.0), is included in the finished products inventory.

## 22. Current receivables

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| *Accounts receivable – trade* | | | | |
| Accounts receivable – trade | 233,056 | 17,129 | 561 | 91 |
| Allocation for bad debts | -12,105 | -177 | - | - |
| Accounts receivable, net | **220,951** | **16,952** | **561** | **91** |

The increase in receivables depends on the additional volumes referable to BRIO. A lesser share of the increase refers to the subsidiaries Design Research and Artek, which have enjoyed a positive sales development during 2006.

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| *Receivables, Group companies* | | | | |
| Receivables, Group companies | - | - | 326 | 326 |
| **Total** | **-** | **-** | **326** | **326** |

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| *Other receivables* | | | | |
| Income tax recoverable | 5,568 | 875 | 374 | 430 |
| Advance payment from suppliers | 6,276 | 85 | - | - |
| Other receivables, interest-bearing | 33,687 | 21,779 | - | 1,285 |
| Other receivables, non-interest-bearing | 15,736 | 8,747 | 2,059 | 6,760 |
| **Total** | **61,267** | **31,486** | **2,433** | **8,475** |

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| *Prepaid expenses and accrued income* | | | | |
| Rent | 3,989 | 1,454 | 1,031 | 708 |
| Insurance | 2,187 | 1,120 | 162 | 140 |
| Prepaid royalty /MF contributions | 4,011 | - | - | - |
| Pensions | 179 | 356 | 321 | 356 |
| Interest | 4,971 | 8,920 | 3,527 | 6,988 |
| Other prepaid expenses | 7,384 | 438 | 65 | 25 |
| Upplupna royaltyintäkter | 3,403 | - | - | - |
| Other accrued income | 399 | 3,309 | 682 | 687 |
| **Total** | **26,523** | **15,597** | **5,788** | **8,904** |

## 23. Current investments

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| *Listed securities* | | | | |
| Government and corporate bonds – countries within the euro area | 146,294 | 349,030 | 146,294 | 327,037 |
| Government and corporate bonds – USA | 773 | 3,716 | 773 | 3,716 |
| Government and corporate bonds – Sweden, UK | 87,824 | 10,276 | 59,408 | 7,431 |
| Derivatives | 13,613 | 7,177 | 10,720 | 20,231 |
| *Unlisted securities* | | | | |
| Shares and fund shares – countries within the euro area | 194,077 | 65,078 | - | - |
| Shares and fund shares – Sweden | 95,686 | 87,026 | 80,351 | 71,691 |
| | **538,267** | **522,303** | **297,546** | **430,106** |

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| At the beginning of the year | 522,303 | 1,771,166 | 430,106 | 1,163,491 |
| Change in value via income statement | 196,988 | -86,040 | 30,978 | 41,526 |
| Acquisitions/sales, net | -181,024 | -1,283,719 | -163,538 | -774,911 |
| **At year-end** | **538,267** | **522,303** | **297,548** | **430,106** |

In its asset management activities, Proventus has a number of strategies which are taken 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 2006 | | Group 2005 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Securities futures – held for trade | - | - | - | - |
| Securities options – held for trade | 8,675 | 69,941 | 817 | 46,825 |
| Interest futures – held for trade | 196 | 2,226 | 1,037 | 212 |
| Currency futures – held for trade | 330 | 5,575 | 5,324 | 5,955 |
| Currency futures – held for hedging of foreign net assets | 4,412 | - | - | 4,911 |
| **Total** | **13,613** | **77,742** | **7,177** | **57,903** |

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

| **Group 2006, share derivatives** | Currency | Type | Maturity DATE | Exposure*) (KSEK) | Fair value (KSEK) |
|---|---|---|---|---|---|
| Options with positive values that are held for trade | | | | | |
| Securities options | USD | call | January | 116,967 | 16 |
| Securities options | USD | call | March | 655,009 | 1,700 |
| Securities options | USD | call | June | 146,209 | 2,319 |
| Securities options | USD | call | September | 97,473 | 2,131 |
| Securities options | USD | put | March | 243,682 | 234 |
| Securities options | USD | put | June | 146,209 | 777 |
| Securities options | USD | put | September | 97,473 | 1,498 |
| | | | | **1,503,022** | **8,675** |
| Options with negative values that are held for trade | | | | | |
| Securities options | USD | call | January | -141,335 | -3,276 |
| Securities options | USD | call | March | -799,269 | -54,408 |
| Securities options | USD | call | June | -144,193 | -6,566 |
| Securities options | USD | call | September | -97,473 | -4,653 |
| Securities options | USD | put | March | -243,682 | -48 |
| Securities options | USD | put | June | -146,209 | -206 |
| Securities options | USD | put | September | -97,472 | -784 |
| | | | | **-1,669,633** | **-69,941** |

