

annual report 1997

# INVESTOR AB



LONDON



NEW YORK



HONG KONG



STOCKHOLM



## Highlights of 1997

- The 1997 total return for Investor's shareholders amounted to 32 percent, compared with an average of 28 percent for the Stockholm Stock Exchange as a whole.
- Investor acquired shares for a total of SEK 11,593 million in ABB, S-E-Banken, Ericsson, Electrolux, Scania and Astra. Shares were sold for a total of SEK 4,141 million in Incentive and TV4, producing total capital gains of SEK 3,117 million.
- Investor is looking into the possibilities of broadening the ownership in Saab AB and to list the company on the Stockholm Stock Exchange. In conjunction with a possible listing, the primary intention is to propose distribution of purchase rights of shares in Saab AB to Investor's shareholders.
- The Group's net income amounted to SEK 206 million. In keeping with what was said in December 1997, in connection with the decision made on restructuring of civilian aircraft operations in Saab, the earnings reflect reserves amounting to SEK 4,100 million, after taxes.
- On December 31, 1997, the value of Investor's main holdings was SEK 80,880 million. On February 10, 1998, the value was SEK 86,845 million. The value of the main holdings appreciated by 19 percent during 1997.
- Investor's net worth on December 31, 1997, was SEK 88,409 million, or SEK 442 per share. On February 10, 1998, the net worth was SEK 94,477 million, or SEK 472 per share.
- The proposed ordinary dividend to shareholders is SEK 10.00 (10.00) per share. In addition, a dividend of purchase rights of shares in Saab AB may be proposed.

*The annual report can also be accessed on the Internet at [www.investor.se](http://www.investor.se)*

*COVER PHOTO: Investor's investment operations are represented today through independent subsidiaries with offices in Stockholm, Hong Kong, London and New York. Since the beginning of 1998 work with the main holdings has been concentrated in Stockholm.*

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## Active ownership and the principles of board membership

The role of the active owner and the emphasis on "shareholder value" is spreading all over the world – including Continental Europe and Japan, where shareholders' interest has traditionally not been the focal point. There is reason to believe that active ownership, with greater demands on boards of directors, is here to stay – and will intensify.

Investor has traditionally stood for active ownership, and indeed it can, with regard to its portfolio of main holdings, report a considerably better shareholder return than the Stockholm Stock Exchange index over the past 20 years.

### ACTIVE OWNERSHIP

Active ownership means that concrete demands are placed on main holdings through their board of directors. Normally, this is formulated as a goal for shareholder return (value growth plus dividend) over a long time, and normally the goal is higher than the expectations of the stock market. It is worth noting that such a demand, in and of itself, is not easier to meet for a highly profitable company in a fast-growing sector than for a company with a starting position of low profitability in a mature sector. These different conditions are reasonably known and are reflected in the share price. In actual fact, it can sometimes be more difficult to reach/exceed high expectations in the case of the former than it is to reach/exceed low expectations in the case of the latter.

These shareholder demands are translated into internal goals for the company – simple and comprehensible that are reflected in the company's accounting. This means demand for growth, margins, capital tie-up and, ultimately, for profitability. Maybe the company has a plan that lives up to this demand and that is well-substantiated. In that case all is good and well – then it is "only" to implement the plan. Maybe the company has a plan that will achieve its goal but that is built on a shaky foundation (for example, assuming unrealistic price increases or ignoring business/cycles, etc.). Maybe the company usually has good plans but bad results. Then the board/chairman makes the demand for change: costs must be reduced, higher productivity is demanded, perhaps preparedness for significant price

declines is also called for. Here, constructive dialogue is required between owner/board and president/executive management. Even for a strong and profit-minded chief executive, it is invaluable to have a competent and demanding board that is squarely behind him or her.

If the company, through normal evolution in the existing structure, cannot achieve the goal, restructuring may be considered, such as a large acquisition, merger with suitable partner, focusing on the core business, splitting the company etc.

Here, the board of directors has an important role as sounding board, provider of ideas and, sometimes as "instigator" vis-à-vis the president and other executive management. Normally, "owner interest" and "chief executive interest" coincide but sometimes that's not the case, and here the role of the board is particularly important.

Another reason for the goal not being achieved can be shortcomings in the executive management – in particular with the chief executive. Here, too, there is a need for insight and negotiating strength on the part of the board. The board's singular most important task is to hire and fire the chief executive.

Investor intends to stick with its role as an active and long-term owner, but if a main holding, despite its efforts, still cannot meet the return demands – then the extreme step remains to be taken – to dispose of the stock holding. Investor must in turn of course live up to the return demands of its shareholders. The responsibility then is to leave in an orderly fashion and try to find a new ownership structure that perhaps can provide the company with the possibilities for better development.

In its role as principal owner in the various main holdings Investor confers with other owners regarding proposals for board composition ahead of the respective companies' Annual General Meeting. The demand for competence and anticipated contributions in the work of the board is crucial for the choice of board members. Each board member shall look after all shareholders' interest. The board's active role with demands for long-term, good value growth for the company benefits all shareholders – large and small.

It is important to point out that the role of an active owner in the form of dialogue between board and presi-





dent and executive management does not mean interference in the role of executive management. There is a clear line of demarcation between executive and non-executive roles.

#### PRINCIPLES FOR BOARD MEMBERSHIP

Active ownership puts demands on the board's competence and power to act. In this context, it may be useful to comment on the board's responsibility, its work methods and composition.

Suitable and adequate information is necessary for the board to be able to perform its role. Without that it does not help to have competent board members. It should be stressed that the board's responsibility for a company is unconditional, that is to say independent of whether one is sufficiently informed. It is, therefore, important that the board itself sees to it that it receives sufficient information. In big companies with many business areas and regions, the risk is more likely that the board receives too much internal information. It is important to concentrate on key data, deviations, comparisons and risks and to see that sufficient time is allowed for dialogue with the board. Information about competition and threats to the company often gets too little space in the information flow. Most important of all is that the chief executive, speedily and openly, inform about upcoming problems and risks – if necessary, by phone.

It is invaluable for different persons in the company to participate in presentations for the board, in part because they have specific knowledge, in part so that the board could become acquainted with a wider circle of management executives, including potential future candidates for president of the company. As a rule, the whole executive management attending board meetings is, in my opinion, not advisable.

The minimum and legal responsibility of the board and its individual members, as representatives of the

shareholders, is to oversee the running of the company. Through sound general knowledge and acquired sufficient knowledge of the particular area of business and of the company, the board could influence quality in board decisions as well as the strategic direction of the company. An orientation program over a number of days for new board members is desirable. The majority of companies also have executive conferences, where at times it could be useful for board members to participate. Board membership calls for no minor investment of one's time. And, naturally, this applies even more so to the chairman.

Besides leading the board work toward effectiveness and team spirit, he or she is an important discussion partner and coach for the chief executive and, as such, must be readily accessible. In times of crisis, such as a change of chief executive, etc., the workload can be temporarily demanding. The Swedish model, with a non-executive chairman and a chief executive who is president, as is the case with Investor, makes it a good model, compared with the American one, where the roles of president and CEO and the chairman are normally combined and, hence, the CEO tends to oversee himself.

Board assignments are moving towards demands for greater effort and bigger responsibility. Added to this is the quest for smaller boards, preferably of between 7–9 members elected at AGMs, to make board work more efficient. This also goes hand in hand with the demand for reasonable remuneration for board assignments and a limit to how many memberships one person can take on.

The following can serve as some guidelines for board involvement in large listed companies. A president and CEO, with a heavy workload of his own in his company must limit his involvement in other companies. A CEO should normally not be the chairman in another company and normally not board member in more than two other companies. One individual should

normally not be chairman in more than three companies, exceptionally four. It is difficult to determine how many board memberships a non-line manager could have, since the workload varies.

The chairman must always be consulted before a board member chooses to join a new board. It should be noted that the president of an investment company can have greater involvement in his own portfolio companies, since this is an integral part of his job as president. The chairman and board members in an investment company can also, in part, perform their role through membership in the portfolio company boards.

Obviously, these guidelines cannot be applied mechanically, since the conditions differ for companies and for individuals.

A reasonable level for board remuneration in large listed companies should be 250,000–300,000 kronor (today it is 150,000–200,000). In these times of “anonymous ownership” through institutions, it is particularly important that board members hold ownership in their companies. Board members themselves can acquire shares or options in the company. Another alternative is that at least half and at most all of the remuneration may be taken out in shares that are retained as long as the individual is a member of the board.

The bigger the board the greater the need for board committees. Even in a board with at most ten members it can be advantageous to have an audit committee of 2–3 persons that can have profound discussion with external auditors. It is also advantageous to have a remuneration committee (normally the chairman plus some other member). They go over the remuneration issues in general and beyond the president's salary, the “grandfather principle” may also be applied for the president's nearest deputies. Obviously, salary policies, options programs and the like should be dealt with by the entire board. Some companies have a nomination committee – others not. The important thing is that there is a channel available to shareholders ahead of the Annual General Meeting. Where there is a clearly defined lead shareholder, its representative in the board (as a rule the chairman) functions as coordinator and contact with other big owners (often institutions). Obviously, however, just about any shareholder should be able to reach the chairman with suggestions before – and certainly at – the AGM.

It is important to keep in mind that the board does not relieve itself from responsibility by appointing board committees but rather delegates tasks and have the results reported back to it (the board) which has full responsibility.

The quality of board work is naturally dependent on the collective and complementary competence among board members. The company's need and the individual board member's likely contributions vary over time and, hence, it is a matter of continuously creating the right composition of the board.

We must de-dramatize changes in board composition. Of course, there is value in continuity and long-standing company experience on the board, but the pace of change will probably increase. Most companies have some form of rule that one must quit by 70. Absolute time limits, such as, for example, 10 years as board member, are not good, since perhaps an individual may have to leave sooner or later. Having said that, this does not imply that advanced age is something negative. There may be good reasons for recruiting a recently-retired 63-year-old CEO, who can provide great input over 5–7 years, while, for example, a 55-year-old should leave.

There is a tendency in Sweden, like in all countries, to recruit mainly nationals as chief executives in large companies. Sweden is a small country, in relation to the number of large international companies, and instead of focusing on these already overworked chief executives, the recruiting base should be somewhat broadened. On the second level, there are a lot of highly qualified persons who, moreover, should have available time to dedicate to some board assignment. The broadened recruiting base should as a side effect also lead to more women.

The most important thing in Sweden right now, however, is to increase the number of qualified foreigners. Many companies have not only the bulk of their sales and production abroad but also a sizeable part of their ownership there. There is no shortage of candidates abroad, and many Swedish companies have an excellent reputation abroad, which facilitates recruiting. Apart from the individual's competence, the addition of a German, an Italian, an Englishman, an American or, why not, a Japanese, brings regional broadening to the overall competence of the board. There are some disadvantages with the recruitment of non-Swedes like the language barrier and logistics can be a problem for e.g. Americans or Japanese. However, the advantages far outweigh the disadvantages. In general, one should strive for two or three non-Swedes in the more international companies.

In the board, one should avoid appointing representatives for service companies, that are main suppliers to the companies in question.

Like the CEO who is evaluated annually by external

board members, the board should also be regularly evaluated on its own work. The chairman should also regularly discuss the contribution of individual board members – all with the intention of improving board work.

Successor to the CEO should be planned long-term and it calls for exposure of possible internal candidates long before the change in the CEO position comes about. If there are not 2–3 qualified internal candidates when a planned change of CEO takes place, neither the CEO nor the board has done a good job. For the owner's part, succession to the chairmanship of the board should also be planned long-term.

#### SUMMARY

We have spoken of the significance of active ownership, which Investor has historically stood for and which it will continue to stand for in the future.

In order to live up to active ownership, top competence is called for at the board level, one has to be well-informed and have the capacity for constructive dia-

logue with the president and executive management. The tendency is toward higher demands on board members and the chairman, while at the same time boards are being restricted in size in order to achieve effective teamwork. This goes hand in hand with the limitation of the number of board and chairman assignments, as well as better remuneration – preferably in the form of shares.

Composition of the board should be adapted to the company's needs and the individual's altered circumstances over time. No "lifetime commitment," greater mobility and a broadened recruiting base – not least including more non-Swedes. Evaluation of the president's and the board's performance should be systematic, and so, too, should be the planning for succession.



Percy Barnevik

## An eventful 1997

### ECONOMIC CONDITIONS AND STOCK MARKET OVERVIEW

The year 1997, to say the least, was an eventful one. The start of the stock market trading year was marked in the West by strong company earnings reports, large funds inflow and a strong dollar, at the same time as there was concern that the U.S. central bank, the Federal Reserve, would raise short-term rates with the aim of limiting incipient inflation. The Fed's chairman, Alan Greenspan, said at the beginning of the year that the American stock market was overvalued, but constantly saw new record levels both for individual shares and the market index during the year.

Asia, which grew in significance for increasingly more Swedish companies, was hit during the second half by a crisis that led to share prices falling sharply and with currencies losing more than half their value in just a few months. During recent months, the business world's interest has centered on these events. One asks oneself when and if it will all return to normal. But what is normal for an area that consists of a number of countries with different problems and with different conditions?

In late summer, currency concern spread via the Asian stock exchanges to other stock markets. Certain Swedish companies with substantial Asian presence were unjustifiably hard hit. It is inevitable that crisis leads to threat, which implies that those affected react in different ways. If the crisis is the result of various incidents such as overinvesting, overborrowing and currency exposure, it should, nevertheless, be seen as a sound and necessary correction. In this perspective, we should ask ourselves whether the crisis could also lead to opportunities.

The worst fears now appear to be easing in Asia. The crisis is certainly by no means over, but the markets now seem to have a more nuanced view and are focusing instead on the positive effects that the crisis brought with it, among other things in the form of lower global interest rates and a necessary economic cooling in certain regions. For companies included among Investor's main holdings, the development will create attractive opportunities for investments, but also tougher competition.

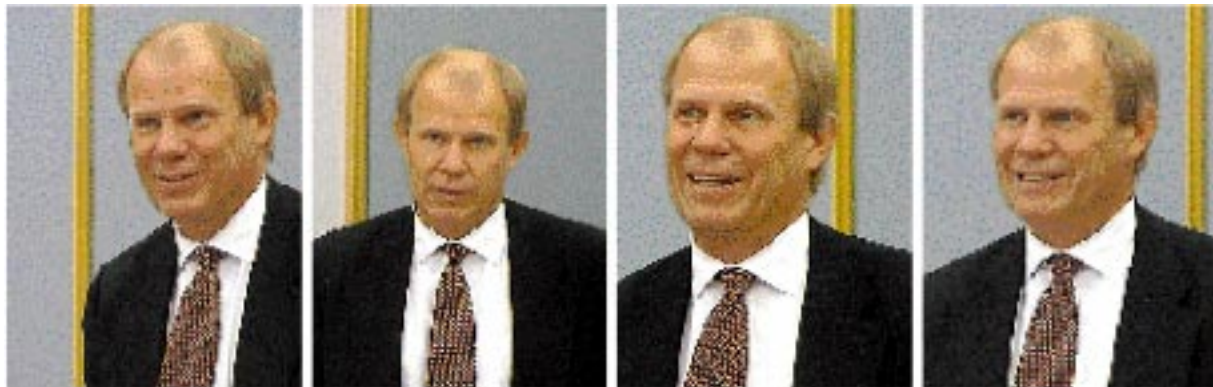
The business cycle has been relatively strong in the Nordic and Anglo-Saxon countries while Central Europe has had significantly weaker development. For 1998, the prospects look good, even though a certain dampening effect can be expected from the difficulties in the Asian economies. The American dollar has shown a significant upturn against the European currencies – not least against the Swedish krona – which led to strong export performances for the European companies. During the year international bond yields have been falling as the result of favorable inflation developments. Taking into account expected pricing pressure from the Asian companies and low prices for raw materials, we can assume there will be continuing low inflation during 1998.

### INVESTMENT ACTIVITIES

When Peter Wallenberg handed over the chairmanship of Investor to Percy Barnevik at the Annual General Meeting last year, the outgoing chairman could look back at fifteen years of major changes and strong growth in Investor. Subsequently, we can confirm that for Investor's part we came out well also in 1997. Investor's total return for the year amounted to 32 percent, compared with an average of 28 percent for the Stockholm Stock Exchange.

The number of shareholders more than doubled during the year, reaching 138,000 by the end of the year. A large portion of the increase is attributed to the fact that many shareholders in Stadshypotek chose to place their payment in shares in Investor. According to surveys conducted, another reason for the growth was our increased investments in being more visible and in communicating with our shareholders and potential shareholders at investment fairs, tennis tournaments and ocean racing events. During the year, for example, the Investor boat won the Gotland Runt race.

In the past year we have worked a great deal with structural changes in our holdings. Some very important decisions were made regarding our wholly owned subsidiary Saab AB. After the increasingly difficult market situation with continuing losses, the company made a definitive decision to terminate production of regional aircraft in order to dedicate its efforts, instead,



on other aerospace and high technology operations. By so doing, a basically strong company such as Saab will have greater possibilities to invest in areas that have the best growth possibilities for the future.

The next natural step in our restructuring is to look into the possibilities of broadening the ownership in Saab by listing the company on the Stockholm Stock Exchange, something that we already previously indicated as a possibility. In the event of these plans coming to fruition, the primary intention is to let Investor shareholders become shareholders in Saab AB.

We have also been involved in the merger of OM Gruppen and the Stockholm Stock Exchange, where we see advantages in the form of cost savings, integrated trade with derivatives and shares as well as joint development of world-leading transaction technology. We have also been most involved in the merger of S-E-Banken and Trygg Hansa. In addition, we continue to participate in the restructuring of Incentive, which has led to ABB now being one of our directly owned main holdings.

During the year additional shares were acquired in, among others, Ericsson and Electrolux. The holding in TV4 was sold since we, as a major owner, did not feel we had sufficient competence to bring to the company.

In order to be able to further focus on our active ownership as well as on expanded investment activities, we implemented certain organizational changes during the year. The aim is for the most qualified and experienced employees in Investor's Management Group to be able to dedicate more time to their main tasks with ownership and investment issues. We furthermore decided to hold off a listing of Investor in New York since we observe that more and more American investors prefer to buy foreign shares on the local markets.

Investor's competitive strength is dependent on the competence of our employees. In order for us also in

the future to be able to attract the best qualified, a year ago we began with the Investor Day, where around a thousand students participate and we exchange thoughts about the job market of the future. There's a lot to be done to create an attractive workplace. A very small but much appreciated gesture was our introduction of Casual Friday, permitting casual wear at the office on Fridays.

Externally, we continue to give our views on Corporate Governance matters, i.e. how work on company boards generally could be more effective and fruitful. (See "Chairman's letter" page 2.)

#### RETURN REQUIREMENTS

A question connected with Corporate Governance that we often encounter is what return (value growth plus dividend) requirement we at Investor have on our investments. The question comes as much from shareholders as from companies in which we are major owners.

In order to answer the question one must first clarify what return requirements Investor's shareholders have on their own investments in the Investor share. A traditional approach is to start with a so-called risk-free interest rate, i.e. the interest an investor wants to have without taking any risk whatsoever. This is usually approximated by the yield on government bonds. Presently the Swedish five-year government bond rate is 5 percent. The Swedish bond is chosen because the majority of Investor's shareholders are Swedes – institutions and private individuals – whose main investment alternatives are in Sweden.

Added to the risk-free interest is a so-called risk premium for investing in shares since they involve greater risks than investments in government bonds. The risk premium varies somewhat over time but usually lies in the range of 3–5 percent.

In addition to the risk-free interest and risk premium for equity investments in general, there is the risk in the individual stock. It is obvious that some stocks are more



risky than others, but it is difficult to measure. One way to measure a stock's specific risk is to look at how much it swings in relation to the market as a whole. That figure is referred to as the stock's beta and it measures the covariance of the stock relative to an index. If a stock has a beta of one, it indicates that the stock fluctuates just as much as the market. If it has a beta of two, it indicates that the fluctuations are twice as large, and if the beta is 0.5, the fluctuations are half as large and the stock considerably less risky than the market as a whole. This way, one can calculate that the market's return requirement on the Investor share at present is about 10 percent (risk-free interest 5 percent, risk premium 4 percent, beta 1.3<sup>1)</sup>). Investor's return over the past ten years has been around 23 percent per year, which is about 4 percent better than the stock market average.

Investor's goal is long-term to surpass the stock market's return,  $5 + (4 \times 1.0)$ , by 3 percent which at present means that we are aiming to give our shareholders 12 percent return per year on average.

How do we plan to achieve that then? Well, partly through getting a satisfactory return on our investments, partly through reducing the discount to net asset value – which will be something of a one-time effect –

<sup>1)</sup> Formula:  $5 + (4 \times 1.3)$

and partly through raising the company's financial leverage. When it comes to our return requirement on our main holdings, we can, in the same way as for Investor, determine what the market's return requirement is on these companies. Added to this, is our extra requirement, which, all in all comes up to 3 percent.

Our role as active owner includes seeing to it that the companies at the very least meet the market's requirements. One way of getting this across is to introduce bonus programs for managements linked to the return on the company's share, something, to an increasing extent, that we initiated during the last few years.

#### DISCOUNT TO NET ASSET VALUE

Why do we have a discount to net asset value, i.e. a difference between our company's net worth and its market value? The most common explanation is that a shareholder is not prepared to pay the full price for all the holdings in the portfolio since he does not necessarily feel they are all equally interesting. It is like a customer who goes into a department store to buy a shirt and a toothbrush. The customer is prepared to pay the full price since he or she needs those items. If at the same time the customer is offered the chance to buy a Santa Claus mask and a fishing rod he or she will surely

FINANCIAL HIGHLIGHTS* SEK m.	Pro forma		1996 12/31	1997 12/31	1998 2/10
	1994 12/31	1995 12/31			
<b>Net worth<sup>1)</sup></b>					
Total	43,493	50,074	78,880	88,409	94,477
Per share after full conversion	218	252	394	442	472
<b>Income</b>					
Operating income after depreciation	4,060	218	9,566	–674	
Income after net financial items	2,972	3,048	9,598	–942	
Net income	2,812	2,976	9,479	206	
<b>Liquidity, equity/assets ratio and net debt</b>					
Short-term and long-term loan liabilities	13,188	11,481	2,532	4,525	
Cash and short-term investments	6,064	4,816	15,017	10,991	
Net Cash/Net debt	–3,589	–9,062	9,949	3,910	
Equity/assets ratio <sup>2)</sup>	54%	60%	73%	68%	
<b>Dividend</b>					
Per share, SEK	8.00	9.00 <sup>3)</sup>	10.00	10.00 <sup>4)</sup>	
Yield	4.3%	4.1%	3.3%	2.6%	

\* In accordance with the former accounting principle, namely the purchase method.

<sup>1)</sup> Shareholders' equity, convertible debenture loans and surplus value. (Comments on net worth: page 21).

<sup>2)</sup> Shareholders' equity, including convertible debenture loans, in relation to total assets.

<sup>3)</sup> Actual dividend paid excluding the special cash dividend of SEK 20.00 per share.

<sup>4)</sup> Proposed dividend.

want a discount, especially if it's Easter time.

Another reason for the discount with the purchase of a stock portfolio could be that through this you can get a certain lock-up effect. If you feel that a share in a stock portfolio will become overvalued, you cannot sell it the same way as if you owned it in individual shares.

On the other hand, industrial holding companies offer a good risk spread, professional management and active ownership involvement, which means that the industrial holding company shares in general and Investor shares in particular have given a significantly better return than the market overall for many years. Reducing the discount, in different ways, from the current level is a distinct goal for us.

#### INCREASED FINANCIAL LEVERAGE

An additional way of increasing the return to Investor's shareholders is to raise Investor's leverage, without appreciably increasing risks. As long as the return on equity investments is higher than the cost of debt, you can increase the return by a few percentage points. A leverage of about 15–20 percent of the portfolio's net worth should be optimal, in terms of risk and taxes. When the new tax rules for industrial holding companies were introduced in the eighties with the so-called standard income, it was based on a leverage of about 15 percent.

#### ECONOMY AND POLITICS

This is an election year in Sweden. A crucial prerequisite for well-being is economic growth. After more than two decades of weak growth, Sweden has come far down the line in the OECD's world economic league. Measures have been taken to turn the trend around, for example, the Swedish central bank, the Riksbank, became independent and an inflation target has been set to guarantee stable price development, but this is not enough. Further reforms of a more comprehensive type must be enacted if Sweden is to catch up with the other OECD countries. For example, we see labor market laws in their present form as ineffective and not contributing to decreasing the unemployment.

The European Economic and Monetary Union, is another current topic. In May, government leaders in the European Union will decide which member countries have achieved the convergence criteria. The Swedish parliament has decided that Sweden will not be in the EMU when it comes on stream on January 1, 1999.

What does the connection to a common currency really mean? The main goal is that the euro will sustain price stability, but it also has to do with welding together Europe economically. For companies, it means, primarily, that you can do away with currency risks and costs for handling different currencies. Companies get the same currency as their biggest competitors. Even if Sweden does not join initially, there will be keen interest on the part of many companies, one way or the other, to switch over to the euro.

#### THE STOCK MARKET 1998

For the historically high level on the Swedish stock market to sustain, at the time of writing, implies continued low interest rates as well as an improved European industrial business cycle. For the present, the outlook appears favorable for both these important factors, added to which is the continuing strong inflow to the market from the increasing Swedish mutual fund investments as well as from international institutional investors.

Additional stimulants to the equity market could come from continuing structural deals in, for example, the financial services, pharmaceuticals and forest products industries. I am convinced that we are going to see an increasing number of such deals, not least cross-borders, that is to say mergers across borders, in Europe in the next few years.

All in all, 1998 promises to turn out to be as eventful a year as 1997 and, hopefully, will be yet another favorable year for Investor's shareholders.



Claes Dahlbäck

## Sweden's leading industrial holding company

Investor is the largest industrial holding company in Sweden, with a net worth of nearly SEK 90 billion. Investor owns substantial shareholdings in Astra, Incentive, Scania, Ericsson, Atlas Copco, ABB, STORA, S-E-Banken, SKF, SAS, WM-data, OM Gruppen and Electrolux. The Group also owns Saab AB and half of Saab Automobile. Investor has approximately 138,000 shareholders, and shares in the Company are traded on the Stockholm Stock Exchange and SEAQ in London. The Group has slightly more than 8,000 employees and Investor has about 140 employees working in the investment operations (excluding employees in wholly owned operating companies).

### BUSINESS CONCEPT

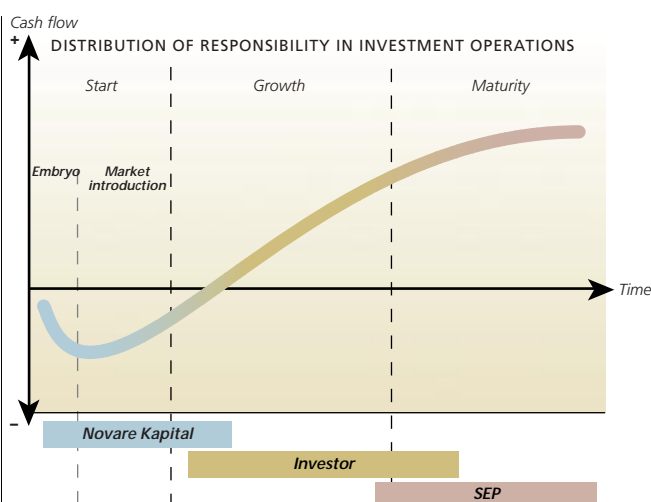
Investor's business concept is to create favorable value appreciation for shareholders through active long-term ownership and active investment operations. Added value is created by providing a high return based on limited risk exposure.

The business concept also clearly expresses one of Investor's fundamental principles: investments in Investor will provide higher total return than comparable investment alternatives for shareholders with long-term investment horizons. During the past 25 years, Investor's total annual return (sum of share dividends and share price growth) has exceeded an average of 20 percent, compared with corresponding growth of about 15 percent for the Stockholm Stock Exchange. The most important objective for all Investor employees is to meet shareholder demands for capital return.

### AVERAGE ANNUAL TOTAL RETURN\*

	Stock Market	Investor
5 years	29.7%	33.4%
10 years	18.8%	23.4%
15 years	20.3%	23.0%
20 years	22.6%	26.9%

\* Total return is the sum of share dividends and share price appreciation. Findata's yield index (FDAX) is used as a comparative reference. The calculation assumes the stock market showed the same direct return as Investor in 1978 and 1979.



*Novare Kapital and Scandinavia Equity Partners (SEP) provide Investor with access to two companies that, in some cases, may provide more suitable ownership than Investor.*

### STRATEGY

Investor's operations will continue to be governed by the following fundamental principles:

- to develop and work with the main holdings.
- to seek new investments and business opportunities that create added value.

Value is created through financial and industrial strength combined with knowledge, experience and contacts. In its capacity as an active owner, Investor is a driving force behind industrial business development. For example, the Group endeavors to ensure that investments in research and development, and in new installations and market organizations, create added value in the company concerned. As a major owner, Investor also strives to secure financing characterized by a sound balance between debt and equity. The objective at all times is to create a strong, long-term return on investments with limited risk exposure for shareholders.

Investor's operations involving new investments are intended to complement existing shareholdings. The Group looks for small and medium-sized companies that offer highly promising, long-term growth potential.

## ORGANIZATION

The investment organization has been expanded to include representation through independent subsidiaries in Stockholm, Hong Kong, London and New York. Since the beginning of 1998, work with the Group's main holdings has been concentrated in Stockholm, while operations involving new investments are directed mainly by Investor's subsidiary in London.

Novare Kapital and Scandinavian Equity Partners (SEP) provide Investor with access to two companies that, in some cases, may provide more suitable ownership than Investor. Novare Kapital is a wholly owned venture capital company focused on minority investments in fast-growing small-cap companies based in the Nordic region. SEP is a jointly owned company that invests in medium-sized companies in the Nordic countries. Typical investment situations involve established companies owned by large corporations, but not included in core operations, companies that need greater financial resources to achieve growth, and companies in need of ownership change for different reasons. Access to Novare and SEP enables Investor to distribute responsibility for shareholdings over a company's lifetime.

