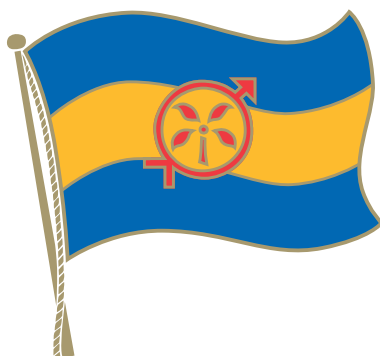


*Investment AB Kinnevik*



*Annual Report 2010*



”More than seventy years of entrepreneurial tradition  
under the same group of principal owners”

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# Five-year Summary

(SEK m)	2010	2009	2008	2007	2006
<b>Key Ratios</b>					
Operating margin, %	10.3	10.0	5.2	11.5	7.6
Capital employed	62 111	50 462	33 067	59 778	44 629
Return on capital employed, %	24.8	40.1	-54.5	32.0	31.6
Return on shareholders' equity, %	28.3	50.2	-69.8	38.2	40.0
Equity/assets ratio, %	84	78	66	80	72
Net debt	7 123	8 233	8 906	9 205	9 856
Debt/equity ratio, multiple	0.1	0.2	0.4	0.2	0.3
Risk capital ratio, %	85.7	80.4	69.0	82.2	75.3
Estimated market value, Major Unlisted Holdings	10 330	10 232	8 026	11 659	11 559
Market value, Major Listed Holdings	50 913	41 128	24 085	50 761	36 906
Estimated market value, New Ventures	3 563	1 411	1 233	1 907	559
Total assets	64 833	53 240	35 871	62 818	47 733
Net asset value	57 513	44 829	24 325	54 941	39 168
Net asset value per share, SEK	208	162	93	208	148
Closing price, class B share, SEK	137	107	63	147	115
Market capitalization	37 971	29 656	16 410	38 739	30 358
<b>Summary of Income Statement</b>					
Revenue	8 593	8 397	7 719	7 673	6 305
Operating profit	889	842	398	885	478
Change in fair value of financial assets	9 899	14 826	-27 429	15 540	10 974
Result after net financial items	13 737	16 516	-25 872	16 266	11 608
Result for the year	13 622	16 373	-25 762	16 179	11 549
Earnings per share	49.08	61.66	-97.94	61.29	43.74
<b>Summary of Cash Flow Statement</b>					
Cash flow from operations	1 310	1 698	524	878	1 533
Cash flow from investing activities	716	-475	1 261	695	-3 302
Cash flow from financing activities	-2 113	-1 495	-1 382	-1 581	1 717
Cash flow from discontinued operations	-	-	-	-	-50
Cash flow for the year	-87	-272	403	-8	-102

For definitions of financial key ratios, refer to page 71.

## Chief Executive's review

In 2010 the Kinnevik portfolio continued to show strength and the total value increased by 12.7 billion to a total of SEK 57.5 billion at the end of the year. Behind this solid performance are a number of management teams working every day to ensure their companies' competitiveness in the markets that they operate, be it mobile telephony in Guatemala, Chad or Sweden, or newspapers in Chile, Hong Kong or Denmark. I am truly pleased by the way that our holdings have gained market shares and delivered record high profitability quarter after quarter in the more than 60 markets in which we operate and in products ranging from liquid packaging board to online retailing.

Working as a board member in our listed holdings on subjects ranging from strategic development and risk management to financial issues takes up a large part of my time as the CEO of Kinnevik. I also try to visit many of the companies in their various markets and it is always fascinating to see how the companies adapt to their local markets, whilst keeping a company culture that is consistent across most Kinnevik holdings and across our geographies. Strong sales focus, good cost control, small administrations and clear ethical guidelines are some of the common traits that are important building blocks in the Kinnevik portfolio of companies.

In 2010, we continued to develop our work within the area of corporate responsibility and on how to report our efforts in this field. Korsnäs, Tele2 and MTG are for the first time developing a GRI report, an international reporting tool which is the world's most widely used sustainability reporting framework.

With Millicom and Tele2 being the two largest companies in the Kinnevik portfolio, the growth drivers in the telecommunication markets are important value creators for our portfolio. In 2010, we saw how value-added-services and data traffic developed into increasingly important revenue sources for both telecom companies. In Millicom, almost one quarter of the revenue came from value added services in 2010. In Tele2, smart phones including the launch of the Iphone contributed to a strong growth in revenues from data traffic. The Russian market continued to be a growth engine for Tele2. Tele2 Russia added 4 million subscribers, to total 18.4 million customers across Tele2's Russian regions.

In the media sector, MTG's strong market positions in the



Nordic countries in both free-to-air and pay-tv meant that MTG was in a position to improve margins whilst also growing sales. MTG is meeting the challenges presented by a dramatically changing media landscape, where TV is increasingly going mobile, through increased accessibility via platforms such as IPTV and by making its on demand pay-tv offering available on internet enabled televisions and hand-sets. MTG is also launching new services such as 3D television.

In Metro, the results of the past year's restructuring are now becoming increasingly evident. In Sweden, Metro's strong market position, coupled with a reviving advertising

market, contributed to a good profitability. Metro also recorded strong growth in the new markets that the company has entered in the past few years, mainly emerging markets in Latin America as well as in Russia.

In Korsnäs, value creation comes from focusing the company's production on the high margin packaging segments of the industry. Around two thirds of the production is within liquid packaging board and the rest mainly within high quality carton board used for packaging of luxury goods such as perfume and chocolate. Korsnäs had a strong year with sales increasing by 2% with operating margins of 11.6%. A new three year contract with one of Korsnäs largest customers was concluded. Long-term customer relationships are important to Korsnäs as it enables a continuous focus on product and quality development.

In the past year, Kinnevik has been active in renewing its portfolio by making a number of new investments and in total we invested SEK 1.4 billion in 2010. At the same time as the portfolio companies mature it is important to invest in new emerging companies to secure that high growth continues. We are looking for investments in sectors where we believe that Kinnevik can be a good owner with strong management capabilities and the operational experience to develop the companies going forward. Scalability and high growth potential are also important prerequisites. Four main investment areas have crystallised overtime – online, micro-financing, agriculture and bioenergy.

Within online, focus is on consumer-related services with proven business models and I believe that we are building a very interesting portfolio of companies in this segment. Kinnevik has invested in Rocket Internet, a company which owns a portfolio of various e-commerce companies and other consumer-oriented online companies including the e-market place Zalando, Groupon, e-Darling and the price comparison site R2.

Also in the online segment, MTG spun off CDON in December 2010, and Kinnevik then became the largest owner in CDON. CDON is the largest online retailer of entertainment products in the Nordic countries and I am excited about this addition to our listed portfolio. In Russia, Kinnevik continued to invest in Avito.ru, the leading online service for classified advertising in Russia. With more than 11 million unique visitors per month, Avito is the largest site of its kind in Russia.

Within the microfinancing area, the main holding is Bayport, which offers credits and financial services in Ghana, Uganda, Zambia, Tanzania and Botswana. Ghana and Zambia are the largest markets, while Tanzania is displaying rapid growth. Bayport was founded in 2002 and has grown with profitability into a leading African microfinancing company. In the markets in which Bayport operates, the financial service sector is undeveloped. Thus, the first phase mainly offers small micro loans but we believe that the sector will develop into broader financial services with interesting growth opportunities.

Black Earth Farming, our largest investment within agriculture, had a challenging year with an extreme heat wave in Russia during the summer which had severe effects on the crop yields. In spite of these challenges, the company has strengthened the management team and is strongly focusing on profitability. In 2011 the company plans on increasing the total planted area and to continue its cost reduction initiatives. Within bio-energy, Latgran is building its third pellets plant in Latvia, and we are reviewing various investment opportunities mainly in Eastern Europe.

Kinnevik's balance sheet was further strengthened in 2010 as we received dividends and extra dividends from Tele2, Millicom and MTG. The Board has revised the targeted leverage within Kinnevik. In order to keep financial flexibility, the goal is to have no or a low leverage against the listed share portfolio. Target leverage against Korsnäs remains unchanged. After a very strong year, the board of directors proposes an increased dividend from 3 to 4.50 SEK per share. The Kinnevik share has yielded an average annual return of 20% per year in the past 30 years and with our holdings within fast-growing communication services and interesting growth markets there are good prospects to continue to create long-term growth.

I would like to thank the employees for their excellent efforts and also take the opportunity to thank all our shareholders for their confidence in Kinnevik.



Mia Brunell Livfors

# *Board of Directors*



The Board of Directors, Chief Executive Officer and Company Secretary of Investment AB Kinnevik.

Left to right: Geron Forsman, Tobias Söderholm, Erik Mitteregger, Magnus Borg, Allen Sangines-Krause, Vigo Carlund, Cristina Stenbeck, Stig Nordin, Mia Brunell Livfors, Wilhelm Klingspor, Bo Myrberg, John Hewko and Mikael Larsson.  
For information about individual directors, please refer to pages 34-35.



# Senior Executives and other key employees



Back row: Warren Campbell, Christer Simrén, Henrik Persson, Richard Warburton, Joakim Andersson

Front row: Mikael Larsson, Mia Brunell Livfors, Torun Litzén

**Mia Brunell Livfors** *President and Chief Executive Officer*

*Investment AB Kinnevik*

Studies Business Administration at Stockholm University, born 1965. Various managerial positions within Modern Times Group MTG AB 1992-2001 and Chief Financial Officer 2001-2006.

President and CEO of Investment AB Kinnevik since 2006. Chairman of the Board of Metro International S.A. since 2008, member of the Board since 2006. Member of the Board of Korsnäs AB, Tele2 AB and Transcom WorldWide S.A. since 2006, Millicom International Cellular S.A. and Modern Times Group MTG AB since 2007, H&M Hennes & Mauritz AB since 2008 and CDON Group AB since 2010. Shareholding: 14,000 class B shares.

**Henrik Persson** *Head of Investments*  
Studies in Business Administration, Lund University, born 1974. Employed since 2004. Director Corporate Communications 2004-2007. Member of the Board

of Black Earth Farming Ltd, Kontakt East Holding AB and Relevant Traffic Europe AB since 2006, Avito Holding AB and Bayport Management Ltd since 2009 and CDON Group AB and Vireo Energy AB since 2010.

Shareholding: 1,000 class A shares and 6,000 class B shares.

**Mikael Larsson** *Chief Financial Officer*

Graduate in Business Administration, Uppsala University, born 1968. Employed since 2001. Member of the Board of Relevant Traffic Europe AB since 2007, Bergvik Skog AB and Sia Latgran since 2008 and Vireo Energy since 2010. Shareholding: 6,000 class B shares.

**Torun Litzén** *Director Corporate Communications*

Graduate in Business Administration, Stockholm School of Economics, born 1967. Employed since 2007. Member of the Board of Transcom WorldWide S.A. since 2008.

Shareholding: 5,000 class B shares.

**Joakim Andersson** *Group Treasurer*

Graduate in Business Administration, Växjö University, born 1974. Employed since 2007. Various positions within Banque Invik Luxembourg Filial 2001-2007 and Branch Manager 2006-2007. Shareholding: 4,200 class B shares.

**Christer Simrén** *Chief Executive Officer Korsnäs AB*

Dr Science Industrial Management and Economics and M.Sc. Electrical & Computer Engineering at Chalmers University of Technology, BA Accounting and Financial Control at Gothenburg School of Economics, born 1961. Employed since 2008. Previously President and CEO of Wermland Paper AB, President and CEO of Mediabricks (today Handmark US), vice President Korsnäs AB, Managing Director Applied Value Scandinavia, Managing Director CHAMPS (Chalmers Advanced Management Programs). Chairman of the Board of Sia Latgran since 2008 and Vireo Energy AB since 2011. Member of the Board of AB Geveko since 2008. Shareholding: 60,000 class B shares.

**Richard Warburton** *Head of Agriculture*

Graduate in Agriculture, Newcastle University, MBA, born 1966. Employed since 2010. Previously Partner and Head of Agribusiness Bidwells 1999-2010 and Director British Field Products 1994-1998. Chief Operating Officer of Black Earth Farming Ltd. Member of the Board of Black Earth Farming Ltd, Rolnyvik and RawAgro since 2010.

Shareholding: 700 class B shares.

**Warren Campbell** *Head of Renewable Energy*

Graduate in Engineering, Sydney University and MBA, Melbourne University, born 1968. Previously Partner at McKinsey and Company 2000-2010, Commercial Manager BHP Petroleum 1998-1999 and various positions within Exxon Mobil 1990-1997. Managing Director and Founder of Vireo Energy AB since 2010. Member of the Board of Vireo Energy AB since 2010 and Sia Latgran since 2011. Shareholding: 1,500 class B shares.

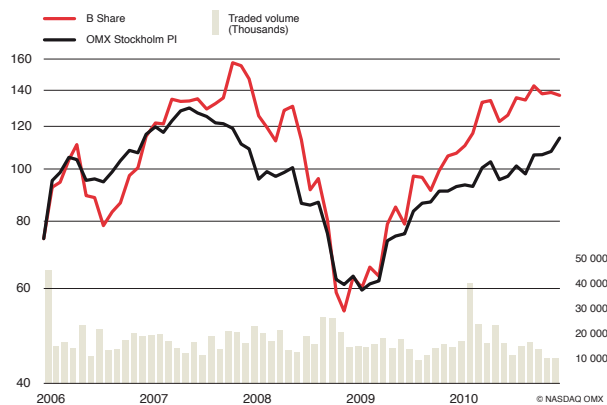


# The Kinnevik share

## Share-price trend

The price of Kinnevik's class B share increased by 28% in 2010, which was stronger than the OMX30-index on NASDAQ OMX Stockholm which increased by 21%.

The below chart shows the Kinnevik share's price trend during the past five years.



## Stock exchange listing

Kinnevik's class A and class B shares have been listed on NASDAQ OMX Stockholm since 12 November 1992. The shares are listed on the Nordic list for large-cap companies within the financial sector. The ticker codes are KINV A and KINV B. During 2010, an average of 840,838 class B shares, corresponding to SEK 110 m, were traded daily.

## Total return

In the past 30 years, the Kinnevik share has generated an average total annual return of 20% as a result of rising share

prices, cash and in-kind dividends, including the value of subscription offers. The total return has been calculated under the assumption that shareholders have retained their allotment of shares in Tele2, MTG, CDON, Metro and Transcom distributed during the measurement period.

During the past five years, the Kinnevik share has provided an average total annual return of 15%. At year-end, Kinnevik's class B share was quoted at SEK 137, providing a total return of 31% in 2010.

## Share capital

As of 31 December 2010 the number of shares in Investment AB Kinnevik amounted to 277,583,190 shares of which 48,665,324 are class A shares with ten votes each, 228,492,866 are class B shares with one vote each and 425,000 are class C treasury shares with one vote each. The total number of votes in the Company amounted to 715,571,106 (715,146,106 excluding 425,000 class C treasury shares).

During the year, the number of shares was changed following the approval at AGM to issue 135,000 class C shares held in treasury to be delivered to participants in incentive programs.

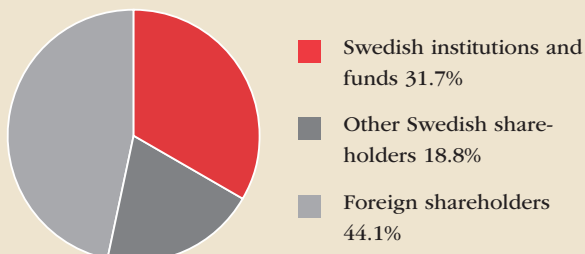
The Board has authorization to repurchase a maximum of 10% of all shares in the Company. The Board did not utilize this mandate in 2010. There are no convertibles or warrants in issue.

