annual report 1998

INVESTOR AB

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Highlights 1998

- In 1998, the total return for Investor's shareholders was –1 percent, compared with a +13 percent average for the Stockholm Stock Exchange as a whole.
- Among Investor's main holdings, shares were acquired for a net amount of SEK 5,016 m. Of this total, SEK 1,785 m. pertains to shares in ABB, SEK 1,566 m. shares in Astra and SEK 992 m. shares in Ericsson.
- A broadening of ownership in Saab AB was carried out during the year. Investor now owns shares corresponding to 20 percent of the capital and 36 percent of the voting rights in the company. Saab AB's shares were listed on the Stockholm Stock Exchange in June 1998.
- The Group's net income for 1998 amounted to SEK 3,465 m. and the Group's net debt was SEK 15,966 m. at year-end.
- On December 31, 1998, the value of Investor's main holdings was SEK 88,923 m. The value of the main holdings appreciated by 1 percent in 1998. The corresponding value on February 3 was SEK 93,775 m.
- On December 31, 1998, Investor's net asset value was SEK 93,502 m., or SEK 467 per share. On February 3, net asset value was SEK 99,854 m. or SEK 499 per share.
- The proposed ordinary dividend to shareholders is SEK 11.00 (10.00) per share. A 4:1 split is also proposed.

KEY FIGURES* SEK m.	1996 12/31	1997 12/31	1998 12/31	1999 2/3
Net asset value[1]				
Total	78,880	88,409	93,502	99,854
Per share after full conversion	394	442	467	499
Growth in net asset value (%)	57	15	8	
Discount to net asset value (%)	23	12	22	28
Total return				
Investor (%)	59.8	32.1	–1.1	
Findata's Total Return Index (%)	43.1	27.8	13.0	
Earnings				
Income after net financial items	9,598	–942	3,711	
Net income	9,479	206	3,465	
Liquidity, equity/assets ratio and net debt				
Cash and short-term investments	15,017	10,991	138	
Net cash/Net debt	9,949	3,910	–15,966	
Equity/assets ratio[2] (%)	73	68	84	
Dividend				
Per share, SEK	10.00	10.00[3]	11.00[4]	
Yield (%)	3.3	2.6	3.0	
Dividend payout ratio[5] (%)	106	113	114	

* In accordance with the former accounting principle, namely the purchase method. 1996 and 1997 including Saab AB. 1998 excluding Saab AB.
[1] Shareholders' equity, convertible debenture loans and surplus values.
[2] Shareholders' equity, including convertible debenture loans, in relation to total assets.
[3] Actual dividend paid excluding one purchase right for shares in Saab AB valued at SEK 10.00 per share.
[4] Proposed dividend.
[5] Dividends paid out in 1996–1997 and proposed dividend for 1998 in relation to dividends received.

1916–1998
A brief look back

Investor was formed in 1916.

During the period 1916–1972, Investor was part of a group of financial and holding companies associated with Stockholms Enskilda Bank.

This group of companies formed the link between the bank and a number of major industrial companies. This gave the bank an indirect influence over these companies, their financing, liquidity management and other financial decisions.

From having been closely tied to the bank, Investor developed into a company with independent operations. This became particularly clear following the merger between Stockholms Enskilda Bank and Skandinaviska Banken at the beginning of the 1970s. At board level, Investor became the center of a well-developed network for value-creating communication and exchange of ideas and experiences, both nationally and internationally.

In the 1980s, Investor was distinguished to a great extent by its involvement in a number of major structural transactions. At the same time, Investor's strategic portfolio of shareholdings was concentrated to a limited number of companies, in which Investor plays an active ownership role, primarily through its work on their boards.

Structural deals have continued in the 1990s and, at the same time, Investor has broadened the scope of its operations through international investments via offices in Hong Kong, London, New York and Amsterdam, in addition to Stockholm.

1856 *Stockholms Enskilda Bank is founded by André Oscar Wallenberg. The bank plays a part in the growth of industrialism in Sweden by providing capital to entrepreneurs and innovative companies – often at its own risk.*

1856–1916 *Through investments and as collateral for its loans, the bank takes over parts of companies and thus becomes a major shareholder in a number of industrial companies.*

1916 *Investor is formed when new legislation makes it far more difficult for banks to own stocks in industrial companies on a long-term basis. The bank's shareholdings are then transferred to the investment company Investor. Several of Investor's main holdings have been there in some form since the start including Stora Enso, Atlas Copco, SKF and Scania.*

1946 *The investment company Providentia is formed by Stockholms Enskilda Bank. Jacob Wallenberg is elected chairman of Investor.*

1971–1972 *Stockholms Enskilda Bank and Skandinaviska Banken merge. In connection with this, the investment company Export-Invest is established and Investor acquires a more independent role, separate from the bank.*

1978 *Marcus Wallenberg (1899–1982) is elected chairman of Investor. Claes Dahlbäck is appointed president.*

1982 *Peter Wallenberg is elected chairman of Investor.*

1984–1991 *Major structural deals among the main holdings, including the sale of Kema Nobel and the following mergers: STORA/Billerud, STORA/Papyrus, STORA/Swedish Match, ASEA/Brown Boveri, STORA/Feldmühle Nobel and Tetra Pak/Alfa-Laval. In addition, Incentive is demerged from ASEA/ABB and Saab-Scania and GM form the jointly owned Saab Automobile.*

1991 *Investor and Providentia make an offer for the outstanding shares in Saab-Scania. As a result of the acquisition of Saab-Scania, Investor becomes a mixed investment company with a large, wholly owned industrial operation. The industrial conglomerate Incentive is listed on the Stockholm Stock Exchange following the demerger from ASEA/ABB.*

1992 *Investor and Providentia merge.*

1994 *Investor acquires Export-Invest.*

1995 *Saab-Scania is divided into two independent companies, Scania AB and Saab AB. The intention is to broaden ownership in the two companies when the time is right.*

1996 *Investor sells 55 percent of its holding in Scania and the company is listed on the Stockholm and New York Stock Exchanges. In connection with a refinancing of Saab Automobile, an option agreement is concluded between Investor and GM to regulate long-term ownership in the company.*

1997 *The holding in TV4 is sold to the Finnish newspaper group Aamulehti. Investor participates in the merger between OM Gruppen and the Stockholm Stock Exchange and in the formation of the new SEB Group through the merger between S-E-Banken and Trygg-Hansa. Percy Barnevik is elected as Investor's chairman.*

1998 *Through a combined sale to British Aerospace and distribution of purchase rights to Investor's shareholders, the holding in Saab AB is reduced by nearly 80 percent of the capital in the company. At the same time, Saab is listed on the Stockholm Stock Exchange. This marks Investor's return to a clearer profile as an industrial holding company.*

Stora Enso is formed through a merger between STORA and the Finnish forest products company Enso. Astra renegotiates its cooperation agreement with Merck and a merger is proposed with the British pharmaceutical company Zeneca.

1999 *Marcus Wallenberg is proposed as Investor's new CEO.*

Investor – a share with broad ownership



A large number of new shareholders have helped to broaden ownership in Investor. Key platforms for reaching these and other potential owners include shareholder meetings and sporting events.

The number of Investor shareholders has increased substantially in recent years and now totals approximately 135,000. This places Investor among the companies on the Stockholm Stock Exchange which have the most shareholders. The majority are small shareholders with holdings of up to 500 shares. Investor makes active efforts, in addition to achieving the goal of a good return, to make ownership as attractive and easy as possible and places great importance on the open provision of information.

ELECTRONIC MEDIA ALLOW RAPID ACCESS TO INFORMATION

In 1995, Investor introduced an interactive service for shareholder information called the Investor Dialogue. The basic idea is to expand information services to shareholders and offer two-way communication using new, interactive media. The base is Investor's website which provides access to daily news and listings from Investor, the main holdings, and the financial markets. Year-end and interim reports are also put on the site as soon as they are published. The address is *www.investor.se*

There is also a CD-ROM version of the Investor Dialogue which includes video presentations of Investor's main holdings and extensive background information. The CD-ROM can be ordered from Investor by calling +46 8 449 88 29.

ADVANTAGEOUS SHARE SAVINGS PROGRAM*

Investor's share savings program is conducted in cooperation with Aktieinvest, which is owned by the Swedish Shareholders Association. A favorable structure of charges allows small and medium-sized shareholders to make long-term savings and to trade in Investor shares in a cost-effective manner.

The share savings program can be used for monthly or less regular savings of small or large amounts. Under this program there are no custody or management fees and the charge when buying or selling Investor shares is low. Additionally, dividends are reinvested in new Investor shares automatically and free of charge.

* Open to shareholders who are permanent residents in Sweden.

CONVERTIBLE DEBENTURE LOANS

Investor's convertible debenture loans were issued in conjunction with the acquisition of Saab-Scania in 1991 and increased in connection with the acquisition of Förvaltnings AB Providentia in 1992. The loans carry annual interest of 8 percent and conversion to class B shares in Investor may take place through May 2001 at a conversion price of SEK 141.90. The loans fall due for repayment on June 21, 2001.

WARRANTS IN SCANIA

In connection with the Scania IPO in 1996, Investor's shareholders received one three-year covered warrant, for shares in Scania, for each Investor share held. Five warrants carry entitlement to purchase one class B Scania share at a price of SEK 180. The warrants expire on June 4, 1999, and may be used to purchase shares, or be sold, until this date. Each warrant has a taxable value of SEK 8.10, which will form the basis for calculation of both any capital gain/capital loss in the event the warrants are sold, as well as the acquisition value of shares in Scania acquired through the exercise of warrants.

PURCHASE RIGHTS FOR SHARES IN SAAB AB

In May 1998, Investor's shareholders received one purchase right for shares in Saab AB for each Investor share held.

Four purchase rights and a cash payment of SEK 45 gave entitlement to acquire one share in Saab AB. Each purchase right has a taxable value of SEK 10.00, which will form the basis for calculation of the taxable value of the dividend and the acquisition value of shares in Saab AB acquired through the exercise of purchase rights.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 6 p.m. on Wednesday, April 14, 1999, at Kungliga Tennishallen (the Royal Tennis Hall), Lidingövägen 75, Stockholm.

PARTICIPATION

To be entitled to participate in the business of the Meeting, shareholders must

be recorded in the register of shareholders maintained by Värdepapperscentralen VPC AB (the Swedish Securities Register Center) no later than Thursday, April 1, 1999, and

notify the Company of their intention to attend by writing to Investor AB, SE-103 32 Stockholm, or calling +46 8 611 29 10, or via Investor AB's website *www.investor.se* no later than 1 p.m. on Friday, April 9, 1999.

NOMINEE-REGISTERED SHARES

To exercise their right to vote at the Annual General Meeting, shareholders whose shares are registered in the name of a nominee through the trust department of a bank or a private stockbroker must temporarily re-register their shares in their own names with VPC. Shareholders who wish to re-register their shares must notify their nominees well in advance of April 1, 1999.

DIVIDEND

April 19, 1999, has been proposed as the record date. If the proposal is approved by the Annual General Meeting, the dividend is expected to be distributed by VPC on Monday, April 26, 1999.

INFORMATION DATES

Annual General Meeting	April 14, 1999
3-month interim report	April 14, 1999
6-month interim report	July 9, 1999
9-month interim report	October 7, 1999
Year-end report 1999	January 27, 2000

INFORMATION CHANNELS

Publications

In addition to this Annual Report, the following material can be ordered from Investor:

- Annual Review 1998
- Interim reports
- Investor on CD-ROM

These publications can be ordered by writing to Investor AB, SE-103 32 Stockholm, by calling +46 8 449 88 29, faxing +46 8 449 88 10 or by e-mail to info@investor.se

Investor relations

Per Spångberg: +46 8 614 20 00.

Internet website

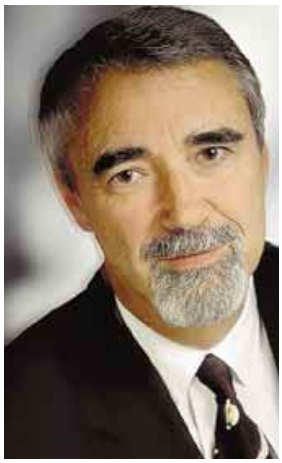
www. investor.se

ANALYSES OF INVESTOR

Firms that published analyses of Investor in 1998 include Alfred Berg, Aros, Carnegie, Matteus, Morgan Stanley, Nordiska Fondkommission, Paribas, S E B (Enskilda Securities), SHB (Handelsbanken Markets), Swedbank, Warburg Dillon Read and Öhman.

To the shareholders

The world economy displayed major regional differences during 1998, with financial turbulence and crises in certain countries. Several of our main holdings were affected by weak development in Western Europe and a decline in demand in Asia. Some companies, however, primarily through internal measures, managed to go against the stream and show favorable development.



Percy Barnevik

Important changes in the portfolio companies in 1998 were completion of the Stora Enso merger and the proposed merger between Astra and Zeneca. Both cases create a new platform for profitable growth as a leading player within their respective industries. These mergers mean dilution of Investor's ownership but also provide an opportunity for significant growth in value for Investor's shareholders. The stock exchange listing of Saab AB and the joint venture with British Aerospace provide the best possible export opportunities with Saab integrated into the emerging European defense cooperation. At SKF, the change of CEO and an extensive and painful restructuring are expected to lay the foundations for sustainable profitability at a higher level. The refocusing of Gambro, the change from 1/1000 to 1/10 voting rights for each class B share completed for Electrolux and planned for SKF, and the recently proposed single-class share for ABB, are designed to give these shares increased transparency and other advantages.

During the past year Investor has vigorously applied the principles of active ownership described in the 1997 annual report. These are shareholder targets, in the form of requirements for long-term growth in share value in the individual companies, set by each company's board. Discrepancies between targets and performance lead to constructive demands for action – such as rationalization programs, restructuring and similar activities, or changes in management to obtain higher profitability and growth within the company concerned.

The work of strengthening and renewal of company boards has continued in line with the principles presented a year ago: greater demands on boards linked to higher remuneration, partly in the form of shares, and a changed composition, including a larger number of foreign board members. Experiences from this have been favorable.

Investments in small companies, some outside Sweden, have continued as planned. Such investments are increasingly being made via private equity funds, in which Investor has significant stakes. We expect these investments to boost value growth and that some of the companies included may become main holdings in the future.

Investor's development on the stock market was a disappointment in 1998, with a few weighty holdings dragging down the share price and the discount to net asset value rising in pace with growing economic uncertainty. We are convinced, however, that Investor's active ownership with involvement in the portfolio companies through their boards will provide, as in previous periods, growth in value over time which will clearly exceed the market average.

Claes Dahlbäck has been president and CEO for 21 years and can look back on an unparalleled development, where Investor's annual average total return has clearly exceeded that of the stock exchange. He has also been the driving force behind many important changes in recent years. I am glad that we have succeeded in engaging Claes Dahlbäck for key tasks within Investor and our portfolio companies even after his departure. It is also satisfactory that we have been able to recruit our new chief executive, Marcus Wallenberg, from within. Marcus has solid experience of working in industrial companies, on company boards, as executive vice president responsible for economy and finance, and as deputy CEO of Investor. I am convinced that he will live up to the high expectations placed upon him.

In times of turbulence and economic decline, such as 1998 proved for many companies, greater efforts are often needed than in the good years. On behalf of the board and our shareholders, I would like to thank the management and employees at Investor, as well as the large number of employees at affiliated industrial companies, for their efforts to build for the future.



Percy Barnevik

Strong fluctuations in the world economy



Claes Dahlbäck

Economic conditions in 1998 were characterized by powerful fluctuations among the major economic regions of the world. The U.S. remained the engine in the global economy with unbroken growth for the eighth consecutive year. The Japanese economy went into recession after several years of falling growth. The major economies of Southeast Asia also found themselves in a deep economic slump, which led to bankruptcies, industry restructuring and high unemployment.

The developing countries suffered from a number of problems. Inadequacies in the Russian economy led to a number of severe crises during the year and the Russian stock market, which had grown strongly in a short time, fell spectacularly. South America's largest economy, Brazil, was also under pressure.

Growth in Europe was subdued. The main reason was probably the fiscal restraint which was needed to achieve coordination of the economies that launched the euro as their common currency on January 1, 1999. Against the background of this and deflationary impulses from the developing countries, interest rates fell.

The financial markets developed favorably during the year although there were strong fluctuations in the final months. This turbulence stemmed from the problems mentioned above in the developing countries and the fact that a number of highly leveraged investment funds, which had specialized in these economies, had taken risks that were far too high.

When we try to assess the prospects for economic development and financial investment in future years, it is important to understand the division that has occurred between, on the one hand, the manufacturing industries in the West, which grow slowly and are affected by deflationary pressure from the developing countries and, on the other hand, the service industries. The latter will provide new jobs and economic growth, not only in the U.S. but also in Europe for many years to come. This growth will probably be achieved with continued low inflationary pressure since IT investments designed to raise productivity are a central element for these industries.

In spite of continued deflationary pressure from the developing countries and the weak development in Japan, the strength of the American economy and the potential for efficiency gains in the united Europe will probably remove the risk of an extensive recession in the world economy.

AN UNUSUALLY EVENTFUL YEAR FOR INVESTOR

The announced broadening of ownership in our largest, wholly owned subsidiary, Saab AB, resulted in a listing on the Stockholm Stock Exchange on June 18, 1998. In addition to giving Saab a more distinct exposure in general terms, the listing gave Saab access to the international capital market and therefore greater financial opportunities. Through this sale, we created shareholder value. By reducing the number of wholly owned subsidiaries, Investor achieved a clearer profile as an industrial holding company. Moreover, the offer of purchase rights to our shareholders enabled them to acquire shares in Saab on favorable terms.

In conjunction with the broadening of ownership, British Aerospace plc acquired a significant shareholding in Saab AB from Investor. This combination improves the potential for export orders for the JAS Gripen, which is borne out by the successful launch in South Africa in the fall. Furthermore, it will be easier for Saab to participate in the anticipated restructuring of the European aerospace and defense industry.

The decision on a merger between STORA and the Finnish company Enso led to the creation of one of the largest manufacturers of paper and packaging board in the world. The merger between these two equal sized and strong parties is expected to provide substantial cost synergies and good opportunities for growth in an industry increasingly exposed to competition.

The proposed merger between Astra and Zeneca is another example of two parties each of which has grown successfully through its own efforts and which together can build a strong base for continued expansion. The sales and marketing organizations and the product portfolios in the two companies complement each other extremely well.

Strong market positions will become increasingly decisive for the future competitiveness of pharmaceutical companies. Given the greater clout and leading position worldwide which the merged company will acquire within its therapeutic areas, we believe that a combined AstraZeneca has far greater potential for strong expansion and profitability than the two companies on their own.

In 1998, Gambro saw the completion of one of the greatest transformations seen in Swedish industry for decades. As a result of systematic, effective and intensive work, Incentive was developed from a rather unfocused conglomerate into a focused, medical technology company, Gambro. Today, Gambro's operations are concentrated mainly on products and services within renal care. This is an area with good and stable growth where Gambro has strong market positions.

Investor participated, as did Gambro, in its capacity as a major owner of Electrolux, in changing the differentiated voting rights between the company's class A and B shares. Thus, Electrolux's annual general meeting decided to increase the voting right for the company's B shares from 1/1000 to 1/10 of a vote. In the summer, Investor acquired all class A shares in Electrolux from Gambro in conjunction with the completion of Gambro's refocusing.

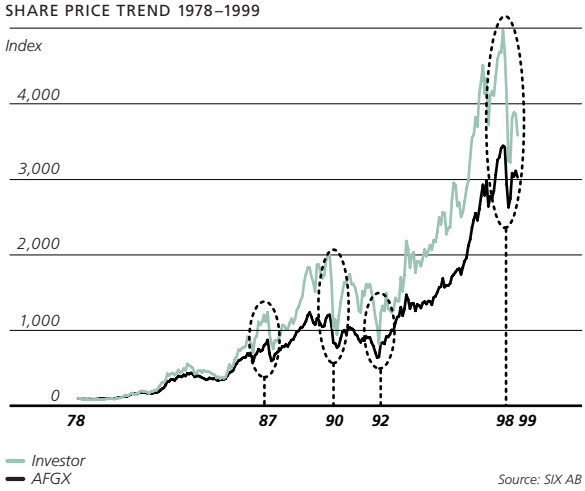
Investor also acquired a large block of ABB shares by exercising the purchase rights included in the Gambro holding. In addition to these acquisitions, Investor increased its shareholdings primarily in Astra and Ericsson in the fall.

The shareholding we had in Svenska Dagbladet for many years was sold to the Norwegian media group Schibsted. This provided a long-term and stable solution which will allow the newspaper to continue as an editorially independent Swedish daily.

Our activities in the area of new investments included the launch during the year of two new private equity funds, EQT Scandinavia II and EQT Danmark, in which Investor participates both as a general partner and as a significant investor. The background to this investment, which will probably be followed by the establishment of additional funds, is the favorable development of EQT Scandinavia I, which was launched a couple of years ago.

In spite of all activities during the past year, Investor shares failed to develop as we had hoped. One reason for this is that our portfolio of main holdings developed less favorably than the market as a whole, which was connected to some extent with our underweighted growth stocks.

SHARE PRICE TREND 1978–1999



Source: SIX AB

Furthermore, the discount to net asset value rose during the year from 12 percent at the beginning of the year to 22 percent at year-end. In view of our efforts to create shareholder value, this was naturally a disappointment. At the same time, we have been able to see for many years that the discount to net asset value tends to rise when the stock market is uneasy or bearish and to fall in a bull market. The above diagram shows accordingly that Investor's shares fluctuate more strongly than the market as a whole. Therefore, I am not worried about our development viewed in a more long-term perspective.

INVESTING IN COMPETENT EMPLOYEES

Investor's task and responsibility as an active owner demands highly competent and motivated employees. Accordingly, we devote a lot of time and resources to recruiting, developing and retaining our staff. It is therefore gratifying that several surveys among students rank Investor as one of the most attractive employers.

Just as it is important to recruit, it is equally important to be able to keep our employees and today, when it is normal for both parents in a family to work, the workload for many people easily becomes inhuman. In common with many other companies, we have therefore decided to offer our employees an opportunity to lighten the load of prac-

tical duties in the home by engaging Hemfrid, a domestic services and cleaning company.

In this context, I would like to mention that we have a very even balance between the sexes in managerial positions at Investor and we are endeavoring to make this a lasting trend.

Additionally, a new salary system for executive management comes into effect in 1999. In future, basic salary will consist of two components: a cash salary and an employee stock option program, designed in accordance with the parliamentary resolution which came into force in July 1998. For many employees, the basic salary will be complemented with a bonus program according to strict criteria.

OUTLOOK FOR 1999

The dramatic turbulence in the world stock markets in the fall was one sign of a growing nervousness among investors worldwide.

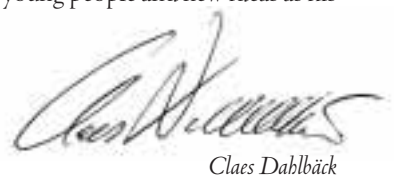
Why dramatic price falls usually occur in the fall is in itself a matter for speculation, but this is a fact that is probably common knowledge to every experienced stock market analyst.

Looking at stock market prospects for 1999, markets will probably be stimulated by continued liquidity inflows, both in Sweden and elsewhere. Since low interest rates can be expected, equities will offer a more attractive alternative than bonds or short-term investments.

The large volume of cross-border structural deals in recent years can be expected to continue in many sectors and to provide the market with additional stimulation. The extent to which this will be sufficient to boost share prices on a broad front is hard to determine since economic prospects remain uncertain throughout the world. For growth companies, mainly in IT and telecom, it would seem however that the sky's the limit at the moment.

But, enough about future visions. After 21 extremely eventful years as president I am now hoping instead to have a little time to look back and to reflect over a long and incredibly fascinating period of my life.

I am delighted that the Board has appointed Marcus Wallenberg to be my successor. Marcus, whom I have known for more than 20 years and who has been my closest colleague in recent years, has first-rate qualities with which to lead Investor into the 21st century. He is an unusually modern person with an inquiring mind and the same burning interest in young people and new ideas as his legendary grandfather.



Claes Dahlbäck

Sweden's leading industrial holding company

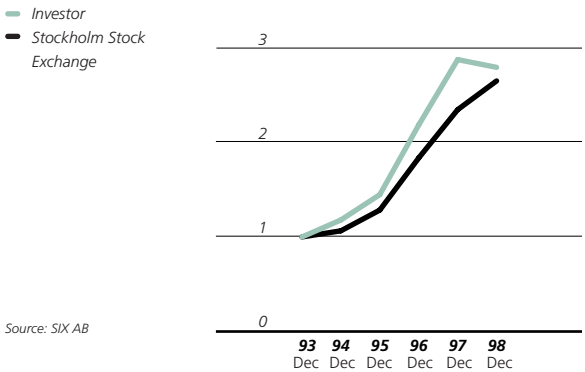
Investor is Sweden's largest industrial holding company, with a net asset value of almost SEK 100 billion. Investor owns significant shareholdings in Astra, Ericsson, Scania, ABB, Gambro, Stora Enso, Atlas Copco, SEB, WM-data, Electrolux, Saab, SKF, SAS and OM Gruppen. Investor also owns half of Saab Automobile. The company has some 135,000 shareholders and its shares are traded on the Stockholm Stock Exchange and on SEAQ in London. Investor employs more than 160 people.

BUSINESS CONCEPT

Investor's business concept is to create favorable value appreciation for its shareholders through active long-term ownership and active investment operations. Added value is created by providing a high return based on limited risk exposure.

The business concept also clearly expresses one of Investor's fundamental principles: Investments in Investor must provide a higher return than comparable alternatives for shareholders with long-term investment horizons.

TOTAL RETURN* 1994–1998

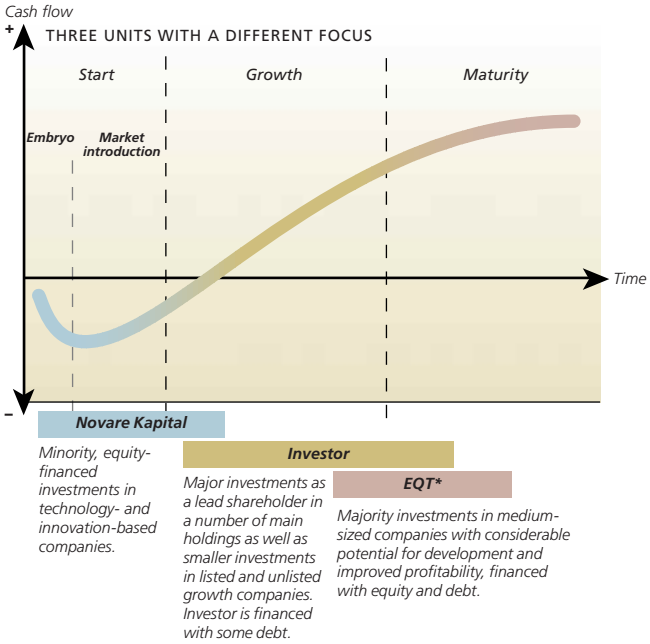


Source: SIX AB

TOTAL RETURN*

	Stockholm Stock Exchange	Investor
5 years	21.6%	22.9%
10 years	15.1%	17.7%
15 years	17.2%	19.1%
20 years	22.2%	24.4%

**Total return refers to the sum of share price appreciation and dividends. Findata's Total Return Index (FDAX) has been used as the comparative index.*



* Joint name for the funds EQT Scandinavia I (formerly Scandinavian Equity Partners), EQT Scandinavia II and EQT Danmark.

Over the past 20 years, Investor's total annual return (sum of share dividends and share price appreciation) to shareholders has exceeded the total return for the Stockholm Stock Exchange by an average of one to three percentage points per year, depending on the assessment period. The most important objective for all Investor employees is to meet shareholder demands for capital return.

STRATEGY

In concrete terms, Investor's strategy of creating value through active ownership and active investment operations involves the following combination:

- developing and working with the main holdings in a long-term perspective.
- seeking new investments and business opportunities that create added value.

Value is created by combining financial and industrial strength with knowledge, experience and contacts. In its capacity as an active owner, Investor is a driving force behind company development. Investor endeavors to ensure that investments in research, development and new plants will create added value in the companies in which it

has a interest. Investor also works continuously on the structure of these companies and ensures that financing is well balanced between equity and debt. The objective at all times is to create a strong long-term return with limited risk for shareholders.

New growth-oriented investments are intended to complement the existing portfolio. Investments that are necessary to secure appreciation and return for Investor's shareholders over time.

ORGANIZATION

The investment organization has been expanded and now includes representation through independent subsidiaries in Stockholm, Hong Kong, London, New York and Amsterdam. Work related to the main holdings is led from Stockholm and work with new investments is mostly managed from Investor's subsidiaries in New York, Hong Kong and Amsterdam. The London office assists the investment operations on matters relating to macroeconomics and overall investment strategy.

The wholly owned Novare Kapital is a venture capital company focused on minority investments in technology- and innovation-based companies with a clear growth potential. The partly owned EQT invests in companies with considerable potential for development and improved profitability, typically established companies that are part of a larger group but outside its core business, companies that require resources for growth, or companies where broader ownership change is desirable for various reasons. The operations of both Novare and EQT have a Nordic focus.



A global organization, with independent subsidiaries and offices in Stockholm, Hong Kong, London, New York and Amsterdam, works to develop the existing holdings and seeks new value-creating investments.

Investor's organization is based on a combination of comprehensive industrial and financial expertise. The Board of Directors is chaired by Percy Barnevik and includes some of Sweden's most experienced corporate leaders with an extensive international network of personal contacts and potential partners. All in all, Investor's Board of Directors and employees provide the Group with valuable and extensive knowledge of the conditions and factors that determine industrial growth and create long-term shareholder value.

INVESTOR'S MAIN HOLDINGS

(December 31, 1998) Company	Number of A shares	Number of B shares	Of which on loan	Market value SEK m.	Share price performance 1998 (%)[1]	Share of portfolio (%)	Share of capital (%)	Share of voting rights (%)
Pharmaceuticals/Health care						**40**		
Astra	172,648,604	3,606,301	208,796	29,168	+20	33	11	13
Gambro	68,638,225		165,996	6,040	–39	7	20	26
Engineering						**28**		
Scania[2]	45,504,200	7,489,981	347,848	7,904	–16	9	26	42
ABB	90,274,796			7,809	–8	9	10	13
Atlas Copco	27,523,100		1,000	4,899	–25	5	15	21
Electrolux	9,182,390	4,165,000	58,500	1,912	+27	2	4	21
Saab AB[3]	4,207,123	17,404,802		1,837	+1	2	20	36
SKF	14,955,052			1,376	–44	1	13	30
IT/Telecoms						**19**		
Ericsson	36,872,000	27,147,000	347,610	12,964	+29	15	3	22
WM-data		10,060,500	237,945	3,481	+141	4	13	6
Financial services						**6**		
SEB	48,486,300		64,880	4,146	–15	5	8	9
OM Gruppen	8,867,307		1,250	904	+6	1	11	11
Forest products						**6**		
Stora Enso[4]	27,408,146	50,484,602[5]		5,503	–10	6	10	11
Service						**1**		
SAS Sverige	13,155,980		1,200	980	–35	1	19	19
Total				**88,923**		**100**		

[1] Most heavily traded class of share. [2] Market value pertains to the 52,994,181 shares not encumbered by distributed covered warrants.
[3] Pertains to price trend since June 18, 1998. [4] Price trend in 1998 pertains to STORA until December 29, 1998, when Stora Enso was listed.
[5] Pertains to R shares.

A knowledge-based organization

In order to provide greater shareholder value, Investor has played an active role in several of the major structural changes in Swedish business in recent years. These include: the reconstruction of Saab Scania with the formation of Saab Automobile in partnership with General Motors, the stock exchange listing of Scania and the listing of Saab with its new part owner British Aerospace; the transformation of Incentive to Gambro; the merger between S-E-Banken and Trygg-Hansa, to form SEB; and the merger of OM Gruppen and the Stockholm Stock Exchange. Other examples are the recently completed Stora Enso merger and the proposed Astra Zeneca merger.

Behind the banner headlines, Investor's everyday work is guided by a determination, in line with the principles of active ownership, to contribute to action that can raise the growth in value of its holdings over the long term. In parallel with this increased activity around the main holdings, financial management and the company's own equity trading operations have been extended to make better use of Investor's resources through familiarity with new, sophisticated products and services on the financial and capital markets. Resources for new investments have also been reinforced.

Taken overall, this means that the Board and management are now backed by a target-oriented internal organization for information and analysis with more than 160 employees in Stockholm, Hong Kong, London, New York and Amsterdam.

External opinion has referred to the amassed competence at Investor as a "think tank," a pool of business competence that is more respected than most other similar knowledge-based companies.

ACTIVE OWNERSHIP IN A NEW MILLENNIUM

"The extension of our organization stems from the consolidation in the 1980s, when Investor forced through a number of structural transactions. Now it's a question of developing our holdings for the global markets of the 21st century. Active ownership requires far greater basic capacity than other types of equity management," says Executive Vice President Marcus Wallenberg, who in addition to his proposed appointment as the new president and CEO of Investor, is also vice chairman of Astra, Ericsson and Saab, and a director of Gambro, Scania, SEB, and Stora Enso.