Investor's organizational structure is based on a combination of comprehensive industrial and financial know-how. The Board of Directors is chaired by Percy Barnevik



*A global investment organization, with independent subsidiaries and offices in Stockholm, Hong Kong, London and New York, works to develop current holdings and find new investments that will create value growth.*

and includes some of Sweden's most experienced industrialists working in a large international network of contacts and cooperation partners. The Board of Directors and Investor's employees provide the Group with highly valued and thorough knowledge of conditions and factors that determine long-term industrial and value growth.

## INVESTOR'S MAIN HOLDINGS

12/31 1997

%	Share capital	Voting rights
<b>Engineering</b>		
Scania*	26	42
Saab	100	100
Saab Automobile	50	50
Electrolux	2	45
SKF	12	30
Atlas Copco	14	20
ABB	7	9
<b>Pharmaceuticals/Health Care</b>		
Astra	10	12
Incentive	20	26

%	Share capital	Voting rights
<b>IT</b>		
Ericsson	3	22
WM-data	14	6
<b>Bank and finance</b>		
S-E-Banken	8	9
OM Gruppen	20	20
<b>Forest products</b>		
STORA	16	20
<b>Service</b>		
SAS	19	19

\* Refers to 52,994,181 shares not charged with issue of covered warrants.

## Stronger organization for analyses and investment decisions

Investor's strives to exercise a form of active ownership that, in tangible terms, involves being a driving force and advisor in acquisitions, divestments, mergers and corporate reconstruction. The responsibility of an active owner also includes such contributions as proposals for financing solutions and efforts to recruit and retain qualified management personnel in the companies. By work on boards of directors and other work conducted through networks, the active owner proposes new projects and creates opportunities to capitalize on potential synergies between the companies. International contacts facilitate business establishments in foreign markets and financial solutions for investment requirements.

This broad range of responsibilities and opportunities places increased demands on Investor's organization. A growing number of companies and industries need to be analyzed in parallel with increasing quantities of information gathered from international sources. Well-founded decisions by boards of directors and executive management require a broad range of basic facts evaluated in accordance with sophisticated analytical methods that characterize the Group's investment activities. The basic point of departure is to clarify what Investor can contribute to every holding with the objective of creating added value for shareholders.

"We are a knowledge-based company able to identify sound investments using global impulses and a network that has been nurtured and refined for many years. Our business culture is founded on tradition and vision, and intellectual capital that grows from generation to generation," says Claes Dahlbäck, President and Chief Executive Officer of Investor.

### ATTRACTIVE WORKPLACE

Investor is one of Europe's leading industrial holding companies, with nearly 140,000 shareholders. The main holdings are concentrated in companies with a combined total of 650,000 employees working in world markets characterized by constantly growing competition in the wake of deregulation, technological advances and expanded free trade. The rate of change is being accelerated by rapid communications and greater capital mobility. For many companies, including Investor the potential to expand is becoming more dependent on the ability of

management and other personnel to recognize and understand market needs and customer preferences.

In order to strengthen the organization, Investor recruited 20 young and well-educated new specialists in 1997, increasing its workforce to about 140 persons.

"Competition for knowledge and high performers is increasing as greater demands are placed on the ability to take firm decisions regarding the ever-growing values of assets and flows of capital under management. Investor must be perceived as an attractive employer in order to recruit, retain and develop qualified employees. In addition to monetary reward based on results, the concept also embraces short decision-making processes and personal responsibility within the framework of clearly defined policies governing objectives and risks," says Marcus Wallenberg, Executive Vice President of Investor.

### THE SEARCH FOR GROWTH COMPANIES

By the very nature of borderless capital, a growing number of companies are becoming more multinational, which has intensified competition and the need for information. To an ever increasing extent, the price of Swedish shares is being set in the international market. The electronic leap forward and new financial instruments have made it possible to trade in securities around the clock and around the world in a search for opportunities to improve utilization of financial and human resources.

The Group's new investments have focused mainly on companies and industries with good potential for long-term growth, such as health care, telecom, IT, service and environmental companies.

Increasingly efforts to create value are directed toward intangible factors represented by new information and service companies, with those active in training and education appearing particularly attractive. Investor has completed an investment program in the "Edison Project". A leading private school company in the U.S., Edison's goal is to expand by taking over publicly owned schools. In addition to assuming responsibility for cost efficiency, this project is unique in that it strives to increase the quality of education, which has led to improved academic results for many students. Edison is believed to have the potential to become a part of the profitable knowledge industry.





*The focus of the investment offices in Hong Kong, London and New York was streamlined in 1997, with an emphasis on new investments. Responsibility for Investor's main holdings is concentrated in Stockholm.*



#### OVERSEAS PLATFORMS FOR NEW INVESTMENTS

The need to complement traditional shareholdings in mature industrial companies formed the background to a decision by Investor in 1995 to strengthen its international monitoring activities by establishing separate investment offices in Stockholm, Hong Kong, London and New York. The function of the offices is to operate in close proximity to international money markets and world finance centers, close to decision-makers and information flows that influence strategic changes in key industries.

After a few years of development, the former managers of Investor's overseas investment offices were assigned more defined roles in 1997, including overall responsibility for various parts of Group investment operations. The work of Investor's management group attained a sharper focus at year-end 1997, when two investment committees

were formed. One of the committees, which concentrates on new investment objects, is staffed by Börje Ekholm, Thomas Nilsson, Claes von Post and Marcus Wallenberg. The other, comprising Claes Dahlbäck, Ulla Litzén, Sven Nyman, Jacob Wallenberg and Marcus Wallenberg, concentrates on Investor's main holdings. Within Investor's management group, Börje Ekholm has been assigned operational responsibility for new investments. Now based in London, Mr. Ekholm is the former President of Novare Kapital, Investor's venture capital company.

"We are looking for new situations in the market where we can capitalize on our unique expertise. In concrete terms, we focus on selected industries in an effort to identify, analyze and monitor companies regarded as viable future investment objects. The strength of a company's management and strategic philosophy is an im-

portant parameter in our appraisals. Our mandate allows us to invest in both listed and unlisted companies. Our evaluations include market attractiveness and the company's market position. Investor's short decision-making channel is a strength in the investment process," says Börje Ekholm. In addition, Investor recently opened a new office in Amsterdam, from which administrative and legal aspects of new investments are coordinated.

#### TEAMWORK IN PROJECT FORM

The development of main holdings has been assigned to Investor's other investment committee. Sven Nyman, former head of the investment office in New York, has special responsibility for holdings in health care and the financial services. "In efforts to develop the Group's main holdings, we work in a streamlined project organization striving to combine industrial and financial know-how with advanced analytical skills and creativity. Over the past few years, we have developed business teams for every main holding, with the objective of maintaining constant access to the best knowledge available about the industry in question, the company and its valuation," says Sven Nyman.

To effectively contribute viewpoints and information that promote development and the creation of added value, a broad range of subjects is monitored carefully, including new technologies, competition, markets, products and people associated with the main holdings. These are the main assignments handled by Investor's business teams. Each team consists of five to six members of varying ages, with experience and expertise in industrial and financial activities. Their work places stringent demands on systematization, analyses and valuations. "This requires people with comprehensive specialist knowledge and integrity, who are able to share their experience with other members of the team," Sven Nyman continues. Although work related to Investor's main holdings has been concentrated in the Stockholm office since year-end 1997, the operations still require impulses and information from Investor's global network.

#### INFORMATION YIELDS INCREASED OWNERSHIP

One of the Group's expressed ambitions is to broaden Investor's ownership base. Concentration on information activities is one of the instruments available. Increased media contacts during recent years have provided the general public and professional capital markets with a flow of news and comments from Investor. A prize-winning web site on the Internet ([www.investor.se](http://www.investor.se)) provides daily news and notes about Investor, its main holdings and financial markets in general. New target



*During recent years, Investor has made determined efforts to increase communications with existing and potential shareholders.*

groups are reached through various contact platforms, such as meetings with shareholders, tennis tournaments and sailing events. The number of Investor shareholders has more than doubled over the past two years.

Several awards received in 1997 confirmed the information sector's favorable reaction to Investor's expanded and intensified communications with shareholders and the public. Investor was No. 1 in the annual survey of journalists and financial analysts conducted by Image Survey International to evaluate the quality of the external information and PR activities of more than 100 Swedish companies and organizations. Investor Dialogue, the Group's CD-ROM and Internet contact point, was also awarded the prestigious Diamond Key prize.

"Our information policy is based on considerable openness, to enable the media to project an extremely accurate picture of Investor. But our use of direct media is also expanding rapidly, both in terms of spread and applications, particularly the daily visits made to our web site," says Nils Ingvar Lundin, Director of Corporate Communications.

#### WELL-EQUIPPED TO MEET YEAR 2000

Due to changes in Investor's organization during recent years, it is well-equipped to capitalize on new opportunities to create value for shareholders. External demands have intensified, as has competition for qualified personnel and attractive business transactions. This pressure is being countered by the Board's and executive management's firm intention to live up to the confidence entrusted in them by Investor's many shareholders.

## Twofold increase in number of shareholders

The Investor share has been traded on the Stockholm Stock Exchange since the Company was established in 1916 and on SEAQ International in London since 1992.

At year-end 1997, Investor's market capitalization amounted to SEK 73.9 billion. Investor was the fifth largest company on the Stockholm Stock Exchange, after Ericsson, Astra, Volvo and ABB AB, in terms of market capitalization, which rose by SEK 16 billion, or 28 percent, during 1997.

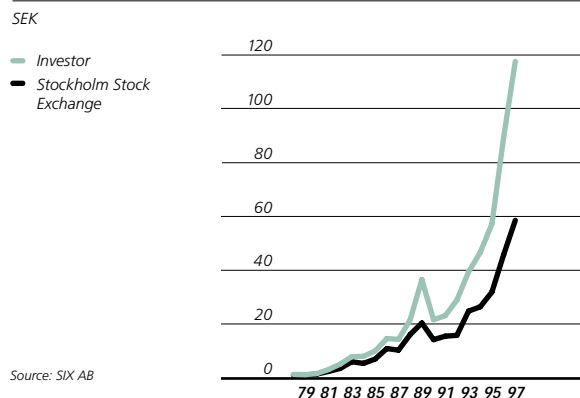
Investor's share of the Exchange's total market capitalization rose slightly during the year to 4 percent. This may be compared with the largest companies, Ericsson and Astra, with shares of 16 and 12 percent, respectively.

### TOTAL RETURN

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

Total return takes into account the appreciation in

TOTAL RETURN\* 1978–1997



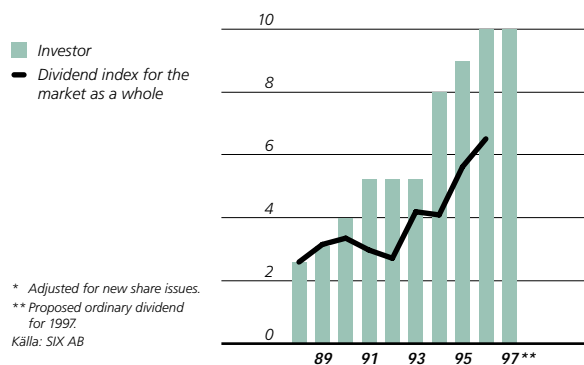
### AVERAGE ANNUAL TOTAL RETURN\*

	Stock Market	Investor
5 years	29.7%	33.4%
10 years	18.8%	23.4%
15 years	20.3%	23.0%
20 years	22.6%	26.9%

\* Total return is the sum total of the dividend and appreciation in share price. Findata's yield index (FDAX) has been used as the comparative index. In the calculations, it has been assumed that the stock market and Investor generated the same dividend yield during 1978 and 1979.

ORDINARY DIVIDEND PAID PER SHARE\*

SEK/share



the value of a share and its dividend. Considered over periods of 5, 10, 15 and 20 years, the total return on Investor shares has consistently exceeded the average performance of the Stockholm Stock Exchange (expressed in terms of Findata total return index).

This means that one krona invested in Investor in January 1978 had grown to SEK 118 at year-end 1997, compared with SEK 59 for an average stock market investment during the same period. During 1997, the total return on an investment in Investor was 32.1 percent, compared with 27.8 percent for Findata's total return index.

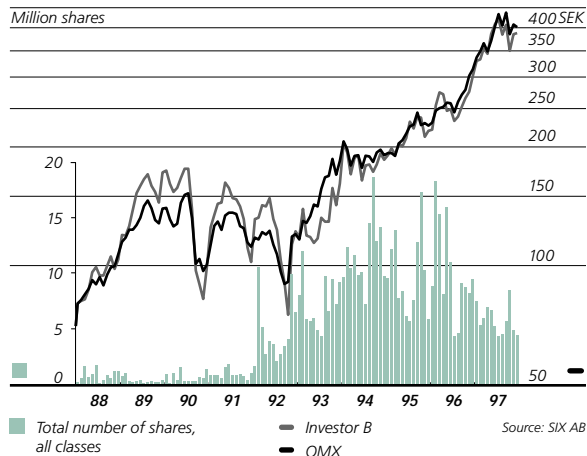
The return that the stock market requires from a share investment is affected by the risk-free interest rate, the general risk premium for share investments and the specific risk related to the share involved. One way of measuring the risk to which a specific share is exposed is to see how much the share price varies in relation to the market as a whole, with the help of the so-called beta. At year-end 1997, the beta for Investor was 1.3.\*

### DIVIDEND

Investor's dividend policy is to distribute a large share of the dividends it receives from its main holdings as well as a reasonable proportion of the earnings of its remaining wholly owned subsidiaries. Furthermore, the dividend should grow steadily over time. During 1997, a dividend of SEK 10.00 per Investor share was paid, which related to the 1996 fiscal year. It is proposed that the cash divi-

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

SHARE PRICE AND TURNOVER, INVESTOR SHARES 1988–1997



dend for the 1997 fiscal year remain unchanged at SEK 10.00 per share. In addition, a dividend of purchase rights of shares in Saab AB may be proposed.

#### SHARE PRICE TREND AND TURNOVER

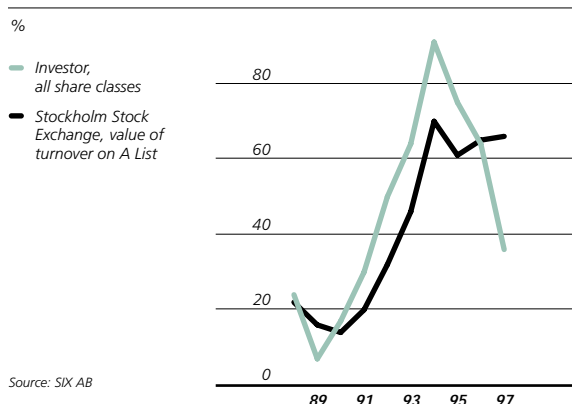
The price of Investor's most heavily traded share, Class B, rose by slightly more than 28 percent from SEK 301.50 at the beginning of the year to SEK 387 at the end. This largely corresponded to the trend of the OMX Index. During the same period, the broader Affärsvärlden General Index rose by 25 percent. The price of Investor's Class A share rose from SEK 305 to SEK 387 in 1997.

Total turnover on the Stockholm Stock Exchange has risen during recent years, due to such factors as increasing interest from foreign investors. Another reason is an increased number of share issues and IPOs. Other reasons for the higher turnover include the fact that an increasing number of investors are becoming more active in asset management, through such measures as increasing the proportion of short-term trading. In total, trading volume on the Stockholm Stock Exchange rose by 47 percent during 1997 to SEK 1,346 billion. Since many companies moved from the A List to the O List during the year, the percentage increase for the O List was three times as large as the overall rise.

In a historical perspective, the real return on shares was excellent in 1997. By the beginning of August, the average price increase was 38 percent. However, the subsequent trend was dampened by unrest in international markets during the autumn.

Over the years, turnover of Investor shares has increased constantly, particularly for the Class B share. The B Class has benefited from the fact that its share of the total number of shares outstanding has increased from 12 percent prior to the acquisition of Saab-Scania,

TURNOVER RATE OVER A TEN-YEAR PERIOD



Providentia and Export-Invest to 59 percent today.

The rate of turnover on the Stockholm Stock Exchange was virtually unchanged in 1997 and corresponded to 66 percent. At the same time, the rate of turnover for Investor's two classes of shares declined from 64 percent to 36 percent. Despite this, Investor was the tenth most heavily traded company on the Stockholm Stock Exchange. The B share dominated trading, with a turnover rate of 54 percent, compared with 11 percent for the A share.

#### TURNOVER OF INVESTOR SHARES

Thousands	Class A	Class B	Total
Jan–March	2,490.0	16,117.1	18,607.1
April–June	2,786.7	15,927.1	18,713.8
July–Sept	1,902.6	12,503.7	14,406.3
Oct–Dec	1,727.0	15,951.4	17,678.4
<b>Total</b>	<b>8,906.3</b>	<b>60,499.3</b>	<b>69,405.6</b>

#### CONVERTIBLE DEBENTURE LOANS

Investor's convertible debenture loan was issued to partially finance the acquisition of Saab-Scania in 1991. The loan, which was subsequently increased in connection with the acquisition of Förvaltnings AB Providentia, carries annual interest of 8 percent. Conversion to new B shares is possible through May 2001 and the loan falls due for repayment on June 21 of the same year.

In connection with the sale and initial public offering of Scania in April 1996, changes were made in the terms and conditions for the convertible debenture loan. The conversion price was recalculated and is currently SEK 145.30.

In 1992, a currency exchange was implemented, whereby a portion of Investor's convertible debenture loan was



converted to ECU. This related to SEK 1,353 million, in original nominal value, which was converted to ECU 183 million.

The total nominal value of the loans at the beginning of 1997 was SEK 1,337 million, of which the loan portion denominated in Swedish kronor accounted for SEK 1,042 million in nominal value. At year-end, the corresponding amounts were SEK 1,323 million and SEK 1,030 million. Investor's own holding amounted to SEK 899 million, equal to 87 percent of the loan.

The total nominal value of the ECU portion of the loan at the beginning of 1997 was SEK 295 million. Subsequently, in June, Investor took the opportunity to repurchase the remaining portions of the ECU convertible debentures. Accordingly, at year-end, Investor owned SEK 293 million or 100 percent of ECU-denominated loan and a total of 90 percent of the outstanding volume of convertible debenture loans.

#### WARRANTS IN SCANIA

In connection with the Scania IPO, Investor shareholders received one three-year covered warrant in Scania for each Investor share held. Five warrants carry entitlement to one 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.

A total of slightly more than 190 million covered warrants were distributed, corresponding to 38 million B shares or about 20 percent of the shares in the company.

At year-end, 190,353,760 warrants were outstanding. The price rose by 6 percent during the year from SEK 6.10 at the beginning of 1997 to SEK 6.50 at year-end. During June and up to the end of October, the price level was constant at more than SEK 10. A total of nearly 102 million warrants were traded during the year, equal to a turnover rate of 54 percent.

#### SHAREHOLDER SERVICES PROGRAM

Another step to improve service to existing and potential Swedish shareholders is a shareholder services program. Formulated in cooperation with Aktieinvest, owned by the Swedish Shareholders' Association, the service will facilitate cost-efficient trading in small and medium-size shareholdings with the option to reinvest dividends and thus increase the holding.

#### SHARE AND CONVERTIBLE

##### DEBENTURE STRUCTURE

At year-end 1997, Investor's share capital amounted to SEK 4,772 million, represented by 191 million shares with a par value of SEK 25 each. At the same date, the nominal value of Investor's convertible debenture loan was SEK 1,323 million. If fully converted, the number of shares would increase to approximately 200 millions, with the proportion of B shares rising to 61 percent of total share capital.

The number of shareholders more than doubled in 1997, largely because many Stadshypotek shareholders decided to invest their sales proceeds in Investor shares. During the first half of 1997, the number of shareholders increased by 94 percent, or by nearly 64,000. Following an additional rise during the second half of the year, the total was 138,576 on December 31, 1997, corresponding to an increase of 106 percent during the year.

Investor's ownership structure is concentrated, with the 15 largest shareholders accounting for 52 percent of the capital and 70 percent of the voting rights. At the same time, 88 percent of the shareholders own only 5.6 percent of the shares and 38 percent owned less than ten shares.

The ownership structure also reflects the overall pattern on the Stockholm Stock Exchange, with a high proportion of institutional Investors (defined as all holdings

#### STRUCTURE OF INVESTOR'S SHARE CAPITAL AND CONVERTIBLES

	Class of share	No. of shares	No. of voting rights	% of capital	% of voting rights
<b>Before conversion</b>	A 1 vote	77,922,711	77,922,711	40.8	87.3
	B 1/10 vote	112,948,591	11,294,859	59.2	12.7
		<b>190,871,302</b>	<b>89,217,570</b>	<b>100.0</b>	<b>100.0</b>
<b>Convertible debenture loans*</b>	B 1/10 vote	9,106,384	910,638		
<b>After conversion</b>	A 1 vote	77,922,711	77,922,711	39.0	86.5
	B 1/10 vote	122,054,975	12,205,498	61.0	13.5
		<b>199,977,686</b>	<b>90,128,209</b>	<b>100.0</b>	<b>100.0</b>

\* The nominal value of the loan is SEK 1,323 m. and the debentures carry 8.00% interest until June 21, 2001. The conversion price is SEK 145.30.



## the Investor share

not registered in the name of an individual), since a total of 8,600 institutional investors own 82 percent of the shares. Many of the institutions represent individuals, however, who invest in shares through mutual funds, for example. At the same time, nearly 130,000 private individuals account for 94 percent of the total number of shareholders.

The largest single shareholder is the Knut and Alice Wallenberg Foundation, a private trust, with 35.6 percent of the voting rights and 16.7 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.

Foreign ownership at year-end 1997 accounted for 20.0 percent of the capital, a rise of 2 percentage points, and 11.4 percent of the voting rights. Investor's foreign shareholders primarily owned B shares, representing 28 percent of the total number before full conversion, and were mainly from the U.S., Switzerland, the U.K. and Luxembourg.

### Shareholder statistics according to VPC, December 31, 1997\*

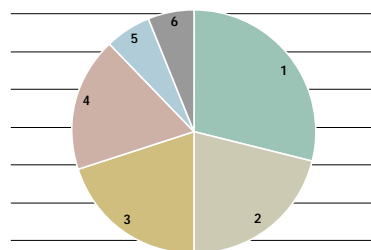
Size of holding		Number of shareholders	Total number of shares as % of total share capital
1–	500	121,357	5.6
501–	5,000	15,615	11.3
5,001–	10,000	751	2.8
10,001–	20,000	372	2.8
20,001–	50,000	243	4.0
50,001–	100,000	94	3.4
100,001–	500,000	106	12.5
500,001–	1,000,000	20	7.3
1,000,001–	2,000,000	7	5.2
2,000,001–		11	45.1
		<b>138,576</b>	<b>100.0</b>

\* Directly registered or registered in the name of nominees.

### DISTRIBUTION OF INVESTOR'S SHAREHOLDERS

% of capital

- 1 Private trusts and foundations, 29%
- 2 Banks and insurance companies, 21%
- 3 Foreign shareholders, 20%
- 4 Private investors, 18%
- 5 Mutual and stock funds, 6%
- 6 Others, 6%



### Investor's fifteen largest shareholders listed by voting rights on December 31, 1997\*

	% of voting rights	% of share capital
Knut and Alice Wallenberg Foundation	35.6	16.7
Franklin Mutual Advisers	5.9	7.7
Nordbanken's securities funds	5.6	2.8
EB Foundation	3.4	1.6
Marianne and Marcus Wallenberg Foundation	3.0	1.4
SPP	2.9	3.7
Fifth AP Fund	2.8	1.3
Marcus and Amalia Wallenberg Foundation	2.6	1.2
S-E-Banken/Trygg-Hansa <sup>1)</sup>	1.9	2.8
AMF-p	1.7	4.9
AMF-s <sup>2)</sup>	1.6	2.2
Skandia	1.1	2.8
Handelsbanken's securities funds	0.8	1.1
S-E-Banken's securities funds	0.7	0.4
Swedish National Judicial Board for Public Lands and Funds	0.5	0.8
<b>Total</b>	<b>70.1</b>	<b>51.4</b>

\* Directly registered or registered in the name of nominees.

<sup>1)</sup> Relates mainly to Trygg-Hansa's former holding.

<sup>2)</sup> In the past, AMF-s was reported jointly with Folksam's holding. As of 1997, the holding is reported separately.

# CHANGES IN AND STRUCTURE OF SHARE CAPITAL 1975–1997

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. Unrestr. Total	2,880,006 719,994 3,600,000		N 1:4 SEK 50 B 1:4
1979	270		Restr. Unrestr. Total	4,320,009 1,079,991 5,400,000		B 1:2
1982	405		Restr. Unrestr. Total	12,960,026 3,239,974 16,200,000	25	B 1:2+split 2:1
1984	810		A Restr. A Unrestr. B Unrestr. Total	23,004,001 5,345,999 4,050,000 <sup>1)</sup> 32,400,000		B 1:1 (3A+1B Unrestr. on 4 old)
1990	2,025		A Restr. A Unrestr. B Unrestr. Total	57,510,003 13,364,997 10,125,000 81,000,000		B 3:2 (3A:2A, 3B:2B)
1991		3,564 <sup>2)</sup>	A Restr. A Unrestr. B Unrestr. Total	59,886,758 <sup>3)</sup> 10,988,242 10,125,000 81,000,000		
1992	3,434 <sup>4)</sup>	6,855 <sup>5)</sup>	A Restr. A Unrestr. B Unrestr. Total	59,886,758 10,988,242 66,478,396 137,353,396	A Restr. A Unrestr. B Unrestr. Total	59,886,758 10,988,242 110,993,390 181,868,390
1994	3,874 <sup>6)</sup>	6,850	A B Total	77,922,711 77,039,669 154,962,380	A B Total	77,922,711 121,521,653 199,444,364
1995	3,875	6,847	A B Total	77,922,711 77,058,129 154,980,840	A B Total	77,922,711 121,521,653 199,444,364
1996	4,769	1,337	A B Total	77,922,711 112,851,912 <sup>7)</sup> 190,774,623	A B Total	77,922,711 122,054,990 199,977,701
1997	4,772	1,323	A B Total	77,922,711 112,948,591 190,871,302	A B Total	77,922,711 122,054,975 199,977,686

<sup>1)</sup> The B share was introduced in 1984.

<sup>2)</sup> In connection with the acquisition of Saab-Scania.

<sup>3)</sup> In connection with the acquisition of Saab-Scania, 2,376,755 unrestricted A shares were converted to restricted A shares.

<sup>4)</sup> Increase in the share capital by a par value of SEK 1,409 m. in connection with the acquisition of Förvaltnings AB Providentia through a preferred issue of 56,353,396 unrestricted B shares.

<sup>5)</sup> Increase in the nominal value of the convertible debenture loan by SEK 3,291 m. in connection with the acquisition of Förvaltnings AB Providentia.

<sup>6)</sup> Increase in the share capital by a par value of SEK 439 m. in connection with the acquisition of Export-Invest through a non-cash issue of 7,047,711 A shares and of 10,528,263 B shares and by a par value of SEK 1 m. through conversion of debentures.

<sup>7)</sup> Increase of 35,793,783 B shares through conversions.

N: New issue

B: Bonus issue

## ten-year summary\*

INVESTOR GROUP										
SEK m.	1988	1989	Pro forma		1992	1993	1994	1995	1996	Average annual growth, 5/10 years, %
			1990	1991					1997 <sup>15)</sup>	
Dividend income <sup>1)</sup>	249	285	390	666	546	390	427	656	1,804	1,683
Yield on the portfolio, % <sup>1)</sup>	2.4%	1.6%	2.5%	3.3%	2.3%	1.4%	1.4%	1.7%	2.6% <sup>2)</sup>	1.8% <sup>2)</sup>
Dividend paid	227	275	348	721 <sup>3)</sup>	721	721	1,240	1,713 <sup>4)</sup>	1,908	1,909 <sup>5)</sup>
Sales <sup>1)</sup>	1,817	394	560	5,898	5,289	4,178	986	0	18,800 <sup>6)</sup>	4,141
Capital gains, net <sup>1)</sup>	1,068	232	450	2,517	2,271	1,408	608	–	12,400 <sup>6)</sup>	3,197 <sup>6)</sup>
Turnover, %	16%	3%	3%	19%	21%	16%	3%	0%	0% <sup>7)</sup>	5%
Purchases and new subscriptions <sup>1)</sup>	400	1,959	3,782	808	482	246	2,223	1,429	9,739 <sup>8)</sup>	11,593
Income after financial items	1,210	464	419	2,165	1,482	410	2,972	4,660	9,598	–942
Market value of portfolio <sup>1)</sup>	10,550	17,397	15,900	20,411 <sup>9)</sup>	23,238	27,964	30,457	37,817	61,325	80,880
Change in value of the portfolio, % <sup>1)</sup>	45%	47%	–25%	14% <sup>9)</sup>	26% <sup>9)</sup>	41%	4%	20%	38% <sup>7)</sup>	19%
Change in the Affärsvärlden General Index, %	52%	24%	–31%	5%	–1%	54%	5%	18%	38%	25%
Change in the OMX, %	52%	31%	–28%	11%	8%	53%	3%	19%	39%	28%
Total return on the portfolio, % <sup>1)</sup>	48%	49%	–23%	6%	45%	43%	6%	21%	42% <sup>7)</sup>	21%
Surplus value of the portfolio <sup>1)</sup>	6,377	11,426	6,259	7,638	10,367	17,617	18,265	24,605	44,886	53,901
Net worth	12,866	18,872	11,280	26,430	30,122	37,493	43,493	51,225 <sup>14)</sup>	78,880	88,409
Equity/assets ratio	88%	90%	61%	34%	41%	49%	54%	55% <sup>14)</sup>	73%	68%
Share of risk-bearing capital	88%	90%	61%	48%	52%	58%	60%	61%	86%	75%
Condensed balance sheet										
– Cash and short-term investments	29	5	2	14,205	10,410	8,292	6,064	5,863	15,017	10,991
– Other assets, including surplus values	14,595	20,959	18,585	63,333	63,572	68,637	75,110	87,263	92,710	118,117
– Shareholders' equity, including surplus values	12,866	18,872	11,280	20,074	23,503	30,677	36,664	44,457	77,517	87,049
– Convertible debenture loans				6,356	6,619	6,816	6,829	6,768	1,363	1,360
– Interest-bearing liabilities	973	952	391	30,784	22,391	16,450	13,188	15,226	2,532	4,525
– Other liabilities incl. minority interest	785	1,140	6,916	20,324	21,469	22,986	24,493	26,675	26,315	36,174
Total assets, market value	14,624	20,965	18,587	77,538	73,982	76,929	81,174	93,126	107,727	129,108
Number of employees	40	1 <sup>10)</sup>	1 <sup>10)</sup>	30,656	29,690	27,372	27,503	29,406	8,941	8,168
Number of shares, millions <sup>11) 12)</sup>	87.8	87.8	87.8	181.9	181.9	181.9	199.4	199.4	200.0	200.0
Shareholders' equity per share, SEK <sup>11)</sup>	50	53	38	68	72	72	93	99	139	134
Net worth per share, SEK <sup>11)</sup>	147	215	128	145 <sup>12)</sup>	166 <sup>12)</sup>	206 <sup>12)</sup>	218 <sup>12)</sup>	257 <sup>12)</sup>	394 <sup>12)</sup>	442 <sup>12)</sup>
Share price, Dec. 31, SEK <sup>11) 13)</sup>	104	172	99	102	122	161	185	219	301.50	387
Dividend per share, SEK <sup>11)</sup>	2.60	3.10	4.00	5.25 <sup>3)</sup>	5.25	5.25	8.00	9.00 <sup>4)</sup>	10.00	10.00 <sup>5)</sup>
Yield, %	2.5%	1.8%	4.0%	5.1%	4.3%	3.3%	4.3%	4.1%	3.3%	2.6%

\* For definitions see page 84.

