PRESIDENT CLAES DAHLBÄCK'S ADDRESS TO INVESTOR AB'S ANNUAL MEETING, MAY 16, 1995

Mr. Chairman, esteemed shareholders and everyone here in attendance,

I am pleased to see so many of Investor's shareholders at this year's annual meeting. We are nearly 2,000 people here today, twice as many as last year and 20 times more than 10 years ago.

The number of shareholders has also increased dramatically. We are nearly 50,000 now, compared with approximately 14,000 in 1985.

The Royal Tennis Hall symbolizes a proud Swedish athletic tradition and a sport in which our country has attained outstanding achievements over the years.

Investor also has a long, successful history - nearly as old as tennis's here in Sweden - which in a similar way has given Swedish industry a prominent position the world over.

As you hopefully have seen, here in the Hall be have displayed an exhibit of the developments of the largest companies in Investor's portfolio.

It is fascinating to see that most of them have attained world-leading positions in their respective fields.

It is my belief and hope that Investor's active, committed ownership role has contributed to the successful development of these companies. It is our goal to continue to take ownership responsibility in a way that benefits our shareholders.

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I would like to turn to Investor's situation today.

1994 was a year of excellent earnings for Swedish export industry. Practically all of the companies in Investor's portfolio showed dramatic improvements.

The krona's low exchange rate and an expanding international economy naturally were a contributing factor. But there was nothing automatic about this success.

Tough international competition requires hard, conscientious work if you are going to generate higher earnings.

In recent years, tough demands have been placed on the boards of directors, managements and employees of our companies. How well we have lived up to these demands can be seen in our earnings.

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Despite major improvements in earnings and a significant increase in our dividend, the appreciation in the value of Investor's share portfolio was limited to 4 percent last year, which corresponds approximately to the trend in the OMX index.

The reason for this is partly that the earnings improvements had already been discounted by an increasingly sophisticated market, but it is certainly also due to the high interest rates in Sweden and concern in the financial markets.

Investor's earnings trend in 1994 was marked by a dramatic improvement for Saab-Scania, mainly due to Scania's exceptional performance.

Our dividend income rose during the year by more than 20 percent, to SEK 475 million.

Our net financial expense also improved, as a result of lower borrowing. Our net debt decreased from SEK 4.8 to 3.6 billion.

The Investor Group's consolidated income after financial items thus improved from SEK 410 million to SEK 3.3 billion.

Our net worth rose to SEK 43.5 billion, that is, 16 percent higher than the previous year.

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As you are aware, Investor released its interim report for the first quarter today. Today is also the day Saab-Scania formally splits into two independent companies - Scania AB and Saab AB. I will return to this in a moment.

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The first quarter of the year was distinguished by a continued improvement in earnings, both for the Investor Group and the companies in our core holdings.

On the whole, the Investor Group reported income after financial items of SEK 888 million, compared with SEK 222 million for the corresponding period of 1994.

This improvement is also attributable in large part to a continued strong trend for Scania.

The value of the core holdings rose during the period by 1 percent to SEK 30.9 billion, while the OMX index was unchanged.

Among our largest holdings, Incentive and Ericsson in particular outperformed the index, while STORA noted a slightly weaker trend.

Our net worth rose during the period by approximately 3 percent to SEK 45 billion. As of May 15, it had further risen to SEK 47.7 billion, corresponding to SEK 239 per share.

In calculating net worth, Scania and Saab are taken up at their book value. Earlier we had used a yield value for Saab-Scania, in order to arrive at an estimated market value. The split-up of Saab-Scania complicates these calculations, however, so we have decided to use only book value.

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What can we expect during the remainder of 1995?

For most of our core holdings, we anticipate significant improvements in earnings. As usual, though, it is difficult to determine how much of that is already discounted in today's share prices.

Share prices are naturally also affected by international interest rates, and in particular how Sweden's politicians handle or neglect to handle the problems with our national finances.

Sometimes we hear how both Swedish politicians and other opinion leaders are horrified at the so-called "Market" and our dependence on it.

We - altogether - are the market. Private Swedish investors, big foreign investors, businesses, municipalities, institutions and individuals. Blaming our financial problems on the market in a market economy makes as much sense as blaming the weather.

It is always risky to try to predict what is going to happen in the stock market. In my statement in the annual report, I did however make a cautious forecast that the market would do better this year thanks to the rise in profits and the hopes of a stabilization in interest rates.

Let's hope this turns out to be correct.

It's not as difficult to predict Investor's dividend income from its core holdings, since most of it has already been received. Overall, we expected an increase of approximately 52 percent to roughly SEK 650 million in 1995.

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As I previously mentioned, during the first quarter we announced the split-up of Saab-Scania into Scania AB and Saab AB.

Saab-Scania's name was changed to Saab AB and it remains a wholly owned subsidiary of Investor. Scania also becomes a subsidiary of Investor. In addition, we plan to transfer the 50-percent interest in Saab Automobile to Investor's control.

Saab-Scania's departing CEO, Lars Kylberg; Scania's president, Leif Östling; and Saab's newly appointed president, Bengt Halse, will tell you more about Scania and Saab and the split-up. But I would still like to give you a brief background on this major change.

When Saab-Scania was formed in 1969 through the merger of Saab and Scania-Vabis, the goal was to improve the two companies' competitive strength, in among other ways through cooperations in product development.