Börje Ekholm, responsible for Investor's new investments business area, leads the search for growth companies in emerging industries from the New York office. He has some 30 people to assist him. Within new investments he is also responsible for involvement in the now wholly owned venture capital company Novare and the partly Investor owned EQT* which launched two new private equity funds during the year, EQT Scandinavia II and EQT Danmark.

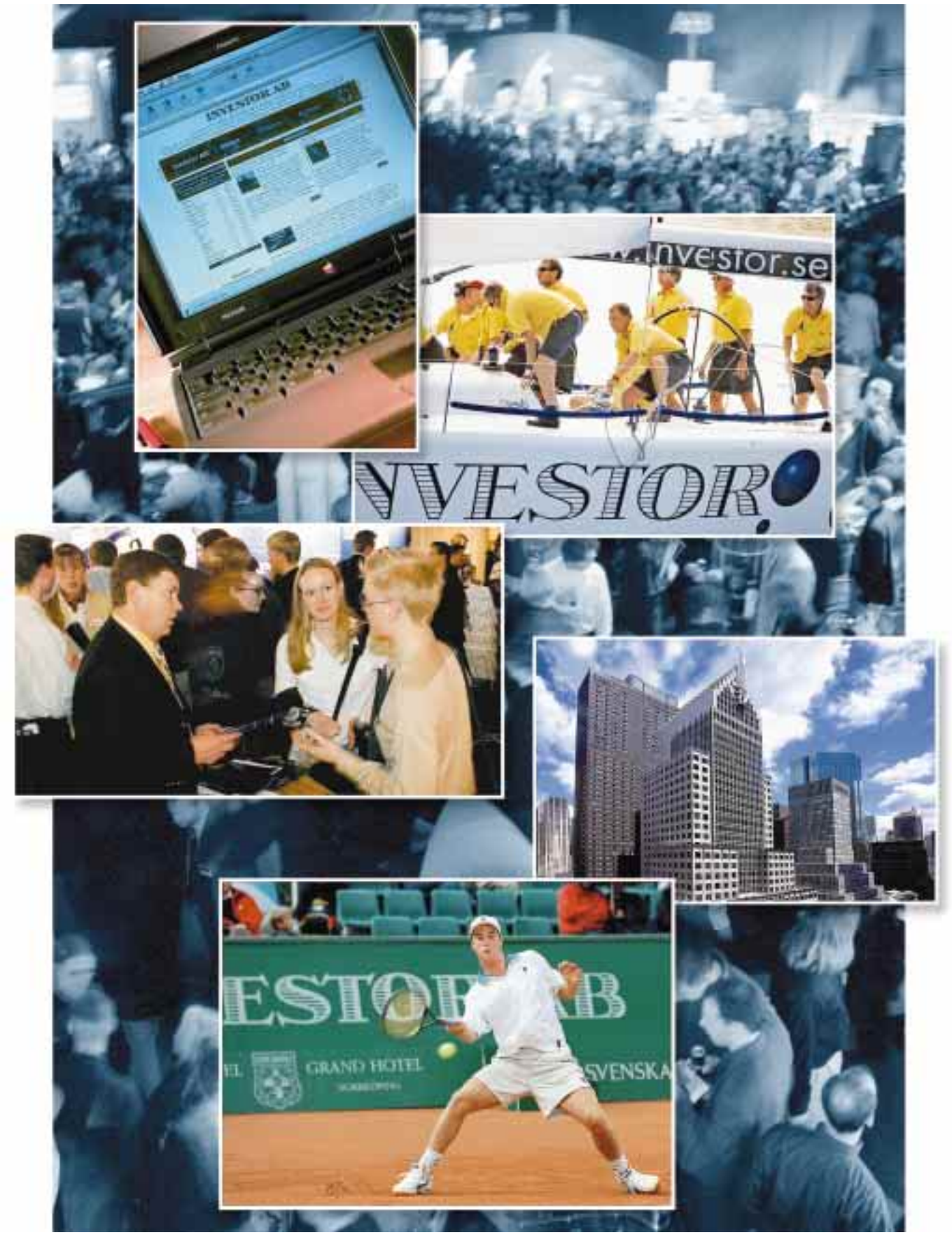
"We have streamlined the organization with the main focus on New York and Hong Kong. This does not mean that we are reducing our monitoring of Europe, on the contrary we would like to increase our investments there. But the most important thing is to sit close to a large, good capital market, where expertise is at its greatest. For our specialties – IT, service and health care – the American example often provides the best benchmark."

Ekholm sets a high goal for the new investment operations; his professional staff must be best in the world at following the development of industry. It is only through information and analysis of the highest quality that a portfolio with a high return over time can be built up. Qualified employees provide the foundation for this way or working, which is based on a high degree of delegation of responsibility for each investment.

At present, some twenty investments are managed with an approximate value of SEK 5.5 billion. The return on the new investments was good during the year and totaled more than 30 percent. One contributory example is the holding in the successful biotechnology company MedImmune which increased in value by 132 percent in 1998. One example of realized gain was the sale of the holding in the Finnish IT service company Tieto. This deal provided an annual return corresponding to 135 percent.

Support for decisions regarding new investments is secured in an investment committee staffed by Börje Ekholm, Henry Gooss, Thomas Nilsson, Claes von Post and Marcus Wallenberg. There is a corresponding investment committee for Investor's main holdings, composed of Claes Dahlbäck, Ulla Litzén, Sven Nyman, Jacob Wallenberg and Marcus Wallenberg. Together with Managing Director and Head of Corporate Communications,

* Formerly Scandinavian Equity Partners.


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INVESTOR AS OTHERS SEE US

Every year a number of major surveys are conducted on various aspects of the quality of Swedish listed companies. Some rankings from the charts for operations in the past year:

- CONFIDENCE IN COMPANY MANAGEMENT
  3rd place out of 67 companies assessed
  Svensk Image, Finance Barometer 1998 (analysts)
- BEST INFORMATION
  2nd place out of 67 companies assessed
  Svensk Image, Finance Barometer 1998 (analysts)
- BEST FUTURE
  6th place out of 65 companies assessed
  Svensk Image, Shareholder Barometer (small shareholders)
- BEST ORGANIZATION
  5th place out of 65 companies assessed
  Svensk Image, Shareholder Barometer (small shareholders)
- BEST ANNUAL REPORT
  3rd place out of 100 companies assessed
  Veckans Affärer 45/98 (analysts and fund managers)
- BEST HEAD OF CORPORATE COMMUNICATIONS
  1st place
  Image Survey International 1998, open question to 674 financial journalists, financial analysts and investors
- BEST HEAD OF INVESTOR RELATIONS
  1st place
  Image Survey International 1998, open question to 674 financial journalists, financial analysts and investors

Nils Ingvar Lundin, and Chief Financial Officer, Pia Rudengren, these people make up Investor's executive management.

BUSINESS TEAM – TEAMWORK IN PROJECT FORM

The core of the work of the investment organization is the business teams set up for each main holding. These usually consist of five to six members, one of whom is often a board member, backed by analysts and effective decision support systems. Sven Nyman is responsible for development of the main holdings within pharmaceuticals, medical technology, health care and financial services. "During the year we were primarily involved in the final stage of streamlining Gambro to a medical technology company, but a lot of time was also spent monitoring Astra's work. It is a question of in-depth analysis of development trends in the industry, considering what is required for continued growth and ways in which Investor can contribute to this," Nyman explains.

In the financial sector the greatest involvement has been in the European integration process, with the emphasis on OM Gruppen's role in this restructuring.

One special aspect of this teamwork in project form is that experience and knowledge from industrial operations are combined with financial expertise and creativity. Together with short decision-making processes and a competitive, profit-oriented climate, this has contributed to Investor's attraction as an employer.

NEW FINANCE ORGANIZATION

Financial management is naturally a central function at Investor. Chief Financial Officer, Pia Rudengren, is responsible for a wide area – from budgets, accounting and financial reports to risk management, borrowing and payments.

"We have created a new finance organization, more process and project-oriented than before, in order to enhance efficiency. Improved IT support and recruitment of specialists are part of this renewal process. One constant ambition is to push down our financial expenses by negotiating the most favorable terms possible on the market."

Two key contacts for Pia Rudengren in this work are Standard & Poor's and Moody's, the two most important rating agencies that grade companies' creditworthiness, on which borrowing terms are decided. Investor is well placed in the market with a high rating of AA- at S&P, and a slightly weaker A3 from Moody's. "It is important to us that they understand the nature of our operations, and feel confident in management. Then, we can obtain the correct risk assessment from them," explains Pia Rudengren.

Other major tasks during the year included handling several large share purchases, the turnover of loans in the subsidiary Saab, and raising two Euro Medium-Term Note (EMTN) loans.

MARKET DEMANDING MORE INFORMATION

The market's demand for more and better information is constantly increasing. One man whose task it is to satisfy this demand is the head of IR, Investor Relations, Per Spångberg.

"Relationships are very much based on confidence. In addition to daily conversations with analysts at brokerage firms, many investors seek direct contact with the com-

pany in which they are thinking of investing, so that they can form their own opinion. Some investors do not take a position in a company unless they have met management and had their questions answered," says Spångberg.

"Presenting good figures in a quarterly or annual report is not enough. You must be able to show how these figures are actually interrelated with the company's strategy and how the strategy, in its turn, is linked to the company's ability to create shareholder value."

Greater market exposure of Investor in recent years has doubled the number of shareholders and increased public interest in Investor's activities. Events and assessments relating to Investor often attract considerable media attention, particularly in the business press. Increased saving in equities and media focus on financial news, are matched by growing demands for good information and service to the market.

Managing Director and Head of Corporate Communications, Nils Ingvar Lundin, underlines the value of active openness in information activities: "For us, it is a source of strength to be able to provide information about our operations that is as accurate as possible. This is why we make considerable efforts to be highly accessible to media and the financial market."

For Investor, as for other companies and organizations, it is important to be known among the different target groups. Shareholders and potential shareholders must be familiar with the operations in which they are investing their money. Employees must be able to feel proud of working in a well-known company. It is also easier to recruit the most competent employees to a well-known company. At the same time, a company must be known on the national and international capital markets in order to participate in business opportunities and gain access to financing.

Activities designed to make the company known are naturally an integrated part of Investor's operations. A company that has no products of its own to bear the company name and therefore make it known, requires activities other than traditional campaigns. Costs need to be kept down, however, since an industrial holding company does not have any product-financed marketing.

The company's role in society also requires participation in certain activities that would not take place without cooperation between state, municipality and the business community. Such participation gives the company valuable visibility and goodwill. One example is the Swedish 1996–1997 Olympic campaign, participation in the formation of the Swedish Institute for Media Studies, IMS in 1998, and participation in the "Dare to win" campaign in 1998–2005 to help potential Swedish Olympic talent ahead of future Olympic Games.

Investor has mainly chosen to focus on advanced electronic communication as a channel for distribution of information, as well as using meetings with shareholders, sailing events and tennis tournaments as platforms for direct contacts with important target groups. These activities are evaluated continuously via various opinion polls.

DAILY NEWS VIA THE INTERNET

Investor's Internet website *www.investor.se* has developed into a main channel for presenting daily information from Investor and the main holdings in one place. Anyone who is interested can obtain continuous share price information, the latest news about the holdings and bulletins about events on the stock and money markets. Visitors can also access an archive with news bulletins and financial information. Links to the websites of the main holdings provide easy access to more information. Electronic mail allows a dialogue with Investor's management.

Closer contacts with owners include shareholder meetings around the country several times a month. These meetings give thousands of savers access to more in-depth information from Investor. Larger meetings and investor exhibitions include an opportunity to test what the Internet has to offer helped by Investor's net guides. This has proved a popular entry to the business world, particularly among young shareholders. In conjunction with the annual general meeting, there is now also a special Investor Day for students where Investor's holdings present themselves for thousands of potential employees, investors and consumers.

Other activities are aimed at groups which can be reached through tennis and sailing. A large audience came into contact with Investor at the tennis tournaments Scania Stockholm Open and Investor Swedish Open in Båstad. A similar experience was provided by the Round Gotland race, in which the sailboat Investor, with skipper Thomas Blixt at the helm, has been class winner for two consecutive years.

Active measures reduce risk

The Investor Group, through its operations, is primarily exposed to market risk. The market risk mainly comprises share price risk but also includes interest rate and currency risks. Other risks that arise in the company's operations include financing risk, credit risk and operational risk. Risk limits are stipulated in Investor's risk policy. The Risk Management function monitors adherence to the risk policy.

Investor's investment operations with its main holdings, new investments and short-term equity trading, are mainly exposed to share price risk. There is also short-term fixed-income and currency trading which is exposed to interest rate and currency risk. Treasury is responsible for managing currency risk related to investments, interest rate risk related to borrowing and financing risk.

The risk policy is decided by executive management and stipulates limits for market risk and how other risks should be minimized. There are market risk limits for new investments, short-term equity trading and fixed-income and currency trading. The risk policy also stipulates which securities, instruments, currencies and counterparties are permitted, as well as which control routines should be followed. All risks are checked on a daily basis.

MARKET RISKS IN INVESTMENT ACTIVITIES

Market risk is the risk of fluctuations in share prices and exchange rates, as well as in interest rates, having a negative impact on Investor's return. The traditional way of measuring and limiting market risk is in terms of market exposure, i.e. the market value of investments. Investor endeavors, however, to an increasing extent, to measure and limit market risk using Value at Risk (VAR). This is defined as the maximum loss Investor may incur over a specific number of days with a given probability. At present, Investor applies five days and 99 percent probability. VAR is based on the theory of probability, which provides the advantage of allowing risk of different asset classes to be aggregated. VAR is an international standard for risk measurement used in the banking sector and is approved by the supervisory authorities.

Market risk for new investments is measured and limited in terms of market exposure, while market risk for fixed-income and currency trading is measured and limited in terms of VAR. In 1998, market exposure limits were used for equity trading, but VAR limits will be introduced in 1999.

MARKET RISKS WITHIN TREASURY

Treasury's risks are also measured and followed up in terms of VAR.

In the Investor Group, currency risks mainly arise as a result of investments in foreign securities. In 1998 all currency risks were 100 percent hedged through loans in local currency or with forward contracts.

Investments in foreign currency, SEK m., 12/31 1998

"Euro" currencies	850
Rest of Europe	300
Asia (HKD, PHP, KRW, THB)	700
USD	3,650
Total	**5,500**

Interest rate risk arises as a result of borrowing, and investing of surplus liquidity. The interest rate risk is minimized by matching interest rate sensitivity on the assets side of the balance sheet with that on the liabilities side. In 1998, Investor's interest rate portfolio consisted of floating and fixed rates. The average interest rate maturity was two years at year-end.

FINANCING RISK

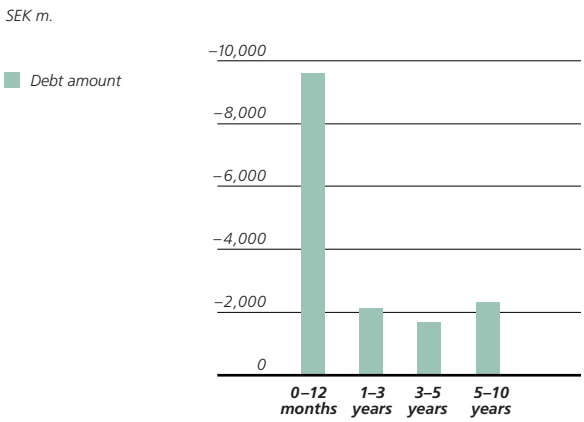
In order to reduce the financing risk, Treasury works actively to ensure financial preparedness by establishing loan and credit facilities for long- and short-term borrowing. The financing risk is further reduced by allocating loan maturities over time and diversifying sources of capital. At year-end the loan portfolio had an average maturity of three years.

CREDIT RISK

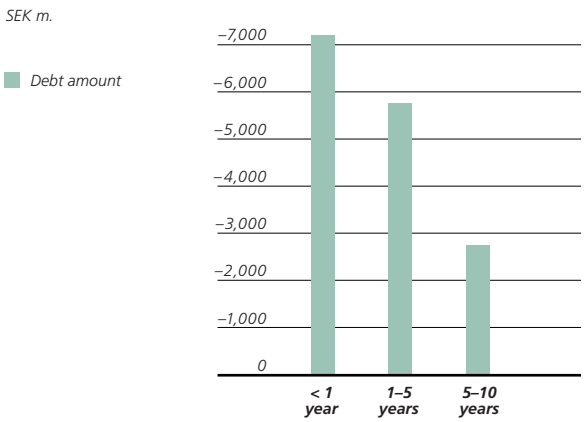
Credit risk is the risk of a counterparty or issuer being unable to repay a liability to Investor. Credit risk arises when depositing cash and in some types of derivative transactions.

Investor's main exposure to credit risk is through Treasury, and fixed-income and currency trading operations. According to Investor's credit risk policy, Investor may only be exposed to credit risks towards counterparties

MATURITY STRUCTURE, INTEREST RATE PORTFOLIO



MATURITY STRUCTURE, DEBT PORTFOLIO



with high creditworthiness, at a limited amount and for a limited duration of time. High creditworthiness means a rating from Standard and Poor's of at least A- or from Moody's of at least A3. Investor also endeavors to conclude ISDA agreements. Such agreements allow netting of derivatives in the event of a counterparty going bankrupt.

OPERATIONAL RISK

Operational risk can be defined as the risk of loss due to inadequacies in the internal control process. The internal control must ensure that the company operates within corporate policies, established routines and defined risk mandates. Furthermore, all significant risks must be identified and appropriate controls carried out. At Investor, the Risk Management function performs the internal control. In order to ensure independence and objectivity, Investor applies segregation of duties which means that the Risk Management function and the investment operations, respectively, report to different people in executive management.

In 1998, Investor ran a project to enhance efficiency at Finance. Simplified processes, modern IT systems and a flatter organization have led to both improved efficiency and better internal control.

INVESTOR AND EMU

In 1998, Investor performed a broad analysis of the consequences for the company of EMU and the introduction of the common currency, the euro.

At the beginning of the year there was still some uncertainty surrounding a number of external factors. During the year, it emerged that accounting in euro would not be possible for Swedish companies at the start of monetary union and that interest for euro listings on the Stockholm Stock Exchange was low among Swedish companies. Investor's practical preparations were therefore concentrated on the effects of the launch of the new currency

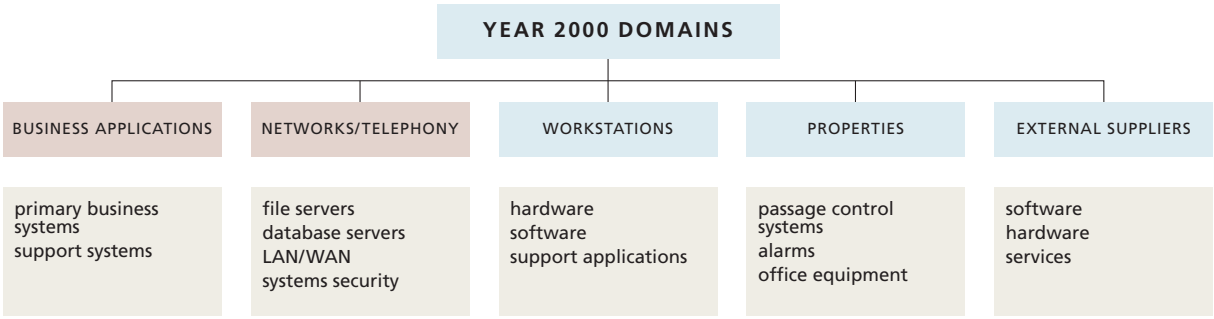


Euro banknotes and coins will be introduced by January 1, 2002, at the latest.

and how to handle it. All preparatory work was conducted internally and carried out according to plan. This work has been managed and coordinated by Treasury.

Investor's goal has been to be able to take advantage of the introduction of a common currency in a large part of Europe, directly from the outset of monetary union. The Group's liquidity management was made more efficient when the eleven national EMU currencies were irrevocably tied to each other and the euro at the end of the year. In addition, all Investor's investments in the "Euroland" currencies have been converted to euro.

Investor continuously monitors the development of EMU, the debate over Swedish membership, and the legal prerequisites for further adaptation to the common European currency. The aim is to be able to adapt early and optimally to any changes in these external factors.



YEAR 2000 – BACKGROUND

The year-2000 problem has mainly arisen because of the way in which some computers, computer programs and embedded systems handle years. Memory capacity and similar restrictions in computers from the 1960s and 70s led to most computer code being written to handle two-digit years, "98" instead of "1998," for example. This practice continued for a long time. As a result, many programs may interpret the year "00" as "1900" and must therefore be modified if they are to continue to be used in the next century. There are further complications to take into account with microprocessors embedded in large systems – not necessarily computer related – that rely on a built-in clock. These must also be evaluated.

WHAT INVESTOR IS DOING

Investor's Year 2000 project started in 1998 and is expected to be completed in summer 1999. The project consists of six phases: inventory, analysis, action, test/certification, roll-out/transfers and production continuity.

At Investor, five domains have been identified around which this work has been organized: business applications, networks/telephony, workstations, properties and external suppliers.

Investor has chosen to handle the year 2000 problem from a business rather than a purely technical perspective. The IT department, which coordinates the year 2000 project, therefore cooperates closely with Investor's other operations.



Opinion claims that the year 2000 problem may affect everything from the simplest everyday tasks to entire economies.

In spite of being really well prepared, there is always the possibility that something may go wrong. Investor is therefore looking over its contingency plans in order to ensure that they cover possible year-2000 related incidents.

All in all, it can be said that Investor already has the necessary structures and processes in place to be able to meet the year 2000 problem in a satisfactory manner.

High historical return, unsatisfactory development in 1998

Investor shares have been traded on the Stockholm Stock Exchange since the company was founded in 1916.

In addition to the shares, Investor's convertible debenture loan is listed on the market. The loan was issued as partial financing in conjunction with the acquisition of Saab-Scania in 1991 and increased in connection with the bid for Förvaltnings AB Providentia in 1992.

At year-end 1998, Investor's market capitalization amounted to SEK 69.5 billion. This represented a decrease of slightly more than SEK 4 billion or 6 percent during the year. At the end of 1998, Investor was the seventh largest company in terms of value on the Stockholm Stock Exchange after Ericsson, Astra, Volvo, Svenska Handelsbanken, ABB AB and FöreningsSparbanken. Investor's share of the Exchange's total market capitalization amounted to approximately 3.4 percent at the end of the year.

TOTAL RETURN

Investor's business concept is to create favorable value appreciation for its shareholders through active long-term ownership and active investment operations. One key ratio for such appreciation is total return.

Total return takes into account both price trend and dividends. Investor's total return, measured over periods of 5, 10, 15 and 20 years, has exceeded the average performance on the Stockholm Stock Exchange expressed as Findata's Total Return Index.

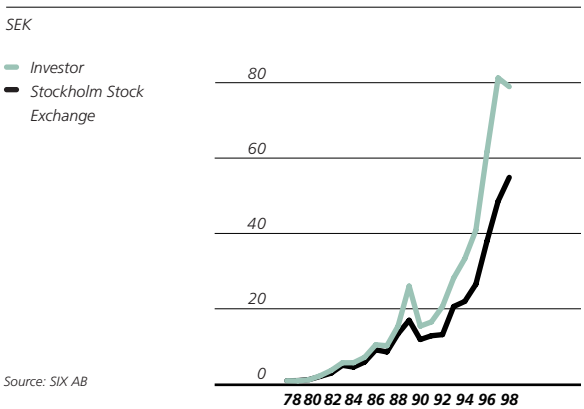
One krona invested in Investor in January 1979 has grown to approximately SEK 80, compared with approximately SEK 55 for an investment in an average listed company.

In 1998, Investor's total return was –1 percent, compared with Findata's Total Return Index which amounted to 13 percent.

The return that Investor's shareholders require from their investment in Investor shares is affected by the risk-free interest rate, the risk premium for share investments and the specific market risk related to the share involved. One way of measuring a share's risk is to see how much it fluctuates in relation to the market as a whole, with the help of the share's beta coefficient. At the end of 1997, Investor's shares had a beta of 1.1*.

Historically, Investor's beta has been higher than one and, as can be seen in the diagram, Investor's shares fluctuate more strongly than the market as a whole.

TOTAL RETURN* 1979–1998



Source: SIX AB

ANNUAL AVERAGE TOTAL RETURN*	Stockholm Stock Exchange	Investor
5 years	21.6%	22.9%
10 years	15.1%	17.7%
15 years	17.2%	19.1%
20 years	22.2%	24.4%

* Total return refers to the sum of share price appreciation and dividends. Findata's Total Return Index (FDAX) has been used as the comparative index. In the calculations, it has been assumed that the Stock Exchange and Investor generated the same yield in 1979.

SHARE PRICE TREND

The price of Investor's most heavily traded share, class B, fell from SEK 387 at the beginning of 1998 to SEK 366 at year-end, a decline of 5 percent. At the same time the OMX Index rose by 17 percent. The price of Investor's class A share fell from SEK 387 to SEK 361 in 1998.

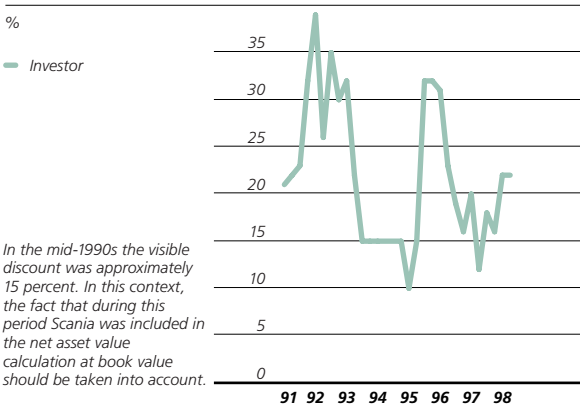
DISCOUNT TO NET ASSET VALUE

The discount to net asset value comprises the difference between the net asset value and market capitalization expressed as a percentage. This has varied over time from levels around 30 percent at the beginning of the 1990s to around 15 percent in 1997.

The discount to net asset value rose in 1998 from 12 percent at the beginning of the year to 22 percent at year-end.

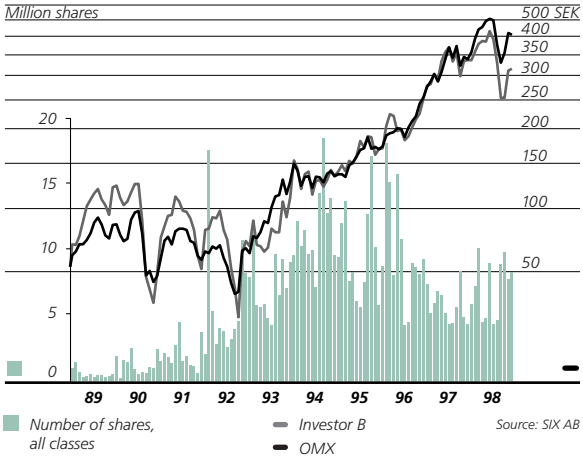
* Weighted beta, 48-month change in relation to the AFGX.

DISCOUNT TO NET ASSET VALUE, 1991–1998

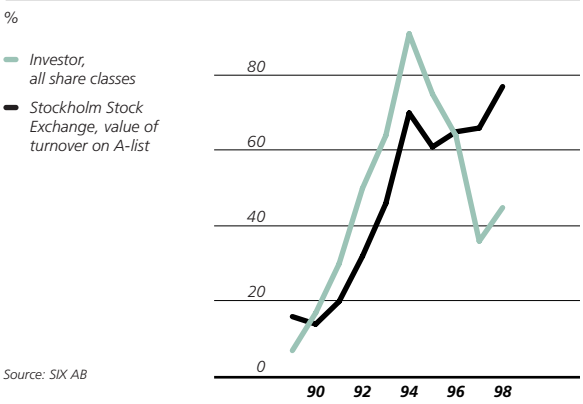


In the mid-1990s the visible discount was approximately 15 percent. In this context, the fact that during this period Scania was included in the net asset value calculation at book value should be taken into account.

SHARE PRICE AND TURNOVER, 1989–1998



TURNOVER RATE OVER A TEN-YEAR PERIOD



TURNOVER

In general, turnover on the Stockholm Stock Exchange has increased in recent years, due partly to a growing interest from foreign investors. In addition, there has been an increased number of new issues and IPOs and a growing number of investors are becoming more active in their investment management, including a higher proportion of short-term trading.

Turnover in Investor's shares has increased over time, particularly turnover in class B shares. This has been encouraged by the fact that the class B share proportion of the total number of shares outstanding has risen from 12 percent prior to the acquisition of Saab-Scania, Providentia and Export-Invest to 59 percent today.

TURNOVER IN INVESTOR SHARES IN 1998

Thousands	Class A	Class B	Total
Jan–March	3,033.8	20,318.1	23,351.9
April–June	1,608.5	16,768.4	18,376.9
July–Sept	1,325.4	16,642.4	17,967.8
Oct–Dec	2,584.8	23,495.3	26,080.1
Total	**8,552.5**	**77,224.2**	**85,776.7**

In 1998, the turnover rate on the Stockholm Stock Exchange increased by 10 percentage points to 76 percent.

Investor shares were the thirteenth most heavily traded on the Stockholm Stock Exchange. Trading in B shares dominated with a turnover rate of 68 percent compared with 11 percent for class A shares.

DIVIDEND

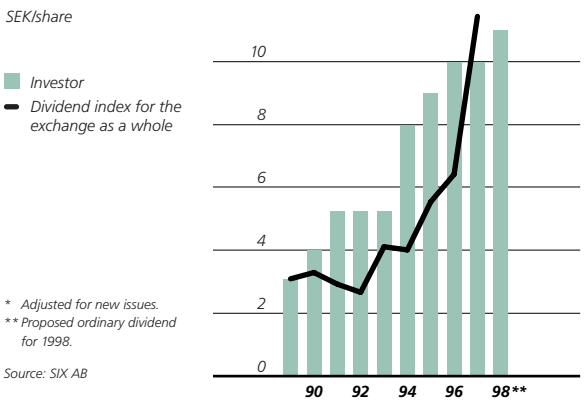
Investor's dividend policy is to distribute a large portion of the dividends it receives from its main holdings and a reasonable proportion of the earnings of its remaining wholly owned subsidiaries. Furthermore, the dividend should develop steadily over time. In 1998, a dividend of SEK 10.00 per Investor share was paid for the 1997 fiscal year. In addition, shareholders received one purchase right for shares in Saab AB for each Investor share held. Each purchase right has a taxable value of SEK 10.00. The proposed dividend for the 1998 fiscal year is SEK 11.00 per share.

SHARE AND CONVERTIBLE DEBENTURE STRUCTURE

At year-end 1998, Investor's share capital amounted to SEK 4,773 m., represented by 191 million shares each with a par value of SEK 25. The Board of Directors has decided to propose to the Annual General Meeting that a 4:1 split be carried out whereby each existing share will be divided into four shares of the same class as the existing share.

The nominal amount of Investor's convertible debenture loans totaled SEK 1,318 m. If fully converted, the number of shares would increase to just over 200 million, with the proportion of class B shares rising to 61 percent of the share capital. The number of Investor shareholders has risen substantially in recent years. In 1992, the number

ORDINARY DIVIDEND PAID PER SHARE*



* Adjusted for new issues.
** Proposed ordinary dividend for 1998.

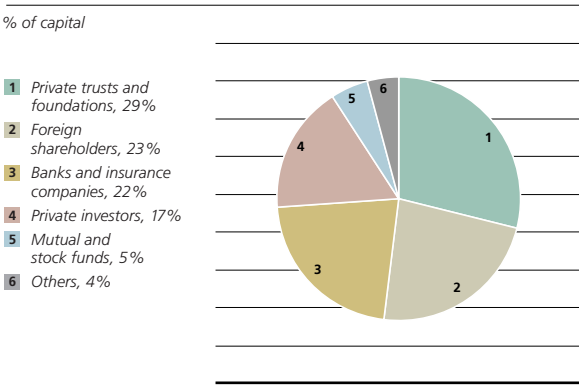
Source: SIX AB

Shareholder statistics according to VPC, December 31, 1998*

Size of holding		Number of shareholders	Total number of shares as % of share capital
1–	500	118,571	6
501–	5,000	14,992	11
5,001–	10,000	700	3
10,001–	20,000	343	3
20,001–	50,000	233	4
50,001–	100,000	89	3
100,001–	500,000	120	14
500,001–	1,000,000	17	6
1,000,001–	2,000,000	7	5
2,000,001–		15	45
		135,087	100

* Directly registered or registered in the name of nominees.

DISTRIBUTION OF INVESTOR'S SHAREHOLDERS



of shareholders totaled just over 30,000. By 1997, this number had risen to over 138,000. The number of shareholders more than doubled in 1997, largely because many Stadshypotek shareholders decided to invest their proceeds from Svenska Handelsbanken's purchase of Stadshypotek in Investor shares. In 1998, however, the number of shareholders decreased slightly and amounted to 135,087 at year-end. The ownership structure is concentrated with the 15 largest shareholders accounting for 52 percent of the capital and 69 percent of the voting rights. At the same time, 88 percent of shareholders own only 6 percent of the share capital and 32 percent own less than ten shares.

The general trend on the Stockholm Stock Exchange, with a high proportion of institutional investors, defined as all holdings not registered in the name of an individual, is also reflected at Investor where 83 percent of the shares are owned by a total of 9,103 institutional investors. Many of these institutions, however, represent individuals who invest in shares through mutual funds. At the same time, some 125,000 private individuals account for 93 percent of the total number of shareholders.