<sup>1)</sup> Listed Swedish shares, main holdings.

<sup>2)</sup> Excluding dividend received for Scania shares covered by warrants.

<sup>3)</sup> Actual dividend paid.

<sup>4)</sup> In addition, a special dividend of SEK 20/share was paid, or a total of SEK 3,808 m.

<sup>5)</sup> Proposed dividend.

<sup>6)</sup> Pertains to the sale of 55 percent of Scania in 1996. An additional amount of SEK 80 m. was booked in 1997.

<sup>7)</sup> Excluding Scania.

<sup>8)</sup> Of which the Scania shares added to the main holdings account for SEK 9,342 m.

<sup>9)</sup> Excluding Skandia.

<sup>10)</sup> Pertains to the president of the parent company. A company in the Patricia Group provided the necessary administrative services, for which it was compensated.

<sup>11)</sup> Adjusted for share issues.

<sup>12)</sup> After full conversion.

<sup>13)</sup> Pertains to the unrestricted B share.

<sup>14)</sup> In the 1996 Annual Report, the net worth and equity/assets ratio for 1995 were recomputed on a pro forma basis.

<sup>15)</sup> Income statement items reported in accordance with the former accounting principle, namely, the purchase method.

## Total return of 32 percent despite only 12-percent increase in net worth

The net worth of the Investor Group can be calculated by subtracting operating and financial liabilities from assets at market value. Alternatively, it can be computed from the balance sheet at market value, by adding the surplus value of the assets and the convertible debenture loan to reported shareholders' equity.

Listed market prices are available for shares and participations, thus enabling a simple calculation of the market value of these assets. For portions of the other

operations, including Saab and Saab Automobile, it is difficult to objectively determine a market value. For practical purposes, 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 worth of the entire Investor Group may deviate from a purely objective market valuation.

	12/31 1997		12/31 1996	
	SEK/share	SEK m.	SEK/share	SEK m.
Astra	115	22,920	104	20,881
Incentive	48	9,665	46	9,166
Scania	47	9,418	44	8,826
Ericsson	45	9,048	28	5,682
Atlas Copco	31	6,150	21	4,282
ABB	29	5,839	–	–
STORA	26	5,273	25	4,957
S-E-Banken	24	4,871	5	916
SKF	12	2,378	12	2,341
SAS	8	1,513	6	1,131
WM-data	7	1,444	6	1,187
Other main holdings <sup>1)</sup>	12	2,361	9	1,956
Other holdings and equity trading <sup>2)</sup>	44	8,760	34	6,756
<b>Total</b>	<b>448</b>	<b>89,640</b>	<b>340</b>	<b>68,081</b>
Saab <sup>3)</sup>	16	3,091	26	5,110
Saab Automobile 50 % <sup>4)</sup>	15	2,890	14	2,890
Saab Aircraft Finance Group <sup>5)</sup>	–	–	1	129
GHH Grand Hôtel Holdings	4	850	4	850
Land and real estate	2	480	4	700
Other assets and liabilities	1	260	–2	–319
<b>Total investments</b>	<b>486</b>	<b>97,211</b>	<b>387</b>	<b>77,441</b>
Net cash excluding Saab	6	1,093	28	5,528
Debt ABB purchase <sup>6)</sup>	–32	–6,368	–	–
Scania shares restricted by warrants <sup>7)</sup>	28	5,577	27	5,333
Liabilities, Saab Automobile	–	–	–4	–690
Internal debts etc. <sup>8)</sup>	–46	–9,104	–44	–8,732
<b>Total net worth</b>	<b>442</b>	<b>88,409</b>	<b>394</b>	<b>78,880</b>

<sup>1)</sup> Including OM Gruppen valued at SEK 1,386 m. representing 20.3% of capital and voting rights.

<sup>2)</sup> Including Investor's holding of its own convertibles, market value SEK 3,073 m. (nom. value SEK 1,192 m.) as of December 31, 1997.

<sup>3)</sup> Shareholders' equity.

<sup>4)</sup> Subordinated loan.

<sup>5)</sup> Excluding liquid assets, including internal capital contribution.

<sup>6)</sup> Debt according to agreement with Incentive, repaid in January 1998.

<sup>7)</sup> As of December 31, 1997, 38,070,752 shares valued at market price less market value of warrants.

<sup>8)</sup> Including internal eliminations.

## Focus on growth and improved return

In recent years, Investor has consciously worked towards increasing the proportion of companies with long-term growth potential in its main holdings compared with the past. By means of complementary acquisitions and portfolio restructuring, these efforts have borne fruit and companies representing more than 50 percent of the market value of the main holdings can currently be regarded as growth oriented. In the case of more mature companies with lower growth, priority has been given to efforts aimed at improving long-term profitability and reviewing their corporate structure in order to increase the return for shareholders. The shift in attitude towards work on board of directors, as dealt with in the Chairman's letter, should be viewed as a key aspect of these efforts.

### A CONTINUAL DIALOG FOR SUPERIOR LONG-TERM RETURN

The diagram below is a general description of how Investor works with major holdings in an effort to realize the long-term value potential in companies and thus gain the return required by Investor. Based on a conceivable market value and an existing business plan, Investor, in its role as an active owner, can affect a company's value and potential to generate a return.

### WHAT CAN BE DONE TO IMPROVE PROFITABILITY IN THE COMPANY?

In this context Investor can conduct a general discussion of the climate in the particular industry, conditions for the particular company, its margins, tied-up capital, and

return on investments, etc. In its operational role, it is important that management deals with this type of question, but Investor as an active owner can also stimulate an awareness that focuses long term on profitability and return for shareholders. Part of this requires translating the stock market's return requirements into operational objectives and using benchmarking to compare performance with that of competitors in the industry.

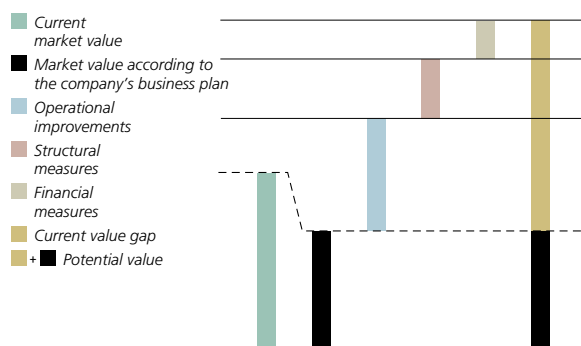
### WHAT CAN BE DONE WITH THE COMPANY'S CORPORATE STRUCTURE?

There is every reason to continually review a company's business portfolio and, when appropriate, to conduct divestments or supplementary acquisitions when an opportunity has been identified for creating value. For example, a specific line of business may require a disproportional amount of time and resources. Perhaps a divestment might represent a higher value compared with the continuing operation of the company with its existing structure. Similarly, there may be companies or lines of business that have to be complemented with new operations to create increased long-term value.

### WHAT CAN BE DONE WITH THE FINANCIAL SITUATION IN THE COMPANY?

Capital is a resource 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 external capital in various forms. A suitable choice and balance between the two contributes to value appreciation in a company. As an active owner, it is the task of Investor, as well as its obligation to shareholders, to work towards optimal utilization of capital in its own holdings. If the company is regarded as having the prerequisites for profitable investment projects, a sufficient share of internally generated funds should be retained to complete such investments. If, however, it is concluded that investments cannot be conducted that match the long-term return requirements of shareholders, Investor should contribute to ensuring that shareholders' equity is transferred to shareholders in an optimal manner. EVA – Economic Value Added – is a calculation method that has become increasingly accepted in identifying value-creating measures in a company. Investor fre-

GENERAL ANALYSIS OF POTENTIAL "VALUE GAP"





quently uses EVA in its communications with corporate executives in its major holdings.

### LONG-TERM APPRAISAL OF HOLDINGS

Investor continually appraises its major holdings using this type of dialog. The yardstick used is primarily the long-term total return for shareholders. Investor does not exit from a holding just because it intermittently fails to match the demands imposed. However, it is important to appraise the long-term potential of each holding. If the conclusion is that there are no prospects for attaining a sufficient risk-adjusted return – taking into account business cycles and other temporary fluctuations – then one should consider whether it would be best to create value by divesting the holding.

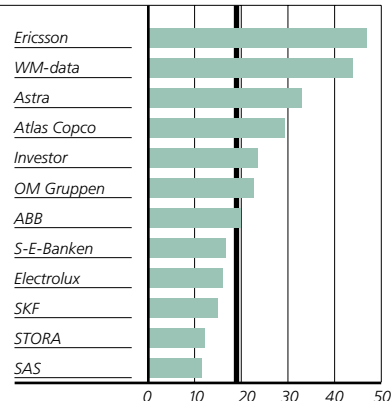
### AVERAGE TOTAL ANNUAL RETURN 1988–1997

for the past ten years,  
Investor compared with  
the Stockholm  
Stock Exchange, %

■ Average for the  
Stockholm Stock  
Exchange, 18.8%

Incentive and Scania are  
not included because the  
measurement period is not  
appropriate.

Source: SIX AB



### INVESTOR'S MAIN HOLDINGS (as of December 31, 1997)

Company	Number of shares (000)	Of which on loan (000)	Market value SEK m.	Share price performance 1997 (%)**	Share of portfolio (%)	Share of capital (%)***	Share of voting rights (%)***
Astra	166,765		22,920	+9	28	10	12
Incentive	13,518	50	9,665	+44	12	20	26
Scania*	52,994	417	9,418	+5	12	26	42
Ericsson	29,325	742	9,048	+41	11	3	22
Atlas Copco	25,950	3	6,150	+44	8	14	20
ABB	62,119		5,839	+22	7	7	9
STORA	52,729	12	5,273	+6	6	16	20
S-E-Banken	48,471	989	4,871	+44	6	8	9
SKF	14,955		2,378	+5	3	12	30
SAS	13,156	23	1,513	+34	2	19	19
WM-data	10,061	530	1,444	+22	2	14	6
OM Gruppen	4,795		1,386	+41	2	20	20
Electrolux	1,769		975	+39	1	2	45
<b>Total</b>			<b>80,880</b>		<b>100</b>		

\* Relates to the 52,994,181 shares not encumbered by the distributed covered warrants.

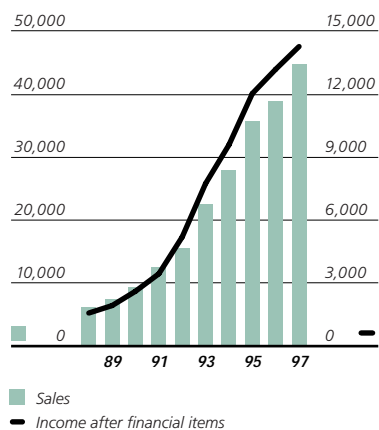
\*\*Most heavily traded share class. \*\*\* After full dilution.

# ASTRA

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

## SALES AND EARNINGS

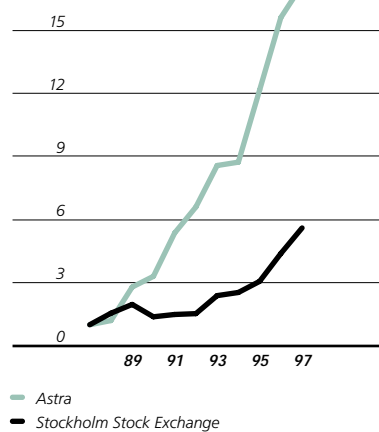
SEK m.



Source: Annual Report 1997

## TOTAL RETURN

SEK



Source: SIX AB

## KEY RATIOS

Sales: SEK 44,904 m.  
Operating income: SEK 13,544 m.  
Income after financial items: SEK 14,305 m.  
Earnings per share: SEK 6.21  
Return on equity: 27.0 %  
Share performance during the year: +9 %  
Share turnover: SEK 160.6 billion  
Market value on December 31, 1997: SEK 224.7 billion  
Astra's Annual Report is available on the Internet:  
[www.astra.com](http://www.astra.com)



## Astra launches several new products

Atacand – which combats high blood pressure – is one of the new drugs introduced by Astra in 1997. Pulmicort Turbuhaler, the anti-asthma agent that has been approved in more than 60 countries, also received a green light in the United States during the year.

“This is an important milestone for Astra,” says Håkan Mogren, the company's president. “Pulmicort has developed into a leading anti-asthma agent in Europe, Australia and Canada. It is gratifying that the treatment will now also be available to American patients.”

Oxis Turbuhaler, the new long-lasting anti-asthma agent, was introduced in a number of countries. It is expected to further strengthen Astra's solid position in the market for anti-asthma agents.

Losec, the anti-ulcer medication, noted the achievement of being the pharmaceutical with the highest global sales in a particular year. This product accounts for 48 percent of the Astra Group's sales. The number of patient treatments since it was introduced in 1988 amounts to a quarter of a billion. Losec is protected by various patents, the first of which – the substance patent – expires in the year 2001 in the large American market.

In 1997 Astra announced that a new pill – Losec MUPS – had been approved in Sweden. It is based on the well-known properties of the established capsules and offers a number of benefits for patients. Perprazol, which belongs to a new generation of acid-pump inhibitors with attractive characteristics, is undergoing a comprehensive clinical testing program in a number of countries. A registration application is expected to be made in 1999.

Astra Group sales increased 15 percent to SEK 44.9 billion in 1997 and income before taxes rose 8 percent to SEK 14.3 billion. The Group's strong liquidity continued to improve and amounted to SEK 24.5 billion (+ SEK 6.3 billion) at year-end.

“We intend to use the funds in an industrially sound manner, but we will not rush into any investment deci-

sion. We have every confidence in our ability to expand organically. In addition, we are evaluating a number of different projects in order to further strengthen our capacity for future growth,” says Håkan Mogren.

The growth in sales is most rapid in the North American market (+38%), where Astra's present products are estimated to have substantial remaining potential. Several Astra products are market leaders in Europe.

Research and development costs amounted to SEK 8.7 billion (+24%). The number of Astra employees engaged in research and development has more than doubled in five years. Of the total of approximately 22,000 Group employees, more than 6,000 are currently working on R&D projects. Astra is continuing to invest in new research laboratories in Sweden and other countries. During 1997 substantial investments were approved in Boston in the U.S., and in Loughborough in the U.K. A new pain-research laboratory, which is expected to cost SEK 1.2 billion, is being engineered in Södertälje.

### HIGHLIGHTS OF 1997

- Atacand, which represents a new category of agents that reduce blood pressure, was approved for use within the European Union. Comprehensive studies show that Atacand, developed jointly with Takeda, a Japanese company, is more effective than the present market leader.
- Oxis Turbuhaler, a long-lasting asthma medication, was introduced in more than ten countries.
- Colazide, a new drug to combat inflammatory intestinal diseases, was introduced in the U.K. as its first market.
- MUSE, a new preparation for the treatment of impotence, was approved in the U.K. Astra has the marketing rights to MUSE in Europe, among other areas, under an agreement with Vivus, an American company.

◀ The number of employees engaged in Astra research and development organization has more than doubled in five years. Of the total of approximately 22,000 Group employees, the R&D organization accounts for more than 6,000.



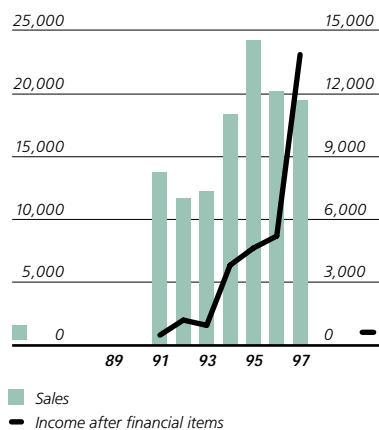
# INCENTIVE

Chairman: **Anders Scharp\***

President and Chief Executive Officer: **Mikael Lilius**

## SALES AND EARNINGS

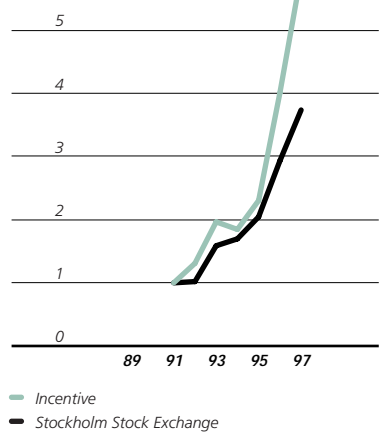
SEK m.



Source: Annual Report 1996 and year-end report 1997

## TOTAL RETURN

SEK



Source: SIX AB

## KEY RATIOS

Sales: SEK 19,490 m.

Operating income: SEK 14,135 m.

Income after financial items: SEK 13,890 m.

Earnings per share: SEK 168.49

Return on equity: 57.6%

Share performance during the year: +44%

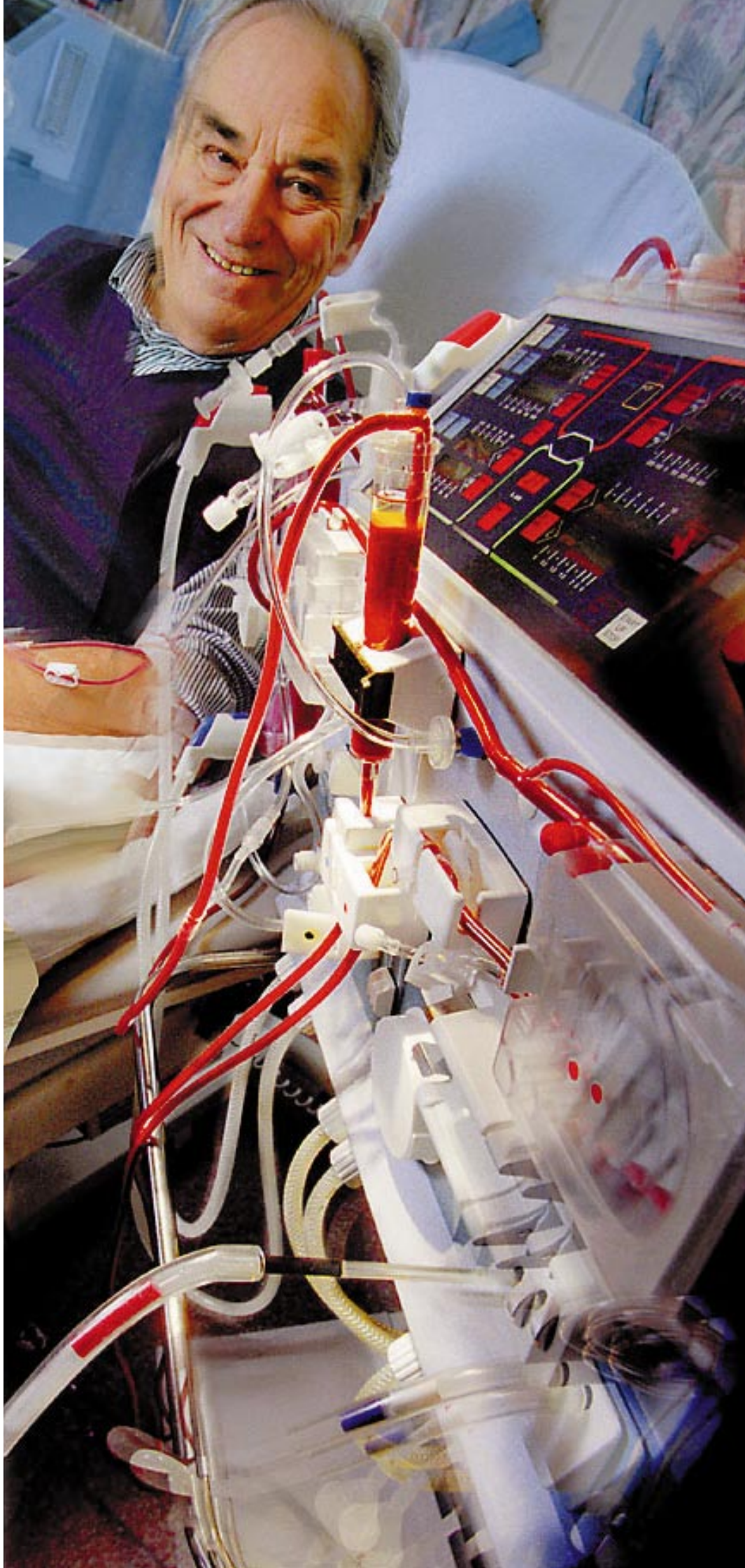
Share turnover: SEK 16.9 billion

Market value on December 31, 1997: SEK 48.9 billion

Incentive's Annual Report is available on the Internet:

[www.incentive.se](http://www.incentive.se)

\* At the Annual General Meeting on April 23, 1998, Claes Dahlbäck will be proposed as new Chairman of the Board.



## Incentive becomes Gambro

Incentive is now completing its transformation into a streamlined medical-technology group and will thus become Gambro. At the Annual General Meeting, it will be proposed that Incentive be renamed Gambro.

"Since we have phased out virtually all of our other industrial holdings and concentrated on the development of Gambro, Incentive has virtually become Gambro. In other words, it is completely logical that we complete this merger by turning the two companies into one," says Incentive's President, Mikael Lilius, who will become president of the Gambro Group on July 1, 1998.

"This move is based on our strong belief in the global health-care sector, which is becoming increasingly important," Mikael Lilius continues. "Gambro's acquisitions in the dialysis sector are logical steps and illustrate our strong commitment to generating shareholder value."

By means of a concerted program, Incentive will pursue and complete its restructuring into a focused medical-technology company. The marine technology company MacGREGOR will be divested. The holding in ABB AB, worth approximately SEK 10 billion, will be studied with a view to taking a final decision when the tax consequences have been fully established. One measurement of the rapid change is that 100 percent of the business in which Incentive was engaged in 1991 has been sold, while 100 percent of the present Group has been acquired since 1994. The rate of change derives from one transaction per month in the past six years.

This has resulted in rapidly growing internationalization; sales outside Sweden have increased from 40 percent of the total in 1991 to 90 percent today, and 85 percent of the Group's 19,000 employees work outside Sweden in more than 100 countries. While this process has been under way, Incentive's market value has risen from SEK 7 billion to more than SEK 50 billion.

Based on the present Group structure, including acquisitions, sales increased 28 percent during the year to SEK 19.5 billion, which yielded income of SEK 13.9 billion after financial items. Income included nonrecurring items totaling SEK 12.9 billion from the sale of share-

holdings and companies.

"Our objective is to increase sales by at least 10 percent per year. This requires substantial financial resources, for such purposes as continuing to develop Gambro. It is against this background that the change in the Group should be viewed. During 1992–1997, the annual total return to Incentive's shareholders averaged 34 percent, and we aim to continue to distinctly outperform the market in this respect," says Mikael Lilius.

Although health care is exposed to political pressure for savings in many countries, and to increased pressure on prices, Gambro's largest business area, Renal Care, is expected to grow by more than 10 percent per year. The number of kidney patients in the world will amount to at least one million in the year 2000. The same favorable growth is foreseen in Blood Component Technology.

General trends, such as longer life spans and the global privatization of health care, are strengthening Incentive's confidence in the future. Geographically, the North American market, in particular, is continuing to grow, although efforts are also being made in new growth areas in Eastern Europe and South America.

"We acquired Gambro in order to focus on medical-technology and health-care services. As a result of the efforts we have made, including considerable investments in research and development and new markets, we have evolved into a world-leading group with excellent prospects for the future," adds Mikael Lilius.

### HIGHLIGHTS OF 1997

- Gambro's world-leading position in the field of dialysis care was further strengthened following the acquisition of Vivra, an American dialysis company.
- The sale and public listing of Munters, the former wholly owned subsidiary that is a leader in the market for humidity control, was completed successfully.
- Three large shareholdings were divested: Half of the holding in ABB AB (approximately 110 million shares), nearly three million Electrolux shares and the entire holding in Wabco, the American brake company. The Hägglunds Drives, Hägglunds Vehicle and TA Hydraulics subsidiaries were also sold.
- Gambro's first fully automated European distribution center was inaugurated in Hechingen, Germany.

◀ Gambro's largest business area, Renal Care, is expected to grow by more than 8–9 percent annually, which means the number of kidney patients in the world will total at least one million in the year 2000.



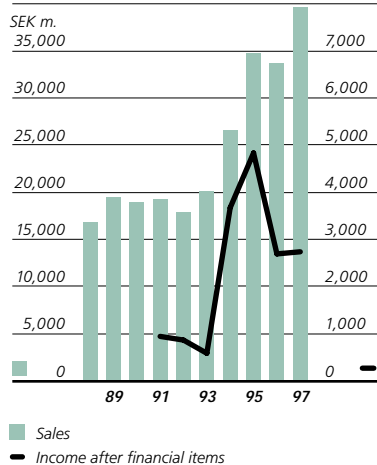


**SCANIA**

Chairman: **Anders Scharp**

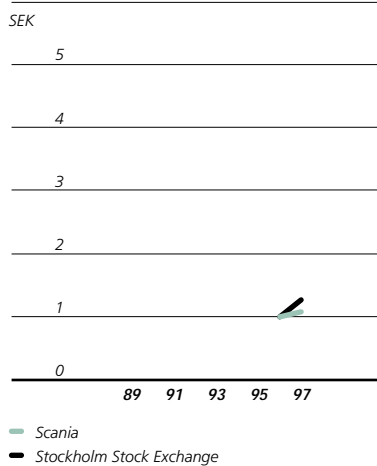
President and Chief Executive Officer: **Leif Östling**

#### SALES AND EARNINGS



Source: Prospectus – Offer to acquire shares in Scania AB 1996, Annual Report 1996 and year-end report 1997.

#### TOTAL RETURN



Source: SIX AB

#### KEY RATIOS

Sales: SEK 39,719 m.

Operating income: SEK 3,047 m.

Income after financial items: SEK 2,751 m.

Earnings per share: SEK 9.90

Return on equity: 20.9%

Share performance during the year: +5%

Share turnover: SEK 23.9 billion

Market value on December 31, 1997: SEK 35.6 billion

Scania's Annual Report is available on the Internet:

[www.scania.se](http://www.scania.se)



## Scania tailors trucks to customer specifications

For Scania, which for a century has been one of the world's leading manufacturers of trucks, 1997 was a year characterized by steps to ensure the possibility of customized production of its new truck series in the face of stiffening competition in many markets. The basic program in the 4-series now consists of 360 different models, offering a broad spectrum with which to meet new demands.

The reorganization of European production that has now been completed has provided new flexibility with respect to meeting customer wishes. The reorganization in Latin America is being completed during the first half of 1998.

"The trucking industry is operating with sharply depressed margins. Now, to a greater extent than ever before, we can contribute to customer profitability by supplying optimally specified vehicles. Never before in our more-than-100-year history have we been better equipped to meet the market's needs," says Scania's President, Leif Östling, who underscores the importance of patient ownership for the long-term and consistent restructuring of capital-intensive engineering companies like Scania.

Scania is currently implementing one of its most aggressive programs ever, in order to boost sales in Continental Europe based on the pattern used for the successes in the U.K. Investments in marketing amounted to slightly more than SEK 0.5 billion in 1997 and equally large expenditures are planned in 1998, with a continuing focus on Western and Eastern Europe. Great importance is attached to solving customers' total transport needs by offering such features as complete service agreements, leasing, financing, insurance and repurchase contracts, in addition to the truck.

As a result of the increased pressure on prices in European markets, combined with the costs of reorganizing production, income in 1997 was slightly lower than in the preceding year. The Scania Group had total sales of SEK 39,719 million (+18%), and net income of SEK

2,751 million. To strengthen the company's selling capacity, the number of employees was increased by approximately 1,000 during the year, mainly in the marketing sector, and now amounts to approximately 24,000.

The 1996 gain in Scania's share of the Western European truck market was followed in 1997 by double-digit volume growth in Central and Eastern Europe (+80%) and in Latin America (+30%). Among the countries in which Scania has been successful, Poland and Russia are considered to have particularly good growth potential. Demand in the Far East is still low.

The total number of trucks and buses delivered increased to 46,976 (+9%). The industrial and marine engine business area grew by 12 percent in terms of volume. The share of the Swedish passenger car market held by the Swedish Volkswagen Group, in which Scania has a 50-percent holding, increased slightly, to approximately 20 percent, while the share of the lightweight truck market rose to more than 40 percent.