## Dividend

For the financial year 2010 the Board proposes a cash dividend of SEK 4.50 per share with 19 May 2011 as record date. At the Annual General Meeting on 17 May 2010 the shareholders approved the Board's proposal of a cash dividend of SEK 3.00 per share.

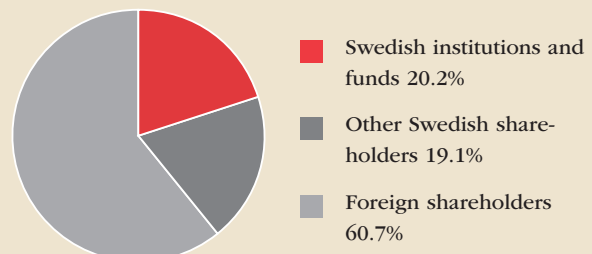
## Shareholder structure

(percentage of capital)



## Shareholder structure

(percentage of votes)



## Ownership structure

Kinnevik's 20 largest shareholders in terms of capital and votes according to Euroclear at 31 December 2010.

Shareholder	Class A shares	Class B shares	Percentage of capital	Percentage of votes
Verdere S.å.r.l.	25 102 545	0	9.0	35.1
Klingspor Family	5 496 472	1 670 758	2.6	7.9
Sapere Aude Trust	4 237 390	12 565 940	6.1	7.7
JP Morgan Bank	2 856 761	5 627 563	3.1	4.8
Alecta Pensionsförsäkring	766 000	19 059 000	7.1	3.7
SIX SIS AG	1 806 021	3 471 960	1.9	3.0
von Horn Family	1 801 261	449 024	0.8	2.6
Hugo Stenbeck's Trust	1 567 052	659 578	0.8	2.3
Korsnäs AB's Social Fund	1 213 195	0	0.4	1.7
SSB CL Omnibus	190 100	7 287 059	2.7	1.3
Swedbank Robur funds	0	8 763 313	3.2	1.2
Skandia funds	239 073	4 850 850	1.8	1.0
Unionen	0	5 179 890	1.9	0.7
SEB & SEB Investment Management	0	4 383 694	1.6	0.6
AMF	0	4 322 077	1.6	0.6
Lannebo funds	0	3 622 000	1.3	0.5
Nordea & Nordea funds	0	3 509 525	1.3	0.5
Handelsbanken & Handelsbanken funds	0	3 242 856	1.2	0.5
Second Swedish National Pension Fund	0	2 780 018	1.0	0.4
Folksam - KPA - Forenade Liv	0	2 516 750	0.9	0.4
Other	3 389 454	134 531 011	49.9	23.6
<b>Total</b>	<b>48 665 324</b>	<b>228 492 866</b>	<b>100.0</b>	<b>100.0</b>
Class C shares held by Kinnevik	0	425 000		
<b>Total including shares held by Kinnevik</b>	<b>48 665 324</b>	<b>228 917 866</b>		

Shareholders including Verdere S.å.r.l., Sapere Aude Trust among others, together holding shares representing 48.3% of the votes and 17.4% of the share capital in Kinnevik, have informed the Company that they have an agreement regarding coordinated voting of their shares.

## Data per share

	2010	2009	2008	2007	2006
Average number of shares (000s)	277 158	265 325	263 078	263 982	263 982
Earnings per share, SEK	49.08	61.66	-97.94	61.29	43.74
Shareholders' equity per share, SEK	196.27	150.23	90.23	190.37	130.35
Market price class B share at 31 December, SEK	137.00	107.00	63.00	146.75	115.00
Dividend per share, SEK	4.50 <sup>1)</sup>	3.00	2.00	2.00	1.70
Direct yield	3.3%	2.8%	3.2%	1.4%	1.5%

<sup>1)</sup> Proposed cash dividend.

## Share distribution

Size of shareholding	Number of shareholders	%	Number of shares	%
100 001 -	265	0.5	214 784 192	77.5
50 001 - 100 000	126	0.2	9 084 254	3.3
10 001 - 50 000	764	1.4	16 313 924	5.9
5 001 - 10 000	1 043	1.9	7 733 978	2.8
1 001 - 5 000	7 262	12.9	16 534 477	6.0
1 - 1 000	46 619	83.1	12 707 365	4.6
<b>Total</b>	<b>56 080</b>	<b>100.0</b>	<b>277 158 190</b>	<b>100.0</b>

Number of shareholders at 31 December 2010 was 56,080 (49,520).

# *Historical background*

Investment AB Kinnevik was founded on 18 December 1936, by a group of friends, namely, Robert von Horn, Wilhelm Klingspor and Hugo Stenbeck. The Group's operations have been continued by their descendents, now in the third generation. Thus, Kinnevik embodies more than seventy years of entrepreneurship under the same group of principal owners. Until the 1970s investments mainly took the form of purchases of substantial minority holdings in listed companies.

Since it was founded, the Group has owned large agricultural holdings. Substantial investments were originally made primarily in the forest, iron and steel industries. In 1978, the shares in Fagersta AB were acquired in an effort to coordinate the steel operations of Fagersta and Sandvik. When Skanska AB, in cooperation with Investment AB Beijer, acquired major shareholdings in Sandvik AB, Kinnevik sold its shares in this company. Agreements were finally reached in 1984 to restructure the Swedish specialty steel industry. The stainless-steel production assets of Fagersta AB were sold to other manufacturers. Fagersta AB was then merged to form a single entity with its major shareholder, Investment AB Kinnevik. Kloster Speedsteel AB, Kinnevik's last major investment in specialty steel manufacturing, was sold in 1991.

In 1992, Kinnevik made a tender offer to acquire the outstanding shares in Korsnäs AB, a company in which Kinnevik has been a shareholder since 1936. The merger of Korsnäs and Kinnevik created the opportunity to invest Korsnäs' surplus in other, more rapidly expanding operations.

Since the prices of established companies appeared high, Kinnevik chose in the 1980s and 1990s not to invest in them, but to set up companies around new products or services, largely in information distribution in the broadest sense of the term, from telecommunications to television. The transformation of the organization from a conglomerate in traditional businesses to an international telecom and media group took place under the second generation, with Jan H Stenbeck as the Chairman of Kinnevik.

In 1981 Comvik, an analog mobile telephony system which is today a part of Tele2 AB ("Tele2"), and the first of its kind outside the state telecom monopoly in Sweden, was launched. In 1985 investments were initiated in mobile telephony licenses outside Europe in, for example, Hong Kong, Sri Lanka, Mauritius, Costa Rica, the Philippines and Pakistan. In 1990 Kinnevik participated in the establishment of the international mobile operator Millicom International Cellular S.A. ("Millicom"), whereby Kinnevik's international mobile telephony licenses were moved into Millicom, and thus Kinnevik became the major shareholder in Millicom. Moreover, Kinnevik played a role in the establishment and operation of the first Astra satellite in 1985 for TV distribution via satellite to homes in Europe. 1987-1989 marked the introduction of cable-TV, the first commercial TV channel in Scandinavia (TV3), the independent TV production company Strix Television and pay-TV (TV1000). Kinnevik was also involved from the start of commercial radio in Sweden in the form of RIX FM, which is currently the largest nationwide commercial

radio network. The global daily newspaper Metro was launched in Stockholm in 1995. Debt collection and customer care services, which are currently part of Transcom World-Wide S.A. ("Transcom"), were started in 1995-1996.

During the build-up phase, it was beneficial for the new operations to be included in Kinnevik, enabling operations to benefit from collective financial assets and management resources. When the companies had achieved a certain level of maturity, it was desirable to highlight the financial values and enable a higher degree of independence, which is why Kinnevik through spin-offs distributed the subgroups Tele2 in 1996, Modern Times Group MTG AB ("MTG") in 1997 and Transcom in 2001. In turn, MTG distributed all the shares in Metro International S.A. ("Metro") to its shareholders in 2000 and CDON Group AB ("CDON") in 2010. At 31 December 2010, the total market value of the shares in Tele2, Millicom, MTG, Metro, Transcom and CDON was SEK 165 billion.

Jan Stenbeck passed away on 19 August 2002, following which the business legacy has been carried forward by the third generation of the Stenbeck, von Horn and Kling-spor families, with Cristina Stenbeck as Board member and since 2007 Chairman of Kinnevik.

The merger of Kinnevik and its owner Invik & Co. AB ("Invik") in 2004 marked the end of the period with two holding companies with cross-shareholdings in the sphere. As owner of Kinnevik, Invik had received substantial shareholdings in Tele2, MTG, Metro and Transcom as dividends. Kinnevik then again became the main owner in those companies it had previously distributed to the shareholders. Invik's operations in the financial sector were combined into a new subgroup that Kinnevik distributed to the shareholders in 2005. Kinnevik remained a minority owner in Invik until an external offer was made for the company during 2007.

During the period 2002-2006, a number of major transactions were carried out in Korsnäs that transformed the company into a larger and more niche-oriented producer of paperboard and paper products in specifically selected segments. Through two transactions in 2002 and 2004, the forestland in Sweden was divested. After the sales of forests, Korsnäs is continuing to secure part of its raw material supply through ownership in Bergvik Skog. In 2006, Korsnäs acquired the Frövi paperboard mill whereby the total annual production volume of paperboard and paper products increased from about 700 thousand tons to about 1,100 thousand tons.

As a result of the transactions described above, combined with the strong development within the listed holdings, mainly mobile telephony, Kinnevik has the financial strength to invest in new operations. Investments made to date include consumer-related online services in Western Europe and Russia, microfinancing in Sub-Saharan Africa, farming operations in Russia and the Ukraine as well as pellets production in Latvia. At 31 December 2010, investments within New Ventures had an estimated market value of SEK 3.5 billion.

# Corporate Responsibility

## Corporate Responsibility in Kinnevik

For Kinnevik, Corporate Responsibility (CR) involves issues that relate to social responsibility, environmental responsibility and ethics. In formulating policies in these areas, Kinnevik has used as its starting point the UN's Global Compact and its ten principles, as well as the OECD's guidelines for multinational enterprises.

## Strategy and purpose

The primary purpose of Kinnevik's operations is to increase shareholder value, primarily through net asset value growth. As owner and investor, Kinnevik also bears a great responsibility to stakeholders for its holdings (subsidiaries and associated companies). For Kinnevik, showing consideration for stakeholders by working actively with CR related issues is a prerequisite for sustained profitability.

## Guidelines and policies

Kinnevik has established clear guidelines for the expectations of the Group's holdings how to drive CR issues regarding social responsibility, environmental impact and ethical behavior.

Furthermore, Kinnevik's senior management, in cooperation with its Board of Directors, has formulated policies in which all matters relating to sustainability and responsibility matters are handled. These matters are expressed in the Code of Ethical Business Conduct (Code of Conduct) and the Whistleblower policy. Every employee and other representatives of the Company are without exception expected to read and comply with these policies.

## Implementation and follow-up

For a company like Kinnevik with limited operations, the majority of the CR matters is found within each holdings' operations. A thorough risk assessment including CR related matters is periodically carried out in every company. The risks vary depending on company, industry and country and consist amongst others of geographical risks, environmental impact, political climate, brand risks as well as supplier risks. Since several of Kinnevik's holdings are operating in emerging markets where human rights and risk for corruption could be present, it is very important that Kinnevik has firm guidelines on how to handle these types of risks.

Kinnevik works actively, through Board representation, to assist associate companies and subsidiaries in formulating a separate CR policy. The CR policy shall be observed through analysis and continuous operational improvements, taking into account social responsibility, ethics and the environment. The companies are also encouraged to publicly communicate the impact of their CR efforts. In the Major Listed Holdings, the Board of each company shall elect one person who is responsible for the company's CR issues and to whom an employee with responsibility for CR shall report.

In 2010, in order to find a common tool in terms of reporting the progress in the CR field, many of Kinnevik's

companies have chosen to report according to the Global Reporting Initiative (GRI), the world's most widely used sustainability reporting framework. GRI's core goals include the mainstreaming of disclosure on environmental, social and governance performance.

## Corporate Responsibility in 2010 - examples of work within CR from Kinnevik's portfolio companies

### Korsnäs

Korsnäs environmental work focuses on both forestry and industry activities. A major focus for the forestry operations have been issues related to biodiversity. Korsnäs has also been heavily involved in becoming approved to qualify private forest owners for an FSC group certification. Within the industrial operations, the focus has much been on activities related to climate change. A new evaporation plant in Gävle was inaugurated during spring, which eliminates 19,000 tonnes of fuel oil annually, equal to 51,000 tonnes of CO<sub>2</sub>. A board decision was also taken to approve a joint investment with the Gävle municipality of SEK 1.8bln for a new biomass boiler which will reduce oil consumption with a further 21,000 tonnes of fuel oil per year (64,000 tonnes of CO<sub>2</sub>) when ready at the end of 2012.

Korsnäs is reporting according to GRI for the first time in 2010. In order to analyse which Key Performance Indicators (KPIs) to use, Korsnäs made a thorough analysis of its key stakeholders and how these rate the various indicators. Stakeholders considered included owner, employees, relevant authorities, customers, suppliers, the local community, NGOs and industry organisations. A majority of the KPIs selected focus on Korsnäs environmental indicators, an area where Korsnäs continuously strives to improve.

For a full account of Korsnäs GRI report, please refer to [www.korsnas.com](http://www.korsnas.com).

### Tele2

Tele2 has launched an extensive CR program during 2010, with the objective to efficiently incorporate sustainability issues into the business structure. The company adopted a new overarching Code of Conduct based on the United Nations' Global Compact.

During the year a materiality analysis and an analysis of risks and opportunities, were performed with the purpose of identifying critical areas within Tele2's sphere of influence. To include significant external perspectives Tele2 also engaged in a number of stakeholder dialogues. The outcome of these actions together with Tele2's level of ambition laid the foundation for a new set of goals on long-, medium- and short-term.

To give the stakeholders an account of the performance during 2010, Tele2 is publishing a CR report, according to the Global Reporting Initiative guidelines for the first time. Please refer to [www.tele2.com](http://www.tele2.com) for the full report.



**Millicom**

The responsibility for setting a global framework to guide all activity related to Millicom’s CSR program sits at group level. The objective of this framework is to set the parameters of the CSR program and to ensure that resources are distributed in a way that maximizes the beneficial impact Millicom can have across the three areas of focus: education, environment and wellbeing.

Millicom is aware that various human rights violations exist in almost every country where Millicom operates. As a guideline to the activities, Millicom bases its framework on the United Nations Global Compact, and its ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. Millicom also works to help achieve the Millennium Development Goals.

The company’s global framework provides an outline for each operating subsidiary to deliver on a local level. It is flexible, allowing each subsidiary to interpret the three global themes in a way that meets the individual needs of each market. The Supplier Code of Conduct ensures each operating subsidiary and their suppliers also act in accordance with the United Nations Global Compact principles.

Millicom is starting to measure the effectiveness of its policies and programs through the tracking of a range of KPIs which are relevant either to one of the three focus areas or to the strategy of employee engagement and raising funds through airtime sales.

For further information, please refer to [www.tigotogether.com](http://www.tigotogether.com).

**MTG**

Modern Times Group MTG is dedicated to entertainment; it’s the core of MTG’s business and thus the core of its Modern Responsibility, the name the company has given its CR efforts.