*) (-) = sold position

| **Group 2006, interest derivatives** | Currency | Duration (years) | Bought (nominal) (KSEK) | Sold (nominal) (KSEK) | Fair value (KSEK) |
|---|---|---|---|---|---|
| Futures with positive values that are held for trade | | | | | |
| Interest futures, government bonds 5 years | EUR | 5 | - | 27,177 | 195 |
| | | | - | 27,177 | 195 |
| Futures with negative values that are held for trade | | | | | |
| Interest futures, corporate bonds 10 years | EUR | 10 | 494,130 | - | -3,568 |
| Interest futures, corporate bonds 5 years | EUR | 5 | - | 329,420 | 1,341 |
| | | | **494,130** | **329,420** | **-2,227** |

| **Group 2006, currency contracts** | Currency | Bought (KSEK) | Sold (KSEK) | Fair value (KSEK) |
|---|---|---|---|---|
| Futures with positive values that are held for trade | SEK/EUR | 82,186 | -81,863 | 323 |
| | USD/DKK | 4,733 | -4,726 | 7 |
| | | **86,919** | **-86,589** | **330** |
| Futures with positive values that are held for hedging of foreign net assets | EUR/USD | 249,240 | -244,828 | -4,412 |
| | | **249,240** | **-244,828** | **-4,412** |
| Futures with negative values that are held for trade | EUR/SEK | 475,343 | -477,190 | -1,847 |
| | JPY/USD | 103,499 | -105,847 | -2,348 |
| | SEK/DKK | 14,525 | -14,538 | -13 |
| | SEK/GBP | 8,182 | -8,273 | -92 |
| | USD/SEK | 13,695 | -14,461 | -766 |
| | USD/EUR | 23,628 | -24,135 | -507 |
| | USD/DKK | 4,724 | -4,726 | -2 |
| | | **643,595** | **-649,170** | **-5,574** |

| **Group 2005, share derivatives** | Currency | Type | Maturity DATE | Exposure*) (KSEK) | Fair value (KSEK) |
|---|---|---|---|---|---|
| Options with positive values that are held for trade | | | | | |
| Securities options | USD | put | March | - | 262 |
| Securities options | USD | put | June | - | 555 |
| | | | | **-** | **817** |
| Options with negative values that are held for trade | | | | | |
| Securities options | USD | call | January | -111,817 | -4,902 |
| Securities options | USD | call | March | -203,369 | -30,865 |
| Securities options | USD | call | June | -189,158 | -11,058 |
| | | | | **-504,344** | **-46,825** |

*) (-) = sold position

| Group 2005, interest derivatives | Currency | Duration (years) (KSEK) | Bought (nominal) (KSEK) | Sold (nominal) (KSEK) | Fair value |
|---|---|---|---|---|---|
| Futures with positive values that are held for trade | | | | | |
| Interest futures, government bonds 10 years | USD | 10 | - | 177,300 | - |
| Interest futures, government bonds 5 years | USD | 5 | - | 108,552 | - |
| Interest futures, government bonds 10 years | EUR | 10 | 343,252 | - | 824 |
| Interest futures, government bonds 5 years | EUR | 5 | - | 343,252 | 213 |
| | | | **343,252** | **629,104** | **1,037** |
| Futures with negative values that are are held for trade | | | | | |
| Interest futures, corporate bonds 5 years | EUR | 5 | - | 25,659 | -212 |
| | | | **-** | **25,659** | **-212** |

Interest futures in USD are recognised in revenue on a daily basis and therefore lack market value as of the end of the accounting period.

| Group 2005, currency contracts | Currency | Bought (KSEK) | Sold (KSEK) | Fair value (KSEK) |
|---|---|---|---|---|
| Futures with positive values that are held for trade | EUR/SEK | 436,338 | -433,759 | 2,579 |
| | SEK/EUR | 465,231 | -462,486 | 2,745 |
| | | **901,569** | **-896,245** | **5,324** |
| Futures with negative values that are held for trade | EUR/USD | 4,148 | -4,294 | -146 |
| | JPY/USD | 156,782 | -162,546 | -5,764 |
| | SEK/USD | 3,670 | -3,715 | -45 |
| | | **164,600** | **-170,555** | **-5,955** |
| Futures with negative values held for hedging of foreign net assets | EUR/USD | 271,429 | -276,340 | -4,911 |
| | | **271,429** | **-276,340** | **-4,911** |