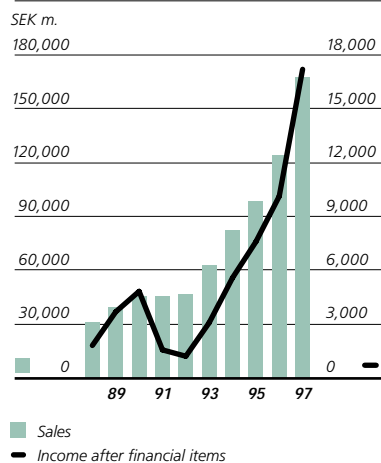
### HIGHLIGHTS OF 1997

- Scania was again the largest imported truck make in Germany, where the largest program of investments to date in the Group's market organization will be conducted in the next few years, at a cost of slightly more than SEK 100 million annually.
- Scania-owned import companies were established in Russia, Estonia and Slovenia. In addition, new importer and dealer facilities were established in the Czech Republic and Slovenia. A large number of dealer and service points were also established in Poland.
- Experiments with ethanol-powered buses made by Scania were begun in Brazil, the world's largest single market for buses. Following the good results achieved with Stockholm's more than 200 environmentally compatible buses, it is hoped that air pollution problems in such large cities as São Paulo can be overcome in the same manner.
- Scania has been appointed official supplier of buses to the World Cup (soccer) finals in France this summer. The buses will be delivered from the new production unit at the plant in Angers.

◀ During 1997, Scania switched to the production of custom-tailored trucks, which added new flexibility. The basic program in the 4-series now consists of 360 different models.

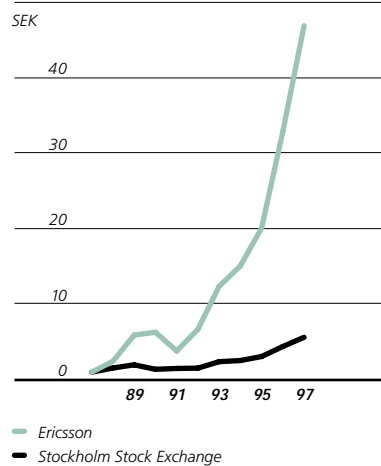


## SALES AND EARNINGS



Source: Annual Report 1997

## TOTAL RETURN



Source: SIX AB

## KEY RATIOS

Sales: SEK 167,740 m.  
Operating income: SEK 18,757 m.  
Income after financial items: SEK 17,218 m.  
Earnings per share: SEK 12.15  
Return on equity: 25.7%  
Share performance during the year: +41%  
Share turnover: SEK 226.2 billion  
Market value on December 31, 1997: SEK 292.2 billion  
Ericsson's Annual Report is available on the Internet:  
[www.ericsson.se](http://www.ericsson.se)

\* At the Annual General Meeting on March 30, 1998, Lars Ramqvist will be proposed as new Chairman of the Board. Sven-Christer Nilsson will become new President.



## Ericsson again reports record profits

The strong trend of profits noted by Ericsson in recent years is continuing. So too is the growth in the global market for mobile telecommunications in which Ericsson is the world leader. Seventy-five of the world's approximately 200 million mobile telephone subscribers are connected to systems supplied by Ericsson.

Ericsson's sales in 1997 amounted to SEK 167.7 billion (+30%) and its income before tax was SEK 17.2 billion (+70%). Income includes approximately SEK 1.9 billion deriving from the positive effects of exchange-rate movements compared with the preceding year.

Ericsson is represented in more than 130 countries. Good growth is reported in all regional markets. The U.S. is the company's largest market, followed by China and the U.K. As a result of the financial problems in Southeast Asia, a slight decrease in the growth rate for order bookings was noted in some countries but the picture is not uniform. The markets that are most important to Ericsson are not the ones that have experienced the most serious financial problems. In China, for example, order bookings continued to be very strong during 1997. Overall, 1997 was also a strong year in Asia.

"It is very gratifying that, despite the stiffer competition, order bookings have increased for the sixth year in a row," says Ericsson's departing President, Lars Ramqvist. "This shows that durable results have been yielded from our efforts to increase the confidence in Ericsson felt by our large customer base. The fourth quarter of 1997 was the twenty-fifth in a row with higher order bookings."

One consequence of the intensified competition in the telecommunications market is that the demands on Ericsson's ability to adapt to new market conditions are constantly increasing. Steadily rising efficiency is required in all of the company's main product areas in order to further improve profitability. This is particularly true in the Infocom Systems business area, whose earnings are not proportionate to the increase noted in sales, due to pressure on prices, costs of substantial rationalization measures and large investments in technological develop-

ment. It is against this background that a comprehensive action program is being implemented in the business area. Up to now 10,000 employees have been affected and another 10,000 have been given notice of termination of employment.

New Ericsson products include a number of new mobile telephones and equipment for mobile data communications. A new and much more compact generation of the AXE system has also been launched, as well as a number of products and systems for the growing Internet and Intranet markets.

Ericsson has increased its efforts to obtain patents on the results of its research and development. Approximately 1,200 patent applications were filed in 1997. A number of new research and development centers were established in Japan, Italy, the U.S., China and other countries.

The number of employees increased by approximately 7,000 during the year, to around 100,000. Sweden accounted for slightly less than half of the company's capital expenditures, which amounted to SEK 7.2 billion.

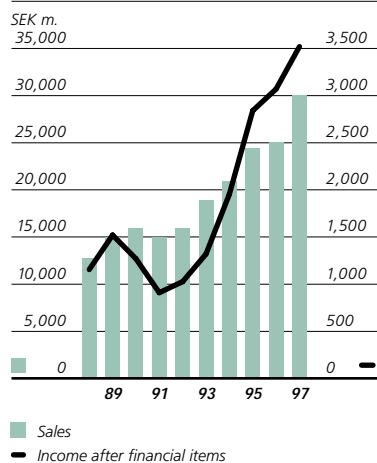
### HIGHLIGHTS OF 1997

- Three large telecom operators in China awarded Ericsson orders worth more than SEK 4 billion to expand mobile telephone systems. Ericsson has substantially strengthened its positions in the multibillion-dollar market for mobile telephone instruments in China and is now the leader in the fastest-growing segment, digital telephones.
- In connection with President Yeltsin's visit to Sweden, Ericsson concluded an agreement covering production of AXE switches in Russia, in a joint-venture company based outside Moscow. Thus, after an absence of 80 years, Ericsson is again involved in production in Russia. A similar agreement was reached covering the production in Nizhny Novgorod of equipment for cordless telephony based on the so-called DECT standard.
- Most of Europe's large mobile telephone operators supported the proposal developed by Ericsson and Nokia regarding the standard for the next generation of mobile telecommunication. Following minor modifications, the proposal was adopted by ETSI, the European Technical Standards Institute.

◀ Three large telecom operators in China awarded Ericsson orders to expand mobile telephone systems in various provinces. The total order value is more than SEK 4 billion. The Chinese market is expected to show further growth during 1998, increasing by 12 to 14 million new subscribers.

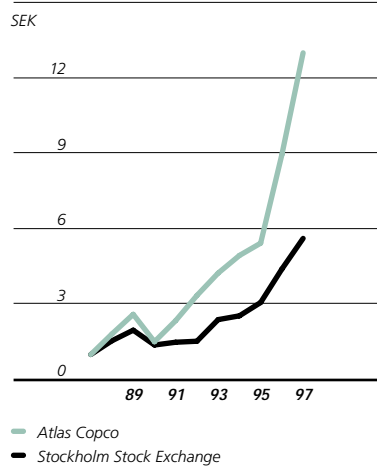


## SALES AND EARNINGS



Source: Annual Report 1992, Annual Report 1996 and year-end report 1997.

## TOTAL RETURN



Source: SIX AB

## KEY RATIOS

Sales: SEK 30,032 m.

Operating income: SEK 3,813 m.

Income after financial items: SEK 3,520 m.

Earnings per share: SEK 12.03

Return on equity: 17.6%

Share performance during the year: +44%

Share turnover: SEK 16.8 billion

Market value on December 31, 1997: SEK 43.5 billion

Atlas Copco's Annual Report is available on the Internet: [www.atlascopco.com](http://www.atlascopco.com)





## Atlas Copco sets new earnings record and strengthens position in U.S.

After 22 years with the international industrial group Atlas Copco, Michael Treschow, the departing President, was able to tell shareholders at the Annual General Meeting in April 1997 that the preceding year had been the most profitable in Atlas Copco's more-than-100-year history. Similarly, his successor as President, Giulio Mazzalupi, will be able to report at the 1998 Meeting that the preceding year's record was broken during 1997.

Sales, of which the portion outside Sweden accounts for 97 percent, increased 20 percent to SEK 30.0 billion and income after net financial income and expense rose 15 percent to SEK 3.5 billion. This provided opportunities for several aggressive acquisitions in the North American market, which now accounts for one third of the Group's sales. The expansion applies in particular to equipment rental, a market with sales of approximately SEK 100 billion that is growing at a rate of 20 percent per year as part of American industry's focus on core operations.

The acquisitions strengthened Atlas Copco's position in the U.S., and increased the opportunities to become a leader in the markets for construction and industrial equipment. The strategic objective is to increase revenues from service operations, accessories and equipment rental.

The anticipated coordination effects of the close cooperation with Milwaukee Electric Tool, the American company that was acquired earlier, began to be visible during 1997. As a result of synergy gains in purchasing, distribution and sales, the companies have increased the impact of their complementary lines of products in their respective markets in Europe and North America.

Despite the uncertain outlook in Southeast Asia, following the turbulence in the currency and credit markets, Atlas Copco's earnings were not affected appreciably in 1997. The markets that have been hit account for only 4 percent of the Group's sales. Atlas Copco's efforts in China are continuing and demand is still growing. Other growth markets include Eastern Europe.

Efforts to strengthen the level of innovation are an Atlas Copco hallmark. Additional capital has been provided to ensure a flow of new products. The launching of the latest generations of compressors, drills and rigs that emphasize improved ergonomic design – notably the reduction of noise and vibration – is being supplemented with the development of battery-powered industrial tools. One of the company's objectives is a new environmental policy that prescribes the use of the best available technology for environmental protection, combined with an environmental control system covering all major units in all divisions before the year 2000.

### HIGHLIGHTS OF 1997

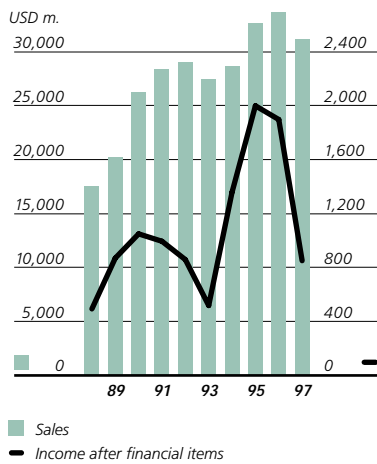
- Notable acquisitions included Prime Service, one of the largest equipment rental companies in the U.S., with approximately SEK 2.5 billion in sales, and its associated company, Resco. In total, the rental chain has slightly more than 160 centers throughout the American continent.
- In Europe, Atlas Copco acquired Thomé-Crépelle, a French compressor manufacturer, and Ceccato's compressor business, an Italian company that manufactures small and medium-sized industrial compressors.
- A wholly owned holding company was formed in China, where another joint venture company was started in Shanghai for the production of compressors. Expansion plans include an in-house school and a number of technology centers, which will be added to the manufacturing operations already established in the following Chinese cities: Changchun (electric-powered tools), Nanjing (drilling rigs) and Wuxi (compressors).

◀ In the North American market, Atlas Copco implemented several aggressive acquisitions, including Prime Service, one of the largest equipment leasing companies in the U.S., with sales of approximately SEK 2.5 billion.



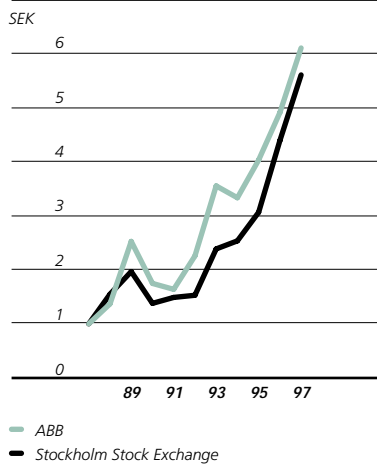
Chairman: **Percy Barnevik**  
President and Chief Executive Officer: **Göran Lindahl**

#### SALES AND EARNINGS



Source: Annual Report 1997

#### TOTAL RETURN



Source: SIX AB

#### KEY RATIOS

Sales: USD 31,265 m.  
Operating income: USD 1,137 m.  
Income after financial items: USD 853 m.  
Earnings per share: SEK 2.32 \*  
Return on equity: 10.3%  
Share performance during the year: +22%  
Share turnover: SEK 58.0 billion  
Market value on December 31, 1997: SEK 88.0 billion  
ABB's Annual Report is available on the Internet:  
[www.abb.com](http://www.abb.com)

\* Pertains to ABB AB, the Group's parent company in Sweden.



## Stable base for an ABB in process of change

Increased orders and continuing strong underlying growth characterized operations of the ABB Group in 1997. In addition to a higher dividend, a substantial portion of the company's profits was allocated to restructuring charge, which amounted to USD 866 million for the action program that the new Chief Executive Officer, Göran Lindahl, announced in October. "The purpose is to accelerate local expansion in emerging markets and to improve productivity and competitiveness in higher-costs countries."

Despite the economic problems in Southeast Asia, which resulted in the deferral of a number of major projects, ABB's view of the future in Asia has not changed. Continued industrialization and urbanization is increasing the demand for the supply of power. The situation has also created opportunities, since local ABB units have gained a cost advantage in both domestic and export markets. Middle East and Africa, have large reserves of raw materials but low power-generating capacity, hence demand for ABB systems and services is growing. Deregulation in North and South America, an increased flow of foreign investments in Latin America and the great need for infrastructure in Eastern Europe are other factors that point to good growth in the industry into the next century.

The largest contributions to earnings came from Northern Europe and the United States. The economic situation in Western Europe shows signs of improving and orders for standard products have begun to increase. Demand for many of the ABB Group's industrial and capital-investment goods, which normally develops late in an economic cycle, is expected to rise in 1998. The business climate in North America continues to develop favorably, particularly for service and modernization projects, and demand for large projects in Latin America is still growing.

To meet increased competition and more rapid changes in the business climate, ABB is investing a higher percentage of its total resources in research and development. In 1997 R&D expenses amounted to approximately USD 2.7 billion, equal to 8.5 percent of revenues. Increased investment in high-risk projects is resulting in a number of technological breakthroughs and more rapid market introductions of technology-based innovations.

Sales revenues amounted to approximately USD 31 billion. After restructuring costs, operating income declined from USD 2.1 billion to USD 1.1 billion. Excluding these costs and for comparable units, operating income, expressed in local currencies, rose by 4 percent.

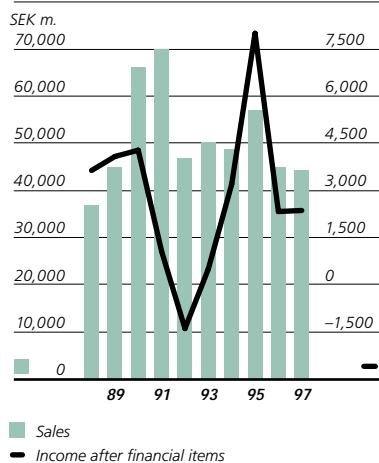
### HIGHLIGHTS OF 1997

- Major orders received by the Group included new power stations in the U.K. and Taiwan, high-voltage substations and transmissions lines in Mexico, installations in plants in Saudi Arabia and Russia, and railway equipment in the U.K. and Turkey.
- Notable Swedish contracts included the link between electric power networks in Sweden and Poland via the 230-kilometer underwater SwePolLink. This link will be placed in service before the end of the century, at an investment of more than SEK 2 billion. Turbines and reactor systems are being upgraded to modernize the nuclear power station in Oskarshamn at a cost of nearly SEK 600 million. An order from the state-owned power company in Estonia, covering modernization of a steam turbine, represents a breakthrough for new ABB technology in the Baltic States.
- In line with its policy of concentrating operations in core areas, ABB sold the Nordic wholesale business, which has approximately 1,400 employees. Three cable companies with approximately 500 employees were also sold.

◀ ABB Robot Training Center in Västerås, Sweden, arranges programming training for the employees of ABB's customers, in order to teach them to better utilize the Group's production equipment. The precision of ABB's robots is exemplified by their ability to accurately draw a Swedish one-krona coin and copy King Carl Gustaf's signature.

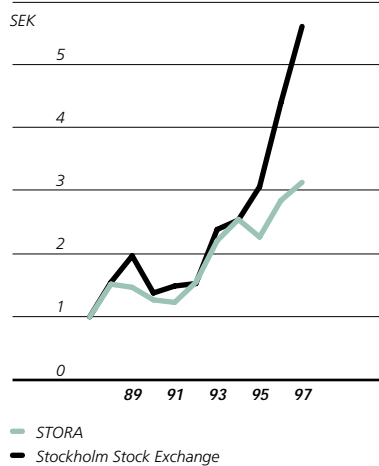


## SALES AND EARNINGS



Source: Annual Report 1997

## TOTAL RETURN



Source: SIX AB

## KEY RATIOS

Sales: SEK 44,464 m.

Operating income: SEK 3,214 m.

Income after financial items: SEK 2,382 m.

Earnings per share: SEK 4.90

Return on equity: 5%

Share performance during the year: +6%

Share turnover: SEK 23.4 billion

Market value on December 31, 1997: SEK 32.1 billion

STORA's Annual Report is available on the Internet:

[www.stora.se](http://www.stora.se)

\* In conjunction with STORA's Annual General Meeting on March 11, 1998, Claes Dahlbäck was appointed new Chairman of the Board and Björn Hägglund new President and Chief Executive Officer.



## STORA focuses on fast-growing new markets

STORA's confidence in the future is being manifested by the start of the Veracruz pulp project in Brazil. Together with the other (50%) joint owner, Odebrecht, one of Brazil's largest corporate groups, STORA is investing in future expansion in new markets with a secure base of raw material. The total cost is estimated at USD 1.5 billion. The raw material will be obtained from eucalyptus plantations close to the mill. The project, which has been approved as environmentally compatible by the Brazilian authorities, is expected to be completed around the end of the year 2001 or the beginning of 2002.

"The Veracruz project should be viewed as a first step in producing fine papers for rapidly growing markets. In addition, it provides opportunities for supplying short-fiber pulp to our mills in Europe at competitive costs. The project should be able to stand on its own merits and show good profitability, regardless of the production of paper," according to Lars-Åke Helgesson, who is retiring as President of STORA.

In addition, a memorandum of intent was signed at the beginning of 1998, whereby STORA will acquire a majority holding in Suzhou Papyrus Paper Company Ltd, a fine papers mill based in China. The final agreement is estimated to be signed during the first half of 1998.

During the process of consolidation in the 1990s, STORA – one of Sweden's largest owners of forest property and one of the country's largest suppliers of power – has divested all nonindustrial forest product operations and has focused on two core areas: graphic papers (which comprise printing papers and fine papers) and high-grade board used in packaging. The company's investments in recent years have been concentrated mainly in these two areas. A program aimed at concentrating production for the European and North American markets in competitive units is now being completed.

Investments in property, plant and equipment in 1997 amounted to SEK 6.4 billion. As a result of invest-

ments already completed or in progress, mill capacity will be increased by about one million tons, or 15 percent, in the next few years.

STORA Group sales amounted to SEK 44.5 billion, which was on a level with sales in the preceding year, while operating income improved slightly, to SEK 3.2 billion. Positive factors included larger volumes of deliveries, favorable foreign exchange movements and lower costs, while declining prices in the world market and substantial investment programs had a negative impact on earnings.

The market in Europe continued to improve. The strong exchange rate for the U.S. dollar, which resulted in increased exports from Europe, was a contributing factor.

Following the sale of the building products operating sector and other units, the number of employees declined by 10 percent, to approximately 20,400.

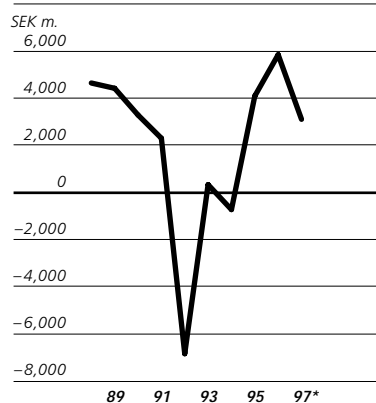
### HIGHLIGHTS OF 1997

- A board mill in Germany and a wholesale company in the U.K. were sold as part of the Group's streamlining. Paper and board machines were shut down in France and Belgium. In Canada and Skoghall (Sweden), certain production was terminated in connection with installations of new machines.
- The world's most modern machine for the production of liquid packaging board, among other products, was started up in Skoghall. The expansion of distribution facilities in Eastern Europe continued with the acquisition of a wholesale company in Hungary.
- The Group invested approximately SEK 1 billion in research and development, which now involves about 600 employees.

◀ ATPA (Advanced Total Paper Analyzer), a world-unique system for quality product development, was put into service at STORA's plant in Kvarnsveden, Sweden. All of STORA's production is tested here, which provides a competitive edge worldwide by ensuring high-quality products.



## OPERATING INCOME

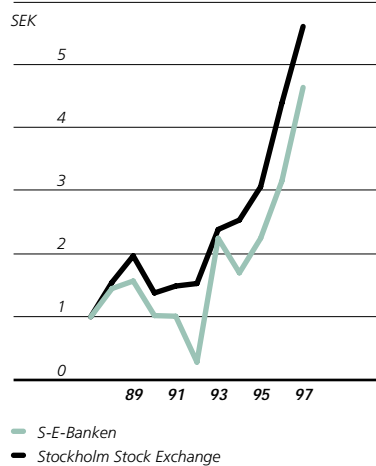


\* Excluding Trygg-Hansa.

The figures up to 1994 have not been adjusted to comply with the new accounting principles.

Source: Annual Report 1995, Annual Report 1996 and year-end report 1997.

## TOTAL RETURN



Source: SIX AB

## KEY RATIOS

Operating income: SEK 3,129 m.

Earnings per share: SEK 6.01

Return on equity: 12.65%

Share performance during the year: +44%

Share turnover: SEK 38.2 billion

Market value on December 31, 1997: SEK 58.9 billion

S-E-Banken's Annual Report is available on the Internet: [www.sebank.se](http://www.sebank.se)



## S-E-Banken/Trygg-Hansa becomes largest asset manager in Nordic region

The merger of S-E-Banken and Trygg-Hansa has given Sweden a new group with a leading position in the growing market for savings, asset management and life insurance products. The reasons for the merger include increased competition following deregulation of financial markets in the EU and synergy gains in the form of increased know-how and a larger customer base.

New distribution channels, over which the development costs for substantial technical investments can be shared, are an important part of the future strategy. Both companies have consistently remained at the leading edge of new distribution technology and they can now intensify their IT efforts. In 1997, combined computer-related investments exceeded SEK 2 billion, a figure that is expected to increase in the next few years due to the shift into the new millennium and adaptation to EMU.

Overall, the new Group, with 13,000 employees and a market capitalization of nearly SEK 60 billion, will account for between 15 and 30 percent of the market for important forms of household savings. This provides increased capacity for continuing international expansion and active participation in the restructuring of the financial sector in the Nordic region, where the merged companies will constitute the largest private player, managing assets totaling more than SEK 420 billion. Operations are now conducted in about 20 countries throughout the world. Following the merger, the company will have approximately 400,000 shareholders, making S-E-Banken/Trygg-Hansa one of Sweden's truly popular shares.

Work is conducted in Retail, Property & Casualty, Asset Management, Life & Pension, Industrial & Marine, Merchant Banking and Enskilda Securities. Through the combined branch network, the new Group will be a pioneer in developing the potential for cross-selling of insurance and bank services. Customers will be offered comprehensive financial solutions, such as housing mortgage/home insurance and car financing/insurance.

"Intense competition and our customers' increasing sophistication are exposing our operations to demands

for additional expertise and cost effectiveness. It is no longer possible to view banks and insurance companies as separate businesses. We now use the term finance services sector," says new President, Lars Thunell.

Pro forma, the new Group's operating income was about SEK 4.2 billion lower than in 1996, due to higher costs – nearly SEK 1.5 billion – as a result of the restructuring. Before depreciation and financing costs, S-E-Banken contributed SEK 3.1 billion and Trygg-Hansa SEK 2.1 billion. Both net interest income and net commissions increased, while loan losses were substantially lower. The stock market's appreciation of the direction chosen resulted in the share price rising 44 percent by year-end.

The new Group has 22 percent of the market for mutual fund management, which totals SEK 450 billion in Sweden. The total stock of savings in the new Group rose 15 percent to SEK 300 billion, representing an overall market share of 21.0 percent (20.7). The market share for equity trading rose to 11.4 percent, making the Group a leading stockbroker. To resolve the problem of costs, cutbacks have been initiated, corresponding to at least 1,500 jobs over two years. The workforce reduction does not affect employees providing direct service to customers, since it largely relates to administrative and Group staff positions. The focus on cost reduction, capital rationalization and integration measures will remain intense throughout 1998.

### HIGHLIGHTS OF 1997

- Ane Gyllenberg, a Finnish banking company that specializes in asset management, was acquired. The company, which also conducts fund operations and stockbroking, accounts for 7 percent of total trading on the Helsinki Stock Exchange.
- In line with the aim of expanding in the Nordic countries, a branch was opened in Copenhagen. Operations are initially focusing on equity and bond trading, as well as other services for corporations and institutions.
- One year after the introduction of Internet banking services, the new Group has approximately 130,000 active Internet customers and 150,000 "telephone bank" customers. S-E-Banken/Trygg-Hansa is the first bank in Europe to offer large corporate customers foreign exchange trading services directly over the Internet.

◀ As a result of the installation of efficient video-booths in its ON LINE offices, S-E-Banken is positioned at the leading edge of technological development in the banking world. Using a mobile phone, customers can conduct their bank transactions in a simple manner.





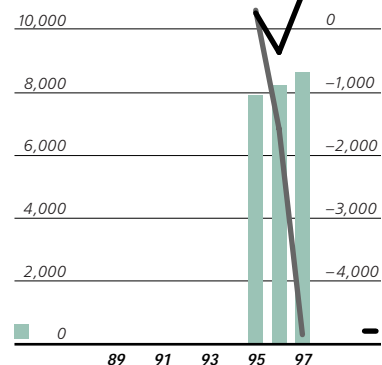
**SAAB**

Chairman: **Anders Scharp**

President and Chief Executive Officer: **Bengt Halse**

#### SALES AND EARNINGS

SEK m.



■ Sales  
— Income after financial items  
— Income after financial items, excluding noncomparable items

Source: Annual Report 1996 and year-end report 1997.

#### TOTAL RETURN

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

#### KEY RATIOS

Sales: SEK 8,674 m.

Operating income: SEK -5,316 m.

Income after financial items: SEK -4,845 m.

Income after financial items, excluding noncomparable items: SEK 576 m.

Earnings per share: negative

Return on equity: negative

Saab AB has a Website on the Internet: [www.saab.se](http://www.saab.se)



## Saab on its way to the stock market

In February 1995, a decision was taken to demerge the former Saab-Scania Group into two independent companies and Investor announced its intention to broaden the ownership base in both Scania and Saab. Investor's Board of Directors has concluded that conditions are currently right for assessing opportunities to broaden Saab's ownership and list the company on the Stockholm Stock Exchange.

Prior to a possible flotation, Saab has been given a partially new structure based on five business areas: Military Aerospace, Space, Training Systems, Commercial Aircraft and Combitech. The structure clarifies Saab's focus on military aircraft and other high-technology applications for the aviation, defense and aerospace areas. The Saab Group also includes Regional Aircraft and Saab Aircraft Finance Group.

In connection with the decision to terminate production of the Saab 340 and Saab 2000 regional aircraft, substantial provisions were posted to cover the costs of terminating operations. The provisions were calculated in such a manner that operations in the regional aircraft sector will not have a negative impact on the financial results of Saab's other operations. Saab will continue to fulfill its commitments by providing high-quality customer support and spare parts to the more than 500 regional aircraft in operations worldwide.

Eighteen hundred of the Saab Group's total of approximately 8,000 employees are engaged in production of the regional aircraft; most of these are being offered employment in the other operating sectors. The development of components and subsystems for the large Boeing and Airbus aircraft manufacturers will be expanded.

The program involving the fourth-generation JAS 39 Gripen multirole military aircraft is proceeding. In all, 204 aircraft have been ordered, which will mean continuous production up until the year 2007. The joint venture with British Aerospace has given the Gripen project a

strong export organization, which is actively engaged in marketing projects in eight prospective customer countries.

As a result of the fast-growing market for space systems, Space has become a separate business area. There is also increasing demand for the company's satellite equipment that is used for global mobile telephony and Internet traffic. A number of strategically important orders, including contracts from ESA, the European space agency, and from American authorities were received during the year. More than one thousand new commercial satellites are expected to be added within a decade.

Training Systems is a world leader in the field of simulation equipment based on laser technology. Large orders were received from the U.K., Germany and the U.S. during 1997. The activities of Saab Combitech have been substantially restructured and focused on commercial spin-offs from military operations.

Saab Group sales amounted to SEK 8.7 billion (+6%). Income after financial items, but before provisions totaling approximately SEK 5.4 billion, amounted to SEK 576 million.

### HIGHLIGHTS OF 1997

- In June, FMV ordered subseries 3 of the JAS 39 Gripen, consisting of 64 aircraft.
- The Sirius 2 Nordic telecommunications satellite, which was launched during the year, was equipped with data and antenna systems and cabling from Saab Ericsson Space. The satellite, which has 32 channels for direct transmission of television signals as well as data and video services, replaces the Tele-X satellite.
- A decision was taken regarding the termination of the regional aircraft Saab 340 and Saab 2000 during 1999.

