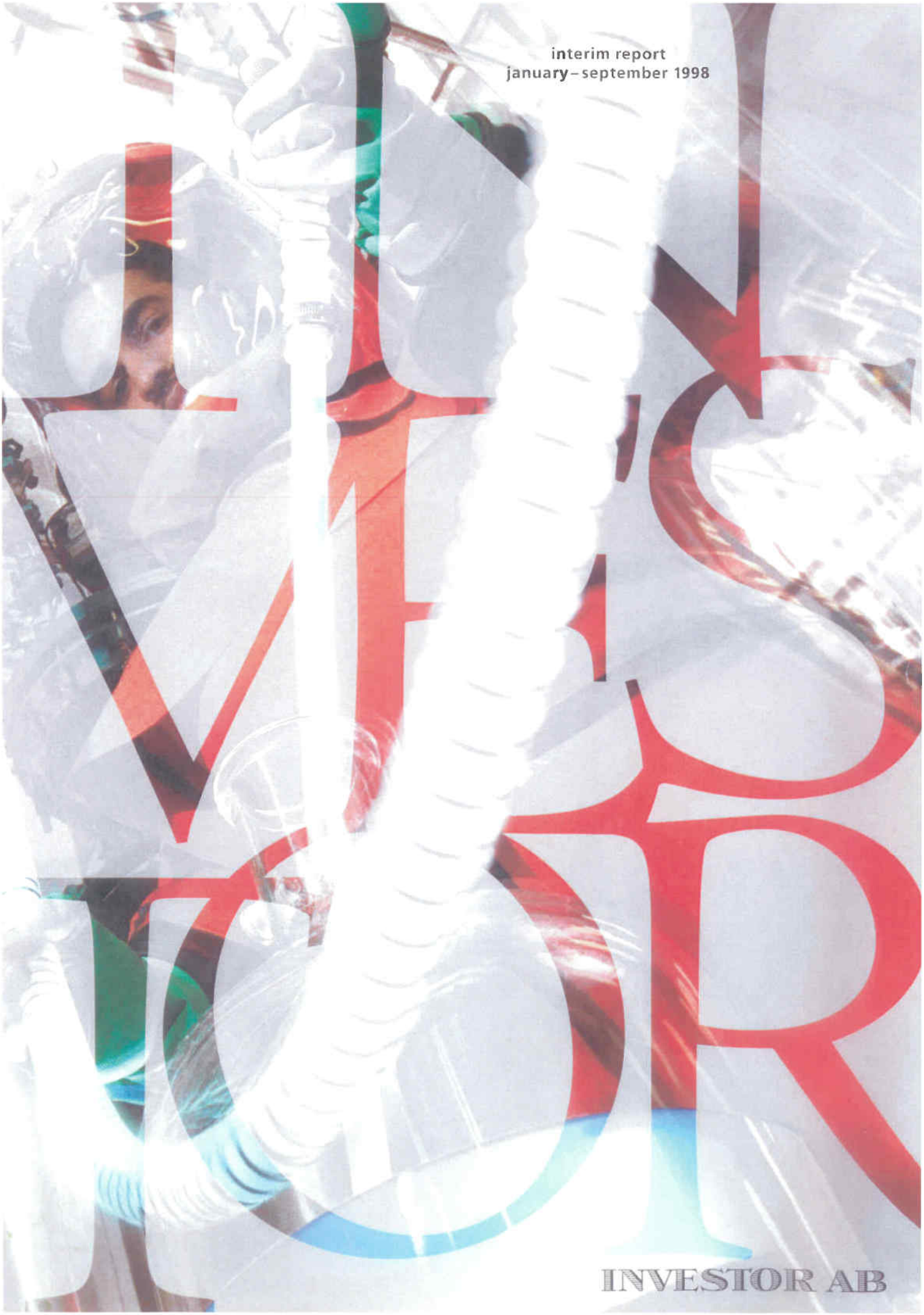

interim report
january–september 1998
INVESTOR
INVESTOR AB


ASTRA


ERICSSON


SCANIA


ABB


GAMBRO


Atlas Copco


STORA


SEB


WM-data




SKF


SAAB


Electrolux


SAS


SAAB

- Investor's total return during the 12-month period ended September 30, 1998, was negative and amounted to –22 percent.