Being a broadcaster is a huge responsibility – TV and radio are powerful tools to be used with care, giving both possibilities and obligations – and MTG believes in conduc-

ting honest, responsible business by running a responsible company.

MTG has meticulous controls making sure they are following international and national laws and protecting young viewers. The company believes in transparency, protecting its staff with a Whistleblower Policy, and the company is committed to fair competition with other companies.

For a number of years, MTG has been collecting data centrally and the company is now reporting focus areas and targets for its Modern Responsibility work, using the GRI framework.

During 2010 a “Modern Responsibility Tour” was accomplished, visiting all MTG offices and management teams. One of the main issues discussed was the Code of Conduct, which is being updated through out 2011 with emphasis put on anti-corruption. The ambition is to have all managers trained in measures against corruption by February 2012 and every MTG employee trained a year later.

MTG is committed to promoting equal opportunities regardless of gender, ethnical background, religion, nationality, mental and physical handicaps, marital status, age or sexual orientation. MTG aspires to enhance its work within this area and develop it for the whole company by February 2012.

MTG started to calculate its carbon emissions in the Nordic countries and the UK in 2008, taking into account office electricity usage and business air travel. In 2009 the scope of its carbon assessment was extended to include all 19 countries where the company has an office. Also more emission sources were included in 2009

The company’s goal is to reduce CO2 emissions per employee by 5% against a 2009 baseline with a target date in February 2012. Actions to reach the goal include finding more environmentally friendly ways to travel, writing a local green action list in each country in 2011, training all employees in green thinking by 2012, increasing video conferencing by 20% to reduce the carbon footprint created by flying and developing joint CO2 reduction strategies with suppliers.





## Playing for Change

**Playing for Change** (PfC) is an independent non-profit foundation founded by the Kinnevik Group and Kinnevik is one of the senior partners together with Korsnäs, Metro, MTG, Tele2, Millicom and the Hugo Stenbeck Foundation.

PfC supports social entrepreneurs who make a better life for children and young people. The vision is a world where all children can play freely, a world where all barriers to play are removed. To fulfill that vision PfC must focus on all rights for children that are contained in the United Nation Convention on the Rights of the Child.

PfC supports social entrepreneurs who help children and youth to a better life. PfC contributes with funds, business expertise, media exposure and marketing. The social entrepreneurs contribute with their power of initiative and an idea that can change the world.

Today PfC supports ten social entrepreneurs in Sweden and in the spring of 2011, another five will be added in Ghana.

### Selection

PfC challenges social entrepreneurs to present innovative solutions that will contribute to a better life for children and young people. In their search for applicants they rely on reaching out through both their networks and their partners' media platforms. PfC have a broad and extensive selection process. Those who make it to the final step will meet a jury, who make the final selection of those who will become PfC's social entrepreneurs – PfC's Playmakers. The jury is composed of experienced business entrepreneurs representing PfC's partners, and the CEO of PfC.



### Playmakers

A playmaker is a social entrepreneur who has passed PfC's tough selection process and been selected to participate in the Incubator. Common to all Playmakers is that they work with children's and young people's rights, but their programs and activities vary widely. So far, PfC have supported everything from eco-friendly educational toys and play therapy for refugee children traumatized by war, to a night school for teenage mothers who have to work to feed their children. And this is only the beginning.

### Playmaker - an example

#### Läkande Lek

The initiative Läkande Lek has developed a pedagogy based in play that gives traumatized refugee children room to develop at their own level. The goal is to make the children feel safer, more integrated and more motivated to study. By giving traumatized children the opportunity to work through their experiences within the framework of play, Läkande Lek believes that society will see a long-term decrease in social exclusion and crime. The founder, Laila Lindberg, has worked with traumatized refugee children for more than 20 years. Over time she has developed a pedagogy that is unique in Sweden. Through Läkande Lek, Laila educates play pedagogues who in turn work with asylum-seeking children throughout all of Sweden.





# *Kinnevik's Strategic Focus*

Kinnevik is an investment company with the objective to increase shareholder value, primarily through net asset value growth.

In practice, in order to achieve this, Kinnevik focuses on:

## **1 Identifying growth areas**

In order to find the right companies and portfolio composition, Kinnevik identifies sectors and markets with a strong growth potential. As a result, the Kinnevik portfolio consists of a number of fast growing companies within telecommunication and services, media, online, pulp and paper, micro finance, agriculture and bio-energy. Over 60% of the assets are in emerging markets in Latin America, Africa and Eastern Europe. Although there are no formal constraints with regards to which sectors that we invest in, it is important that we feel that we have the industrial and the market competence to develop the company to its full potential. This has resulted in a fairly concentrated portfolio of companies within the above mentioned sectors and markets.

## **2 Invest early**

Many of the companies in the Kinnevik portfolio were founded by Kinnevik. Kinnevik has an operational focus, and a successful history of starting companies. We want to invest early in order to influence the company throughout its growth phases and in order to be in control of the company's destiny as well as its historic legacy.

## **3 Clear ownership role**

Kinnevik wants to have a clear ownership role in the companies that we own in order to be able to influence its strategy and operations. This means that we want to be one of the largest owners. In almost all companies that we own, Kinnevik has representatives on the Board of Directors and it is in this forum that we work with management to develop the strategy and operations of the company.

## **4 Operational focus**

Kinnevik is an operational investor with a long-term strategic focus. This means that we have the patience and industrial competence to develop our portfolio companies over a long-term and we have no pre-determined exit horizon. Having a long-term view does not, however, mean that we are not impatient in the short-term. Sales focus and tight cost control are key in all of our companies in order to achieve profitable growth.

## **5 Value creation**

Focusing on our objective and staying close to our culture and competences has resulted in strong value creation for the Kinnevik shareholders historically. The Kinnevik share's annual average total return has been 20% for the past 30 years.

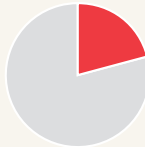
# Our



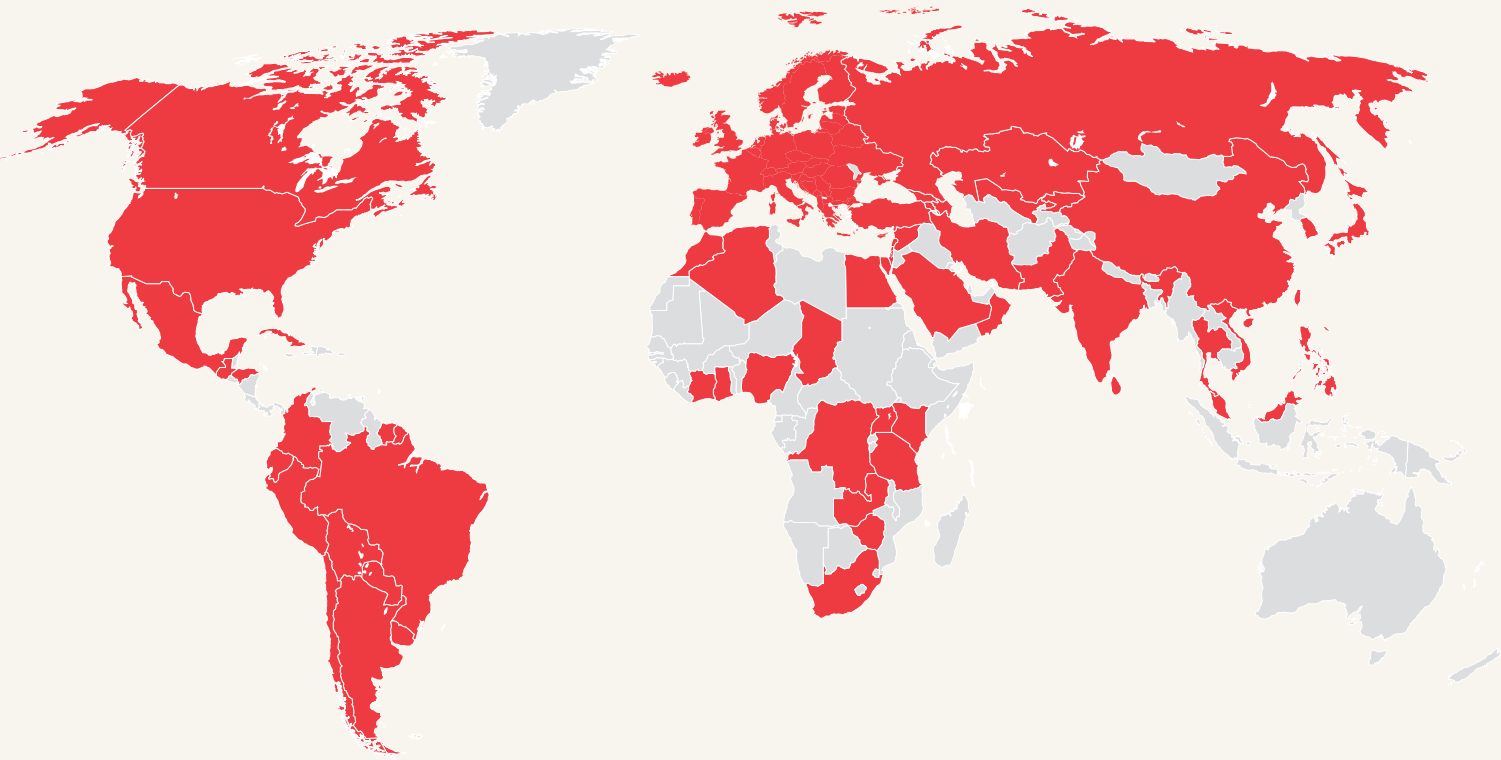
1%  
North  
America



46%  
Western  
Europe



21%  
Eastern Europe  
and Russia



23%  
Central and  
South America



7%  
Africa



2%  
Asia

# strategic focus

# Book and fair value of assets

	Class A shares	Class B shares	Equity interest %	Voting interest %	Book value 31 Dec 2010 (SEK m)	Fair value 31 Dec 2010 (SEK m)	Fair value 31 Dec 2009 (SEK m)	Total return 2010 <sup>1)</sup>
<b>Major Unlisted Holdings</b>								
Korsnäs Industrial and Forestry			100	100	6 891	9 774 <sup>2)</sup>	9 740 <sup>2)</sup>	
Bergvik Skog			5	5	556	556 <sup>3)</sup>	492 <sup>3)</sup>	
Interest bearing net debt relating to Korsnäs					-5 575	-5 575	-6 419	
<b>Total Major Unlisted Holdings</b>					<b>1 872</b>	<b>4 755</b>	<b>3 813</b>	
<b>Major Listed Holdings <sup>4)</sup></b>								
Millicom	37 835 438		35.8	35.8	24 309	24 309	20 166	30%
Tele2	18 507 492	116 988 645	30.6	47.8	18 915	18 915	14 932	32%
MTG	5 199 491	8 304 365	20.4	47.8	6 009	6 009	4 805	35%
CDON	13 503 856		20.4	20.4	420	420	-	
Transcom	16 339 448		22.3	44.5	333	333	637	-48%
Metro shares	112 122 875	133 798 591	46.6	42.4	285	285	243	17%
warrants, 717 715 821 <sup>5)</sup>					374	374	345	8%
subordinated debentures					225	268	196	
Other interest bearing net debt relating to Major Listed Holdings					-1 706	-1 706	-2 001	
<b>Total Major Listed Holdings</b>					<b>49 164</b>	<b>49 207</b>	<b>39 323</b>	
<b>New Ventures</b>								
Black Earth Farming	31 087 097		25.0	25.0	824	824 <sup>4)</sup>	595 <sup>4)</sup>	17%
Unlisted New Ventures					2 550	2 739 <sup>6)</sup>	816	
Interest bearing net debt relating to New Ventures					-77	-77	-117	
<b>Total New Ventures</b>					<b>3 297</b>	<b>3 486</b>	<b>1 294</b>	
Other assets and liabilities					65	65	399	
<b>Total equity/net asset value</b>					<b>54 398</b>	<b>57 513</b>	<b>44 829</b>	
<b>Net asset value per share, SEK</b>						<b>207.51</b>	<b>161.75</b>	
Closing price class B share 31 December 2010, SEK						137.00	107.00	31%

<sup>1)</sup> Including dividends received.

<sup>2)</sup> Consensus among analysts covering Kinnevik.

<sup>3)</sup> Corresponding to 5% of the company's equity, valued in accordance with IFRS.

<sup>4)</sup> Market value.

<sup>5)</sup> Warrants in Metro are valued at fair value and included in change in fair value of Major Listed Holdings.

<sup>6)</sup> For split per investment refer to table on page 26.

# Proportional part of revenue and result

The table below is a compilation of Kinnevik's proportional part of the holdings' revenues and operating results reported for 2010. The portfolio companies' divested operations, assets held for sale and one-off items have been excluded.

Revenues and operating result reported by the companies have been multiplied by Kinnevik's ownership share, thereby showing Kinnevik's proportional share of the companies' revenues and operating result. Constant exchange rates (average for 2010) have been used when translating revenue and EBIT from each company's reporting currency into Swedish kronor.

The proportional share of revenues and operating result has no connection with Kinnevik's accounting and is only additional information.

Jan-Dec 2010 (SEK m)	Equity interest	Reported		Proportional part of		Change compared to	
		revenue	EBIT	revenue	EBIT	Jan-Dec 2009 revenue	EBIT
Korsnäs	100.0%	8 178	926	8 178	926	2%	9%
Millicom	35.8%	28 245	7 505	10 112	2 687	16%	22%
Tele2	30.6%	39 591	6 704	12 115	2 051	0%	17%
MTG	20.4%	13 101	1 941	2 673	396	5%	27%
CDON	20.4%	2 210	147	451	30	27%	18%
Transcom	22.3%	5 620	122	1 253	27	5%	-47%
Metro	46.6%	1 970	52	918	24	8%	N/A
New Ventures	-	2 862	-179	789	-2	58%	N/A
<b>Total sum of Kinnevik's proportional part of revenue and operating result</b>				<b>36 488</b>	<b>6 140</b>	<b>7%</b>	<b>20%</b>



# Major Unlisted Holdings

## Korsnäs

Korsnäs, a wholly owned subsidiary of Kinnevik, is the second largest producer in the world of liquid packaging board, the third largest when it comes to white top kraft liners (WTL) and one of the largest producers of cartonboard. The company has two fully integrated mills in Gävle and Frövi and produces CTMP pulp for internal use in Rockhammar. The total combined annual production capacity is 1,125 thousand tons of paper and cartonboard products, of which 700 thousand tons in Gävle and 425 thousand tons in Frövi. Following the acquisition of the Rockhammar pulp mill in 2009, Korsnäs is from March 2010 self-sufficient in pulp for its entire production of paper and cartonboard. The company has four production machines: Paper Machine ("PM") 2, 4 and 5 in Gävle as well as the Board Machine ("BM") 5 in Frövi.

With its vast experience, solid competence and advanced technology, Korsnäs nurtures its ambition to constantly develop and improve its products and services to bring benefit to its customers. Korsnäs has long pursued a targeted strategy of focusing on highly processed products. As a result, paperboard has become the largest product area in terms of volume, with a focus on liquid packaging board, coated WTL and cartonboard.

Korsnäs Forestry is responsible for purchases of wood and fiber for Korsnäs Industrial and also conducts external sales, primarily of sawn timber. Korsnäs also owns 5% of the shares in Bergvik Skog AB.