◀ Cooperation with British Aerospace has given the Gripen project a very strong export organization. The joint objective is to capture 10 to 25 percent of the available market within a period of 10 to 15 years.





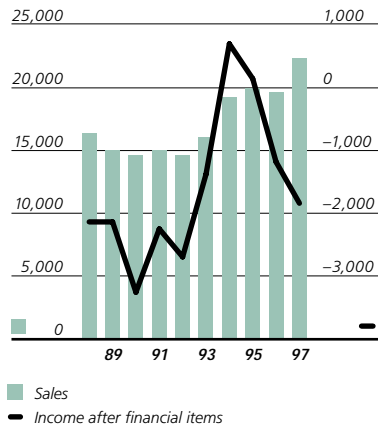
**SAAB**

Chairman: **Louis R. Hughes Jr.**

President and Chief Executive Officer: **Robert W. Hendry**

#### SALES AND EARNINGS

SEK m.



Source: Annual Report 1996 and year-end report 1997.

#### TOTAL RETURN

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

#### KEY RATIOS

Sales: SEK 22,376 m.

Operating income: SEK -1,231 m.

Income after financial items: SEK -1,834 m.

Earnings per share: negative

Return on equity: negative

Saab Automobile has a Website on the Internet:

[www.saab.com](http://www.saab.com)





## New models boost Saab's car sales

Increased sales and an enthusiastic reception for the new 9-5 and 9-3 models have strengthened Saab Automobile's confidence in the future. "Nineteen ninety-eight is expected to be the year when things will turn around for us in terms of volume of sales and profitability," says President Robert W. Hendry. "It will be the most product-intensive year in the company's 50-year history."

More than 100,000 cars, 3 percent more than in 1996, were sold in 1997. In Germany and the U.K. in particular, stronger dealer networks produced double-digit increases. A positive trend of sales was also noted in Australia, while sales in the United States, Saab's largest market, increased only marginally, pending the introduction of the new models during the spring of 1998. The situation in Asia is considered difficult to evaluate, due to the financial turbulence in a number of countries.

After certain initial delays, an additional shift was introduced in the plant in Trollhättan to satisfy the increased demand for the 9-5 model. The new paint shop – one of Saab's largest-ever investments costing SEK 1.2 billion – was also placed in operation in Trollhättan. At year-end, following the stabilization of production, 11,000 cars in the 9-5 model series had been produced.

Sales in 1997 amounted to SEK 22.4 billion (+14%), while the company incurred an operating loss of SEK 1.2 billion. To date, Saab has utilized USD 280 million of the rolling billion-dollar credit provided in 1996 by an international bank consortium for expansion in the company's most important markets and for renewal of the product program over a period of five years.

The investments that have been made are expected to bear fruit in 1999 in the form of larger volumes of sales and a recovery in earnings. The objective is to sell 120,000 cars. After 1998, Saab is expected to generate a profit and to approach a sales volume of 150,000 cars at the turn of the century.

In the development area, a station wagon model in the 9-5 series will be introduced during 1998, as will

high-performance versions of the Saab 9-3. On the research side, work is under way on the design of a future-oriented high-performance engine that consumes 30 percent less fuel.

At the International Automobile Show in Detroit at the end of the year, the company unveiled the new Saab 9-3 model, a refinement of the Saab 900 containing a number of technical innovations in terms of safety, chassis construction and furnishings. In addition to the well-known fuel-injection and turbo engines, the product line includes a diesel engine for the first time.

### HIGHLIGHTS OF 1997

- It took 26 years to build the first million Saab cars. In 1987, the two-million mark was passed. Now yet another milestone has been passed: Saab number 3,000,000 was a silver-finished 9-5 model. During 1997, the company produced the 500,000th Saab 9000 and the 100,000th convertible.
- According to the Swedish Theft Prevention Association, the Saab 9-5 is the first car to meet the very strict requirements covering resistance to break-ins and theft established by the insurance industry.
- Saab's active neck-protection device against whiplash injuries, which is standard equipment in the Saab 9-3 and 9-5, was awarded two international safety prizes.

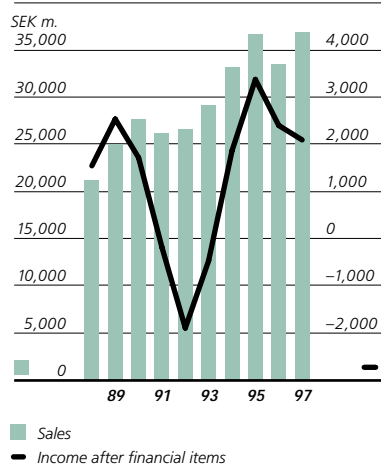
◀ The Saab 9-5 was introduced during 1997 and enjoyed an excellent market reception. Production capacity at Saab's plant in Trollhättan was expanded to meet the increasing sales volume.

# SKF

Chairman: **Anders Scharp**

President and Chief Executive Officer: **Peter Augustsson**

## SALES AND EARNINGS\*



\* The figures prior to 1991 have not been adjusted to comply with the new accounting principles.

Source: Annual Report 1995 and 1997.

## TOTAL RETURN



Source: SIX AB

## KEY RATIOS

Sales: SEK 36,922 m.

Operating income: SEK 2,949 m.

Income after financial items: SEK 2,106 m.

Earnings per share: SEK 13.70

Return on equity: 13.0%

Share performance during the year: +5%

Share turnover: SEK 15.3 billion

Market value on December 31, 1997: SEK 18.7 billion

SKF's Annual Report is available on the Internet:

[www.skf.com](http://www.skf.com)



## SKF continues to strengthen its global market position

During 1997, SKF, the world's leading manufacturer of bearings continued to strengthen its positions in the markets assigned priority in terms of its future growth. In Asia, production of hub units for cars was initiated in a new plant in Korea. In Indonesia, the Group took over a plant that manufactures deep groove ball bearings for the rapidly growing market for two-wheel vehicles. In Ukraine, SKF acquired a large state-of-the-art plant that produces bearings for the Russian automobile industry, among other customers. And in the United States, SKF began production of hub units in a new plant in South Carolina.

SKF's geographical expansion is proceeding in parallel with a program to improve the efficiency of administrative and sales procedures, notably within the Group's Western European organization. With new structures and work processes, it is estimated that personnel requirements will be reduced by slightly more than 2,000 persons during the 1998/1999 period.

"When this program has been completed, annual costs are expected to decline by approximately SEK 700 million," says Peter Augustsson, SKF's President. At the same time, he points to the higher sales and larger volumes of business in 1997. The pressure on prices was noticeable and the unfavorable product mix continued to have a negative impact on consolidated earnings.

Sales increased to SEK 36.9 billion and operating income amounted to SEK 2.9 billion. However, such factors as substantial borrowing during the first half of 1997 had an adverse impact on income after financial income and expense, compared with 1996.

The Group sold the operations of FlexLink Systems during the year, realizing a capital gain of SEK 760 million.

The improvement in demand that began to be apparent in the Western European market during the year had an impact on most of the Group's customer segments. In North America and Latin America, as well as

in the Central and Eastern European markets where SKF has in a few years come to be ranked first in imported bearings, the positive trend of business continued. SKF Automotive Division, which occupies a strong position in the automotive industry, benefited from the strong recovery in car sales in Western Europe and reported an increase in sales above that of the market as a whole.

Due to the sharp reductions in prices that followed the elimination of import tariffs on imported car components, SKF's Brazilian operations continued to show losses. The financial problems – including the sharp devaluations of a number of currencies – that characterized Southeast Asia resulted in downward adjustments of the anticipated rate of growth and had a negative impact on the business climate.

### HIGHLIGHTS OF 1997

- Three production channels for SKF's new CARB bearing were started in a new plant in Gothenburg that cost SEK 250 million. This bearing is now used in paper machines throughout the world.
- New investments were made in China jointly with the country's leading producer of roller bearings. In the seals field, SKF and another Chinese partner formed a new company to produce oil seals. SKF has had three joint-venture companies in China for some time. The operations are being coordinated in a new holding company, SKF (China) Investment Company Ltd., based in Shanghai.
- The establishment of SKF's own production operations in Indonesia represents the latest step in the Group's global expansion. This has occurred through the acquisition of the country's largest bearings manufacturer, with special emphasis on bearings for Indonesia's substantial motorcycle industry. Including imports, sales in Indonesia thus exceed SEK 250 million.

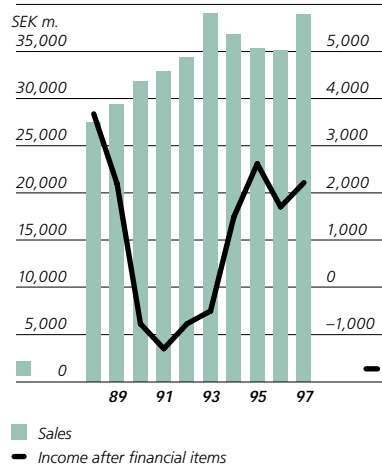
◀ Three new production channels for SKF's new CARB bearing were started up in Gothenburg during 1997, representing an investment of SEK 150 million. CARB bearings are currently rolling in approximately one hundred paper machines worldwide.



## SAS SAS SVERIGE AB

Chairman: Bo Berggren  
VD: Jan Stenberg

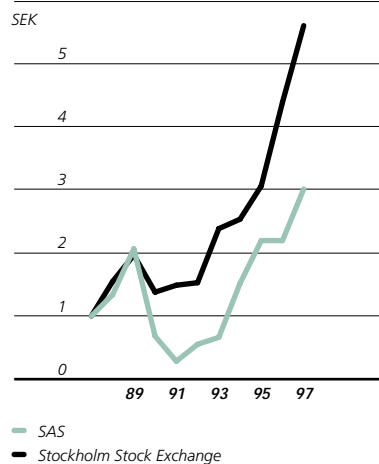
### SALES AND EARNINGS <sup>1)</sup>



<sup>1)</sup> Pertains to the SAS Group.

Source: Annual Report 1989, 1994, 1996 and year-end report 1997.

### TOTAL RETURN <sup>1)</sup>



<sup>1)</sup> Pertains to SAS Sverige.

Source: SIX AB

### KEY RATIOS

Sales: SEK 38,928 m.  
Operating income before depreciation: SEK 4,118 m.  
Income after financial items: SEK 2,231 m.  
Earnings per share: SEK 10.13 <sup>1)</sup>  
Return on equity: 11%  
Share performance during the year: +34%  
Share turnover: SEK 1.0 billion  
Market value on December 31, 1997: SEK 8.1 billion  
SAS's Annual Report is available on the Internet:  
[www.sas.se](http://www.sas.se)

<sup>1)</sup> Pertains to SAS Sverige.

## SAS in new global alliance increases traffic

The trend of the traffic handled by Scandinavian Airlines System (SAS) in 1997 was distinctly favorable, compared with the preceding year. As a result of strong growth during the latter part of the year, the number of passengers increased 4.9 percent to 20.8 million. The increase occurred mainly on intra-Scandinavian routes and other European routes, while Swedish and Danish traffic declined slightly. Cabin occupancy rose to 64.9 percent (63.6%).

Competition in the Group's home market continued to intensify, causing pressure on prices. The nominal unit yield, which expresses the average revenue per passenger kilometer, was 3 percent higher than in 1996. Adjusted to reflect the effects of foreign exchange movements, the yield was unchanged compared with the preceding year.

Revenues of the SAS Group (which comprises SAS air operations, SAS Cargo, SAS Trading and SAS International Hotels) increased to SEK 38.9 billion, while income before tax rose 23 percent to SEK 2.2 billion. Investments amounted to nearly SEK 3.3 billion. The number of employees increased by approximately 1,400, to slightly more than 25,000.

Star Alliance, a global alliance of SAS, Lufthansa, United Airlines, Thai Airways International and Air Canada, was introduced during the spring. Varig Brazilian Airlines was added during the autumn. The Alliance serves 642 destinations in 108 countries. To strengthen its position in the Scandinavian domestic market, SAS also increased its cooperation with regional partners.

SAS International Hotels continued its expansion in strategic business and tourist locations, by increasing the number of hotels it operates by 20, to 100 in 26 countries. Favorable market conditions in most countries, the growth in number of hotels and a high gross profit margin contributed to making 1997 a very successful year for the hotel unit.

"The outlook for 1998 is generally good and offers prospects for continuing positive growth," says Jan Stenberg. "But there is some concern about the effects of the Asian crisis and the situation in the Middle East adds uncertainty. Despite additional costs of SEK 400 million in 1998, related to new infrastructures in a number of locations and the phasing-in of a new type of aircraft, operating income is expected to be on a level with 1997."

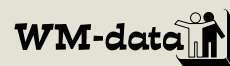
Investor is the largest private shareholder in SAS Sverige AB, which owns three sevenths of the SAS Consortium and the SAS Commuter Consortium.

### HIGHLIGHTS OF 1997

- SAS Commuter purchased 15 new Bombardier Dash 8-400 turboprop aircraft at a cost of SEK 2.5 billion. The 70-passenger aircraft, to be delivered beginning in July 1999, are intended for the regional routes in Northern Europe, as well as for Swedish domestic traffic.
- Based on a survey of 18,000 travelers worldwide SAS EuroBonus was designated the best bonus program in five categories for the second year in a row.
- New departures were introduced to Chicago, Seattle, Beijing, Delhi and Hong Kong, among other cities.



## WM-data intensifies focus on technology and industry



Chairman: **Hans Mellström**  
President and Chief Executive Officer: **Lars Harrysson**

Continuing strong demand for services and products has resulted in expansion, new hirings and increased earnings for WM-data, one of the Nordic region's leading data service companies, with more than 5,000 employees, reflecting an increase of nearly 1,000 in 1997. This complete data service company can offer the Nordic region – which viewed as a whole is Europe's fourth-largest market – solutions in all segments of the IT market. WM-data aims to double its sales and workforce and become the largest Nordic company in its field by the beginning of the next century.

The market for consulting services continues to be characterized by a high degree of activity, particularly the segment that focuses on industry and commerce, due to the growing need to adapt existing IT systems to the EMU (Economic and Monetary Union) and the "millennium problem". In certain areas the demand for services exceeds supply.

"Shorter lead times and active utilization of IT in the production of goods are key areas in which quality and efficiency in industry can be increased," says Lars Harrysson, WM-data's new President. "We are making strong efforts to become one of the leading suppliers of integrated IT systems for use in product development and production. Development of IT support in these areas means stepping directly into the core operations of Nordic industry, an area with considerable growth potential."

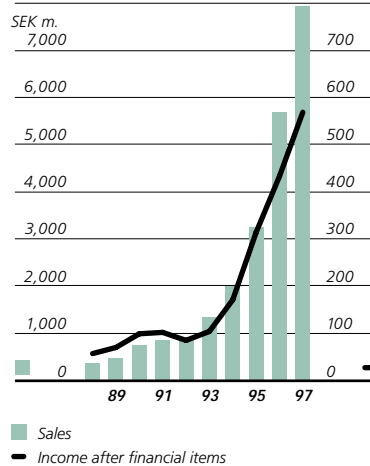
WM-data is now organizing the Group's know-how in IT systems for product development and production in two units: WM-data Teknikkonsult and WM-data Infostöd. These units, which are the result of the Group's intensified focus on technology for use in industry, are starting operations with slightly more than 450 employees.

WM-data's consolidated sales increased 40 percent to SEK 7.9 billion. Income after net financial items amounted to SEK 570 million (+44%).

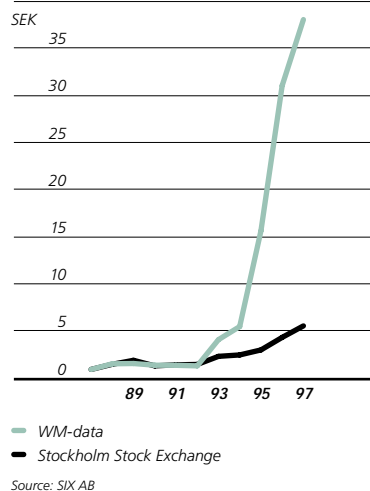
### HIGHLIGHTS OF 1997

- As part of the internationalization of the Group and in order to support the IT investments of Nordic companies outside as well as within the Nordic region, WM-data concluded a cooperation agreement with International Computer Group, a world-leading umbrella organization for the installation and servicing of work stations and servers.
- Consulting activities in the Finnish market were supplemented through a number of acquisitions. Kasanen is a training and multimedia company involved in PC-oriented training programs for users, consulting activities in the area of user support and system development in the multimedia field.
- Dagab, Sweden's largest independent wholesaler of daily commodities, formed an IT company with WM-data as a 50-percent owner in order to handle and develop computer operations within the Dagab Group. Skandia International also began a joint venture in which WM-data will be responsible for system development, operation and support.

### SALES AND EARNINGS



### TOTAL RETURN



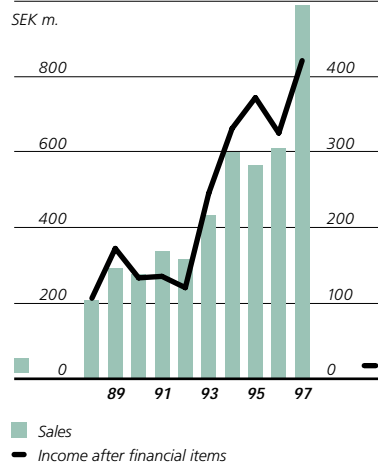
### KEY RATIOS

Sales: SEK 7,950 m.  
Operating income: SEK 591 m.  
Income after financial items: SEK 570 m.  
Earnings per share: SEK 5.10  
Return on equity: 30.7%  
Share performance during the year: +22%  
Share turnover: SEK 4.1 billion  
Market value on December 31, 1997: SEK 8.9 billion  
WM-data's Annual Report is available on the Internet: [www.wmdata.com](http://www.wmdata.com)

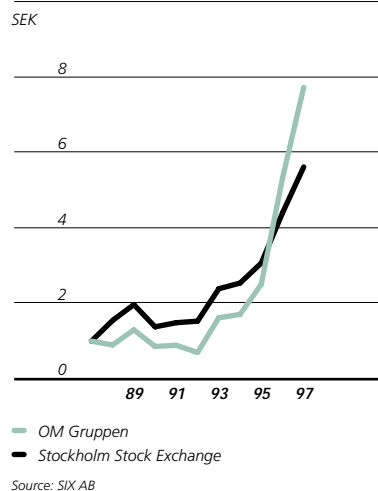


Chairman: **Olof Stenhammar**  
President and Chief Executive Officer: **Per E. Larsson**

## SALES AND EARNINGS



## TOTAL RETURN



## KEY RATIOS

Sales: SEK 991 m.  
Operating income: SEK 338 m.  
Income after financial items: SEK 422 m.  
Earnings per share: SEK 14.16  
Return on equity: 22%  
Share performance during the year: +41%  
Share turnover: SEK 1.9 billion  
Market value on December 31, 1997: SEK 6.8 billion  
OM's Annual Report is available on the Internet:  
[www.omgroup.com](http://www.omgroup.com)

## Fast-growing OM merges with the Stockholm Stock Exchange

The proposal for a merger of OM and the Stockholm Stock Exchange was the principal event in 1997. The background lies in the increased internationalization and rapid technical development of the world's financial and commodities markets, a change that has made exchanges and clearing organizations increasingly exposed to competition.

"Now," says Per E. Larsson, CEO of OM Gruppen, "a rapidly advancing international marketplace for trading in equities, bonds, commodities and currencies is created. In addition, the base for OM's international sales of technology is being further strengthened".

All areas of OM's operations showed strong growth during the year. Operating revenues increased 62 percent to SEK 991 million. Operating income after financial items amounted to SEK 422 million (+29%).

The turnover on OM's exchanges, OM Stockholm and OMLX (the London Securities and Derivatives Exchange) is continuing to increase. In 1997 about 172,000 equity and interest-related contracts were traded per day, up 15 percent. Equity-related trading, in particular, developed favorably. OM provides one of the world's most liquid marketplaces for derivatives trading.

The sharpest growth, in percentage terms, occurred in OM's technology and system-related segment, where revenues rose 243 percent to SEK 309 million in 1997. OM's technology is designed for the world's financial and electricity markets, which are facing revolutionary changes. Several countries, including Norway, Sweden and Finland, have already deregulated the electricity market. OM, which has supplied the three electricity exchanges operating in the world today, is concentrating its efforts in this growth market on its newly formed sales and marketing company, OM Energy Solutions.

## HIGHLIGHTS OF 1997

- The Australian Stock Exchange transferred its options trading from the trading floor to the electronic marketplace created by OM, a transactions network covering the entire Australian continent.
- The opening of a trading and clearing link between the Oslo Stock Exchange and OM provided the Norwegian market with access to OM's international distribution facilities and technology. Following the opening, trading in Norwegian derivatives has risen by 54 percent.
- PULPEX, OM's marketplace for trading in pulp, was started up. Players from North America, South America and Europe are active.
- Two new exchange customers were added in the technology sector: The California Power Exchange (CalPX) and the Athens Stock Exchange. OM has been appointed main supplier to CalPX, the first electricity exchange in the U.S., under a contract worth more than SEK 250 million.
- In Finland, operations on the stock- and derivatives exchange commenced on January 1. OM is the second-largest owner, with a 20-percent interest.

## New management focuses on boosting profits in Electrolux



Chairman: **Anders Scharp\***  
President and Chief Executive Officer: **Michael Treschow**

Operations of the world's largest manufacturer of household appliances have for some time been dominated by the restructuring program that has accelerated under the new President, Michael Treschow. During 1997 and early 1998 companies with more than SEK 10 billion in sales have been divested. A provision of SEK 2.5 billion from 1997 earnings has been set aside for the program, which includes the closing of about 25 plants and 50 warehouse locations. About 12,000 of the Group's former 100,000-plus employees, 90 percent of whom are located outside Sweden, are affected.

At year-end, about 3,800 employees had left the Group as a result of the measures that had been taken. To date, notices of personnel-reduction measures have been given at 16 production units in eight countries, mainly in Europe. Within the framework of the ongoing restructuring program, 17 warehouse locations have been closed down and decisions have been taken regarding the closure of an additional 16. Major changes are also being made in the Group's marketing and sales organizations.

"The streamlining of the Group in recent years, the strong efforts to upgrade the product program and the expansion in new markets have begun to yield results," Michael Treschow notes. "All three of our business areas had higher operating income than in the preceding year."

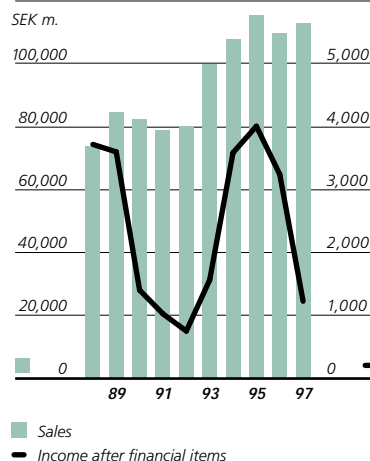
In a more unified Group, the concentration on the core businesses of Household Products, Professional Equipment and Outdoor Products – The Global Appliance Company – has broadened the customer base and created better prospects for reducing costs and for growth in sales and earnings. One example of the program to reduce fragmentation and achieve benefits of co-ordination is that, effective in 1997, white goods and outdoor products in the U.S. are being handled in a single company, Frigidaire Home Products.

Sales in 1997 increased 3 percent to approximately SEK 113 billion and operating income amounted to SEK 2.7 billion. Excluding the restructuring reserve and capital gains – and compared with the preceding year, excluding Gränges – operating income increased by 13 percent, to SEK 4.5 billion. The European and North American regions increased their share of Group income, while decreases were noted in Latin America and Asia. Income in the Outdoor Products business area was notably higher. In the white goods sector, income from the North American operations increased significantly, as a result of higher capacity utilization and reductions in operating cost. Sales and earnings increases were also noted in the European market for white goods.

### HIGHLIGHTS OF 1997

- The Gränges subsidiary was spun off to the shareholders and eliminated from the consolidated accounts for 1997.
- Husqvarna Symaskiner was sold, yielding a capital gain of SEK 604 million. The goods protection product areas was also sold.
- Notable acquisitions included Samus, the largest manufacturer of stoves in Rumania, which had sales of approximately SEK 150 million in 1997.

### SALES AND EARNINGS



Source: Annual Report 1996 and year-end report 1997.

### TOTAL RETURN



Source: SIX AB

### KEY RATIOS

Sales: SEK 113,000 m.  
Operating income: SEK 2,654 m.  
Income after financial items: SEK 1,232 m.  
Earnings per share: SEK 4.80  
Return on equity: 1.6%  
Share performance during the year: +39%  
Share turnover: SEK 32.5 billion  
Market value on December 31, 1997: SEK 40.3 billion  
Electrolux Annual Report is available on the Internet:  
[www.electrolux.se](http://www.electrolux.se)

\* At the Annual General Meeting on April 29, 1998, Rune Andersson will be proposed as new Chairman of the Board.

## Strong performance and expansion

As a complement to its own investment operations, Investor also has access to the partly owned company Scandinavian Equity Partners and wholly owned Novare Kapital. In certain situations, these companies can function as more appropriate owners than Investor. They facilitate investments in both newly formed growth companies and more mature companies in which a major change of ownership is desirable for various reasons. Investor's "Other holdings" also include GHH Grand Hôtel Holdings AB and certain land and real estate holdings.

### STRONGER CAPITAL BASE CREATES NEW BUSINESS OPPORTUNITIES

Novare Kapital AB, a venture capital company, focuses on minority investments in fast-growing small-cap companies in the Nordic region, specifically in the fields of information technology, medicine, medical technology, environmental technology and production-rationalization technologies. 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 Investor's own investment operations. In December 1997, when Novare became a wholly owned subsidiary of Investor, the company's capital base was strengthened and now amounts to SEK 500 million.

"During the past year, the company continued to build up its operations. The objective is to become a powerful player in the Nordic venture capital market," says Pontus Ekman, Novare Kapital's president.

At the end of 1997, Novare had investments in eight companies. The portfolio includes companies with leading-edge technologies in areas ranging from water treatment to robot technology. Advanced research is undertaken in such diversified areas as the treatment of herpes viruses in the health-care sector to the development of new types of heat exchangers in the energy sector. A product that has attracted particular attention is the "electronic nose", developed by Novare's partly owned company Nordic Sensor Technologies. This product is an analytical instrument for gas emissions, which has applications in such areas as the food products industry.

As an additional measure to increase exposure to new business opportunities, Novare Kapital opened an office in the Mjärdevi scientific park in Linköping, Sweden, at

the beginning of 1998. This office supplements Novare's established operations in Stockholm and its operations will be integrated with those of Novare's other activities. "We're convinced that increased presence in the Linköping region will improve our opportunities to capitalize on the attractive investment opportunities existing in the area," says Pontus Ekman.

### FIRST FUND VIRTUALLY FULLY INVESTED

Scandinavian Equity Partners (SEP) and EQT Partners have entered their fourth year of operations. Since SEP's inception, the flow of business has been considerable, with an investment volume exceeding SEK 1 billion in 1997. SEP's decision to launch a new equity fund in 1998 should be viewed in this light. The company has also decided to open an office in Denmark, which is considered to offer major potential for attractive new business.

"Scandinavian Equity Partners was very active in 1997. Following three years in operation, we invested most of the approximately SEK 3 billion we had at our disposal and we're now planning to establish a new fund.

The companies in which we have invested have performed excellently. Our strategy of combining industrial and financial expertise in an industrially correct manner has proven to be a successful recipe," says Conni Jonsson, president of EQT Partners.

SEP liquidated its first investment at the beginning of 1997, when Brukens Thermotreat AB was sold to the British company, Bodycote International plc. The transaction was an industrially logical merger that generated considerable synergistic benefits for the purchaser. The sale of the holding after slightly more than one and a half years yielded a return to SEP that corresponded to 3.5 times the amount originally invested in 1995.

SEP made several investments during the year, either in new objects or in the form of purchases that supplemented existing holdings. In early 1997, SEP acquired 50 percent of Duni, a world leader in high-quality paper napkins and other disposable paper-based tableware. In June, through the existing ownership of Sabroe, ABB Stal Refrigeration was acquired. This created one of the world's two leading companies in the market for industrial refrigeration technology. In August, Flexlink, a materials handling company, was acquired from SKF.



Scandinavian Equity Partners' acquisitions in 1997 included FlexLink, a world leader in the production of highly flexible conveyor belt systems.



Carmel Pharma, a company in Novare Kapital's portfolio, is developing a unique system for handling cytostatic and other toxic pharmaceuticals.



1997 was the best year ever for the GHH Group, in terms of both volume and earnings.



Shortly thereafter, SEP implemented the merger of partly owned Orrefors with Royal Copenhagen. The new company, named Royal Copenhagen, is a world leader in designer products made of silver, glass and porcelain. In December, SEP reached an agreement regarding the acquisition of Scientific Product Group from Radiometer, Denmark. The acquired company, which will be renamed Struers, is a leading producer of equipment for determining the quality of various materials. In addition, SEP signed an agreement in early 1998 regarding the acquisition of TAC, whose operations comprise computerized control and regulation systems for heat and air treatment applications. An agreement was also signed with Singapore Telecom regarding the acquisition of the cable-TV company Stjärn-TV.

#### EXPANSION THROUGH ACQUISITION OF BERNIS

Grand Hôtel Holdings AB, which was established in 1994, conducts hotel, conference, banquet and restaurant activities at Grand Hôtel Stockholm, Grand Hôtel Saltsjöbaden, Hotell Skansen in Båstad and, as of the beginning of 1998, Bernis Salonger, including China Theater.

Following extensive refurbishment of Grand Hôtel Stockholm during 1996, the GHH Group experienced a record year in 1997. GHH's revenues rose 19 percent to SEK 295 million. Income after financial items increased 55 percent to SEK 76 million. As a result, the net margin

was 26 percent, compared with an average of 4 percent for Sweden's 25 largest hotel companies.