The largest single shareholder is the Knut and Alice Wallenberg Foundation, a private foundation, with 35.6 percent of the voting rights and 16.6 percent of the share capital. The three Wallenberg foundations that are among Investor's largest shareholders, jointly represent approximately 41 percent of the voting rights and 19 percent of the capital.

STRUCTURE OF SHARE CAPITAL AND CONVERTIBLES

	Class of share	Number of shares	Number of voting rights	Percentage of capital	Percentage of voting rights
Before conversion	A 1 vote	77,922,711	77,922,711	40.8	87.3
	B 1/10 vote	112,987,591	11,298,759	59.2	12.7
Total		**190,910,302**	**89,221,470**	**100.0**	**100.0**
Convertible debenture loans[1)]	B 1/10 vote	9,285,450	928,545		
After conversion	A 1 vote	77,922,711	77,922,711	38.9	86.4
	B 1/10 vote	122,273,041	12,227,304	61.1	13.6
Total		**200,195,752**	**90,150,015**	**100.0**	**100.0**

[1)] The nominal value of the loans is SEK 1,318 m. and they carry 8.00% interest until June 21, 2001. The conversion price is SEK 141.90. Of the convertible debenture loans corresponding to 9,285,450 shares, Investor's own holding corresponds to 8,400,639 shares.

At year-end 1998, foreign ownership accounted for 32 percent of the total Swedish market capitalization. At the same time, foreign ownership in Investor accounted for 23 percent of the capital and 14 percent of the voting rights. Since 1992, Investor's foreign shareholders have increased from 6 percent in terms of proportion of share capital. In 1998, foreign ownership increased by three percentage points of the capital in Investor. Foreign shareholders primarily own class B shares, corresponding to 31 percent of the total number of shares before full conversion. The largest proportion of foreign shareholders are from the U.S., Switzerland, the U.K. and Luxembourg.

Investor's fifteen largest shareholders listed by voting rights on December 31, 1998*

	% of voting rights	% of share capital
Knut and Alice Wallenberg Foundation	35.6	16.6
Franklin Mutual Advisers	6.3	8.6
Nordbanken's mutual funds	4.9	2.4
Marianne and Marcus Wallenberg Foundation	3.0	1.4
SPP	2.9	3.7
Fifth AP Fund	2.8	1.3
EB Foundation	2.8	1.3
Marcus and Amalia Wallenberg Foundation	2.6	1.2
AMF-s [1)]	2.0	2.4
SEB/Trygg-Hansa	1.9	2.4
AMF-p	1.7	4.9
Skandia	1.2	3.0
SEB's mutual funds	0.6	1.0
Arbetsmarknadens Försäkrings AB (AFA)	0.3	1.2
Peter Wallenberg	0.3	0.3
Total	**68.9**	**51.7**

* Directly registered or registered in the name of nominees. Before conversion of outstanding convertibles.

[1)] Including TFA.

CHANGES IN AND STRUCTURE OF SHARE CAPITAL 1975–1998

Year	Share capital, SEK m.	Convertible debenture loans, SEK m.	No. of shares		No. of shares after full conversion		Par value, SEK	Issue terms
1975	180		Restr.	2,880,006				
			Unrestr.	719,994				N 1:4 à SEK 50
			Total	3,600,000				B 1:4
1979	270		Restr.	4,320,009				
			Unrestr.	1,079,991				B 1:2
			Total	5,400,000				
1982	405		Restr.	12,960,026			25	
			Unrestr.	3,239,974				B 1:2+split 2:1
			Total	16,200,000				
1984	810		A Restr.	23,004,001				B 1:1
			A Unrestr.	5,345,999				(3A+1B Unrestr.
			B Unrestr.	4,050,000 [1]				on 4 old)
			Total	32,400,000				
1990	2,025		A Restr.	57,510,003				
			A Unrestr.	13,364,997				B 3:2
			B Unrestr.	10,125,000				(3A:2A, 3B:2B)
			Total	81,000,000				
1991		3,564 [2]	A Restr.	59,886,758 [3]				
			A Unrestr.	10,988,242				
			B Unrestr.	10,125,000				
			Total	81,000,000				
1992	3,434 [4]	6,855 [5]	A Restr.	59,886,758	A Restr.	59,886,758		
			A Unrestr.	10,988,242	A Unrestr.	10,988,242		
			B Unrestr.	66,478,396	B Unrestr.	110,993,390		
			Total	137,353,396	Total	181,868,390		
1994	3,874 [6]	6,850	A	77,922,711	A	77,922,711		
			B	77,039,669	B	121,521,653		
			Total	154,962,380	Total	199,444,364		
1995	3,875	6,847	A	77,922,711	A	77,922,711		
			B	77,058,129	B	121,521,653		
			Total	154,980,840	Total	199,444,364		
1996	4,769	1,337	A	77,922,711	A	77,922,711		
			B	112,851,912 [7]	B	122,054,990		
			Total	190,774,623	Total	199,977,701		
1997	4,772	1,323	A	77,922,711	A	77,922,711		
			B	112,948,591	B	122,054,975		
			Total	190,871,302	Total	199,977,686		
1998	4,773	1,318	A	77,922,711	A	77,922,711		
			B	112,987,591	B	122,273,041		N: New issue
			Total	190,910,302	Total	200,195,752		B: Bonus issue

[1] The B share was introduced in 1984.
[2] In connection with the acquisition of Saab-Scania.
[3] In connection with the acquisition of Saab-Scania, 2,376,755 unrestricted A shares were converted to restricted A shares.
[4] Increase in the share capital by a nominal amount of SEK 1,409 m. in connection with the acquisition of Förvaltnings AB Providentia through a directed new issue of 56,353,396 unrestricted B shares.
[5] Increase in the nominal value of the convertible debenture loan by SEK 3,291 m. in connection with the acquisition of Förvaltnings AB Providentia.
[6] Increase in the share capital by a nominal amount of SEK 439 m. in connection with the acquisition of Export-Invest through a directed new issue of 7,047,711 A shares and of 10,528,263 B shares and by a nominal amount of SEK 1 m. through conversion of debentures.
[7] Increase of 35,793,783 B shares through conversions.

Growth in net asset value 8 percent

The Investor Group's net asset value can be calculated by subtracting operating and financial liabilities from assets at market value.

Listed market prices are available for most shares and participations, thus enabling a simple calculation of the market value of these assets. Unlisted shares and participations are valued according to accepted international principles for such assets. For parts of the other operations, including Saab Automobile, it is difficult to objectively determine a market value. For practical reasons, the assets and liabilities of such operations are therefore valued at their book value, disregarding the fact that their market value may be different. On the basis of this method of calculation, the net asset value of the entire Investor Group may deviate from a purely objective market valuation.

	12/31 1998		12/31 1997	
	SEK/share	SEK m.	SEK/share	SEK m.
Astra	146	29,168	115	22,920
Ericsson	65	12,964	45	9,048
Scania	39	7,904	47	9,418
ABB	39	7,809	29	5,839
Gambro	30	6,040	48	9,665
Stora Enso	27	5,503	26	5,273
Atlas Copco	24	4,899	31	6,150
SEB	21	4,146	24	4,871
WM-data	17	3,481	7	1,444
Electrolux	10	1,912	5	975
Saab AB [1]	9	1,837	16	3,091
SKF	7	1,376	12	2,378
SAS Sverige	5	980	8	1,513
OM Gruppen	5	904	7	1,386
New investments	28	5,509	22	4,010
Other holdings [2]	27	5,466	22	4,750
Total	**499**	**99,898**	**464**	**92,731**
Saab Automobile 50% [3]	15	2,890	15	2,890
GHH Grand Hôtel Holdings	6	1,180	4	850
Land and real estate	1	300	2	480
Other assets and liabilities	–1	–184	1	260
Total investments	**520**	**104,084**	**486**	**97,211**
Net debt/net cash	–80	–15,966	6	1,093
Debt ABB purchase [4]	–	–	–32	–6,368
Scania shares restricted by warrants [5]	27	5,384	28	5,577
Loan Saab AB [6]	–	–	–46	–9,104
Total net asset value	**467**	**93,502**	**442**	**88,409**

[1] As of December 31, 1998, Investor's 20.3% holding in Saab AB has been valued at market value. The previous year pertains to 100% of Saab AB at a value corresponding to book value of the shareholders' equity in the company.
[2] Including Investor's holding of its own convertibles, market value SEK 3,006 m. (nom. value SEK 1,192 m.) as of December 31, 1998.
[3] Subordinated loan.
[4] Debt according to agreement with Incentive (since July 1, 1998, Gambro), repaid in January 1998.
[5] As of December 31, 1998, 38,051,364 shares are valued at market value less market value of distributed covered warrants.
[6] Loan from Saab AB, repaid in 1998.

ten-year summary*

INVESTOR GROUP

SEK m.	1989[1]	1990[1] Pro forma	1991	1992	1993	1994	1995	1996	1997[15]	1998[15]	Average annual growth, 5/10 years, %
Dividend income	285	390	666	546	390	427	656	1,804	1,683	1,841	
Yield, main holdings, %	1.6	2.5	3.3	2.3	1.4	1.4	1.7	2.6[2]	1.8[2]	1.8[2]	
Dividend paid	275	348	721[3]	721	721	1,240	1,713[4]	1,908	1,909[4]	2,100[5]	
Sales, main holdings	394	560	5,898	5,289	4,178	986	0	18,800[6]	4,141	4,070[6]	
Capital gains, net, main holdings	232	450	2,517	2,271	1,408	608	–	12,400[6]	3,197[6]	2,743[6]	
Turnover, %	3	3	19	21	16	3	0	0[7]	5	1[7]	
Purchases and new subscriptions, main holdings	1,959	3,782	808	482	246	2,223	1,429	9,739[8]	11,593	6,209[8]	
Income after financial items	464	419	2,165	1,482	410	2,972	4,660	9,598	–942	3,711	
Market value, main holdings	17,397	15,900	20,411[9]	23,238	27,964	30,457	37,817	61,325	80,880	88,923	
Change in value, main holdings, %	47	–25	14[9]	26[9]	41	4	20	38[7]	19	1[7]	
Findata's Total Return Index, %	26.8	–30.0	8.4	2.3	56.3	6.5	20.7	43.1	27.8	13.0	
OMX Index, %	31	–28	11	8	53	3	19	39	28	17	
Total return, main holdings, %	49	–23	6	45	43	6	21	42[7]	21	7[7]	
Surplus value, main holdings	11,426	6,259	7,638	10,367	17,617	18,265	24,605	44,886	53,901	55,676	
Net asset value	18,872	11,280	26,430	30,122	37,493	43,493	51,225[14]	78,880	88,409	93,502	
Equity/assets ratio, %	90	61	34	41	49	54	55[14]	73	68[14]	84	
Condensed balance sheet, market value											
– Cash and short-term investments	5	2	14,205	10,410	8,292	6,064	5,863	15,017	10,991	138	
– Other assets including surplus values	20,959	18,585	63,333	63,572	68,637	75,110	87,263	92,710	118,117	111,250	
– Shareholders' equity including surplus values	18,872	11,280	20,074	23,503	30,677	36,664	44,457	77,517	87,049	92,113	
– Convertible debenture loans			6,356	6,619	6,816	6,829	6,768	1,363	1,360	1,389	
– Interest-bearing liabilities	952	391	30,784	22,391	16,450	13,188	15,226	2,532	4,525	15,779	
– Other liabilities including minority interest	1,140	6,916	20,324	21,469	22,986	24,493	26,675	26,315	36,174	2,107	
Total assets, market value	20,965	18,587	77,538	73,982	76,929	81,174	93,126	107,727	129,108	111,388	
Number of employees	1[10]	1[10]	30,656	29,690	27,372	27,503	29,406	8,941	8,168	596	
Number of shares, millions[11] [12]	87.8	87.8	181.9	181.9	181.9	199.4	199.4	200.0	200.0	200.2	
Equity per share, SEK[11]	53	38	68	72	72	93	99	139	134	146	
Net asset value per share, SEK[11]	215	128	145[12]	166[12]	206[12]	218[12]	257[12]	394[12]	442[12]	467[12]	18%/12%
Growth in net asset value, %	48	–39	16	18	27	8	22	57	15	8	
Share price, December 31, SEK[11] [13]	172	99	102	122	161	185	219	301	387	366	18%/13%
Discount to net asset value, %	20	23	30	26	22	15	15	24	12	22	
Dividend per share, SEK[11]	3.10	4.00	5.25[3]	5.25	5.25	8.00	9.00[4]	10.00	10.00[4]	11.00[5]	16%/16%
Yield, %	1.8	4.0	5.1	4.3	3.3	4.3	4.1	3.3	2.6	3.0	
Dividend payout ratio, %	97	89	108	132	185	290	261	106	113	114	
Total return, Investor share, %	69.2	–42.5	6.1	24.0	37.9	17.8	23.0	59.8	32.1	–1.1	23%/18%

* For increased comparability, results pertain to the Group structure at the time.
For definitions, see page 92.

1) Listed Swedish shares, main holdings.
2) Excluding dividend received for Scania shares covered by warrants.
3) Actual dividend paid.
4) In 1995, an extra dividend of SEK 20/share, or a total of SEK 3,308 m., as well as one warrant for shares in Scania AB valued at SEK 8.10/share were issued in addition to the ordinary dividend. In 1997, one purchase right for shares in Saab AB valued at SEK 10.00/share was issued in addition to the ordinary dividend.
5) Proposed dividend.
6) 1996: Pertains to the sale of 55% of Scania.
1997: Additional amount of SEK 80 m. relating to sale of Scania.
1998: Including the sale of 35.1% of Saab AB.
7) 1996: Excluding Scania. 1998: Excluding Saab AB.
8) 1996: Of which, SEK 9,342 m. pertains to the 51.9 million Scania shares added to the main holdings. 1998: Of which, SEK 627 m. pertains to the 21.6 million Saab shares added to the main holdings.
9) Excluding Skandia.
10) Pertains to the president of the parent company. A company in the Patricia Group provided the necessary administrative services, for which it was compensated.
11) Adjusted for share issues.
12) After full conversion.
13) Pertains to the unrestricted class B share.
14) In the 1996 Annual Report, the net asset value and equity/assets ratio for 1995 were recomputed on a pro forma basis. In the 1998 Annual Report, the equity/assets ratio for 1997 has been recomputed on a pro forma basis.
15) Income statement items reported in accordance with the purchase method.

Strategy for creating value through long-term, active ownership

Investor's strategy is based on its involvement through long-term, active ownership in the companies included among the main holdings and among new investments. Within the framework of Investor's main holdings active ownership is mainly exercised through representation on the boards of the various companies. During the previous year, principles for board work were introduced with smaller and more international boards providing better corporate governance and an increased focus on shareholder value. This is an important aspect of the further development of active ownership.

Another significant aspect is supporting the corporate governance process with fundamental analysis that well reflects different driving forces for the creation of value, in everything from macroeconomic development to conditions within different industries and for individual holdings. Investor's business teams* and the way they work are a significant resource which has been deliberately strengthened in recent years.

The combination of well-functioning principles for corporate governance and analysis, together with the ability to force through decisions that focus on long-term value creation, are of critical importance for Investor's success. The high level of activity within the main holdings in 1998 is a direct result of the considerable development and refinement of corporate governance processes through expansion of Investor's organization in the 1990s.

* A more detailed description is provided on page 14.

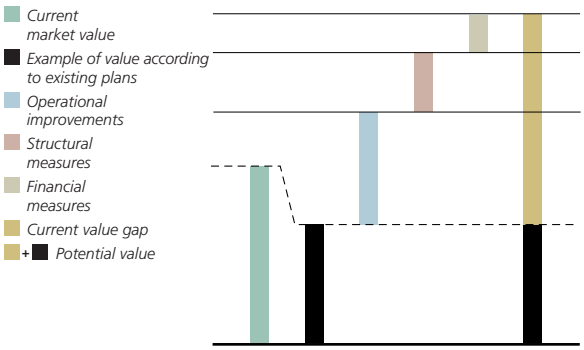
FOCUS ON GROWTH AND IMPROVED RETURN

During the same period, Investor has also worked to improve growth among the main holdings. As a result of complementary purchases and restructuring, these efforts have borne fruit and companies that represent some 60 percent of the market value of the main holdings can currently be regarded as growth oriented. In the more mature companies with lower growth, priority has been given to improving long-term profitability and reviewing corporate structure in order to improve the return to shareholders.

VALUE-CREATING ACTIVE OWNERSHIP

The above diagram provides a general description of how Investor works as an active owner in the main holdings. The aim is to realize the long-term value potential in the company. Based on a conceivable market value and existing business plans, Investor, by exercising its role as active owner through its board representatives, can conduct a dialogue with company management and other owners centered on a number of driving forces that will affect the company's value and ability to provide a return.

GENERAL ANALYSIS OF POTENTIAL "VALUE GAP"



IMPROVED PROFITABILITY

Investor can contribute to improved profitability by conducting a general discussion about the climate in the industry, conditions for the particular company, its margins, tied-up capital, return on investments, etc. It is important to underline that each company's management has operational responsibility for such questions, but Investor as an active owner can encourage an approach that focuses long term on profitability and return for shareholders. Part of this involves translating the stock market's return requirements into operational targets and using benchmarks to compare performance with that of competitors in the industry.

STRUCTURAL CHANGES

Investor should encourage company management to continually review the company's business portfolio and, when appropriate, to make divestments or complementary acquisitions. This will give rise to new opportunities for creating value. For example, a specific business area may require a disproportional amount of time and resources in relation to the value that is created. Perhaps a divestment might represent a higher value compared with continued operation of the company with its existing structure. Sim-

ilarly, there may be companies or business areas that need to be complemented with new operations to create increased long-term value.

OPTIMAL FINANCING

Capital is a resource in short supply that should be used where it is most required and in the form that is most appropriate. A company can finance its operations through equity or various forms of debt. A suitable choice and balance between the two contributes to value appreciation in the company. As an active owner, it is Investor's task and obligation to work towards optimal utilization of capital in its own holdings. If a company is regarded as having good potential for profitable investment projects, a sufficient portion of internally generated funds should be retained for such investments. If, on the other hand, it is judged that the company cannot carry out investments that match the long-term return requirements of shareholders, Investor should help to ensure that shareholders' equity is transferred to shareholders. Economic Value Added, EVA, is one calculation method that is used to identify value-creating measures in a company. Investor uses EVA and other calculation methods in its dialogue with company management regarding shareholder value in the main holdings.

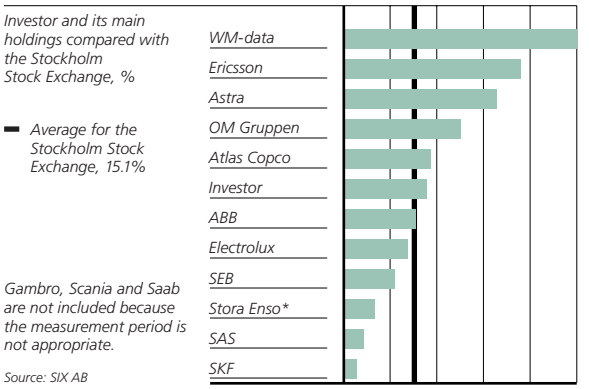
LONG-TERM APPRAISAL OF HOLDINGS

Applying the principles described for active ownership, Investor continually appraises its main holdings. The main yardstick used is long-term total return to shareholders. Investor does not relinquish a holding due to its intermittent failure to meet demands. On the other hand, it is important to evaluate the long-term potential of each holding. If the conclusion is that there are no prospects for attaining a sufficient risk-adjusted return, taking business cycles and other temporary fluctuations into account, consideration is given to how value can best be created by divesting the holding.

ACTIVE OWNERSHIP IN PRACTICE

The broadening of ownership carried out in Saab AB during the year is an excellent example of application of Investor's principles for active ownership. "This deal also provides an excellent example of how different parts of Investor's organization can cooperate to manage and carry out a complicated transaction in several different stages," says Adine Grate-Axén, Vice President and Head of Investor's internal corporate finance function, and who was in charge of the work of broadening ownership in Saab AB. Based on a thorough analysis of the defense and aerospace industry, a number of decisions were made which led

AVERAGE TOTAL ANNUAL RETURN, 1989–1998



* Pertains to STORA until 12/29 1998.

to a broadening of ownership in Saab.

- In December 1997, Saab's board decided to cease production of civil regional aircraft after these operations had incurred considerable losses for a number of years and analyses indicated that potential for long-term profitability did not exist.
- In February 1998, a decision was made to broaden ownership in Saab which with its main base in military aircraft manufacture, was assessed as a strong and vigorous company with potential for future growth and creation of value.
- An agreement was concluded in April with British Aerospace plc on a transfer of shares corresponding to 35.1 percent of the capital and 35.0 percent of the voting rights in Saab. This agreement was made against the background of the anticipated restructuring of the European defense and aerospace industry. The deal also provided a good indication of the value in the company.
- Subsequently, Investor's shareholders were offered the opportunity to acquire, through the exercise of purchase rights, 44.8 percent of the share capital and 29.0 percent of the voting rights in Saab AB. Saab AB's shares were then listed on the O-list of the Stockholm Stock Exchange in June.
- In November, Saab was chosen together with British Aerospace for final negotiations in order to reach an agreement on exports, including the Gripen aircraft, to the South African air force.

As a result of intensive effort within Investor, in close cooperation with Saab and various external advisors, in less than one year Saab was recast from a wholly owned subsidiary with significant profitability problems to an independent, listed company with established international cooperation and part ownership. This created good opportunities for future growth, profitability and value creation.

"While this work was in progress we received several confirmations that our analyses of both the industry and

Saab AB were correct," says Torbjörn Wingårdh, Vice President, who is responsible for the defense and aerospace sector and was in charge of the analysis work for this deal. "As a result of determined efforts within Investor's investment organization and the Saab business team, we and management, supported by other key functions at Investor such as Finance, Treasury, Corporate Communications, Investor Relations and Business Intelligence, were able to exercise value-creating active ownership throughout this entire process," says Marcus Wallenberg, future President of Investor and the person in management who was responsible for the work with Saab AB.

INVESTOR'S INVESTMENT STRATEGY – MAIN HOLDINGS

Investor has a comprehensive investment strategy with a focus on shares and share-related instruments. Other types of assets are included, however, as investment alternatives in short-term liquidity management.

Furthermore, the strategy means that Investor normally intends to work with some debt. This part of the strategy is based on discussions with Investor's shareholders concerning the optimum capital structure for the company.

CHANGES IN HOLDINGS IN 1998 – MAIN HOLDINGS

Among Investor's main holdings, shares were acquired for a net amount of SEK 5,016 m. in 1998. Purchases and divestments during the year can be seen in the adjacent table.

The principal motives for the major changes were as follows:

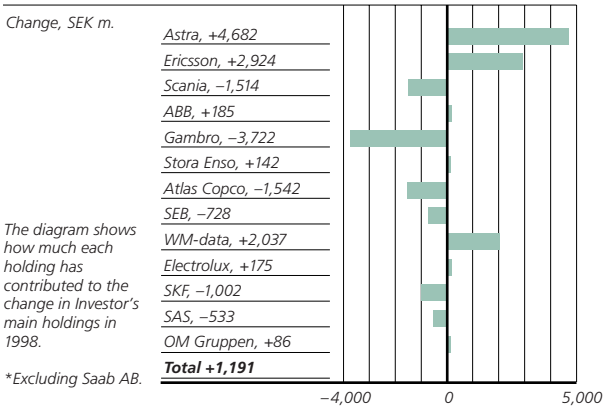
- The main reason for additional purchases of shares in ABB was that Investor was given an opportunity, through purchase rights issued by Gambro, to acquire additional shares in the company at an attractive price. The purchase was thus part of the completion of the transformation of Incentive to Gambro. In addition, Investor acquired additional shares in the market in the third quarter when ABB's share price came under pressure due to financial uncertainty in Asia and in other emerging markets, including Russia.
- Investor increased its position in Astra in the fourth quarter following announcement of the planned merger between Astra and Zeneca. Investor is of the opinion that there are good opportunities for future growth in value in the new merged company. The proposed deal is therefore regarded as very attractive for Astra's shareholders.
- Ericsson is an interesting, well-run company in a strong growth industry. Over a long period, Investor has successively increased its holding in Ericsson during temporary falls in the share price, which also occurred in 1998.
- The purchase of shares in Electrolux also took place against the background of the transformation of Incentive to Gambro. Furthermore, Electrolux has succeeded in an impressive manner with the restructuring started in spring 1997 and since then the company's management has steadily won increased confidence in the stock market.
- Other purchases are attributable to opportunities that arose in each company, where Investor has been able unimpeded to raise its holding in conjunction with temporarily weak share prices. This is not always possible since Investor applies a strictly formulated policy on when and how it can trade in the companies in which the company is involved as an active owner.
- Most of the net sale in OM Gruppen pertains to the shares sold within the framework of the option agreement concluded with Svenska Handelsbanken, FöreningsSparbanken and MeritaNordbanken in November 1997, which was part of the agreement to bring about a merger between OM Gruppen and the Stockholm Stock Exchange.

Changes in Investors' main holdings, 1998	Number thousands	Average price SEK m.	SEK/share
Purchases			
ABB	28,156	1,785	63
Astra	9,491	1,566	165
Atlas Copco	1,573	291	185
Electrolux A	5,000	825	165
Ericsson	5,370	992	185
Gambro	1,050	97	92
SEB	15	1	73
STORA/Stora Enso	1,000	88	88
Total		**5,645**	
Sales			
Electrolux A (adjusted for split)	500	63	126
OM Gruppen (adjusted for split)	5,518	566	103
Total		**629**	

VALUE DEVELOPMENT IN 1998

In 1998, the total return for Investor's shareholders was –1 percent, compared with a +13 percent average for the Stockholm Stock Exchange as a whole. Investor's net asset value amounted to SEK 93,502 m. on December 31, 1998. This corresponds to SEK 467 per share after full conversion. On December 31, 1997, net asset value amounted to SEK 88,409 m., corresponding to SEK 442 per share, which means that net asset value growth amounted to 7.9 percent during the year, taking the proposed dividend for the year into account.

CHANGE IN VALUE OF MAIN HOLDINGS 1/1–12/31 1998*



The diagram shows how much each holding has contributed to the change in Investor's main holdings in 1998.

**Excluding Saab AB.*

Investor's main holdings increased in value by SEK 1,191 m. after net changes. The diagram above shows how the different holdings contributed to the total increase in value. The remaining changes in net asset value can therefore be attributed to positive changes in Investor's net asset value through the broadening of ownership in Saab AB and the growth in value in the new investments area.

The unsatisfactory return to shareholders can therefore be explained by two factors:

1. Low total growth in value within Investor's main holdings. Mainly due to a weak trend for Gambro, SEB, SAS and most of the export-intensive industrial companies, with the exception of Electrolux. The positive development for Astra, Ericsson and WM-data was not fully sufficient to provide a satisfactory total growth in value.
2. Increased discount to net asset value. At the end of 1997, the difference between Investor's net asset value and market capitalization, implied a discount of 12 percent. By the end of 1998, this had risen to 22 percent.

INVESTOR'S FINANCING STRATEGY

Investor's debt financing is conducted through loan and debt issuance in the bank lending market and short-term and long-term programs in the capital market. In recent years, Investor has increased its borrowing activities in both the Swedish and the international capital markets.

In the bank lending market, Investor has a syndicated bank loan facility of USD 1,000 m. which matures in July 2003. This facility was undrawn until December 1998, when SEK 2,000 m. was drawn on a 3-month term.

During the year, Investor was active on the Eurobond market through two public issues and two private placements within its Euro Medium Term Note program, EMTN. In March, Investor issued USD 300 m. with a maturity of 5 years, and in June DEM 500 m. with a maturity of 10 years. Two private placements were issued in November and December 1998. They amounted to USD 25 m. and ITL 15 billion and had maturities of 4 and 3 years respectively. The total issue volume amounted to SEK 4,846 m.

In the Swedish Medium Term Note program, MTN, Investor issued SEK 2,086 m. in 1998 with maturities of between 3 and 7 years. Investor was also active on the Swedish commercial paper market with the issue of commercial paper for SEK 2,546 m.

The Group's interest-bearing liabilities at December 31, 1998, are summarized in the table below.

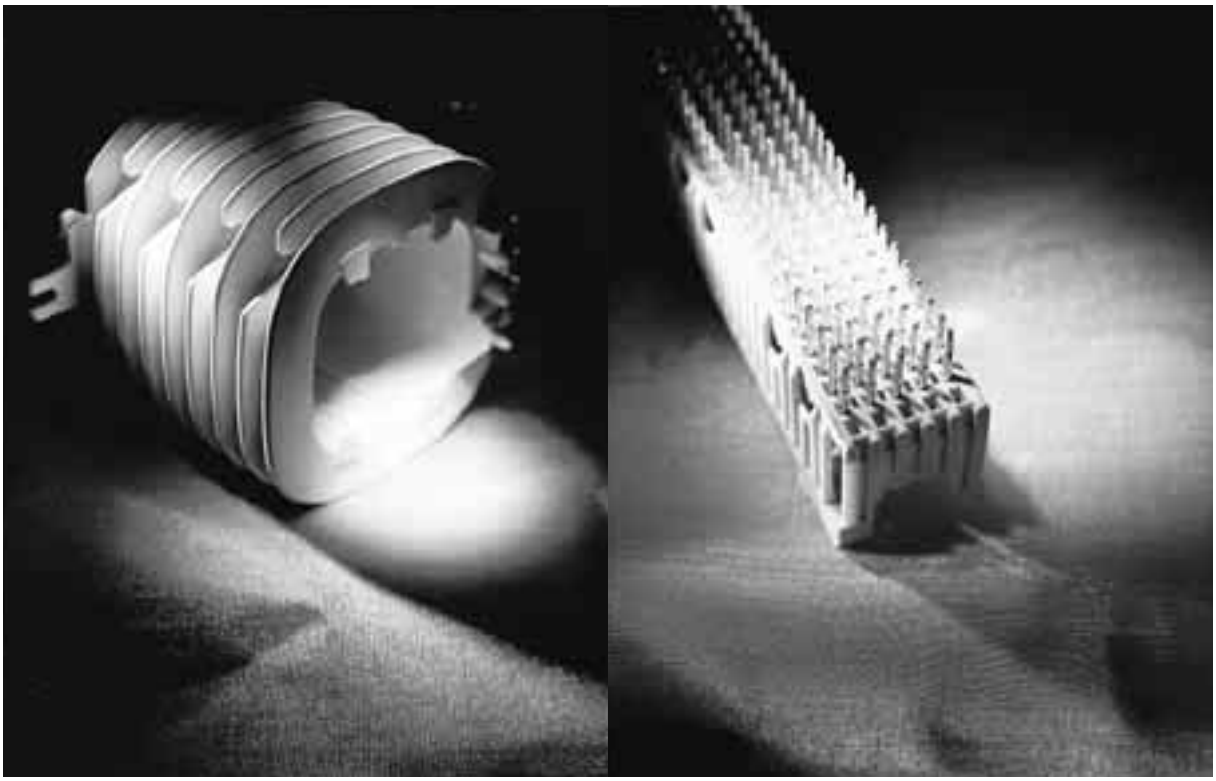
Group's interest-bearing liabilities in SEK m., 12/31 1998	Outstanding amount
Short-term loans and facilities	
Short-term bank loans	1,057
Swedish commercial paper program	2,546
Syndicated bank facility	2,000
Eurobond USD 200 m. (matures within 1 year)	1,625
Total	**7,228**
Long-term loans and facilities	
Euro MTN program	4,846
Swedish MTN program	3,705
Total	**8,551**
Total short- and long-term loans	**15,779**

Investor's ratings from Standard & Poor's and Moody's remained unchanged during the year.

Rating

Rating agency	Long-term rating	Short-term rating
Standard & Poor's	AA-	K-1/P-1
Moody's	A3	

Buildup continues



One of EQT Scandinavia I's acquisitions is the Finnish company Perlos. The company's operations include manufacture of precision thermoplastics and electromechanical components.

New investments are a key part of Investor's strategy for long-term growth in value and for providing a good return to shareholders in future years.

The aim is that new investments will amount to 15 percent of Investor's assets over time. These operations essentially consist of three segments:

- Investments made directly by Investor in fast-growing Swedish and international companies through its offices in New York, Hong Kong and Amsterdam.
- Investments carried out by Investor's wholly owned venture capital company Novare Kapital.
- Independent investment operations conducted within EQT which is owned jointly with AEA Investors, Inc.

The different segments are presented in more detail in the following paragraphs. Common to all three, however, is that all investments are reported at market value with regard to listed holdings, and valued according to principles established by the British Venture Capital Association, BVCA, with regard to unlisted holdings. In addition to the three priority areas mentioned here, there are a number of other shareholdings which are included in the total value of new investments.

The buildup in this area continued in 1998. The organization at the offices in New York, Hong Kong and Amsterdam focused on new and international investments.

Investor's wholly owned venture capital company, Novare Kapital AB, expanded during the year and a number of new investments were made.

Within the framework of the independent EQT, two new private equity funds were formed in 1998.