**Derivatives – parent company**

| | Group 2006 | | Group 2005 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Securities futures – held for trade | - | - | - | - |
| Securities options – held for trade | 6,079 | 55,407 | 554 | 41,531 |
| Interest futures – held for trade | 132 | 1,502 | 700 | 143 |
| Currency futures – held for trade | 97 | 5,177 | 18,977 | 4,080 |
| Currency futures – held for hedging of foreign net assets | 4,413 | - | - | 4,911 |
| **Total** | **10,720** | **62,086** | **20,231** | **50,665** |

All derivatives are reported at fair value. Changes in value referring to derivatives that are held for trade are reported under changes in value for 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 2006, share derivatives** | Currency | Type | Maturity date | Exposure*) (KSEK) | Fair value (KSEK) |
|---|---|---|---|---|---|
| Options with positive values that are held for trade | | | | | |
| Securities options | USD | call | January | 79,538 | 11 |
| Securities options | USD | call | March | 519,533 | 1,336 |
| Securities options | USD | call | June | 99,422 | 1,577 |
| Securities options | USD | call | September | 66,281 | 1,449 |
| Securities options | USD | put | March | 165,704 | 159 |
| Securities options | USD | put | June | 99,422 | 528 |
| Securities options | USD | put | September | 66,281 | 1,019 |
| | | | | **1,096,181** | **6,079** |
| Options with negative values that are held for trade | | | | | |
| Securities options | USD | call | January | -96,108 | -2,228 |
| Securities options | USD | call | March | -614,082 | -43,674 |
| Securities options | USD | call | June | -126,538 | -5,636 |
| Securities options | USD | call | September | -66,282 | -3,164 |
| Securities options | USD | put | March | -165,704 | -33 |
| Securities options | USD | put | June | -99,422 | -140 |
| Securities options | USD | put | September | -66,281 | -532 |
| | | | | **-1,234,417** | **-55,407** |

*) (-) =sold position

| **Parent company 2006, interest derivatives** | Currency | Duration (year) | Bought (nominal) (KSEK) | Sold (nominal) (KSEK) | Fair value (KSEK) |
|---|---|---|---|---|---|
| Futures with positive values held for trade | | | | | |
| Interest futures, corporate bonds 5 years | EUR | 5 | - | 18,337 | 132 |
| | | | | **18,337** | **132** |
| Futures with negative values held for trade | | | | | |
| Interest rate futures, corporate bonds 10 years | EUR | 10 | 333,402 | - | -2,407 |
| Interest rate futures, corporate bonds 5 years | EUR | 5 | - | 222,268 | 905 |
| | | | **333,402** | **222,268** | **-1,502** |

| **Parent company 2006, currency contracts** | Currency | Bought (KSEK) | Sold (KSEK) | Fair value (KSEK) |
|---|---|---|---|---|
| Futures with positive values that are held for trade | SEK/EUR | 41,986 | -41,889 | 97 |
| | | **41,986** | **-41,889** | **97** |
| Futures with negative values that are held for hedging of foreign net assets | EUR/USD | 249,241 | -244,828 | 4,413 |
| | | **249,241** | **-244,828** | **4,413** |
| Futures with negative values that are held for trade | EUR/USD | 704,263 | -707,854 | -3,592 |
| | JPY/USD | 69,833 | -71,418 | -1,585 |
| | | **774,096** | **-779,272** | **-5,177** |

| **Parent company 2005, share derivatives** | Currency | Type | Maturity date | Exposure*) (KSEK) | Fair value (KSEK) |
|---|---|---|---|---|---|
| Options with positive values that are held for trade | | | | | |
| Securities options | USD | put | March | - | 177 |
| Securities options | USD | put | June | - | 377 |
| | | | | **-** | **554** |
| Options with negative values that are held for trade | | | | | |
| Securities options | USD | call | January | -100,381 | -4,431 |
| Securities options | USD | call | March | -164,773 | -28,010 |
| Securities options | USD | call | June | -156,995 | -9,090 |
| | | | | **-422,149** | **-41,531** |

*) (-) = sold position

| **Parent company 2005, interest rate derivatives** | Currency | Duration (years) | Bought (nominal) (KSEK) | Sold (nominal) (KSEK) | Fair Value (KSEK) |
|---|---|---|---|---|---|
| Futures with positive values held for trade | | | | | |
| Interest futures, government bonds 10 years | USD | 10 | - | 119,629 | - |
| Interest futures, government bonds 5 years | USD | 5 | - | 73,243 | - |
| Interest futures, corporate bonds 10 years | EUR | 10 | 231,601 | - | 556 |
| Interest futures, corporate bonds 5 years | EUR | 5 | - | 231,601 | 144 |
| | | | **231,601** | **424,473** | **700** |
| Futures with negative values held for trade | | | | | |
| Interest futures, corporate bonds 5 years | EUR | 5 | - | 17,285 | -143 |
| | | | **-** | **17,285** | **-143** |