- As reported earlier, a broadening of ownership was carried out in Saab AB during the period. Investor now owns shares corresponding to 20.3 percent of the capital and 36.1 percent of the voting rights in the company. Saab AB's shares were listed on the Stockholm Stock Exchange in June 1998.

- Among Investor's main holdings, shares were acquired for a net amount of SEK 3,136 m. during the period. Of this total, SEK 1,239 m. pertains to shares in ABB, which were acquired through the call options that Investor received as a dividend from Gambro.

- On September 30, 1998, the value of Investor's main holdings was SEK 72,840 m. The corresponding value on October 20 was SEK 77,184 m. During the period January through September 1998, the main holdings had decreased in value by 15 percent.

- Investor's net asset value on September 30, 1998, was SEK 78,015 m., or SEK 390 per share. On October 20, net asset value was SEK 82,397 m., or SEK 412 per share.

REPORTING DATES

Year-end report 1998, February 11, 1999

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This interim report can also be accessed on the Internet at www.investor.se

COVER PHOTO: In June 1998, an agreement was reached between Astra, Investor's largest holding, and Merck regarding their cooperation in the U.S. pharmaceutical market. For Astra, this agreement represents an important step for the future. This agreement is another good example of Investor's strategy of active ownership.

Dramatic fluctuations in the financial markets



Claes Dahlbäck

In financial circles, autumn 1998 will probably be as much of a talking point as October 1987. A seven-year bull market in the U.S. turned dramatically bearish, in spite of new all-time lows for global interest rates. Fear of inflation has given way to fear of deflation. The Asian crisis has spread to Russia and Latin America and there is a risk of it spreading to the Western World.

These factors were reflected in the markets through reduced access to risk capital which raised borrowing costs for countries and companies with ailing economies and low credibility. In the next stage, stock markets started to waver. Initially this was due to increased risk premiums on investments in shares and later to less favorable earnings forecasts from companies. The crisis intensified when a number of highly leveraged financial institutions encountered serious problems. Trading in the various financial markets was increasingly characterized by dramatic fluctuations.

In the U.S., the Federal Reserve changed its former strict attitude and started relaxing monetary policy by cutting the primary interest rate and the discount rate. The background to this was considerable unease in the financial markets with a risk for a negative impact on economic growth in the U.S. For the first time for several years Wall Street started to express fears of a recession in the U.S.

In Europe, the harmonized interest rates trend was broken. The interest rate spread between Sweden and Germany rose sharply. Furthermore, the currencies of countries outside EMU weakened, including the Swedish krona. On the stock market, prices fell considerably from the summer's record levels. Companies with a high dependence on raw materials or exposed to competition from Asia were hard hit, along with banks and insurance companies.

In Sweden, the general election in September made the social democratic minority government dependent on a further two parliamentary parties. This will not provide the strong government that Sweden needs to tackle important questions during the coming electoral period, such as the labor market and EMU.

The recent government declaration emphasized the need for increased economic growth. Hopefully the new, extended ministry of industry and commerce will provide better conditions for policies that encourage growth.

In spite of the relatively good prospects for economic growth in Sweden over the next year, with low inflation and low interest rates, the Swedish stock market has fallen dramatically in recent months. The main reason is alignment with the decline on the world's other stock markets. Another probable reason is the view that the economic decline in Southeast Asia and Russia is going to have a more negative impact on Swedish export industry than was previously believed.

This negative development has also affected Investor. Our share price has fallen more than the stock exchange as a whole. This is mainly because our portfolio contains a number of companies with substantial export operations and significant exposure to the markets most affected by the economic decline. Added to this, our discount to net asset value has increased which is not unusual when the stock market falls.

As we pointed out in the six-month report, it is neither meaningful nor fair to make comparisons over too short a period. What is most important for an industrial holding company such as Investor is long-term development. Our key task is to make sure that over time our shareholders receive a total return that exceeds the stock exchange average.

Changes in Investor's main holdings in the third quarter included the acquisition of ABB shares for approxi-

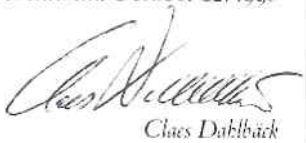
mately SEK 1.8 billion, of which SEK 1.2 billion from Gambro. We also slightly increased our holdings in Atlas Copco, Ericsson and STORA.