For example, I can mention that Saab's turbo engine was developed using the technology in Scania's trucks.

But because of the rapid technological developments that have taken place, those same advantages no longer exist. The split-up is therefore being made to better focus on each of the company's individual operations and facilitate eventual collaborations, and thereby strengthen the competitiveness of both Scania and Saab.

Both companies will have a strong financial position, which will allow them to function independently.

Following the split-up, our intention is to broaden ownership of the companies. The main reason, of course, is that we believe it is in their best interests, but also because we believe it would be beneficial for Investor's valuation.

"Mixed" investment companies with both an investment side and an operating side have not been received by the market as we had hoped, so now we're going back to basics, in other words, back to being a pure industrial investment company.

As regards Scania, we are planning a future market introduction when conditions allow. It is still too early to go into any details, but the purpose of an introduction naturally would be to create as much value as possible for Investor's shareholders.

For Saab, a market introduction is unlikely in the years immediately ahead. Instead, we will try to broaden ownership through various partners. Our opportunities to form joint ventures or other forms of cooperations with international aircraft manufacturers improve with Saab's independence.

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I would now like to turn to another subject, namely Investor's ownership strategy. This strategy is based on responsibility, as manifested in two ways. One is very active, committed ownership and the other long-term, patient ownership.

The role and importance of investment companies has been much discussed of late. "Stone Age," exclaimed the business magazine Affärsvärlden not long ago.

On the contrary. It hasn't been understood that an investment company's active ownership has been, and continues to be, a good guarantee of a strong yield. Commitment creates a value-added that a short-term investor can never achieve.

Investor is often cited as the company through which the Wallenberg sphere exerts its power, and it has been assumed that we have other purposes in mind than creating value. The investment company discount is the price we pay for this.

Nothing could be further from the truth. According to our philosophy, power - or more accurately, influence - is a requirement if we are to serve as active owners. Obviously the goal of our business is to provide our shareholders as a high a long-term yield as possible.

For decades, Investor's net worth has grown steadily. The yield per share, for example, has risen by more than 20 percent annually in the past ten years, higher than most alternative investments.

Even though the yield should be the most important consideration for a shareholder, the discount naturally is to no advantage.

In this context it is worth noting that forestry and real estate companies are also valued at a certain discount to their asset value, although in their case it not clearly as evident. Of course, this doesn't mean that there are any diffuse attempts at manipulation in their businesses.

Our goal, however, is to try to reduce the discount as much as possible in order to increase the yield for our existing shareholders.

One way to do this is create value one could only benefit from by owning shares of Investor. An example is the takeover of Saab-Scania. Considering the criticism the acquisition received in 1991, we are especially gratified that Saab-Scania is now doing so well.

It is still too early to evaluate the entire deal, but right now it would appear to have been a good one.

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The Patricia deal is another example where only Investor's shareholders were able to benefit. The deal originated with the buy-back of large blocs of shares of Atlas Copco and STORA from Volvo in 1984.

This was a buy-back that, at the time, was sharply criticized, but which has proved to be very profitable for Investor's shareholders.

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Sweden's industrial companies are world-class, but the competition is extremely tough.

The smallest mistake - whether it be a miscalculated market venture, an unsuccessful product development or a failed investment - can be devastating to the company's survival, and therefore to its employees, creditors and shareholders.

What is decisive is that the right decisions are made by the company's board and management. Marcus Wallenberg used to say that there is no company that is so bad that a good manager can't get it on its feet and none so good that it can't be ruined by a poor management.

Swedish industrial leaders are world-class, just like our tennis players. They are respected and in demand around the world. They are a unique resource. What would Sweden be if Ericsson hadn't boldly invested in mobile telecommunications, if Astra hadn't developed Losec, if Electrolux hadn't built up its international organization?

Yet here at home they are often discredited and poorly treated by the media.

Shouldn't we be just as proud of our skillful industrial leaders - of Lars Ramqvist, Håkan Mogren and Leif Johansson - as we are of our tennis stars? Other countries would be.

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So, what can we expect in the future for Investor?

During the first quarter of 1995 we decided to start a venture capital firm together with S-E-Banken. The new company will focus on minority investments in small Swedish companies with good growth potential.

We want to make it easier for Swedish entrepreneurs to develop their ideas. Entrepreneurs are truly in short supply in Sweden today, which is a serious problem for our industrial sector's development prospects.

By forming a venture capital firm, our investments will include everything from pure start-ups to growth companies like TV4 and major, established corporations such as Astra and Ericsson.

In addition, the recently started private equity fund EQT is a tool to invest in more mature businesses that perhaps at present don't have an ownership structure that can provide the resources they require.

By investing in this way in companies in different stages of development and using different investment time-frames, we hope to create an even stronger appreciation in value in the future, in a way that only Investor's shareholders can benefit from.

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We will also, as our tradition attests, seek out investments in emerging industries and new geographic regions.

The prerequisites for an internationalization of our operations are very good. The network that our board of directors represents is a source of expertise and experience that is unmatched in Swedish business.

For me, as president, being able to utilize this resource any time I need it is invaluable.

I would say that it is essential if we are to operate actively as we do at Investor, if we are to make strategic decisions and take the long-term responsibility that our ownership is built on.

I am therefore convinced that our new investments together with existing holdings will generate continued good appreciation in value for our shareholders.

Thank you.