

ANNUAL REPORT 1998

GOVERNAMENTO DE
ORESUND



The fruit tree goes through certain phases characterised by optimal fertility and production. Exactly when these phases occur depends



on many factors. The majority of the most common apple trees are most fertile in around the 8th and 20th years after planting.

**SCHEDULE OF
FINANCIAL INFORMATION**

Interim report January – March, 16 April 1999.
Interim report January – June, 9 July 1999.
Consolidated interim report January – June, August 1999.
Interim report January – September, 11 October 1999.
Year-end financial report, January 2000.

NET ASSET VALUE INFORMATION

The net asset value is publicised on the third working day of each month through distributions to news agencies and major daily newspapers. Furthermore, the net asset value is publicised on Öresund's home page www.oresund.se and at www.huginonline.se

DIVIDEND

Proposed dividend SEK 14.75.
Record date 7 April 1999.
Estimated date for dividend payment 14 April 1999.

ANNUAL REPORT

The original annual report has been submitted in accordance with the provisions of the Swedish Companies Act. It is available at the offices of the company, Norrlandsgatan 15, Stockholm.

This annual report is in all essential respects a translation of the Swedish Annual Report prepared in accordance with Swedish laws and regulations. In the event of any difference between this translation and the Swedish original, the Swedish Annual Report shall govern.

CONTENTS

ABOUT INVESTMENT AB ÖRESUND	8
GENERAL MEETING OF SHAREHOLDERS	8
INFORMATION MEETING	8
1998 IN BRIEF	9
MD'S COMMENTS	10
INTERVIEW BY GUNNAR LINDSTEDT	13
REPORT OF THE BOARD OF DIRECTORS	
<i>NET ASSET VALUE</i>	18
<i>ÖRESUND'S RISK STRATEGY</i>	19
<i>THE GROUP'S SECURITIES HOLDINGS AS OF 31 DEC 1998</i>	20
<i>THE ÖRESUND SHARE</i>	22
<i>ÖRESUND'S INVESTMENTS AND HOLDINGS</i>	26
<i>RESULT AND POSITION</i>	35
<i>PROPOSED ALLOCATION OF PROFIT</i>	37
PROFIT AND LOSS ACCOUNTS	38
BALANCE SHEETS	40
STATEMENTS OF CHANGES IN FINANCIAL POSITION	42
NOTES TO THE FINANCIAL STATEMENTS	44
AUDITOR'S REPORT	50
BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS	52
SUMMARY OF THE GROUP'S DEVELOPMENT	54
ARTICLES OF ASSOCIATION	56
MONITORING OF ÖRESUND BY ANALYSTS	57

ABOUT INVESTMENT AB ÖRESUND

The Group consists of the Parent Company, Investment AB Öresund, which is a pure investment company active in asset management, the wholly-owned subsidiary Rivus, active in securities trading, and Ven Capital, a subsidiary of Rivus.

Investment AB Öresund traces its origins to Sjöforsäkringsaktiebolaget Öresund, founded in 1890 with a share capital of SEK 300 000. In 1956 the company was reorganised and AB Sjö-Öresund became the parent company in a group of companies consisting of the three marine insurance companies, Öresund, Ägir and Stockholms Sjö. The shares in these three companies were sold to Skandia in 1961 in return for payment in listed shares and cash and AB Sjö-Öresund became Investment AB Öresund. The company was listed on the Stockholm Stock Exchange on 10 May 1962. Öresund's overall goal is to conduct business as an investment company in such a manner that provides Öresund's shareholders with a good long-term yield. The strategy to achieve this goal is:

- to invest mainly in Swedish securities
- to maintain a high equity ratio
- to have low management costs
- to have a flexible liquidity policy

INFORMATION MEETING

An information meeting will be held in Malmö on Monday, 12 April 1999 at 6.00 pm in the Scandic Hotel, Triangeln, Malmö. This information meeting is intended for those shareholders who are unable to attend the General Meeting of Shareholders. We require notification of intention to attend the meeting by Tuesday, 6 April 1999 at the latest. Notification may be given at the same address or telephone number as the notice for the General Meeting of Shareholders.

GENERAL MEETING OF SHAREHOLDERS

Investment AB Öresund's General Meeting will be held on Wednesday, 31 March 1999 at 4.00 pm in Industrihuset, Industrisalen, Storgatan 19, Stockholm.

Right to participate in the Meeting. The right to participate in the General Meeting is reserved for those shareholders who are recorded in the share register as of 19 March 1999 and who have notified Investment AB Öresund not later than 4.00 pm, on Friday, 26 March 1999 of their intention to participate in the General Meeting.

Registration of ownership. Investment AB Öresund's share register is maintained by Värdepapperscentralen VPC AB. Only owner-registered holdings are found under the owner's own name in the share register. Owners who have their shares registered in the name of a nominee should request their bank or stockbroker to provide them with temporary owner-registration by no later than two days prior to 19 March 1999. As such, parties with nominee-registered shares shall both instruct their asset managers to re-register the shares and notify the company directly of their intention to participate.

Notice. Notice of intention to participate in the General Meeting may be given by telephone +46 8 402 3300 or by post to Investment AB Öresund, P.O. Box 7621, S-103 94 Stockholm.

Details required upon notification are name, address and telephone number, personal ID number, share holding and any proxy who shall represent the shareholder. If a proxy is to participate in the meeting, authorisation documents are to be forwarded to the company in conjunction with notification of intention to participate. If shareholders intend to bring assistants to the Meeting, the company should be notified.

1998 IN BRIEF

- The proposed dividend is to be raised to SEK 14.75 (11.50) per share, an increase of 28 percent. The total dividend amounts to SEK 178 million (139).
- The net asset value was SEK 232 (251) per share on 31 December 1998. The net asset value, adjusted for dividend paid, decreased during 1998 by 3 percent (in the previous year the net asset value increased by 37 percent).
- The share price as of 31 December 1998 was SEK 196 (210). Thus the discount at year-end was 16 percent (16).
- At an Extraordinary General Meeting of Shareholders on 4 February 1999, the redemption of every eight share at SEK 250 per share was decided. The total redemption payment amounts to SEK 376 million. The redeemed shares will still hold the rights to dividend payment.

Dear Shareholders

The past year has been a disappointing one for many involved in the global stockmarkets. The year started in the wake of the Asian crisis, followed by depressing headlines concerning Russian politics, the instability of Japanese banks and the crisis in South America. It is easy to overrate the value of expectations. This applies to both rumours about international capital flows and hints of merger activity as well as changes after the onset of the euro. There is a lot to be said for the old saying "Buy on rumours, sell on facts".

The various factors included in the concept of risk are becoming increasingly evident and dependent on each other. What I mean here are not only the financial risks but also to a great extent the political risks. Consequently it is easy to look upon the other side of risk, the possibility of profit, rather one-dimensionally. In Russia, in particular, the financial opportunities exist but they are difficult to realise at present, given the political turbulence in the country.

Strategic myopia has created an unpredictable and unstable market. I was prepared for a situation of restraint and uncertainty on the Stockholm Stock Market, but I couldn't imagine that it would be as volatile as it was. Sweden's relation to the EU and EMU is causing, and will continue to cause, a greater volatility on the Swedish Stock Market than that of its EMU linked counterparts. In the long run this does not need to be negative and, for the vigilant, can even provide the opportunity for short term trading profits. Temporary weaknesses in the Swedish krona, if taken advantage of correctly, can also provide Swedish companies with higher profits and consequently higher share prices. I am disappointed that we have not achieved a change in value which exceeds that of the Stockholm Stock Exchange's composite index. When companies like Ericsson and Nokia perform so much better than the rest of the market, large holdings in these companies (both of which have a high share of the total market value) are necessary in order to beat the index. While on the one hand we misjudged both these companies' development opportunities, on the other we, as shareholders of Öresund, have sold all our shares in Drott, Hufvudstaden and Skanska at attractive levels and a healthy profit. Some of these sales were made through the associated company, Custos. We took a lot of criticism because of the sale of Drott and although I can sympathise with some of this criticism, there are always two sides to the coin. Our primary task is to protect and advance shareholder value. It is not to achieve a long-term build-up of power for its own sake. The liquidity provided by Öresund's/Custos' sales this year can be used to great effect in the present market situation.

Even if market developments are looking a little gloomy in the short term, I dare say that in many ways I am pleased by the developments. The fact that my family and I have increased our stake in Öresund by nearly 300,000 shares speaks for itself.

I venture to predict an interesting but difficult year on the markets.

Yours faithfully



Mats Qviberg,
Managing Director



Mats Quiberg, Managing Director



Sven Hagströmer, Chairman and Mats Qviberg, Managing Director

INTERVIEW

Interview by Gunnar Lindstedt who works as a freelance journalist for, among others, Svenska Dagbladet

During the years gone by, there have been some memorable moments surrounding Sven Hagströmer and Mats Qviberg. Most notably was when they posed in heroic-sized portraits as leaders of the Russian Revolution Part 2. While the advertising campaign for Hagströmer & Qviberg's Russian fund was extremely successful, devaluation and the stock market crash made the funds an exceptionally bad investment during 1998.

"It's often said that revolution feeds on its children, and this was certainly our experience", sighs Sven Hagströmer.

Neither he nor Mats Qviberg like talking about Russia.

Mats Qviberg: It was with mixed feelings of horror and delight that we took part in the advertising campaign and at least we can take comfort in the fact that the campaign was successful. We misjudged the developments in Russia. Although we don't know what may happen in the long run, in retrospect we would probably never have taken part – the Russian revolution is hardly something positive one wants to be associated with. On the other hand, I'm much more positive about the Russian stock market today than I was two months ago.

Above all, 1998 was characterised by the large market downturn from July to October.

Mats Qviberg: Between 21 July and 8 October the stock market went down by 40 percent. This was a very large fall and during those ten weeks people really had their hearts in their mouths. We had sold our large holdings in Hufvudstaden and Drott so we were quite liquid, but then we misjudged the quick rebound. A large part of the fall was recovered, but I'm not so optimistic when it comes to price developments in the future. The situation in both Sweden and the rest of the world is too uncertain for one to have all one's money on the stock market.

Sven Hagströmer: The stock market is governed by anxiety and greed. Last year's anxieties meant that many missed the upturn and didn't jump on the train in time. At the same time, the boom in the USA was beginning to seem unsustainable and there were many signs of diminishing demand in Asia and Latin America. An economic downturn seemed imminent, but this was not yet reflected in the share prices, maybe because those born in the 1940's, saving for their pensions, were putting their money back into equities so as not to miss the train.

Mats Qviberg: The stock market has never before been so overvalued as it is today.

Sven Hagströmer: It's said that the inflow of capital is going to continue until year 2007. Then it will turn, because the deposits from future pensioners will no longer be greater than the withdrawals from the pensioners themselves.

Do you mean that the stock markets are governed more by the inflow of capital than by the underlying economic situation?

Mats Qviberg: It's always so. There was nothing unique with this particular upturn. I was at an analysts' meeting earlier this spring in which an analyst expressed optimism about the equity market. He based his analysis on capital flows and only showed company profits and p/e ratios as a matter of duty. The stock market has become much more governed by trading.

And consequently more difficult to appraise?

Mats Qviberg: Absolutely. Both your share-saving general public and the portfolio managers have problems with this market. It's not uncommon that the market can go up by three percent in the morning only to end the day two percent down. We're seeing changes of five percent in one day, at a time when the market interest rates are three percent - per year. There are no longer

any proportions. I think the cause of this is that such a large part of the money is being channelled into equity funds. Consequently there are only a few portfolio managers who manage a great deal of the investments. When I started with stocks and shares in 1975, eighty percent of all shares were owned by private individuals. Today I think that figure is just ten percent.

Sven Hagströmer: Portfolio managers measure themselves against each other and therefore their investments tend to converge towards the middle. The funds buy into the leading companies on each market. The demand causes these companies to be highly valued, while the smaller companies end up as second class, with so called speculative shares and completely different valuations. One way for the more highly priced companies to maintain their share prices is to acquire cheaper companies with lower p/e ratios. A company that is valued at 40 times its yearly profit can, by acquiring a company valued at 10 times its profit, bring down its p/e ratio to maybe 30 (depending on how large the acquired company is). This creates room for further price rises. I think this phenomenon is going to prompt a large number of acquisitions.