In order to further enhance GHH's position in Stockholm, and thus the group's ability to general value, Bernis Salonger, including China Theater, were acquired as of January 2, 1998. "We view this investment as a profitable complement to our other units and to our expertise. The hotel is particularly attractive to business travelers of the younger generation. The conference facilities are modern and the standard of the restaurants and banquet premises is excellent," says Peter Wallenberg Jr., president of GHH. Bernis has been a classical meeting place in Stockholm ever since the second half of the 19th century. The aim is to restore and consolidate this traditional role for Bernis in the future.

#### SALES OF LAND AND REDUCED HOLDING IN NEWSEC

Investor's land and real estate holdings in the companies Näckström and Stockholm-Saltsjön had a total book value of SEK 480 million at year-end. During 1997, agreements were signed regarding the sale of land at Sickla Udde to the Municipality of Stockholm and a building consortium. The holding in Newsec, which conducts real estate consulting and management operations, was reduced to 10 percent following a sale of shares to SWECO.

## Administration Report

The Board of Directors and the President hereby present their report on the operations of Investor AB (publ), (556013-8298), in 1997, the Company's eighty-first year of business. The following income statements, balance sheets, statements of changes in financial position, accounting principles and notes to the financial statements constitute an integral part of the Annual Report.

This annual report is prepared in conformance with Sweden's new EU-adapted Annual Accounts Act. The principal change pertains to the reporting of certain of Investor's main holdings in accordance with the equity accounting method. For an investment company such as Investor, the switch to the new accounting principle may appear irrelevant and, in certain cases, may even result in inferior commercial information. Accordingly, in forthcoming interim reports, Investor will continue to report in accordance with the former accounting principles, due to the reasons noted above and time considerations.

In February 1995, a decision was taken to demerge the former Saab-Scania Group into two independent companies and Investor announced its intention to broaden the ownership base in both Scania and Saab. Investor's Board of Directors has concluded that conditions are currently right for assessing opportunities to broaden Saab's ownership and list the company on the Stockholm Stock Exchange. In conjunction with such a public listing, the Board's principal intention is to propose a distribution of warrants to Investor's shareholders, providing them with subscription rights to shares in Saab AB. Due to the above, 50 percent of the shares in Saab AB were transferred from Saab-Scania AB to the Parent Company during 1997 for a purchase price of SEK 4 billion.

At the end of 1997, Investor raised a Swedish Medium Term Note Program with a limit of SEK 5 billion and a Euro Medium Term Note Program with a limit of USD 2 billion. The loan programs are intended to supplement the Group's capacity to finance continuous business operations.

In 1997, the Investor Group's business areas consisted of the industrial investments comprising Investor's main holdings, other investments, trading activities and the business operations of the wholly owned subsidiary Saab AB.

### CONSOLIDATED INCOME

Because of the stipulations of Sweden's new Annual Accounts Act, the Investor Group now reports all shareholdings in associated companies in accordance with the equity method in the Group's formal annual report. To facilitate comparisons with the annual reports of past years and the interim reports of 1997, Investor has also

prepared consolidated financial statements based on accounting principles used in past years.

Consolidated operating income totaled SEK 4,488 m. (13,072); corresponding income according to the former accounting principles amounted to a deficit of SEK 674 m. (income: 9,566). The preceding figure includes provisions of SEK 5,421 m. resulting from the decision to terminate Saab's regional aircraft production. Of total provisions, SEK 4,079 m. pertains to production termination costs and SEK 1,342 m. to revaluations of leasing assets in Saab Aircraft Finance Group. The net amount of provisions after tax was SEK 4,100 m. In 1996, extraordinary provisions and depreciation for regional aircraft amounted to SEK 1,219 m. After financial items, income of SEK 4,220 m. (13,104) was reported or, according to the old accounting principles, a deficit of SEK 942 m. (surplus: 9,598). Net income totaled SEK 3,511 m. (11,102) and, according to the former accounting principles, SEK 206 m. (9,479).

As a direct consequence of the decision regarding regional aircraft operations, customer financing activities for civil aircraft in Saab were transferred to the Saab Group, effective in 1997. Accordingly, Saab Aircraft Finance Group (SAFG) has been reconsolidated in the Saab Group.

### GROUP LIQUIDITY,

#### EQUITY/ASSETS RATIO AND NET CASH

The Group's cash and short-term investments amounted to SEK 10,991 m. (15,017). Short and long-term loan liabilities amounted to SEK 4,525 m. (2,532). The equity/assets ratio (shareholders' equity including surplus values and convertible debenture loans in relation to total assets) was 68 (73) percent. On December 31, 1997, the Group had net cash assets of SEK 3,910 m. (9,949).

### INVESTMENT OPERATIONS MAIN HOLDINGS

Dividends received by Investor during 1997 declined marginally to SEK 1,683 m. (1,804). In addition to cash dividends totaling SEK 1,637 m., dividend revenues include the value of the shares in Gränges that Investor received through its holding in Electrolux.

In total, shares in ABB, S-E-Banken, Ericsson, Electrolux, Scania and Astra were purchased for SEK 11,593 m. during the year. Purchases were distributed as follows: SEK 7,018 in ABB, SEK 2,806 m. in S-E-Banken, SEK 862 m. in Ericsson, SEK 517 m. in Electrolux, SEK 198 m. in Scania and SEK 192 m. in Astra. With respect to most of the ABB shares, ownership transfer and payment were effected in January 1998.

Shares in Incentive and TV4 were sold for SEK 3,433 m.

and SEK 708 m., respectively. Capital gains amounted to SEK 2,682 for the Incentive shares and SEK 435 m. for TV4 shares. The sale of shares in TV4 comprised the Investor Group's entire holding. Following adjustment to the equity method, the capital gains totaled SEK 2,987 m.

Investor reached an agreement toward year-end to sell 1,068,368 shares in OM Gruppen during 1998. In December, warrants corresponding to 1.4 million shares in OM Gruppen were also issued. In January 1998, the shareholding in OM Gruppen was increased by a purchase of 220,000 shares, and by the purchase of 11,052 shares in the Stockholm Stock Exchange, which has merged with OM Gruppen.

The value of the main holdings on December 31, 1997 was SEK 86,458 m. (66,658). After adjustments for net changes and for Scania, corresponding to the warrants issued, the value of Investor's stock portfolio rose 19 percent in 1997, compared with a 28-percent increase in the OMX index. The deviation in relation to OMX was due mainly to Astra, Investor's largest holding, which was outperformed by the stock market average.

#### OTHER INVESTMENTS

Notable changes in Investor's other holdings in 1997 included an increased investment in the pharmaceutical company MedImmune and a new investment was made in Edison, an American educational company. All the shares in Securitas were sold last year. Novare Kapital became a wholly owned subsidiary at year-end, and the number of investments by this company nearly doubled during the year. Scandinavian Equity Partners, a company owned partly by Investor, also implemented several investments in 1997.

GHH Grand Hôtel Holdings developed favorably during the year, expanding through the acquisition of the Berns hotel, conference and restaurant operations.

In addition to the main holdings and other investments, Investor also conducted trading activities in shares and share-related derivatives and in currencies and interest-related instruments. The operations were conducted in accordance with a limited investment mandate subject to strict risk control.

In 1997, the Group purchased Investor convertibles with a nominal value of SEK 112 m. The market value of the Group's total holding of Investor convertibles at December 31, 1997 was SEK 3,073 m. (nom.: 1,192).

#### SAAB AB

Investor's wholly owned subsidiary Saab AB is the parent company of the Saab Group, which manufactures sophisticated high-technology products used in avi-

ation, aerospace and defense.

Saab is structured in five business areas: Military Aerospace, Space, Training Systems, Commercial Aircraft and Combitech. The structure clearly reflects Saab's focus on military aviation and other high-technology applications for the aviation, defense and aerospace sectors.

Saab has announced a decision to discontinue the production of the Saab 340 and Saab 2000 regional aircraft models in 1999. The decision was based on generally weaker market conditions and a lack of profitability caused by heavy overcapacity among manufacturers of regional aircraft.

In parallel, the company will intensify efforts to participate as a cooperation partner and subcontractor in aircraft projects conducted by other manufacturers. These operations are expected to expand in the future.

#### Turnover and income

Orders booked by the Saab Group in 1997 amounted to SEK 16,612 m. (7,736), and the order backlog at year-end was SEK 27,122 m. (20,042). Group turnover totaled SEK 8,674 m. (8,159), an increase of 6 percent.

As a result of the decision to divest operations, provisions were posted totaling SEK 5,421 m., including closure costs of SEK 4,079 m. and revaluations of the leasing portfolio in the amount of SEK 1,342 m. After tax, the provision totals SEK 4,100 m. In 1996, an amount of SEK 1,219 m. was posted for extraordinary provisions and depreciation of regional aircraft. The operating loss amounted to SEK 5,316 m. (loss: 2,100).

Net financial income and expenses amounted to SEK 471 m. (494). Income after financial income and expenses, but before the aforementioned costs pertaining to Regional Aircraft, totaled SEK 576 m. (353). The net result was a loss of SEK 3,790 m. (loss: 1,385).

#### SAAB AUTOMOBILE AB

Saab Automobile AB, in which Investor and General Motors each hold 50 percent interests, reported a loss before tax in 1997 of SEK 1,834 m. (1,177). Sales increased 14 percent to SEK 22,376 m. (19,681).

Results in 1997 were largely in line with the expectations shared by Investor and General Motors management. The new Saab 9-5 model enjoyed a favorable market reception and is showing a trend of growing demand. As a result of a stronger range of car models and greater focus on marketing, Saab Automobile's management anticipates increased sales and a substantial improvement in earnings during 1998, compared with 1997.

Saab Automobile is treated as a main holding in Investor's accounts.



## PROPOSED DISPOSITION OF EARNINGS

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

Retained earnings from 1996	18,097,917,965
Net income for the year	3,404,461,259
Total	21,502,379,224

Be allocated in the following manner:

dividend to shareholders, SEK 10.00 per share, a total of	1,908,763,960
funds to be carried forward	19,593,615,264
Total	21,502,379,224

Any proposal by the Board of Directors concerning the issue of warrants relating to shares in Saab AB will be announced in conjunction with the notification convening the Annual General Meeting, at the latest. If proposed and approved, the issue of warrants for shares in Saab AB will lead to an increase in the amount of distributable funds utilized.<sup>1)</sup>

The Group's unrestricted reserves on December 31, 1997 amounted to SEK 8,056 m. No allocations to restricted reserves are required.

*Stockholm, February 19, 1998*



Percy Barnevik  
*Chairman*



Bo Berggren



Anders Scharp



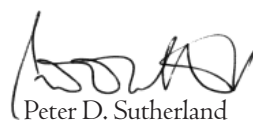
Erik Belfrage



Håkan Mogren



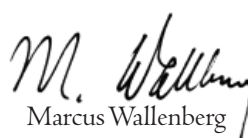
Mauritz Sahlin



Peter D. Sutherland



Michael Treschow



Marcus Wallenberg

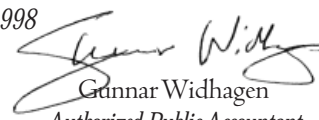


Claes Dahlbäck  
*President and Chief Executive Officer*



Caj Nackstad  
*Authorized Public Accountant*

*Our Auditors' Report was submitted on March 10, 1998*



Gunnar Widhagen  
*Authorized Public Accountant*

<sup>1)</sup> On March 31, 1998, the Board of Directors decided to propose that the Annual General Meeting authorize the Board to make decisions during 1998 regarding a sale, with preemptive rights for Investor AB shareholders, of not more than 50 percent of the shares in Saab AB. Such a sale with preemptive rights for shareholders would result in a decrease of not more than SEK 2,500 m. in Investor AB's the Group's distributable earnings.

## Consolidated Income Statement

SEK m.	Note	Associated companies according to equity method	1996	Income statement according to former accounting principles <sup>1)</sup>	1996
		<b>1997</b>		<b>1997</b>	
<b>Net turnover</b>					
Dividend income, main holdings		166	132	1,683	1,804
Other operations	2	20,298	12,273	20,298	12,273
Cost of goods sold		-17,603	-10,073	-17,603	-10,073
Share in income of associated companies		6,889	5,178		
<b>Gross income</b>		<b>9,750</b>	<b>7,510</b>	<b>4,378</b>	<b>4,004</b>
Sales costs		-855	-781	-855	-781
Administrative costs <sup>2)</sup>		-1,250	-1,066	-1,250	-1,066
Research and development costs		-495	-625	-495	-625
Noncomparable items	3	-5,421	-3,700	-5,421	-3,700
Other operating revenues					
Capital gains from associated companies/Scania		2,987	12,400	3,197	12,400
Other		136	156	136	156
Other operating expenses	4	-364	-822	-364	-822
<b>Operating income/loss</b>	6	<b>4,488</b>	<b>13,072</b>	<b>-674</b>	<b>9,566</b>
Gain/loss from financial items					
Other interest income and similar income items	7	510	1,066	510	1,066
Interest expenses and similar expense items	8	-778	-1,034	-778	-1,034
		-268	32	-268	32
<b>Income/loss after financial items</b>		<b>4,220</b>	<b>13,104</b>	<b>-942</b>	<b>9,598</b>
Taxes	9	-689	-1,988	1,168	-105
Minority interest		-20	-14	-20	-14
<b>Income for the year</b>		<b>3,511</b>	<b>11,102</b>	<b>206</b>	<b>9,479</b>

<sup>1)</sup> Purchase method.

<sup>2)</sup> Relates to all companies in the Group.

## Consolidated Balance Sheet

SEK m.	Note	1997	1996
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>			
Capitalized expenses for research and development and similar activities	10	–	40
Other intangible fixed assets	11	122	–
Goodwill	12	12	76
		134	116
<i>Tangible fixed assets</i>			
Buildings and land	13	3,024	2,532
Plant and machinery	14	667	665
Equipment, tools and fitting	15	426	301
Leasing assets	16	6,919	5,604
Construction in progress and advance payments for tangible fixed assets	17	65	12
		11,101	9,114
<i>Financial fixed assets</i>			
Main holdings reported as associated companies	19	29,672	25,417
Other main holdings	19	4,283	826
Other long-term investments in securities	20	3,033	2,917
Other long-term receivables	21	3,655	3,293
Deferred tax receivables	22	1,176	–
		41,819	32,453
<b>Total fixed assets</b>		<b>53,054</b>	<b>41,683</b>
<b>Current assets</b>			
<i>Inventories, etc.</i>			
Raw materials and supplies		977	926
Work in progress		3,250	3,458
Finished products and goods for resale		534	454
Advances to suppliers		240	131
Shares and participations		2,903	2,245
		7,904	7,214
<i>Current receivables</i>			
Accounts receivable, trade		1,156	1,087
Other receivables		229	446
Prepaid expenses and accrued income	23	374	216
		1,759	1,749
<i>Short-term investments</i>	24	10,736	14,516
<i>Cash and bank balances</i>		255	501
<b>Total current assets</b>		<b>20,654</b>	<b>23,980</b>
<b>TOTAL ASSETS</b>		<b>73,708</b>	<b>65,663</b>



## Consolidated Balance Sheet

SEK m.	Note	1997	1996
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	25		
<b>Shareholders' equity</b>			
<i>Restricted equity</i>			
Share capital		4,772	4,769
Restricted reserves		25,189	21,664
		29,961	26,433
<i>Unrestricted equity</i>			
Unrestricted reserves		4,545	-2,082
Net income for the year		3,511	11,102
		8,056	9,020
<b>Total shareholders' equity</b>		<b>38,017</b>	<b>35,453</b>
<b>Minority interests in subsidiaries</b>		<b>158</b>	<b>71</b>
<b>Convertible debenture loans</b>	26	<b>1,360</b>	<b>1,363</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	27	2,556	2,536
Provisions for deferred taxes	22	–	62
Other provisions	28	6,868	1,849
<b>Total provisions</b>		<b>9,424</b>	<b>4,447</b>
<b>Long-term liabilities</b>			
Liabilities to credit institutions	29	3,275	1,687
Leasing commitments	30	4,922	5,418
Other liabilities	30	760	426
<b>Total long-term liabilities</b>		<b>8,957</b>	<b>7,531</b>
<b>Current liabilities</b>			
Credit institutions		1,250	845
Advance payments from customers		7,538	8,027
Accounts payable, trade		865	728
Tax liabilities		416	559
Other liabilities	31	756	1,543
Leasing commitments		285	309
Accrued expenses and prepaid income	32	4,682	4,787
<b>Total current liabilities</b>		<b>15,792</b>	<b>16,798</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>73,708</b>	<b>65,663</b>

## Pledged assets and contingent liabilities, Group

SEK m.	Note	1997	1996
<b>Pledged assets</b>	33		
For own liabilities and provisions:			
Chattel mortgages		2,147	2,147
Leasing assets <sup>1)</sup>		2,551	2,889
Other long-term receivables		393	363
Accrued income		61	61
Bonds and other securities		5,778	6,586
<b>Total pledged assets</b>		<b>10,930</b>	<b>12,046</b>
<b>Contingent liabilities</b>			
Guarantees on behalf of Försäkringsbolaget			
Pension guarantees (FPG)		41	39
Sureties on behalf of associated companies		540	536
Completion guarantees <sup>2)</sup>		6,381	6,289
Less amount booked as liability in balance sheet <sup>3)</sup>		-3,363	-2,295
Other sureties and guarantees		36	162
<b>Total contingent liabilities</b>		<b>3,635</b>	<b>4,731</b>

<sup>1)</sup> In addition to the pledged leasing assets above, the balance sheet includes assets booked in accordance with financial leasing agreements.

<sup>2)</sup> Of which, USD 744 m. (839) for guarantees related to the fulfillment of leasing agreements and USD 175 (170) for Saab 340 and Saab 2000. The amount also includes a payment liability of SEK 118 m. (113), which could arise due to a guarantee regarding the outcome, for tax purposes, of an investor lease transaction.

<sup>3)</sup> Of the fulfillment guarantees above, 52 (58) aircraft corresponding to USD 251 m. (299) are booked as financial leasing commitments. In the balance sheet, USD 211 m. (94) is reported as a provision for future deficits in leasing contracts already entered.

# Consolidated Balance Sheet at Market Value by Company

Not included in the audited annual report.

SEK m.	Industrial investments and other operations	Saab	Eliminations	Investor consolidated 31/12/97
<b>ASSETS</b>				
Machinery, equipment and real estate, etc.	1,599	9,636		11,235
Shares and participations	95,251	40		95,291
Shareholders' equity in Saab	3,091	–	–3,091	–
Inventories	5	4,996		5,001
Receivables	3,594	2,996		6,590
Internal receivables	–	9,104	–9,104	–
Cash and short-term investments	4,983	6,008		10,991
<b>Total assets</b>	<b>108,523</b>	<b>32,780</b>	<b>–12,195</b>	<b>129,108</b>
<b>EQUITY AND LIABILITIES</b>				
Shareholders' equity <sup>1)</sup>	26,878	3,091	–3,091	26,878
Surplus values arising from market valuation	60,171	–		60,171
Convertible debenture loans	1,360	–		1,360
Provision for pensions	313	2,243		2,556
Other provisions	–	6,868		6,868
Loans	3,577	948		4,525
Loans from Group companies	9,104	–	–9,104	–
Advance payments from customers	–	7,538		7,538
Other liabilities	7,120	12,092		19,212
<b>Total equity and liabilities</b>	<b>108,523</b>	<b>32,780</b>	<b>–12,195</b>	<b>129,108</b>

<sup>1)</sup> Based on purchase method.



## Consolidated Balance Sheet at Market Value

Not included in the audited annual report.

SEK m.	Note	1997	1996
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>			
Capitalized expenses for research and development and similar activities	10	–	40
Other intangible fixed assets	11	122	–
Goodwill	12	12	76
		134	116
<i>Tangible fixed assets</i>			
Buildings and land	13	3,024	2,532
Plant and machinery	14	667	665
Equipment, tools and fittings	15	426	301
Leasing assets	16	6,919	5,604
Construction in progress and advance payments for tangible fixed assets	17	65	12
		11,101	9,114
<i>Financial fixed assets</i>			
Main holdings	19	86,458	66,658
Other long-term holdings of securities	20	4,447	3,549
Other long-term receivables	21	3,655	3,293
Deferred tax receivables	22	1,176	–
		95,736	73,500
<b>Total fixed assets</b>		<b>106,971</b>	<b>82,730</b>
<b>Current assets</b>			
<i>Inventories, etc.</i>			
Raw materials and supplies		977	926
Work in progress		3,250	3,458
Finished products and goods for resale		534	454
Advance payments to suppliers		240	131
Shares and participations		4,386	3,262
		9,387	8,231
<i>Current receivables</i>			
Accounts receivable, trade		1,156	1,087
Other receivables		229	446
Prepaid expenses and accrued income	23	374	216
		1,759	1,749
<i>Short-term investments</i>	24	10,736	14,516
<i>Cash and bank balances</i>		255	501
<b>Total current assets</b>		<b>22,137</b>	<b>24,997</b>
<b>TOTAL ASSETS</b>		<b>129,108</b>	<b>107,727</b>

## Consolidated Balance Sheet at Market Value

Not included in the audited annual report.

SEK m.	Note	1997	1996
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity and surplus values, including convertible debenture loans</b>			
Restricted equity		18,822	18,712
Unrestricted equity		8,056	9,143
<b>Reported shareholders' equity according to purchase method</b>		<b>26,878</b>	<b>27,855</b>
Effect on shareholders' equity due to reporting in accordance with equity method	25	11,139	7,598
<b>Total shareholders' equity</b>		<b>38,017</b>	<b>35,453</b>
Surplus values arising from market valuation		60,171	49,662
Adjustment due to equity method		-11,139	-7,598
<b>Total surplus values</b>		<b>49,032</b>	<b>42,064</b>
Convertible debenture loans	26	1,360	1,363
<b>Total adjusted shareholders' equity/net worth</b>		<b>88,409</b>	<b>78,880</b>
<b>Minority interest in subsidiaries</b>		<b>158</b>	<b>71</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	27	2,556	2,536
Provisions for deferred taxes	22	–	62
Other provisions	28	6,868	1,849
<b>Total provisions</b>		<b>9,424</b>	<b>4,447</b>
<b>Long-term liabilities</b>			
Liabilities to credit institutions	29	3,275	1,687
Leasing commitments	30	4,922	5,418
Other liabilities	30	760	426
<b>Total long-term liabilities</b>		<b>8,957</b>	<b>7,531</b>
<b>Current liabilities</b>			
Liabilities to credit institutions		1,250	845
Advance payments from customers		7,538	8,027
Accounts payable, trade		865	728
Tax liabilities		416	559
Other liabilities <sup>1)</sup>	31	7,124	1,543
Leasing commitments		285	309
Accrued expenses and prepaid income	32	4,682	4,787
<b>Total current liabilities</b>		<b>22,160</b>	<b>16,798</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>129,108</b>	<b>107,727</b>
<b>Equity/assets ratio <sup>2)</sup></b>		<b>68 %</b>	<b>73 %</b>
<b>Net cash</b>			
Cash and short-term investments		10,991	15,017
Short and long-term loans		-4,525	-2,532
Provisions for pensions		-2,556	-2,536
<b>Total net cash</b>		<b>3,910</b>	<b>9,949</b>

<sup>1)</sup> Includes liability of SEK 6,368 m. in accordance with agreement with Incentive, paid in January 1998.

<sup>2)</sup> Shareholders' equity and surplus values, including convertible debenture loans, in relation to total assets.

## Group Statement of Changes in Financial Position

SEK m.	1997	1996
Cash flow from continuing operations		
Dividend income	1,637	1,701
Operating income before depreciation, other operations <sup>1)</sup>	-5,034	-1,822
Noncomparable items <sup>2)</sup>	5,421	1,219
Net financial income/expense	-257	232
Taxes paid	-164	-446
	<b>1,603</b>	<b>884</b>
Change in working capital		
Inventories (excluding shares and participations)	-32	-941
Current receivables	-10	-430
Current liabilities	-1,174	862
Advances from customers	-489	1,164
Decrease in provisions	-402	521
	<b>-2,107</b>	<b>1,176</b>
Investments, main holdings		
Sales	4,141	18,800
Purchases <sup>3)</sup>	-5,225	-2,292
	<b>-1,084</b>	<b>16,508</b>
Other investments, net		
Other shareholdings	-326	-472
Other fixed assets, tangible and intangible	-1,869	-561
	<b>-2,195</b>	<b>-1,033</b>
Dividends to shareholders		
Ordinary dividends	-1,908	-1,713
Extraordinary dividends	-	-3,808
	<b>-1,908</b>	<b>-5,521</b>
Other items		
Receivable from Scania	-	6,833
Changes in long-term receivables/liabilities, etc.	-348	164
	<b>-348</b>	<b>6,997</b>
<b>Financial deficit/surplus</b>	<b>-6,039</b>	<b>19,011</b>
<b>FINANCING</b>		
Decrease/increase in liquid assets (+/-)	4,026	-10,201
Increase/decrease in loans (+/-)	1,993	-8,949
Increase in provision for pensions (+)	20	139
<b>Total financing</b>	<b>6,039</b>	<b>-19,011</b>

<sup>1)</sup> Excluding dividends, capital gains and equity trading.

<sup>2)</sup> Pertains to Saab AB.

<sup>3)</sup> The comparative figure for 1996 includes payments for transactions relating to the agreement with GM/Opel regarding Saab Automobile.



## Parent Company Income Statement

SEK m.	Note	1997	1996
Net turnover			
Dividends		1,577	1,703
<b>Gross income</b>		<b>1,577</b>	<b>1,703</b>
Administrative costs <sup>1)</sup>		-282	-63
Other operating revenues			
Capital gains, net		2,844	8,308
<b>Operating income</b>		<b>4,139</b>	<b>9,948</b>
Gain/loss from financial items			
Other interest income and similar income items	7	4	473
Interest expenses and similar expenses items	8	-863	-394
		-859	79
<b>Income after financial items</b>		<b>3,280</b>	<b>10,027</b>
Loss from merger		-	-593
<b>Income before tax</b>		<b>3,280</b>	<b>9,434</b>
Taxes	9	124	-281
<b>Net income for the year</b>		<b>3,404</b>	<b>9,153</b>

<sup>1)</sup> The difference between 1996 and 1997 is partly attributable to changes in cost distribution between the Parent Company and other Group companies.

# Parent Company Balance Sheet

SEK m.	Note	Dec. 31, 1997	Dec. 31, 1996
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Financial fixed assets</i>			
Shares in subsidiaries	18	17,635	13,634
Main holdings	19	30,261	26,577
Other long-term holdings of securities	20	394	488
Capital discount	28	15	19
<b>Total fixed assets</b>		<b>48,305</b>	<b>40,718</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		10,000	–
Prepaid expenses and accrued income		1	2
<b>Total current assets</b>		<b>10,001</b>	<b>2</b>
<b>TOTAL ASSETS</b>		<b>58,306</b>	<b>40,720</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	25		
<i>Restricted equity</i>			
Share capital		4,772	4,769
Restricted reserves		13,827	13,815
		18,599	18,584
<i>Unrestricted equity</i>			
Earnings brought forward		18,098	10,852
Net income for the year		3,404	9,153
		21,502	20,005
<b>Total shareholders' equity</b>		<b>40,101</b>	<b>38,589</b>
<b>Convertible debenture loans</b>	26	<b>1,375</b>	<b>1,382</b>
<b>Long-term liabilities</b>			
Liabilities to credit institutions	29	1,619	2
Liabilities to Group companies		3	3
<b>Total long-term liabilities</b>		<b>1,622</b>	<b>5</b>
<b>Current liabilities</b>			
Liabilities to Group companies		14,779	237
Tax liabilities		–	280
Other liabilities	31	197	170
Accrued expenses and prepaid income	32	232	57
<b>Total current liabilities</b>		<b>15,208</b>	<b>744</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>58,306</b>	<b>40,720</b>
<b>Pledged assets</b>			
		None	None
<b>Contingent liabilities</b>			
Pension commitments in excess of provisions			
booked under liabilities or provisions		60	89
Sureties for Group companies		1,996	1,659
Sureties for associated companies		535	535
Other guarantee commitments		47	92
		<b>2,638</b>	<b>2,375</b>

## Parent Company Statement of Changes in Financial Position

SEK m.	1997	1996
Cash flow from continuing operations		
Dividend income, etc.	1,534	1,602
Management costs, etc.	-331	-107
Net financial income/expense	-848	185
Taxes paid	124	-281
	<b>479</b>	<b>1,399</b>
Change in working capital		
Current receivables	1	13
Current liabilities	-78	86
	<b>-77</b>	<b>99</b>
Investments, stock portfolio		
Sales, stock portfolio/Scania, etc.	4,573	18,896
Purchases, stock portfolio	-5,227	-143
	<b>-654</b>	<b>18,753</b>
Dividends to shareholders		
Ordinary dividends	-1,908	-1,713
Extraordinary dividends	-	-3,808
	<b>-1,908</b>	<b>-5,521</b>
Other items		
Acquisition of subsidiaries within the Group	-4,000	-
Capital contributions to subsidiaries	-	-12,002
Other items	1	-1,378
	<b>-3,999</b>	<b>-13,380</b>
<b>Financial deficit/surplus</b>	<b>-6,159</b>	<b>1,350</b>
<b>FINANCING</b>		
Decrease/increase in liquid assets (+/-)	-	74
Decrease/increase in long-term loans (-/+)	1,616	-3,340
Change in intra-Group transactions	4,543	1,916
<b>Total financing</b>	<b>6,159</b>	<b>-1,350</b>

# Accounting Principles

## GENERAL ACCOUNTING PRINCIPLES

Effective in 1997, a new Annual Accounts Act was adopted in Sweden to conform with EU standards. For Investor, the new law necessitated changes in the income statement and balance sheet. Income statements and balance sheets from previous years used for comparative purposes have been adjusted accordingly. The new stipulations have only negligible effects on the Company's valuation principles, with the exception of shares in associated companies, which are now reported in accordance with the equity accounting method (see below). Investor AB complies with the recommendations of the Swedish Financial Accounting Standards Council and the Swedish Accounting Standards Board.