The value of new investments increased by SEK 1,162 m. in 1998. At year-end the market value of Investor's new investments amounted to SEK 5,509 m. The 1998 result includes realized gains and dividends amounting to SEK 709 m. and write-downs of SEK 344 m. The capital gain was mainly attributable to the sale of the entire holding in Tieto. Return on new investments amounted to more than 30 percent in 1998.

MAJOR INTERNATIONAL NEW INVESTMENTS WITHIN INVESTOR

COMPANY	OPERATIONS	HOLDING	SALES 1998
MedImmune, USA	Biotechnology company focused on treatment of infections	6%	USD 163 m.
Sylvan, USA	IT-based knowledge tests and education systems	5%	USD 440 m.
Diamond Cable, UK	Cable television company in central England	7%	GBP 89 m.
Edison, USA	Service concept for managing outsourced public education as a contractor with guaranteed educational quality and costs	9%	USD 69 m.*
SK Telecom, Korea	Mobile telephony operator in Korea	1%	KRW 3,513 m.
Tessera, USA	Products and technical solutions to protect microchips in exposed environments	16%	USD 7 m.
ASM Pacific Technology, Hong Kong	Manufactures equipment for assembly of semiconductors	10%	HKD 1,325 m.

* Fiscal year ended 6/30 1998.

INTERNATIONAL INVESTMENTS

New investment operations at Investor focus primarily on finding investment opportunities within IT and health care. IT includes investments linked to telecommunications and services. Geographically, this covers potential investments in Europe with a focus on the Nordic region, as well as in the U.S. and Asia. The optimal size of an investment is USD 20–60 m.

The organization in New York was strengthened during the year. This was motivated by its proximity to interesting investment opportunities, financial spearhead competence and innovative technology. The aim is to build up a unique knowledge within the sectors given priority for potential investment.

The main events during the year were additional investments in MedImmune and Sylvan and the sale of the holding in Tieto.

NOVARE KAPITAL

Novare Kapital has expanded considerably and the number of holdings doubled over the past year. A new office was opened in September 1998 in the Mjärdevi Science Park in Linköping, Sweden, as a complement to the office in Stockholm.

With its present capital base of SEK 500 m., Novare focuses on minority investments in small, fast-growing companies in the Nordic region, specifically in the fields of information technology, medicine and medical technology, environmental technology and production rationalization technologies. In total, Novare has invested a substantial part of its present capital base in a portfolio with this profile.

Investments are made in the early phase of a company's life cycle, thus providing potential for an excellent return, but at a higher risk compared with the stock market in general.

"Our involvement means that we act as active and visible owners. In addition to providing capital, Novare sometimes contributes with contact networks, financial competence and general management expertise as well as acting as a sounding-board on strategic issues. We never take a majority holding and our involvement varies between three and seven years, or until the companies are ready for other ownership," explains Pontus Ekman, President of Novare Kapital.



Medicarb works, among other things, with surface treatment of intraocular lenses, i.e. lenses that are placed inside the eye.

MAJOR INVESTMENTS, NOVARE KAPITAL

COMPANY	OPERATIONS	HOLDING	ACQUISITION YEAR
Alpha Helix	Own products for genetic technology-based diagnostic tests and medical research	22%	1998
Carmel Pharma	A closed preparation and handling system for cytostatic, antiviral and other pharmaceuticals	22%	1997
Cavidi Tech	Reagents for virus analysis	23%	1998
Centri Tech	A centrifuge for water purification	24%	1997
CTS Computer & Telephony Systems	An integrated system for computers and telephony	20%	1998
Excosoft	Multi-functional software for document management	10%	1998
FLC Optics	Ferroelectric liquid crystals	27%	1997
Indhex	Plastic heat exchangers	47%	1995
Lisca	Laser measuring equipment for bloodflow analysis	11%	1998
Medicarb	Medical and medical technology products based on conjugation between heparin and kitosan	21%	1996
Neos Robotics	Industrial robot/NC machine with unique characteristics	17%	1997
Nordic Sensor Technologies	Gas emissions analyzer ("electronic nose")	22%	1997
Umetri	Software for advanced decision support in R&D and control of complex processes	20%	1998

In 1998 the rate of investment and the average size of Novare's involvement rose. Novare's current aim is to invest between SEK 5 m. and SEK 30 m. in each holding.

The business philosophy is based on the thinking that no company is born big. In addition to a successful idea and hard working entrepreneurs, capital is also required. The provision of competence and capital at the right time often makes the crucial difference between success and failure.

In 1998, Novare continued to build up its own organization and the number of employees who are directly involved in the investment operations now amounts to ten people. The organization consists of people with various and complementary professional and educational backgrounds. The aim is to create a strong team.

Ekman goes on to say: "The aim of this buildup is to increase our exposure to new business areas and thus find new business opportunities. Our aim is to steadily become a powerful name in the Nordic venture capital market."

In addition to its own organization, Novare provides competence through the board and an industrial council, an integrated expertise that has been developed in the frontline of Swedish industry over many years. "Our task is to contribute so that the combination of capital and ideas creates added value in a favorable manner," Ekman concludes.

For additional information: *www.novare.se*

EQT

In 1998, EQT launched two new private equity funds which attracted considerable interest among both Nordic and international investors. A total of approximately SEK 5.7 billion in venture capital was raised for EQT Scandinavia II and DKK 1.0 billion in venture capital for EQT Danmark.

Within the framework for the two new funds, EQT Scandinavia II and EQT Danmark, Investor made available the sum of SEK 900 m.

EQT has attracted an available capital totaling approximately SEK 10 billion after four years in operation. Combined with complementary external financing via loans, this gives EQT a total investment capacity of SEK 30–40 billion within the framework for all funds.

The business concept is based on acquisition of medium-sized companies in the Nordic region financed with a combination of equity and debt. A table of completed transactions is provided on page 33. By exercising a decisive influence, the companies' profit potential can be realized, mainly by focusing on profitable core business. Acquisitions are subject to the company's management going in as partners. The investment horizon is three to eight years. These operations are conducted independently from Investor's other investment activities.

The circle of industrial leaders that acts as the company's advisors includes a number of powerful names with

INVESTMENTS EQT SCANDINAVIA I AND II

COMPANY	OPERATIONS	HOLDING	SALES 1998 [1]	ACQUISITION YEAR
Brukens Nordic, Sweden [2]	Heat and surface treatment of metal components	100%	SEK 600 m.	1995
Sabroe Refrigeration, Denmark	Industrial refrigeration	50%	DKK 4,450 m.	1996
Perlos, Finland	Precision thermoplastics and electromechanical components	50%	FIM 1,200 m.	1996
Orrefors Kosta Boda, Sweden [3]	Design, manufacture and sales of glass	43%	SEK 700 m.	1996
Duni, Sweden	Disposable tableware products	50%	SEK 5,630 m.	1997
Flexlink, Sweden	Multiflex conveyor systems	90%	SEK 770 m.	1997
Struers, Denmark	Materialographic equipment	100%	DKK 450 m.	1998
TAC, Sweden	Building automation	100%	SEK 840 m.	1998
StjärnTVnätet, Sweden	Cable television and multimedia services	100%	SEK 250 m.	1998
Ballingslöv, Sweden	Kitchen fittings	100%	SEK 750 m.	1998
Vaasan, Finland	Bakery	100%	FIM 1,300 m.	1998
Stenqvist, Sweden	Plastic and paper packaging	100%	SEK 850 m.	1999

[1] 1998 sales, or if the company has been divested, sales during the year it was divested.
[2] Divested 1997, holding pertains to divested holding.
[3] Divested 1998, holding pertains to divested holding.

links to Investor, companies owned by Investor or other leading Nordic industrial companies. "This is a unique network that plays a key role in our operations. We build on the industrial traditions of the Wallenberg group," says Conni Jonsson, President of EQT Partners.

The original fund, EQT Scandinavia I where Gösta Bystedt is chairman, now includes stakes in nine companies with an acquisition value of SEK 13 billion.

In EQT Scandinavia II with Lars Ramqvist as chairman, the Finnish bakery group Vaasan was the first acquisition just before year-end. EQT Danmark, where Harry Faulkner is chairman of the investment committee, has recently started its operations.

For additional information: *www.eqt.se*

INVESTOR'S OTHER HOLDINGS

The table below describes a number of other holdings. These have been added to Investor through dividends, acquisitions, etc. It is not Investor's intention to be a long-term active owner in these holdings, but they are expected to make a contribution to creating value for Investor's shareholders.

Among Investor's other holdings, the entire holding in Roche was sold, which provided a capital gain of SEK 407 m.

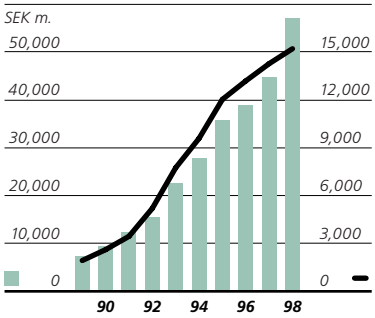
INVESTOR'S OTHER HOLDINGS

COMPANY	OPERATIONS	HOLDING	SALES 1998	VALUE 12/31 1998
Fiskars	Manufacture and sales of high-quality household products	9%	FIM 3,344 m.	SEK 629 m.
Diligentia	Real estate company with focus on property portfolio concentrated to the Greater Stockholm Greater Gothenburg and Öresund regions	2%	SEK 1,273 m.	SEK 126 m.
Cardo	Engineering group focused on manufacture and sales of garage doors, centrifugal pumps and railway brake systems	2%	SEK 8,994 m.	SEK 68 m.

ASTRA

Chairman: **Bo Berggren**
President and Chief Executive Officer: **Håkan Mogren**

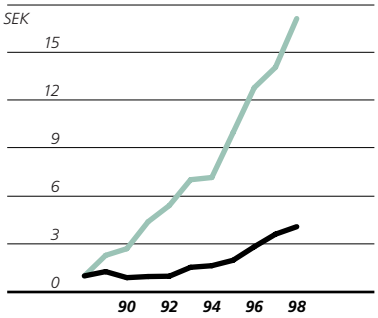
SALES AND EARNINGS



Sales
Income after financial items

Source: Annual report 1997 and year-end report 1998.

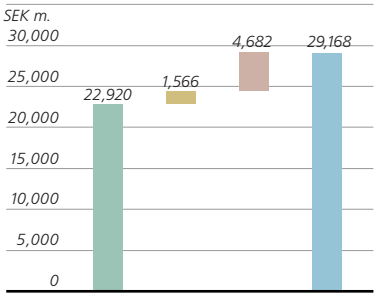
TOTAL RETURN



Astra
Stockholm Stock Exchange

Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net purchases during the year
Change in value during the year
December 31, 1998

Dividend received by Investor 1998: SEK 300 m.

KEY FIGURES

Sales: SEK 57,187 m.
Operating income: SEK 16,444 m.
Income after financial items: SEK 15,243 m.
Earnings per share: SEK 7.18
Total return during the year: 22%
Share turnover: SEK 204.0 billion
Market value on December 31, 1998: SEK 271.8 billion
Astra's Annual Report is available on the Internet: www.astra.com



Astra Zeneca heads for new heights

The boards of Astra and the British pharmaceutical company Zeneca reached an agreement in December on a merger of equals. The new group will be the world leader in several different areas of the pharmaceutical market.

In five therapeutic areas Astra is working at the cutting edge of international research in order to be able to launch drugs that represent a medical breakthrough over the next few years. In 1999, Astra expects to file a registration application for a successor to Losec and a new drug for stroke. Also in the pipeline are a new drug therapy for chronic obstructive pulmonary disease, as well as new treatments for Parkinson's disease and epilepsy.

In the area of cardiovascular disease, Astra is conducting pioneering research into blood clots. The goal is to file applications in 2001. The blockbuster Losec has received patent term extensions, in the U.S. until the year 2001, in most European countries until 2002–2004, and until 2004 in Japan. Other Losec patents provide subsequent additional protection. The sales increase for Losec remains strong (+21 percent).

The emphasis on in-house research and development is woven into the corporate culture. Nearly 6,000 employees, more than every fourth person in the company, are involved. "Developing a new drug is complicated, time-consuming and costly. From idea to finished drug requires between ten and 15 years of effort. We are currently studying around 25 entirely new substances and have as many more projects in the pipeline," explains Håkan Mogren, the company's President.

HIGHLIGHTS 1998

- In one of its biggest deals ever, Astra restructured the formerly half-owned American joint venture company Astra Merck. Operations were combined with those of Astra USA in a new company, Astra Pharmaceuticals. This restructuring is expected to provide annual cost savings of US$ 100 m. starting in the year 2000.
- SEK 800 m. was invested in a new production facility in Södertälje, for manufacture and analysis of pharmaceutical substances for inhalation. Nearly SEK 300 m. was invested in a new biotechnology laboratory.
- The American Food and Drug Administration approved the antihypertensive agent Atacand. The drug was launched in some twenty countries.

Astra in brief

Since it was founded in 1913 Astra has grown to become one of the largest pharmaceutical companies in the world. At that time, Sweden was dependent on foreign manufacturers, but import problems in the first world war led to development of the company's own production facilities. The company was nationalized in 1920 when Vin & Spritcentralen was allowed to take over with the intention of creating a pharmaceutical monopoly. Five years later, a private consortium took over the loss-making operations for one Swedish krona.

The 1940s marked a breakthrough following the launch of the local anesthetic Xylocaine and new penicillin manufacture. Operations started in the U.S in the same decade.

In the mid-1980s Astra was listed on the London Stock Exchange as the largest pharmaceutical company in the Nordic region. Seloken had become one of the ten most sold drugs in the world. Several products that have been a success in the market, such as Turbuhaler, Losec and Plendil, were introduced at the end of the 1980s.

Today's Astra has annual sales of SEK 57 billion, with its main market in the U.S. The largest research areas are respiratory disease, cardiovascular disease, gastrointestinal disease, and CNS. The product range comprises approximately 200 drugs in nearly 900 different versions. A quarter of a million shareholders, and approximately 25,000 employees in 45 countries and at five major research units, have made Astra the largest pharmaceutical company in many markets.

Development in the 1990s

At the beginning of the decade, marketing activities were intensified worldwide. A number of license agreements were renegotiated to regain control over sales of the company's products in key markets.

Local companies were acquired in Italy and Spain in 1990–91. In 1994, SEK 8 billion was invested in a takeover of Astra Japan and the formation of Astra Merck in the U.S.

Astra's biggest R&D investment in modern times was made in 1995 at Astra Charnwood in the U.K. and Astra Arcus in the U.S. New research units and joint ventures were set up outside Sweden.

In 1996 the antipeptic ulcer medication Losec reached the position of the world's best-selling drug. Astra shares were listed on the New York Stock Exchange. 1997 marked a breakthrough for the asthma drugs Pulmicort and Oxis.

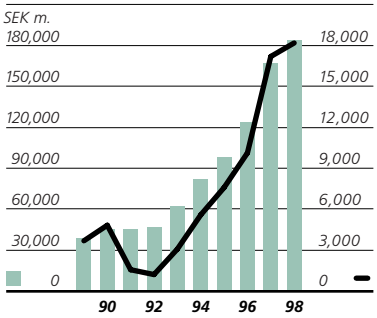
In the past five years, Astra has assumed a leading position on the Stockholm Stock Exchange.

◀ *Astra's Turbuhaler, Pulmicort and Oxis provide this ten-year old snorkeler, who suffers from respiratory problems, with vital help towards an active life.*

ERICSSON

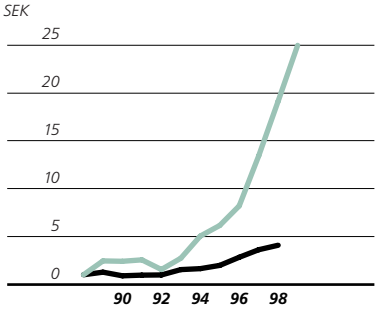
Chairman: **Lars Ramqvist**
President and Chief Executive Officer: **Sven-Christer Nilsson**

SALES AND EARNINGS



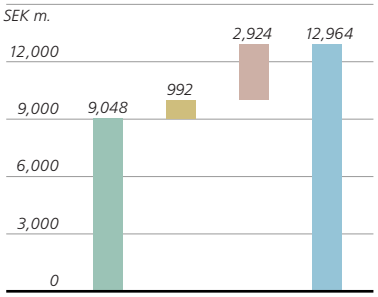
Sales
Income after financial items
Source: Annual report 1998.

TOTAL RETURN



Ericsson
Stockholm Stock Exchange
Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net purchases during the year
Change in value during the year
December 31, 1998
Dividend received by Investor 1998: SEK 103 m.

KEY FIGURES

Sales: SEK 184,438 m.
Operating income: SEK 19,273 m.
Income after financial items: SEK 18,210 m.
Earnings per share: SEK 6.66
Total return during the year: 30%
Share turnover: SEK 421.1 billion
Market value on December 31, 1998: SEK 379.2 billion
Ericsson's Annual Report is available on the Internet: www.ericsson.se



Ericsson takes on greater challenges

"We are setting a new course. Our leading position in wireless communication will be combined with a strong focus on Internet technology so that we can continue to grow faster than the rest of the industry." So says Ericsson's new President, Sven-Christer Nilsson, who initiated this new direction with a market-oriented reorganization in the autumn.

Convergence between telecommunications and data is the key word for the future. Nilsson also emphasizes the significance of the mobility factor for all product development, everything from the next generation of mobile networks to wireless local area networks (LAN) in offices and homes with an Internet connection: "The winner will be the company that can integrate all dimensions in its products and services."

One success for Ericsson is the breakthrough noted for the third generation standard for mobile telephony based on WCDMA technology. Bluetooth and Symbian are other examples of pioneering concepts under development.

The focus for acquisitions is on efforts to consolidate high-tech capacity in profitable segments rather than buy market share by means of a major merger. Industry forecasts indicate continued high growth, particularly for wireless data communication.

High growth targets and profit expectations should be weighed up against subdued demand in countries hard hit by financial turbulence in recent years in Asia, where sales (except China) fell 3 percent in spite of strong growth in China. Despite this, Ericsson's sales rose 10 percent in 1998 and pretax profit by 6 percent.

HIGHLIGHTS 1998

- The new mobile telephone 888 World was launched for use in two different systems in 120 countries.
- One of Ericsson's biggest-ever orders, worth SEK 4 billion, was won in Greece, where the air force chose a NATO-configured radar system, EriEye.
- A number of billion kronor contracts were signed in China for expansion of the GSM network in half a dozen regions.
- Advanced Computer Communications, California's leading seller of Internet products, was acquired. A second center for Internet research, CyberLab, was opened on Silicon Alley in New York.

Ericsson in brief

In over a century Ericsson has developed into a world-leading telecommunications company.

The company was founded in 1876 when Lars Magnus Ericsson opened a repair shop for telegraph equipment. Eventually he started manufacturing his own telephones and since the turn of the century, Ericsson has been an international player with most of its sales outside Sweden, currently 95 percent.

Over 100,000 employees in more than 140 countries are now responsible for annual sales of approximately SEK 180 billion. The R&D budget has increased in recent years to an average of 15 percent of sales and involves more than 22,000 employees. The product portfolio is turned over within two years.

The new organization is based on three business segments: Network Operators/Service Providers, Consumer Products, and Enterprise Solutions. The management team will be based in four geographic regions in addition to Sweden. The head office will remain in Stockholm, but certain functions may be relocated to the regional office in London, where a property has been acquired in the City.

The largest individual market is the U.S., followed by China, the U.K., Italy and Brazil.

Development in the 1990s

The period has been characterized by more than six years of continuous growth, quarter after quarter. Sales nearly quadrupled, from SEK 46 billion to SEK 168 billion.

Among other achievements, Ericsson succeeded in becoming world leader in analog and digital mobile networks, where market shares have risen to 40–50 percent. The mobile network from Ericsson now services more than 75 million subscribers in some 90 countries and every fourth mobile telephone in the world comes from Ericsson. AXE is the most sold switching system in the world with around 15 percent of the market for digital systems.

The growth strategy includes joint ventures with leading specialists in different areas of technology such as Texas Instruments and Hewlett Packard, which has contributed to the development of the broadest product range on the market.

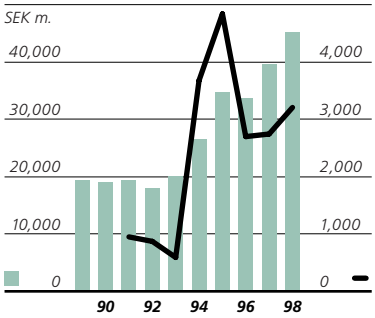
Ericsson's "future studies" in 1996 showed that digital technology, in spite of its explosive growth, is still only in its infancy. Predictions suggest that the mobile telephone market will have trebled to 600 million users by 2001. Against this background, the Group has radically increased its R&D expenditure during the decade, to a record amount of SEK 21 billion in 1997.

◀ Ericsson is at the cutting edge of technology in the highly demanding telecommunications industry. The new T 28, the smallest GSM telephone yet developed by Ericsson, is one example and market expectations are high.

SCANIA

Chairman: **Anders Scharp**
President and Chief Executive Officer: **Leif Östling**

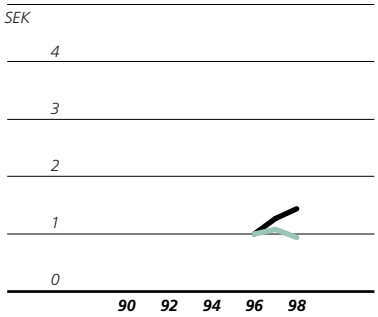
SALES AND EARNINGS



Sales
Income after financial items

Source: Prospectus: Invitation to acquire shares in Scania AB 1996, annual report 1997 and year-end report 1998.

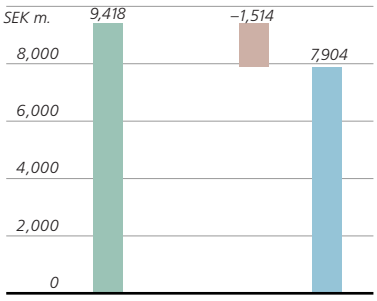
TOTAL RETURN



Scania
Stockholm Stock Exchange

Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net purchases/net sales during the year
Change in value during the year
December 31, 1998

Dividend received by Investor 1998: SEK 501 m.

KEY FIGURES

Sales: SEK 45,312 m.
Operating income: SEK 3,592 m.
Income after financial items: SEK 3,214 m.
Earnings per share: SEK 11.25
Total return during the year: –14%
Share turnover: SEK 31.6 billion
Market value on December 31, 1998: SEK 29.9 billion
Scania's Annual Report is available on the Internet: www.scania.se

Developments in Europe boost Scania's profits

"Today, Scania is much more than a supplier of world-class trucks and buses. Our role is that of the business partner and our goal is improved profitability both for the customer and for ourselves," says Scania's President Leif Östling. As an example of an extended business approach within the Group, he cites the growth of peripheral services: "This is a key growth area with far greater business potential than traditional truck manufacture."

Global economic growth is increasing the need for transport and also providing new business opportunities for Scania. Deregulation in Europe will intensify competition for hauliers. Scania saw this trend when deregulation of the British transport market commenced at the beginning of the 1990s and started, in cooperation with far-sighted customers, to see how profitability could be improved for both parties. The solution was to tailor trucks to customer specifications, a concept that is now being carried out across Europe. In 1998 alone, SEK 500 m. was therefore invested in build up and optimization of the European sales and service network, including competence enhancement measures.

"Scania is a vertically integrated company. This gives us full control over the technical process and therefore a competitive advantage in the market. We can optimize our vehicles for maximal operating economy and minimal environmental impact, and produce solutions that are as closely adapted to meet the business needs of customers as possible," Leif Östling asserts.

In 1998, operating income rose by 57 percent in the European operations, due mainly to increased deliveries in Europe. In Latin America, sales decreased due to the effects of changeover in model and financial unease and operating income was negative.

HIGHLIGHTS 1998

- The changeover to the new truck and bus generations has now been completed throughout production and led to lower manufacturing costs.
- The dealer and service network in Germany was strengthened with eight new service facilities. The number of Scania workshops is expected to total nearly 200 by the year 2000.
- Scania is to receive the EKO energy award for its work on energy efficiency. One environmental target is to have reduced energy consumption by 10 percent per manufactured vehicle by the end of 1999.

Scania in brief

Scania has built more than 800,000 trucks and buses since its foundation in 1891. Since the 1950s, investments abroad have transformed Scania from a Swedish manufacturer to a player in the global market. 95 percent of production is sold outside Sweden via a presence in more than 100 countries.

With nearly 24,000 employees and production in Europe and Latin America, Scania is one of the most profitable manufacturers in the industry and has reported a profit for more than 60 consecutive years.

Operations are concentrated in three business areas:

- Heavy trucks (16 tons and over), where Scania is number four worldwide and among the three major players in Europe. Financing, service and maintenance are part of customer relations.
- Scania is the fourth largest manufacturer in the world of buses for 30 or more passengers, for both the city transport and tourist sector.
- Industrial and marine engines is specialized production with customized manufacture for ships, electricity generators, excavators and combine harvesters.

Scania has been an agent for Volkswagen in Sweden for 50 years, in a jointly owned import company that also sells Audi, Porsche, Seat and Skoda.

Development in the 1990s

The Saab-Scania Group was divided in 1995 and Scania became a separate company, a wholly owned subsidiary of Investor. An intensive, all-year marketing program was conducted worldwide for the new company image, visualized in the Griffin symbol.

Over the past three years Scania has undergone the greatest changes in the history of the company. The first trucks in the new 4-series were presented to more than 600 journalists in Södertälje in fall 1995. Several new bus models for eco-friendly city use were launched in the same year. In less than three years, Scania has moved on to the next generation for all products and is the only manufacturer able to offer the same products in all markets.

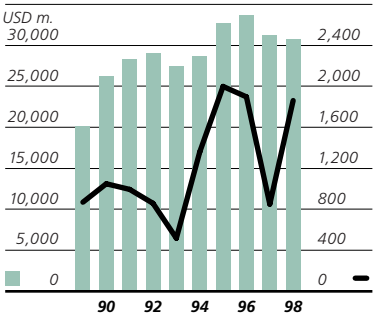
In spring 1996, Scania shares were listed on the stock exchanges in Stockholm and New York, and 20 percent of the shares were offered to Investor's shareholders, via warrants to be cashed at the issue price before June 4, 1999.

During the expansion of the sales network, several commercial breakthroughs have been noted in markets in Asia and Latin America. Development in Southeast Asia in 1997–98, however, has slowed demand for heavy trucks in the region.

◀ Since the start in 1891, Scania has built more than 800,000 trucks and buses and is the world leader today in terms of both driver safety and environmentally compliant engines.

Chairman: **Percy Barnevik**
President and Chief Executive Officer: **Göran Lindahl**

SALES AND EARNINGS



Sales
Income after financial items

Source: Annual report 1997 and year-end report 1998.

TOTAL RETURN

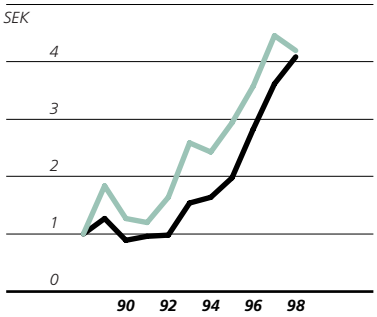
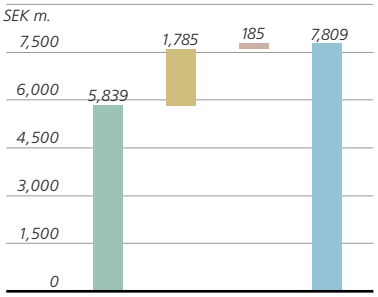


ABB
Stockholm Stock Exchange

Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net purchases during the year
Change in value during the year
December 31, 1998

Dividend received by Investor 1998: SEK 130 m.

KEY FIGURES

Sales: USD 30,872 m.
Operating income: USD 2,111 m.
Income after financial items: USD 1,865 m.
Earnings per share: SEK 5.52*
Total return during the year: –6%*
Share turnover: SEK 82.2 billion
Market value on December 31, 1998: SEK 81.0 billion
ABB's Annual Report is available on the Internet: www.abb.com
* Pertains to ABB AB, the Group's parent company in Sweden.



Cost base adjustment boosts earnings in ABB

The international ABB Group's earnings improved in 1998 to a net profit of USD 1.3 billion. In spite of a demanding business environment, most segments improved during the year. The two-figure rise in net profit (+11 percent) also reflects significant effects from the restructuring program started in 1997.

"In 1998 we came appreciably closer to our goal to develop into a faster, more knowledge- and service-oriented global company. This convinces me that the net profit margin will continue to rise in 1999," says ABB President Göran Lindahl.

The introduction of a uniform ABB share marks the completion of the formation of a totally integrated ABB Group. The new share will replace the present four different share classes for ABB AB (formerly Asea) and ABB AG (formerly BBC Brown Boveri), all with different voting rights and different par values. The new share will have a single par value and one vote per share.

"The new ABB share will facilitate trading in our shares. This will allow us to make acquisitions and strategic alliances using shares as a complement to other financing," states Lindahl.

A flatter organizational structure was introduced during the year designed to bring the business areas closer to local markets and enhance efficiency. Development will focus on business with a greater knowledge and service content in order to achieve higher, sustainable earnings.

HIGHLIGHTS 1998

- Major orders included power plants in Canada, Chile, the United Arab Emirates, Greece, Mexico, Saudi Arabia and the U.S. Power transmission networks are on order in Argentina and Brazil, as well as oil, gas and petrochemical plants in Norway, Saudi Arabia and the U.S.
- ABB acquired Elsag Bailey, a leader in automation processes. Other acquisitions included August Systems, a spearhead company for safety systems in the petroleum industry, and Alfa Laval's automation unit with 1,200 employees.
- ABB Investment Management, which manages approximately USD 4 billion, was sold to SEB. DaimlerChrysler acquired ABB's 50 percent stake in the railroad company Adtranz at the beginning of 1999.

ABB in brief

Today's Group is the result of the merger in 1987 between Asea and BBC Brown Boveri, both hundred-year-old, global electrotechnical industries. With its headquarters in Zurich, the ABB Group comprises approximately 1,000 companies, which via a holding company are owned in equal parts by two parent companies, ABB AB in Sweden and ABB AG in Switzerland.

Following the merger, operations have expanded rapidly as a result of acquisitions. Some fifty companies have been acquired in just a few years, including Combustion Engineering and parts of Westinghouse.

The Swedish operation, with its head office in Västerås, is one of Sweden's largest engineering companies with 25,000 employees in some 200 locations.

Operations are conducted in 33 business areas, grouped in seven segments:

- Power Generation
- Power Transmission
- Power Distribution
- Automation
- Oil, Gas and Petrochemical
- Products and Contracting
- Financial Services

Approximately 20,000 engineers and researchers form the base for ABB's R&D at eight development centers in Europe and the U.S., united in a global network. ABB has approximately 199,000 employees. 54 percent of sales go to Europe, 14 percent to Asia, 10 percent to Africa and the Middle East, and 22 percent to North and South America.

Development in the 1990s

Extensive expansion was started in 1990 in Eastern Europe and preparations were made for expansion in Asia as well. Joint ventures were formed in the Czech Republic and Poland in 1991. By 1992 some thirty companies with 20,000 employees had been taken over or started up in Eastern and Central Europe, while some twenty manufacturing and service units were established in the Pacific region.

The new ultra-effective gas turbines, GT24 and GT26, were launched in 1993.

Subsequent years focused on increased profitability with growing demand in western markets, while the wave of strategic acquisitions continued in Asia and Eastern Europe. The transportation segment was merged with Daimler-Benz.

Strategic acquisitions in recent years include a leading British manufacturer of electricity meters, companies in the U.S. and Italy specialized in automation, and GEC Marconi's underwater technology. A number of joint ventures were started in China, where approximately 4,400 employees now work at 20 units.

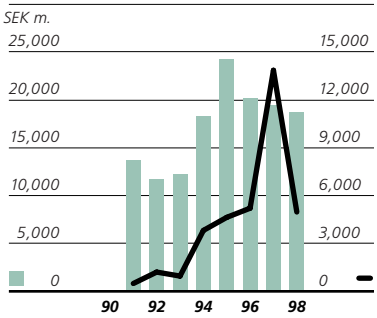
During the period the Group's annual sales amounted to approximately USD 30 billion.

◀ A new, world-leading technology has been developed by ABB for manufacture of power semiconductors of silicon carbide. This "Powerchip" can handle far higher voltages and operating temperatures than traditional silicon semiconductors.

GAMBRO

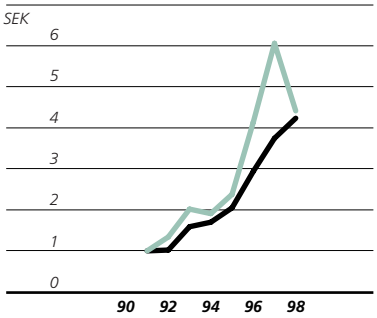
Chairman: **Claes Dahlbäck**
President and Chief Executive Officer: **Mikael Lilius**

SALES AND EARNINGS



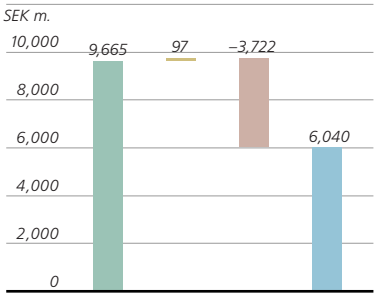
Sales
Income after financial items
Source: Annual report 1996, 1997 and year-end report 1998.