Mats Qviberg: Furthermore we can see some huge mergers happening in the world today. This is a product of the fact that companies want to get onto the list of perhaps one hundred corporations traded on stock markets worldwide. I think this development is worrying – after all, mergers are not easy to bring off. It took twenty years for SE-Banken to achieve a well-structured organisation after the merger of Stockholms Enskilda Bank and Skandinaviska Banken. Moreover, these giant mergers remove the pluralism within the business community. Companies with several hundred billion in turnover and hundreds of thousands of employees need extremely competent leaders and I've yet to come across the spin doctor capable of solving everyone's problems.

Are you satisfied with Öresund's development during the year?

Sven Hagströmer: Öresund performed 15 percent worse than the index, so in that respect the performance was below standard. The composite index rose by 12 percent, while Öresund decreased by 3 percent. Our shareholders have had to endure a bad year on the stock market. At the same time we have worked intensively on restructuring the company. We hope that this will gradually be reflected in the share price.

Mats Qviberg: 1998 was a very difficult year, and I think only 15 out of 200 listed shares performed better than the index. And when Custos declines by four percent, then we cannot do much better in Öresund because half our portfolio consists of Custos shares. We have, however, seen some positive changes in Custos. If we hadn't made sure that Custos sold Hufvudstaden, Drott and Skanska, our performance would have been even worse. It's important to note in conjunction with this that the average share decreased by 10 percent during 1998.

Sven Hagströmer: It's been a year of quite strong changes within Custos. A large part of the holdings has been refined and sold. Hufvudstaden, Drott and Skanska were all sold at very good prices, which says a lot for the measures which were carried out.

What really happened with Skanska?

Sven Hagströmer: Most things have already been said. It was an extremely well publicised conflict. Using our position as principal owner we saw the potential for change. But there were others within the management who had different ideas. This made a conflict unavoidable. After this, methods were used that I thought would never be resorted to, and as a result it turned into quite an unpleasant affair.

Mats Qviberg: When Skanska, which has built protective walls around itself for the last twenty years, suddenly becomes subject

to outside pressure from its owners, relations are bound to be strained. But I think today Skanska has a totally new perspective on its main business operations than previously when, along with Volvo, they were mainly interested in power games.

The idea was that Sven Hagströmer would be chairman of Skanska, wasn't it? If you had succeeded, would you have sold Skanska?

Sven Hagströmer: Without saying too much, it would have been more difficult to sell had I become chairman. Consequently it may have been a blessing in disguise that I didn't. On a personal level, I suffered a few withdrawal symptoms, as it seems like Skanska has an exciting future now that the past has been left behind. But we received a very favourable price for our shares and the uncertainty in the market means that construction is not really the branch in which we want to have our largest exposure.

Mats Qviberg: The business with Skanska was made possible by the heavily criticised sale of Drott. I can understand the criticism that we sold at a sensitive time but we still think that it was very positive for the market that a large real estate company was established. Moreover, those shares carrying extra votes were taken away so that today we have a large real estate company with equal voting rights for all – something that the stock market has long been striving for.

Wasn't it the case that in this particular affair you defended the right to carry extra votes while, at the same time, you often expressed yourselves against the division of A and B shares? Isn't that rather contradictory?

Mats Qviberg: Personally I believe very strongly in equal voting rights. Companies with equal voting rights are run in a totally different way, commercially. It forces the board and management to make rational decisions instead of fencing themselves in. On the other hand, Custos had shares with extra voting rights in Skanska/Drott, shares that Custos' shareholders had once paid a premium for.

Consequently it goes without saying that we wanted compensation for this premium, compensation which we in fact received.

Was it your idea to sell Skanska?

Sven Hagströmer: We received a proposal from Industrivärden, and after that we convened the board of Custos in order to make a decision.

Mats Qviberg: The deal was finalised on the 26th of September, in the middle of the stock market downturn.

Sven Hagströmer: Many thought that we would never sell Skanska, after all it was exciting to have Europe's largest construction company. But power for its own sake isn't especially exciting. We have talked a lot about shareholder value and with this sale we have shown that we really are value-oriented. At the same time these deals are not enough to establish satisfactory performance, neither within Custos nor Öresund. It's a bit frustrating to celebrate such a deal with a glass of afternoon champagne only to struggle once again with the stock market decline the next day.

Mats Qviberg: Deals are like fireworks – they finish too quickly.

What do you think of the outlook for 1999?

Mats Qviberg: I'd be surprised if the stock market index went up in 1999. It's impossible to say, though, whether the fall will be 5, 10 or 15 percent. You can't forget that the stock market has risen for the last seven years, and a rise in interest rates means more these days than rising profits.

Does this imply that the price performance of Öresund shares will be negative even next year?

Mats Qviberg: It isn't self-evident. Even if the stock market goes down, there will always be some shares that will rise. Next year will perhaps be the year when the index players don't perform so well while stock-picking becomes more worthwhile.

Sven Hagströmer: With the prevailing stock market climate and the discount to net asset value, we think it is better for the shareholders themselves to decide what to do with a large part of the liquidity that we have achieved. This is why Custos is carrying out a redemption programme which will mean that SEK 1.7 billion will be distributed to the shareholders, SEK 517 million going to Öresund which in turn will distribute around SEK 375 million to its shareholders through its own redemption programme.

Mats Qviberg: Öresund is raising its dividend to SEK 14.75 per share in order to optimize the dividend from a tax perspective.

Would it be good if companies had the opportunity to buy back shares from their shareholders? Couldn't this lead to a situation where a principal shareholder protects himself against hostile takeovers by letting the company sit on its own shares

Sven Hagströmer: Letting companies buy back their own shares would be a much more flexible system than the present one with share redemption. Of course there are always risks that the system could be abused but I think that the stock market is both open enough and sufficiently well controlled to prevent this kind of misuse.

The investment company discount at Öresund is still 16 percent. Are you satisfied with this?

Sven Hagströmer: We're hardly over the moon about it, but in both Custos and Öresund the discount is lower than in most other investment companies. So, despite everything, the shareholders must appreciate what we've done.

Mats Qviberg: Because people are used to having a discount, it's nothing that can be changed overnight. We must demonstrate that we're doing sound business for the shareholders. And because the situation in the past hasn't been that good, with directors using investment companies as instruments of power, it takes

time for things to change. We're satisfied as long as the investment companies' discount gets smaller from year to year.

You have sold a number of holdings in mature branches. What are you planning to invest in next?

Mats Qviberg: IT and telecommunications both look very interesting but of course there has to be a limit to how highly valued these companies can be. Investments in these branches require know-how and finger-tip sensitivity.

You have in the past expressed regret for having not bought Ericsson before the share price became too high. Could now be the time to buy Ericsson?

Sven Hagströmer: I'll be in a position to answer that question in one year's time. Ericsson is a company that one very much wants to feel positive about, especially now the company has become aware of its shortcomings. Ericsson is, after all, the leading company in its branch and telecommunications is one of the largest growth industries.

Is it in your current interests to merge Öresund and Custos into one investment company?

Mats Qviberg: Previously it hasn't been of interest for tax reasons. If the rules are changed we may reconsider, but it's not on our agenda at the present time.

Sven Hagströmer: There are differences between the two companies that are appreciated by the shareholders. Custos is only interested in active ownership of major companies while Öresund also has shares in smaller companies. During the spring we started up a venture capital company with which we invest smaller amounts in companies that we think may have an exciting future. And because there's an island in the Öresund straits called Ven, we decided to name the company Ven Capital AB.



It is very important for the tree's fruitfulness and well-being that the various nutrients are present in the correct proportions. A surplus or deficiency of one particular nutrient often leads to imbalance and, as a consequence, diseases of a physiological nature.

NET ASSET VALUE

Performance of the net asset value and the composite index. During 1998 the Group's net asset value decreased by 7 percent from SEK 251 to SEK 232 per share. Adjusted for a dividend paid of SEK 11.50 per share, the net asset value decreased by 3 percent. The Stockholm Stock Exchange composite index, adjusted for dividend paid, increased during the same period by 12 percent. The dividend yield (dividends compared to share price) on the composite index was approximately 2 percent compared to just

over 5 percent for Öresund. Diagram 1 shows the performance of the Group's net asset value and the investment company discount.

Specification of net asset value. The Group's net asset value is divided among the ten largest holdings, other securities and other assets and liabilities, net, according to table 1 below. The circle diagram provides a picture of the Group's holdings with regard to the securities held through the investment company, Custos AB.

Diagram 1

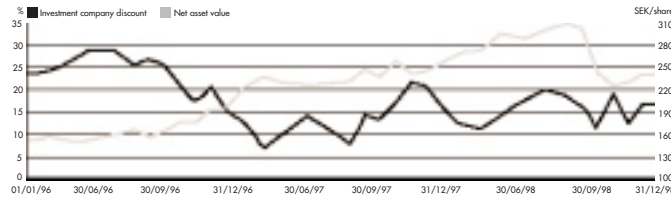
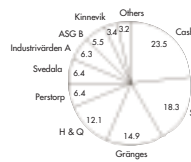


Table 1

Share	Number	Market value		Proportion of Group's total holding of securities
		SEK million	SEK/share	
Custos A	12 237 600	1 958.0	163	53.1%
Gränges	3 655 000	427.6	36	11.6%
Hagströmer & Qviberg	6 576 900	361.7	30	9.8%
Industrivärden A	1 622 700	176.9	15	4.8%
Netcom B	400 000	132.0	11	3.6%
Jacobson & Widmark	2 455 520	102.2	8	2.8%
Kinnevik B	500 000	95.0	8	2.6%
Protel Data	550 000	65.5	5	1.8%
Trelleborg	750 000	49.5	4	1.3%
SKF B	400 000	37.8	3	1.0%
Other securities		282.0	23	7.6%
Securities on loan		-597.3	-50	
Other assets and liabilities, net		-295.9	-24	
Total		2 795.0	232	

In order to illustrate the Öresund Group's actual holdings of securities with regard to sales of shares that have also been executed, a compilation of the Group's net exposure in different classes of securities is presented on the next full page.



The holdings according to the circle diagram are based on historical information from quarterly and year-end reports. It shows the proportions in percent of the largest holdings.

ÖRESUND'S RISK STRATEGY

Öresund's strategy is to provide the shareholders with a good long-term yield. In order to manage the prevailing risks, Öresund has decided to invest mainly in Swedish securities. Beyond this, Öresund aims to have a low gearing ratio. Those shareholders who desire a higher financial risk can achieve this by leveraging their investment in Öresund.

Öresund seeks a good risk diversification between different industries. 72 percent of Öresund's portfolio consists of holdings

in other investment companies, the largest being Custos. This ensures a good total risk diversification. On page 18 Öresund's holdings are presented with regard to indirect investments made through Custos. The risk concerning individual shares is managed by the subsidiary Rivus by using options, selling short or taking forward positions. Changes in Öresund's exposure as a result of indirect holdings, selling short and options positions are shown in table 2.

Table 2

Share	Share position				Total exposure	%
	Group holding	through options written	Indirect holdings	Sold by Group		
Cash			659 667		659 667	23.5
SCA		-29 666	642 266	-99 120	513 480	18.3
Ortänges	427 635	-8 270			419 365	14.9
H&Q	361 730	-21 178			340 552	12.1
Perstorp B			179 210		179 210	6.4
Svedala			178 665		178 665	6.4
Industrivärden A	176 874				176 874	6.3
ASSG B			154 197		154 197	5.5
Kinnevik	95 000	-757			94 243	3.4
Other					95 726	3.2
					100	

The work of Öresund's Board of Directors

Öresund's Board consists of six members chosen at the General Meeting of Shareholders. Öresund's major owners are once again represented on the Board as is the Managing Director who is also a major owner. The Board members have long and wide-ranging experience in the business areas relevant to the company and its investment operations.