Within Investor we decided during the autumn that the management of the new investments unit should be relocated to the New York office, where Investor's activities will be expanded. This will lead to operations in London being conducted with fewer employees.

The purpose of this change is to gain greater geographic proximity to most of the new investments currently under consideration and to be able to better monitor the sectors prioritized by Investor for new investments.

In the second quarter, Investor launched two new private equity funds, EQT Scandinavia II and EQT Danmark. During the period we achieved our aim for these funds, i.e. an amount of SEK 5.7 billion for EQT Scandinavia and DKK 1.0 billion for EQT Danmark. Investor will invest approximately SEK 800 m. and approximately DKK 200 m. respectively in the two funds.

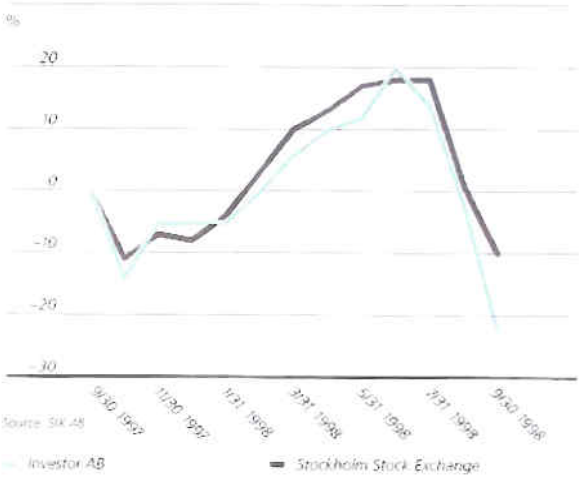
Stockholm, October 22, 1998



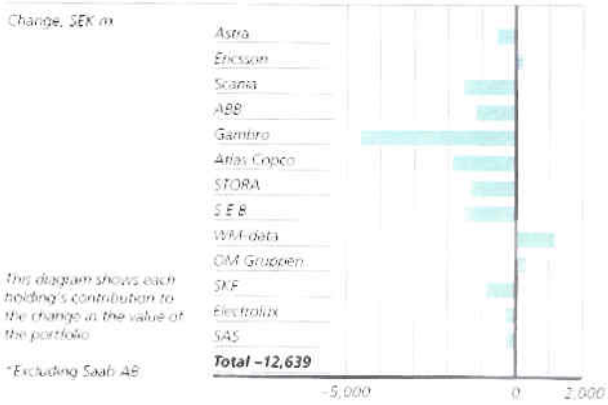
Claes Dahlbäck
President and Chief Executive Officer

Interim report January–September 1998

TOTAL RETURN



CHANGE IN THE VALUE OF THE PORTFOLIO 1/1–9/30 1998*



Investor's total return during the 12-month period ended September 30, 1998, was negative and amounted to –21.7 percent, compared with –9.7 percent for the Stockholm Stock Exchange[1]. Investor's net asset value[2] amounted to SEK 78,015 m., a decrease of 12 percent since year-end 1997. This corresponds to SEK 390 per share after full conversion. On October 20, net asset value amounted to SEK 82,397 m., or SEK 412 per share.

INVESTOR'S MAIN HOLDINGS

During the first nine months of the year, total purchases of shares amounted to SEK 3,243 m. Total sales of shares amounted to SEK 107 m.

The largest purchases are broken down as follows: SEK 1,785 m. in ABB, of which SEK 1,239 m. pertained to acquisitions through call options distributed by Gambro; SEK 246 m. in Atlas Copco; SEK 762 m. net in Electrolux; and SEK 424 m. in Ericsson.

The largest sale was SEK 103 m., net, of shares in OM Gruppen.

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

In total, this transaction provided Investor with SEK 3,500 m. in payment from British Aerospace and payment of SEK 2,137 m. as a result of the offering regarding the sale of shares in Saab AB, directed to Investor shareholders. The broadening of ownership had a positive impact on shareholders' equity in Investor amounting to SEK 2,873 m., of which SEK 2,115 m. is reported in the income statement as a capital gain, attributable to the sale of shares to British Aerospace, and SEK 758 m. in shareholders' equity. The amount reported in shareholders' equity corresponds to the difference between the payment received and the book value of the shares in Saab AB that were sold to Investor shareholders.