Interest futures in USD are recognised in revenue on a daily basis and therefore lack market value as of the end of the accounting period.

| **Parent company 2005, currency contracts** | Currency | Bought (KSEK) | Sold (KSEK) | Fair value (KSEK) |
|---|---|---|---|---|
| Futures with positive values that are held for trade | EUR/SEK | 723,789 | -706,586 | 17,203 |
| | SEK/EUR | 299,635 | -297,861 | 1,774 |
| | | **1,023,424** | **-1,004,447** | **18,977** |
| Futures with negative values held for trade | EUR/USD | 4,148 | -4,294 | -146 |
| | JPY/USD | 105,785 | -109,674 | -3,889 |
| | SEK/USD | 3,670 | -3,715 | -45 |
| | | **113,603** | **-117,683** | **-4,080** |
| Futures with negative values held for hedging of foreign net assets | EUR/USD | 271,429 | -276,340 | -4,911 |
| | | **271,429** | **-276,340** | **-4,911** |

## 24. Liquid funds

| | **Group** | | **Parent Company** | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| Cash and cash equivalents | 194,137 | 53,156 | 81,296 | 12,841 |
| | **194,137** | **53,156** | **81,296** | **12,841** |

The Proventus group has the following credit facilities:

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| Other loan facilities | 378,647 | - | - | - |
| Bank overdraft facilities | 199,830 | 56,346 | 50,000 | 50,000 |
| | **578,477** | **56,346** | **50,000** | **50,000** |
| Of which utilised | 429,467 | 3,847 | - | - |

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 | |
|---|---|---|
| | 2006 | 2005 |
| Share Capital | 58,300 | 58,300 |
| | **58,300** | **58,300** |

| | | | Participations in % | |
|---|---|---|---|---|
| Class of shares | Number of shares | Number of votes | Capital | Votes |
| A 1 vote per share | 4,820 | 4,820 | 83 | 96 |
| C 1/5 vote per share | 1,010 | 202 | 17 | 4 |
| **Total** | **5,830** | **5,022** | **100** | **100** |

There are no issued options within the parent company. A convertible promissory note exists. Equity of this convertible is accounted for in the Group under additional contributing capital and borrowing, see Note 28. Division of shares in different classes of shares is accounted for below.

## 26. Pension commitments

The parent company's pension commitments for operative staff are mainly defined contribution plans and, in principle, follow the ITP plan. The result is charged parallel to the earning of the pension. Commitments which are defined benefit plans within the parent company are secured in part through provision 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. Management of the means of the fund is performed through the parent company, bonds constitute the assets.

Commitments in BRIO, ITO plan secured via Alecta.

Commitments for retirement pension and family pension for white-collar employees are secured through insurance in Alecta. According to IAS 19, this is a defined benefit plan which comprises several employers. For the fiscal year 2006, 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 secured through insurance in Alecta is therefore recorded as a defined benefits plan. This year's charges for pension insurance which are signed in Alecta amount to MSEK 4.175 (3.824). Alecta's surplus may be distributed to the insurance takers and/or the insured. At the closing of December 2006, Alecta's surplus in the form of the collective consolidation level amounted to 143.1 (128.5) percent. The collective consolidation level consists of the market value of Alecta's assets in percentage of insurance commitments calculated according to Alecta's insurance-technical calculation assumptions, which do not concur with IAS 19.

| | Group | |
|---|---|---|
| | 2006 | 2005 |
| *Defined benefit pension plans* | | |
| **Liability recorded in balance sheet** | **71,367** | **-281** |
| Cost recorded in income statement (Note 9) | 4,211 | 922 |
| **Net liability referring to benefits distributed on funded and non-funded pension benefits:** | | |
| Present value of funded pension commitments | 80,989 | 56,473 |
| Fair value of plan assets | -57,684 | -43,185 |
| | 23,305 | 13,288 |
| Present value of unfunded pension commitments | 64,719 | - |
| Unreported actuarial profits/losses | -16,657 | -13,569 |
| **Liability in balance sheet** | **71,367** | **-281** |
| **Present value of pension commitments changed during the year according to the following:** | | |
| 1 January | 56,429 | 53,835 |
| Increase through acquisition of subsidiary | 90,491 | - |
| Cost of period according to specification | 4,047 | 2,543 |
| Actuarial profits and losses | -4,208 | 95 |
| Paid benefits | -271 | - |
| Redeemed benefits | -324 | - |
| Exchange rate differences | -509 | - |
| 31 December | 145,708 | 56,473 |
| **Fair value of plan assets has changed as follows during the year** | | |
| 1 January | -43,185 | -43,407 |
| Increase through acquisition of subsidiary | -15,588 | - |
| Expected return on plan's assets | -1,090 | -2,170 |
| Compensation | 1,447 | 2,124 |
| Actuarial profits/losses | 510 | 268 |
| Charges from employers | -181 | - |
| Paid benefits | 102 | - |
| Exchange rate differences | 301 | - |
| 31 December | -57,684 | -43,185 |
| Non-reported actuarial profits/losses | -16,657 | -13,569 |
| **Liability in balance sheet** | **71,367** | **-281** |
| **Actual return on plan assets** | | |
| Expected return on plan assets | -1,090 | -2,170 |
| Actuarial profits/losses | 510 | 268 |
| | -579 | -1,902 |
| **Fair value of plan assets in %, distributed according to the following:** | | |
| Shares and participations | 7 | - |
| Bonds | 73 | 100 |
| Bonds held for maturity | 7 | - |
| Other financial assets | 13 | - |
| | 100 | 100 |