During 1998, there were five ordinary Board meetings. The Board meetings and related work follow an agenda, the purpose of which is to continually ensure that the Board's information requirements are met and to secure control over the business and its organisation. With this in mind, the Board is continuously broadening its knowledge of the portfolio companies' businesses. The nomination of Board members firstly has to be agreed upon by the Chairman and Öresund's major owners. The reason for this is that the proposed Board needs to be announced before, or at the same time as, the invitation to the Annual General Meeting

of Shareholders is sent out. In accordance with changes in the Swedish Companies Act to take effect on 1 January 1999, the Board has established a programme which governs the ways in which the Board works. This programme entails stipulations regarding among other things:

- the Board's composition
- the Board's tasks and responsibilities
- the Board's Chairman and his tasks
- the Board meetings
- the minutes from the Board meetings
- the Board's resolutions
- exceptional questions

The board has also laid down instructions regarding financial reporting in a written statement from the Managing Director. Among the more important decisions made by the Board during the year, the commencement of operations in the second tier subsidiary, Ven Capital AB, deserves mentioning.

THE GROUP'S HOLDINGS OF SECURITIES AS OF 31 DECEMBER 1998

Security	Number of shares, Parent Company	Number of shares, Rivas	Number of shares, Group	Net exposure in the Group, SEK thousand	Percentage of market value	Percentage of year's dividend income
Bank and insurance						
Skandia	0	- 300 000	- 300 000	- 37 200		
FöreningsSparbanken	0	- 125 000	- 125 000	- 26 250		
				- 63 450	- 2.1	
Construction and real estate						
Piren call options	17 500 000	0	17 500 000	0		
Hufvudstaden A	1 192 000	0	1 192 000	28 012		
				28 012	0.9	
Financial services						
Högströmer & Qviberg	4 425 000	2 151 900	6 576 900	361 730		
				361 730	11.7	14.8
Retail and trade						
H&M	885 000	- 955 400	- 70 400	- 46 605		
New Wave B	162 900	0	162 900	20 851		
				- 25 754	- 0.8	0.2
Investment and asset management						
Custoa A	6 095 500	6 142 100	12 237 600	1 958 016		
Custoa B	0	68 400	68 400	10 841		
Industrivärden A	1 117 100	505 600	1 622 700	176 874		
Investor B	231 100	- 231 100	0	0		
Kinnevik B	500 000	0	500 000	95 000		
				2 240 731	72.5	74.5
Chemicals and pharmaceutical, projects and research						
Artema Medical	300 000	0	300 000	6 000		
Maxim	250 000	0	250 000	31 750		
Karo Bio	150 000	0	150 000	13 125		
Trelleborg B	750 000	0	750 000	49 500		
				100 375	3.2	2.5
Forestry						
SCA B	0	- 560 000	- 560 000	- 99 120		
				- 99 120	- 3.2	

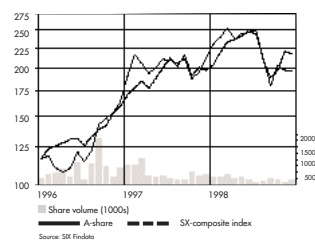
Security	Number of shares, Parent Company	Number of shares, Rivos	Number of shares, Group	Net exposure in the Group, SEK thousand	Percentage of market value	Percentage of year's dividend income
Technical Consultants						
Jacobsson & Widmark	570 000	1 885 520	2 455 520	102 194		
				102 194	3.3	
Services						
Netcom B	900 000	-500 000	400 000	132 000		
SAS Sverige	460 000	0	460 000	34 270		
Securities	0	- 960 000	- 960 000	- 120 760		
				45 310	1.5	0.8
Engineering						
Electrolux	0	- 100 000	- 100 000	- 13 950		
Ericsson B	0	- 350 000	- 350 000	- 67 350		
Gränges	3 655 000	0	3 655 000	427 635		
Gunnarbo	0	75 000	75 000	5 550		
Assa Abloy	0	- 92 400	- 92 400	- 28 644		
SKF B	400 000	0	400 000	37 800		
Volvo B	0	- 100 000	- 100 000	- 18 600		
				342 241	11.1	6.0
Other						
Frontec	400 000	0	400 000	13 880		
H&Q Russia fund	12 210 918	0	12 210 918	22 224		
Protek Data	550 000	0	550 000	65 450		
PyroSequencing	0	250 000	250 000	23 970		
Quartz Pro	27 584	0	27 584	17 050		
Stena Line	900 000	0	900 000	9 900		
WM Data	0	- 400 000	- 400 000	- 138 400		
				14 074	0.5	0.2
Ven Capital, holdings						
				44 577	1.4	
Dividend income on shares sold during the year						
						1.0
Group total				3 090 920	100	100

The table shows the group's net exposure in securities. In cases where the net exposure is negative, this means that the Group has borrowed and sold shares. The net exposure in Skandia, for example, is -300 000 shares, i.e. the Group has borrowed and sold 300 000 shares and has, therefore, a liability of SEK 37.2 million as of 31 December 1998. This liability corresponds to the market value.

THE ÖRESUND SHARE

Listing. The Öresund share has been listed on the A list of the Stockholm Stock Exchange since 1962.

Market value. The latest price paid on the balance sheet date was SEK 196, which corresponds to a total market value of SEK 2 361 million. The share price has fallen during the business year from SEK 210 to SEK 196, a fall of 7 percent. The total yield on the Öresund share, i.e. the yield with regard to both the price change and dividend paid, fell by 2 percent. This means that the investment company discount decreased somewhat, from 16.2 to 15.5 percent. The adjoining diagram shows Öresund's price performance and turnover compared to the Stockholm Stock Exchange composite index.



Dividend on the Öresund share. Öresund pays its shareholders the optimal dividend from a tax perspective in order to give the shareholders as high a yield as possible. The optimal dividend from a tax perspective amounts to the total of the dividend income, other financial income and a standard income (corresponding to 2 percent of the securities portfolio at the beginning of the year), less any financial costs and overheads. Besides taking advantage of these dividend rules in order to give the shareholders as high a yield as possible, Öresund is now realising its third redemption of shares.

Share capital. The share capital in Investment AB Öresund is SEK 301 146 250 with a nominal value of SEK 25 per share. All shares are of the same class and carry the same voting rights.

Öresund had 6 900 (7200) shareholders as of 31 December 1998. The proportion of institutional investors amounted to 40 (38) percent.

Changes in number of shares and the share capital. Specification of the changes since 1989 in the number of shares and the share capital is shown below.

Year	Change	Increase/decrease in number of shares	Total number of shares	Total share capital, SEK
1989			4 000 000	200 000 000
1990	Bonus issue	4 000 000	8 000 000	400 000 000
1990	Split 4:1	12 000 000	16 000 000	400 000 000
1995	Redemption 1:7	-2 175 882	13 824 118	345 602 950
1995	Redemption 1:7	-1 778 268	12 045 850	301 146 250
1999*	Redemption 1:8	-1 505 731	10 540 119	263 502 975
*ongoing				

Redemption 1999. At an Extraordinary General Meeting of Shareholders, 4 February 1999, a decision was made to have a redemption of every eighth share at a price of SEK 250 per redeemed share. Specification of the changes in the share capital with regard to this year's ongoing redemption is shown in the table above. The total redemption liquidity repaid to the shareholders from this redemption amounts to SEK 376 432 750.

Ownership. As of 31 December 1998, Öresund's ownership structure was as follows:

Owner	Number of shares 1998	Number of shares 1997	Proportion % 1998
<i>The Board</i>			
Sven Hagströmer (incl. companies and family)	2 474 766	2 533 966	20.5
Mats Qviberg (incl. family)	1 639 800	1 379 530	13.6
Diag Tjersövold	12 858	12 858	0.1
Matts P Ekman (incl. family)	8 510	8 244	0.1
Lars Gatenbeck	3 674	3 674	0.0
Hans Isan Söderström	1 000	1 000	0.0
<i>Major owners</i>			
Skinövar AB	500 076	120 000	4.2
MSF-Mutual European Fund	344 233	-	2.9
SPP Försäkring	221 200	221 200	1.8
Riksbankens Jubilee Fund	179 600	142 100	1.5
Harry Gabriellsson family (incl. companies)	173 300	174 000	1.4
Astrid Ohlin	125 000	111 500	1.0
Paul Lederhausen (incl. Foundation)	120 000	103 000	1.0
Sten Dybeck	101 000	100 800	0.8
Morgan Stanley & Co New York	91 900	-	0.8
Tyra Magrell	80 000	80 000	0.7
Other	5 968 933	7 051 938	49.6
	12 045 850	12 045 850	100.0



A fruit tree has two components, the scion (upper trunk and canopy) and the rootstock (foundation). It is the rootstock's properties that



determine the tree's size, how soon after planting the tree becomes fertile, and to a certain extent the winter-hardiness and fruitfulness of the tree.

ÖRESUND'S INVESTMENTS AND HOLDINGS

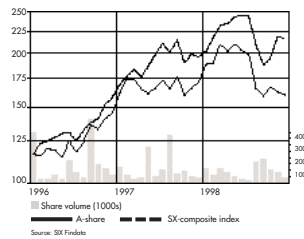
AB Custos	
Öresund's stake as of 31 Dec: 98	Capital 31.0% Votes 39.8%
Total market value on balance sheet date	SEK 6 335 million
Chairman: Sven Hagströmer Managing Director: Christer Gardell	



Managing Director, Christer Gardell.

Custos is one of Sweden's oldest investment companies. It was formed in 1939 from Skandinaviska Banken and for a long time belonged to the Skandinaviska-Volvo sphere. In 1995 Öresund became the new majority owner in Custos and, in conjunction with this, changed the company's strategy and a new management and board was appointed. Today Custos has a portfolio with a market value of about SEK 8000 million including liquid funds. The principal share holdings are SCA, Perstorp, ASG and Svedala.

Custos' strategy. Custos' business concept is to be an active owner in companies with potential for growth in value. The investment policy is to invest in medium-sized and larger (preferably listed) companies in Sweden and the other Nordic countries. The size of the investment should enable active ownership and this is ensured by, among other things, representation on the company's



board. Today Custos has one to three representatives on the respective portfolio companies' boards.

Events during the year. During 1998 we have continued to refine Custos' portfolio. The last holding in the real estate company Hufvudstaden was disposed of during the spring and thereby 60 years of ownership was over. In September the holding in Drott, a distributed company of Skanska, was sold to Närkebro. Shortly afterwards Custos' involvement in the construction and real estate company Skanska was brought to an end by the sale of the shares to Industrivärden and Inter Ikea.

By these three measures, the last steps in a major upheaval of Custos' portfolio have been taken. From being over-exposed to the interest sensitive construction and real estate sector, the portfolio has become a refined industry portfolio.

During the autumn Custos disposed of the holdings in Sandblom & Stohne to the German company, Moeller Gruppen, at a slight capital gain. Besides the above named changes in the portfolio, Custos has increased its holdings in ASG and Svedala during 1998 and acquired 5.2 percent of the Finnish company Aspo.

Custos controls 49 percent of the votes and 37 percent of the capital in the transport company ASG. During the year ASG has transferred SEK 1.2 billion to the shareholders by means of redemptions. The pre-determined programme of measures is going according to plan and has resulted in significant profit improvements. ASG has also acquired ASG Hongkong and introduced a profit sharing scheme for its employees. So far the investment in ASG has been performing well, even if the price performance has not been all that satisfactory.

During 1998 the engineering company, **Svedala**, has continued to make acquisitions within prioritised areas. Svedala has arranged convertible loans for all its employees and Custos has written options for key personnel. Custos owns 12 percent of the votes and capital in Svedala. The share performance has been severely affected by the outlook for the global economy, which has resulted in selling pressure from overseas investors.

The work in the chemicals and floor company, **Perstorp**, in which Custos owns 8 percent of the votes and 13 percent of the capital, has been focused on continuing steps to improve efficiency within the framework of a pre-determined programme of measures. In addition, key personnel have been allocated options. In the light of this, the results have been disappointing and this has been reflected in the share price, which has performed far from satisfactorily.

Custos owns 20 percent of the votes and 8 percent of the capital in **SCA**, a forestry company dealing mainly in sanitary products and packaging. The work in SCA has consisted mainly of continued acquisitions within the business area of Hygiene and Packaging. Among others, SCA acquired the packaging operations of the English company, Rexam, towards the end of the year. Furthermore all employees have been offered convertible loans. The SCA share has performed below expectations.