Key data (SEK m)	2010	2009
<b>Korsnäs Industrial</b>		
Revenue	7 148	7 098
EBIT	879	826
Operating margin	12.3%	11.6%
<b>Korsnäs Forestry</b>		
Revenue	1 030	941
EBIT	47	25
<b>Korsnäs Group</b>		
Revenue	8 178	8 039
EBIT	926	851
Operating margin	11.3%	10.6%
Return on operational capital	11.9%	10.8%
<b>Cash flow data</b>		
EBITDA	1 528	1 462
Change in working capital	113	337
Cash flow from operations	1 314	1 798
Investments in tangible fixed assets	-604	-740
Production, thousand tons	1 019	1 025
Deliveries, thousand tons	1 021	1 034
Number of employees	1 776	1 811

Korsnäs' operating profit for the year increased to SEK 926 m, an increase of 9% from SEK 851 m in 2009. Profit includes strike compensation of SEK 84 m from the Confederation of Swedish Enterprises. The increase in profit is primarily attributable to increased sales prices in local cur-

rencies, increased production and higher delivery volumes (less strike impact), which were counteracted by effects of a strengthened exchange rate and increased costs for energy. The explanatory items are presented in the table below.

Explanation items in changes in EBIT (SEK m)	Jan-Dec
EBIT 2009	851
Delivery and production volumes and changed product mix	21
Cost changes for chemicals	35
Cost changes for pulpwood and external pulp <sup>1)</sup>	3
Cost changes for energy	-80
Sales prices including currency effects	15
Change in fixed costs	-13
Received strike compensation	84
Other	10
<b>EBIT 2010</b>	<b>926</b>

<sup>1)</sup> Includes lower costs for CTMP pulp as a result of the acquisition of Rockhammar.

## Market

During 2010, demand for paper and cartonboard strengthened significantly, compared with 2009. During the autumn, demand leveled out and approached a normalised level. Korsnäs has, in line with its competitors, increased prices in all product areas during the year. The effects of the implemented price increases during the year were however offset by the strong SEK in the product areas in which invoicing occur in currencies other than SEK.

Customers today are increasingly demanding various types of products and delivery solutions and Korsnäs is seeking to meet these demands using high quality and lower overall customer cost. Korsnäs' long-term strategy of focusing on growth markets and offering differentiated, niche products that meet stringent requirements in terms of strength, printability, formability and runnability in converting, proved successful during the year with increasing volumes within prioritized growth areas.

## Liquid Packaging Board

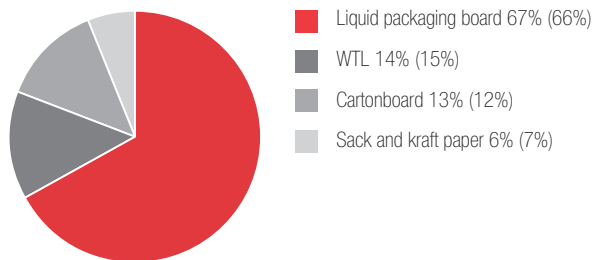
Liquid Packaging Board is used to manufacture packaging, primarily for dairy products, fruit juices and other beverages, a market that is continuing to grow, mainly in the BRIC countries (Brazil, Russia, India and China). Primarily, coated Liquid Packaging Board is showing growth, as a result of end-users' increased demand for print quality on the finished packaging. The global market for liquid packaging board normally increases 2-3% annually, but growth for 2010 is estimated to approximately 6%, with double-digit percentages for Asia. Korsnäs' deliveries of Liquid Packaging Board in 2010 followed production capacity. Price increases occurred in accordance with the multi-year agreements between Korsnäs and a number of customers for the delivery of Liquid Packaging Board.

Other major suppliers of Liquid Packaging Board include Stora Enso and Klabin. There is also competition from other packaging materials, primarily plastic bottles.



### Korsnäs Industrial's sales volume divided per product

Numbers in brackets refer to 2009.



#### Cartonboard

Korsnäs cartonboard is used primarily in selected segments for packaging cosmetics, luxury drinks, confectionery and frozen food. Despite continued tough competition, cartonboard deliveries increased 12% compared with 2009 in a market that was estimated to have increased approximately 9% in Europe. Price increases were implemented on two occasions during the year. Deliveries of cartonboard with white backs, Korsnäs White, increased a full 22% in line with the company's target. Cartonboard competitors include Stora Enso, M-Real and Holmen.

#### White Top Kraft Liner (WTL)

WTL is used as the surface layer on corrugated packaging. The WTL market rose approximately 1% during 2010. Despite the relatively low market growth, demand was higher than supply and resulted in Korsnäs increasing prices three times in 2010. Korsnäs' deliveries of WTL declined somewhat during the year to the benefit of other more profitable products. However, deliveries of coated WTL increased in line with the company's long-term strategy. There are a number of suppliers in the market, with M-Real as the main competitor.

#### Sack and kraft paper

Sack and kraft paper are used for sacks, carrier bags and food packaging. Demand for sack and kraft paper was strong throughout 2010 and Korsnäs raised prices on two occasions. The market for white paper, which is the segment on which Korsnäs has been focusing for a couple of years, is currently experiencing a satisfactory balance between supply and demand. Korsnäs' sales of white paper increased slightly in 2010, while the total volume of sack and kraft paper decreased somewhat as a result of lost volumes of brown paper in connection with the strike in April. Billerud and UPM Kymmene are the main competitors in this area. Korsnäs' market position is highlighted primarily by its high-strength products offering favorable converting potential.

#### Production

Production during the first quarter of 2010 was affected by unplanned stoppages of operations in the recovery boilers in both Gävle and Frövi, which resulted in a total production

loss of about 14 Ktons of paper and cartonboard products.

In April, Korsnäs Gävle and five other Swedish paper mills were involved in a strike called by the Swedish Pulp and Paper Workers' Union, which meant production losses of approximately 24,000 tons. The direct financial consequences of the strike were offset according to a decision by the Confederation of Swedish Enterprise. Korsnäs received SEK 84 m in compensation, which is included in the operating income for the year.

During the fourth quarter, Korsnäs' deliveries were negatively impacted by production problems at the plant in Gävle, in connection with the commissioning following the annual maintenance stop in October, and a fire in a power station in December. The total production loss resulting from production disruptions amounted to approximately 21,000 tons. The problems have been analyzed and measures taken to prevent further disruptions.

The strike during the second quarter and production disruptions during the first and fourth quarters signified that delivery volumes for the year did not reflect the demand increase compared with the preceding year.

#### Investments and maintenance stoppages

In March, Korsnäs signed agreements with Gävle Municipality regarding investment in Bomhus Energi AB ("Bomhus"), a jointly owned company that will invest in a new bio-energy plant in Korsnäs' industrial area in Gävle. The objective of the new bio-energy plant is to ensure delivery starting in 2013 of environmentally friendly electricity and steam to the Korsnäs plant and district heating to Gävle Energi's customers. Work with the investment is continuing according to plan and all main components have been procured within the budget framework of the project. For Korsnäs, the investment in 50% of the shares and debenture loan in Bomhus will amount to about SEK 320 m, of which SEK 115 m were paid during 2010. In addition to investments in Bomhus, Korsnäs will make further energy investments of about SEK 145 m in the existing plant for delivery of waste heat to Gävle Energi, of which SEK 66 m were paid during 2010. The investments will enable a significant reduction in Korsnäs' oil consumption, while increasing electricity production and the use of waste heat from Korsnäs' plant. As a result of the investments, Korsnäs Gävle will raise the proportion of internally produced electricity from 38% till 45%. The new bioenergy plant will be ready for operation during the autumn 2012. The investments totalling approximately SEK 465 m will impact Korsnäs' cash flow during 2010-2012.

In May, a new evaporation plant for the pulp mill in Gävle was put in operation. The investment amounted to a total of about SEK 550 m, of which SEK 190 m has affected cash flow during 2010. The new evaporation plant is expected to reduce Korsnäs' oil consumption by about 19,000 m<sup>3</sup> per year, thus resulting in lower energy costs.

In connection with the annual maintenance stop at the plant in Gävle in October, the paper-waste and backwater system at paper machine 5 was rebuilt for approximately

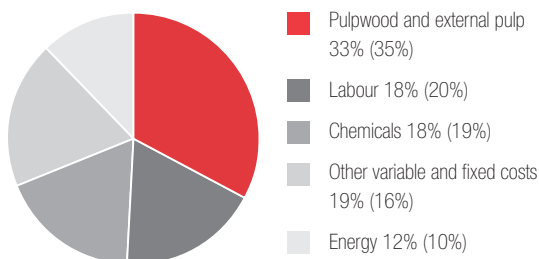


SEK 75 m. The rebuild is expected to improve product quality, increase efficiency and reduce water emission.

During the fourth quarter, it was decided to install a third sheet machine in Frövi for approximately SEK 30 m. The commissioning is scheduled for October 2011.

**Distribution of operating costs**

Excluding depreciation, Korsnäs Industrial. Numbers in brackets refer to 2009.



**Korsnäs Forestry**

Korsnäs Forestry is responsible for the purchase of wood and fiber for Korsnäs’ pulp and paper mills and for the performance of forestry services in line with agreements with Bergvik Skog. Korsnäs Forestry’s external customers are primarily sawmills and spruce fiber users in central Sweden and Latvia.

Pulpwood prices within Korsnäs’ catchment area increased during 2010 by SEK 25/m<sup>3</sup>fub in January and from 14 May by SEK 30/m<sup>3</sup>fub for coniferous pulpwood and SEK 25/m<sup>3</sup>fub for deciduous pulpwood. From 1 January 2011, prices increased by an additional SEK 10-30/m<sup>3</sup>fub depending on range and catchment area. The price increases in pulpwood have a negative impact on Korsnäs’ operating

income with a delay of approximately three to six months. Following the recent price increase, pulpwood prices are just under the price level prevailing prior to the 2008 financial crisis.

**Research and development**

During the year, Korsnäs continued to improve and develop its products in close collaboration with its largest customers. The development work focused on a coating concept in all coated segments, concentrating on customized improvements in each end-use area. The improvements were successively implemented, which will also continue in coming years. A new easily-coated product was launched within folding cartonboard.

Work on the added-value concept has been expanded to include all end-use areas. Several concepts were produced during the year for future qualifications and launches. Korsnäs spent a total of SEK 50 m (49) on research and development during the year.

**Risk management**

Korsnäs’ operational risks consist primarily of customer relations in respect of payment capacity and the risk of losing established relationships, as well as with suppliers in terms of reliability, quality and price, in addition to major accidents in the production. Korsnäs conducts regular surveys of customers and suppliers and undertakes extensive checks and maintenance to minimize the risk of production disruptions.

The risk that customers fail to fulfill their payment obligations is limited by means of credit checks, whereby all customers are analyzed by sales managers and a credit council quarterly. Customers are also monitored continuously by the credit function using, for example, information from Dun & Bradstreet. Deviations in relation to concluded agreements are managed on an ongoing basis by the credit council.



In production operations, risk inventories are conducted with the focus on areas that could be expected to give rise to serious production disruptions. For identified risk areas, plans are drawn up regarding how these can be prevented as far as possible and how the management of abnormal situations is to be done. A corresponding inventory is also made for safety purposes and the work environment.

Korsnäs' net purchases of power during 2010 totaled 841 GWh. In addition, 518 GWh of in-house generated power was consumed. Since the Nordic electricity market was deregulated, financial hedging has been used to reduce exposure to temporary fluctuations in electricity prices. At the end of 2009, a decision was made to cease financial hedging since most other cost items, as well as a large portion of revenue, are immediately impacted by changes in market prices, and that electricity costs represent a small, and – following the conclusion of ongoing energy investments – ever smaller portion of the company's cost base. Consequently, no new hedging contracts will be signed and the result of the portfolio held at year-end 2009 will be recognized as they fall due. For 2010, the result of electricity hedging was a profit of SEK 46 m (loss 78). As of 31 December 2010, the market value of financial hedges amounted to a positive SEK 75 m (negative 22), and comprises 44% of the estimated net power purchases in Sweden for 2011 and 17% for 2012.

With regard to the purchase of pulpwood during 2010, approximately half of Korsnäs' pulpwood consumption was supplied from Bergvik Skog and Sveaskog. The remaining pulpwood derives from purchases in Sweden and from Åland and the Baltic States. Most of the Swedish wood consists of softwood fiber, with most of the imported material consisting of hardwood fiber. Korsnäs' agreement with Bergvik is long term and prices are updated continually.

On an annual basis, Korsnäs' net flow in foreign currencies is a net inflow of about SEK 600 m, comprised mainly of sales in Euro. The Group's policy is not to hedge this transaction exposure. The reason for this approach is that the Group is dealing with a continuously even net inflow of foreign currency for which, over time, hedging measures would also be affected by exchange rate changes.

### Employees and organization

Korsnäs' effort to secure the long-term supply of the correct expertise and an efficient organization is key to the company's ability to meet the trend in the business world.

In 2010, personnel changes within the framework of the implemented earnings-improvement program concluded according to plan. A harmonization of the HR processes throughout the company continued during the year and the shared view of methods for employee discussions has been further developed and is now being used for some collective-agreement employees.

During 2010, a new employee survey was conducted throughout the company, which showed improved outcome of the value-generating capital and leadership index compared with earlier surveys. The survey follows up previous surveys but is also used as the starting point for measuring the effects of Korsnäs Operative Target Management (KOM), which is the large planned and initiated introduction of new methods for target management and quality development. Other areas in focus are leadership training and coaching for individuals and groups aimed at preparing the company's managers and employees for future challenges and demands.

To secure the long-term expertise requirement at the company's production facilities, a company-wide trainee program comprising 15 individuals was introduced during the year.





# Major Listed Holdings

## Millicom

Key data (USD m) <sup>1)</sup>	2010	2009
Revenue	3 920	3 373
Operating profit, EBIT	1 042	851
Number of mobile subscribers 31 Dec (million)	38.6	33.9

<sup>1)</sup> Excluding one-off items.

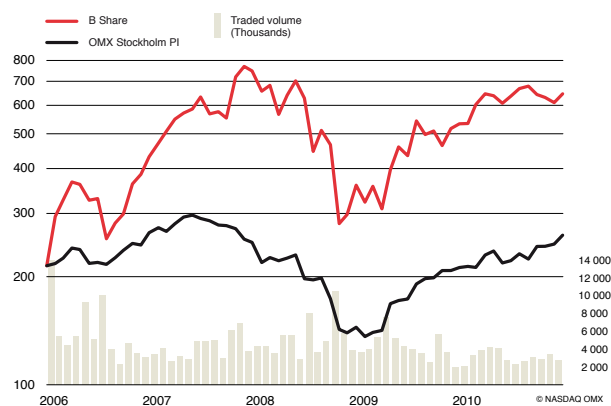
The market value of Kinnevik's shareholding in Millicom amounted to SEK 24,309 million on 31 December 2010. Millicom's shares are listed on NASDAQ Global Select Market in New York and is included in NASDAQ 100 and NASDAQ OMX Stockholm's list for large cap companies.

Millicom is a global telecommunications group with mobile telephony operations in 13 countries in Latin America and Africa. It also operates cable and broadband businesses in five countries in Central America. The Group's mobile operations have a combined population under license of approximately 260 million people.

Millicom focuses on higher value customers and on ARPU stabilization as part of a broader strategy of value creation and the company is achieving better quality growth as a result.