Plan assets refer to consolidated pension commitments within BRIO's Norwegian subsidiary as well as foundations related 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 2006 has been estimated based on the latest available information from Storebrand Livsforsikring AS. Of the total assets, 74 per cent is constituted by the Swedish foundations.

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

| **Changes of the year in actuarial profits and losses** | **2006** | **2005** |
|---|---|---|
| 1 January | -13,569 | -10,265 |
| Increase through acquisition of subsidiary | -5,208 | - |
| Profits and losses regarding plan assets | -510 | 281 |
| Profits and losses regarding pension benefits | 2,469 | -3,585 |
| Profits and losses at redemption of pension commitment | 134 | - |
| Recorded profits and losses during the year | 48 | - |
| Re-classification | - | - |
| Exchange rate differences | -20 | - |
| 31 December | -16,657 | -13,569 |
| | | |
| **Cost of commitments referring to defined benefit plans are as follows:** | | |
| Earnings during the year | 1,117 | 671 |
| Interest rate component in this year's increase of the present value of the pension commitment | 2,637 | 1,872 |
| Retirement pensions, outside agreement | 1 | - |
| Other agreements | 292 | - |
| | | |
| *Cost regarding defined benefit plan excluding effect of result on plan assets and actuarial profits/losses* | 4,047 | 2,543 |
| | | |
| Expected return on plan assets | -1,090 | -2,170 |
| Part of the actuarial profits/losses reported during the year | 1,120 | 548 |
| Part of actuarial profit/loss referring to redeemed benefits | 134 | - |
| **Net cost for defined benefit plan** (Note 9) | **4,211** | **921** |

**Significant actuarial assumptions**

When calculating pension benefits, this year's pension earnings and returns, a number of assumptions based on the BRIO Group's expectations on operations as well as the markets expectations regarding financial factors have been made. The assumptions utilised on the closing day constitutes a weighed average of:

| | Foundations Sweden (%) | Sweden PRI (%) | Norway (%) | France (%) |
|---|---|---|---|---|
| Discount factor | 3.5 | 4.0 | 4.4 | 1.6 |
| Expected return | 5.0 | - | 5.4 | - |
| Expected inflation | 2.0 | - | 4.5 | 1.8 |
| Expected increase of pension | 1.5 | 2.0 | 1.6 | - |

| Commitments in balance sheet for: | Parent Company 2006 | 2005 |
|---|---|---|
| Pension benefits | 14,253 | 14,136 |
| | **14,253** | **14,136** |
| At the beginning of the year | 14,136 | 14,245 |
| Paid pensions during the period | -2,026 | -2,113 |
| Interest on pension liability | -542 | -533 |
| Provisions | 1,238 | 412 |
| Redemption from pension fund | 1,448 | 2,125 |
| **Book value at year end** | **14,254** | **14,136** |

## 27. Other deposits

| | Group 2006 | 2005 |
|---|---|---|
| Provisions, re-structuring reserve | 16,253 | - |
| Other provisions | 2,660 | 39,560 |
| | **18,913** | **39,560** |

| | 2006 | 2005 |
|---|---|---|
| Long-term portion | 5,371 | 39,560 |
| Short-term portion | 13,542 | - |
| | **18,913** | **39,560** |

Provision 2005 regards commitments related to earlier subsidiaries. During 2006, the time limit for possible realisation has expired. The reserve has therefore been released at MSEK 39, which has been reported as "other income" in the Group.