During the year Custos also carried out a redemption against Hufvudstaden shares at a market value of SEK 750 million as of 31

December 1997. A second redemption of SEK 1 667 million was made public at the end of the year and will be carried out during 1999. Despite these payments to the shareholders of over SEK 3 billion, including ordinary dividends for 1998 and 1999, Custos still has room for SEK 1.5 billion worth of new investments. With regard to this, Custos increasingly has been analysing potential new investments in the other Nordic countries. Finland, Denmark and Norway are interesting markets and there are a number of concrete possibilities for an investor such as Custos.

Öresund's comments. We were already aware when we became the major owner of Custos that their strategy does not give fast results. Establishing value through active ownership is a long term operation and we strongly believe that the desired result will be achieved in due course. The management now have the resources with which it can, to an even greater extent, make its mark on Custos' portfolio in 1999.

There are two ways of valuing Custos as an investment. One is to look at the yield on the Custos share. The yield on the Custos share was around 0 percent during the year, which is worse than the index and clearly under expectations. One of the reasons for this is that the yield was weighed down by the inherited portfolio. The other way of valuing Custos is to look at the investment companies' discount, which is a measure of the market's faith in the company, its strategy and its management. The discount is still high but it is moving in the right direction. Custos' discount was nearly 17 percent at the end of the year. This is better than that of comparable companies, which have seen an increased discount during the year. Just like the rest of the market, we continue to believe that the Custos share will provide a good yield in the long run.

Högströmer & Qviberg AB (H&Q)	
Öresund's stake as of 31 Dec 98	Capital 40.4%
Total market value on balance sheet date	Votes 40.4%
	SEK 894 million
Chairman: Mats Qviberg	
Managing Director: Stefan Dahlbo	

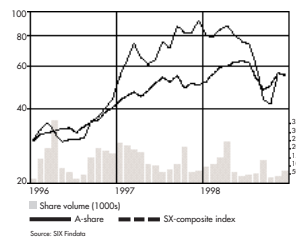


Managing Director, Stefan Dahlbo.

Högströmer & Qviberg. (H&Q) is one of Sweden's leading players within the areas of financial consulting and securities trading. The company was founded in 1981 and has been listed on the stock exchange since 1992.

H&Q's strategy. The business, which is mainly focused on consulting and trade in Nordic and Russian securities and derivatives, also encompasses corporate finance, asset management and individual pension savings. H&Q's customers are institutions, companies, private individuals, foundations and organisations in the Nordic countries and overseas.

The financial markets have undergone enormous changes during the last ten years. Trends such as globalisation and the



introduction and use of new technology have affected both the local and international conditions and competition that H&Q has to deal with on a daily basis.

Events during the year. The past year has been characterised by high volatility and heavily increased competition, not least from overseas players. The increased competition has been reflected in the fixing of prices for different products.

H&Q's motto is "knowledge provides growth" and consequently specialised analysis forms the base of our business, i.e. knowledge is focused on different products depending on which customers we are working with. Today H&Q has 35 people who work in the analysis department, focusing mainly on IT/telecommunications, offshore/shipping, strategy analysis and macro-analysis. During 1999 the geographical markets for analysis will be broadened to encompass the European Union.

During 1998 H&Q has established operations in Norway by acquiring Norden Fonds and in Switzerland through the acquisition of J S Gadd et Cie. Offices in Luxembourg and Jönköping

have been opened during the year and a permit to run operations in Moscow has been obtained. Moreover, H&Q has opened a retail outlet for funds in Stureplan in Stockholm and obtained membership of the Helsinki Stock Exchange. H&Q has also started market-making activities on the NASDAQ in the USA. In the last few years, large investments have been made in IT, mainly with regard to internet-related services.

Today H&Q has offices in Stockholm, Gothenburg, Helsingborg, Jönköping, Malmö, Norrköping, and Örebro. Outside Sweden there are also offices in Geneva, Luxembourg, Moscow, New York and Oslo. The number of employees amounts to 340. The ability to recruit, retain and develop competent personnel is, and will continue to be, a decisive factor in H&Q's success. The number of custodian-services' customers is now 18 000. The total capital under management within H&Q Fonder (mutual funds) and H&Q Kapitalförvaltning (asset management) amounted to nearly SEK 8.5 billion at the end of the year.

The past year began very strongly while the second half of the year was a disappointment. The reasons for this were mainly the turbulence on the financial markets and the costs of investments in, among other things, IT and new offices which had been decided upon the previous year. The investments in Russia, which were very encouraging in the years 1995-1997, performed unsatisfactorily due to the crisis in the Russian economy. During the autumn the board of H&Q established a revised plan for the Russian operations that, among other things, will mean reduced costs and a stronger focus on corporate finance. A thorough ongoing evaluation of the operations will be carried out during 1999.

The share price has fallen by 40 percent during the year.

Öresund's comments. The price of the H&Q share has fallen by 40 percent during 1998 compared to an increase of 110 percent

the previous year. The performance during 1998 has not lived up to expectations, due largely to the turbulence on the financial markets in the second half of the year. In addition, H&Q has made large investments in order to build up the operations surrounding analysis products, distribution and IT. This has yet to make an impression on the company's revenues.

During 1999 H&Q will focus on ensuring profitability on all products and markets. Consequently, cost control and efficiency are of the utmost importance, as is the flexibility to meet the rapidly changing demands of the global markets.

Large sums have been accumulated within H&Q during the 90's, especially within fund and asset management. It is our conviction that these sums, along with improved profitability, bode well for the future.

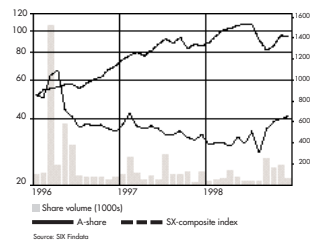
AB Jacobsson & Widmark (J&W)	
Cresund's stake as of 31 Dec: 98	Capital 39.6%
Total market value on balance sheet date	Votes 39.6%
	SEK 254 million
Chairman: Jan Åkesson	
Managing Director: Thomas Ericus	



Managing Director, Thomas Ericus.

J&W's strategy. J&W is one of the leading technical consulting firms in Sweden. The business concept is to offer qualified technical consulting services to private and public clients. The business relies upon close co-operation with customers throughout the whole country. The company was founded in 1938 and has been listed on the stock exchange since 1976.

Events during the year. An extensive programme of measures has been carried out during 1998 to re-establish profitability in the



company. The programme entailed shutting down unprofitable units and a reduction in personnel. During the year a large part of the company's real estate holdings was sold at a considerable capital gain.

The company is mainly operational in the construction sector. The market has been very weak during the whole of the 90's with the lowest levels reached in 1992 and 1997. The market stabilised during 1998 and the second half of the year saw somewhat increased demand.

Since the beginning of 1999, J&W has been marketing its services via five business areas; J&W Land and Building, J&W Construction Planning, J&W Project Management, J&W Energy and Environment, and J&W Sjölanders (electricity, heat, ventilation and sanitary systems).

In 1998 the turnover was SEK 850 million (927) and the result after net financial items was SEK 26 million (-44). As of 31 December 1998, J&W had 1 163 (1 395) consultants and employees.

Thomas Erséus was appointed Managing Director on 1 October 1998. J&W is expecting profitability to improve in 1999.

Quartz Pro AB	
Öresund's stake as of 31 Dec 98	Capital 49.8% Votes 49.8%
Chairman: Magnus Stuart Managing Director: Lars Møller	

Öresund's comments. Having been under pressure for several years, J&W recovered the initiative in 1998. Profitability improved strongly, helped by a more stable market and, above all, the concrete measures that the company have taken. The share's total yield was around 22 percent. There are several things that point towards continued positive development during 1999:

- J&W's balance sheet has been reorganised. All the goodwill has been eliminated and the company has no debts, even after the redemption in February 1999.
- The costs have been reduced in such a way that puts J&W a step ahead of other large players in the market.
- A new Managing Director was appointed towards the end of the year. An example of the aggressive, forward-looking measures that bear his signature is the forming of the business area, J&W Energy and Environment.

Quartz Pro has been an associated company of Investment AB Öresund since 1997. With its patented manufacturing technology, the company has built up resources to develop, manufacture, and market high precision oscillators and precision crystals. High precision oscillators and precision crystals are used in various types of radio-based systems with applications in, among other things, telecommunication and navigation systems, and systems for time and frequency control. More specifically the technology is used in base stations for mobile telephones, GPS, and time and frequency measurement instruments. Quartz Pro's products have most potential in Western Europe, North America and a handful of countries in Asia.

The company's aim is to, within three years, be a leading player. During 1998 Quartz Pro has been carrying out intensive technology and product development work which, in November, led to the launch of a new class of precision oscillator, *x-act*⁷, at the Electronics Trade Fair in Munich. Work with establishing market presence and the expansion of the marketing organisation has led to contacts with some of the world's leading telecom companies. The turnover for 1998 was SEK 6 million, coming mostly from the sale of industrial crystals.

In 1999 Quartz Pro is continuing with the launch of *x-act*⁷ at the same time as the sales of precision oscillators are commencing. Through the use of options, Öresund increased its stake in Quartz Pro from 41.3 percent to 49.8 percent in 1998.



In professional fruit cultivation today, only a few varieties are focused on, those that best fulfill the requirements of the cultivators, marketing staff and consumers. Abundant and regular harvests, high quality and storage suitability are such desirable features.

OTHER CHANGES IN THE SECURITIES PORTFOLIO

During the year, the parent company has made investments of SEK 822 million (1 175) in securities. Major net purchases have been made in the following companies:

Share	Number	Share	Number
Custos A	509 500	Frontec	400 000
Gränges	1 790 000	H&C	425 000
Karo Bio	150 000	Maxim	250 000
New Wave	162 900	SKF	400 000
Trelleborg B	250 000		

The parent company's sales in the course of the year amounted to SEK 1 664 million (841). Major net sales have been made in the following companies:

Share	Number	Share	Number
Avesta	800 000	Bergman & Beving	600 000
Hufvudstaden	3 008 000	Industrivärden A	2 942 900
(incl. Custos redemption)		MITG	600 000
Investor B	263 800	Munksjö	1 000 000
MoDo B	604 000	Skandia	300 000
Scania A	380 000	Swedish Match	1 500 000
SE-Banken	1 000 000		

Comments concerning changes in the securities portfolio. With regard to the purchasing and selling activities, we would like to mention, above all, the deal the company made with Hufvudstaden AB in which Öresund succeeded in becoming the owner of 46 percent of the votes and 7 percent of the capital in Hufvudstaden, partly through procured purchasing rights and partly through additional acquisitions on the markets. This deal, which lasted only two months, gave a surplus of just over SEK 200 million. On the purchasing side, the most notable was the acquisition of shares in Gränges AB, a well run engineering company with good underlying growth. Today Öresund owns 10 percent of the votes and capital in Gränges. Among other acquisitions that are worth mentioning, we bought back the

shares that we redeemed in Custos and some of the redeemed shares in Hagströmer & Qviberg AB. Two interesting new items in the portfolio are the research companies, Karo Bio and Maxim.

On the selling side, Öresund has disposed of Bergman & Beving, Industrivärden and Munksjö. These have all been disposed of at very attractive levels, even if essentially we still think highly of these companies.

Ven Capital AB. Since 1 April 1998, Öresund has had a new business branch in the form of the second tier subsidiary, Ven Capital AB.

Ven Capital has received the resources to make investments in unlisted companies, a part of the capital markets that has performed well as a result of strong growth in the stock market over the past few years. For many entrepreneurs and innovators, Öresund forms an attractive alternative as co-owner, with its strong position on the Swedish capital markets.

Ven Capital has the task of identifying investment opportunities, assessing the necessary conditions for value growth, and subsequently contributing directly to the practical development of the company through active participation. The business activities in Ven Capital involve a certain amount of risks.

During 1998 Ven Capital has appraised hundreds of investment possibilities from companies in Sweden, Norway, Finland, the USA and Great Britain. The company has taken a special interest in business involved with the internet, IT, telecom, electronics and biotechnology. This work has resulted in seven investments.

In 1999 we believe that technology developments within telecom, infocom and medical technology will continue to raise strong interest for investments in unlisted companies. Ven Capital plans to focus more on infocom and biotechnology with the intention of making investments in these areas.



Sometimes the fruit tree blossoms with what appear to be completely normal healthy flowers which, despite this, do not ripen, only to fall at an early stage of development. There are many different factors, sometimes working in conjunction with each other, that can be the cause of this.