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

Other revenues from investment activities and costs for securities sold are included under reported gross income.

Other operating expenses include income from operations in SAFG (aviation financing), which is reported net for the Saab Group in 1997. Comparative figures for 1996 have been adjusted.

## CHANGES IN ACCOUNTING PRINCIPLES

Because of the new Annual Accounts Act, some of Investor's main holdings are now reported in accordance with the equity accounting method. As a result, Investor has also prepared a consolidated income statement based on the accounting principles used in the past. Effects of changes in the accounting principles are presented in Note 25.

## 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 voting rights for the shares, companies in which the Parent Company owns participation and has the right to appoint or dismiss more than half of the members of the Board and companies in which the Parent Company otherwise exercises controlling influence and controls a substantial part of income. Associated companies are companies in which the Group has a direct or indirect long-term ownership interest and exercises significant influence.

The consolidated accounts are prepared in accordance with the purchase accounting method, whereby subsidiary assets and liabilities are booked at market

value based on an analysis conducted at the time of acquisition. If the acquisition value of shares in the subsidiary exceeds the estimated market value of the company's net assets, according to the analysis, the difference is regarded as Group goodwill and amortized over the estimated useful life of the assets. Accordingly, only income arising after the date of acquisition is included in consolidated shareholders' equity.

Associated companies are accounted for in accordance with the equity accounting method, whereby the book value of shares and participations in associated companies is reported in the consolidated balance sheet as the Group's share in 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 deficit or surplus values. Investor's share of tax expenses in associated companies is included among tax expenses in the consolidated income statement. Shares in income accrued after the acquisition of associated companies but not yet realized 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 book 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, share redemption, etc., are charged directly against Group equity as "Adjustment item in equity accounting."

Main holdings of industrial investment operations not attributable to associated companies are booked in accordance with 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 companies sold during the year is not included in consolidated income.

Intra-Group profits and transactions are eliminated.

## FOREIGN SUBSIDIARIES AND ASSOCIATED COMPANIES

The financial statements of foreign subsidiaries and associated companies are translated into SEK in conformity with International Accounting Standard No. 21 (IAS 21), whereby income statements and balance sheets of



such companies are translated into SEK 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 when net income is translated at other than the year-end rate, is reported directly in shareholders' equity in the balance sheet.

#### GENERAL VALUATION PRINCIPLES

Assets, provisions and liabilities are valued at historical cost, unless stated otherwise.

#### REVENUES AND INCOME

Net revenues and income are booked when products and services are delivered, at a time when virtually all risks and rights are transferred to the purchaser.

Long-term development contracts are booked as income in accordance with the percentage of completion method. Of total estimated revenues for work in progress during the period under review, an amount that corresponds to accrued costs in relation to estimated total costs is recognized as income at the close of the period. Long-term delivery contracts concerning military aircraft are recognized as income in relation to the amount delivered. Changes in estimated total revenues and costs per project are booked in the same period they are recognized.

#### DEPRECIATION PRINCIPLES FOR FIXED ASSETS

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

The following depreciation rates are used:

##### *Intangible fixed assets*

Capitalized R&D costs and similar expenses	5 years
Computer programs, excl. standard software	5 years
Goodwill	10–20 years

##### *Tangible fixed assets*

Buildings	25 years
Revaluations of buildings	20 years
Land improvements	20 years
Aircraft	22–25 years
Plant and machinery	5–10 years
Computers, equipment, tools and fixtures	3–10 years

#### OPERATING INCOME

For orders in which the manufacturing cost is financed largely by advance payments from customers, interest effects of advanced-payment financing is reported under operating income.

#### RESEARCH AND DEVELOPMENT EXPENDITURES

The Group's definition of expenditures for research and development conforms with that used by Statistics Sweden.

Costs for in-house research and development are normally expensed as they are incurred. Only development costs directly attributable to new and important products for the Group are carried forward. Such expenditures are depreciated annually by a minimum of 20 per cent. In 1997, depreciation of SEK 40 m. was deemed necessary, after which no other development costs remain in the Group's consolidated balance sheet.

For the development and manufacture of the Saab 2000 regional aircraft, Saab AB and the Swedish Government have a separate agreement whereby the Government participates in the project on commercial terms. In accordance with the agreement, Saab received a total of SEK 1,476 m. during the period 1980–1994. The amounts received are reported as income at the same rate as expenditures are incurred for the project. In accordance with terms of the agreement, the Government was compensated for risk financing by Saab in the form of royalty payments based on the project's revenues. In December 1997, in a supplementary agreement signed by Saab and the Swedish Government, it was decided that compensation to the Government will be based instead on income from customer-support operations after production is terminated.

#### GUARANTEE COSTS

Estimated costs for product guarantees are booked under operating expenses when the products are sold.

#### NONCOMPARABLE ITEMS

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 from divestment of business operations and major fixed assets, substantial write-downs and restructuring costs.

#### CURRENCY HEDGING

Translation differences from hedging transactions to se-

cure contracted future currency flows are booked in the same periods as underlying flows.

Flows not secured by contract and relating to provisions for restructuring costs, which are settled in foreign currency, are hedged so that no translation difference arises on such settlement.

Investor's policy is to hedge the investment operations' investments in foreign shares by raising a corresponding liability in the currency concerned in the form of loans or derivative instruments. The corresponding asset values are reported in accordance with BFN R7.

#### **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 held are reported at acquisition value, with the exception of revaluations. To the extent that it is estimated that permanent declines in value have occurred, the holdings are written down.

#### **SHARES HELD AS CURRENT ASSETS**

Holdings of shares, participations and securities classified as current assets held for trading purposes are reported as inventories. The assets are valued in accordance with the portfolio method and reported at the lower of acquisition value and listed value (or estimated market value in the case of unlisted securities).

#### **INVENTORIES**

Inventories, valued in accordance with Recommendation No. 2 issued by the Swedish Financial Accounting Standards Council, are booked at the lower of acquisition value and real value, in accordance with the first in, first out principle (FIFO). The acquisition value of semi-finished and finished goods produced in-house consists of direct production expenses and reasonable supplementary costs for indirect production expenses.

#### **RECEIVABLES**

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

#### **RECEIVABLES AND LIABILITIES IN LEASING OPERATIONS**

The aircraft financing operations conducted by SAFG are reported in accordance with Recommendation

No. 6 of the Swedish Financial Accounting Standards Council, whereby leasing agreements are classified as either financial or operational leasing agreements.

A financial leasing agreement means the lessee, even if such party does not receive ownership rights to the leased object, assumes virtually all financial benefits and risks related to the object. Leasing objects held under financial leasing agreements are reported in the lessee's balance sheet as fixed assets, and obligations to pay future leasing fees are booked as liabilities. The lessor reports net leasing agreement investments in the balance sheet as a receivable, based on the present value of future leasing fees.

An operational leasing agreement means the lessor retains virtually all financial benefits and risks related to ownership, and reports the object under fixed assets.

For anticipated or confirmed deficits under the terms of leasing agreements, provisions for the estimated deficit are made at discounted present value. Since the leasing portfolio is treated as a financial asset, which could in principle be sold at any given time, a market valuation of the leasing agreements is also undertaken, whereby the surplus and deficit values of various leasing agreements in the portfolio are offset against each other.

#### **RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES**

Receivables and liabilities in foreign currencies are translated into SEK using year-end exchange rates, in accordance with Recommendation No. 7 of the Swedish Accounting Standards Board. Translation differences on current receivables and short-term 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 taxes paid 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 calculation yields 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 considered a diversified 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 also taxable, while management expenses and interest expenses are deductible.

All other Swedish companies in the Investor Group, including Saab, constitute a group for tax purposes and, with few exceptions, are taxed as operating companies. The group arrangement permits payment and receipt of group contributions.

#### UNTAXED RESERVES

Tax regulations in Sweden and certain other countries permit allocations to special reserves and funds. Within certain limits, accordingly, companies can apportion and retain earnings in the business without subjecting them to immediate taxation.

Untaxed reserves are not subject to taxation until they are utilized. In the event the business should incur a loss, however, the reserves may be utilized, at times within certain limitations, to cover such loss without payment of taxes. The total value of untaxed reserves may thus be considered risk capital, since possible losses can be covered by utilizing the reserves.

In the consolidated balance sheet, untaxed reserves of individual companies are divided into shareholders' equity and deferred tax liabilities. In the income statement, the tax attributable to the year's change in untaxed reserves is included in deferred taxes.

#### EXCHANGE RATES USED IN THE FINANCIAL STATEMENTS

Country	Currency	Year-end rate		Change %	Average rate		Change %
		1997	1996		1997	1996	
Australia	AUD	5.15	5.48	-6.0	5.68	5.25	8.2
Austria	ATS	62.51	62.82	-0.5	62.62	63.39	-1.2
Belgium	BEF	21.31	21.46	-0.7	21.36	21.67	-1.4
Canada	CAD	5.47	5.02	9.0	5.52	4.92	12.2
Denmark	DKK	115.45	115.55	-0.1	115.68	115.71	0.0
France	FRF	131.40	131.15	0.2	130.91	131.02	-0.1
Finland	FK	145.30	147.95	-1.8	147.21	146.09	0.8
Germany	DEM	439.75	442.05	-0.5	440.71	446.00	-1.3
Greece	GRD	0.0279	0.0278	0.4			
Hong Kong	HKD	1.02	0.89	14.6	0.99	0.87	13.8
Indonesia	IDR	0.0016	0.0029	-44.8			
Italy	ITL	0.45	0.45	0.0	0.45	0.44	2.3
Japan	YEN	6.06	5.93	2.2	6.32	6.17	2.4
Korea	KRW	0.0048	0.0084	-42.9			
Malaysia	MYR	2.04	2.72	-25.0	2.73	2.66	2.6
Netherlands	NLG	390.25	393.85	-0.9	391.59	398.04	-1.6
New Zealand	NZD	4.59	4.87	-5.7			
Norway	NOK	107.20	106.55	0.6	108.08	103.89	4.0
Philippines	PHP	0.21	0.27	-22.2			
Portugal	PTE	0.043	0.0439	-2.1			
Singapore	SGD	4.71	4.91	-4.1	5.14	4.76	8.0
Spain	ESP	5.20	5.24	0.8	5.22	5.30	-1.5
Switzerland	CHF	542.10	509.75	6.3	526.41	543.41	-3.1
Thailand	THB	0.17	0.27	-37.0			
UK	GBP	13.12	11.60	13.1	12.50	10.47	19.4
USA	USD	7.87	6.87	14.6	7.64	6.71	13.9
ECU	XEU	8.70	8.53	2.0	8.63	8.40	2.7

# Notes to the Financial Statements

SEK m.

## NOTE 1 Employees and personnel costs

### Average number of employees in the Group

Group	1997 of whom, men		1996 of whom, men	
Sweden	7,862	82%	8,598	81%
USA	114	70%	107	70%
Austria	104	78%	117	79%
Great Britain	53	83%	34	62%
Germany	8	87%	5	80%
Malaysia	4	50%	4	50%
Canada	3	100%	2	100%
France	3	100%	42	69%
Hong Kong	15	53%	14	50%
Hungary	1	100%	–	–
China	1	100%	1	100%
Australia	–	–	2	50%
Norway	–	–	15	87%
Total	8,168	82%	8,941	81%

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

	1997		1996	
	Wages and salaries	Social costs	Wages and salaries	Social costs
Parent Company	20	8	19	7
(of which, bonus)	(8) <sup>1)</sup>		(4)	
(of which, pension costs)		(1)		(3)
Subsidiaries	2,498	1,103	2,414	1,099
(of which, pension costs)		(224)		(239)
Total	2,518	1,111	2,433	1,106
(of which, pension costs)		(225)		(242)

The President accounts for the entire amount, SEK 1 m. (3), of the Parent Company's pension costs. The Parent Company's outstanding pension commitments to the President and Board of Directors amount to SEK 59 m. (109), of which SEK 5 m. (5) relates to former Board members and the former President.

The category Board of Directors and President accounts for SEK 16 m. (43) of the Group's pension costs. The Group's outstanding pension commitments to this category amount to SEK 308 m. (411), of which former Board members and presidents account for SEK 185 m. (151).

continued

Note 1, continued

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

	1997		1996	
	Board and President	Other employees	Board and President	Other employees
Sweden	64	2,247	66	2,214
(of which, bonus)	(18)		(9)	
USA	8	79	5	46
(of which, bonus)	(2)			
Austria	2	46	4	50
Great Britain	12	36	4	19
(of which, bonus)	(3)			
France		2	1	10
Norway				5
Germany		3		1
Malaysia	1	1	1	1
Hong Kong	6	10	2	4
(of which, bonus)	(3)			
Chile		1		
Total	93	2,425	83	2,350
(of which, bonus)	(26) <sup>1)</sup>		(9)	

<sup>1)</sup> Plus bonuses for 1996 which were paid and expensed in 1997 in a total amount of SEK 2 m. for the Parent Company and SEK 16 m. for the Group.

In 1997, the members of the Board of Directors received a total of SEK 6,833,330<sup>2)</sup> (11,000,000), including benefits as specified below.

The chairman, Percy Barnevik, received a Board fee of SEK 1,083,332 (250,000).

The two vice chairmen, Bo Berggren and Anders Scharp, each received a fee of SEK 875,000 (875,000). Anders Scharp also received director's fees of SEK 500,000 (500,000) from Group companies.

Director Erik Belfrage received a fee of SEK 500,000 (500,000), in addition to director's fees of SEK 200,000 (200,000) from Group companies.

Directors Håkan Mogren, Mauritz Sahlin and Peter D. Sutherland each received a fee of SEK 250,000 (250,000). Director Michael Treschow was paid a fee of SEK 166,666 (–).

Directors Peter Wallenberg and Tom Wachtmeister, both of whom retired in conjunction with the 1997 Annual Meeting, were paid fees of SEK 2,500,000 (7,500,000) and SEK 83,332 (250,000), respectively. Director Marcus Wallenberg is employed full-time by the Group and therefore received a salary. In addition, as a director of Group companies, he received fees of SEK 200,000 (200,000).

President Claes Dahlbäck received a salary of SEK 5,148,060 (4,050,375) and housing and car allowances totaling SEK 312,483 (279,690). Claes Dahlbäck also received a bonus of SEK 6,500,000 (4,000,000) which was set and paid in 1997. The setting and payment of bonuses are effected following the close of the fiscal year to which they pertain. Effective in 1997, a provision for bonuses is posted in the financial accounts.

Pension obligations for the president and other executives are settled in a pension plan based on the so-called BTP plan. This means that pension benefits are payable from the age of 65 and the plan includes additional survivor benefits. Pen-

<sup>2)</sup> In May 1997, the Annual Meeting decided on total fees to the members of the Board of Directors of SEK 4,750,000 (11,000,000) for the period up to the next Annual General Meeting, of which SEK 3,166,672 (7,333,342) was charged against income in 1997 and SEK 1,583,328 (3,666,658) will be charged against income in 1998.

continued



Note 1, continued

sions are based on 50–70% of pension-based salaries. In addition, the President has the right to retire with pension benefits no earlier than at the age of 58. Other senior executives have the right to retire with pension benefits no earlier than at the age of 60. Pension benefits until the ordinary retirement age of 65 are paid out at 70% of the pensionable salary at the time of retirement. 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 found after one year, the President is entitled to a maximum of 12 months' additional severance pay.

In 1997, the Board of Directors reached a decision regarding a bonus program for about 20 senior Investor executives. The program, which became effective in 1997, is based on the total return on the Investor share in relation to the Findata yield index for the Stockholm Stock Exchange. The bonus will only be payable if the total return on the Investor share exceeds the Findata yield index for the Stockholm Stock Exchange. Any bonus payments will take the form of shares and/or options in Investor. Shares are acquired in the marketplace by the individual executive, while options are issued by independent stockbrokers on market terms. The aims of the bonus program are to link the remuneration received by executives to the total return received by shareholders and to stimulate senior executives to increase their long-term ownership in the Group.

**NOTE 2 Net revenues of other operations by area of operation and geographic market**

	1997	1996
<b>Net revenues by area of operation</b>		
Saab: <sup>1)</sup>		
Military Aerospace	4,480	3,471
Space	594	467
Training Systems	668	559
Collaborative Programs	244	278
Combitech	1,073	932
Regional Aircraft	3,035	2,902
Less internal invoicing	-1,420	-450
Total Saab	8,674	8,159
Other holdings and equity trading	11,303	3,760
GHH Grand Hôtel Holdings	294	241
Other	27	113
Total	20,298	12,273

<sup>1)</sup> Aviation financing in SAFG is reported net – see other expenses.

**Saab's net sales by geographic market**

Sweden	4,225	3,739
Other EU countries	1,437	1,200
Rest of Europe	534	1,040
North America	1,819	1,768
Asia	524	290
Australia/Pacific	74	70
Other markets	61	52
Total	8,674	8,159

**NOTE 3 Noncomparable items**

	1997	1996
Phase-out costs for regional aircraft production	-4,079	-
Write-down of leasing portfolio relating to Regional Aircraft	-1,342	-
Write-down of product development	-	-584
Write-down of machinery and equipment	-	-243
Revaluation of commitments and guarantees	-	-392
Capital contributions to Saab Automobile and others	-	-2,481
Total	-5,421	-3,700

**NOTE 4 Other operating expenses**

	1997	1996
Operating income from aviation financing, see below	-212	-698
Capital loss from divested operations	-148	-
Write-down of goodwill	-	-63
Other	-4	-61
Total	-364	-822

**Aviation financing**

<b>SAFG's condensed income statement</b>	1997	1996 <sup>1)</sup>
Leasing revenues	1,554	1,285
Interest income	123	93
Other revenues	29	20
Total revenues	1,706	1,398
Leasing expenses	-832	-479
Interest expenses	-537	-508
Depreciation	-383	-340
Other expenses	-166	-735
Total expenses	-1,918	-2,062
Group adjustments	-	-34
<b>Operating loss</b>	-212	-698

<b>SAFG's condensed balance sheet</b>	1997	1996 <sup>1)</sup>
<b>Assets</b>		
Leasing assets	6,919	5,937
Receivables from Group companies	3,466	3,223
Receivables	712	621
Liquid funds	7	377
Total assets	11,104	10,158

**Shareholders' equity and liabilities**

Shareholders' equity	1,500	1,215
Provisions	3,149	1,644
Leasing commitments <sup>2)</sup>	5,207	5,741
Other liabilities	1,248	1,558
Total shareholders' equity and liabilities	11,104	10,158

<sup>1)</sup> Pro forma accounting in Saab AB.

<sup>2)</sup> Of which, long-term liability. 4,922 5,432

SAFG's income statement and balance sheet are completely USD-related, since agreements regarding aircraft sales and leasing are always denominated in USD. The exchange rates used for translation in these accounts are presented on page 69.

continued

Note 4, continued

**Operational leasing agreements**

Outcome	Leasing aircraft	
	Payments to lessor	Receipts from airline companies
1996	443	443
1997	711	672
<b>Contracted</b>		
1998	776	661
1999	709	519
2000	674	441
2001	670	425
2002	642	425
2003 and later	4,541	2,763
Contracted, total	8,012	5,234

The above amounts pertain to leasing agreements for what are predominantly Saab 340 aircraft placed with American investors and airline companies. The difference between receipts and payments is due mainly to rental periods in so-called sublease contracts, which are shorter than contracted time periods in so-called head lease contracts. The specification does not take into account payments/revenues that are expected to result from ongoing renewal of short-term leasing contracts.

**Financial leasing agreements**

	Leasing aircraft	
	1997	1996
Acquisition value	2,121	2,388
Accumulated depreciation	-460	-442
Planned residual value	1,661	1,946
Depreciation for the year	-135	-126
Leasing fees paid during the year	246	187
Contracted future leasing fees <sup>1)</sup>	1,930	1,866

<sup>1)</sup> The financial leasing agreements above pertain to 35 Saab 340 aircraft in 1997 and 41 Saab 340 aircraft in 1996.

	1997	1996
USD m.	230	267
DEM m.	6	7

**In addition to the above leasing agreements relating to SAFG, Saab has the following agreements:**

**Operational leasing agreements**

Outcome	Premises and buildings	Machinery and equipment
1996	48	41
1997	51	35
<b>Contracted</b>		
1998	42	28
1999	34	17
2000	22	7
2001	12	4
2002	11	-
2003 and later	25	-
Contracted, total	146	56

**NOTE 5 Depreciation of tangible and intangible assets**

	1997	1996 <sup>1)</sup>
Capitalized expenses for research and development and similar activities	-	-206
Other intangible assets	-14	-
Goodwill	-45	-60
Buildings and land	-70	-83
Plant and machinery	-209	-254
Equipment, tools and fittings	-75	-76
Leasing assets	-383	-340
Total	-796	-1,019
Of which, Saab	-749	-977

<sup>1)</sup> Comparative figures for 1996 deviate from last year's annual report due to reclassifications between depreciation and other operating expenses.

**NOTE 6 Operating income by area of operation**

	Equity accounting		Previous accounting principle	
	1997	1996	1997	1996
<b>Main holdings</b>				
Dividends	166	132	1,683	1,804
Share in income of associated companies	6,889	5,178		
Capital gains	2,987	12,400	3,197	12,400
Total, main holdings	10,042	17,710	4,880	14,204
<b>Saab:</b>				
Military Aerospace	586	557	586	557
Decline in loss risk reserve	313	300	313	300
Training Systems	156	115	156	115
Space	47	45	47	45
Collaborative Programs	3	-	3	-
Combitech	-338	-159	-338	-159
Intra-Group transactions	103	52	103	52
Regional Aircraft	-553	-1,093	-553	-1,093
SAFG	-212	-698	-212	-698
Noncomparable items	-5,421	-1,219	-5,421	-1,219
Total Saab	-5,316	-2,100	-5,316	-2,100

**Other:**

Other holdings and equity trading	370	369	370	369
GHH Grand Hôtel Holdings	74	49	74	49
Administrative expenses in industrial investment operations	-608	-456	-608	-456
Capital contribution, etc., to Saab Automobile	-	-2,481	-	-2,481
Other	-74	-19	-74	-19
Total	4,488	13,072	-674	9,566

**NOTE 7 Other interest income and similar income items**

	1997	1996
<i>Group</i>		
Interest income, other	504	1,063
Dividends from other companies	6	–
Other	–	3
<b>Total</b>	<b>510</b>	<b>1,066</b>
<i>Parent Company</i>		
Interest income, Group companies	–	466
Interest income, other	4	7
<b>Total</b>	<b>4</b>	<b>473</b>

**NOTE 8 Interest expenses and similar items**

	1997	1996
<i>Group</i>		
Convertible debenture loans		
Interest expense	–110	121
Depreciation of capital discount	–5	–20
Foreign exchange reserve	–6	163
Interest expense, borrowing	–252	–836
Interest on pension expenses	–76	–119
Write-down of holding of Investor convertibles to nominal value	–185	–343
Other	–144	–
<b>Total</b>	<b>–778</b>	<b>–1,034</b>
<i>Parent Company</i>		
Convertible debenture loans		
Interest expense	–110	121
Depreciation of capital discount	–5	–269
Foreign exchange reserve	–6	163
Interest expense, Group companies	–590	–
Interest expense, other borrowing	–12	–403
Exchange rate differences	18	–6
Other	–158	–
<b>Total</b>	<b>–863</b>	<b>–394</b>

**NOTE 9 Taxes**

	1997	1996
<i>Group</i>		
Tax on net income for the year		
Paid	95	–446
Deferred	1,332	341
	1,427	–105
Additional taxes <sup>1)</sup>	–259	–
	1,168	–105
<i>Share in tax charges of associated companies</i>		
	–1,857	–1,883
<b>Total</b>	<b>–689</b>	<b>–1,988</b>
<i>Parent Company</i>		
Tax paid on net income for the year	124	–281
<b>Total</b>	<b>124</b>	<b>–281</b>

<sup>1)</sup> Additional taxes comprise charges against Saab in accordance with a ruling by tax authorities after tax audits undertaken in Sweden and the U.S. The ruling by tax authorities in Sweden will be appealed (SEK 229 m.). About 80 percent of additional taxes in Sweden pertain to accrual items (see accrued costs, Note 32), which have been taken into account in calculations of deferred tax.

**NOTE 10 Capitalized costs for R&D, etc.**

	97-12-31
<i>Accumulated acquisition value</i>	
Opening balance	1,070
Divestments and obsolescence	–1,030
	40
<i>Accumulated depreciation according to plan</i>	
	–446
Divestments and obsolescence	446
	0
<i>Accumulated write-downs</i>	
Opening balance	–584
Divestments and obsolescence	584
Write-downs for the year	–40
	–40
Planned residual value at year-end	–

**NOTE 11 Other intangible assets**

	97-12-31
<i>Accumulated acquisition value</i>	
Opening balance	0
New purchases	136
	136
<i>Accumulated depreciation according to plan</i>	
Opening balance	0
Depreciation according to plan	-14
	-14
Planned residual value at year-end	122

**NOTE 12 Goodwill**

	97-12-31
<i>Accumulated acquisition value</i>	
Opening balance	146
Divestments and closures of operations	-107
	39
<i>Accumulated depreciation according to plan</i>	
Opening balance	-27
Divestments and closures of operations	54
Depreciation according to plan	-45
	-18
<i>Accumulated write-downs</i>	
Opening balance	-43
Divestments and closures of operations	34
	-9
Planned residual value at year-end	12

**NOTE 13 Buildings and land**

	97-12-31
<i>Accumulated acquisition value</i>	
Opening balance	3,109
New procurements	96
Divestments and scrapping	-204
	3,001
<i>Accumulated depreciation according to plan</i>	
Opening balance	-594
Depreciation according to plan of acquisition value during the year	-70
	-664
<i>Accumulated revaluations</i>	
Opening balance	73
Depreciation according to plan of amounts written up	-
Revaluations	695
Write-downs of amounts written up	-2
	766
<i>Accumulated write-downs</i>	
Opening balance	-56
Write-down during the year	-23
	-79
Planned residual value at year-end	3,024
Tax assessment values, buildings (Sweden)	1,176
Tax assessment values, land (Sweden)	512



**NOTE 14 Plant and machinery**

	97-12-31
<i>Accumulated acquisition value</i>	
Opening balance	2,008
New purchases	267
Divestments and scrapping	-244
	2,031
<i>Accumulated depreciation according to plan</i>	
Opening balance	-1,343
Divestments and scrapping	188
Depreciation according to plan of acquisition values	-209
	-1,364
Planned residual value at year-end	667

**NOTE 15 Equipment, tools and fixtures**

	97-12-31
<i>Accumulated acquisition value</i>	
Opening balance	1,273
New purchases	228
Divestments and scrapping	-70
	1,431
<i>Accumulated depreciation according to plan</i>	
Opening balance	-951
Divestments and scrapping	54
Depreciation according to plan of acquisition values	-75
	-972
<i>Accumulated write-downs</i>	
Write-downs during the year	-33
	-33
Planned residual value at year-end	426

**NOTE 16 Leasing agreements**

	97-12-31
<i>Accumulated acquisition value</i>	
Opening balance	7,041
New purchases	2,324
Divestments and scrapping	-1,072
Reclassifications	333
	8,626
<i>Accumulated depreciation according to plan</i>	
Opening balance	-1,437
Divestments and scrapping	113
Depreciation according to plan of acquisition values	-383
	-1,707
Planned residual value at year-end	6,919

Assets held as financial leasing agreements:

Estimated acquisition value of the assets	2,121
Leasing fees paid during the fiscal year	246
Contracted future leasing fees	1,930

**NOTE 17 Construction in progress and advance payments for tangible fixed assets**

	97-12-31
Opening balance	12
Capitalized expenses for materials and work in progress	-12
Closed during the year	65
Closing balance	65

**NOTE 18 Shares in Group companies**

	97-12-31
<i>Accumulated acquisition value</i>	
Opening balance	17,635
Purchases	4,000
	21,635
<i>Accumulated write-downs</i>	
Opening balance	-4,000
	-4,000
Book value at year-end	17,635

A specification of shares and participations in Group companies is presented on page 81.

**NOTE 19 Main holdings**

	Group 97-12-31	Parent Company 97-12-31
<i>Accumulated acquisition values</i>		
Opening balance	19,034	22,680
Purchases	5,225	5,227
Sales	-1,008	-1,497
	23,251	26,410
<i>Accumulated revaluations</i>		
Opening balance	–	4,000
	–	4,000
<i>Accumulated write-downs</i>		
Opening balance	-389	-103
Write-downs during the year	-46	-46
	-435	-149
Booked acquisition value	22,816	30,261
Adjustments for equity accounting	11,139	
Closing book value	33,955	30,261
Market value	81,230	76,375

	No. of shares	Share of equity, % <sup>1)</sup>	Adjusted equity <sup>1)</sup>	Net income for the year <sup>1)</sup>	Value of share in equity	Market value	Booked acquisition value <sup>2)</sup>
<b>Holdings reported as associated companies</b>							
Astra	166,764,505	10	4,670	1,035	5,131	22,920	2,427
Atlas Copco	25,950,000 <sup>5)</sup>	14	1,902	312	1,956	6,150	1,102
Electrolux	1,769,478	2	490	8	786	975	656
Ericsson	29,324,500 <sup>6)</sup>	3	1,584	359	2,820	9,048	2,317
Incentive	13,517,645 <sup>7)</sup>	20	5,019	2,278	5,177	9,665	2,031
OM Gruppen <sup>3)</sup>	4,795,245	20	328	68	333	1,386	203
SAS Sverige	13,155,980 <sup>8)</sup>	19	983	129	665	1,513	557
Scania	52,994,181 <sup>9)</sup>	46	4,661	904	6,162	9,418	3,221
Scania <sup>4)</sup>	38,070,752					5,578	2,204
SKF	14,955,052	13	1,654	205	1,752	2,378	1,341
STORA	52,728,785 <sup>10)</sup>	16	4,886	260	4,890	5,273	2,474
Saab Automobile	5,000,000	50	(158)	(-953)	0	–	0
			26,177	5,558	29,672	74,304	18,533
<b>Other</b>							
ABB	6,505,000					611	650
S-E-Banken	48,471,300 <sup>11)</sup>					4,871	3,178
WM-data	10,060,500 <sup>12)</sup>					1,444	455
						6,926	4,283
Total, 1997-12-31						81,230	22,816
<i>Added after year-end</i>							
ABB	55,613,530					5,228	6,368
Total main holdings in accordance with market-valued balance sheet						86,458	29,184

<sup>1)</sup> The percentage of voting rights is presented in the table on page 23. Adjusted equity is defined as the share of the company's shareholders' equity, incl. share of equity in untaxed reserves. Net income for the year is defined as the ownership share in the company's income after tax, incl. share of equity in changes in untaxed reserves during the year.