Half of all new customers in Latin America in 2010 were 3G customers delivering higher ARPU. Millicom aims to maintain top line growth of around 10% in local currency in the medium term as the company continues to invest in its brand and in innovative and affordable products and services which are tailored to meet customers' needs.

Value-added services (VAS) already contribute almost a quarter of recurring revenue and collectively make up Millicom's fastest growing service.



Millicom also made further progress in 2010 with a number of strategic objectives. In the area of asset optimization, Millicom concluded three tower deals with Helios Towers Africa in 2010. Almost two thirds of the towers in Africa should be outsourced by the end of 2011, creating over USD 400 m of value through cash and equity and expected future cost savings and allowing Millicom to focus on areas of real differentiation from its competitors.

### Dividend

The Board of Millicom has decided to recommend to the 2011 Annual general Meeting a cash dividend of USD 1.80 per share for 2010, which represents a year-on-year increase of 29%. Millicom also intends to resume the share buy back program in 2011 and the Board has authorized a new share buy back program of up to USD 300 m of shares that can be executed before the AGM in May 2011.



## Tele2

Key data (SEK m) <sup>1)</sup>	2010	2009
Revenue	39 591	39 420
Operating profit, EBIT	6 704	5 747
Number of subscribers 31 Dec (million)	30.9	26.6

<sup>1)</sup>Excluding one-off items.

The market value of Kinnevik's shareholding in Tele2 amounted to SEK 18,915 m on 31 December 2010. Tele2's shares are listed on NASDAQ OMX Stockholm's list for large-cap companies.

Tele2 offers products and services within fixed and mobile telephony, broadband, computer networks and cable TV, and has 31 million customers in 11 countries, with a geographic focus on Russia, Eastern Europe and the Nordics.

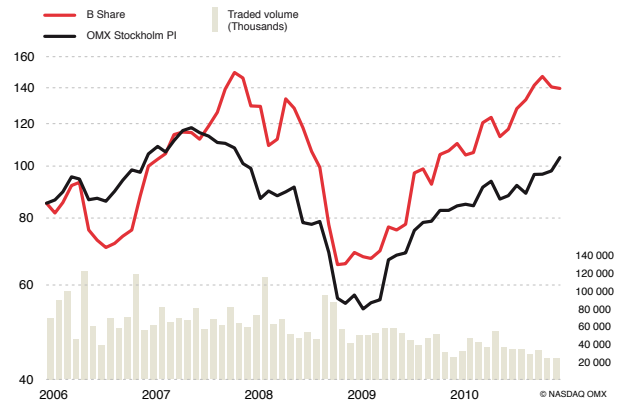
Tele2 currently offers mobile telephony in eight countries. In most of these countries the company provide mobile telephony to both private and business customers. Tele2 controls the network in six countries and lease network capacity from other operators under MVNO agreements in two.

Tele2 offers services that are competitively priced and simple to use, for subscribers and cash cards. Tele2 has market-leading positions in prepaid telephony in several countries under such successful brands as Comviq in Sweden and Zelta Zivtina in Latvia.

Tele2 also offers mobile internet services in Sweden, Norway, Estonia, Latvia, Lithuania, Croatia and the Netherlands.

In terms of fixed networks, Tele2 serves households and companies with broadband services in five countries. In addition to broadband services, which are based on DSL, the company offers fiber services to households and companies in Sweden that require high-frequency ranges. In terms of corporations, Tele2 is among the foremost operators in the Austrian, Dutch and Swedish markets.

In 2010, Tele2 was successful by all measures. Group revenue was SEK 39.6 billion, while EBITDA margin expanded to 26% (24). Adjusted for currency movements revenue increased by 6%.



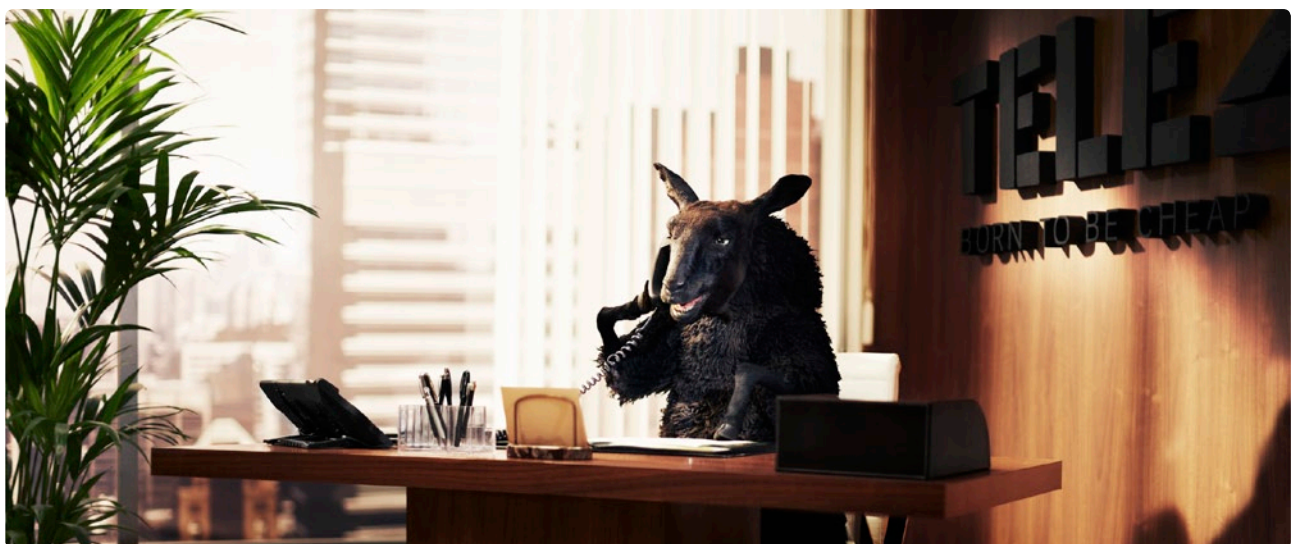
Tele2 Russia exceeded 18 million customers and the new regions started to reach profitability. Tele2 has been able to combine a swift expansion in 37 regions with a record high full year EBITDA contribution to the group, to the extent that Russia became Tele2's most important market area in 2010.

Tele2's value conscious customers began to benefit from the availability of more affordable smart phone handsets and the company improved its handset portfolio in Sweden for the new mass market. The continued uptake of smartphones boosted mobile data revenues and equipment sales. In the fourth quarter 2010, seven out of ten postpaid customers in Sweden bought a smart phone, the majority opting for a data subscription too.

A significant milestone passed during 2010 was the 30 million customer mark and the customer base increased in 2010 by 16%.

### Dividend

The Board of Tele2 has decided to recommend to the 2011 Annual General Meeting, a total cash dividend payment of SEK 27.00 (5.85) per ordinary class A or class B share, to be comprised of an ordinary dividend of SEK 6.00 (3.85) and an extraordinary dividend of SEK 21.00 (2.00).



## Modern Times Group MTG

**Key data (SEK m) <sup>1)</sup>**

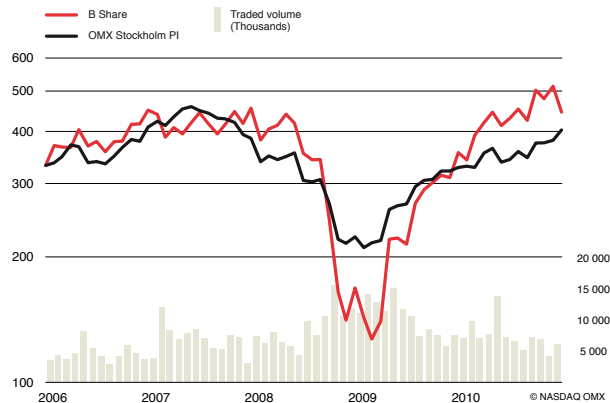
	2010	2009
Revenue	13 101	12 427
Operating profit, EBIT	1 941	1 529

<sup>1)</sup> Excluding one-off items.

The market value of Kinnevik’s shareholding in MTG amounted to SEK 6,009 m on 31 December 2010. MTG’s shares are listed on NASDAQ OMX Stockholm’s list for Large Cap companies.

MTG is an international media company with the second-largest geographic spread in radio and TV operations in Europe. MTG’s Viasat Broadcasting is the largest free and pay television operator in Scandinavia and the Baltic States, and also operates Free-TV channels in the Czech Republic, Hungary, Slovakia, Bulgaria and Ghana, Pay-TV channels in Central and Eastern Europe and the US, and satellite television platforms in Ukraine and Russia. Viasat’s TV channels reach more than 125 million people in 30 countries. MTG is also the largest owner in Russia’s largest independent television company, CTC Media, and the largest commercial radio operator in the Nordic region and the Baltic States.

In 2010, MTG generated 12% year on year sales growth at constant exchange rates following advertising market growth, further advertising market share gains and net subscriber intake. Operating profits were up 27% for the year when excluding associated company income and the one-off



items in 2009, with an increased operating margin of 15%. This demonstrates the significant operating leverage in the business, with the free-TV Scandinavia and pay-TV Nordic businesses reporting increased full year margins of 25% and 18%, respectively.

MTG continued to benefit from its balanced mix of advertising and subscription revenues and the synergies of being an integrated free and pay-TV operator with the largest broadcast footprint in Europe. The Scandinavian advertising markets have performed well throughout the year with rising volume and pricing levels, and MTG also grew its sales at constant exchange rates in the emerging markets where the recovery is still lagging. MTG now have more than one million premium pay-TV subscribers in the Nordic region and 50 million subscriptions to their mini-pay channels in Central and Eastern Europe and the US.

In 2010, MTG added new channels and platforms to its portfolio and the free and pay-TV channels are now more widely available on more broadcast platforms than ever. MTG also selectively invested in programming and in HD, 3D and video-on-demand services.

In December, MTG distributed all its shares in the subsidiary CDON to its shareholders. MTG’s shareholders received one share in CDON for each MTG class A and/or class B share that they held. Prior to the spin-off from MTG, CDON issued a SEK 250 m convertible bond that was fully subscribed by MTG. The bond may be converted into CDON shares between 15 June 2012 and 1 December 2015 corresponding to approximately 9% of outstanding shares after full dilution.

**Dividend**

The Board of MTG has decided to recommend to the 2011 Annual General Meeting a cash dividend of SEK 7.50 (5.50) per share.





## CDON

Key data (SEK m)	2010	2009
Revenue	2 210	1 746
Operating result, EBIT	147	125
Net result	90	80

The market value of Kinnevik's shareholding in CDON amounted to SEK 420 m on 31 December 2010. CDON Group is a leading e-commerce company with some of the most well known and appreciated brands in the Nordic area.

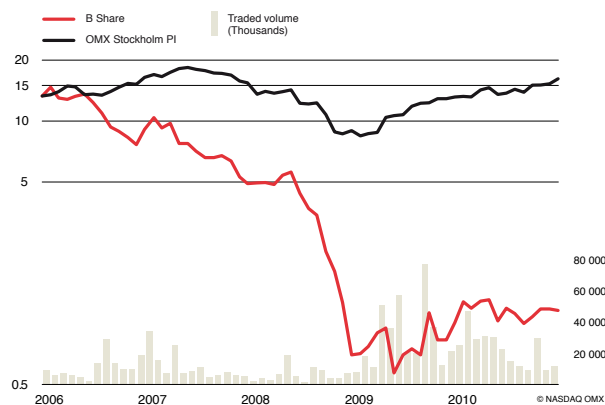
CDON Group's share were listed on Nasdaq OMX Stockholm under the symbol "CDON" and commenced trading on 15 December 2010.

The company reported record sales for the full year, with more than 25% net revenue growth and full year sales of over SEK 2 billion. All segments delivered healthy growth and were profitable, with Fashion segment sales more than doubling year on year.

## Metro

Key data (EUR m) <sup>1)</sup>	2010	2009
Revenue	207	191
Operating result, EBIT	5	-3

<sup>1)</sup> Excluding one-off items.



The market value of Kinnevik's shareholding in Metro amounted to SEK 285 m on 31 December 2010. In addition Kinnevik holds warrants at a market value of SEK 374 million and debentures at a market value of SEK 225 million. Metro's shares are listed on NASDAQ OMX Stockholm's list for Small Cap companies.

Metro is the world's largest international daily newspaper. Metro is published in over 100 major cities in 18 countries across Europe, North & South America and Asia. Metro has a global reach attracting an audience of over 17 million daily readers.

Metro's turnaround continued in 2010 and performance has improved quarter by quarter. Cost savings in combination with advertising markets in many of Metro's regions returning to growth resulted in a full year operating profit of EUR 5 m. The strong performing operations were Sweden,

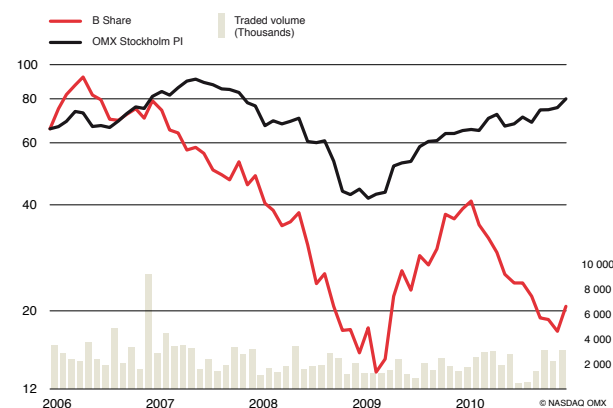
Canada, Hong Kong, Russia and Latin America which all had high sales growth. Sales in Holland, Denmark and France were weak. All subsidiaries except France were profitable in 2010, where investments in circulation had a negative impact on earnings.

Measures taken in 2010 included the sale of Metro Greece, the only remaining Southern European operation, and Metro South Korea. Metro South Korea was turned into a franchise operation and the cash received will be used for expansion in emerging markets. In 2010 the Latin American expansion continued in Mexico, Chile and Brazil. In February 2011, a Metro newspaper was launched in Guatemala, which will be used as a hub for future expansion in Central America.

## Transcom

Key data (EUR m) <sup>1)</sup>	2010	2009
Revenue	589	560
Operating profit, EBIT	13	24
Number of employees	24 500	24 000

<sup>1)</sup> Excluding one-off items.



The market value of Kinnevik's shareholding in Transcom amounted to SEK 333 m on 31 December 2010. Transcom's shares are listed on NASDAQ OMX Stockholm's list for Mid Cap companies.

Transcom is active within outsourcing of Customer Relationship Management (CRM) and Credit Management Services. Today the company is employing more than 24,000 people delivering services from 27 countries.

Transcom's revenue were EUR 589.1 m in 2010. Revenue grew in all regions except in South where France had a negative impact. Transcom has decided to dispose of two call-centers in France. The transaction, which is not included in the figures for 2010 in the table above, includes a charge of EUR 19.4 m. The transaction means that losses in France will be reduced.

Transcom remains focused on the execution of its transformation program, with three main priorities: growth, addressing non-performing units and the launching of the portfolio and technology transformation.