[1] Total return refers to the sum of share price change and dividends.
[2] Saab Automobile is reported at book value of the subordinated loan.

INVESTOR'S MAIN HOLDINGS (as of September 30, 1998)

Company	Number of shares (000)	Of which on loan (000)	Market value SEK m.	Share price performance 1998 [3] (%)	Share of portfolio (%)	Share of capital [4] (%)	Share of voting rights [4] (%)
Astra	166,765	15	22,334	–3	31	10	12
Ericsson	61,019	252	9,713	–1	13	3	22
Scania [1]	52,994	488	7,847	–17	11	26	42
ABB	90,275	199	6,410	–24	9	10	13
Gambro	67,588	180	5,035	–48	7	20	26
Atlas Copco	27,284	63	4,502	–30	6	15	21
STORA	53,029		3,951	–26	5	17	20
S E B	48,471	427	3,320	–32	4	8	9
WM-data	10,061	729	2,636	+83	4	14	6
OM Gruppen [2]	13,067	11	1,593	+40	2	16	16
SKF	14,955	6	1,481	–43	2	13	30
Saab AB	21,612		1,459		2	20	36
Electrolux	13,347	89	1,375	–7	2	4	21
SAS	13,156	18	1,184	–22	2	19	19
Total			**72,840**		**100**		

[1] Relates to the 52,994,181 shares not encumbered by distributed covered warrants.
[2] Of which 4,200,000 shares valued at market value less theoretical market value of call options issued.
[3] Most heavily traded class of share.
[4] After full dilution.

Market value, main holdings

SEK m.	1998 10/20	1998 9/30	1997 12/31
Market value, main holdings	77,184[1]	72,840[1]	83,971[2]

The value of the main holdings, adjusted for net changes, decreased by 15 percent during the period, excluding Saab. The OMX index decreased during the same period by 2 percent.

Dividend income from Investor's main holdings amounted to SEK 1,841 m. during the period.

NEW INVESTMENTS AND OTHER HOLDINGS

Investor actively seeks new growth-oriented investments which complement current holdings and of which some have the potential to ultimately be included among Investor's main holdings. From year-end 1998 the management of the new investments unit will be moved to the office in New York, where Investor's activities will be expanded. The purpose of this change is to gain greater geographic proximity to most of the new investments currently under consideration and to be able to better monitor the sectors prioritized by Investor for new investments.

The total value of new investments and other holdings at the end of the period was SEK 7,084 m., excluding holdings of Investor's own convertible debentures.

CONSOLIDATED INCOME AND NET DEBT

Investor's pretax income, excluding unrealized value appreciation, amounted to SEK 3,900 m. (1,405). Net income amounted to SEK 3,671 m. (1,368).

At the end of the period, the Group had a net debt of SEK 13,802 m., compared with SEK 8,011 m. at year-end 1997. The main reasons for the difference are share purchases carried out and effects attributable to the broadening of ownership in Saab AB. Net debt reported at the end of the period includes a debt to Saab AB of SEK 3,120 m., which will be replaced with other financing – mainly external borrowing – during the remainder of 1998.

STRUCTURE OF SHARE CAPITAL AND CONVERTIBLES

On September 30, 1998, Investor's share capital amounted to SEK 4,773 m., represented by 191 million shares. On the same date, the nominal amount of Investor's

[1] Including 20.4 percent of the shares in Saab AB at market value.
[2] Including 100.0 percent of the shares in Saab AB at book value.