Remaining reserves regard BRIO and the close-down of the production facility in Killeberg, the re-structuring of the North American business, transfer of the registered office from Osby to Malmö as well as further staff reductions. The provisions will mainly be subject to payments during 2006-2007. Only a lesser share will remain by 31 December 2007 and it is estimated to be fully paid by 2008.

## 28. Other long-term liabilities

| | Group 2006 | 2005 | Parent Company 2006 | 2005 |
|---|---|---|---|---|
| Loans from shareholder | 59,336 | 14,594 | 56,424 | 11,631 |
| Convertible loans | 28,700 | 27,575 | 28,700 | 27,575 |
| Subordinated debenture | 13,235 | - | - | - |
| Other liabilities to credit facilities | 213,624 | - | - | - |
| Utilised bank overdraft facilities | 139,820 | 3,847 | - | - |
| Other liabilities | 9,508 | - | - | - |
| | **464,223** | **46,016** | **85,124** | **39,206** |

Utilised bank overdraft facilities in the subsidiary Artek and BRIO. Granted credits amount to a total of MSEK 200, see Note 24.

Loans from shareholder refer to liabilities to Proventus' owner Robert Weil. Interest on the liability is calculated using the average government loan interest rate +1 per cent i.e. 4.62 per cent 2006 and 4.24 per cent 2005.

The parent company issued a convertible promissory note during 2004. The loan runs at an annual interest rate of 0 per cent up to and including 30 November 2014 and may be converted to 95 series A shares at an amount of MSEK 39.520.000. The convertible is owned by the Weil family.

There was another convertible loan during 2004 in the subsidiary Proventus Capital. The loan amounted to KSEK 77. During 2005, a decision was made to redeem the loan, which was carried out on 14 January. Redemption took place at 198 per cent of the nominal amount.

*Convertible promissory notes are reported in the Balance Sheet according to the following:*

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Convertibles issued in Proventus Capital | 77 | 77 | - | - |
| | | | | |
| Nominal value of convertible issued 30 November 2004 | 39,520 | 39,520 | 39,520 | 39,520 |
| Share in equity | -13,114 | -13,114 | -13,114 | -13,114 |
| **Liability share at issue on 30 November 2004** | **26,483** | **26,483** | **26,406** | **26,406** |
| Accumulated interest expenses | 2,294 | 1,169 | 2,294 | 1,169 |
| Premature redemption of convertible in Proventus Capital | -77 | -77 | - | - |
| Interest paid | - | - | - | - |
| **Liabilities as per 31 December** | **28,700** | **27,575** | **28,700** | **27,575** |

The fair value of the liability portion has been calculated using 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 | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Between 1 and 2 years | 340,698 | 3,847 | - | - |
| Between 2 and 5 years | 82,204 | 14,594 | 56,424 | 11,631 |
| More than 5 years | 41,321 | 27,575 | 28,700 | 27,575 |
| | **464,223** | **46,016** | **85,124** | **39,206** |

## 29. Other current liabilities

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Derivatives, see Note 23 | 77,742 | 57,903 | 62,086 | 50,665 |
| Advance payments from customers | 1,399 | 2,812 | - | - |
| Other current liabilities | 125,595 | 12,359 | 17,218 | 4,854 |
| | **204,736** | **73,074** | **79,304** | **55,519** |

Derivatives refer to positions with a negative market value at the end of the year. Received premiums are entered as liability in conjunction with their respective dates of issue. Net market value after reductions for 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 | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Accrued staff expenses | 34,690 | 4,703 | 1,946 | 1,504 |
| Audit and consultancy remuneration | 1,926 | 522 | 330 | 330 |
| Accrued royalty | 4,146 | - | - | - |
| Accrued customer bonuses/marketing contribution | 14,809 | - | - | - |
| Accrued interest expenses | 1,290 | 728 | 725 | 725 |
| Other accrued expenses | 13,201 | 8,003 | 1,526 | 2,113 |
| Deferred rental income | 2,220 | 176 | 178 | 176 |
| Other prepaid income | 21,305 | - | - | - |
| | **93,587** | **14,132** | **4,704** | **4,848** |

## 31. Cash flow from operations

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Profit for the period | 110,734 | 160,126 | -51,441 | 35,794 |
| Adjustments for: | | | | |
| - tax | -3,675 | 29,414 | - | 29,414 |
| - depreciations on tangible fixed assets | 22,100 | 14,777 | 2,394 | 1,413 |
| - depreciations on intangible fixed assets | 4,479 | 1,924 | - | - |
| - profit/loss for sales of tangible fixed assets | 11,528 | -112 | - | -112 |
| - realised profits of hedging instruments | 16,537 | - | 16,537 | - |
| - unrealised profits current investments | -118,352 | -32,267 | -26,566 | -41,525 |
| - unrealised losses current investments | 23,031 | 12,854 | -23,031 | 10,784 |
| - anticipated dividend | - | - | -20,000 | - |
| - reversal of allocation | -39,000 | - | - | - |
| - acquisition/sale of current investments, net | 181,024 | 1,283,719 | 163,539 | 774,501 |
| - unrealised profits in associated companies | -53,241 | -140,063 | - | - |
| **Cash flow from operations** | **155,165** | **1,321,372** | **107,494** | **810,269** |