# New Ventures

Company/sector	Equity and voting interest	Number of shares	Book value 31 Dec 2010 (SEK m)	Estimated fair value 31 Dec 2010 (SEK m)
<b>Agriculture</b>				
Black Earth Farming	25%	31 087 097	824	824
Rolnyvik	100%		197	250
RawAgro	30%		21	21
<b>Total Agriculture</b>			<b>1 042</b>	<b>1 095</b>
<b>Renewable energy</b>				
Latgran	75%		123	259
Vireo Energy	75%		8	8
<b>Total Renewable energy</b>			<b>131</b>	<b>267</b>
<b>Online</b>				
Rocket Internet and portfolio companies			1 407	1 407
Avito (direct and through Vosvik)	56%		274	274
Other Online investments			95	95
<b>Total Online</b>			<b>1 776</b>	<b>1 776</b>
<b>Microfinancing</b>				
Bayport	37%		332	332
Microvest	17%		16	16
<b>Total Microfinancing</b>			<b>348</b>	<b>348</b>
<b>Total New Ventures</b>			<b>3 297</b>	<b>3 486</b>

Within New Ventures, Kinnevik invests at an early stage in sectors and markets with an expected high growth potential. Investments to date are in emerging markets in which Kinnevik has a long tradition and a strong platform, or in new growth areas in more mature markets. Kinnevik's new investments shall have a substantial long-term market potential and the investments must have the conditions to grow through market growth and scalability. Investments are focusing on the following four areas: agriculture, renewable energy, online and microfinancing.

The operating profit for New Ventures amounted to SEK 10 m (39) during the year, of which SEK 16 m (12) related to Rolnyvik, SEK 54 m (36) related to Latgran and a loss of SEK 43 m (loss of 8) related to Relevant Traffic (including SEK 34 million in impairment loss of goodwill). The change in fair value of financial assets totaled a profit of SEK 734 m (profit 81), where a profit of SEK 105 m (profit of 119) related to Black Earth Farming, a profit of SEK 645 m (0) related to Rocket Internet and its portfolio companies, and a loss of SEK 2 m (loss of 36) related to Vosvik/Yellow Pages (former Kontakt East). The increase in fair value of Rocket Internet and its portfolio companies does mainly relate to the shareholding in Groupon Inc. in which Kinnevik owns slightly over 1%.

## Agriculture

Kinnevik's investments in agriculture comprise 25% of shares in Black Earth Farming, the wholly owned company Rolnyvik in Poland and 30% of the agricultural company RawAgro in the Ukraine.

Current focus in agriculture is to continue expansion in less developed areas, where larger acreage can be acquired at relatively low prices and developed to achieve higher productivity.

Black Earth Farming, with shares listed on NASDAQ OMX Stockholm, is a leading agricultural company with operations in Russia. The company acquires and cultivates agricultural land in the fertile Black Earth region in southwest Russia. Most of the land was uncultivated when acquired. Extensive investments in machinery with corresponding labour input are required to make efficient cultivation possible. The potential is high since the large areas of land facilitate efficient and large-scale production. As of 31 December 2010, the company controlled 328,000 hectares of land of which 250,000 hectares were under full registered ownership.

During 2010, the company harvested approximately 180,000 hectares. Due to the heat wave and drought in Russia during the summer, the harvest yield was considerably lower than the preceding year. A total of 231,000 tons of crops were harvested, which resulted in an average harvest yield of 1.3 tons per hectare, compared with 2.9 tons per hectare in 2009. The extreme weather conditions resulted in generally low yields throughout Russia, which led to significant price increases in grain during the second half of the year. In mid-August, Russia introduced an export ban on wheat.

During 2010, Black Earth Farming has continued its effort to enhance production efficiency and reduce administration expenses. The company reported 22% lower administration expenses during the year compared with 2009.

During the first half year, Kinnevik purchased shares in

Black Earth Farming on the stock market for SEK 124 m, corresponding to 3.9% of the company's capital.

Kinnevik's wholly owned Polish agricultural company, Rolnyvik, operates the Barciany and Podlawki farms, with a total area of 6,705 hectares.

Also in Poland, the harvest yield was lower than previous years due to unfavorable weather conditions. In terms of results, the lower yield has been offset by price increases for grain. As in previous years, a large portion of the year's harvest has been stored for sale at the beginning of 2011.

RawAgro controls about 14,000 hectares of leased farm land in Ukraine.

### Renewable energy

Kinnevik's investments in renewable energy comprise 75% of the shares in Latgran, as well as 75% of the shares in Vireo Energy. During the fourth quarter, Kinnevik acquired 24% of the shares in Latgran for EUR 7.75 m from the company's other owner.

Latgran SEK m	2010	2009
Revenue	299	265
EBIT	54	36
Deliveries, thousand tons	237	197
Production, thousand tons	239	213

Latgran conducts production of pellets from forest raw materials at the company's two production facilities in Latvia. All production is exported to several major industrial customers in Scandinavia and the rest of Northern Europe. Demand for pellets remained favorable during the year, and the company signed a number of new multi-year contracts with existing and new customers for deliveries of pellets. The increased production and stable raw materials prices resulted in improved profitability for Latgran. The operating margin amounted to 18.1% for the year, compared with 13.7% for 2009.

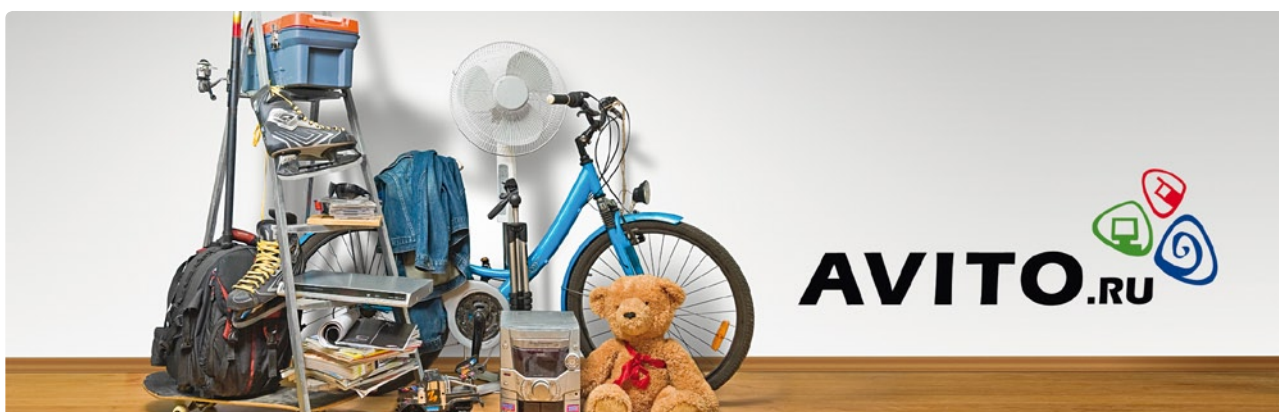
The project to construct a third pellets plant in southeast Latvia for approximately EUR 14 m is progressing according to plan. The plant will have a planned annual production of approximately 140,000 tons from its commissioning during the second half of 2011.

In June, Vireo Energy commenced operations aimed at building, owning and operating facilities that produce energy from renewable sources, with geographic focus on Eastern Europe. Initially, the company is focusing on starting projects to recover energy from waste facilities in Poland. During the fourth quarter, contracts were signed for the recovery of bio-gas with a number of waste facilities. In 2011, Vireo will be investing in these facilities and commence the sale of energy.



### Online

Consumer related online services are growing strongly and Kinnevik actively screens a variety of investment opportunities that will benefit from households spending a growing proportion of their time and budget online. The main focus is consumer-oriented services, with relatively proven business concepts. Kinnevik's primary investments in online services comprise investments in the holding company called Rocket Internet and its portfolio companies, as well as classified business, Avito.



Rocket Internet owns a portfolio of various e-commerce companies and other consumer-oriented online companies, including the shoe and fashion retailer Zalando, the group discount company Groupon, the match making site e-Darling and the price comparison site R2.

Expansion in consumer-related Internet services is capital intensive and competition in the markets is tough, but at the same time, the growth potential is significant.

Avito.ru is the leading online service for classified advertising in Russia with more than 2 million new classifieds every month and over 11 million unique monthly visitors. Growth is strong and the company has during 2010 continued to invest to strengthen its leading position. Revenues primarily derive from advertising sales on the website.

In 2010, Kinnevik's investments within online totalled SEK 926 m.

### Microfinancing

Similar to the manner in which telecom developed so strongly in emerging markets through innovative products and distribution networks, Kinnevik is searching for investment opportunities in the microfinancing sector. To date, the investment in Bayport is clearly the largest investment in the sector, but Kinnevik is actively searching for new investment opportunities.

Bayport offers credits and financial services in Ghana, Uganda, Zambia, Tanzania and Botswana. Ghana and Zambia are the largest markets, while also the other countries are displaying rapid growth. Bayport was founded in 2002 and has grown with profitability into a leading African microfinancing company. The company has about 250,000 customers and the product portfolio is continuously expanding, primarily with loans with longer duration. Loans are used primarily for financing larger non-recurrent expenses, such as school fees, investment in farming or for starting smaller companies.

During 2010, Kinnevik invested a total of USD 43 m in Bayport, following which ownership increased to 37% from earlier 7% after full dilution. Kinnevik's investment resulted in Bayport being able to repay the acquisition facility, which financed management's buyout of the company in 2007, and the company was able to raise its capital base in order to strengthen its financial position and facilitate continued growth. During the fourth quarter, Bayport refinanced outstanding bond loans in the parent company with a new bond loan of SEK 700 m issued in the Swedish market, which will result in reduced interest costs for the company. The new loan has a maturity of five years.

Microvest II is a fund focusing on equity investments in microfinancing companies in emerging markets. The fund has currently four investments, of which two are in India, one is in Paraguay and one is in Peru.





# Board of Directors' Report

Investment AB Kinnevik ("Kinnevik") was founded in 1936 and thus embodies more than seventy years of entrepreneurship under the same group of principal owners. Kinnevik's holdings of growth companies are focused around three comprehensive business areas; Major Unlisted Holdings which includes the paper and packaging company Korsnäs including shares in Bergvik Skog, Major Listed Holdings which includes Millicom International Cellular S.A. ("Millicom"), Tele2 AB ("Tele2"), Modern Times Group MTG AB ("MTG"), CDON Group AB ("CDON"), Transcom WorldWide S.A. ("Transcom") and Metro International S.A. ("Metro"), and New Ventures which is active in finding new investments in small and mid sized companies which have a significant growth potential.

Kinnevik has a long history of investing in emerging markets which has resulted in a considerable exposure to consumer sectors in these markets. Kinnevik plays an active role on the Boards of its holdings.

Kinnevik is a listed company. The Group's class A-shares and class B-shares are traded on the NASDAQ OMX Stockholm's list for large-cap companies. The ticker codes are KINV A and KINV B. The Company's registered address is Skeppsbron 18, P.O. Box 2094, SE-103 13 Stockholm. The registration number is 556047-9742.

The financial reports were approved by the Board on 25 March 2011 and the Board of Directors and CEO herewith present the annual report and consolidated financial statements for the financial year 2010. The balance sheets and the income statements for the Group and the Parent Company will be presented for approval at the Annual General Meeting to be held on 16 May 2011.

## Key events during 2010

### Major Unlisted Holdings

Korsnäs' operating profit for 2010 increased to SEK 926 m, an increase of 9% from SEK 851 m in 2009. During 2010, demand for paper and cartonboard strengthened significantly, compared with 2009. During the autumn, demand leveled out and approached a normalised level. Korsnäs did, in line with its competitors, increase prices within all its product areas during the year. The effects of the implemented price increases were however offset by the strong SEK in the product areas in which invoicing occurred in currencies other than SEK.

During the first and fourth quarters of 2010, Korsnäs' production volumes of paper and cartonboard were impacted by disruptions to production, which resulted in a total production loss of approximately 35,000 tons. Production volumes were also influenced by Korsnäs' involvement in a strike called by the Swedish Pulp and Paper Workers' Union in April. Korsnäs' production loss amounted to 24,000 tons, which was offset in the form of SEK 84 m of compensation from the Confederation of Swedish Enterprise that was included in the operating income for the year. The strike meant that Korsnäs was forced to decline deliveries for part of the

year, which is why the delivery volumes for the year did not reflect the demand increase in the market.

During the year, Korsnäs finished its investment in a new evaporation plant for the pulp mill in Gävle, which is expected to reduce Korsnäs' oil consumption by about 19,000 m<sup>3</sup> per year, thus resulting in lower energy costs. The investment amounted to a total of about SEK 550 m.

In March, Korsnäs signed agreements with Gävle Municipality regarding an investment in Bomhus Energi AB ("Bomhus"), a jointly owned company that will invest in a new bio-energy plant in Korsnäs' industrial area in Gävle. The objective of the new bio-energy plant is to ensure delivery starting in 2013 of environmentally friendly electricity and steam to the Korsnäs plant and district heating to Gävle Energi's customers. For Korsnäs, the investment in 50% of the shares and debenture loan in Bomhus will amount to about SEK 320 m, of which SEK 115 m were paid during 2010. In addition to investments in Bomhus, Korsnäs will make further energy investments of about SEK 145 m in the existing plant for delivery of waste heat to Gävle Energi AB, of which SEK 66 m were paid during 2010.

### Major Listed Holdings

In December, MTG distributed all its shares in the subsidiary CDON to its shareholders, whereby Kinnevik received shares with a market value of SEK 416 m (based on the average price during the three first trading days). The amount is recognized as dividends received in Kinnevik's income statement for the fourth quarter. After the distribution, Kinnevik owns 20.4% of the capital and votes in CDON.

### New Ventures

During the year, Kinnevik invested a total of SEK 1.4 billion in New Investments distributed as follows:

- Online: SEK 926 m was invested in primarily Rocket Internet and its portfolio companies, as well as Avito.
- Microfinancing: SEK 322 m was invested in primarily Bayport, a company in which Kinnevik increased its ownership from 7% to 37% after full dilution.
- Agriculture and renewable energy: SEK 203 m was invested in Black Earth Farming, Latgran and Vireo Energy.

### Consolidated earnings

The Group's total revenue during the year amounted to SEK 8,593 m, compared with SEK 8,397 m in the preceding year.

The Group's operating profit amounted to SEK 889 m (842). The increase is attributable to increased operating profit within Korsnäs.

The change in fair value of financial assets and dividends received amounted to SEK 13,004 m (15,853), of which SEK 12,202 m (15,722) was related to Major Listed Holdings and SEK 734 m (81) to New Ventures. Dividends received amounted to SEK 3,105 m (1,027) of which ordinary dividends SEK 1,020 m (496).

Net profit amounted to SEK 13,622 m (16,373),

corresponding to SEK 49.08 (61.66) per share.

**Cash flow and investments**

The Group's cash flow from operations excluding change in working capital amounted to SEK 1,198 m (1,442) during the year. The decrease is mainly explained by SEK 288 m higher tax payments in 2010. Working capital decreased by SEK 112 m (decrease 256). The change in working capital includes a positive effect of reduction in inventories of SEK 52 m (266).

Investments in tangible and intangible fixed assets amounted to SEK 717 m (653) during the period, of which SEK 604 m (640) within Korsnäs.

Investments in subsidiaries amounted to SEK 85 m (147) and investments in other securities amounted to SEK 1,478 m (2,629).

**Liquidity and financing**

The Group's available liquidity, including short-term investments and available credit facilities, totalled SEK 4,923 m at 31 December 2010 and SEK 3,942 m at 31 December 2009.