RESULT AND POSITION

The Group consists of the Parent Company, Investment AB Öresund, which is a pure investment company active in asset management, the wholly-owned subsidiary Rivus, active in securities trading, and Ven Capital, a subsidiary of Rivus. Öresund's overall goal is to conduct business as an investment company in such a manner that provides Öresund's shareholders with a good long-term yield. The strategy to achieve this goal is:

- to invest mainly in Swedish securities
- to maintain a high equity ratio
- to have low management costs
- to have a flexible liquidity policy

The Parent Company

Result for 1998. The year's dividend income amounted to a total of SEK 95.7 million (61.4). Of this, SEK 38.4 million (21.9) is attributable to other participations while SEK 57.3 million (39.5) originates from associated companies. Procured purchasing rights to an amount of SEK 21.6 million () are included in the dividends from other participations. In addition, dividend compensation for shares lent out at the time of dividend payment to the amount of SEK 19.8 million (20.1) was received. Premiums earned on shares lent out during the year amounted to SEK 3.7 million (4.1).

The year's tax free capital gains amounts to SEK 720.1 million (500.7), of which SEK 128.3 million () arises from associated companies while SEK 591.8 million (500.7) concerns other securities.

Write down of shares in subsidiaries to an amount of SEK 448.3 million is included in the result from financial investments. This write down amount corresponds to the previous year's shareholder contribution paid to the wholly-owned subsidiary, Rivus (in 1997 a shareholder contribution of SEK 172.9 million was paid). Further information is available in the Accounting Principles under the Notes to the Financial Statements. Last year's

contribution paid has been moved to the Profit & Loss Account in order to facilitate a comparison.

Management costs including depreciation amounted to SEK 9.6 million (7.7) in 1998. The profit after financial items for the asset management business (excluding write down of shares in subsidiaries or shareholder contribution paid) amounted to SEK 821.7 million (568.1), which is equivalent to SEK 68.22 per share (47.16). The profit for the year was SEK 373.4 million (395.3), corresponding to SEK 31.00 per share (32.81).

Securities portfolio – market value and book value. The parent company's securities portfolio, the composition of which is specified in Notes 9 and 10 to the Financial Statements, had a market value of SEK 3 204 million (3 783) on 31 December. SEK 1 259 million (1 458) of the market value is attributable to associated companies. The associated companies are those companies where the Group owns more than 20 percent. Those companies classified as associated companies are Custos, H&Q, J&W and Quartz Pro. The book value, which corresponds to the acquisition value, amounted to SEK 2 377 million (2 498). Of the total book value, SEK 1 098 million (1 037) is attributable to associated companies. The total surplus value in the securities portfolio amounted to SEK 827 million (1 285) of which SEK 162 million (421) relates to the associated companies.

The Parent Company's securities portfolio included shares lent out and sold on the balance sheet date with a market value of SEK 835 million (1 039). The book value amounted to SEK 137 million (392). Refer to the Notes to the Financial Statements, Note 18, for a more detailed description of how these shares lent out are accounted for.

Liquid funds and financing. The Parent Company's net borrowing, interest-bearing liabilities less liquid funds amounted to SEK 191 million (237) at year-end.

The Group

Result for 1998. The Group's operating profit amounted to SEK 634.8 million (753.7) which is equivalent to SEK 52.70 (62.57) per share. Sales of other securities generated a profit of SEK 460.4 million (553.8). Participations in associated companies' results, which include a portion of each company's net result and capital gains upon sale of shares in associated companies, amounted to SEK 555.3 million (393.1).

The Group's administration costs, including depreciations of SEK 0.4 million (0.3), amounted to SEK 16.1 million (24.7). The reduction is largely due to the winding up of the trading operations in Rivus in the beginning of 1998. The profit for the year was SEK 616.0 million (735.1), corresponding to SEK 51.14 (61.03) per share.

Securities portfolio – market value and book value. The market value of the Group's securities holdings, associated companies and other holdings amounted to SEK 3 688 million (3 993) and the book value to SEK 4 026 million (3 496) on 31 December 1998. Of the total portfolio value, the market value for associated companies amounted to SEK 2 452 million (2 680) and the book value amounted to SEK 2 757 million (2 401). The associated companies' book value exceeds the market value by SEK 305 million (last year the market value exceeded the book value by 279). The under-value is entirely attributable to Custos. The equity value of the Custos holding that amounts to SEK 2 656 million has been written down by SEK 293 million to SEK 2 363 million, which corresponds to the net asset value of Custos. In the other securities portfolios the market value falls short of the book value by SEK 33 million (last year the market value exceeded the book value by 218). Last year there was also an under-value of SEK 169 million on other parts of the portfolio, which has no equivalent this year. For further information regarding the securities portfolio see Notes 9, 10 and 12 in the Notes to the Financial Statements.

Liquid funds and financing. The Group's net borrowing, interest-bearing liabilities less liquid funds amounted to SEK 194 million (226) at year-end. In addition the Group has shares on loan with a book value of SEK 597 million (522). The market value was SEK 597 million (624) on 31 December 1998.

AB Rivus. Rivus conducts securities trading as a complement to the Parent Company's asset management business. The securities portfolio in Rivus, which is shown in Notes 9 and 12, had a market value of SEK 1 275 million (1 248). The book value amounted to SEK 1 275 million (1 248).

In addition, Rivus has loaned and borrowed shares with a market value of SEK 1 433 million (1 663). The acquisition value of the share loans was SEK 647 million (1 183). Of the share loans, loans from the Parent Company correspond to a market value of SEK 835 million (1 038) and an acquisition value in Rivus of SEK 274 million (660).

The trading activities carried out by Rivus during 1997 were wound up at the beginning of 1998. During 1998 Rivus has started up the subsidiary, Ven Capital AB, which will invest in smaller unlisted companies. For further information, see page 33.

Result for 1998. The year's operating loss was SEK -468.7 million (-180.6). Net financial items amounted to SEK 20.4 million (7.7).

As such, the loss after financial items was SEK -448.3 million (-172.9). A conditional shareholder contribution of SEK 448.3 million (172.9) has been paid by the Parent Company. As of 1998 this is accounted for, in accordance with issued recommendations, directly against the shareholders' equity in AB Rivus. The result in Rivus should be coupled to the result and business in the Parent Company. The loss derives, to a great extent, from the share loans taken in order to reduce the risks in the Parent Company's portfolio.

Forecast development in 1999

No forecast will be made regarding development of the Group's net asset value due to unpredictable stock market trends. For the kind of business that Öresund runs, such a forecast is not beneficial.

Occurrences after end of financial year

At an Extraordinary General Meeting of Shareholders on 4 February, a decision was made that a redemption of every eighth share, at a value of SEK 250, was to be paid back to the shareholders. These shares also hold the right to the dividend for the business year 1998.

PROPOSED ALLOCATION OF PROFITS

Consolidated unrestricted shareholders' equity amounts to SEK 2 214 928 thousand. No allocation to restricted reserves is required. Funds at the disposal of the General Meeting of Shareholders: The Board of Directors and the Managing Director propose that the funds at the disposal of the General Meeting of Shareholders, SEK 1 605 957 thousand, be allocated as follows:

Retained profit from previous year	1 232 544	A dividend to the shareholders of SEK 14.75 per share	177 676
Profit for the year	373 413	To be carried forward	1 428 281
	1 605 957		1 605 957

Stockholm, 25 February 1999



Sven Hagströmer
Chairman of the Board



Mats P Ekman



Lars Gatenbeck



Hans Tson Söderström



Dag Tigerschiöld



Mats Qviberg
Managing Director

Our auditor's report was submitted on 26 February 1999.



Caj Nackstad
Chartered Accountant



Stefan Holmström
Chartered Accountant

PROFIT AND LOSS ACCOUNT

GROUP		1/1/1998	1/1/1997
SEK thousand	Note	- 31/12/1998	- 31/12/1997
Dividend income, other participations, asset management operations		38 431	21 931
Net turnover securities, other operations		1 715 751	2 253 485
Cost of securities sold, other operations		-2 118 862	-2 443 905
Profit/loss for other securities, asset management operations		460 363	553 814
Participations in associated companies' profit/loss		555 251	393 089
		650 934	778 414
Administration costs	2	-16 132	-24 703
Operating profit/loss		634 802	753 711
Profit/loss from financial investments			
Other interest income and similar profit/loss items	4	10 007	25 336
Other interest expense and similar profit/loss items	6	-28 874	-43 918
Profit/loss after financial items		615 935	735 129
Profit/loss before tax		615 935	735 129
Tax		0	-11
Minority participations in profit/loss		-1	-
Profit/loss		615 976	735 118

PROFIT AND LOSS ACCOUNT

PARENT COMPANY		1/1/1998	1/1/1997
SEK thousand	Note	- 31/12/1998	- 31/12/1997
Asset management operations			
Dividend income, other participations		38 431	21 931
Profit/loss from other securities and receivables		591 774	500 700
Profit/loss from participations in associated companies	1	185 726	39 505
Profit/loss, asset management operations		815 931	562 136
Administration costs	2	-9 646	-7 673
Operating profit/loss		806 285	554 463
Profit/loss from financial investments			
Interest income and similar profit/loss items from subsidiaries	3	23 490	25 478
Other interest income and similar profit/loss items	4	3 330	294
Interest expense and similar profit/loss items paid to subsidiaries	5	-760	-
Other interest expense and similar profit/loss items	6	-10 617	-12 098
Write down of shares in subsidiaries/Conditional shareholder contribution		-448 315	-172 860
Profit/loss after financial items		373 413	395 277
Profit/loss before tax		373 413	395 277
Tax		0	-11
Profit/loss		373 413	395 266

BALANCE SHEET

GROUP	SEK thousand	Note	31/12/1998	31/12/1997
Assets				
Fixed assets				
<i>Tangible fixed assets</i>				
Inventory and refurbishment	7		1 266	1 228
<i>Financial fixed assets</i>				
Participations in associated companies	9		2 756 983	2 401 317
Other shares and participations	10		1 184 252	1 069 318
Total fixed assets			3 942 501	3 471 863
Current assets				
<i>Short-term receivables</i>				
Other receivables	11		510	1 883
Prepaid costs and accrued income			238	498
<i>Short-term investments</i>				
Other shares and participations	12		84 630	25 738
Cash at hand and bank			2 694	10 348
Total current assets			88 072	38 467
Total assets			4 030 573	3 510 330
Shareholders' equity and liabilities				
<i>Shareholders' equity</i>				
<i>Restricted equity</i>				
Share capital, 12 045 850 shares at nominal value SEK 25	13		301 146	301 146
Restricted reserves			60 249	60 249
Equity fund			555 413	451 542
Total restricted shareholders' equity			916 808	812 937
<i>Unrestricted equity</i>				
Retained profit			1 598 952	1 141 851
Profit/loss			415 976	735 118
Total unrestricted shareholders' equity			2 214 928	1 876 969
Total shareholders' equity			3 131 736	2 689 906
Minority interests				
			949	-
Provisions				
Pension provision			3 436	3 191
Short-term liabilities				
<i>Liabilities to credit institutes</i>				
Suppliers' accounts payable	14		196 973	236 752
Share loans payable	15		392	123
Other liabilities	16		597 279	522 423
Accrued costs and prepaid income	17		98 226	49 270
			1 582	8 665
Total short-term liabilities			894 452	817 233
Total shareholders' equity and liabilities			4 030 573	3 510 330
Pledged assets				
<i>Shares and participations for own liabilities</i>				
General pledge of shares			2 744 932	1 964 867
Of which utilized			1 221 931	1 409 487
			17 204	36 101
Contingent liabilities			3 966 863	3 374 354
<i>Guarantees</i>				
			349	399