TOTAL RETURN



Gambro
Stockholm Stock Exchange
Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net purchases during the year
Change in value during the year
December 31, 1998
Dividend received by Investor 1998: SEK 135 m.

KEY FIGURES

Sales: SEK 18,734 m.
Operating income: SEK 5,374 m.
Income after financial items: SEK 4,991 m.
Earnings per share: SEK 6.70
Total return during the year: –29%
Share turnover: SEK 16.7 billion
Market value on December 31, 1998: SEK 30.3 billion
Gambro's Annual Report is available on the Internet: www.gambro.se



Gambro streamlined to medical technology

When Incentive changed its name to Gambro on July 1, 1998, this marked the completion of one of the biggest transformations in Swedish industry. In four years sales in the new Group have doubled.

One value-creating measure was the sale of approximately 113 million shares in ABB to Gambro's shareholders. Since the holding was sold at a discount, approximately SEK 14 per Gambro share was transferred to the purchasers. At the same time, the Group acquired a financial strength that will make further expansion possible.

"We have a strong starting position, both strategically and in terms of competence. We have adopted a strategy for continued growth and profitability and expect to continue to increase the number of patients at our own clinics," says Gambro's President, Mikael Lilius. A million kidney patients represent a strongly developing market.

In Renal Care Products, sales of monitors continued to develop favorably in both Europe and the U.S. For disposable products the good volume trend for the bicarbonate cartridge, BiCart, continued.

Renal Care Services' sales increased by 54 percent (excluding Vivra with 22 percent). The strategy includes offering renal patients an increasingly broad range of services and products aside from dialysis treatment, including administration of drugs and laboratory services.

In the Blood Component Technology business area a continued favorable sales trend was noted for the Spectra separation system and disposable products. The Trima collection system was launched successfully in several markets in Europe. In Cardiopulmonary Care a new tubular-fiber based oxygenator was launched.

A restructuring program has been announced for 1999–2000 which at a cost of more than SEK 1 billion will reduce the number of employees in the Renal Care Products business area by approximately 1,000 persons.

HIGHLIGHTS 1998

- An additional 44 dialysis clinics were taken over in the U.S., increasing the number of clinics to 445 with a total of 34,000 patients.
- The industrial operations were phased out with the sale of Hägglund Drives, the control and management specialists TAC, and 60 percent of the marine handling cargo company MacGREGOR.

Gambro in brief

Gambro is a global company in the medical technology and health care sector. The Group has approximately 17,000 employees in more than 90 subsidiaries in 26 countries. R&D centers are located in Sweden, Germany, France, Italy, Japan and the U.S.

Gambro is the world-leader within its four business areas:

- Renal Care Products – with worldwide development, production, marketing and sales.
- Renal Care Services – with 40,000 patients at 460 dialysis clinics worldwide.
- Cardiopulmonary Care – COBE CV – provides products used in heart surgery.
- Blood Component Technology – COBE BCT – comprises products for separation and handling of blood components.

Development in the 1990s

Gambro's predecessor, the new Incentive, was formed through a merger of Incentive and what was known as the rest of ASEA. When Mikael Lilius became president the work of streamlining and developing operations started. Core businesses were defined and some sixty subsidiaries were placed on the sell list, a process that took seven years to complete and, including the acquisition of Gambro, turned over SEK 90 billion.

The acquisition of Cardo in 1994 made Incentive majority owner in the medical technology company Gambro, with a leading global position in renal care, health services, cardiovascular surgery and blood component technology. Cardo's entire equity portfolio and wholly owned industrial operations were sold.

In 1996, Gambro became a wholly owned subsidiary of Incentive. Half the holding in ABB and all class B shares in Electrolux were sold. Munters was listed on the stock exchange. Vivra, the third largest dialysis clinic chain in the world, was integrated with Gambro's American dialysis operations, now the second largest player in the U.S.

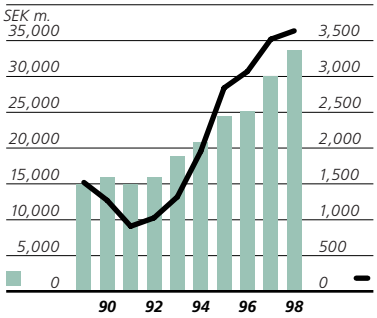
In 1998, the change of name from Incentive to Gambro marked the completion of the streamlining to a medical technology group.

◀ Gambro has a strategy for continued growth and profitability and expects to be treating at least 60,000 patients at its own clinics by the end of the year 2000.

Atlas Copco

Chairman: **Anders Scharp**
President and Chief Executive Officer: **Giulio Mazzalupi**

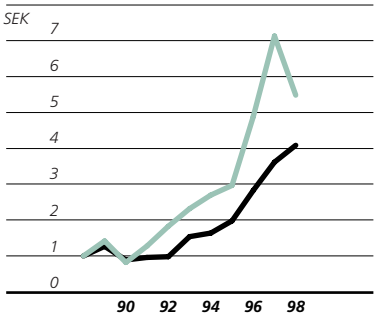
SALES AND EARNINGS



Sales
Income after financial items

Source: Annual report 1992, 1997 and year-end report 1998.

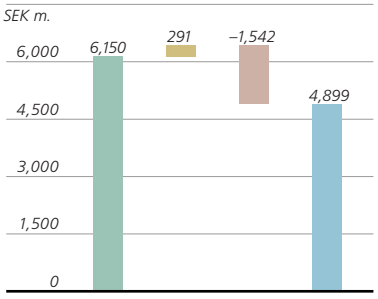
TOTAL RETURN



Atlas Copco
Stockholm Stock Exchange

Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net purchases during the year
Change in value during the year
December 31, 1998

Dividend received by Investor 1998: SEK 110 m.

KEY FIGURES

Sales: SEK 33,740 m.
Operating income: SEK 4,345 m.
Income after financial items: SEK 3,637 m.
Earnings per share: SEK 12.44
Total return during the year: –24%
Share turnover: SEK 25.5 billion
Market value on December 31, 1998: SEK 32.5 billion
Atlas Copco's Annual Report is available on the Internet: www.atlascopco.com



Atlas Copco expands in the American market

"We want to be foremost in our customers' minds, so they choose us. This requires high-quality products, a strong service network and close cooperation with users in order to solve their problems. Only then, can we raise the value in Atlas Copco," says the Group's President, Giulio Mazzalupi.

After several years building the platform he is now looking forward to an increased focus on profitable growth. The 1998 result provided a profit margin above the 10 percent the Group aims for over a business cycle. Half the increased profit was attributable to the acquired company Prime Service in the U.S, a market leader in the equipment rental sector. A growing portion of revenues for most products is obtained after delivery in the form of service and accessories.

The economic crises in Southeast Asia left their mark, however, mainly in the form of falling demand which also spread to Latin America and Russia. This mixed development looks set to last with a decline in investments in heavy industrial equipment. On the other hand, the stable upswing in the U.S. market and to some extent in European countries as well, continues. The long-term goal, to have the same scope of operations in Asia as in Europe and North America, remains unchanged.

Prime reports a steady increase compared with previous years and continues to grow through new acquisitions. The rental market in the U.S. has enormous potential with annual sales of USD 20 billion and a growth rate of 15–20 percent per year, as the trend of renting equipment instead of owning it continues. The Group will also exploit the Prime concept in other parts of the world.

To meet intensified competition in the wake of the financial crisis, Atlas Copco increased its R&D allocation.

HIGHLIGHTS 1998

- The Canadian company JKS Boyles International, a leading manufacturer of drilling rigs for exploration drilling, was acquired as part of the strategy of expansion in this field.
- Prime Service continued to grow in the U.S. market for equipment rental through acquisition of Clementina Equipment and half a dozen other rental companies.
- A decision was made to phase out operations in the tunnel-boring machines sector, due to limited synergies and a growing secondhand market in this niche.

Atlas Copco in brief

The 125-year-old group, with international operations accounting for 97 percent of sales, has enjoyed steady growth in recent decades. New products have been launched, due among other things to a new motor technology.

A strategy for increased growth has played a central role in this expansion, particularly through acquisitions in segments such as industrial power tools and rental operations for American industry and contracting firms.

Operations are conducted by approximately 24,000 employees in some 70 countries in four business areas:

- compressor technique for air and gas, including air treatment
- manufacture of industrial machines
- rock drilling, construction and demolition equipment
- rental operations and service

Development in the 1990s

Since 1991, both sales and earnings have risen steadily every year in spite of increased uncertainty in several key markets in the latter part of the 1990s.

Substantial success has been achieved, particularly in North and South America, while financial unease in Southeast Asia has subdued hopes of continued expansion there at the same rate. Equally, low demand in the construction sector has had a negative impact on volumes.

The phase of building up a presence in China was started back in the 1960s. A first joint venture for manufacture of compressors was set up in 1994. Subsequent events include the formation of a Group holding company and construction of a new plant for industrial power tools.

In 1995, the Milwaukee Electric Tool Corporation was acquired, providing a foothold in the growing global market for industrial power tools.

1996 was a particularly innovative year with many new product launches, including a number of compressors and industrial power tools.

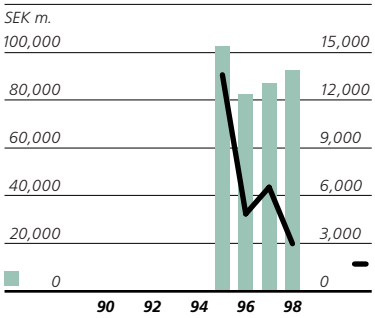
In 1997, a number of strategic acquisitions were made including the American company Prime Service, the French compressor manufacturer Thomé-Crépelle, and Italian compressor manufacturer Ceccato (with effect 1998).

◀ The rental market for contractors' machinery in the U.S. has enormous potential with annual sales of USD 20 billion and an annual growth rate of 15–20 percent. The acquisition of Prime gives Atlas Copco a share in this growth.

STORAENSO

Chairman: **Claes Dahlbäck**
President and Chief Executive Officer: **Jukka Härmälä**

SALES AND EARNINGS*

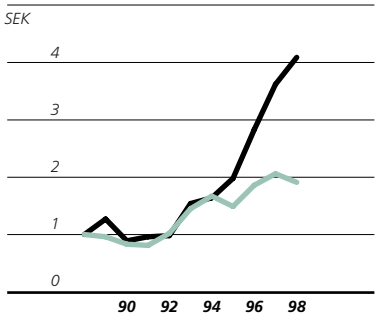


Sales
Income after financial items

* Stora Enso, pro forma 1995–1997

Source: Prospectus: Invitation from Enso Oyj to the shareholders in Stora Kopparbergs Bergslags aktiebolag (publ) and year-end report 1998.

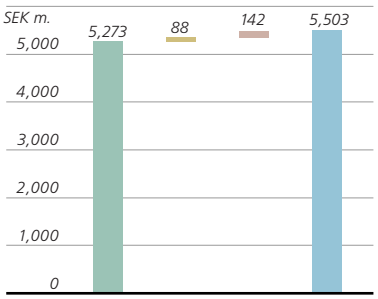
TOTAL RETURN



Stora Enso [1)]
Stockholm Stock Exchange

Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net purchases during the year
Change in value during the year
December 31, 1998

Dividend received by Investor 1998: SEK 198 m.

KEY FIGURES

Sales: SEK 92,739 m.
Operating income: SEK 6,353 m.
Income after financial items: SEK 3,000 m.
Earnings per share: SEK 2.22
Total return during the year: –7% [1)]
Share turnover: SEK 27.1 billion
Market value on December 31, 1998: SEK 55.2 billion
Stora Enso's Annual Report is available on the Internet: www.storaenso.com

1) Pertains to STORA until 12/29 1998.



Synergies strengthen new forest products giant Stora Enso

The merger between STORA and the Finnish company Enso in autumn 1998 has created one of the world's leading forest products companies, the world leading manufacturer of paper and board with a production capacity of 13 million tonnes. Approximately 40,000 employees at some 50 production units serve customers in more than 60 countries. Combined annual sales amount to approximately SEK 93 billion.

The new group started its operations in December 1998, domiciled in Finland and with head offices in Helsinki and Stockholm. The shares are listed on the stock exchanges in Helsinki and Stockholm.

As the largest owner after the Finnish state, Investor has contributed to securing a base for future internationalization and growth. Significant synergy effects are expected in production, research and development, as well as customer service. Total cost savings are estimated at around SEK 3 billion per year with a limited effect in 1999 reaching full impact in 2002. This will include improving the efficiency of production flows and specialization of paper mills, joint purchasing, coordination of transport and logistics, improved control of joint capital expenditures and exchange of knowledge and competence.

"Our goal is not to be the biggest, but to be the best in the industry. This requires the ability to satisfy the changing requirements of widely different customers throughout the world," says new CEO Jukka Härmälä.

The past financial year brought improved earnings for both companies, mainly attributable to raised selling prices for most of the products.

HIGHLIGHTS 1998

- Acquisition of a large stake in the Thai paper and board manufacturer Advance Agro.
- The sawmill group Holzindustrie Schweighofer in Austria was acquired by Stora Enso's sawn timber division.
- In line with the strategy of expansion in new, fast growing markets, a majority shareholding was acquired in the fine paper mill Suzhou Papyrus, China's largest and most efficient manufacturer of high-grade, wood-free coated paper.
- The technical office papers business was sold to Mitsubishi.

Stora Enso in brief

The Swedish operations stem from copper mining in Falun more than 700 years ago. In 1978 the company was streamlined into a forest industry following the sale of ironworks and mines. The 1980s were devoted to a process of expansion when Europe's largest forest products industry was created through the acquisition of Billerud, Papyrus, Swedish Match and Feldmühle of Germany.

Since then, changes have resulted in the number of employees in STORA being reduced in five years from 34,000 to approximately 20,000, mainly due to divestment of a number of companies. The formation of Stora Enso is a natural continuation of a decade of consolidation in the forest products industry.

In 1872, Enso started as a sawmill in Kotka, founded by the Norwegian Hans Gutzeit. Following Finland's independence in 1917, the company was taken over by the state. In the 1930s Enso-Gutzeit grew to become Europe's third largest pulp manufacturer. After the Winter War, large parts of the Group fell into Soviet hands, but production capacity was soon restored in the 1950s and a long growth phase started.

In 1996, Enso-Gutzeit merged with Veitsiluoto. Prior to the merger with STORA, Enso was in fifth place among the world's leading producers of paper and board, just ahead of STORA and with the same number of employees.

The new integrated group has four key areas:

- graphic papers,
- newsprint,
- fine papers,
- packaging board.

Stora Enso is also among the leading manufacturers in the world of sawn timber products. Key markets are in the EU, mainly Germany, the U.K. and France.

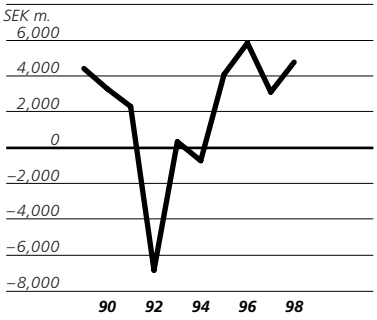
Both companies have provided the joint operations with extensive research and development work for improving products and processes. Environmental objectives include improved treatment technology in the mills, preservation of biodiversity in forestry, and an ecocycle approach throughout production.

◀ As a result of the merger between Stora and Enso, operations will focus on four key areas: graphic papers, newsprint, fine papers and packaging board.

S|E|B

Chairman: **Jacob Wallenberg**
President and Chief Executive Officer: **Lars H. Thunell**

OPERATING INCOME



Operating income

Source: Annual report 1995, 1997 and year-end report 1998.

TOTAL RETURN

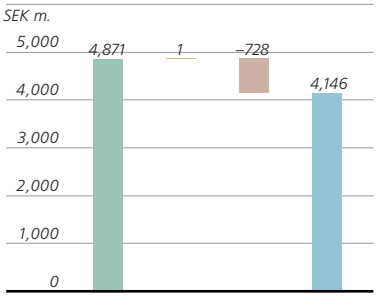


SEB

Stockholm Stock Exchange

Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net purchases during the year
Change in value during the year
December 31, 1998

Dividend received by Investor 1998: SEK 145 m.

KEY FIGURES

Operating income: SEK 4,801 m.
Earnings per share: SEK 8.27
Total return during the year: –13%
Share turnover: SEK 41.2 billion
Market value on December 31, 1998: SEK 50.1 billion
SEB's Annual Report is available on the Internet: www.seb.se



Euroland next for SEB

The introduction of the euro marks a new phase in the transformation of the European financial and capital markets, where size will have increased significance for position in the market. It against this background that the development of the new SEB Group is taking place. Integration is proceeding according to plan. All new organizational units are in place: fund management, telephone banks, finance companies and unit-linked insurance are coordinated and co-location is almost complete.

In a second stage, a process is under way for a clear decentralization of decision-making within the Group. "This is about alternative ways of contacting customers, and developing and launching new products, particularly via IT," explains SEB's President, Lars Thunell, who is convinced that the Group's large customer base and wide number of channels provide a good platform for the future. The goal is to be a leading financial group in Northern Europe and thus provide the approximately 380,000 shareholders with added value.

At the same time intensive efficiency improvement measures are continuing in all units, since cost development is not yet satisfactory. IT costs continue to rise, not least due to essential projects related to the millennium changeover and EMU. The start of EMU will lead to the introduction of a number of new euro products, including euro funds, euro bonds and cash-pools for companies' currency flows.

In the third quarter, financial unease and substantial falls in share prices around the world had a negative impact on earnings. SEB reduced its exposure in emerging markets by approximately 60 percent during the year. Income for the year was charged with a provision for possible loan losses of SEK 2 billion, of which SEK 1.4 billion in Russia.

HIGHLIGHTS 1998

- The focus on the Baltic area led to acquisition of one-third of Eesti Ûhispank in Estonia, Latvijas Unibanka in Latvia, and Vilniaus Bankas in Lithuania. ABB Investment Management was also acquired. The Industrial & Marine business area was sold, as was a property holding worth more than SEK 4 billion.

SEB in brief

The Group is the largest asset manager in the Nordic area, with SEK 500 billion in funds under management. After a more than one-hundred year tradition as a partner to major Nordic companies and institutions, SEB has built up a position with high market shares in, among other things, fund management (23%), fixed-income and foreign currency trading (35–40%), and international payments (50%).

The business areas are: Sales & Service, Financial Services, Trygg-Hansa (property Insurance), Asset Management, SEB Trygg Liv (life insurance), Merchant Banking, and the investment bank Enskilda Securities.

Of the Group's approximately three million private customers, more than 230,000 of them are carrying out their banking business via the Internet to a growing extent. The volume of private payments via the Internet is already twice the size of over-the-counter payments at the Bank's branches.

Development in the 1990s

Major events in recent years include the focus on the Nordic area which was started in 1994 with branches in Oslo and Helsinki. The Sesam Telephone Bank was opened and three finance companies and three foreign subsidiaries were sold.

In 1995, the property company Arsenalen was sold as part of streamlining of operations. In 1996, the Internet bank was launched. The property company Diligentia, valued by the stock market at over SEK 4 billion, was distributed to the Bank's shareholders.

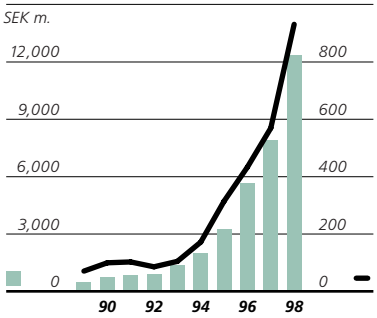
In 1997, the Bank merged with the insurance company Trygg-Hansa. A branch was opened in Copenhagen and the acquisition of the Finnish banking firm Ane Gyllenberg marked a further move in the extended Nordic-Baltic expansion.

◀ *SEB was first in Sweden with direct payments over the Internet.*

WM-data

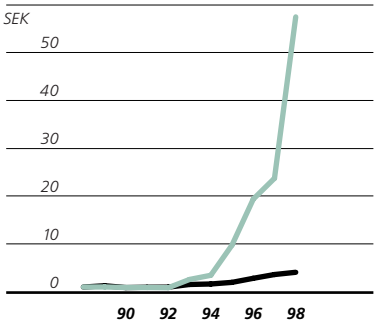
Chairman: **Thord Wilkne**
President and Chief Executive Officer: **Lars Harrysson**

SALES AND EARNINGS



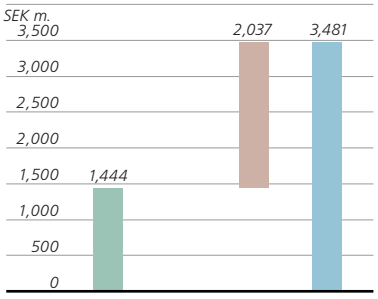
Sales
Income after financial items
Source: Annual report 1995, 1997 and year-end report 1998.

TOTAL RETURN



WM-data
Stockholm Stock Exchange
Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net purchases/net sales during the year
Change in value during the year
December 31, 1998
Dividend received by Investor 1998: SEK 14 m.

KEY FIGURES

Sales: SEK 12,380 m.
Operating income: SEK 955 m.
Income after financial items: SEK 932 m.
Earnings per share: SEK 8.62
Total return during the year: 142%
Share turnover: SEK 8.5 billion
Market value on December 31, 1998: SEK 25.1 billion
WM-data's Annual Report is available on the Internet: www.wmdata.com



WM-data becomes leading IT supplier in the Nordic market

"Demand for systems design and development services will be very high in the years ahead. Many companies and organizations need to develop their IT systems in order to become more competitive," says WM-data's President, Lars Harrysson. He points to WM-data's broad competence as a competitive advantage over rivals with niche competence: "We contribute from analysis to finished system and often take complete responsibility for the implementation of a company-wide IT environment for the customer."

Development work within the Group is focused on the fact that communications is one of the fastest growing areas in the IT industry. The Internet and intranet are contributory factors but computer-assisted telephony is also a very expansive segment, particularly in the banking and financial sector. Another growth area is systems & network management which WM-data is giving high priority.

Computer-supported training, where the student can learn directly at the workplace, is expected to develop strongly over the next few years. The same applies to administrative outsourcing.

Among future problems the difficulty of finding competent employees is the dominant factor. "The industry is suffering from a deficit, a misjudgment which we and the educational system made at the end of the 1980s," says Lars Harrysson. Although this will not threaten the company's goal to continue to grow by 20–25 percent per year between 1999–2001.

In this connection, at the end of 1998, WM-data made a bid for the consulting company Caran which will bring competence in product development and production. As a result of this acquisition, customers can be offered even better integrated IT solutions to support all parts of their operations.

HIGHLIGHTS 1998

- Electrolux chose WM-data as its global IT partner, a breakthrough for the focus on global operations within the international ICG network.
- In the face of powerful international competition, WM-data won a prestigious assignment to supply the CERN research laboratory with IT support.
- Internet trading reached a new Swedish record with WM-data selling PC equipment for half a billion Swedish kronor via its own Web Direkt during the year.
- Acquisitions included the systems integration company X-Way, and the barcode company Printcard.

WM-data in brief

The company was founded in 1969 by Hans Mellström and Thord Wilkne. Today, more than 7,000 employees work in a number of companies and units in different competence areas: systems design, technical consulting services, training and documentation, applications-oriented services and products, information support, PC operations, computer and network operation, administrative outsourcing, IT partnerships and sector ventures, municipalities and county councils, defense operations.

Sales comprise: hardware 53 percent, consulting services 32 percent, licenses 5 percent and computer/network operation 11 percent. Sweden accounts for more than 50 percent of the market today, with the other Nordic countries accounting for approximately 41 percent.

The goal is that WM-data will be a leading European supplier of IT-related services. Profit margin and financial stability must be better than the average for computer services companies in the Nordic region and the Group intends to play an active role in the restructuring of the computer services industry.

Development in the 1990s

Income after net financial items has quintupled in five years. An acquisition strategy forms the basis for development into the leading computer services company in the Nordic region.

In 1993, several large computer services operations were acquired including PS-data, the Swedish National Defense's computer center, and STORA Data.

In 1994, strategic cooperation was started with Telia. Stockholm City's computer services unit was taken over.

1995 saw the takeover of one of the largest hardware suppliers, Owell.

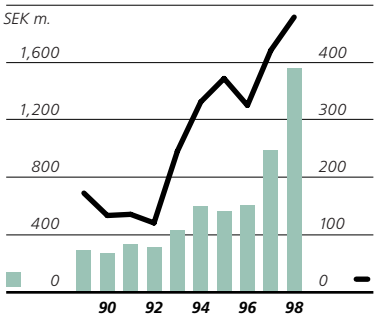
1996 marked the start of Nordic expansion with the acquisition of Facidata in Finland and BFC in Denmark.

In 1997, the Group stepped into the global market as a partner in the umbrella organization ICG to be able to serve Nordic companies in their operations outside the region.

◀ WM-data is the leading computer services company in the Nordic region with more than 7,000 employees.

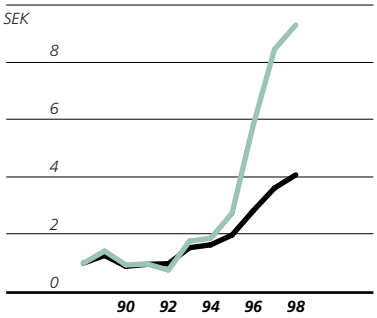
Chairman: **Olof Stenhammar**
President and Chief Executive Officer: **Per E. Larsson**

SALES AND EARNINGS



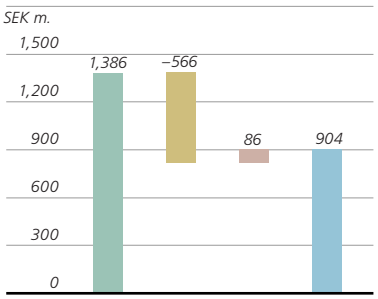
Sales
Income after financial items
Source: Annual report 1998.

TOTAL RETURN



OM Gruppen
Stockholm Stock Exchange
Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net sales during the year
Change in value during the year
December 31, 1998
Dividend received by Investor 1998: SEK 52 m.

KEY FIGURES

Sales: SEK 1,567 m.
Operating income: SEK 375 m.
Income after financial items: SEK 480 m.
Earnings per share: SEK 4.50
Total return during the year: 9%
Share turnover: SEK 4.6 billion
Market value on December 31, 1998: SEK 8.5 billion
OM's Annual Report is available on the Internet:
www.omgroup.com



Expanding OM sets up new record

Powerful growth characterizes development in OM Gruppen. Revenue increased by 62 percent and operating income rose 19 percent. The strongest expansion was in the OM Technology business area where revenues more than doubled during the year.

Turnover on OM's exchanges reached a new record. Average share turnover rose by 35 percent to more than SEK 7 billion per day. Options and futures trading volumes also reached record levels, an increase of nearly 14 percent to almost 200,000 derivative contracts per day. The number of options and futures customers rose by 21 percent to more than 63,000, while a dozen new banks and brokerage firms, bringing the total to 173, trade OM's financial products.

"The European stock exchange map is being redrawn. The former monopoly structure is cracking and a modern service industry is emerging. OM intends to be a major player in this market," says OM President, Per E. Larsson.

OM advanced its positions during the year. In January, OM merged with the Stockholm Stock Exchange. Today, these operations are completely integrated. Parallel with a broadening of competence, OM continued to extend its distribution. Today, OM has the most extensive distribution network of all the European stock exchanges.

"Since there has been a lack of competition in the stock exchange market, exchange operations have been relatively static. We are now entering a new era, where the exchange will function to an increasing extent as a bridge between the listed companies and investors. Instead of a stone building, the stock exchange will become more and more a symbol on the dealer's screen," Per E. Larsson believes.

A further broadening of distribution will occur in May 1999 when OM is linked with the Copenhagen Stock Exchange. This means that the exchanges' shares will be traded in one and the same system – OM's new trading system for equities and bonds, SAX2000.

HIGHLIGHTS 1998

- A breakthrough into the increasingly important U.S. market occurred when the forthcoming options exchange, International Securities Exchange (ISE), chose OM's technology to start the first totally electronic American exchange in January 2000, the first new exchange to open in the U.S. for 25 years.
- The first electricity exchange in the U.S., California Power Exchange (CalPX), increased its order from OM to a value of more than SEK 300 m. This is an important reference installation for future development of the North American electricity market, where at least 12 new electricity exchanges are expected to be established as a result of current deregulation.
- In order to broaden its electricity competence still further, OM Technology formed a strategic alliance with the American company GE Harris, which comprises General Electric and Harris.
- OM acquired Penningmarknadsinformation (Pml), which has provided the central information system to the Swedish fixed-income market since 1989. Merging these competencies will enable OM to create an interest rate products exchange in 1999.
- Electronic trading started in a 2-year and a 10-year Swedish Government bond future. An average of 6,800 contracts per day were traded in 1998, representing an underlying value of SEK 6.8 billion per day.
- The Toronto Stock Exchange chose the OM CLICK Exchange System for options and futures trading, as did the Korea Futures Exchange.

OM Gruppen in brief

OM started its operations in 1985 as the first profit-making stock exchange in the world. In 1987, OM was the first exchange to be listed. Since the start OM has been at the forefront of development of new services and products: the world's first electronic derivatives exchange, the world's first professional supplier of exchange technology, first in the world to build electronic exchanges, etc.

Today OM operates exchanges and develops technology that make the financial and commodities markets more efficient. Operations are divided into two business areas: Transaction and OM Technology.

Transaction comprises OM's stock exchange operations and OM VPA, which offers administrative services for banks and brokerage firms. OM has exchanges in London and Stockholm. OM Technology develops, maintains and sells technology to financial and electricity markets worldwide.

OM has undergone powerful expansion in the 1990s and now has nearly 800 employees, of whom some 300 outside Sweden.

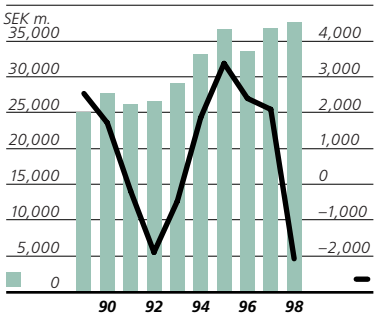
◀ *The overall vision for OM Gruppen is to create the most effective market solutions in the world.*

SKF

Chairman: **Anders Scharp**
President and Chief Executive Officer: **Sune Carlsson**



SALES AND EARNINGS*

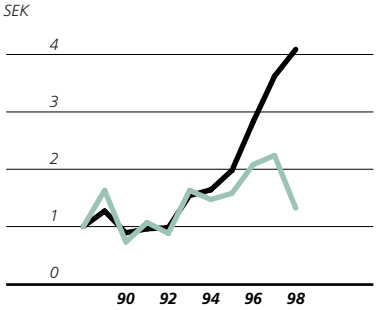


Sales
Income after financial items

* Figures prior to 1991 have not been adjusted according to changed accounting principles.

Source: Annual report 1995, 1997 and year-end report 1998.

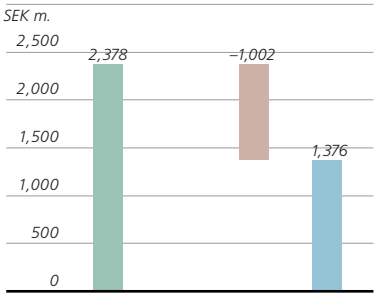
TOTAL RETURN



SKF
Stockholm Stock Exchange

Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net purchases/net sales during the year
Change in value during the year
December 31, 1998

Dividend received by Investor 1998: SEK 79 m.

KEY FIGURES

Sales: SEK 37,688 m.
Operating income: SEK –999 m.
Income after financial items: SEK –2,063 m.
Earnings per share: SEK –14.40
Total return during the year: –42%
Share turnover: SEK 16.1 billion
Market value on December 31, 1998: SEK 10.6 billion
SKF's Annual Report is available on the Internet: www.skf.com

Powerful restructuring will improve SKF's earnings

Profitability before volume growth. Faster cost reductions. Discontinuation of unprofitable business. Restructuring. Stronger market orientation. Developed service concept in the aftermarket.

That sums up the guidelines set by the Group's new President, Sune Carlsson, when he assumed office.

In autumn 1998, operations were focused on implementing the various restructuring programs that had been adopted. Cost savings are proceeding as planned and approximately half of the 4,000 employees who will leave the Group before the end of 1999, had left by year-end 1998. To enable implementation of this program, which will reduce costs by SEK 1,500 m., a SEK 1.2 billion provision was posted in the third quarter in addition to the SEK 750 m. provision made in autumn 1997.

The restructuring program is also proceeding with high speed. Decisions have been made to terminate production of taper roller bearings in the U.S., and to sharply reduce production at the Group's plant in Brazil. The intention is to restore profitability within the automotive business in the Americas.

The process of ending involvement in the textile machinery components area has started, as has the process of leaving the forging business in Arvika, Sweden. An additional SEK 2 billion has been earmarked for these measures.

Sales rose by 2 percent during the year but global demand for bearings leveled out. Income after financial items amounted to SEK 1,072 m., and after provisions of SEK 3,125 m. to SEK –2,063 m. compared with SEK 2,106 m. in the previous year.