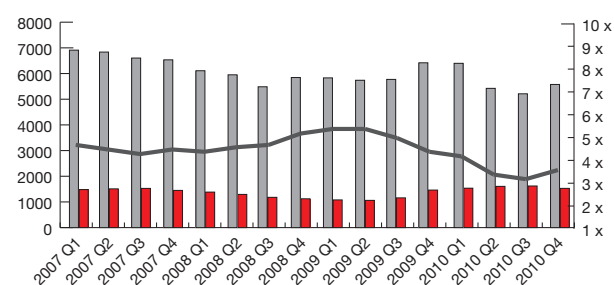
The Group's interest-bearing net debt amounted to SEK 7,123 m and SEK 8,233 m on the same dates. Of the total net debt at 31 December 2010, SEK 5,575 m related to external net debt within Korsnäs or with shares in Korsnäs as collateral.

Leverage within Major Unlisted Holdings and Major Listed Holdings has developed according to the charts below.

During the second quarter, the group signed credit facilities

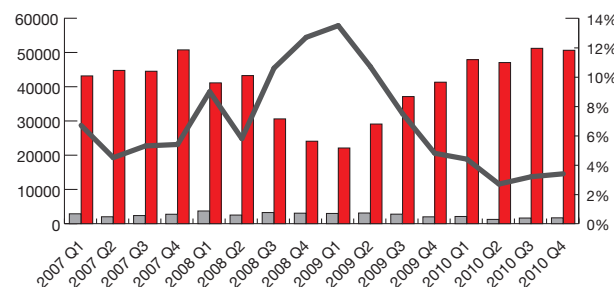
**Major Unlisted Holdings**

Net Debt SEK m (grey bar) and EBITDA SEK m (red bar)  
Line shows Net Debt in relation to EBITDA (right axis)



**Major Listed Holdings**

Net Debt SEK m (grey bar) and Asset Value SEK m (red bar)  
Line shows Net Debt as percentage of Asset Value



ties totaling SEK 7,450 m in Korsnäs and the Parent Company, replacing former credit facilities of SEK 7,060 m. After the refinancing the loans carry an interest rate according to Stibor or similar base rate with an average margin of 1.4%. All loans have fixed interest terms of no longer than three months. At 31 December 2010, the average remaining duration for all credit facilities amounted to 3.2 years (1.8).

Of the Group's interest expenses and other financial costs of SEK 216 m (219), interest expenses amounted to SEK 203 m (214). This means that the average interest rate for the year was 2.4% (2.2%) (calculated as interest expense in relation to average interest-bearing liabilities).

The Group's borrowing is primarily arranged in SEK. On an annual basis, the net flow in foreign currencies, excluding dividends received, is a net inflow of about SEK 600 m, comprised mainly of Korsnäs' sales in Euro.

**Research and development**

During the year, Korsnäs continued to improve and develop its products in close collaboration with major customers. The development effort focused on a coating concept in all coated segments. The Group's research and development expenses amounted to SEK 50 m (49), and relates to Korsnäs.

**Environment**

The Kinnevik group is engaged in operations within Korsnäs which require permits. Korsnäs' industrial and forestry operations are ISO 14001 certified and forestry operations are also certified in line with the FSC and PEFC standards. Operations involve the production of pulp, paper and paperboard, which impact the exterior environment primarily through emissions to air and water, as well as through noise.

**Risk management**

The Group's financing and management of financial risks is centralized within Kinnevik's finance function and is conducted on the basis of a finance policy established by the Board of Directors. The Group's operational risks are primarily evaluated and managed within the particular business area and then reported to the Kinnevik Board.

The Group has established a model for risk management, the aims of which are to identify, control and reduce risks. The identified risks and how they are managed are reported to the Kinnevik Board on a quarterly basis.

Kinnevik's wholly owned subsidiary Korsnäs accounts for most of the operational risks and they are mainly related to market development, customers and suppliers and the risk for a major accident in the production plants.

Kinnevik is exposed to financial risks mainly in the form of changes in the value of the stock portfolio, changes in market interest rates, exchange rate risks and liquidity and refinancing risks.

The Group is also exposed to political risks since the companies in which Kinnevik invests have a substantial part of their operations in emerging markets such as Latin America, Sub-Saharan Africa and Russia.



For a more detailed description of the management of financial risks, refer to Note 31 for the Group.

### Parent Company

The administration costs within the Parent Company amounted to a net expense of SEK 83 m (expense of 71). Dividends received totaled SEK 1,445 m (1,754), of which SEK 0 m (1,073) relates to dividends from wholly-owned Group companies. The earnings from financial assets amounted to SEK 531 m (15,128). Comparable figures for 2009 includes a capital gain from an intragroup sale of the holdings in Millicom of SEK 15,076 m against a promissory note. Net of other financial income and expenses amounted to an income of SEK 405 m (expense of 88). The Parent Company's result after financial items amounted to SEK 2,321 m (16,748).

Investments in tangible fixed assets amounted to SEK 1 m (0).

The Parent Company's liquidity including short-term investments and unused credit facilities amounted to SEK 4,051 m (3,182) at the end of the year. The interest-bearing external liabilities amounted to SEK 2,551 m (3,645) at the end of the year.

### Share capital

As of 31 December 2010 the number of shares in Investment AB Kinnevik amounted to 277,583,190 shares of which 48,665,324 are class A shares with ten votes each, 228,492,866 are class B shares with one vote each and 425,000 are class C treasury shares with one vote each. The total number of votes in the Company amounted to 715,571,106 (715,146,106 excluding 425,000 class C treasury shares).

During the year, following approval at the AGM in May, 135,000 new class C shares held in treasury have been issued to be delivered to participants in incentive programs.

The Board has authorization to repurchase a maximum of 10% of all shares in the Company. The Board did not utilize this mandate in 2010. There are no convertibles or warrants outstanding.

As per 31 December 2010, there was one shareholder owning shares representing more than 10% of the total number of votes in the Company; Verdere S.à.r.l. with 35.1%.

Shareholders including Verdere S.à r.l., Sapere Aude Trust among others, together holding shares representing 48.3% of the votes and 17.4% of the share capital in Kinnevik, have informed the company that they have an agreement regarding coordinated voting of their shares.

### Guidelines on remuneration for senior executives

The following principles and guidelines were approved by the Annual General Meeting on 17 May 2010. The guidelines apply on remuneration for senior executives within the group. Senior executives covered include the CEO and President in the Parent Company, other senior executives in the Parent Company and the chief executives of the different business areas within the group. At present the number of

senior executives amounts to six individuals.

The remuneration to the senior executives shall consist of fixed salary, variable salary, as well as the possibility to participate in a long-term incentive programme, pension and other customary benefits. These components shall create a well balanced remuneration which reflects individual performance and which offers a competitive remuneration package adjusted to conditions on the market.

- The fixed salary is revised yearly and based on the executive's competence and area of responsibility.
- The variable salary may not exceed 50% of the fixed salary and is calculated according to a combination of results achieved and individual performances.
- Other benefits shall only constitute of a limited amount in relation to the total remuneration and shall correspond to local practice.
- Pension premiums are paid to insurance companies within the framework of defined contribution plans, with a maximum of 20% of the fixed salary and a right to collect pension from the age of 65.
- In the event of notice of termination of employment being served by the Company, there is entitlement to salary during a notice period of a minimum of 6 and a maximum of 18 months. Salary during the notice period is reduced by salary received from a potential new employment.

In special circumstances, the Board may deviate from the above guidelines. In such case, the Board is obligated to give account for the reason for the deviation on the following Annual General Meeting.

The Board intends to propose to the 2011 Annual General Meeting that these guidelines remain valid with the following changes:

1. Clarification that senior executives include the CEO in the Parent Company, other senior executives in the Parent Company and the CEO of Korsnäs ("Senior Executives") as well as Directors of the Board to the extent they are remunerated outside their Directorship. At present the number of Senior Executives amounts to six individuals.
2. Remove the text about the right to collect pension from the age of 65, since the age is not relevant due to that the senior executives have defined contribution pension plans (i.e. no defined benefit plans).
3. Board Members, elected at Kinnevik's Annual General Meeting, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and shall be approved by the Board of Directors.

### Financial Targets

Kinnevik's objective is to increase shareholder value, primarily through net asset value growth. In order to clarify Kinnevik's strategy the Board of Directors of Kinnevik has decided on the following financial targets in February 2011. These reflect Kinnevik's evaluation of its balance sheet struc-

ture, the criteria on which dividend payments to shareholders are based as well as the return targets on the portfolio companies.

**Dividend policy**

Kinnevik's dividend policy is to pay out more than 85% of ordinary dividends received from the listed holdings during the same year. Kinnevik's ambition is to continue to generate a progressive annual dividend for its shareholders.

The authority to repurchase Kinnevik's own shares will be utilised when such a program is deemed to be more attractive than other potential investments.

**Balance sheet**

Leverage in Kinnevik should be used as a tool for maximizing long-term shareholder return. The different targets are:

- (i) Korsnäs:** To maximise return on invested capital, the leverage against Korsnäs shall be relatively high, which in today's market environment means a leverage of at least 3xEBITDA.
- (ii) Listed share portfolio:** To have financial flexibility in the Parent Company, the goal is to have no or a low leverage against the listed share portfolio.

**Return target**

The target is that the average yearly internal rate of return (IRR) on all investments in the portfolio should reach at least 15% given the current structure of the portfolio.

**Follow-up on outcome in 2010**

Description	Target	Outcome 2010
Dividend policy	To pay out more than 85% of ordinary dividends received from listed holdings during the same year.	Dividend for 2010, to be approved at the AGM in May is proposed to be about 92% of expected ordinary dividends to be received in 2011.
Leverage target in Korsnäs	Net debt of at least 3 times EBITDA.	As per 31 December 2010 the net debt was 3.6 times EBITDA for 2010.
Leverage target listed share portfolio	No or a low leverage to have financial flexibility in the Parent Company, which means an expected leverage of SEK 0-5 billion in 2011.	The net debt related to the listed share portfolio was SEK 1.7 bln as at 31 December 2010.

**Return target on investments**

Korsnäs	Average yearly internal rate of return of at least 15%.	Cash return was 16% on average invested capital in 2010.
Major Listed Holdings	Average yearly internal rate of return of at least 15%.	The market value, including dividends received, increased by 30% in 2010.
New Ventures	Average yearly internal rate of return of at least 15%.	The return was 43% in 2010.

**Future development**

The Group's future development depends on performance in wholly and partly owned investments. In addition, developments on the financial markets are of great importance for the Group's reported earnings and position.

The Board of Directors recommends that the Annual General Meeting decides on a cash dividend of SEK 4.50 per share. The total dividend payment to Kinnevik shareholders will then amount to SEK 1,248 m, corresponding to approximately 92% of the expected ordinary dividends from Millicom, Tele2 and MTG.

For 2011, the Parent Company's leverage against the listed share portfolio is expected to be in the range of SEK 0-5 bln. Leverage against Korsnäs is expected to remain above 3xEBITDA.

The Board has set the mandate for New Ventures at SEK 2 bln for 2011, which is an increase of 40% from SEK 1.4 bln invested in 2010.

To maintain the Board's flexibility to further optimise the capital structure during the year, the Board seeks to renew its mandate at the Annual General Meeting to repurchase shares.

**Proposed treatment of unappropriated earnings**

The following amounts in SEK are at the disposal of the Parent Company's Annual General Meeting:

Retained earnings	28,460,671,229
Share premium	1,615,929,594
<b>Total</b>	<b>30,076,600,823</b>

The Board and the CEO propose that the unappropriated earnings and share premium at the disposal of the Annual General Meeting be disposed of as follows:

Cash dividend of SEK 4.50 per share, amounting to	1,247,623,155 <sup>1)</sup>
Carried forward:	
Share premium	1,615,929,594
<b>Retained earnings</b>	<b>27,213,048,074</b>
<b>Total</b>	<b>30,076,600,823</b>

Treasury shares are not entitled to dividend.

<sup>1)</sup> In the dividend proposal, full allocation has been assumed in accordance with the long-term incentive program that expires on 31 March 2011. Insofar as allocation occurs prior to the Annual General Meeting, these shares will be entitled to dividend payment.

## Corporate Governance Report

Corporate Governance in the Kinnevik Group is based on Swedish legislation and other generally accepted securities market regulations. Kinnevik applies the Swedish Code of Corporate Governance (the "Code")<sup>1)</sup>. This Corporate Governance report represents a formal part of the Board of Directors' Report and has been reviewed by the company's auditors.

During 2010, Kinnevik deviated from the Code regulation stipulating that the Chairman of the Board may not be the Chairman of the Nomination Committee. The deviation from the Code is explained in more detail below.

### Annual General Meeting

The Swedish Companies Act (2005:551) ("ABL") and the Articles of Association determine how the notice of the Annual General Meeting and extraordinary meetings shall occur, and who has the right to participate in and vote at the meeting. There are no restrictions for the number of votes each shareholder may cast at the Annual General Meeting. Distance participation and voting is not available.

Information on major shareholders in the Company, as well as issue authorizations approved by the Annual General Meeting and authorization to acquire own shares, is provided in Note 10 to the Parent Company, Share Capital.

### Nomination Committee

At the 2010 Annual General Meeting, it was decided that a Nomination Committee consisting of at least three members representing the Company's largest shareholders would be established during October 2010 following consultation with the largest shareholders in the Company at 30 September 2010. The Nomination Committee would be elected for a period commencing with the publication of the Company's interim report for the third quarter of 2010 until the next Nomination Committee is formed. If a member of the Nomination Committee resigns prematurely, a replacement shall be appointed in consultation with the largest shareholders in the Company. However, if no particular grounds exist, no changes shall be made to the composition of the Nomination Committee if only marginal changes in the number of votes occurred or if a change occurred less than three months prior to the Annual General Meeting. Cristina Stenbeck is to be a member of the Nomination Committee and will convene the Nomination Committee. The Nomination Committee will itself appoint a Chairman at the first meeting. The Nomination Committee is entitled, upon request, to receive resources from the Company such as the secretarial function in the Nomination Committee and the right to charge the Company with expenses for recruiting consultants if this is deemed necessary.

Pursuant to the resolution of the Annual General Meeting, Cristina Stenbeck convened a Nomination Committee prior to the 2010 Annual General Meeting. The Nomination Committee comprises Cristina Stenbeck, Ramsay Brufer

representing Alecta, Henry Guy representing Verdere S.à.r.l. and other shareholders, Edvard von Horn representing the von Horn family and Wilhelm Klingspor representing the Klingspor family. The Nomination Committee's task is to submit proposals for the Board of Directors and Auditors, in the event Auditors shall be elected, and audit fees, as well as a proposal for the Chairman of the Annual General Meeting ahead of the 2011 Annual General Meeting. The Chairman of the Board, Cristina Stenbeck, was appointed Chairman of the Nomination Committee, an appointment that deviates from what the Code prescribes. The other members of the Nomination Committee declared their decision regarding election of the Chairman of the Nomination Committee as being in the Company and shareholders' best interest and a natural consequence of Cristina Stenbeck leading the Nomination Committee's work in recent years, as well as her connection to the Company's largest shareholders.

### Auditors

According to the Articles of Association, the Company shall have not more than three auditors, with not more than three deputies, or a registered audit firm.

At the 2009 Annual General Meeting, the registered audit firm Ernst & Young AB, with newly elected Authorized Public Accountant Thomas Forslund as Auditor in Charge, was appointed Company auditor for a period of four years. Thomas Forslund, born 1965, has also audit engagements in a number of other listed companies such as DGC One AB, Feelgood Svenska AB, Systemair AB, Tradedoubler AB and WeSC AB. The auditor's independence is secured by legislation and professional ethics and the audit firm's internal guidelines and by adhering to the Audit Committee's guidelines governing the type of assignments that the audit firm may conduct in addition to the audit. During 2010, Ernst & Young AB has provided certain services in issues regarding internal controls, Corporate Responsibility and IFRS. Information regarding remuneration appears in the Annual Report in Note 24 to the consolidated accounts and Note 5 to the Parent Company, Auditors' Fees for elected auditors.