BALANCE SHEET

PARENT COMPANY

SEK thousand	Note	31/12/1998	31/12/1997
Assets			
Fixed assets			
<i>Intangible fixed assets</i>			
Inventory and refurbishment	7	824	718
<i>Financial fixed assets</i>			
Participations in subsidiaries	8	100	100
Participations in associated companies	9	1 097 448	1 036 971
Other shares and participations	10	1 279 146	1 461 425
Total fixed assets		2 377 518	2 499 214
Current assets			
<i>Short-term receivables</i>			
Other receivables	11	510	129
Prepaid costs and accrued income		231	227
Cash at hand and bank		961	153
Total current assets		1 702	509
Total assets		2 379 220	2 499 723
Shareholders' equity and liabilities			
<i>Shareholders' equity</i>			
<i>Restricted equity</i>			
Share capital, 12 045 850 shares of nominal value SEK 25		301 146	301 146
Restricted reserves		60 229	60 229
Total restricted shareholders' equity		361 375	361 375
<i>Unrestricted equity</i>			
Retained profit		1 232 544	975 805
Profit/loss		373 413	395 266
Total unrestricted shareholders' equity		1 605 957	1 371 071
Total shareholders' equity		1 967 332	1 732 446
Provisions			
Pension provision		3 436	3 191
Short-term liabilities			
<i>Liabilities to credit institutes</i>			
Suppliers' accounts payable	14	192 008	236 752
Liabilities to subsidiaries		393	123
Other liabilities	16	214 794	526 114
Accrued costs and prepaid income	17	219	213
		1 038	884
Total short-term liabilities		408 452	764 086
Total shareholders' equity and liabilities		2 379 220	2 499 723
Pledged assets			
Shares and participations for own liabilities		702 739	506 934
Shares and participations for subsidiaries' undertakings		775 943	391 699
General pledges of shares		714 475	1 149 053
Of which utilized		112 239	27 601
Total pledged assets		2 193 157	2 047 686
Contingent liabilities			
Guarantees		349	399

STATEMENT OF CHANGES IN FINANCIAL POSITION

GROUP	1998	1997
SEK thousand		
Source of funds		
Funds from year's operations		
Operating profit/loss	634 802	753 711
Adjustments for items not included in cashflow		
Gains on sales of shares and participations	-806 431	-687 190
Non-distributed profit/loss from associated company	-97 593	-180 238
Depreciation	355	335
Tax	0	-11
	-268 867	-113 393
Profit/loss from financial investments	-18 867	-18 582
Funds from year's operations before changes in working capital	-287 734	-131 975
Changes in working capital (excl. liquid funds)		
Changes in shares of inventory nature	-58 892	334 299
Changes in short-term receivables	1 633	29 377
Changes in short-term liabilities	77 220	10 628
	19 961	374 304
Funds from year's operations	-267 773	242 328
Asset management operations		
Acquisition of associated companies and other listed companies	-1 184 416	-1 509 146
Sales of associated companies and other listed companies	1 470 670	1 300 041
Dividends from associated companies	111 591	79 475
Investment in tangible fixed assets	-393	-396
Funds from asset management operations	397 452	-130 026
Financial operations		
Changes in long-term liabilities	1 124	-13
Dividends	-138 527	-138 527
Changes in liquid funds	-7 654	-26 237
Liquid funds at start of year	10 348	36 585
Liquid funds at end of year	2 694	10 348
	-7 654	-26 237

STATEMENT OF CHANGES IN FINANCIAL POSITION

PARENT COMPANY

SEK thousand	1998	1997
Source of funds		
Funds from year's operations		
Operating profit/loss	806 285	554 463
Adjustments for items not included in cashflow		
Gains on sales of shares and participations in associated companies	-128 349	-
Gains on sales of other shares and participations	-591 125	-500 700
Depreciation	166	116
Tax	-	-11
	86 977	53 868
Profit/loss from financial investments	15 443	13 674
Funds from year's operations before changes in working capital	102 420	67 542
Changes in working capital (excl. liquid funds)		
Changes in short-term receivables	-386	-173
Changes in short-term liabilities	-355 633	577 939
	-356 019	577 766
Funds from year's operations	-253 599	645 308
Asset management operations		
Acquisition of associated companies and other listed companies	-822 242	-1 174 706
Sales of associated companies and other listed companies	1 663 519	841 166
Investment in tangible fixed assets	-273	-343
Funds from asset management operations	841 004	-333 883
Financial operations		
Changes in long-term liabilities	245	-13
Dividends to shareholders	-138 527	-138 527
Write down of shares in subsidiaries/Conditional shareholder contribution	-448 315	-172 860
Changes in liquid funds	808	25
Liquid funds at start of year	153	128
Liquid funds at end of year	961	153
	808	25

NOTES TO THE FINANCIAL STATEMENTS

Accounting principles

Group accounting. The consolidated accounts include the Parent Company, Investment AB Öresund, and the wholly-owned subsidiary AB Rivus and its subsidiary Ven Capital AB.

The consolidated accounts have been prepared in accordance with recommendation 1:96 of the Swedish Accounting Standards Council and with application of the purchase method of accounting.

In accordance with the Act on Annual Accounts (1995:1554) and in accordance with the Swedish Institute of Authorized Public Accountants' draft recommendation regarding participations in associated companies, holdings where the Group has at least 20 percent of the votes are accounted for according to the equity method. Participations in associated companies' results, in the consolidated profit and loss account, are made up of Öresund's participation in the result, after tax and with adjustment for depreciation on goodwill and adjustment for the surplus value, as well as the capital gain/loss upon sale of associated company shares. Dividends received from associated companies are not included in the consolidated profit and loss account. For practical reasons, a number of the associated companies are included in the consolidated accounts after a delay of one quarter. Book value in the consolidated balance sheets corresponds to Öresund's proportion of the shareholders' equity adjusted for remaining goodwill and any surplus value.

Shares and other securities. *Asset management business.* Share holdings in the asset management business, Investment AB Öresund (the Parent Company), have been valued at acquisition value. Shares lent out on the balance sheet date are included in the item "Other shares and participations".

Some of the share loans have been made by Öresund to the wholly-owned subsidiary, Rivus, which has subsequently sold these to buyers outside the Group. Öresund has a claim on Rivus concerning these shares but accounts for them as a part of the share portfolio. Within the framework of the collective valuation which is described below under the heading "Securities operations", Rivus accounts for these share loans as a liability, applying the lowest value principle to shares borrowed and sold. In the consolidated accounts, however, these shares are entered as sold,

which means that the Group's share portfolio is lower than the Parent Company's and that the Group's capital gains differ from the Parent Company's, as the shares are accounted for against the result in the Group. Detailed information is provided in Note 18, Analysis of the Group's result.

Securities operations. All share-related securities such as shares and participations, options held and written, forward positions in shares and share loan liabilities have been collectively valued in total at the lowest of acquisition value and market value on the balance sheet date. Acquisition costs for securities sold have been calculated according to the average method, which means that the average acquisition cost for all securities of the same class held at the time of disposal is applied as the acquisition cost.

Conditional shareholder contribution. The Swedish Accounting Standards Council has issued a statement regarding the accounting for Group subsidies and conditional shareholder contributions. The provider shall, according to this statement, account for a paid conditional shareholder contribution as an increase in the related share item's book value. An assessment shall subsequently be made concerning whether or not the book value of the shares needs to be written down. Öresund has accounted for a conditional shareholder contribution to the wholly-owned subsidiary AB Rivus in accordance with this statement and subsequently the book value of the shares in AB Rivus has been written down. In order to facilitate the comparison, we have placed last year's conditional shareholder contribution in the same row as the write down of shares in the profit and loss account for 1999.

Receivables. Receivables have been booked at the value of the amount estimated to be received.

Inventory. Depreciation according to plan on inventory is the maximum depreciation under the 30-rule of the taxation rules. Costs for refurbishment commenced have been depreciated by 5 percent, which corresponds to the maximum depreciation under taxation rules.

Notes and supplementary information

All amounts in SEK thousand unless specifically stated.

Note 1. Result from participation in associated companies

	1998	1997
Dividend	57 258	39 146
Compensation for dividends	119	359
Capital gains	128 349	-
	185 726	39 505

Note 2. Administration costs

	Parent Company		Group	
	1998	1997	1998	1997
Personnel costs	3 394	2 739	6 107	16 843
Other administration costs	6 086	4 818	9 670	7 525
Depreciation	166	116	355	335
	9 646	7 673	16 132	24 703

Number of employees

Average number of employees				
(Of which females)	1 (0)	1 (0)	5 (1)	8 (1)
Number of employees at year-end				
(Of which females)	1 (0)	1 (0)	4 (2)	8 (1)

Salaries, other remuneration and employer's contributions

Salaries and remuneration	1 561	1 469	3 459	6 571
of which to MD	1 561	1 469	1 561	1 469
of which to senior officers			839	1 342
of which to other employees			1 059	3 760
Bonus on year's result in trading activities			-	5 322
of which to senior officers			-	1 863
of which to other employees			-	3 459
Occupational pensions	500	241	500	241
Employer's contributions	1 200	835	1 990	4 499
of which pension premiums regarding MD	352	101	352	101
of which pension premiums regarding senior officers			50	20
of which pension premiums regarding other employees			77	159

Total costs, salaries, remuneration and employer's contribution	3 261	2 545	5 949	16 633
Other personnel costs	133	194	158	210
Total personnel costs	3 394	2 739	6 107	16 843

In accordance with his contract of employment, the Managing Director is entitled, upon termination of employment, to full salary for one year corresponding to SEK 1 910 thousand including pension undertakings. No other obligations exist towards other employees in the form of agreements on severance pay or future pension payments.

Directors' fees. The board's chairman, Seven Hagströmer, received a fee of SEK 300 thousand (300) for 1998 and other external directors received SEK 100 thousand (80) each, all within the scope of the General Meeting's resolution. No pension commitments or severance pay agreements in favour of the current directors exist.

Note 3. Interest income and similar profit/loss items from subsidiaries

	1998	1997
Interest income	-	1 463
Dividend compensation for shares lent out	19 812	20 104
Compensation received for shares lent out	3 678	3 911
	23 490	23 478

Note 4. Other interest income and similar profit/loss items

	Parent Company		Group	
	1998	1997	1998	1997
Dividends	-	-	1 936	23 567
Interest income	3 269	137	7 929	1 536
Compensation received for shares lent out	61	157	142	233
	3 330	294	10 007	25 336

Note 5. Interest costs and similar profit/loss items for subsidiaries

	1998	1997
Interest costs	-760	-
	-760	-

Note 6. Other interest costs and similar profit/loss items

	Parent Company		Group	
	1998	1997	1998	1997
Interest costs	-10 617	-12 098	-11 007	-14 342
Dividend compensation for shares lent out	-	-	-12 225	-23 814
Compensation paid for shares lent out	-	-	-5 642	-5 762
	-10 617	-12 098	-28 874	-43 918

	Parent Company		Group	
	1998	1997	1998	1997
Accumulated acquisition value	1 263	990	2 483	2 090
Less accumulated depreciation	-588	-431	-1 366	-1 021
Book value inventory	675	559	1 117	1 069
Accumulated acquisition value	187	187	187	187
Less accumulated depreciation	-38	-28	-38	-28
Book value refurbishment	149	159	149	159
Total book value inventory and refurbishment	824	718	1 266	1 228

Note 7. Inventory and refurbishment

	Parent Company		Group	
	1998	1997	1998	1997
Accumulated acquisition value	1 263	990	2 483	2 090
Less accumulated depreciation	-588	-431	-1 366	-1 021
Book value inventory	675	559	1 117	1 069
Accumulated acquisition value	187	187	187	187
Less accumulated depreciation	-38	-28	-38	-28
Book value refurbishment	149	159	149	159
Total book value inventory and refurbishment	824	718	1 266	1 228

Note 8. Shares and participations in subsidiaries

	Number of participations	Equity proportion	Book value	Market value
Subsidiary: AB Rivus, Registration number 556014-2571 Registered office: Stockholm	100	100%	100	100
Second tier subsidiary: Ven Capital AB, Registration number 556548-0935 Registered office: Stockholm	90 100	90.1%	9 010	9 010

Note 9. Participations in associated companies

Parent Company	Registration number	Registered office	Equity	Profit/loss	Number of participations	Equity in %	Voting rights in %	Book value	Market value	Hidden reserve
AB Custas	556036-1668	Stockholm	7 152	2 241	6 095 500	15.36	19.84	813 762	975 280	161 518
Högströmer & Övberg	556274-8458	Stockholm	624	54	4 425 000	27.21	27.21	256 290	243 375	-12 915
Jacobsson & Widmark	556057-4880	Lidingö	211	9	570 000	9.19	9.19	10 346	23 370	13 024
Quartz Pro AB	556319-2888	Stockholm	6	-5	27 584	49.77	49.77	17 049	17 049	0
Quartz Pro, promissory note								1	1	0
Total								1 097 448	1 259 075	161 627
Group	Registration number	Registered office	Equity	Profit/loss	Number of participations	Equity in %	Voting rights in %	Book value	Market value	Hidden reserve
AB Custas	556036-1668	Stockholm	7 152	2 241	12 306 000	31.01	39.85	2 362 752*	1 968 857	-393 895
Högströmer & Övberg	556274-8458	Stockholm	624	54	6 576 900	40.44	40.44	301 125	361 730	60 605
Jacobsson & Widmark	556057-4880	Lidingö	211	9	2 455 520	39.60	39.60	84 844	102 194	17 350
Quartz Pro AB	556319-2888	Stockholm	6	-5	27 584	49.77	49.77	6 784	17 050	10 266
Other associated companies			0	-1				1 478	2 000	522
Group total								2 756 983	2 451 831	-305 152
of which in Rivus								1 190 756		

* Equity value of Custas amounts to 2 656 278. In the group the equity value has been written down by 293 526. After the write down the book value corresponds to the net asset value of Custas.