STRUCTURE OF SHARE CAPITAL AND CONVERTIBLES

	Class of share	No. of shares	No. of voting rights	% of capital	% of voting rights
Before conversion	A 1 vote	77,922,711	77,922,711	40.8	87.3
	B 1/10 vote	112,982,730	11,298,273	59.2	12.7
	Total	**190,905,441**	**89,220,984**	**100.0**	**100.0**
Convertible debenture loans [1]	B 1/10 vote	9,290,313	929,031		
After conversion	A 1 vote	77,922,711	77,922,711	38.9	86.4
	B 1/10 vote	122,273,043	12,227,304	61.1	13.6
	Total	**200,195,754**	**90,150,015**	**100.0**	**100.0**

[1] The nominal value of the loans is SEK 1,318 m. and the debentures carry 8.00% interest until June 21, 2001. The conversion price is SEK 141.90.

convertible debenture loans totaled SEK 1,318 m. Of this amount, SEK 1,025 m. pertained to the loan denominated in Swedish kronor and SEK 293 m. to the loan denominated in ECU. On September 30, 1998, Investor's own holding in the loan denominated in Swedish kronor amounted to SEK 899 m. and SEK 293 m. in the loan denominated in ECU. In total, this corresponds to 90 percent of the volume of convertible loans outstanding.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with Investor's former accounting principles. Under Sweden's new Annual Accounts Act, which became effective in 1997, certain of Investor's main holdings as associated companies must be reported according to the equity method. These revised consolidated accounts will be prepared and made available as soon as the necessary documentation regarding the holdings concerned has been received, most likely in late November 1998.

Stockholm, October 22, 1998



Claes Dahlbäck
President and Chief Executive Officer

This interim report has not been subject to specific review by the Company's auditors.

Group, Net Asset Value

	9/30 1998		12/31 1997	
	SEK/share	SEK m.	SEK/share	SEK m.
Astra	112	22,334	115	22,920
Ericsson	49	9,713	45	9,048
Scania	39	7,847	47	9,418
ABB	32	6,410	29	5,839
Gambro	25	5,035	48	9,665
Atlas Copco	22	4,502	31	6,150
STORA	20	3,951	26	5,273
S E B	17	3,320	24	4,871
WM-data	13	2,636	7	1,444
OM Gruppen [1]	8	1,593	7	1,386
SKF	7	1,481	12	2,378
Saab AB [2]	7	1,459	16	3,091
Electrolux	7	1,375	5	975
SAS	6	1,184	8	1,513
New investments and other holdings [3]	48	9,612	44	8,760
Total	**412**	**82,452**	**464**	**92,731**
Saab Automobile 50% [4]	14	2,890	15	2,890
GHH Grand Hôtel Holdings	6	1,180	4	850
Land and real estate	2	480	2	480
Other assets and liabilities	–2	–370	1	260
Total investments	**432**	**86,632**	**486**	**97,211**
Net debt/net cash excluding Saab AB	–53	–10,682	6	1,093
Debt ABB purchase [5]			–32	–6,368
Scania shares restricted by warrants [6]	26	5,185	28	5,577
Loan Saab AB [7]	–15	–3,120	–46	–9,104
Total net asset value	**390**	**78,015**	**442**	**88,409**

[1] Of which 4,200,000 shares valued at market value less theoretical market value of call options issued.
[2] As of September 30, 1998 Investor's 20.3% holding in Saab AB has been valued at market value. The previous year pertains to 100% of Saab AB at a value corresponding to book value of the shareholders' equity in the company.
[3] Including Investor's holding of its own convertibles, market value SEK 2,528 m. (nom. value SEK 1,192 m.) as of September 30, 1998.
[4] Subordinated loan.
[5] Debt according to agreement with Incentive (since July 1, 1998, Gambro), repaid in January 1998.
[6] As of September 30, 1998, 38,051,914 shares are valued at market value less market value of distributed covered warrants.
[7] Loan from Saab AB will be repaid during 1998.

Group, Consolidated Income Statement

SEK m.	1998 1/1–9/30	1997 1/1–9/30	1997 1/1–12/31 [1]
Net revenue			
Dividend income, main holdings	1,841	1,683	1,683
Sale of other securities, etc.	15,383	6,561	11,625
Cost of sold other securities, administrative expenses, etc.	–15,006	–6,434	–11,863
Other operating revenues			
Capital gain, Saab AB 35.1% [2]	2,115		
Capital gains, main holdings	266		3,197
Operating income	**4,599**	**1,810**	**4,642**
Net financial income/expenses	–699	–405	–739
Income after financial items	**3,900**	**1,405**	**3,903**
Tax	–229	–37	93
Income for the period	**3,671**	**1,368**	**3,996**

Specification of operating income:			
Dividend income, main holdings	1,841	1,683	1,683
New investments and other holdings	798	555	370
GHH Grand Hôtel Holdings	59	58	74
Others	–6	–41	–74
Administrative expenses	–474	–445	–608
Capital gains, main holdings			
Saab AB 35.1% [2]	2,115		
Others	266		3,197
	4,599	**1,810**	**4,642**

[1] Saab AB is not included in the comparative figures for 1997.
[2] Net after estimated total sales costs of SEK 300 m. related to the broadening of ownership in Saab AB.