HIGHLIGHTS 1998

- The most modern hot-rolling mill in the world was inaugurated by SKF subsidiary Ovako Steel in Hofors, Sweden, a SEK 500 m. investment.
- A leading U.S. manufacturer of spindles for machine tools was acquired.
- The American company Chicago Rawhide expanded its operations in Mexico and Korea.
- The processing company ScanDust in Landskrona, Sweden, was sold.

SKF in brief

The Group is the world-leading manufacturer and developer of roller bearings. The company was founded in 1907 by Swedish engineer Sven Wingqvist, who invented the world's first self-aligning ball bearing.

As early as 1910 the first foreign investment was made in the form of a small workshop. Just eight years later SKF had twelve plants, distributors in more than a hundred countries and nearly 12,000 employees. Car manufacture in the then subsidiary Volvo started in 1926.

Today the Group is represented in more than 130 countries with a total of 43,000 employees and has production plants at some 80 locations worldwide.

The company is divided into six divisions:

- Automotive
- Electrical
- Industrial
- Service
- Seals
- Steel

Development in the 1990s

In 1991, Ovako AB was divided between the original owners, SKF and the Finnish Metra Group. The Swedish part of the old company is now an SKF subsidiary under the name Ovako Steel. Development work was intensified with relocation of an innovation company to Chalmers Technology Park.

In 1994, a new central warehouse was inaugurated in Tongeren, Belgium.

In 1995, CARB, a completely new bearing, was launched. This bearing is now rolling, among other places, in hundreds of paper machines throughout the world.

In 1996, a radical restructuring of the American distribution network was carried out with a new, large central warehouse in Crossville, Tennessee. At the same time, SKF formed a transport alliance with Rockwell Automation, one of the largest companies in the automotive transmission industry in the U.S.

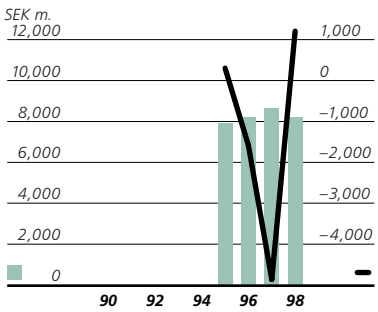
In 1997, the build-up in Asia was started with manufacture of bearings in China, South Korea and Indonesia. A new plant went into operation in the U.S. for the manufacture of roller bearing units for the automotive industry, a growing multi-billion market. FlexLink Systems was sold.

SKF

◀ *The industrial aftermarket offers considerable potential and will therefore continue to be a priority area for SKF.*

Chairman: **Anders Scharp**
President and Chief Executive Officer: **Bengt Halse**

SALES AND EARNINGS*



Source: Annual report 1997 and year-end report 1998.

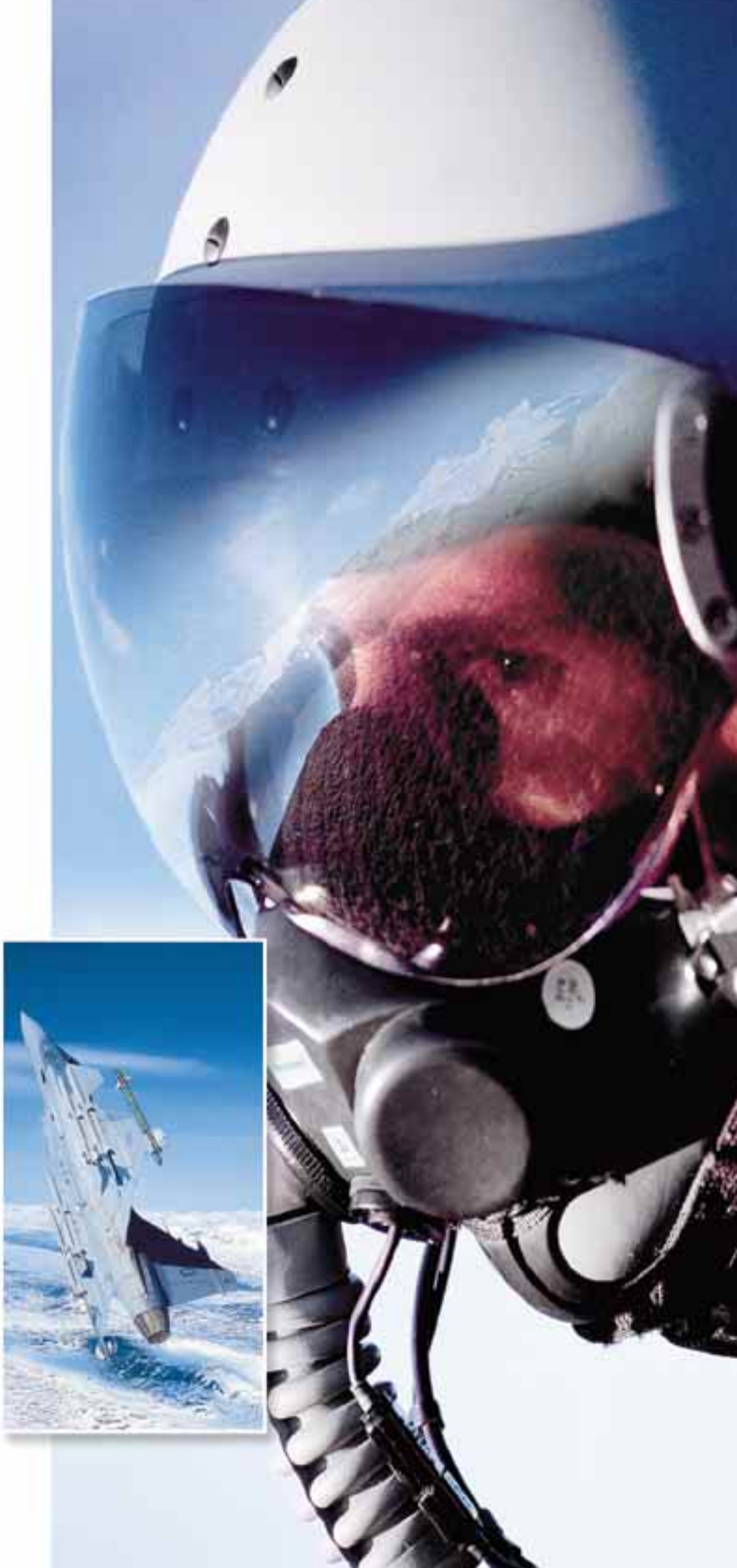
TOTAL RETURN

No diagram for total return is presented since Saab AB became a listed company on June 18, 1998, and there is no relevant assessment period.

KEY FIGURES

Sales: SEK 8,248 m.*
Operating income: SEK 875 m.*
Income after financial items: SEK 1,218 m.*
Earnings per share: SEK 8.55
Share turnover: SEK 1.6 billion
Market value on December 31, 1998: SEK 9.0 billion
Saab AB has a website on the Internet:
www.saab.se

* *Including Regional Aircraft*



Saab profitable in an increasingly international market

Saab develops and manufactures high-tech systems and products for the aerospace and defense industries. During the year the company was listed, achieved important success in export markets, and focused its operations by discontinuing its unprofitable manufacture of regional aircraft. Profitability is satisfactory and long-term growth potential in the company is good.

Since 1995, Saab and British Aerospace have cooperated over marketing the Gripen for export. This long-term cooperation achieved its first major breakthrough when South Africa decided in November to start pre-negotiations for equipping its air force with Gripens.

In June, Saab was listed on the O-List of the Stockholm Stock Exchange. Owners today include both Swedish and foreign institutions and Swedish individual investors. In connection with the listing, British Aerospace acquired 35 percent of the shares and is now the second-largest owner, after Investor.

New financial targets have been set. Underlying profitability is to be improved and the long-term goal is an operating margin before depreciation of 15 percent, and a return on equity at the same level. The equity/assets ratio should exceed 30 percent and, in the long term, dividends should correspond to 20–40 percent of earnings.

One key reason for the stock exchange listing was to increase Saab's opportunities to play an active role in the restructuring of the European aerospace and defense industry. During the year, Saab participated in a European study that describes the prerequisites for the creation of a joint aerospace and defense company.

HIGHLIGHTS 1998

- Gripen was designated "preferred supplier" in South Africa and contract negotiations are under way for delivery of 28 Gripens.
- Development work started on the joint European short-distance missile IRIS-T. Dynamics will be responsible for development of parts of the homing head, the software for the missile's image processor and some systems work.
- During the year orders won by Space included onboard computers and antennas for the space industry, worth approximately SEK 500 m.

Saab in brief

Svenska Aeroplan AB was formed in 1937 as a result of Sweden's need for its own air defense industry. Following a merger with the aircraft department of Svenska Järnvägsverkstäder, fighter aircraft were manufactured under license at plants in Linköping and Trollhättan. A few years later, the company started manufacturing light bombers and fighter-bombers.

After the war, the civil aircraft Saab Safir was a commercial success with exports to some 20 countries. The fighter aircraft 29 Tunnan had its maiden flight in 1948, later complemented by the J32 Lansen. In 1959, the supersonic aircraft J35 Draken was adopted by the Swedish air force and was exported to Denmark, Finland and Austria. Manufacture of missiles, the J37 Viggen and the SK 60 trainer, started in the 1960s.

In 1982, the Swedish Parliament made a decision on the Gripen project. The next year the Saab 340 passenger plane had its maiden flight, marking a focus on the growing regional civil aviation market. It was followed by the Saab 2000.

Today the Group is one of a handful of companies in the world that can engage in profitable development of complicated systems for military aircraft. One-fourth of the approximately 8,000 employees works with research and development. Saab has five business areas: Military Aerospace, Space, Training Systems, Commercial Aircraft, and Combitech. Exports account for more than 40 percent of sales.

Development in the 1990s

For Saab, the 1990s have been characterized, among other things, by increasing internationalization of its operations. Internationally competitive products have been developed within Dynamics, Space and Training Systems.

Swedish Defense Matériel Administration (FMV) has ordered 204 aircraft for Swedish Air Force. The first subseries was delivered in 1996. Today, 65 Gripens are in operation and aircraft are on order for delivery until the year 2007.

Operations in a number of areas were streamlined towards the end of the 1990s. In 1997 a provision of more than SEK 5 billion was made for restructuring costs. A decision was made to cease production of the regional aircraft Saab 340 and Saab 2000 and the final delivery will take place in 1999.

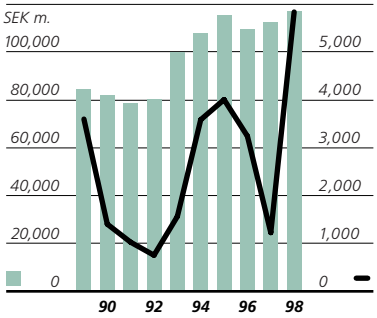
Taken overall, Saab's focus on high-tech spearhead competence, systems integration and information technology has increased significantly.

◀ The export breakthrough for the Jas 39 Gripen in South Africa and the listing on the Stockholm Stock Exchange have given the Saab Group a new chance to spread its wings.

Electrolux

Chairman: **Rune Andersson**
President and Chief Executive Officer: **Michael Treschow**

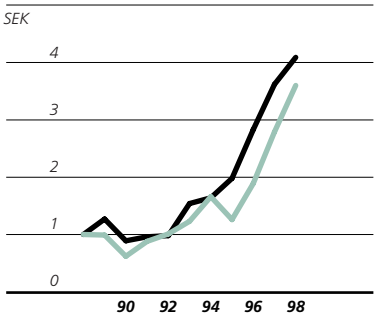
SALES AND EARNINGS



Sales
Income after financial items

Source: Annual report 1997 and year-end report 1998.

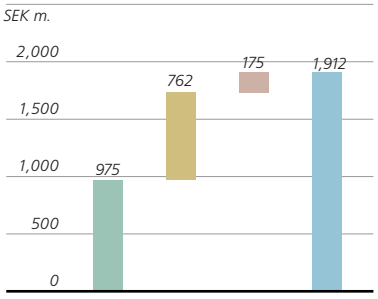
TOTAL RETURN



Electrolux
Stockholm Stock Exchange

Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net purchases during the year
Change in value during the year
December 31, 1998

Dividend received by Investor 1998: SEK 21 m.

KEY FIGURES

Sales: SEK 117,524 m.
Operating income: SEK 7,028 m.
Income after financial items: SEK 5,850 m.
Earnings per share: SEK 10.85
Total return during the year: 29%
Share turnover: SEK 34.1 billion
Market value on December 31, 1998: SEK 51.1 billion
Electrolux Annual Report is available on the Internet: www.electrolux.se



Consolidation increases value in Electrolux

The prototype vacuum-cleaning robot was a sensation in world media when it was first shown by Electrolux in 1998. It symbolized the high level of innovation within the Group. New products in recent years have contributed to good sales growth, underlines Electrolux President, Michael Treschow: "The strategy of leading development of environmentally compliant products is creating value for both shareholders and consumers."

Other results of intensified R&D include a refrigerator with a built-in water purifier, a dishwasher that automatically selects a program with the lowest possible water and energy consumption, and a tumble-drier that uses half as much electricity as other brands on the market. Energy savings and silent operation are the guide. The self-propelled, battery-driven lawnmower, AutoMower, with automatic recharging is yet another example.

"I am also convinced that through additional coordination and integration of purchasing in product development and production processes, we can achieve substantial cost reductions in our purchasing," says Michael Treschow, who also predicts more common basic designs to reduce costs.

The restructuring program has proceeded according to plan towards the goal of reducing the number of employees by approximately 12,000. In total, more than 70 percent of the SEK 2.5 billion provision made for this program has been utilized.

An improved earnings trend shows that high volume and internal measures more than compensate for receding submarkets in some business areas and the costs of setting up in new markets, such as China. The white goods market in the U.S. provided continued good sales development and a marked improvement in earnings.

HIGHLIGHTS 1998

- In line with the streamlining of the Group, a number of operations were sold: the agricultural equipment product line, interior decoration in the French SIA Group, operations in kitchen and bathroom cabinets in Europe and the U.S., manufacture of tunnel washing machines in Germany, professional cleaning equipment and recycling. An agreement was also concluded on the divestment of the direct sales operations in AB Lux.

Electrolux in brief

The company started in 1901 as a manufacturer of the Lux outdoor lamp. Axel Wenner-Gren started production of vacuum cleaners in 1912. Ten years later, Baltzar von Platen and Carl Munters invented the refrigerator. International expansion came in the 1930s via stock exchange listings in London and Stockholm.

The first dishwashing machine was launched at the end of the 1950s. In the 1970s, acquisitions in the U.S. and Europe led to the creation of one of the largest white goods producers in the world, a growth process that continued in the 1980s.

Today operations are concentrated to three business areas:

- household appliances
- professional appliances
- outdoor products

Electrolux is one of the world's leading manufacturers of domestic appliances for indoor and outdoor use and similar products for professional users, as well as the market leader in forest and garden products.

The Group has more than 100,000 employees and annual sales of approximately SEK 117 billion, of which 53 percent in Europe and 35 percent in North America. Every year, customers in more than 100 countries buy more than 55 million items from Electrolux.

Development in the 1990s

As part of the focus on Eastern Europe, the Hungarian white goods company Lehel was acquired in 1991. The low-energy refrigerator was launched.

In 1992, the Group's environmental policy was formulated. The takeover of AEG was started.

In 1993, the CFC-free refrigerator was launched.

In 1996, the Brazilian company Refripar was acquired and the first plant in China was opened.

In 1997, Gränges was distributed to the shareholders.

Today, nearly 60 percent of the share capital is owned by foreign investors, considerably above the average for companies on the Stockholm Stock Exchange. Market capitalization increased by 156 percent in the period 1996–1998.

Eastern Europe has been a priority area in the 1990s. Sales in the region have nearly quintupled from approximately SEK 800 m. in 1991 to nearly SEK 4 billion in 1997.

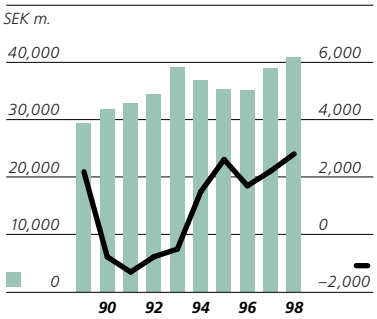
In 1998, a new joint venture company was formed with Voltas Ltd in India within refrigerators, washing machines and compressors. This makes Electrolux the largest refrigerator manufacturer in the Indian market. The Group's annual sales in the white goods sector in India will double to approximately SEK 1,500 m.

◀ *The vacuum-cleaning robot was a sensation in world media when it was first shown by Electrolux in 1998.*

SAS SVERIGE AB

Chairman: **Bo Berggren**
President: **Jan Stenberg**

SALES AND EARNINGS[1)]

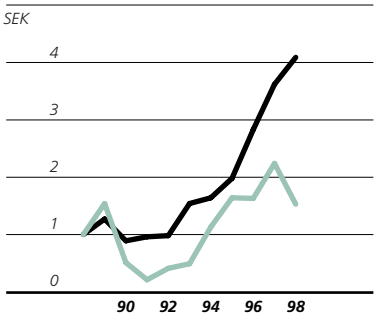


Sales
Income after financial items

[1)] Pertains to the Group.

Source: Annual report 1989, 1994, 1997 and year-end report 1998.

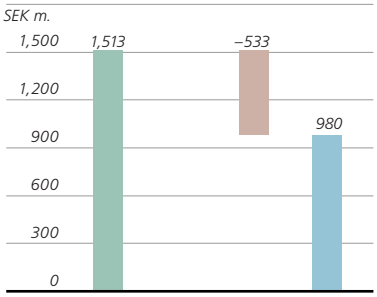
TOTAL RETURN



SAS
Stockholm Stock Exchange

Source: SIX AB

CHANGE IN INVESTOR'S HOLDING, 1998



December 31, 1997
Net purchases/net sales during the year
Change in value during the year
December 31, 1998

Dividend received by Investor 1998: SEK 53 m.

KEY FIGURES

Sales: SEK 40,946 m.
Operating income before depreciation: SEK 4,115 m.
Income after financial items: SEK 2,829 m.
Earnings per share: SEK 12.77 [1)]
Total return during the year: –33%
Share turnover: SEK 0.6 billion
Market value on December 31, 1998: SEK 5.3 billion
SAS's Annual Report is available on the Internet: www.sas.se

[1)] Pertains to SAS Sverige AB.



SAS prepares for the 21st century

New aircraft, new products, new brand strategy, a new identity – these are the results of the 2000+ renewal process, the largest process of change at SAS for 20 years. The program has been designed on the basis of extensive customer surveys, where the key words are simplicity, freedom of choice, consideration and individual service. This process of renewal includes cooperation established in recent years with global and regional partners, as well as increased use of new technology, particularly extensive environmental activities.

"In the face of intensifying competition, willingness to change will be pivotal for the airlines that continue to maintain their leading positions among the competition. It is the wishes and needs of the customers that will control SAS, not the other way round," underlines President Jan Stenberg.

The European airline industry noted a positive traffic trend in 1998 but with falling growth in the second half. SAS's passenger traffic rose by 2.7 percent, while travel in Scandinavia was affected by a decline during labor conflicts in Denmark and Norway. Aircraft occupancy (the cabin factor) rose to nearly 66 percent.

The crisis in Asia has had little effect so far. The region accounts for 16 percent of the Group's passenger traffic.

Due to anticipated lower market growth, production increases will be adjusted downwards in 1999. Some routes will be suspended and freed capacity will be used to strengthen traffic to Amsterdam, Helsinki, Milan and within Scandinavia.

HIGHLIGHTS 1998

- SAS EuroBonus won the award as best international bonus program for the second year. SAS Pleasure was launched with a focus on the leisure travel market.
- SAS acquired 100 percent of the shares in the Finnish airline Air Botnia, 25 percent in Swedish Skyways Holding, 26 percent in the Danish carrier Cimber Air and an additional 34.3 percent in Norwegian Widerøe's Flyveselskap.
- SAS increased its firm order for Boeing 737-600s to 55 aircraft, with an option on a further 40. SAS Commuter increased its order for the new Dash aircraft to 17, with an option on a further 18.
- Oslo's new airport Gardermoen opened for scheduled traffic.
- Cooperation agreements were concluded with Maersk Air, Singapore Airlines and All Nippon Airways.

SAS in brief

Operations began in 1946 with a 27-hour flight from Stockholm's Bromma Airport to New York, resulting from cooperation in a consortium between the three national airlines in Sweden (3/7 stake), Norway and Denmark (2/7 each). The parent companies are owned in equal parts by private interests and each state.

During the expansion in the 1950s, SAS grew to become one of the world's major airlines. With a DC-7, the company was first over the North Pole and achieved a strong position in transatlantic traffic. In the 1960s, the growing competition in the jet age led to a technical race, overcapacity, loss-making years and restructuring.

In the next period of crisis, at the beginning of the 1980s, the new management countered increased costs and loss-making years with the Businessman's Airline concept: efficiency and personal service in Euroclass. In 1984, SAS was cited as best airline in the world. An Asian focus followed including nonstop flights to Bangkok, Tokyo, Beijing and Singapore.

Today, SAS with approximately 180 aircraft, 25,000 employees and Copenhagen as its main hub, services an annual total of some 22 million passengers at around one hundred destinations with an average of one thousand departures per day. An international hotel chain is operated under the name Radisson SAS Hotels Worldwide. SAS owns Finnish Air Botnia, and has interests in British Midland, Spanair, Latvian airBaltic, Swedish Skyways Holding, and Norwegian Widerøe's Flyveselkap.

Development in the 1990s

At the beginning of the 1990s, delivery of its fiftieth MD-80 gave SAS the largest fleet in this category outside the U.S. The three Baltic capitals were placed on the route map.

1992, saw the introduction of new products such as Jackpot fares and the EuroBonus program. Linjeflyg was integrated in SAS domestic in 1992. A program designed to save billions was started in 1994 and, among others, SAS Service Partner and SAS Leisure were sold.

Some 40 new Boeing aircraft were ordered in 1995, the biggest order in the company's history. A strategic alliance was formed with Lufthansa, United Airlines and Thai.

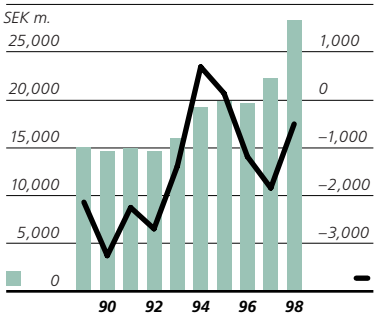
In 1997, EuroBonus won the international award for best bonus program. SAS formed the Star Alliance network, one of the largest airline alliances in the world, with Air Canada, Lufthansa, Thai, United and VARIG. SAS thus offers more than 6,700 daily departures to 642 destinations in 108 countries.

In 1999, Air New Zealand, Ansett Australia and All Nippon Airways will join the alliance.

◀ SAS's new brands strategy is part of the 2000+ renewal process, the largest process of change within SAS for 20 years.

Chairman: **Louis R. Hughes**
President and Chief Executive Officer: **Robert W. Hendry**

SALES AND EARNINGS



Sales
Income after financial items
Source: Annual Report 1997 and year-end report 1998.

TOTAL RETURN

Since Saab Automobile shares are not listed separately on the stock market, no diagram for total return is presented.

KEY FIGURES

Sales: SEK 28,418 m.
Operating income: SEK 68 m.
Income after financial items: SEK –494 m.
Saab Automobile has a website on the Internet: www.saab.com



New models boost earnings for Saab Automobile

- Second-half profit nearly SEK 400 m.
- Car sales up 18 percent.
- New model program well received.

The 1998 results show that Saab Automobile is back on the right track. New sales records were set in many markets in Western Europe, in countries such as Germany, France and Switzerland with increases of 40–60 percent. Saab was one of the brands with the strongest growth.

Nearly 77,000 (+26%) cars were sold in Europe, total sales 119,000 (+18%). In the U.S., sales rose sharply once new models Saab 9-3 and 9-5 were launched and full deliveries were possible in the fourth quarter. In the U.K., the second largest market, a new sales record was set for the third consecutive year.

In the second half of 1998, Saab Automobile reported a pretax profit of around SEK 0.5 billion, compared with a SEK 1.2 billion loss in the same period a year ago. Sales for the full year increased to SEK 28.4 billion (+27%) which gave an operating income of SEK 68 m. and a pretax loss of SEK 620 m.

"The financial result shows that our long-term plan to ensure the company's future has been successful. It is based on powerful efforts across the company in order to design and launch new car models of world-class quality, which overall will lead to increased sales," says Saab's President Robert W. Hendry. "The positive result in the second half means we can expect a profit for the full year 1999."

With deliveries of the new Saab 9-5 Wagon, sales are expected to rise to 130,000–140,000 cars in 1999 with the aim of reaching 150,000 in 2000.

HIGHLIGHTS 1998

- The launch of the Saab 9-3 TiD with a 2.2-liter turbo diesel engine contributed to strong sales increases in countries such as Spain, Italy and France with a high proportion of diesel engines.
- The Saab 9-5 was cited as best imported car in the upper-middle class segment in a readership survey conducted by the German trade journal AutoMotor und Sport.
- In Japan, the choice of a new importer and an extended aftersales network resulted in doubled sales.
- A new production record was achieved at the Trollhättan plant, with 107,200 cars being built.

Saab Automobile in brief

Since the start in 1949–50 in the then Saab Group, more than three million passenger cars have been manufactured, from the original Saab 92 to today's Saab 9-5 and 9-3. The passenger car division, part of Saab-Scania 1972–89, was reconstructed as a limited company in 1990 as a result of a cooperation agreement with General Motors, which is now joint owner with Investor.

The goal for the cooperation with GM is to retain and develop the Saab cars' high-class status with development, manufacturing and marketing as an independent brand domiciled in Sweden.

The main development and production location is Trollhättan. Engines are made in Södertälje and manual gear boxes in Gothenburg. Valmet Automotive in Finland produces the Saab 9-3 Cabriolet. Eleven subsidiaries and a number of independent importers manage sales in some 50 markets. In 1998, the Nordic region accounted for 22 percent of sales, Europe excluding the Nordic countries for 43 percent, America 27 percent and Asia/Pacific 6 percent.

Innovations have helped give Saab a special image as a car manufacturer: the aerodynamic body, headlamp wipers, heated seats, turbo engine, coupé air filter, ABS brakes, CFC-free air-conditioning, headrests against whiplash injuries, and so on.

Development in the 1990s

In 1991, a series of structural measures were implemented to prepare the company for future challenges. A rationalization program boosted productivity substantially, while the level of quality was raised. A decision was made to concentrate all final assembly to the Trollhättan plant, which led to the closure of the Malmö unit.

In 1991, the second generation Saab 9000, the CS model, was launched and in 1993 came a new Saab 900 in a complete model program including a cabriolet.

In 1996, the owners strengthened the capital base in order to renew the product program and expand the market. The new Ecopower engine was developed to meet the toughest environmental requirements in the world.

In 1997, the Saab car's fiftieth anniversary was celebrated. Saab 9-5 was presented, a new four-door model to succeed the Saab 9000. More than 500,000 cars had been built when production of the Saab 9000 ceased in spring 1998. The Saab 9-3, a considerably re-worked Saab 900, was launched with a turbo diesel version also available.

During the decade the number of employees fell from approximately 15,000 persons to an all-time low of 7,500. In pace with new development of products and a higher rate of manufacture, the current level is now approximately 10,000.

◀ The Saab 9-5 Wagon was launched in 1998 and was very well received by the motoring press.

Expansion and future plans at Grand Hôtel Holdings

BERNS STRENGTHENS GRAND'S POSITION

The acquisition of Berns Salonger with the China Theater at the beginning of 1998 has strengthened Grand Hôtel's position in the Stockholm hotel market. The holding company, which was established in 1994, conducts hotel, conference, banquet and restaurant activities at Grand Hôtel and Berns in Stockholm, as well as Grand Hôtel Saltsjöbaden and Hotel Skansen in Båstad.

"This new acquisition has broadened our customer base, particularly among young travelers. The modern conference facilities are also an excellent complement to our resources in Stockholm's inner city," explains Peter Wallenberg Jr., President of Grand Hôtel Holdings.

The Group's net revenue rose 34 percent to SEK 394 m., of which the acquisition of Berns at the beginning of 1998 accounted for SEK 85 m. (29%). Income after financial items decreased by 18 percent to SEK 62 m. The net margin was 16 percent (26%) compared with an average of 4 percent for the 25 largest hotel companies in Sweden.

The company's activities during the year included work on new concepts, both for Berzelii Park, where work is being conducted in cooperation with the City of Stockholm and Berns Salonger. In December 1998, a cooperation agreement was signed with Conran Restaurants Ltd with the aim of developing a new restaurant concept for Berns Salonger in 1999. A large part of operations was also characterized by extensive internal work including the formation of a central management group with functions for finance, marketing/communications, human resources and security.

REDUCED HOLDING IN LAND AND REAL ESTATE

Investor's land and real estate holdings in the companies Näckström and Stockholm-Saltsjön had a total book value of SEK 277 m. at year-end 1998 and, through external appraisals, a market value of SEK 300 m. The remaining land at Sickla Udde was sold during the year to the building consortium Sickla Sjöstad. In addition, the entire remaining holding in Newsec was sold to SWECO.





Berns is located in the heart of Stockholm by Berzelii Park and Nybroviken.



Grand Hôtel is an international, five-star luxury hotel, the only one of its class in Sweden.

Administration Report

The Board of Directors and the President hereby present their report on the operations of Investor AB (publ), 556013-8298, in 1998, the Company's eighty-second year of business. The following income statements, balance sheets, statements of cash flows, accounting principles and notes to the financial statements constitute an integral part of the Annual Report.

During the year a broadening of ownership was carried out in Saab AB, whereby Investor concluded an agreement in April with British Aerospace plc on the sale of shares corresponding to 35.1 percent of the capital and 35.0 percent of the voting rights in the company. In addition, in May, Investor's shareholders were offered the opportunity to acquire, through the exercise of purchase rights, 44.8 percent of the share capital and 29.0 percent of the voting rights in Saab AB. Saab AB's shares were then listed on the O-list of the Stockholm Stock Exchange in June.

In total, this transaction provided Investor with SEK 3,500 m. in payment from British Aerospace and an amount of SEK 2,137 m. as a result of the offering regarding the sale of shares in Saab AB, directed to Investor's shareholders. The broadening of ownership had a positive impact on shareholders' equity in Investor of SEK 2,873 m., of which SEK 2,115 m. is reported in the income statement as a capital gain attributable to the sale of shares to British Aerospace, and SEK 758 m. in shareholders' equity. The amount reported directly in shareholders' equity corresponds to the difference between the payment received and the book value of the shares in Saab AB that were sold to Investor's shareholders. As a result of the distribution of purchase rights, unrestricted equity in the parent company was reduced by SEK 1,431 m. After the broadening of ownership, Investor's remaining holding of 20.3 percent of the shares in Saab AB is reported under "Main holdings."

During the year, the subsidiaries Patricia AB and Patricia Holdings AB were merged with the parent company Investor AB. The merger result amounted to SEK 2,235 m. As a result of the mergers, the parent company received shares with a book value of SEK 11,331 m.

During the year, Investor was active on the Eurobond market through two public issues and two private placements within its Euro Medium Term Note program. Investor issued USD 300 m. in March and DEM 500 m. in June, with maturities of five and ten years respectively. Two small private placements were issued at the end of the year. The total issue volume amounted to SEK 4,846 m. In the Swedish Medium Term Note program, Investor issued SEK 2,086 m. during the year with maturities of between three and seven years. Investor was also active on the Swedish commercial paper market with the issue of commercial paper for SEK 2,546 m.

In 1998, the Investor Group's activities consisted of investment operations with Investor's main holdings, new investments and other holdings, as well as trading activities and hotel operations in the wholly owned subsidiary GHH Grand Hôtel Holdings AB.

CONSOLIDATED INCOME

In the formal consolidated financial statements, Investor reports shareholdings in associated companies according to the equity method. To facilitate comparisons with the interim reports for 1998, Investor has also prepared a consolidated income statement according to the purchase method.

Comparative figures for previous years are pro forma excluding Saab AB. The adopted income statement, balance sheet, and statement of cash flows for 1997 are presented in Note 21.

Consolidated operating income totaled SEK 8,237 m. (9,804) and SEK 4,650 m. (4,642) according to the purchase method of accounting. Income after financial items amounted to SEK 7,298 m. (9,065) and SEK 3,711 m. (3,903) according to the purchase method. Net income for the year was SEK 5,005 m. (7,301) and SEK 3,465 m. (3,996) if the purchase method is applied.

GROUP LIQUIDITY

EQUITY/ASSETS RATIO AND NET DEBT

The Group's cash and short-term investments amounted to SEK 138 m. (4,983). Short and long-term loan liabilities amounted to SEK 15,779 m. (12,681). At year-end 1998 all liabilities between Investor AB and Saab AB had been replaced by external financing. The equity/assets ratio amounted to 84 percent (81) (shareholders' equity including surplus values and convertible debenture loans as a percentage of total assets).

The Group's net debt amounted to SEK 15,966 m. (8,011) at December 31, 1998.

INVESTMENT OPERATIONS

MAIN HOLDINGS

Investor's dividend income from the main holdings increased during the year and amounted to SEK 1,841 m. (1,683).