Note 10. Other shares and participations, fixed assets

Parent Company	Number	Book value	Market value	Hidden reserve
Artemis Medical B	300 000	14 645	6 000	-8 645
Evidentia call option	4 437 862	0	0	0
Frontec B	400 000	23 388	13 880	-9 508
Hufvudstaden A	1 192 000	27 467	28 012	545
Grönings	3 655 000	430 885	427 635	-23 250
H&M B	885 000	35 564	585 870	550 306
H&Q Russian fund	12 210 918	85 000	22 224	-62 776
Industrivärden A	1 117 100	71 062	121 764	50 702
Investor B	231 100	38 183	84 583	46 400
Kara Bio	150 000	18 755	13 125	-5 630
Kirrewik B	500 000	82 370	95 000	12 630
Maxim	250 000	31 254	31 750	496
Netcom B	900 000	114 706	297 000	182 294
New Wave Group	162 900	23 125	20 851	-2 274
Protect Datasäkerhet	550 000	37 729	65 450	27 721
SAS Sverige	460 000	59 518	34 270	-25 248
Sinca Line B	900 000	41 694	9 900	-31 794
SKF B	400 000	37 656	37 800	144
Trelleborg B	750 000	86 145	49 500	-36 645
Total shares and participations in Parent Company	1 279 146	1 944 614	665 468	

Group	Number	Book value	Market value	Hidden reserve
Autobalance Plc	1 000 000	13 215	13 215	0
Clinic Data Care in Lund	150 000	12 750	12 750	0
Doubleclick	45 000	2 887	2 887	0
NOS AB	10 000	1 572	1 572	0
AB Novestra	700	2 152	2 152	0
USAB	1 429	10 001	10 001	0
Total shares and participations in Group	1 321 723	1 987 191	665 468	

Less shares sold in the group

H&M B	885 000	35 563	585 870	550 307
Investor B	231 100	38 183	84 583	46 400
Netcom B	500 000	63 725	165 000	101 275
		137 471	835 453	697 982
Total other shares and participations in the Group	1 184 252	1 151 738	-32 512	

Note 11. Other receivables

	Parent Company		Group	
	1998	1997	1998	1997
Tax receivables	129	129	129	129
Options held, premiums paid	-	-	-	954
Other receivables	381	-	381	800
	510	129	510	1 883

Note 12. Other shares and participations, current assets

Group	Number	Acquisition value	Book value (Market value)	Unrealised profit/loss
Guarrello	75 000	5 396	5 550	154
PyroSequencing	250 000	23 970	23 970	0
Total other shares and participations	94 993	84 630	-10 363	

Note 13. Changes in shareholders' equity

Parent Company	Share capital	Statutory reserve	Retained profit/loss	Profit/loss for year
Opening balance	301 146	60 229	975 805	395 266
Allocation of profit			395 266	-395 266
Dividend			-138 527	
Profit/loss for year				373 413
Closing balance	301 146	60 229	1 232 544	373 413

Group	Share capital	Restricted reserves	Equity fund	Retained profit/loss	Profit/loss for year
Opening balance	301 146	60 249	451 542	1 141 851	735 118
Allocation of profit				735 118	-735 118
Dividend				-138 527	
Deferred items				139 490	-139 490
Effect of redemptions of shares in associated companies etc.				-35 619	
Profit/loss for year					615 976
Closing balance	301 146	60 249	555 413	1 598 952	615 976

Note 14. Liabilities to credit institutes

Institute	Parent Company		Group	
	Credit utilized	Credit utilized	Credit utilized	Credit utilized
Högströmer & Övberg				
Fondkommission	12 239	50 000	17 204	90 000
Nordbanken	179 769	200 000	179 769	200 000
	192 008	250 000	196 973	290 000

Note 15. Liabilities on share loans, Group

	Number	Acquisition value	Market value and book value in Group	Booked unrealised profit/loss
Asa Ability	92 400	27 747	28 644	-897
Electrolux B	100 000	13 055	13 950	-895
Ericsson B	350 000	52 152	67 550	-15 398
H&M B	70 400	5 922	46 605	-40 683
Föreings-				
Sparbanken	125 000	24 152	26 250	-2 098
Securitas B	960 000	53 847	120 960	-67 113
SCA B	560 000	96 422	99 120	-2 698
Skandia	300 000	14 416	37 200	-22 784
Volvo B	100 000	23 820	18 600	5 220
WM DATA	400 000	61 214	138 400	-77 186
Total share loans		372 747	597 279	-224 532

Note 16. Other liabilities

	Parent Company		Group		Premium paid	Acquisition value	Market value and book value in Group	Booked unrealised profit/loss
	1998	1997	1998	1997				
Unsettled notes	-	-	-	-				8 628
Options written, premiums received	-	-	93 557	40 052				
Other liabilities	219	213	4 669	390				
	219	213	98 226	49 270				
Options written								
Call options written								
Astra March 99 170	1 400	1 400	1 185					
Astra March 99 180	2 376	2 376	1 550					
Custos February 99 121	4 603	4 603	17 259					
Custos February 99 159	251	251	138					
Custos December 2002 191	487	487	1 069					
Custos December 2002 240	83	83	115					
Ericsson February 99 180	9 248	9 248	4 520					
Ericsson February 99 195	2 970	2 970	2 750					
Gränges February 2003 200	4 269	4 269	1 568					
H&Q February 99 38	7	7	33					
H&Q February 99 42	11	11	38					
H&Q February 99 60	27	27	2					
H&Q February 99 70	619	619	0					
H&Q February 2000 75	2 941	2 941	340					
H&Q February 2000 80	359	359	14					
H&Q February 2000 100	4 734	4 734	25					
Hufvudstaden May 2000 35	149	149	60					
Hufvudstaden May 2000 39	196	196	6					
J&W August 99 40	1 231	1 231	1 412					
J&W March 2000 40	465	465	988					
J&W September 2000 40	446	446	1 245					
Kinnenvik February 99 250	1 160	1 160	135					
Call options written								
Natcom February 99 300			4 703		4 703		10 000	
Natcom February 99 330			2 910		2 910		3 188	
OMX January 99 680			10 680		10 680		14 200	
OMX January 99 700			3 956		3 956		4 350	
Protect Data February 2000 130 50			179		179		213	
SCA February 99 160			1 764		1 764		2 885	
SCA February 99 170			2 633		2 633		4 250	
Trelleborg January 99 70			2 401		2 401		440	
Trelleborg January 98 75			1 154		1 154		87	
			68 412		68 412		74 065	-5 653
Put Options written								
Astra March 99 140			866		866		350	
Astra March 99 160			1 980		1 980		1 875	
Avesta March 99 30			1 270		1 270		1 600	
Ericsson February 99 175			1 084		1 084		600	
Ericsson February 99 180			3 465		3 465		1 626	
FöreningsSparbanken January 99 190			4 832		4 832		194	
H&Q May 99 41			1 073		1 073		92	
Sandvik March 99 150			3 841		3 841		3 400	
SCA February 99 160			4 435		4 435		2 340	
Scania February 99 150			2 903		2 903		2 170	
SEB February 99 70			446		446		130	
SEB February 99 75			520		520		150	
Skandia February 99 95			1 333		1 333		150	
Skandia February 99 100			1 287		1 287		255	
SKF March 99 85			1 170		1 170		600	
SKF March 99 90			1 337		1 337		1 000	
SSAB January 99 95			1 221		1 221		1 725	
Volvo January 99 190			1 832		1 832		1 235	
			34 895		34 895		19 492	15 403
Total options written			103 307		103 307		93 557	9 750

Note 17. Accrued costs and prepaid income

	Parent Company		Group	
	1998	1997	1998	1997
Bonus remuneration including employer's contribution	-	-	-	7 079
Other accrued costs	1 038	884	1 582	1 586
	1 038	884	1 582	8 665

Note 18. Analysis of the Group's profit/loss

Total profit/loss for the companies incorporated in the Group	-75 277
Shareholder contribution paid by the Parent Company which, due to changes in the accounting principles, is accounted for directly against the shareholders' equity in the receiving company	448 315
Total profit/loss for the companies incorporated in the Group after adjustments for paid shareholder contribution	373 038
<i>The following adjustments to the consolidated profit/loss have been made in the Group accounting compared with the accounting of both companies individually:</i>	
Acquisition value of shares borrowed by Rivus from Oresund and sold, booked to costs in Oresund	-137 472
Reversal of liability booked in Rivus relating to the market value on 31 December 1998 of shares borrowed by Rivus from Oresund and sold	835 452
Reversal of corresponding profit/loss adjustment, net, in financial statements for 1997	-552 516
Participation in associated companies' profit/loss	390 999
Write down of surplus value in associated companies	-293 526
= Profit/loss for the year in the Group	615 976

AUDITOR'S REPORT

To the General Meeting of Shareholders of Investment AB Öresund, registration number 556063-9147. We have examined the annual report, the consolidated financial statements and accounts and the Board of Directors's and the Managing Director's administration of Investment AB Öresund for the 1998 financial year. The Board of Directors and the Managing Director are responsible for the accounts and administration of the company. Our responsibility is to make a statement on the annual report, the consolidated financial statements and administration of the company on the basis of our audit.

The audit has been conducted in accordance with generally accepted auditing standards. This means that we planned and executed the audit in order to assure ourselves, to a reasonable degree, that the annual report and consolidated financial statements contain no significant errors. An audit involves examination of a selection of documents in support of amounts and other information in the accounts. Also included in an audit is examination of the accounting principles and the Board of Director's and Managing Director's application of them, and also the evaluation of the information collected in the annual report and the consolidated financial statements. We have examined significant decisions, steps and circumstances in the company in order to ascertain whether any member of the board or the Managing Director has a liability to the company or in any other way has acted in contravention of the Swedish Companies Act, the Act on

Annual Accounts or the Articles of Association. We regard our audit as providing reasonable grounds for our statement below.

The annual report and the consolidated financial statements have been prepared in accordance with the Act on Annual Accounts. Therefore we recommend that the profit and loss account and the balance sheet for the Parent Company and the Group be adopted, and that the profit in the Parent Company be allocated in accordance with the proposal in the Report of the Board of Directors.

The members of the Board of Directors and the Managing Director have not taken any actions, nor are they guilty of any negligent act, which in our opinion would make them liable to the company. Therefore we recommend that the members of the Board of Directors and the Managing Director be granted discharge from liability for the financial year.

Stockholm, 26 February 1999

Caj Nackstad
Chartered Accountant

Stefan Holmström
Chartered Accountant



Pruning is one of the major elements in the work of fruit cultivation. It is also one of the most important factors to affect both the size and quality of the harvest. Pruning is also carried out in order to regulate tree size. Newly planted trees are always pruned before the outset of the first period of vegetation. Those planted in autumn are pruned the following spring. Older apple trees are pruned in the winter and early spring.

THE BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS



Sven Hagströmer
born 1943. Director since 1992.
Chairman of AB Custos, Director in Bokförlaget Atlantis,
Hagströmer & Qviberg AB, NetCom Systems AB,
Protect Datasäkerhet AB and Quartz Pro AB.
Shareholding: 2 474 766 (incl. Company and family).