Group, Balance Sheet at Market Value

SEK m	1998 9/30	1997 12/31 [1]
ASSETS		
Equipment and real estate, etc.	1,870	1,599
Shares and participations [1] [2]	87,637	98,342
Receivables	3,532	3,599
Cash and short-term investments	460	4,983
Total assets	**93,499**	**108,523**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity [3]	29,387	26,878
Surplus values arising from market valuation	47,248	60,171
Convertible debenture loans	1,380	1,360
Provision for pensions	314	313
Loan Saab AB [4]	3,120	9,104
Other loan liabilities	10,828	3,577
Other liabilities	1,222	7,120
Total shareholders' equity and liabilities	**93,499**	**108,523**
Equity/assets ratio [5]	**83%**	**81%**
NET DEBT		
Cash and short-term investments	460	4,983
Loan Saab AB [4]	–3,120	–9,104
Other loan liabilities	–10,828	–3,577
Provision for pensions	–314	–313
Total net debt	**–13,802**	**–8,011**

[1] Saab AB is not consolidated in the comparative figures for 1997. The value of Saab AB is included in Shares and participations with SEK 3,091 m. corresponding to 100% of shareholders' equity as of December 31, 1997.

[2] Of which 4,200,000 OM shares valued at market value less theoretical market value of distributed covered warrants.

[3] Shareholders' equity changed during the period.

Opening balance		26,878
Dividend to shareholders		–1,907
Effect on shareholders' equity of distribution of Saab AB purchase rights to Investor shareholders		758
Capital gain Saab AB from the sale of 35.1% to British Aerospace, net after total sales costs	2,115	
Other income for the period	1,556	3,671
Other changes		–13
Balance at close of period		29,387

[4] Loan from Saab AB will be repaid during 1998.

[5] Shareholders' equity including convertible debenture loans in relation to total assets.

Group, Statement of Cash Flows

SEK m.	1998 1/1–9/30	1997 1/1–12/31
Cash flow from continuing operations		
Dividend income	1,841	1,637
Operating income other operations/administrative expenses before depreciation [1]	-380	-507
Net financial income/expenses	-675	-728
Tax paid	-2	123
	784	525
Change in working capital	86	-588
Investments, main holdings, etc.		
Sales, Saab AB 35.1%	3,500	
Sales, main holdings	107	4,141
Payment purchase rights Saab AB	2,137	
Purchases, main holdings	-3,243	-5,225
Payment ABB shares [2]	-6,368	
Other investments, net		
New investments and other holdings	-529	-304
Other fixed assets, tangible and intangible	-312	-12
Dividends to shareholders	-1,907	-1,908
Contribution Saab AB		-1,393
Other items		
Changes in long-term receivables/liabilities, etc.	-47	-520
Financial deficit	**-5,792**	**-5,284**
EFFECT ON FINANCING		
Decrease/Increase in liquid assets (+/–)	4,523	2,736
Increase/Decrease in loans from Saab AB (+/–)	-5,984	1,225
Increase/Decrease in loans (+/–)	7,252	1,385
Decrease/Increase in provision for pensions (–/+)	1	-62
Total effect on financing	**5,792**	**5,284**

[1] Excluding dividends, capital gains and equity/derivative trading
[2] Debt according to agreement with Incentive (since July 1, 1998, Gambro), repaid in January 1998

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

Investor AB owns 50 percent of Saab Automobile and a portfolio of major holdings in a number of Sweden's largest, most internationally active industrial companies. These include Astra, Ericsson, Scania, ABB, Gambro, Atlas Copco, STORA, S E B, WM-data, OM Gruppen, SKF, Saab AB, Electrolux and SAS. Its largest shareholders are the Wallenberg family foundations and a number of mutual and pension funds.

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

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