## 32. Pledged assets

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Other assets | 91,288 | 5,375 | - | - |
| Property mortgages | 59,711 | - | - | - |
| Company mortgages | 335,975 | - | - | - |
| Shares in subsidiaries | - | - | 843,218 | - |
| Short-term investments | 143,556 | 198,245 | 143,557 | 198,245 |
| | **630,530** | **203,620** | **986,775** | **198,245** |

The parent company issues bonds, reported as short-term investments, as pledged assets for derivative contracts. The parent company has also provided shares in Proventus Industrier as a pledge to guarantee a credit insurance of MSEK 250 in the company. Mortgages and other pledged assets in the group comprise securities for loans and liabilities within the BRIO Group. Reported liabilities in sub-groups, for which securities have been pledged, amount to MSEK 254.

## 33. Contingent liabilities

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Non-funded pension commitments in foundations | - | - | 3,121 | 3,779 |
| Warranties | 19,888 | - | - | - |
| Guarantees for subsidiaries | - | - | 6,109 | 6,344 |
| Warranties | 2,733 | - | - | - |
| Contingent liabilities, FPG/PRI | 2,885 | 2,855 | 2,885 | 2,855 |
| | **25,506** | **2,855** | **12,115** | **12,978** |

The parent company's contingent liabilities refer to granted credit limits in subsidiaries, a total corresponding to MSEK 5.9 (3.8) of which had been used at the closing of 2006.

During 2007, the parent company has submitted guarantees for credits and bank warranties in subsidiaries corresponding to an amount of MSEK 200.

The Group has contingent liabilities referring to pension commitments in earlier subsidiaries. Submitted guarantees amount to MSEK 2,624 (2,600). No liabilities are expected to arise as a result of these contingent liabilities.

## 34. Transactions with affiliates

In addition to what has been previously reported in this annual report, further information regarding transactions with affiliates is provided below. For 2005, "affiliates" refers to Proventus Industrier. The company is a subsidiary as of 1 October 2006, the Group's comparative figures have been adjusted as if the company been wholly owned from 2005, hence no data regarding the Group is provided.

| *Sales of goods and services* | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Sales of services | | | | |
| - associated companies | - | - | - | 3,750 |
| - subsidiaries | - | - | 8,876 | 8,174 |
| - affiliated companies | 316 | 1,383 | 316 | 1,383 |
| Rent for premises | | | | |
| - subsidiaries | - | - | 703 | 716 |
| | **316** | **1,383** | **9,895** | **14,023** |

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 Industrier.

Transactions with affiliated companies refer to invoiced fees to the board member Mikael Kamras' company. Proventus assists the company with macro-analysis, capital management services and administrative duties. Proventus also sublets premises to the company.

| *Purchases of goods and services* | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Purchases of services | | | | |
| - subsidiaries | - | - | 1,003 | 1,679 |
| | **-** | **-** | **1,003** | **1,679** |

| *Loans to affiliates* | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Loans to Board members and senior management in the parent company (and their families): | | | | |
| At the beginning of the year | 301 | 120 | 301 | - |
| Loans paid during the year | 81 | - | - | - |
| Loans amortised during the year | -181 | 181 | -181 | 301 |
| **At year-end** | **201** | **301** | **120** | **301** |
| Loans to affiliates: | | | | |
| At the beginning of the year | - | - | 27,301 | 1,168 |
| Loans amortised during the year | - | - | -27,301 | - |
| Loans paid during the year | - | - | - | 26,133 |
| **At year-end** | **-** | **-** | **-** | **27,301** |

Receivables refer to payments made by Proventus for acquisition costs in conjunction with Proventus Industrier's company transactions. The balance has been amortised during the year.

*Other financial transactions*

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Other short-term investments | | | | |
| At the beginning of the year | - | - | 15,611 | - |
| Actual change in value in the income statement | - | - | -18,544 | 15,611 |
| **At year-end** | **-** | **-** | **-2,933** | **15,611** |

Proventus Industrier has hedged investments in Nordic Broadcasting on the basis of forward exchange agreements with Proventus and Proventus Capital. The hedged amount totals MEUR 80, which in turn is hedged against the SEK. As a consequence of the strengthening SEK, Proventus and Proventus Capital had an unrealised loss on the contract equivalent to MSEK -18.6 (15.6). The forward agreement is valued at fair value and reported as a current investment. Elimination takes place in the group and the forward agreement does not influence the result.