<sup>2)</sup> In accordance with previously applied accounting principles.

<sup>3)</sup> Call options issued on 1.4 million shares.

<sup>4)</sup> Against issue of call options.

During the year, Investor engaged in limited stock lending activity for the purpose of increasing capital return on the Parent Company's portfolio. The Group's policy is to lend a maximum 2 percent of voting rights in any individual stock. The shares on loan can be recalled at Investor's request. Stock lending is conducted only with major players with strong financial positions.

Of which, stocks on loan:

<sup>5)</sup> 3,000 <sup>6)</sup> 741,744 <sup>7)</sup> 49,980 <sup>8)</sup> 23,000 <sup>9)</sup> 417,250 <sup>10)</sup> 12,400 <sup>11)</sup> 989,419

<sup>12)</sup> 530,255

**NOTE 20 Other long-term holdings of securities**

	Group 97-12-31	Parent Company 97-12-31
<i>Accumulated acquisition values</i>		
Opening balance	3,044	488
Purchases	1,507	46
Sales	-1,100	-140
	3,451	394
<i>Accumulated write-downs</i>		
Opening balance	-127	-
Write-downs during the year <sup>1)</sup>	-291	-
	-418	-
Book value at year-end <sup>2)</sup>	3,033	394

<sup>1)</sup> Relates mainly to holdings in Asia. The holdings were written down to market value at December 31, 1997.

<sup>2)</sup> In addition to the securities above, commitments to additional investments total SEK 625 m. (918).

Holdings are divided as follows:

Listed securities	1,506	394
Unlisted securities	1,527	-
	3,033	394
Market value amounts to:		
Listed securities	2,430	725
Other securities	2,017	-
	4,447	725

A specification of main holdings is available from Investor's head office.

**NOTE 21 Other long-term receivables**

	97-12-31
<i>Accumulated acquisition value</i>	
Opening balance	4,643
New receivables, net	162
Reclassifications	200
	5,005
<i>Accumulated write-downs</i>	
Opening balance	-1,350
	-1,350
Book value at year-end	3,655

(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 Saab Automobile, in which Investor holds a 50-percent interest. Saab Automobile was provided with a total of SEK 3,480 m. in new capital in the form of subordinated loans, of which Investor contributed SEK 1,740 m. A total of SEK 1,050 m. was paid during 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

continued

Note 21, continued

that portion of the receivable which, under certain circumstances, may be converted to shareholders' equity.

The receivable from Saab Automobile carries 8% interest, which is being 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 not 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 during the period February 2000 through July 2000. The value of the shares if and when the option is exercised will depend on the performance of Saab Automobile.

**NOTE 22 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.

	1997	1996
<i>Deferred tax receivables</i>		
Other provisions	1,372	236
Shares in subsidiaries	353	-
Accrued costs	298	127
Other	204	477
<i>Deferred tax liabilities</i>		
Tangible fixed assets	-1,051	-902
Receivable/liability, net	1,176	-62

**NOTE 23 Prepaid costs and accrued income**

Prepaid costs and accrued income amounted to SEK 374 m.

The entry in the consolidated accounts refers mainly to accrued leasing fees.

**NOTE 24 Short-term investments**

	Book value	Market value
Interest-bearing securities	10,736	10,825
Total	10,736	10,825

## NOTE 25 Shareholders' equity

### Distribution of share capital.

The Parent Company's share capital at December 31, 1997 consisted of the following number of shares with a par value of SEK 25 per share.

Share class	No. of shares	No. of votes	share capital	% of voting rights
Before conversion				
A-1 vote	77,922,711	77,922,711	40,8	87,3
B-1/10 vote	112,948,591	11,294,859	59,2	12,7
Total	190,871,302	89,217,570	100,0	100,0
After conversion				
A-1 vote	77,922,711	77,922,711	39,0	86,5
B-1/10 vote	122,054,975	12,205,498	61,0	13,5
Total	199,977,686	90,128,209	100,0	100,0

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

	Share capital	Restricted reserves	Unrestricted equity	Total
Opening balance	4,769	13,943	9,143	27,855
Effect of change in accounting principles				
– Associated company accounts		7,721	–123	7,598
	4,769	21,664	9,020	35,453
Convertible debenture loans	3	12		15
Distribution of funds				
Annual General Meeting decision				
Dividend			–1,908	–1,908
Revaluation of real estate		500		500
Change in Group composition			90	90
Adjusted item in accounts based on equity method	–	–	236	236
Transfer unrestricted/restricted reserves		2,773	–2,773	
Translation differences, etc.		240	–120	120
Net income for the year			3,511	3,511
Shareholders' equity, 1997-12-31	4,772	25,189	8,056	38,017

In the event that profits are transferred to Sweden, a certain portion of the shareholders' equity of foreign subsidiaries becomes subject to taxation.

No provisions to restricted reserves are required.

continued

Note 25, continued

### Effect on shareholders' equity of accounting based on equity method:

	97-12-31
Opening balance	7,598
Adjusted item in accounts based on equity method	236
Share in income of associated companies during the year	
According to income statement	
Share in income of associated companies	7,415
Amortization of goodwill	–526
	6,889
Share in taxes of associated companies	–1,857
	5,032
Less dividend income	–1,517
Adjustment of capital gains	–210
Adjustment due to equity method	3,305
	11,139

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

	Share capital	Restricted reserves	Unrestricted equity	Total
Opening balance	4,769	13,815	20,005	38,589
Convertible debenture loans	3	12		15
Distribution of funds				
in accordance with				
Dividend			–1,908	–1,908
Net income for the year			3,404	3,404
Closing balance	4,772	13,827	21,502	40,101



**NOTE 26 Convertible debenture loans**

	97-12-31	96-12-31
<i>Group/Parent Company</i>		
1991 loan, 7.933% interest, nom.	293	295
1992 loan, 8% interest, nom.	1,030	1,042
	1,323	1,337
Foreign exchange reserve	52	45
	1,375	1,382
Capital discount	-15	-19
Total	1,360	1,363

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 2,017,792 Series B shares through May 2001. The conversion price is SEK 145.30.

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 7,088,592 Series B through May 2001. The conversion price is SEK 145.30.

**NOTE 27 Provisions for pensions and similar commitments**

Provisions for pensions shown in the balance sheet correspond to the actuarial value of existing pension obligations.

	97-12-31	96-12-31
Provisions for pensions		
FPG/PRI pensions	2,017	1,928
Other pensions	420	489
Other pension provisions	119	119
Total	2,556	2,536

Of which, insured by the insurance company Pensionsgaranti FPG/PRI

	2,034	1,946
--	-------	-------

Assets pledged for this liability amounted to SEK 396 m. (396). See Note 33.

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

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

**NOTE 28 Other provisions**

	97-12-31	96-12-31
Costs for restructuring measures	4,079	–
Provision for anticipated loss in future leasing fees	2,728	1,370
Loss on regional aircraft orders	–	459
Other	61	20
Total	6,868	1,849

Provisions of SEK 4,079 m. were allocated in 1997 to cover costs for the phase-out of regional aircraft production operations. The costs pertain to obligations to customers and suppliers as well as personnel transfers. The provision also covers future obligations to support the fleet of aircraft already delivered. The provision for anticipated losses in future leasing agreements, which totals SEK 2,728 m., is the discounted current value of anticipated losses in leasing agreements for regional aircraft.

**NOTE 29 Liabilities to credit institutions**

	97-12-31	96-12-31
<i>Group</i>		
Maturity, 1–5 years from balance sheet date	3,275	1,687
Total	3,275	1,687
<i>Parent Company</i>		
Maturity, 2–4 years from balance sheet date	1,619	2
Total	1,619	2

**NOTE 30 Other long-term liabilities**

	97-12-31	96-12-31
Leasing commitments	4,922	5,418
Other liabilities <sup>1)</sup>	760	426
<b>Total</b>	<b>5,682</b>	<b>5,844</b>

Liabilities with maturity dates later than five years from the balance sheet date amount to SEK 4,122 m.

Collateral pledged amounts to SEK 2,551 m. (2,683) for leasing commitments and SEK 393 m. (363) for other liabilities. See note 33.

<sup>1)</sup> Pertains mainly to prepaid leasing fees.

**NOTE 31 Other liabilities**

	97-12-31	96-12-31
<i>Group</i>		
<i>Saab:</i>		
Value added tax	114	242
Owed to personnel	75	67
Owed to associated companies	69	8
Spare parts credit	56	89
Other liabilities	112	194
<b>Total Saab</b>	<b>426</b>	<b>600</b>

Other operations:

Issued index options <sup>1)</sup>	6	10
Options issued to OM Gruppen	63	–
Liability in accordance with terms of agreement concerning Saab Automobile	–	690
Other liabilities	261	243
<b>Total other operations</b>	<b>330</b>	<b>943</b>
<b>Total</b>	<b>756</b>	<b>1,543</b>

*Parent Company*

Issued index options <sup>1)</sup>	108	78
Options issued to OM Gruppen	63	–
Other liabilities	26	92
<b>Total</b>	<b>197</b>	<b>170</b>

<sup>1)</sup> In 1992, Investor issued index options to certain members of senior management. The price was SEK 20 per option. The redemption price is SEK 157. The options reach maturity in the year 2000. In the Parent Company accounts, a cost of SEK 49 m. (44) is booked for the options, while the consolidated accounts show a gain of SEK 2 m. (3) since the undertaking is secured through holdings of Investor's own convertibles.

**NOTE 32 Accrued costs and prepaid income**

	97-12-31	96-12-31
<i>Group</i>		
<i>Saab:</i>		
Accrued costs		
Loss on regional aircraft orders	967	308
Costs for commitments to customers	754	773
Reserve for remaining costs in military operations	441	361
Vacation pay	271	294
Invoices pending	268	225
Social security costs	187	190
Guarantee reserve	40	43
Other accrued costs	236	203

Prepaid income

Leasing fees <sup>1)</sup>	300	308
Advance invoicing	854	1,942
<b>Total Saab</b>	<b>4,318</b>	<b>4,647</b>

Other operations:

Accrued costs		
Interest	83	140
Other financial expenses	158	–
Other	123	–
<b>Total other operations</b>	<b>364</b>	<b>140</b>
<b>Total</b>	<b>4,682</b>	<b>4,787</b>

<sup>1)</sup> Collateral pledged for this liability totals SEK 61 m. (61).

*Parent Company*

Interest	70	57
Other financial expenses	158	–
Other	4	–
<b>Total</b>	<b>232</b>	<b>57</b>

**NOTE 33 Pledged assets**

	1997	1996
<i>Group</i>		
Collateral pledged for own liabilities and provisions:		
for pension commitments		
Chattel mortgages	396	396
for leasing commitments		
Leasing assets	2,551	2,889
for other long-term liabilities		
Long-term receivables	393	363
for accrued costs		
Accrued income	61	61
for advance payments from customers		
Chattel mortgages	1,751	1,751
Bonds and other securities	5,520	6,435
for current liabilities		
Short-term investments	258	151
<b>Total</b>	<b>10,930</b>	<b>12,046</b>

Specification of holdings of shares and participations in Group companies

Subsidiary/Org. No./Registered Office	No. of shares	Holding, % <sup>1)</sup>	Book value
Investor Group Finance AB, 556371-9987, Stockholm	100,000	100.0	12
Sickla Udde Development AB, 556188-1086, Stockholm	500,000	100.0	550
Sickla Udde AB, 556336-9726, Stockholm	5,000	100.0	
Patricia Trading AB, 556003-6575, Stockholm	100,000	100.0	120
Saab AB, 556036-0793, Linköping	34,067,096	50.0	4,000
Patricia Holdings AB, 556036-6378, Stockholm	1,000	100.0	12,950
Investor Investments AB, 556008-1654, Stockholm	500	100.0	
Investor Scandinavia AB, 556117-0464, Stockholm	100	100.0	
Investor UK Limited, Great Britain	20,000,000	100.0	
Expibel B.V., the Netherlands	753	100.0	
Investor Asia Limited, Hong Kong	1,000	100.0	
Exterior Trade, 556025-3188, Stockholm	150,000	100.0	
Investor International (U.S.), Inc., USA	1,000	100.0	
UCI Inc., USA	100	100.0	
Investors Trading AB, 556032-5945, Stockholm	1,500	100.0	
Investor International AB, 556233-9282, Stockholm	500,000	100.0	
Novare Kapital AB, 556407-3384, Stockholm	225,000	100.0	
PGL AB, 556445-3370, Stockholm	1,000	100.0	
Cator AB, 556043-8490, Stockholm	100,000	100.0	
Expibel Investments AG, Switzerland	250	100.0	
Investors Trading Co S.A., Bermuda	100	100.0	
Investor Asia PTE Ltd, Singapore	2	100.0	
Grand Hôtel Holdings AB, 556302-9650, Stockholm	10,000	100.0	
AB Nya Grand Hôtel, 556028-5941, Stockholm	25,000	100.0	
Saltsjöbadens Hotell AB, 556013-2408, Saltsjöbaden	3,000	100.0	
Blasieholmen 54 KB, 916616-1746, Stockholm	1	100.0	
Rösunda Hotellfastighet KB, 916621-6508, Saltsjöbaden	1	100.0	
AB Vectura, 556012-1575, Stockholm	50,000	100.0	
Residuum AB, 556104-4529, Stockholm	1,000	100.0	
AB Navigare, 556054-9486, Stockholm	8,000	100.0	
AB Näckström, 556007-7009, Stockholm	50,000	100.0	
Stockholm-Saltsjön AB, 556001-7369	30,000	100.0	
Thisbe AB, 556049-1325, Stockholm	300	100.0	
Saab-Scania AB, 556109-5810, Stockholm	500	100.0	
Saab AB, 556036-0793, Linköping	34,067,096	50.0	
Saab Dynamics AB, 556055-9691, Linköping	1,000,000	100.0	
Saab Survey Systems AB, 556258-8854, Jönköping	1,000	20.0	
Saab Training Systems AB, 556030-2746, Huskvarna	150,000	100.0	
Saab Training Systems GmbH, Germany	100	100.0	
Saab Training Systems UK Ltd., Great Britain	100	100.0	
Saab Training Inc., USA	100	100.0	
Saab Aircraft AB, 556062-7647, Linköping	100,000	100.0	
Saab Combitech AB, 556108-8799, Jönköping	500,000	100.0	
Combitech Traffic Systems AB, 556042-6289, Jönköping	80,000	100.0	
Combitech Traffic Systems (H.K) Ltd., Hong Kong	98	98.0	
IV Image Systems AB, 556319-3738, Linköping	2,000	100.0	
Combitech Electronics AB, 556258-7930, Jönköping	5,000	100.0	
Saab Marine Electronics AB, 556043-5124, Gothenburg	15,000	100.0	
Saab Marine (UK) Ltd., Great Britain	1	80.0	
Saab Tank Control Vertriebs GmbH, Germany	1	100.0	
Saab Marine Liaison Office, Russia	6	60.0	
Scanjet Clean AB, 556291-2427, Sjöbo	1,000	50.0	
Combitech Innovation AB, 556055-1342, Jönköping	4,000	100.0	
Combitech Software, 556258-8862, Jönköping	3,250	65.0	
Combitech Network, 556261-3942, Jönköping	8,000	100.0	
Saab Combitech Far East Sdn Bhd, Kuala Lumpur, Malaysia	100,000	100.0	
Pronesto AB, 556112-6755, Stockholm	20,000	100.0	
Telelogic AB, 556049-9690, Malmö	6,000	100.0	
Telelogic UK Ltd., Great Britain	10,000	100.0	
Telelogic Inc., USA	1	100.0	
Fastighets AB Strömögatan 3, 556258-8870, Jönköping	1,000	100.0	
Fastighets AB Bataljonsgatan, 556378-6267, Jönköping	2,000	100.0	
Gårb Teknik AB, 556226-6899, Linköping	1,000	100.0	
Saab Ericsson Space AB, 556134-2204, Gothenburg	90,000	60.0	
Saab Ericsson Space Fastighets AB, 556230-7404, Gothenburg	1,000	100.0	
Saab Ericsson Space Inc., USA	1,000	100.0	
Austrian Aerospace GmbH, Austria	78	77.5	
Saab Survey Systems AB, 556258-8854, Jönköping	7,000	70.0	
Saab Systems Inc., USA	300,000	100.0	

continued

## notes to the financial statements

Specification, continued

Subsidiary/Org. No./Registered Office	No. of shares	Holding, % <sup>1)</sup>	Book value
Saab Holdings U.S. Inc., USA .....	1,000	100.0	.....
Saab Aircraft of America Inc., USA .....	1,001,000	100.0	.....
Saab Aircraft Holdings Inc., USA .....	100	100.0	.....
Saab Aircraft Ltd., Great Britain .....	100	100.0	.....
Saab Aircraft International Ltd., Great Britain .....	100,000	100.0	.....
Saab Aircraft Leasing Ltd., Great Britain .....	1,000	100.0	.....
Saab Aircraft Credit AB, 556020-4231, Stockholm .....	11,000	100.0	.....
Fairbrook Inc., USA .....	100	100.0	.....
Fairbrook Leasing Inc., USA .....	100	100.0	.....
Lambert Leasing Inc., USA .....	100	100.0	.....
Saab Aircraft Finance Inc., USA .....	100	100.0	.....
Saab Aircraft Financings Inc., USA .....	10	100.0	.....
Saab Finance Inc., USA .....	100	100.0	.....
Aero Three AB, 556258-8920, Linköping .....	1,000	100.0	.....
2000 Aircraft Credit AB, 556464-6031, Stockholm .....	629,600	80.0	.....
Swedish Aircraft Two KB, 916691-8194, Linköping .....	—	50.3	.....
Swedish Aircraft Three KB, 916694-4364, Linköping .....	—	50.3	.....
Swedish Aircraft Four KB, 916694-4372, Linköping .....	—	50.3	.....
Saab Helikopter AB, 556026-9945, Nyköping .....	40,000	100.0	.....
Saab Credit AB, 556047-7779, Linköping .....	30,000	100.0	.....
Lansen Försäkrings AB, 516401-8656, Linköping .....	100,000	100.0	.....
Saab Air AB, 556061-1732, Linköping .....	25,000	100.0	.....
Industrikompetens i Östergötland AB, 556060-5478, Linköping .....	9,000	100.0	.....
Saab Treasury AB, 556147-5939, Linköping .....	30,000	100.0	.....
Saab Service Partner AB, 556083-5836, Linköping .....	100,000	100.0	.....
Saab-Scania Rental AB, 556056-9807, Linköping .....	1,000	100.0	.....
Investor Fond AB, 556025-1356, Linköping .....	2,500	100.0	.....
Saab International AB, 556378-6275, Linköping .....	2,000	100.0	.....
Saab International AB (Chile) Ltda., Chile .....	—	100.0	.....
Dormant companies .....			3
Book value in Parent Company			17,635

<sup>1)</sup> Ownership share pertains to equity, which also corresponds to share of voting rights and total number of shares.



## Auditors' Report

To the Annual General Meeting of Investor AB

Organization Number 556013-8298

We have examined the Annual Report, consolidated financial statements, accounting records and the administration by the Board of Directors and President of Investor AB for 1997. The Board of Directors and President are responsible for the accounting records and administration. Our responsibility is to comment on the Annual Report and administration based on our audit.

The audit was conducted in accordance with generally accepted accounting standards. This means that we planned and conducted the audit in order to gain reasonable assurance that the Annual Report does not contain significant errors. An audit involves examining a selection of underlying material in terms of figures and other information in the accounting records. It also involves examinations of the accounting principles and their application by the Board of Directors and President and appraisals of information presented in the Annual Report. We have examined important decisions, measures adopted and general conditions in the Company in order to assess whether any member of the Board of Directors or President is liable to compensate the Company or, in any other way, is in breach of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. We believe our audit has provided a reasonable basis for our statements below.

The Annual Report has been prepared in accordance with the Annual Accounts Act. Accordingly, we recommend:

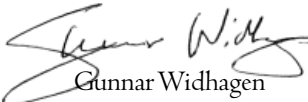
- that the consolidated and Parent Company income statements and balance sheets be approved, and
- that the profit reported by the Parent Company be appropriated in accordance with the proposal in the Administration Report.

Members of the Board of Directors have not adopted any measures or been neglectful in a manner which, in our opinion, can lead to liability to compensate the Company, and thus we recommend:

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

*Stockholm, March 10, 1998*

  
Caj Nackstad  
Authorized Public Accountant

  
Gunnar Widhagen  
Authorized Public Accountant

## Definitions for 10-year summary

<b>Portfolio yield, %</b>	Dividend income as a percentage of market value of the portfolio at year-end.
<b>Turnover, %</b>	Percentage of shares (listed Swedish) at the beginning of the year that did not remain at year-end, calculated at market value at the beginning of the year.
<b>Change in value of the portfolio, %</b>	Increase in market value adjusted for net changes, as a percentage of market value at the beginning of the year adjusted for net changes.
<b>Total annual return on the portfolio, %</b>	Increase in market value adjusted for net changes, plus dividend income, as a percentage of market value at the beginning of the year adjusted for net changes.
<b>Surplus value of the portfolio</b>	Difference between portfolio's market value and book value.
<b>Net worth</b>	Shareholders' equity, convertible debenture loans and surplus values. (Comments regarding net worth are provided on page 21.)
<b>Equity/assets ratio, %</b>	Shareholders' equity, including surplus values and convertible debenture loans, as a percentage of total assets including surplus values.
<b>Share of risk-bearing capital, %</b>	Shareholders' equity, including surplus values, the deferred tax liability, minority interests and convertible debenture loans, as a percentage of total assets including surplus values less cash and short-term investments.
<b>Yield, %</b>	Dividend paid as a percentage of the share price at year-end.



**Percy Barnevik**

Chairman since 1997.  
Elected 1986, born 1941.  
Chairman of ABB Asea Brown  
Boveri Ltd and Sandvik.  
Director of E.I. Du Pont de Nemours  
(USA) and General Motors.  
Shares in Investor: 250,000

**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, J P Morgan International  
Advisory Council and Robert Bosch  
Advisory Committee.  
Shares in Investor: 9,000



**Anders Scharp**

Vice Chairman  
Elected 1988, born 1934.  
Chairman of Atlas Copco, Electrolux,  
Incentive, Scania, Saab, SKF and the  
Swedish Employers' Confederation.  
Director of Email Ltd (Australia)  
and the Federation of Swedish  
Industries, among others.  
Shares in Investor: 3,896



**Erik Belfrage**

Elected 1991, born 1946.  
Chairman of the Swedish Institute  
of Management and the Center for  
European Policy Studies (Brussels).  
Director of Atlas Copco, Saab, SAS,  
SAS Sverige AB and the International  
Council of Swedish Industry, among  
others.  
Shares in Investor: 970



**Claes Dahlbäck**

President and Chief Executive  
Officer since 1978.  
Elected 1983, born 1947.  
Chairman of STORA, Vin & Sprit  
and the Industry and Commerce  
Stock Exchange Committee.  
Vice Chairman of S-E-Banken.  
Director of Astra and Electrolux,  
among others.  
Shares in Investor: 62,500  
Futures in Investor: 10,000



**Håkan Mogren**

Elected 1990, born 1944.  
President and CEO of Astra.  
Chairman of the Industrial Institute  
for Economic and Social Research.  
Vice Chairman of the Social and  
Economic Council.  
Director of Astra, Incentive, STORA,  
the Federation of Swedish Industries,  
the Swedish National Committee of the  
International Chamber of Commerce  
and the Carl Trygger Foundation,  
among others.  
Shares in Investor: 0



**Mauritz Sahlin**

Elected 1990, born 1935.  
Chairman of Air Liquide AB,  
CHAMPS, Elga AB, FlexLink AB, Novare  
Kapital AB, Ovako AB and Western  
Sweden Chamber of Commerce.  
Director of Sandvik AB, Scania AB,  
SKF AB, Statoil (Norway) and the  
Federation of Swedish Industries .  
Shares in Investor: 0

**Peter D. Sutherland**

Elected 1995, born 1946.  
Chairman and Managing Director  
of Goldman Sachs International.  
Chairman of British Petroleum  
Company p.l.c.  
Director of ABB AB,  
ABB Asea Brown Boveri Ltd,  
Ericsson and LM Ericsson Holdings.  
Shares in Investor: 0



**Michael Treschow**

Elected 1997, born 1943.  
President of Electrolux.  
Chairman of the Swedish Export Council.  
Vice Chairman of Saab Automobile.  
Director of Electrolux, Atlas Copco and  
Parker Hannifin (USA), among others.  
Shares in Investor: 3,200



**Marcus Wallenberg**

Executive Vice President and Deputy  
Chief Executive Officer since 1993.  
Elected 1990, born 1956.  
Vice Chairman of Astra and Saab.  
Director of Ericsson, Incentive, Scania,  
S-E-Banken, SAS Sverige AB and the  
Knut and Alice Wallenberg Foundation.  
Shares in Investor: 271,903



**Peter Wallenberg**

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



**Changes in Investor's Board of Directors**

**Erik Belfrage** has informed Investor that he intends to decline re-election to the Board at the Annual General Meeting on April 20, 1998. The Board would like to take this opportunity to thank Mr. Belfrage for his valuable input to the Company as a Director of Investor AB since 1991.

The Board proposes that **Jacob Wallenberg** – Chairman of S-E-Banken and Director of the Knut and Alice Wallenberg Foundation – be elected to the Board at the Annual Meeting. The Board proposes that **Björn Svedberg**, Director of ABB Ltd, ABB AB, Incentive, SAAB and STORA, be elected to the Board. Mr. Svedberg is also Chairman of the Chalmers Institute of Technology and member of Morgan Stanley International Advisory Board, President of the Swedish Academy of Engineering Sciences.



*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: 62,500  
Futures in Investor: 10,000

**Nils Ingvar Lundin**  
Managing Director  
since 1996, born 1945.  
Shares in Investor: 3,500  
Stock options in Investor: 0

**Marcus Wallenberg**  
Executive Vice President and  
Deputy Chief Executive Officer  
since 1993, born 1956.  
Shares in Investor: 271,903  
Stock options in Investor: 0

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



*Claes von Post*



*Jacob Wallenberg*

**Börje Ekholm**  
Managing Director,  
since 1997, born 1963.  
Shares in Investor: 3,074  
Stock options in Investor: 1,000

**Sven Nyman**  
Managing Director  
since 1995, born 1959.  
Shares in Investor: 6,300  
Stock options in Investor: 0

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

**Claes von Post**  
Managing Director  
since 1994, born 1941.  
Shares in Investor: 2,223  
Stock options in Investor: 0

**Ulla Litzén**  
Managing Director  
since 1995, born 1956.  
Shares in Investor: 5,850  
Stock options in Investor: 7,000

**Jacob Wallenberg**  
Managing Director  
since 1997, born 1956.  
Shares in Investor: 86,191  
Stock options in Investor: 25,000

**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.



#### ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 6:00 p.m. on Monday, April 20, 1998 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 9, 1998, and

notify the Company of their intention to attend in writing to Investor AB, s-103 32 Stockholm, Sweden, or calling +46-8-611 29 10 no later than 1:00 p.m. on Wednesday, April, 15, 1998.

#### NOMINEE-REGISTERED SHARES

To exercise the 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 have their shares temporarily re-registered in their own names with VPC. Shareholders who wish to re-register their shares must notify their nominees well in advance of April 9, 1998.

#### DIVIDEND

April 23, 1998 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 Thursday, April 30, 1998. A potential proposal from the Board of Directors regarding dividend of purchase rights of shares in Saab AB may result in a separate record date for purchase rights.

#### INFORMATION DATES

Annual General Meeting	April 20, 1998
3-month interim report	April 20, 1998
6-month interim report	August 11, 1998
9-month interim report	October 22, 1998
Yearend report 1998	February 11, 1999

#### INFORMATION CHANNELS

##### *Publications*

In addition to this Annual Review the following material can also be ordered from Investor:

- Annual Review 1997
- Interim reports 1998
- Investor on CD-ROM  
(available in May/June 1998)

These publications can be ordered by writing to Investor AB, s-103 32 Stockholm, Sweden, or by calling +46-8-449 88 29, faxing +46-8-449 88 10 or by E-mail at [info@investor.se](mailto:info@investor.se).

##### *Firms that published research on Investor during 1997*

Aros, Alfred Berg, Aragon, Carnegie, DMG, Enskilda Securities, Goldman Sachs, Hagströmer & Qviberg, Handelsbanken, Morgan Stanley, Paribas and Öhman.

##### *Shareholder Service*

Telephone: +46-8-614 20 00

##### *Investor Relations*

Per Spångberg: +46-8-614 20 00.

##### *Internet*

Our web site, including the yearend report, can be accessed at [www.investor.se](http://www.investor.se) on the Internet. In 1995 Investor also established an interactive service for shareholder information called Investor Dialogen.

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Fax: +1-212-508-0901

Investor AB is the largest Swedish industrial holding company. It generates value for the shareholders through long-term active ownership, active investment operations and trading. Over the past 25 years the average total annual return to the shareholders has exceeded 20 percent.

Investor AB owns Saab, 50 percent of Saab Automobile and a portfolio of major holdings in a number of Sweden's largest, most internationally active industrial companies. These include Astra, Incentive, Scania, Ericsson, Atlas Copco, ABB, STORA, S-E-Banken, SKF, SAS, WM-data, OM Gruppen and Electrolux. Its 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 and New York.

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