Matts P. Ekman
born 1946. Director since 1995.
Financial Director of AB Electrolux.
Director of Assi Domän, Ekman & Co AB
and Hagströmer & Qviberg Fonder AB.
Shareholding: 8 510 (incl. Family).



Lars Gatenbeck
born 1956. Director since 1997.
Hospital manager, Karolinska hospital,
MD, Director of Stockholm Care AB,
Karo Bio AB and PyroSequencing AB.
Shareholding: 3 674.



Mats Qviberg
born 1953. Managing Director.
Director since 1992. Chairman
of Hagströmer & Qviberg AB.
Director of AB Custos and AB Gränges.
Shareholding: 1 639 800 (incl. Family).



Hans Tson Söderström
born 1945. Director since 1996.
Managing Director of SNS (The Industrial Council for Social and Economic Studies). Associate Professor of business cycle analysis and macro-economic policy at the Stockholm School of Economics.
Director of Hagströmer & Qviberg AB and Sifo Group AB.
Shareholding: 1000.



Dag Tigerschild
born 1942. Director since 1995.
Chairman of Arkivator AB, Axis Communications AB, Mydata Automation AB and Vellinge Electronics AB. Director of Industriförvaltnings AB Kinnevik, Korsnäs AB and Industriförvaltnings AB Skandigen.
Shareholding: 12 858.

Magnus Stuart
born 1954.

Managing Director of Ven Capital AB.
Shareholding in Ven Capital: 990.
Shareholding in Quartz Pro: 2000.

Auditors

Caj Nackstad
Chartered Accountant, KPMG.

Stefan Holmström
Chartered Accountant, KPMG.

Deputies

Birgitta Hagenfeldt
Chartered Accountant, KPMG.

Thomas Jansson
Chartered Accountant, KPMG.

SUMMARY OF THE GROUP'S DEVELOPMENTS

SEK thousand	1998	1997	1996	1995	1994
Profit and loss account					
Profit/loss for asset management operations				48 742	50 657
Dividends, other participations, asset management operations	38 431	21 931	35 866		
Profit/loss securities operations				-74 101	-68 709
Gross profit/loss securities operations	-403 111	-190 420	-34 585		
Profit/loss from other securities, asset management operations	460 363	553 814	305 497	275 463	405 928
Participations in associated companies' profit/loss	555 251	393 089	142 770		
Administration costs	-16 132	-24 703	-12 802		
Profit/loss from financial investments	-18 867	-18 582	-11 415	29 170	973
Profit/loss before tax	615 935	735 129	425 321	279 274	388 849
Tax	0	-11	-42	184	-12 366
Minority participations in profit/loss for year	41	-	-	-	-
Tax refund	-	-	-	548	12 853
Profit/loss	615 976	735 118	425 289	279 638	389 336
Stated profit per share	51.14	61.03	35.31	23.21	28.16
Balance Sheet					
Assets					
Fixed assets					
Inventory	1 266	1 228	1 167	643	186
Participations in associated companies	2 756 983	2 401 317	1 872 269		
Other shares and participations	1 184 252	1 069 318	659 472	1 462 236	1 952 524
Current assets					
Other current assets	748	2 381	31 758	32 970	39 771
Other shares and participations	84 630	25 738	360 037	987 150	333 246
Cash at hand and bank	2 694	10 348	36 585	1 737	184 435
Total assets	4 030 573	3 510 330	2 961 288	2 484 736	2 510 162
Shareholders' equity and liabilities					
Shareholders' equity					
Restricted equity	916 808	812 937	665 640	361 395	480 020
of which equity fund	555 413	451 542	304 245		
Unrestricted equity	2 214 928	1 876 969	1 485 839	1 297 259	1 587 394
Provisions and minority interests	4 385	3 191	3 204	3 306	3 371
Short-term liabilities	894 452	817 233	806 605	822 776	439 377
Total shareholders' equity and liabilities	4 030 573	3 510 330	2 961 288	2 484 736	2 510 162
Dividends paid					
Total	177 676	138 527	138 527	129 493	107 137
Per share, SEK	14.75	11.50	11.50	10.75	7.75
Share price and net asset value					
Share price 31 December, SEK	196	210	162.50	125	115
Net asset value per share, SEK	232.03	250.55	191.60	150.53	154.89
Visible shareholders' equity per share, SEK	259.98	223.30	178.61	137.70	126.40
Investment company discount, %	16	16	15	21	26
Share price as % of net asset value	84	84	85	79	74
Equity ratio, % (incl. surplus and under-value of shareholding)	75.7	86.0	78.1	76.8	98.6
Return on shareholders' equity	21.16	30.37	21.97	16.4	21.9
Securities portfolio, SEK million					
Market value, portfolio's stock exchange valuation	3 688	3 993	3 181	2 700	2 704
Book value 1)	4 026	3 496	2 892	2 449	2 323
Change in net asset value, % adjusted for dividends	-3	37	28	7	16
Stockholm Stock Exchange composite index, % adjusted for dividends	12	26	41	21	7

Ratios for 1994 adjusted for redemption in progress at the time.

Figures for 1996-1998 include associated companies' accounting in accordance with the equity method. This accounting affects the Group's result as accounted, the shareholders' equity and therefore the ratios.

Figures for 1996 have been revised to achieve comparability.

1) Book value of portfolio including associated companies.



Great care should be taken when choosing the rootstocks for tree cultivation. It is of major importance that they are well-suited to the respective varieties of scion. One must also take into account the prevailing type of climate and soil and the trees' planting system.

ARTICLES OF ASSOCIATION

§ 1 Name. The name of the company is Investmentaktiebolaget Öresund. The company is public (publ.)

§ 2 Objects. The objects of the company are to own and manage real and personal property and to carry on other business associated therewith.

§ 3 Share Capital. The share capital of the company shall not be less than SEK 200 000 000 and not more than SEK 800 000 000.

§ 4 Nominal value of shares. Shares shall have a nominal value of SEK 25.00.

§ 5 Registered office. The Board of Directors shall have their registered office in Stockholm. The General Meeting of Shareholders shall be held in Malmö or Stockholm.

§ 6 Board of Directors. The Board of Directors shall consist of not less than five members and not more than ten members, with not more than five deputies. The Board of Directors is elected annually at the Annual General Meeting of Shareholders for the period ending upon the adjournment of the subsequent Annual General Meeting of Shareholders.

§ 7 Auditors. Not less than two and not more than three auditors, and an equal number of deputies, are elected annually at the Annual General Meeting of Shareholders for the period ending upon the adjournment of the subsequent Annual General Meeting of Shareholders.

§ 8 Financial Year. The financial year shall be the calendar year.

§ 9 Annual General Meeting of Shareholders. The following matters shall be dealt with at the Annual General Meeting of Shareholders.

1. Election of chairman of the meeting.
2. Compilation and approval of the electoral register.
3. Election of one or two persons to approve the minutes.
4. Verification that the meeting has been duly convened.
5. Presentation of the annual report and the auditor's report.
6. Resolutions regarding:
 - a. adoption of the profit and loss account and the balance sheet,
 - b. allocation of the company's profit or loss according to the adopted balance sheet,

c. discharge of liability for the members of the Board of Directors and the Managing Director.

7. Approval of fees to directors and auditors.

8. Election of directors and, where applicable, auditors and deputy auditors.

9. Any other business incumbent upon the meeting pursuant to the Swedish Companies Act or the Articles of Association.

§ 10 Notices. The Annual General Meeting shall be convened by one announcement in one daily newspaper published in Malmö and one published in Stockholm not more than four weeks and not less than two weeks before the meeting.

§ 11 Advance notification of participation in General Meeting of Shareholders. In order to participate in the Annual General Meeting of Shareholders, shareholders must notify the company of their intention to attend not later than 4.00 pm on the day stated in the notice. This day may not fall on a Sunday, other public holiday, Saturday, Midsummer Day, Christmas Eve or New Year's Eve and may not be earlier than the fifth day before the meeting.

§ 12 Voting rights. Those entitled to vote at the General Meeting of Shareholders may vote to the extent of the full number of shares owned and represented by him without restriction as to the number of votes.

§ 13 Shareholders of record. Those who have their name entered in the share register or the register according to Chapter 3, § 12 of the Swedish Companies Act (1975: 1385) on the stipulated record day shall be regarded as entitled to receive dividends and, in the case of a bonus issue, new shares, and to exercise shareholders' preferential rights to participate in a share issue.

Adopted by the Annual General Meeting of Shareholders on 28 March 1995.

On 1 January 1999, the Law regarding changes in the Swedish Companies Act, SFS 1998: 760 takes effect. These changes stipulate that parts of the Articles of Association be revised. Proposed new Articles of Association that accord with the new legislation will be presented at the Annual General Meeting of Shareholders, 31 March 1999.

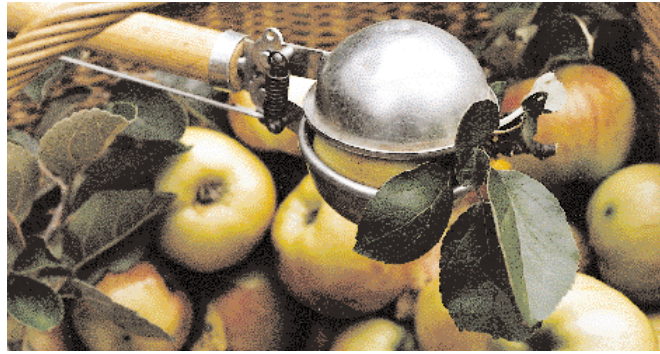
MONITORING OF ÖRESUND BY ANALYSTS

The following analysts monitor Investment AB Öresund

Alfred Berg	Peter Irlblad	+46 8 723 60 84
Aros Securities	Thomas Bergquist	+46 8 407 92 97
D. Carnegie	Fredrik Grevelius	+46 8 676 88 00
Delphi Finansanalys	Isac Stenborg	+46 8 459 35 27
Enskilda Securities	Oskar Herdland	+46 8 522 298 88
Hagströmer & Qviberg Fondkommission	Hans Hedström	+46 8 696 19 32
Handelsbanken Markets	Christer Beckard	+46 8 701 24 36
James Capel	Peter Lindmark	+46 8 454 55 18
Matteus Fondkommission	Hans Jidemark	+46 8 456 43 13
Swedbank Markets	Patric Naeslund	+46 8 58 59 25 11
Warburg Dillon Read	Per Afrell	+46 8 453 73 33
Öhman Fondkommission	Anders Westin	+1 212 829 42 00

Investment AB Öresund (publ)

Reg. number 556063-9147.



As a rule, watering young newly-planted trees is very beneficial to growth and fast root-building. Good results can also be expected when watering mature trees that have been cultivated on poorly-growing clone rootstocks. Even the harvest quantity and the fruit size are positively affected.

Production: Fenix Reklambyrå

Pictures: Johnér Bildbyrå. Portrait photos: Kjell Söderbaum

Source, text to pictures: "Odling Frukt" by Torsten Johansson, published by LITs förlag, Stockholm

Printer: Tryckindustri Information. Technical Production: Faktorn Göteborg

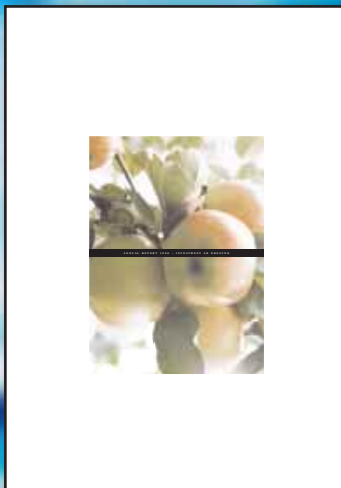
Printed on Arsic Volym, cover by Munken Lynx

Translation by Inter-Se AB



Investment AB Öresund (publ), P.O. Box 7621, S-103 94 Stockholm, Street address: Norrlandsgatan 15.
Tel: +46 8 402 33 00, Fax: +46 8 402 33 03, E-mail: info@oresund.se www.oresund.se

Öresund



- Table of Contents
- Overview
- Summary 1998
- Key figures
- Report of the Board of Directors
- Income Statement
- Balance Sheet
- Cash Flow Analysis
- Notes
- Shareholders Policy