*Loans from affiliates*

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Loans from affiliates companies | - | - | - | - |
| Loans from owners | 56,424 | 14,594 | 56,424 | 11,631 |
| Convertible promissory notes (nominal amount) | 39,520 | 39,520 | 39,520 | 39,520 |
| | **95,944** | **54,114** | **95,944** | **51,151** |

Convertible promissory notes have been issued within the Weil family and run with a 0 per cent interest rate. Interest referring to transactions with owners is calculated on a monthly basis, see Note 28.

*Other transactions*

Proventus acquired during 2006 49 per cent of the shares in Proventus Industrier from Robert Weil AB. The purchase price amounted to KSEK 49.

## 35. Business Acquisition

In September, a new share issue in BRIO was completed, which resulted in the Group's holdings increasing to 44.5 per cent of the capital and 52.5 per cent of votes. The initial acquisition was completed in June/July 2004. The proportion of equity at the first acquisition amounted to 30.5 per cent. Specified below is the acquisition of net assets for the respective date of acquisition and the overall surplus value, attributable to trademarks in both acquisitions.

The acquired operations contributed MSEK 372 in revenue and affected income before tax with MSEK -25. If the acquisition had taken place as of 1 January 2006, the Group revenue would have amounted to MSEK 1,114 and income before tax would have been affected by MSEK -95 in addition to what was consolidated as change in value (when the Company was an associated company) and during the fourth quarter.

| *Information on net assets and surplus value* | Acquisition 2 | Acquisition 1 | Total |
|---|---|---|---|
| Cash paid | 110,869 | 89,675 | 200,544 |
| Direct costs in relation to acquisition | | 2,202 | 2,202 |
| Acquired net assets (reported value) | -26,363 | -98,104 | -124,467 |
| **Surplus value** | **84,506** | **-6,227** | **78,279** |
| - of which are trademarks (Note 14) | 84,506 | -6,227 | 78,279 |
| - of which is goodwill (Note 14) | 21,918 | - | 21,918 |
| - of which is deferred tax (Note 19) | -21,918 | - | -21,918 |
| | **84,506** | **6,227** | **78,279** |

| | Acquired reported value 30/6 2006 | Acquired reported value 30/6 2004 |
|---|---|---|
| Intangible fixed assets | 134,100 | 12,600 |
| Tangible fixed assets | 41,600 | 93,200 |
| Financial fixed assets | 42,600 | 101,800 |
| Stock | 288,000 | 274,500 |
| Trade receivables | 237,000 | 189,700 |
| Other receivables | 52,300 | 68,300 |
| Liquid assets | 47,800 | 163,100 |
| Long term liabilities | -155,500 | -164,900 |
| Short term liabilities | -499,400 | -416,800 |
| Net assets | 188,500 | 321,500 |
| Acquired percentage net assets | 14.00% | 30.50% |
| Acquired net assets | 26 363 | 98 104 |

**Proposed appropriation of profits**

Non-restricted equity on 31 December 2006 amounted to MSEK 2,150. No provisions to restricted reserves are deemed necessary. The Board of Directors and the Chief Excentive Officer propose that the profits at the disposal of Proventus AB be allocated as follows

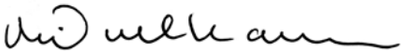
| | |
|---|---|
| profit brought forward | 1,985,147 |
| net profit for the year | -51,441 |
| Total | 1,933,706 |

to be carried forward.

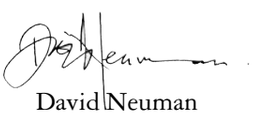
Stockholm, 2 May 2007

Robert Weil
*Chairman*

Daniel Sachs
*CEO*



Mikael Kamras



David Neuman

# AUDIT REPORT

*(translation)*

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 managing director of Proventus AB for the year 2006. The board of directors and the managing director 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 IFRSs 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 managing director and significant estimates made by the board of directors and the managing director 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 managing director. We also examined whether any board member or the managing director 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 IFRSs 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 managing director be discharged from liability for the financial year.

Stockholm, 2 May 2007

Peter Clemedtson
*Authorized*
*Public Accountant*

Ulf Westerberg
*Authorized*
*Public Accountant*

If you have a deeper interest in Proventus,
our projects and activities, there is
always up-to-date information on www.proventus.se.
The aim of this site is to show our wide range of engagements,
convey our values, release news about our projects and
function as a node for the Proventus group.

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