In total, shares were purchased for a net amount of SEK 5,016 m. in 1998. The largest purchases are broken down as follows: SEK 1,785 m. in ABB, of which SEK 1,239 m. pertains to acquisitions through call options distributed by Gambro; SEK 1,566 m. in Astra; SEK 992 m. in Ericsson; SEK 762 m. in Electrolux; and SEK 291 m. in Atlas Copco.

Divestments included shares in OM Gruppen which

provided a capital gain of SEK 577 m. Most of this sale pertains to the shares sold within the framework of the option agreement concluded with Svenska Handelsbanken, FöreningsSparbanken and MeritaNordbanken in November 1997 as part of the agreement to merge OM Gruppen and the Stockholm Stock Exchange. After adjustment for accounting according to the equity method, the total capital gains amounted to SEK 2,705 m.

At December 31, 1998, the value of the main holdings, including 20 percent of the shares in Saab AB at market value, amounted to SEK 94,307 m. compared with SEK 89,549 m. at December 31, 1997, including 100 percent of the shares in Saab AB at book value. After adjustment for net changes, the value of the main holdings rose by 1 percent during the year. The OMX index increased by 17 percent.

NEW INVESTMENTS AND OTHER HOLDINGS

The build up of the new investments unit continued during the year. The organization at the offices in New York, Hong Kong and Amsterdam has focused on new and international investments.

Investor's wholly owned venture capital company Novare Kapital AB expanded during the year and several new investments were made.

Investor's partly owned operations EQT, a joint name for the private equity funds EQT Scandinavia I[1], EQT Scandinavia II and EQT Danmark, also made a number of new investments during the year. Within the framework for the two new funds, EQT Scandinavia II and EQT Danmark, Investor made available the sum of SEK 900 m. The new funds have attracted considerable interest among both Nordic and international investors, and EQT received a total of approximately SEK 5.7 billion in venture capital for EQT Scandinavia II and DKK 1.0 billion in venture capital for EQT Danmark.

The value of new investments increased by SEK 1,162 m. in 1998. At year-end, the market value of Investor's new investments amounted to SEK 5,509 m. The 1998 result includes realized gains and dividends amounting to SEK 709 m. and write-downs of SEK 344 m. The capital gain was mainly attributable to the sale of the entire holding in Tieto. Return for the new investments unit thus exceeded 30 percent during the year.

In addition, among Investor's other holdings, the entire holding in Roche was sold which provided a capital gain of SEK 407 m.

The operations within GHH Grand Hôtel Holdings developed well during the year. Since January 1998, Berns' hotel, conference and restaurant operations have been part of GHH.

[1] Formerly Scandinavian Equity Partners.

In addition to main holdings and other investments, trading activities were conducted in equities and share-related derivatives and in currencies and fixed income instruments. These operations were conducted in accordance with a limited investment mandate subject to strict risk control.

SAAB AUTOMOBILE

Saab Automobile AB, which is owned to 50 percent by Investor and 50 percent by General Motors, reports an income before tax for 1998 of SEK –494 m. (–1,834). Billings increased during the year by 27 percent to SEK 28,418 m. (22,390). For the second half of 1998, Saab Automobile reports operating income of SEK 668 m. (–866) and operating income for the full year 1998 amounted to SEK 68 m. (–1,230).

Volume increased by 18 percent during the year to 118,581 (100,300) cars. In several markets, mainly in Western Europe, Saab Automobile set new sales records. Increases of 40 to 60 percent were noted and in individual cases more than 100 percent compared with 1997.

The result for 1998 is in line with the expectations as to the company's development shared by the company's management, Investor and General Motors. In the opinion of the company's management, the favorable earnings in the second half of 1998 indicate that Saab Automobile can be expected to achieve a profit in the full year 1999 as well. Supported by a strong model program, management expects the company to achieve a sales volume of between 130,000 and 140,000 cars in the current year, and then to reach 150,000 cars in the year 2000.

Saab Automobile is treated as a main holding in Investor's accounts and reported as an associated company but is written-down in its entirety.

THE WORK OF THE BOARD OF INVESTOR AB

In 1998, Investor's board had five regular meetings. Between meetings of the Board there were frequent contacts between the company, its chairman and other board members. Board members were also continuously provided with written information regarding the company's operations, economic and financial position and other information of significance for the company. The following issues are included on the agenda at every regular meeting of the Board:

– the economic and financial position of the company
– the company's strategic investments (main holdings)
– investment operations within different parts of the company, and
– the international and domestic economic situation.

At a board meeting held on November 12, 1998, a proce-

dural plan was adopted for the Board, which will apply from January 1, 1999. The procedural plan for the coming mandate period will be adopted annually at the statutory board meeting. The procedural plan includes the following:

- the Board shall meet at least five times per year and in the event of urgent matters a board meeting may take the form of a telephone or video conference;
- the president is empowered to sign the company's interim reports;
- the members of the Board shall receive documentation regarding matters to be dealt with at board meetings in good time prior to the meetings, and be provided with a monthly report on the company's operations; and
- the auditors shall be invited to report on their audit work at a board meeting.

The procedural plan also includes a description of matters to be dealt with at each board meeting and the specific decisions that shall be made at the statutory meeting, for example election of chairman and vice chairman, appointment of persons to sign on behalf of the company, apportionment of directors' fees and appointment of a Compensation Committee. The procedural plan also specifies which matters must always be submitted to the Board for decision.

The Board has also issued an instruction for the president and decided on the formation of a Compensation Committee.

In 1998, in addition to regular issues, the Board considered the following matters:

- Sale of shares in Saab AB to Investor's shareholders and to the U.K. company British Aerospace plc.
- Change of Incentive AB to a company focused on medical technology and health care with a change of name to Gambro AB.
- Acquisition of shares in ABB for SEK 1,785 m., of which shares for SEK 1,239 m. were acquired through purchase rights issued by Gambro.
- The merger between STORA and the Finnish forest products group Enso, and Investor's decision in this connection to exchange its shares in STORA for shares in Stora Enso.
- Changed voting right for Electrolux class B share from 1/1000 vote to 1/10 vote, whereupon a decision was later made at the Annual General Meeting of Electrolux held on April 29, 1998.
- The proposed merger between Astra and the British pharmaceutical manufacturer Zeneca.

PROPOSED DISPOSITION OF EARNINGS

Unrestricted equity in the Group amounted to SEK 10,337 m. at December 31, 1998. No provisions to restricted reserves are required.

The Board of Directors and the President propose that the following unappropriated earnings at the disposal of the Annual General Meeting:

Retained earnings from 1997	18,163,996,757
Net income for the year	3,391,917,518
Total, SEK	21,555,914,275
Be allocated as follows:	
Dividend to shareholders,	
SEK 11.00 per share, a total of	2,100,208,913
Funds to be carried forward	19,455,705,362
Total, SEK	21,555,914,275

In addition, a 4:1 split is proposed whereby the par value of each existing share, class A and B, will be changed from SEK 25.00 to SEK 6.25, whereupon each existing share will correspond to four shares after the split.

Stockholm, February 11, 1999

Percy Barnevik
Chairman

Bo Berggren | Anders Scharp | Håkan Mogren

Mauritz Sahlin | Peter D. Sutherland | Björn Svedberg

Michael Treschow | Jacob Wallenberg | Marcus Wallenberg

Claes Dahlbäck
President and Chief Executive Officer

Our Auditors' Report was submitted on March 9, 1999

Caj Nackstad
Authorized Public Accountant

Gunnar Widhagen
Authorized Public Accountant

Consolidated Income Statement

SEK m.	Note	Associated companies according to equity method **1998**	Associated companies according to equity method 1997 [1]	Associated companies according to purchase method **1998**	Associated companies according to purchase method 1997 [1]
Net revenue					
Dividend income, main holdings		341	166	1,841	1,683
Other operations	2	20,396	11,625	20,396	11,625
Cost of goods sold	3	–19,478	–11,203	–19,478	–11,203
Share in income of associated companies		5,125	6,889		
Gross income		**6,384**	**7,477**	**2,759**	**2,105**
Sales costs		–38	–31	–38	–31
Administrative expenses [2]	3	–814	-629	–814	–629
Other operating revenues					
Saab AB 31.5%		2,115	–	2,115	–
Capital gains, associated companies/main holdings [3]		590	2,987	628	3,197
Operating income	4	**8,237**	**9,804**	**4,650**	**4,642**
Result from financial items					
Other interest income and similar income statement items	5	111	217	111	217
Interest expenses and similar income statement items	6	–1,050	–956	–1,050	–956
		–939	–739	–939	–739
Income after financial items		**7,298**	**9,065**	**3,711**	**3,903**
Taxes	7	–2,293	–1,764	–246	93
Income for the year		**5,005**	**7,301**	**3,465**	**3,996**

[1] Pro forma. Saab AB is not consolidated in the comparative figures for 1997.
[2] Relates to all companies in the Group.
[3] Of which associated companies SEK 13 m. (2,987) according to the equity method and SEK 51 m. (3,197) according to the purchase method, respectively.

Consolidated Balance Sheet

SEK m.	Note	1998	1997[1)]
ASSETS			
Fixed assets			
Tangible fixed assets			
Buildings and land	8	1,429	1,346
Equipment, tools, fixtures and fittings	9	255	253
		1,684	1,599
Financial fixed assets			
Main holdings reported as associated companies	11	29,051	32,763
Other main holdings	11	15,213	4,283
Other securities held as fixed assets	12	5,231	2,993
Other long-term receivables	13	3,299	3,098
Deferred tax receivables	14	175	310
		52,969	43,447
Total fixed assets		**54,653**	**45,046**
Current assets			
Inventories of shares and participations		2,226	2,903
Current receivables			
Other receivables		146	35
Prepaid expenses and accrued income		201	156
		347	191
Current receivables		35	4,983
Cash and bank balances		103	–
Total current assets		**2,711**	**8,077**
TOTAL ASSETS		**57,364**	**53,123**

[1)] Pro forma. Saab AB is not consolidated in the comparative figures for 1997. The value of Saab AB is included in Main holdings reported as an associated company with SEK 3,091 m. corresponding to 100% of shareholders' equity as of December 31, 1997.

Consolidated Balance Sheet

SEK m.	Note	1998	1997[1)]
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	15		
Restricted equity			
Share capital		4,773	4,772
Restricted reserves		22,972	25,189
		27,745	29,961
Unrestricted equity			
Unrestricted reserves		5,332	4,545
Net income for the year		5,005	3,511
		10,337	8,056
Total shareholders' equity		**38,082**	**38,017**
Minority interests in subsidiaries		**5**	**–**
Convertible debenture loans	16	**1,389**	**1,360**
Provisions			
Provisions for pensions and similar commitments	17	325	313
Total provisions		**325**	**313**
Long-term liabilities			
Loans	18	8,551	3,245
Total long-term liabilities		**8,551**	**3,245**
Current liabilities			
Loan Saab AB		–	9,104
Other loans		7,228	332
Accounts payable, trade		36	24
Tax liabilities		121	33
Other liabilities	19	959	330
Accrued expenses and prepaid income	20	668	365
Total current liabilities		**9,012**	**10,188**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**57,364**	**53,123**
Pledged assets			
For own liabilities and provisions:			
Bonds and other securities (Short-term investments)		156	258
Total pledged assets		**156**	**258**
Contingent liabilities			
Sureties on behalf of associated companies		535	535
Other sureties and guarantees		11	36
Total contingent liabilities		**546**	**571**

[1)] Pro forma. See page 70.

Consolidated Balance Sheet at Market Value

Not included in the audited annual report.

SEK m.	Note	1998	1997[1)]
ASSETS			
Fixed assets			
Tangible fixed assets			
Buildings and land	8	1,429	1,346
Equipment, tools, fixtures and fittings	9	255	253
		1,684	1,599
Financial fixed assets			
Main holdings	11	94,307	89,549
Other securities held as fixed assets	12	9,212	4,407
Other long-term receivables	13	3,299	3,098
Deferred tax receivables	14	175	310
		106,993	97,364
Total fixed assets		**108,677**	**98,963**
Current assets			
Inventories of shares and participations		2,226	4,386
Current receivables			
Other receivables		146	35
Prepaid expenses and accrued income		201	156
		347	191
Short-term investments		35	4,983
Cash and bank balances		103	–
Total current assets		**2,711**	**9,560**
TOTAL ASSETS		**111,388**	**108,523**

[1)] Pro forma. Saab AB is not consolidated in the comparative figures for 1997. The value of Saab AB is included in Main holdings reported as an associated company with SEK 3,091 m. corresponding to 100% of shareholders' equity as of December 31, 1997.

Consolidated Balance Sheet at Market Value

Not included in the audited annual report.

SEK m.	Note	1998	1997[1]
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity, surplus values including convertible debenture loans			
Restricted equity		18,932	18,822
Unrestricted equity		10,337	8,056
Reported shareholders' equity according to purchase method		**29,269**	**26,878**
Equity method reserve	15	8,813	11,139
Total shareholders' equity		**38,082**	**38,017**
Surplus values arising from market valuation		62,844	60,171
Adjustment due to equity method		–8,813	–11,139
Total surplus values		**54,031**	**49,032**
Convertible debenture loans	16	1,389	1,360
Total adjusted shareholders' equity/net asset value		**93,502**	**88,409**
Minority interest in subsidiaries		**5**	**–**
Provisions			
Provisions for pensions and similar commitments	17	325	313
Total provisions		**325**	**313**
Long-term liabilities			
Loans	18	8,551	3,245
Total long-term liabilities		**8,551**	**3,245**
Current liabilities			
Loan Saab AB		–	9,104
Other loans		7,228	332
Accounts payable, trade		36	24
Tax liabilities		121	33
Other liabilities [2]	19	952	6,698
Accrued expenses and prepaid income	20	668	365
Total current liabilities		**9,005**	**16,556**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**111,388**	**108,523**
Equity/assets ratio [3]		**84%**	**81%**
Net debt			
Cash and short-term investments		138	4,983
Loan Saab AB		–	–9,104
Short and long-term loans		–15,779	–3,577
Provisions for pensions		–325	–313
Total net debt		**–15,966**	**–8,011**

[1] Excluding Saab AB. See page 72.
[2] Comparative figure for 1997 includes a debt of SEK 6,368 m. according to agreement with Incentive, repaid in January 1998.
[3] Adjusted shareholders' equity in relation to total assets.

Consolidated Statement of Cash Flows

SEK m.	**1998**	1997[1)]
Cash flow from continuing operations		
Dividend income	1,841	1,637
Operating income before depreciation GHH and other operations and administrative expenses	–673	–507
Net financial income/expenses	–904	–728
Tax paid	–114	123
	150	**525**
Change in working capital		
Current receivables	–156	145
Current liabilities	301	–733
	145	**–588**
Investments, main holdings		
Sale, Saab AB 35.1%	3,500	
Sales	570	4,141
Payment purchase rights Saab AB	2,137	
Purchases	–5,582	–5,225
Payment ABB shares	–6,368	
	–5,743	**–1,084**
Other investments, net		
Other holdings	–329	–304
Other fixed assets, tangible and intangible	–147	–12
Contribution Saab AB	–	–1,393
	–476	**–1,709**
Dividends to shareholders		
Ordinary dividends	**–1,907**	**–1,908**
Other items		
Changes in long-term receivables/liabilities, etc.	**–123**	**–520**
Financial deficit	**–7,954**	**–5,284**
EFFECT ON FINANCING		
Decrease/Increase in liquid assets (+/–)	4,844	2,736
Decrease/Increase in loans from Saab AB (–/+)	–9,104	1,225
Increase/Decrease in other loans (+/–)	12,202	1,385
Increase/Decrease in provision for pensions (+/–)	12	–62
Total effect on financing	**7,954**	**5,284**

[1)] Pro forma. Saab AB is not included in the comparative figures for 1997.

Parent Company Income Statement

SEK m.	Note	1998	1997
Net revenue			
Dividend income		1,795	1,577
Gross income		**1,795**	**1,577**
Administrative expenses		–453	–282
Other operating revenues			
Capital gains, etc.		884	2,844
Operating income		**2,226**	**4,139**
Result from financial items			
Other interest income and similar income statement items	5	–	4
Interest expenses and similar income statement items	6	–989	–863
		–989	–859
Income after financial items		**1,237**	**3,280**
Result from mergers		2,235	–
Income before tax		**3,472**	**3,280**
Taxes	7	–80	124
Income for the year		**3,392**	**3,404**

Parent Company Balance Sheet

SEK m.	Note	31/12 1998	31/12 1997
ASSETS			
Fixed assets			
Financial fixed assets			
Shares and participations in Group companies	10	7,937	17,635
Receivables from Group companies		4,846	–
Main holdings	11	46,503	30,261
Other securities held as fixed assets	12	1,513	394
Capital discount	16	11	15
Total fixed assets		**60,810**	**48,305**
Current assets			
Current receivables			
Receivables from Group companies		–	10,000
Other receivables		32	1
Total current assets		**32**	**10,001**
TOTAL ASSETS		**60,842**	**58,306**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	15		
Restricted equity			
Share capital		4,773	4,772
Restricted reserves		13,831	13,827
		18,604	18,599
Unrestricted equity			
Earnings brought forward		18,164	18,098
Net income for the year		3,392	3,404
		21,556	21,502
Total shareholders' equity		**40,160**	**40,101**
Convertible debenture loans	16	**1,400**	**1,375**
Long-term liabilities			
Loans	18	8,550	1,619
Liabilities to Group companies		3	3
Total long-term liabilities		**8,553**	**1,622**
Current liabilities			
Loans		2,546	–
Liabilities to Group companies		7,573	14,779
Tax liabilities		79	–
Other liabilities	19	178	197
Accrued expenses and prepaid income	20	353	232
Total current liabilities		**10,729**	**15,208**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**60,842**	**58,306**
Pledged assets		**29**	None
Contingent liabilities			
Pension commitments in excess of			
those booked under liabilities or provisions		6	60
Sureties for Group companies		5,734	1,996
Sureties for associated companies		535	535
Other guarantee commitments		46	47
		6,321	**2,638**

Parent Company Statement of Cash Flows

SEK m.	**1998**	1997
Cash flow from continuing operations		
Dividend income, etc.	1,762	1,534
Management costs, etc.	–453	–331
Net financial income/expenses	–914	–848
Tax paid	–80	124
	315	**479**
Change in working capital		
Current receivables	–31	1
Current liabilities	180	–78
	149	**–77**
Investments, stock portfolio		
Sales, stock portfolio/Scania, etc.	1,536	4,573
Payment purchase rights Saab AB	2,137	–
Purchases, stock portfolio	–6,217	–5,227
	–2,544	**–654**
Dividends to shareholders		
Ordinary dividends	**–1,907**	**–1,908**
Other items		
Sale/acquisition of shares in subsidiaries within the Group	550	–4,000
Capital contributions to subsidiaries	–4,691	–
Effect of mergers and other non-cash affecting items	702	1
	–3,439	**–3,999**
Financial deficit	**–7,426**	**–6,159**
EFFECT ON FINANCING		
Increase/Decrease in short and long-term loans (+/–)	9,478	1,616
Change in intra-Group transactions	–2,052	4,543
Total effect on financing	**7,426**	**6,159**

Accounting Principles

GENERAL ACCOUNTING PRINCIPLES

Effective in 1997, a new Annual Accounts Act was adopted in Sweden to conform with EU standards. The company complies with the recommendations of the Swedish Financial Accounting Standards Council and the Swedish Accounting Standards Board.

In accordance with the Annual Accounts Act, the income statement is structured on the basis of business functions.

CONSOLIDATED ACCOUNTS

The consolidated accounts comprise the Parent Company and all subsidiaries and associated companies in and outside Sweden. Subsidiaries are companies in which the Parent Company directly or indirectly owns more than 50 percent of the voting rights for the shares, companies in which the Parent Company owns participations and has the right to appoint or dismiss more than half of the members of their board, or in which the Parent Company otherwise exercises a decisive influence and controls a substantial part of the earnings from their operations. Associated companies are companies in which the Parent Company has a direct or indirect long-term ownership and exercises significant influence.

The consolidated accounts are prepared in accordance with the purchase method. This means that assets and liabilities in acquired subsidiaries are booked at market value based on an analysis conducted at the time of acquisition. If the acquisition value of shares in a subsidiary exceeds the estimated market value of the company's net assets, according to the acquisition analysis, the difference is regarded as consolidated goodwill and amortized over the estimated useful life of the assets. Accordingly, only income arising after the acquisition date is included in consolidated shareholders' equity.

Associated companies are accounted for according to the equity method. This means that the book value of shares and participations in associated companies is reported in the consolidated balance sheet as the Group's share of the associated company's equity, plus any residual surplus or deficit value. In the consolidated income statement, Investor's share in the income of associated companies after financial income and expenses is reported as "Share in income of associated companies," adjusted for depreciation or reversal of acquired surplus or deficit values. Investor's share of tax expenses reported by associated companies is included among tax expenses in the consolidated income statement. Share in income accrued after acquisition of associated companies, but not yet received through dividends, is allocated to the equity reserve, which is part of consolidated equity. As a result, consolidated income includes the Group's share in the income of associated companies, provided it does not result in a negative value for Group equity. Capital gains/losses from sales of participations in associated companies are reported separately in the consolidated income statement. Effects on Group equity from changes in the shareholders' equity of associated companies caused by currency translation differences, etc., are charged directly against Group equity as "Effect of equity accounting."

The investment operations' main holdings which are not associated companies are reported according to the purchase accounting method.

Minority interest refers to the minority share in net income and equity.

Companies acquired during the year are included in consolidated income for the period following their acquisition. The income of subsidiaries sold during the year is not included in consolidated income.

Intra-Group profits and transactions are eliminated.

FOREIGN SUBSIDIARIES

The financial statements of foreign subsidiaries are translated into Swedish kronor in accordance with International Accounting Standard 21 (IAS 21), whereby income statements and balance sheets of these companies are translated into Swedish kronor in accordance with the current rate method.

Using the current rate method means that assets and liabilities are translated at year-end exchange rates, while income and expenses are translated at average exchange rates for the year. The translation difference that arises when translating the net assets of foreign companies at a different rate at year-end than at the beginning of the year, and the difference between net income for the year calculated at the year-end exchange rate and the average exchange rate for the year respectively, is reported directly in shareholders' equity in the balance sheet.

GENERAL VALUATION PRINCIPLES

Assets, provisions and liabilities are valued at acquisition values, unless stated otherwise.

DEPRECIATION PRINCIPLES FOR FIXED ASSETS

Depreciation according to plan is based on booked acquisition values and estimated economic life. Write-downs are undertaken in the event of permanent declines in value.

The following depreciation periods are used:	
Buildings	25 years
Aircraft	20 years
Computers, equipment, tools and fixtures and fittings	3–10 years
Goodwill	10–20 years

ITEMS AFFECTING COMPARABILITY

Investor complies with Recommendation No. 4 of the Swedish Financial Accounting Standards Council, whereby effects on income caused by isolated events and transactions of particular significance are specified within each respective income item. Examples of such events and transactions include capital gains/losses from divestment of business operations and major fixed assets, substantial write-downs and restructuring costs.

CURRENCY HEDGING

Investor's policy is to hedge currency risks in the investment operations' investments in foreign shares by raising corresponding liabilities in foreign currency or using derivatives corresponding to the value of the assets. These transactions are reported in accordance with Recommendation No. 7 of the Swedish Accounting Standards Board.

PLANT, MACHINERY AND REAL ESTATE

Plant, machinery and real estate are reported at their acquisition values with the exception of revaluations permitted under certain circumstances in accordance with Swedish accounting principles.

SHARES HELD AS FIXED ASSETS

Holdings of shares and participations classified as fixed assets are reported at acquisition value, with the exception of revaluations. Write-downs are made to the extent permanent declines in value are estimated to have occurred.

SHARES HELD AS CURRENT ASSETS

Holdings of shares, participations and other securities classified as current assets are reported as inventories. The assets are valued according to the portfolio method and reported at the lower of acquisition value and listed value (or estimated market value in the case of unlisted securities).

RECEIVABLES

Based on individual valuations, receivables are booked at anticipated payment amounts.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Receivables and liabilities in foreign currency are translated into Swedish kronor using year-end exchange rates, in accordance with Recommendation No. 7 of the Swedish Accounting Standards Board. Translation differences on current receivables and liabilities are included in operating income, while differences arising in financial receivables and liabilities are booked among financial items.

Receivables and liabilities hedged by futures contracts are valued at prevailing forward rates.

SHORT-TERM INVESTMENTS

Short-term investments are valued at the lower of acquisition value and real value, in accordance with the Annual Accounts Act.

TAXES

The Group's total tax charge consists of paid tax and deferred tax. Deferred tax is based on the difference between the taxable and accounting value of assets and liabilities, if the difference is only of a temporary nature. Calculations of deferred tax also include unutilized loss carryforwards.

If the calculations yield a deferred tax receivable, the receivable is booked as an asset only to the extent to which it is expected to be realized.

Deferred tax is estimated in accordance with current tax rates.

For tax purposes, Investor AB is regarded as an industrial holding company. Most importantly in this respect, gains from sales of shares are tax exempt. However, as so-called standard income, the Company must declare as taxable income 2 percent of the market value of shares held on January 1 of each year. Dividend income is taxable, while dividends paid are deductible. Interest income is taxable, while management costs and interest expenses are deductible.

Notes to the Financial Statements

SEK m.

NOTE 1 Employees and payroll costs

Average number of employees in the Group

Group	1998	of whom men	1997	of whom men
Sweden	563[1]	46%	423[1]	49%
USA	9	56%	7	57%
United Kingdom	9	44%	9	44%
Hong Kong	13	62%	13	46%
Netherlands	2	50%		
Total number of employees	596	47%	452	49%

[1] Of which Grand Hôtel Holdings 437 (318).

The only employee of the Parent Company is the president.

Expensed wages, salaries, board of directors fees and other remuneration, as well as social security costs

	1998		1997	
	Wages and salaries	Social security costs	Wages and salaries	Social security costs
Parent Company	48[1]	28[2]	20	8
(of which, bonus)	(17)[1]		(8)	
(of which, pension costs)		(12)[2]		(1)
Adjustment in Parent Company	–7[1]	–2[1]		
Subsidiaries	286	167	232	111
(of which, pension costs)		(87)		(54)
Total	327	193	252	119
(of which, pension costs)		(99)		(55)

The president accounts for the entire amount, SEK 12 m. (1) of the Parent Company's pension costs[2]. The Parent Company's outstanding pension commitments to board and president amount to SEK 6 m. (59), of which SEK 6 m. (5) relates to former board members and presidents.

The category board and president accounts for SEK 37 m. (8) of the Group's pension costs. The Group's outstanding commitments to this category amount to SEK 212 m. (232), of which SEK 158 m. (149) is attributable to former board members and presidents.

[1] This amount includes SEK 21 m. relating to a one-time distribution of employee stock options in conjunction with a changeover to a defined-contribution pension plan as well as SEK 7 m. for an earlier bonus provision, which was paid in 1998. These amounts have been charged with social security costs.

[2] The amounts were affected by utilization of a reserve for pension costs of SEK 54 m. previously made in the Group.

Wages, salaries and other remuneration distributed by country and between boards of directors, management and other employees

	1998		1997	
	Boards and presidents	Other employees	Boards and presidents	Other employees
Sweden	68	193	34	160
(of which, bonus)	(16)		(16)	
USA	12	23	7	22
(of which, bonus)	(7)		(2)	
United Kingdom	4	15	8	6
(of which, bonus)	(3)		(3)	
Netherlands	0	0	–	–
(of which, bonus)	–		–	
Hong Kong	2	10	5	10
(of which, bonus)	(1)		(3)	
Total	86	241	54	198
(of which, bonus)	(27)		(24)	

Continued

Note 1, continued

In 1998, the members of the Board of Directors received a total of SEK 6,208,332 [1] (6,833,300), including benefits as specified below. The chairman, Percy Barnevik, received a fee of SEK 2,000,000 (1,083,332).

The two vice chairmen, Bo Berggren and Anders Scharp, each received a fee of SEK 1,166,666 (875,000).

Director Erik Belfrage received a fee of SEK 166,668 (500,000).

Directors Håkan Mogren, Mauritz Sahlin, Peter D. Sutherland and Michael Treschow each received a fee of SEK 358,222 (250,000 to Mogren, Sahlin and Sutherland, and 166,666 to Treschow).

Director Björn Svedberg received a fee of SEK 275,000. Directors Marcus Wallenberg and Jacob Wallenberg, are employed by the Group and therefore received salaries.

President Claes Dahlbäck received a salary of SEK 5,202,659 (5,148,060) and housing and car allowances totaling SEK 363,686 (312,483). The bonus to Claes Dahlbäck for the 1997 fiscal year, which was set and paid in 1998, amounted to SEK 13,751,500 (6,500,000). The setting and payment of bonuses are effected after the end of the fiscal year to which they pertain. A provision is made in the financial statements.

In 1998, the terms of employment for the president were renegotiated with regard to pension benefits. Previously, the president had a defined-benefit pension plan which in addition to the BTP plan (banking sector pension plan) meant that he would receive a life-long pension of 60–70% of final salary including the average of variable salary during the last three years. The new defined-contribution plan results in the following:

- The pension cost for Investor AB consists of pension premiums amounting to 35% of fixed salary so long as the president remains employed by the company. In addition, there will be some pension premium costs according to the so-called BTP plan on the part of salary below 30 base amounts, i.e. SEK 1,092,000.
- The future pension is based on the capital and related return built up through annual premiums as described above during the remaining employment period, and on pension entitlement earned up to year-end 1997. In addition, pension will be paid according to the BTP plan.

According to calculations performed, the new defined-contribution pension plan will provide considerable cost savings for the company and increased risk for the president since it is not a defined-benefit plan. In this connection, the new pension plan for the president has been supplemented with an employee stock option program as described below:

Through a one-time distribution, the president received 196,000 employee stock options in Investor. All employee stock options have an exercise price of SEK 412.50 per stock option and a term of seven years, of which the first five years are a lock-in period. The employee stock options will be secured financially in the market so that Investor's costs for this program are known. Each employee stock option carries entitlement to acquire one existing class B share and thus will not lead to dilution for Investor's shareholders. The president did not participate in the Board's decision

[1] In April 1998, the Annual General Meeting decided on total fees to board members of SEK 4,625,000 (4,750,000) for the period until the next Annual General Meeting. Within the Board it was decided that the chairman should receive SEK 1,500,000, the two vice chairmen SEK 875,000 each and other board members SEK 275,000 each. The entire amount was paid in 1998, as well as an additional SEK 1,583,332 relating to accrued fees to board members for 1997.

Continued

Note 1, continued

with regard to this distribution.

Other members of executive management are in a similar manner transferring to a defined-contribution pension plan supplemented with an employee stock option program instead of the present defined-benefit plan.

Retirement age for the president is 58 and 60 for other members of executive management.

For the president a mutual six-month term of notice applies. If employment is terminated by the company, the president shall receive severance pay corresponding to one year's fixed salary. If no new employment has been obtained after one year, the president is entitled to a maximum of 12 months' additional severance pay. The proposed transfer to the position of executive vice chairman will result in continued employment at Investor.

In 1998, the Board decided to terminate the bonus program in which some twenty senior Investor executives have participated on a trial basis since 1997. This program was based on the total return on Investor shares in relation to Findata's Total Return Index for the Stockholm Stock Exchange. Bonus was only payable if the total return on Investor shares exceeded Findata's Total Return Index. The entire amount of any bonus was to be used to purchase shares and/or options in Investor. Starting in 1999, the Board has decided to introduce a new salary system for some fifteen senior Investor executives. In the future, remuneration to senior executives will consist of two components. These will comprise an annual basic salary and a lower qualitative bonus which is linked to the executive achieving certain targets decided in advance, as well as an employee stock option program based on the proposals in Government Bill 1997/98:133, "taxation of employee stock options," which came into force in July 1998.

The employee stock option program means that executives will be allocated an amount corresponding to 20–50% of basic salary in the form of stock options. These stock options will have a term of seven years, of which the first three years are a lock-in period, i.e. if the employee leaves the company during this period the employee stock options will be of no value.

The aim of this program is to link management's compensation to growth in value for shareholders and to encourage senior executives at Investor to build up capital over the long term through investment in Investor shares.

NOTE 2 Net revenue of other operations by area of operation

	1998	1997
Net revenue by area of operation		
Other holdings and equity and derivative trading	19,938	11,303
GHH Grand Hôtel Holdings	394	294
Other	64	28
Total	20,396	11,625

NOTE 3 Depreciation of tangible and intangible fixed assets

	1998	1997
Buildings and land	–19	–14
Equipment, tools, fixtures and fittings	–43	–33
Total	–62	–47

NOTE 4 Operating income by area of operation

	Equity method		Purchase method	
	1998	1997	1998	1997
Main holdings				
Dividend income	341	166	1,841	1,683
Share in income of associated companies	5,125	6,889	–	
Capital gains	2,705	2,987	2,743	3,197
Total main holdings	8,171	10,042	4,584	4,880
Other:				
Other holdings and equity and derivative trading	801	370	801	370
GHH Grand Hôtel Holdings	78	74	78	74
Administrative expenses in investment operations	–787	–608	–787	–608
Other	–26	–74	–26	–74
Total	8,237	9,804	4,650	4,642

NOTE 5 Other interest income and similar income statement items

	1998	1997
Group		
Interest income, other	111	217
Total	111	217
Parent Company		
Interest income, other	–	4
Total	–	4

NOTE 6 Interest expenses and similar income statement items

	1998	1997
Group		
Convertible debenture loans		
Interest expense	–111	–110
Depreciation of capital discount	–4	–5
Foreign exchange reserve	–30	–6
Interest expenses, borrowing	–871	–506
Write-down of holding of Investor convertibles to nominal value	–	–185
Other	–34	–144
Total	–1,050	–956
Parent Company		
Convertible debenture loans		
Interest expense	–111	–110
Depreciation of capital discount	–4	–5
Foreign exchange reserve	–30	–6
Interest expenses, Group companies	–229	–590
Interest expenses, other borrowing	–375	–12
Exchange rate differences	–166	18
Other	–74	–158
Total	–989	–863

NOTE 7 Taxes

	1998	1997
Group		
Tax on income for the year		
Paid	–114	123
Deferred	–132	–30
	–246	93
Share in tax charges of associated companies	–2,047	–1,857
Total	–2,293	–1,764
Parent Company		
Tax paid on income for the year	–80	124
Total	–80	124

NOTE 8 Buildings and land

	12/31 1998
Accumulated acquisition values	
Opening balance	1,433
New purchases	327
Divestments and disposals	–248
	1,512
Accumulated depreciation according to plan	
Opening balance	–64
Depreciation according to plan of acquisition values	–19
	–83
Accumulated revaluations	
Opening balance	56
	56
Accumulated write-downs	
Opening balance	–79
Divestments and disposals	23
Write-downs during the year	–
	–56
Planned residual value at year-end	1,429
Tax assessment values, buildings	439
Tax assessment values, land	262

NOTE 9 Equipment, tools, fixtures and fittings

	12/31 1998
Accumulated acquisition values	
Opening balance	474
New purchases	44
Divestments and disposals	–9
	509
Accumulated depreciation according to plan	
Opening balance	–188
Divestments and disposals	10
Depreciation according to plan of acquisition values	–43
	–221
Accumulated write-downs	
Opening balance	–33
Write-downs during the year	–
	–33
Planned residual value at year-end	255

NOTE 10 Shares and participations in Group companies

	12/31 1998
Accumulated acquisition values	
Opening balance	21,635
Purchases and capital contributions	4,691
Sales	–4,118
Reclassification	–432
Change via mergers	–13,978
	7,978
Accumulated write-downs	
Opening balance	–4,000
Change via mergers	4,000
Write-downs during the year	–41
	–41
Book value at year-end	7,937

A specification of shares and participations in Group companies is presented on page 88.

NOTE 11 Main holdings

	Group 12/31 1998	Parent Company 12/31 1998
Accumulated acquisition values		
Opening balance	23,251	26,410
Acquisitions	12,182	5,924
Additions via mergers		10,080
Reclassification	627	432
Divestments	–174	–194
	35,886	42,652
Accumulated revaluations		
Opening balance	–	4,000
	–	4,000
Accumulated write-downs		
Opening balance	–435	–149
Write-downs during the year	–	–
	–435	–149
Booked acquisition value	35,451	46,503
Effect of equity accounting	8,813	
Closing book value	44,264	46,503
Market value	94,307	94,307

Continued

Note 11, continued

	No. of shares	Share of equity, % [1]	Adjusted equity [1]	Net income for the year [1]	Value of share in equity	Market value	Group Booked acquisition value [2]	Parent Company Booked acquisition value
Holdings reported as associated companies								
Astra	176,254,905 [4]	10	5,884	1,266	7,374	29,168	3,994	9,395
Atlas Copco	27,523,100 [5]	15	2,290	342	2,482	4,899	1,393	1,585
Electrolux	13,347,390 [6]	4	892	145	1,623	1,912	1,466	1,500
Ericsson	64,019,000 [7]	3	2,071	428	3,894	12,964	3,308	3,584
Gambro	68,638,225 [8]	20	3,555	460	3,714	6,040	1,884	2,011
Saab AB	21,611,925	20	819	185	819	1,837	627	1,155
SAS Sverige	13,155,980 [9]	19	1,181	168	862	980	557	557
Scania	52,994,181 [10]	46	5,395	1,024	6,784	7,904	3,221	5,886
Scania [3]	38,051,364					5,384	2,204	3,611
SKF	14,955,052	13	1,436	–216	1,499	1,376	1,341	1,420
Stora Enso				174				
Saab Automobile	5,000,000	50	(14)	(–310)	0	–	0	
Transferred [14]							243	
			23,523	3,976	29,051	72,464	20,238	30,704
Others								
ABB	90,274,796					7,809	9,046	9,064
OM Gruppen	8,867,307 [11]					904	214	242
SEB	48,486,300 [12]					4,146	3,179	3,205
Stora Enso	77,892,748					5,503	2,562	2,833
WM-data	10,060,500 [13]					3,481	455	455
Transferred [14]							–243	
						21,843	15,213	15,799
Total main holdings, December 31, 1998						94,307	35,451	46,503

[1] The percentage of voting rights is presented in the table on page 11. Adjusted equity is defined as the share of the company's shareholders' equity, including share of equity in untaxed reserves. Net income for the year is defined as the ownership share in the company's income after tax, including share of equity in changes in untaxed reserves during the year.
[2] According to purchase method of accounting.
[3] Against issue of distributed covered warrants.

During the year, Investor engaged in limited stock lending activity for the purpose of increasing the return on the Parent Company's portfolio. The policy is to lend a maximum of 2 percent of voting rights in any individual stock. The shares on loan can be recalled at Investor's request. Stock lending is only conducted with major players with strong financial positions.
Of which, number of shares on loan: [4] 208,796 [5] 1,000 [6] 58,500 [7] 347,610 [8] 165,996 [9] 1,200 [10] 347,848 [11] 1,250 [12] 64,880 [13] 237,945

[14] Transferred acquisition value from Gambro to ABB, which was replaced when applying the equity method of accounting.

NOTE 12 Other securities held as fixed assets

	Group 12/31 1998	Parent Company 12/31 1998
Accumulated acquisition values		
Opening balance	3,411	394
Reclassification	2,612	
Acquisitions	2,088	293
Additions via dividends	60	60
Additions via mergers	–	1,251
Divestments	–1,802	–302
Translation differences	72	–
	6,441	1,696
Accumulated write-downs		
Opening balance	–418	–
Reclassification	–528	
Divestments	118	–
Write-downs during the year [1]	–382	–183
	–1,210	–183
Book value at year-end [2]	5,231	1,513
Holdings are divided as follows:		
Listed securities	3,338	927
Unlisted securities	1,893	586
	5,231	1,513
Market value amounts to:		
Listed securities	3,746	2,027
Others	5,466	708
	9,212	2,735

[1] A write-down to market value was effected at December 31, 1998.
[2] In addition to the securities above, commitments for additional investments amount to SEK 1,444 m. (625).

A specification of holdings is available from Investor's office in Stockholm.

NOTE 13 Other long-term receivables

	12/31 1998
Accumulated acquisition values	
Opening balance	4,448
New receivables, net	201
	4,649
Accumulated write-downs	
Opening balance	–1,350
	–1,350
Book value at year-end	3,299
(Of which, receivables from associated companies	2,890)

In June 1996, Investor and GM/Opel reached an agreement on a series of measures to secure expansion plans for half-owned Saab Automobile. Saab Automobile was provided with a total of SEK 3,480 m. in new capital, of which Investor contributed SEK 1,740 m. SEK 1,050 m. was paid in 1996 and the remaining SEK 690 m. was paid in 1997. Investor previously granted a subordinated loan to Saab Automobile. Investor's total subordinated loans amount to SEK 4,240 m.. The subordinated loans were written down by SEK 1,350 m. in 1996, corresponding to that portion of the receivable which, under certain circumstances, may be converted to shareholders' equity. In 1998, SEK 287 m. was converted to a conditional shareholders' contribution.

The receivable from Saab Automobile carries 8% interest, which will be capitalized and reserved until Saab Automobile's performance in relation to the conditions stipulated in the syndicated credit facility of USD 1,000 m. that Saab Automobile received in 1996 permits payment of interest and enables amortization to commence, although no earlier than January 1, 1999.

Under the terms of the agreement, GM/Opel also has an option to acquire all or parts of Investor's holding in Saab Automobile during the period July 1999 through January 2000. At the same time, Investor has an option to sell up to half of its holding in Saab Automobile in February 2000 with effect July 31, 2000. The value of the shares in the event this option is exercised will depend on the performance of Saab Automobile.

NOTE 14 Deferred tax receivable/liability

Deferred tax receivable/liability represents the tax consequences arising due to the assumption that assets and liabilities were sold at residual book values. The deferred tax entry relates to the following assets and liabilities.

	12/31 1998	12/31 1997
Deferred tax receivables		
Other provisions	102	–
Accrued expenses	47	128
Other	51	204
Deferred tax liabilities		
Tangible fixed assets	–9	–10
Untaxed reserves	–16	–12
Receivable/liability, net	175	310

NOTE 15 Shareholders' equity

Distribution of share capital.

The Parent Company's share capital at December 31, 1998, consisted of the following number of shares with a par value of SEK 25 per share.

Share class	No. of shares	No. of votes	% of share capital	% of voting rights
Before conversion				
A 1 vote	77,922,711	77,922,711	40.8	87.3
B 1/10 vote	112,987,591	11,298,759	59.2	12.7
Total	190,910,302	89,221,470	100.0	100.0
After conversion				
A 1 vote	77,922,711	77,922,711	38.9	86.4
B 1/10 vote	122,273,041	12,227,304	61.1	13.6
Total	200,195,752	90,150,015	100.0	100.0

The Group's shareholders' equity changed as follows during the year:

	Share capital	Restricted reserves	Unrestricted equity	Total
Opening balance	4,772	25,189	8,056	38,017
Conversion debenture loan	1	4		5
Disposition of funds according to Annual General Meeting decision				
Dividend, ordinary			–1,907	–1,907
Effect of distribution of purchase rights in Saab AB			758	758
Effect of OM and STORA no longer being reported as associated companies		–2,518		–2,518
Write-down of goodwill in Gambro		–1,912		–1,912
Transfer unrestricted/restricted		1,604	–1,604	
Translation differences, etc.		605	29	634
Net income for the year			5,005	5,005
Shareholders' equity, December 31, 1998	4,773	22,972	10,337	38,082

In the event profits are transferred to Sweden, a certain portion of the unrestricted equity in foreign subsidiaries become subject to taxation.

No provisions to restricted reserves are required.

Effect on shareholders' equity of accounting based on the equity method (equity method reserve):

		12/31 1998
Opening balance		11,139
Effect of OM and STORA no longer being reported as associated companies		–2,518
Write-down of goodwill in Gambro		–1,912
Translation differences, etc.		564
Share in income of associated companies during the year		
According to income statement		
Share in income of associated companies	5,926	
Amortization of goodwill	–801	
	5,125	
Share in taxes of associated companies	–2,047	
	3,078	
Less dividend income	–1,500	
Adjustment of capital gains	–38	1,540
Effect of equity method		8,813

Continued

Note 15, continued

The Parent Company's equity changed as follows during the year:

	Share capital	Restricted reserves	Unrestricted equity	Total
Opening balance	4,772	13,827	21,502	40,101
Conversion debenture loan	1	4		5
Disposition of funds according to Annual General Meeting decision				
Dividend, ordinary			–1,907	–1,907
Effect of distribution of purchase rights in Saab AB			–1,431	–1,431
Net income for the year			3,392	3,392
Closing balance	4,773	13,831	21,556	40,160

NOTE 16 Convertible debenture loans

	12/31 1998	12/31 1997
Group/Parent Company		
1991 loan, 7.933% interest, nom.	293	293
1992 loan, 8% interest, nom.	1,025	1,030
	1,318	1,323
Foreign exchange reserve	82	52
	1,400	1,375
Capital discount	–11	–15
Total	1,389	1,360

1991 loan, 7.933% interest:
The loan, which has a nominal value of ECU 40 m., was issued in June 1991 to finance part of the acquisition of Saab-Scania, at an issue rate corresponding to approximately 85%. The difference between the nominal value of the loan and the proceeds of the issue is reported as a capital discount after depreciation divided over the maturity of the loan. The loan may be converted into 2,066,139 class B shares through May 2001. The conversion price is SEK 141.90.

1992 loan, 8% interest:
The loan was issued in February 1992 at an issue rate corresponding to 100% in connection with the acquisition of Providentia to replace the convertible debenture loan issued by Providentia in 1991. The loan is listed on the Stockholm Stock Exchange and may be converted into 7,219,311 class B shares through May 2001. The conversion price is SEK 141.90.

NOTE 17 Provisions for pensions and similar commitments

Provisions for pensions according to the balance sheet correspond to the actuarial value of existing pension commitments.

	12/31 1998	12/31 1997
Provision for pensions		
FPG/PRI pensions	23	22
Other pensions	302	291
Total	325	313

The Pension Registration Institute (PRI) is a public organization that administers employee pensions.

Other pension provisions pertain to conditional obligations not included under the terms of the Pension Security Act.

NOTE 18 Long-term loans

	12/31 1998	12/31 1997
Group		
Maturity, 1–5 years from balance sheet date	5,788	3,245
Maturity, more than 5 years from balance sheet date	2,763	–
Total	8,551	3,245
Parent Company		
Maturity, 1–5 years from balance sheet date	5,787	1,619
Maturity, more than 5 years from balance sheet date	2,763	–
Total	8,550	1,619

NOTE 19 Other liabilities

	12/31 1998	12/31 1997
Group		
Issued index options [1]	4	6
Options issued, OM Gruppen	–	63
Loan secured by stocks	430	–
Valuation of currency futures	165	–
Other	360	261
Total	959[2]	330
Parent Company		
Issued index options [1]	89	108
Options issued, OM Gruppen	–	63
Other	89	26
Total	178	197

[1] In 1992, Investor issued index options to certain members of executive management. The price was SEK 20 per option. The exercise price is SEK 155.84. The options reach maturity in 2000. In the Parent Company, income of SEK 4 m. (–49) is booked for the options while the Group shows a cost of SEK –1 m. (2). The difference was due to the fact that the undertaking is secured in the Group through holdings of Investor's own convertibles.

[2] In the market valued balance sheet, SEK 7 m. is deducted for issued options.

NOTE 20 Accrued expenses and prepaid income

	12/31 1998	12/31 1997
Group		
Interest	391	83
Other financial expenses	–	158
Other	277	124
Total	668	365
Parent Company		
Interest	275	70
Other financial expenses	78	158
Other	–	4
Total	353	232

NOTE 21 Adopted income statement, balance sheet and statement of cash flows according to the 1997 annual report

Consolidated income statement, 1997

SEK m.

Net revenue	
Dividend income, main holdings	166
Other operations	20,298
Cost of goods sold	–17,603
Share in income of associated companies	6,889
Gross income	9,750
Sales costs	–855
Administrative expenses 1)	–1,250
Research and development costs	–495
Items affecting comparability	–5,421
Other operating revenues	
Capital gains from associated companies/Scania	2,987
Other	136
Other operating expenses	–364
Operating income	4,488
Gain/loss from financial items	
Other interest income and similar income statement items	510
Interest expenses and similar income statement items	–778
	–268
Income after financial items	4,220
Taxes	–689
Minority interest	–20
Income for the year	3,511

1) Relates to all companies in the Group.

Consolidated balance sheet, December 31, 1997

SEK m.

ASSETS	
Fixed assets	
Intangible fixed assets	
Other intangible fixed assets	122
Goodwill	12
	134
Tangible fixed assets	
Buildings and land	3,024
Plant and machinery	667
Equipment, tools, fixtures and fittings	426
Leasing assets	6,919
Construction in progress and advance payments for tangible fixed assets	65
	11,101
Financial fixed assets	
Main holdings reported as associated companies	29,672
Other main holdings	4,283
Other securities held as fixed assets	3,033
Other long-term receivables	3,655
Deferred tax receivables	1,176
	41,819
Total fixed assets	53,054

Continued

Note 21, continued

Current assets	
Inventories, etc.	
Raw materials and consumables	977
Work in progress	3,250
Finished products and goods for resale	534
Advances to suppliers	240
Shares and participations	2,903
	7,904
Current receivables	
Accounts receivable, trade	1,156
Other receivables	229
Prepaid expenses and accrued income	374
	1,759
Short-term investments	10,736
Cash and bank balances	255
Total current assets	20,654
TOTAL ASSETS	73,708
SHAREHOLDERS' EQUITY AND LIABILITIES	
Shareholders' equity	
Restricted equity	
Share capital	4,772
Restricted reserves	25,189
	29,961
Unrestricted equity	
Unrestricted reserves	4,545
Net income for the year	3,511
	8,056
Total shareholders' equity	38,017
Minority interests in subsidiaries	158
Convertible debenture loans	1,360
Provisions	
Provisions for pensions and similar commitments	2,556
Other provisions	6,868
Total provisions	9,424
Long-term liabilities	
Liabilities to credit institutions	3,275
Leasing commitments	4,922
Other liabilities	760
Total long-term liabilities	8,957
Current liabilities	
Liabilities to credit institutions	1,250
Advance payments from customers	7,538
Accounts payable, trade	865
Tax liabilities	416
Other liabilities	756
Leasing commitments	285
Accrued expenses and prepaid income	4,682
Total current liabilities	15,792
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	73,708

Continued

Note 21, continued

Pledged assets and contingent liabilities, Group, December 31, 1997

SEK m.	
Pledged assets	
For own liabilities and provisions:	
Chattel mortgages	2,147
Leasing assets [1]	2,551
Other long-term receivables	393
Accrued income	61
Bonds and other securities	5,778
Total pledged assets	10,930
Contingent liabilities	
Guarantees on behalf of	
Försäkringsbolaget Pensionsgaranti (FPG)	41
Sureties on behalf of	
associated companies	540
Completion guarantees [2]	6,381
Less amount booked as a liability	
in the balance sheet [3]	–3,363
Other sureties and guarantees	36
Total contingent liabilities	3,635

[1] In addition to the pledged leasing assets above, the balance sheet includes assets booked in accordance with financial leasing agreements.

[2] Of which, USD 744 m. for guarantees related to the fulfillment of leasing agreements and pertains to 175 Saab 340 and Saab 2000. This amount also includes a payment liability of SEK 118 m. which could arise due to a guarantee with regard to the outcome, for tax purposes, of an investor lease transaction.

[3] Of the fulfillment guarantees above, 52 aircraft corresponding to USD 251 m. are booked as financial leasing commitments.

In the balance sheet, USD 211 m. is reported as a provision for future deficits in leasing contracts already entered.

Continued

Note 21, continued

Consolidated statement of cash flows, 1997

SEK m.	
Cash flow from continuing operations	
Dividend income	1,637
Operating income before	
depreciation, other operations [1]	–5,034
Items affecting comparability [2]	5,421
Net financial income/expense	–257
Taxes paid	–164
	1,603
Change in working capital	
Inventories (excluding shares and participations)	–32
Current receivables	–10
Current liabilities	–1,174
Advances from customers	–489
Decrease in provisions	–402
	–2,107
Investments, main holdings	
Sales	4,141
Purchases	–5,225
	–1,084
Other investments, net	
Other shareholdings	–326
Other fixed assets,	
tangible and intangible	–1,869
	–2,195
Dividends to shareholders	
Ordinary dividends	–1,908
	–1,908
Other items	
Change in long-term receivables/liabilities, etc.	–348
	–348
Financial deficit	–6,039
EFFECT ON FINANCING	
Decrease/Increase in liquid assets (+/–)	4,026
Increase/Decrease in loans (+/–)	1,993
Increase in pension liability (+)	20
Total effect on financing	6,039

[1] Excluding dividends, capital gains and equity/derivative trading.

[2] Pertains to Saab AB.

Specification of holdings of shares and participations in Group companies

Subsidiary/Reg. No./Registered Office	No. of shares	Holding, %[1]	Book value
Expibel Holding AB, 556548-6684, Stockholm	1,000	100.0	2,651
Expibel B.V., Netherlands	753	100.0	
Investor Asia Ltd, Hong Kong	1,000	100.0	
Investor Guernsey Ltd, Guernsey	2	100.0	
GHH Grand Hôtel Holdings AB, 556302-9650, Stockholm	10,000	100.0	877
AB Nya Grand Hôtel, 556028-5941, Stockholm	25,000	100.0	
Saltsjöbadens Hotell AB, 556013-2408, Saltsjöbaden	3,000	100.0	
Berns Salonger & Co Svenska AB, 556125-9929, Stockholm	4,800	100.0	
Blasieholmen 54 KB, 916616-1746, Stockholm	1	100.0	
Rösunda Hotellfastighet KB, 916621-6508, Saltsjöbaden	1	100.0	
Investor Holding AB, 556554-1538, Stockholm	1,000	100.0	500
Investor UK Ltd, United Kingdom	20,000,000	100.0	
Novare Kapital AB, 556407-3384, Stockholm	225,000	100.0	
AB Investor Group Finance, 556371-9987, Stockholm	100,000	100.0	12
Investor Investments AB, 556548-6692, Stockholm	1,000	100.0	1,500
Expibel Investments AG, Switzerland	250	100.0	
Investors Trading Co S.A., Bermuda	100	100.0	
Extoria Trade AB, 556025-3188, Stockholm	150,000	100.0	
Investor International (U.S.), Inc., USA	100	100.0	
EQT Partners AB, 556233-7229, Stockholm	3,334	66.7	
EQT Partners A/S, Denmark	500	66.7	
Investor Asia PTE Ltd, Singapore	2	100.0	
Investor International AB, 556233-9282, Stockholm	500,000	100.0	
AB Cator, 556043-8490, Stockholm	100,000	100.0	
Investors Trading AB, 556032-5945, Stockholm	1,500	100.0	
Patricia Trading AB, 556003-6575, Stockholm	100,000	100.0	120
AB Vectura, 556012-1575, Stockholm	50,000	100.0	2,274
AB Navigare, 556054-9486, Stockholm	80,000	100.0	
AB Näckström, 556007-7009, Stockholm	50,000	100.0	
Residuum AB, 556104-4529, Stockholm	1,000	100.0	
Sickla Udde Development AB, 556188-1086, Stockholm	500,000	100.0	
Sickla Udde AB, 556336-9726, Stockholm	5,000	100.0	
Stockholm-Saltsjön AB, 556001-7369, Stockholm	30,000	100.0	
Dormant companies			3
Book value in Parent Company			7,937

[1] Ownership share pertains to equity which also corresponds to share of voting rights for total number of shares.

Auditors' Report

To the Annual General Meeting of Investor AB *Registered Number: 556013-8298*

We have examined the Annual Report and the consolidated financial statements, the accounting records and the administration by the Board of Directors and the President of Investor AB for 1998. The accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the Annual Report, the consolidated financial statements and administration based on our audit.

The audit was conducted in accordance with generally accepted auditing standards. This means that we planned and performed the audit in order to gain reasonable assurance that the Annual Report and consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounting records. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the Annual Report and the consolidated financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the President or whether they have in some way acted in contravention of the Swedish Companies Act, the Swedish 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 Report and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act. Accordingly, we recommend:

that the Parent Company and consolidated income statements and balance sheets be approved, and

that the profit reported by the Parent Company be appropriated in accordance with the proposal in the Administration Report.

In our opinion, members of the Board of Directors and the President have not committed any act or been guilty of any omission, which could give rise to any liability to the Company. We therefore recommend:

that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, March 9, 1999

Caj Nackstad
Authorized Public Accountant

Gunnar Widhagen
Authorized Public Accountant



Percy Barnevik
Chairman since 1997.
Elected 1986, born 1941.
Chairman of ABB Asea Brown Boveri Ltd and Sandvik.
Director of General Motors, (USA).
Shares in Investor: 253,402



Bo Berggren
Vice Chairman
Elected 1987, born 1936.
Chairman of Astra, SAS (Swedish Chairman), SAS Sverige AB and the Federation of Swedish Industries.
Director of Danisco A/S, Ericsson, the Royal Institute of Technology, Robert Bosch GmbH, J P Morgan International Advisory Council and Robert Bosch Advisory Committee.
Shares in Investor: 9,000
Has declined re-election ahead of the 1999 Annual General Meeting.



Anders Scharp
Vice Chairman
Elected 1988, born 1934.
Chairman of Atlas Copco, Scania, Saab AB, SKF and the Swedish Employers' Confederation.
Director of Email Ltd (Australia) and the Federation of Swedish Industries, among others.
Shares in Investor: 13,896
Has declined the assignment of Vice Chairman after the 1999 Annual General Meeting.



Claes Dahlbäck
President and Chief Executive Officer since 1978.
Elected 1983, born 1947.
Chairman of Stora Enso, Gambro, Vin & Sprit and the Industry and Commerce Stock Exchange Committee.
Vice Chairman of SEB.
Director of Astra, among others.
Shares in Investor: 72,900
Will resign as President and Chief Executive Officer at the 1999 Annual General Meeting. At the same time, the Board intends to appoint him Executive Vice Chairman, assuming his election to the Board.



Håkan Mogren
Elected 1990, born 1944.
President and CEO of Astra.
Chairman of the Industrial Institute for Economic and Social Research (IUI).
Vice Chairman of the Social and Economic Council.
Director of Astra, Gambro, the Federation of Swedish Industries and the Carl Trygger Foundation, among others.
Shares in Investor: 317



Mauritz Sahlin
Elected 1990, born 1935.
Chairman of Air Liquide AB, CHAMPS, FlexLink AB, Novare Kapital AB and Western Sweden Chamber of Commerce.
Director of Sandvik, Scania, SKF, Statoil (Norway), IRO AB and the Federation of Swedish Industries.
Shares in Investor: 1,831



Peter D. Sutherland
Elected 1995, born 1946.
Chairman and Managing Director of Goldman Sachs International.
Co-Chairman of BP Amoco p.l.c.
Director of ABB AB, ABB Asea Brown Boveri Ltd, Ericsson and LM Ericsson Holdings.
Shares in Investor: 346



Michael Treschow
Elected 1997, born 1943.
President of Electrolux.
Chairman of the Swedish Export Council.
Vice Chairman of Saab Automobile.
Director of Electrolux and Atlas Copco, among others.
Shares in Investor: 3,531



Marcus Wallenberg
Executive Vice President and Deputy Chief Executive Officer since 1993.
Elected 1990, born 1956.
Vice Chairman of Astra, Ericsson and Saab AB.
Director of Gambro, Scania, SEB, Stora Enso and the Knut and Alice Wallenberg Foundation.
Shares in Investor: 271,903
Appointed new President and Chief Executive Officer, to take up his duties at the 1999 Annual General Meeting.



Björn Svedberg
Elected 1998, born 1937.
Director of ABB AB, ABB Asea Brown Boveri Ltd, Gambro, Saab AB and Saga Petroleum.
Chairman of Chalmers University of Technology, President of the Royal Academy of Engineering Sciences (IVA), member of the Morgan Stanley International Advisory Board and the Council for Det Norske Veritas.
Shares in Investor: 4,746



Jacob Wallenberg
Executive Vice President
Elected 1998, born 1956.
Chairman of SEB and the Finnish-Swedish Chamber of Commerce.
Director of Atlas Copco, Electrolux, WM-data, the Knut and Alice Wallenberg Foundation and Wharton European Advisory Board.
Shares in Investor: 104,688
Will resign as Executive Vice President at the 1999 Annual General Meeting. At the same time, the Board intends to appoint him Executive Vice Chairman, assuming his election to the Board.



Peter Wallenberg
Honorary Chairman
Elected 1969, born 1926.
Chairman of the Knut and Alice Wallenberg Foundation.
Honorary Chairman of Atlas Copco.
Shares in Investor: 544,318



Claes Dahlbäck



Marcus Wallenberg



Börje Ekholm



Henry E. Gooss



Ulla Litzén



Nils Ingvar Lundin



Thomas Nilsson



Sven Nyman

Claes Dahlbäck
President and Chief Executive Officer since 1978, born 1947.
Shares in Investor: 72,900
Stock options in Investor: 0
Will resign as President and Chief Executive Officer at the 1999 Annual General Meeting. At the same time, the Board intends to appoint him Executive Vice Chairman, assuming his election to the Board.

Marcus Wallenberg
Executive Vice President and Deputy Chief Executive Officer since 1993, born 1956.
Shares in Investor: 271,903
Stock options in Investor: 9,361
Appointed new President and Chief Executive Officer, to take up his duties at the 1999 Annual General Meeting.

Börje Ekholm
Managing Director since 1997, born 1963.
Shares in Investor: 5,074
Stock options in Investor: 1,000

Henry E. Gooss
Managing Director since 1998, born 1941.
Shares in Investor: 0
Stock options in Investor: 0

Ulla Litzén
Managing Director since 1995, born 1956.
Shares in Investor: 7,850
Stock options in Investor: 7,000



Claes von Post



Pia Rudengren



Jacob Wallenberg

Nils Ingvar Lundin
Managing Director since 1996, born 1945.
Shares in Investor: 5,000
Stock options in Investor: 0

Thomas Nilsson
Managing Director since 1994, born 1948.
Shares in Investor, 5,800
Stock options in Investor: 0

Sven Nyman
Managing Director since 1995, born 1959.
Shares in Investor: 10,000
Stock options in Investor: 13,084

Claes von Post
Managing Director since 1994, born 1941.
Shares in Investor: 9,723
Stock options in Investor: 5,837

Pia Rudengren
Managing Director since 1998, born 1965.
Shares in Investor: 1,300
Stock options in Investor: 0

Jacob Wallenberg
Executive Vice President since 1997, born 1956.
Shares in Investor: 104,688
Stock options in Investor: 25,000
Will resign as Executive Vice President at the 1999 Annual General Meeting. At the same time, the Board intends to appoint him Executive Vice Chairman, assuming his election to the Board.

AUDITORS
Caj Nackstad
Auditor since 1985, born 1945.
Authorized Public Accountant, KPMG Bohlins AB.

Gunnar Widhagen
Auditor since 1993, born 1938.
Authorized Public Accountant, Ernst & Young AB.

DEPUTIES
Thomas Thiel
Auditor since 1993, born 1947.
Authorized Public Accountant, KPMG Bohlins AB.

Björn Fernström
Auditor since 1993, born 1950.
Authorized Public Accountant, Ernst & Young AB.

Beta coefficient
Weighted beta, change of share price over 48 months measured against the AFGX index.

Cash and short-term investments
Assets in the form of cash and bank balances as well as short-term investments.

Change in value, main holdings
Increase in market value adjusted for net changes as a percentage of opening market value adjusted for net changes.

Convertible debenture loan
Debenture stock with attached options that give the holder the right, during a specified period, to exchange the debentures for shares, at a pre-determined price.

Discount to net asset value
The difference between net asset value and market capitalization as a percentage of net asset value. If market capitalization is lower than net asset value, the share is traded at a discount, if market capitalization is higher, it is traded at a premium.

Dividend payout ratio
Dividends paid in relation to dividends received.

Equity/assets ratio
Shareholders' equity, including surplus values and convertible debenture loans, as a percentage of total assets including surplus values.

Findata's Total Return Index (FDAX)
A stock index for the Stockholm Stock Exchange calculated on share price growth and reinvested dividends.

Growth in net asset value
Net asset value per share at year-end plus dividends paid as a percentage of net asset value at the beginning of the year.

Net asset value
Shareholders' equity, convertible debenture loans and surplus values.

Net asset value per share after full conversion
Net asset value per share caculated on the total number of outstanding shares in the event of full utilization of Investor's convertible debenture loans.

Net debt
Interest-bearing current and long-term liabilities, plus pensions, minus cash and short-term investments and interest-bearing current and long-term receivables.

Net income
Income after tax

Surplus value, main holdings
Difference between the market and book values of the main holdings.

Total return
Sum of dividends received and reinvested during the year and share price appreciation.

Total return, main holdings
Increase in market value adjusted for net changes, plus dividend income as a percentage of opening market value adjusted for net changes.

Turnover, main holdings
Percentage of shares at the beginning of year that did not remain at year-end, calculated at market value at the beginning of the year.

Turnover rate
Number of shares traded during the year as a percentage of the total number of shares outstanding.

Yield
Dividend paid as a percentage of the share price at year-end.

Yield, main holdings
Dividend income as a percentage of market value, main holdings, at year-end.

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Investor AB is the largest Swedish industrial holding company. It generates value for the shareholders through long-term active ownership and active investment operations. Over the past 20 years the average total annual return to the shareholders has exceeded 20 percent.

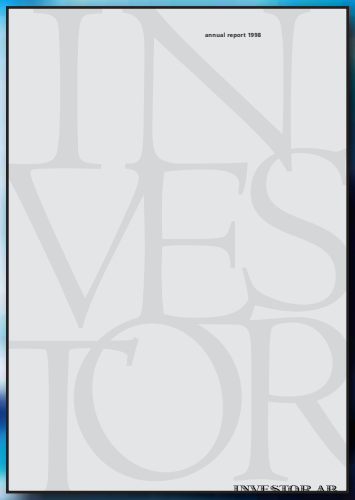
Investor is a lead shareholder in a number of Sweden's largest, most internationally active companies. These include Astra, Ericsson, Scania, ABB, Gambro, Stora Enso, Atlas Copco, SEB, WM-data, Electrolux, Saab AB, Saab Automobile AB (50 percent), SKF, SAS and OM Gruppen. Investor's largest shareholders are the Wallenberg family foundations, and a number of mutual and pension funds.

Investor AB is based in Stockholm, with offices in Hong Kong, London, New York and Amsterdam.

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Investor AB



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