### Board of Directors and Group Management

Board members are elected at the Annual General Meeting for a period expiring at the close of the next Annual General Meeting. The Articles of Association contains no restrictions pertaining to the eligibility of the Board members. According to the Articles of Association, the number of Board members can be no fewer than three and not more than nine, with not more than three deputies. In addition, according to legislation, the union organizations have the right to appoint two employee Board members and two deputies.

At the 2010 Annual General Meeting, following a motion by the former Nomination Committee, Vigo Carlund, John Hewko, Wilhelm Klingspor, Erik Mitteregger, Stig Nordin, Allen Sangines-Krause and Cristina Stenbeck were re-elected members of the Company's Board. The Annual General Meeting re-elected Cristina Stenbeck as Chairman of the Board.

<sup>1)</sup> The Code is available at: <http://www.bolagsstyrning.se>

In May 2010, the employees' organizations appointed Geron Forsman and Bo Myrberg as ordinary employee Board members with Magnus Borg and Tobias Söderholm as deputies.

The independence of Board members in relation to the Company and Company Management, and to the major shareholders of the Company is specified in the table below. None of the Board members is employed within the Group, with the exception of the employee representatives. Information concerning Group Management is presented in the Annual Report on page 7 and in Note 29 to the consolidated accounts, Personnel.

### Board work

Kinnevik's Board of Directors is responsible for the overall strategy of the Group and for organizing its administration in accordance with the Swedish Companies Act. The Board's work and delegation process, instructions for the CEO and reporting instructions are updated and approved annually following the Annual General Meeting.

The significant issues that were addressed by Kinnevik's Board during 2010 include the impact of the global economy on Kinnevik and the companies in which Kinnevik has invested, capital structure of Kinnevik as well as capital structure of the listed associated companies, new investment

decisions within New Ventures as well as a follow-up of previous investment decisions, and the overall strategy for Korsnäs, the listed holdings and the focus areas within New Ventures. As the basis for discussions concerning the listed associated companies, Kinnevik's management presented independent analyses of each company's strategy, operations as well as provided an independent assessment of future opportunities within the markets in which they are active.

Compliance with laws and regulations, responsibility and market confidence in Kinnevik are some of the key issues with which the Board actively works. The Corporate Responsibility Policy adopted by the Kinnevik Board, describes Kinnevik's policy on issues pertaining to social responsibility, environmental considerations and ethics.

A Remuneration Committee, an Audit Committee and a New Ventures Committee were established within the Board. These committees are preparatory bodies of the Board and do not reduce the Board's overall responsibility for the governance of the Company and the decisions made.

The Board complies with a formal performance review process to assess how well the Board, its committees and processes are performing and how they might be improved. The review also assesses the performance of each Board member, including the Chairman, and the contribution they make.

#### Cristina Stenbeck, Chairman

Born: 1977

Nationality: US and Swedish citizen

Independence: Independent of the Company and management, not independent of major shareholders. Direct or related person ownership: 2,200 Class B shares. In addition to her own directly held shares, Cristina is via Verdere S.à.r.l. indirectly owner of a considerable shareholding in Kinnevik.

Committee work: Member of the Remuneration Committee and the New Ventures Committee.

Cristina has been Chairman of the Board of Investment AB Kinnevik since 2007. She serves as a Director of the Board of Metro International S.A., Modern Times Group MTG AB and Tele2 AB since 2003. Cristina was Vice Chairman of Investment AB Kinnevik 2004-2007 and Industriförvaltnings AB Kinnevik 2003-2004. Cristina graduated with a B.Sc. from Georgetown University in Washington DC, USA.

#### Vigo Carlund

Born: 1946

Nationality: Swedish citizen

Independence: Not independent of the Company and management\*, independent of major shareholders.

\* Vigo was President and CEO of Investment AB Kinnevik until 2006 and is thereby not independent of the Company and its management.

Direct and related person ownership: 500,000 Class B shares, owned through insurance.

Committee work: -

Vigo has been Director of the Board of Investment AB Kinnevik since 2006. He is Chairman of the Board of

Korsnäs AB since 2002 (Board Director since 2001).

He also serves as Director of the Board of Academic Work Solutions since 2006 and Net Entertainment NE AB since 2008.

Vigo worked within the Kinnevik Group 1968-2006 and was CEO of Korsnäs AB 1998-2000, and President and CEO of Transcom WorldWide S.A. 2000-2002 and Kinnevik 1999-2006.

#### John Hewko

Born: 1957

Nationality: US citizen

Independence: Independent of the Company and management and independent of major shareholders.

Direct or related person ownership: -

Committee work: Member of the New Ventures Committee.

John has been Director of the Board of Investment AB Kinnevik since May 2009. 2004-2009, John was Vice-President for Operations/Compact Development at the Millennium Challenge Corporation ("MCC") in Washington, DC. 1989-1992 associate and 1992-2004 senior international partner at the international law firm Baker & McKenzie working in emerging markets, particularly in Central and Eastern Europe. John has a Bachelor's Degree from Hamilton College, New York, M.Litt from Oxford University, England, and a law degree from Harvard University in Massachusetts, USA.

#### Wilhelm Klingspor

Born: 1962

Nationality: Swedish citizen

Independence: Independent of the Company and

management and independent of major shareholders.

Direct or related person ownership: 1,103,080 Class A shares and 780,071 Class B shares

Committee work: Chairman of the Remuneration Committee. Member of the Audit Committee.

Wilhelm has been Director of the Board of Investment AB Kinnevik since 2004 and was Director of Industriförvaltnings AB Kinnevik 1999-2004. He has also served as Director of the Board of Korsnäs AB since 2003.

CEO of Hellekis Säteri AB.

Wilhelm graduated as Forest Engineer from the Swedish University of Agricultural Sciences in Skivskatteberg.

#### Erik Mitteregger

Born: 1960

Nationality: Swedish citizen

Independence: Independent of the Company and management and independent of major shareholders.

Direct or related person ownership: 35,000 Class A shares and 35,000 Class B shares

Committee work: Chairman of the Audit Committee. Member of the Remuneration Committee and the New Ventures Committee.

Erik has been Director of the Board of Investment AB Kinnevik since 2004. He also serves as Chairman of the Board of Wise Group AB since 2009, Director of the Board of Firefly AB, Metro International S.A. since 2009 and Tele2 AB since 2010.

Erik was founding partner and Fund Manager Brummer & Partners Kapitalförvaltning AB 1995-2002. In 1989-1995 he was Head of Equity Research and



The Board appointed Chief Financial Officer Mikael Larsson as the Company Secretary. The Company Secretary is responsible for ensuring that rules of procedure are complied with and all Board Members can turn to the Secretary for advice and assistance in their work for the Board.

During 2010, the Kinnevik Board held seven meetings (excluding the statutory meeting), of which two were held via telephone. Employee representative Geron Forsman was absent from one ordinary meeting. Other ordinary Board members were present at all Board meetings.

### Remuneration Committee

The Remuneration Committee's assignments are stipulated in Chapter 9.1 of the Code, and comprise issues concerning salaries, pension terms and conditions, incentive programs and other conditions of employment for the management of the Parent Company and Presidents of the Group's business areas. The guidelines applied in 2010 are presented in the Board of Directors report, page 31.

Cristina Stenbeck, Wilhelm Klingspor and Erik Mitteregger were members of the Remuneration Committee during 2010. The Chairman of the Remuneration Committee was Wilhelm Klingspor.

The Remuneration Committee shall meet not less than

once a year, and more frequently as required, at which minutes of these meetings shall be kept. The Remuneration Committee held three meetings during 2010, which were attended by all members.

### Audit Committee

The Audit Committee's assignments are stipulated in Chapter 8, Section 49b of the Swedish Companies Act. These tasks include maintaining and enhancing the efficiency of contact with the Group's auditors and conducting inspections of the procedures applied for accounting and financial reporting, as well as the internal audits within the Group. The Audit Committee's work focuses on the quality and accuracy of the Group's financial accounting and the accompanying reporting, as well as work on internal financial controls within the Company. Furthermore, the Audit Committee evaluates the auditors' work, qualifications and independence. The Audit Committee monitors the development of the accounting policies and requirements, discusses other significant issues connected with the Company's financial reporting and reports its observations to the Board.

Wilhelm Klingspor, Stig Nordin, Erik Mitteregger and Allen Sangines-Krause were members of the Audit Committee during 2010. The Chairman of the Committee was

member of the Management Board at Alfred Berg Fondkommission.

Erik holds a B.Sc. in Economics and Business Administration from Stockholm School of Economics.

#### Stig Nordin

Born: 1943

Nationality: Swedish citizen

Independence: Independent of the Company and management and independent of major shareholders.

Direct or related person ownership: 43,668 Class B shares.

Committee work: Member of the Audit Committee.

Stig has been Director of the Board of Investment AB Kinnevik since 2004 and Industriförvaltnings AB Kinnevik 1992-2004. He has also served as Director of the Board of Korsnäs AB since 2004. Stig worked within the Kinnevik Group 1975-2001 and was CEO of Korsnäs AB 1993-1998 and President and Chief Executive Officer of Kinnevik 1992-1999.

Stig holds a M.Sc. in Engineering from Chalmers University of Technology in Gothenburg.

#### Allen Sangines-Krause

Born: 1959

Nationality: UK and Mexican citizen

Independence: Not independent of the Company and management\*, independent of major shareholders.

\* See further Note 29 to the consolidated accounts, Personnel.

Direct or related person ownership: -

Committee work: Member of the Audit Committee and the New Ventures Committee.

Allen has been Director of the Board of Investment AB Kinnevik since 2007. He is also Chairman of the Board of Millicom International Cellular S.A. since 2010 (Director since 2008) and of BK Partners, an asset management company. Allen was Managing Director with Goldman Sachs 1993-2008 where he was responsible for Investment banking and business development in Latin America, Spain, Russia and other CIS States. Allen holds a Ph.D. in Economics from Harvard University in Massachusetts, USA.

#### Bo Myrberg

Born: 1967

Nationality: Swedish citizen

Independence: Not independent in relation to the Company and management, independent of major shareholders.

Direct or related person ownership: 119 class B shares.

Bo is Employee representative in Investment AB Kinnevik and Korsnäs AB since 2008. Process Operator, Korsnäs AB.

#### Geron Forsman

Born: 1956

Nationality: Swedish citizen

Independence: Not independent in relation to the Company and management, independent of major shareholders.

Direct or related person ownership: 45 Class B shares  
Geron is Employee representative in Investment AB Kinnevik since 2008. Shareholding: 45 Class B shares.  
Paper Mill Support Supervisor, Korsnäs AB.

#### Magnus Borg (Deputy Member)

Born: 1970

Nationality: Swedish citizen

Independence: Not independent in relation to the Company and management, independent of major shareholders.

Direct or related person ownership: -

Magnus is Employee representative in Investment AB Kinnevik since May 2009.

Automation Electrician, Korsnäs AB.

#### Tobias Söderholm (Deputy Member)

Born: 1975

Nationality: Swedish citizen

Independence: Not independent in relation to the Company and management, independent of major shareholders.

Direct or related person ownership: 100 Class B shares

Tobias is Employee representative in Investment AB Kinnevik since 2008.

Development Engineer, Korsnäs AB.

Tobias has studied Chemical Engineering at Chalmers University of Technology.

Erik Mitteregger.

The Audit Committee shall meet not less than four times annually. Minutes are kept at the Audit Committee's meetings and are reported to the Board at its next meeting. The Audit Committee held eight meetings during 2010, of which four were held via telephone. Erik Mitteregger and Allen Sangines-Krause were absent from one meeting. The other members were present at all the meetings. The external auditors participated in all of the meetings and issued their reports on the results of their examination to both the Audit Committee and the Board of Directors both orally and in writing. The auditors also held an annual meeting with the Board without management being present.

### **New Ventures Committee**

The New Ventures Committee is responsible for evaluating investment proposals presented by the Director of New Ventures. With respect to smaller investments, the Committee is entitled to make investment decisions, while larger investments are presented to the entire Board for decision. Board members John Hewko, Erik Mitteregger, Allen Sangines-Krause and Cristina Stenbeck are members of the New Ventures Committee. The Chairman of the Committee is the CEO Mia Brunell Livfors.

The New Ventures Committee held three meetings in 2010, of which two were held via telephone. In addition, the Committee addressed a number of issues via email and telephone, which resulted in 11 meetings that were held by circular minutes.

### **The Board's description of internal control pertaining to the financial reporting for the 2010 fiscal year**

The Board is responsible for internal control in accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance. This description has been prepared in accordance with the Swedish Code of Corporate Governance, section 7.4 and Chapter 6, paragraph 6 and Chapter 7, paragraph 31 of the Annual Accounts Act (1995:1554), and is thus restricted to the internal control pertaining to the financial reporting.

### **Control environment**

The purpose of the Board of Directors' rules of procedure and instructions for the CEO and Board committees is to ensure a distinct division of roles and responsibility that promotes the efficient management of operational and financial risks. The Board has also adopted a number of fundamental guidelines of significance to activities involving internal controls, which are described in Kinnevik's Policy and Procedure Manual and include instructions governing the financial reporting of results, authorization procedures, purchasing policies, investment policies, accounting principles, financial risk management and the internal audit. The Company's management reports regularly to the Board following established procedures. In addition, the Audit Committee reports

on its work. The Company's management is responsible for the system of internal controls required for managing risks associated with ongoing operations. This includes guidelines for the employees to ensure that they understand the importance of their particular roles in efforts to maintain efficient internal control. The Company's operational risks are reported each quarter to the Board, categorized on the basis of what can and cannot be influenced, their consequences and financial impact in the event of them materializing, and how and who exercises ongoing control over each risk and how these can be minimized.

### **Risk assessment and control activities**

Kinnevik has implemented a model for assessing the risk of errors in accounting and the financial reporting based on COSO's framework for internal control. The most significant items and processes in which the risk of significant errors can typically arise for Korsnäs encompass sales, purchases of timber, energy and other input goods, inventory and the investment process. Intangible fixed assets and financial instruments in the income statement and balance sheet represent the most significant areas for the Parent Company and the Group. Kinnevik has documented work routines and continuously evaluates how well the controls function pertaining to these items and processes.

### **Internal audits**

The Company engages external auditors that are responsible for following up and evaluating work involved in risk management and internal control. This work includes the monitoring of compliance with set guidelines. The internal auditors conduct their work on instructions from the Audit Committee and are continuously reporting the results of their examination in the form of written reports to the Committee.

### **Information and communication**

Kinnevik's Policy and Procedure Manual and other guidelines of importance to financial reporting are updated at least once annually. Both formal and informal information channels to Company management and the Board of Directors are available for important information from employees. For external communication, guidelines have been compiled in an Information Policy that ensures that the Company complies with the meticulous demands for correct information to the market and other various constituencies, such as shareholders, Board members, employees and customers.

### **Follow-up**

The Board of Directors continuously evaluates the information provided by Company management and the Audit Committee. The Audit Committee's work to monitor the efficiency of Company management's efforts in this area is of particular importance to the follow-up of internal controls. This work includes ensuring that action is taken concerning those shortcomings and proposed measures that result from the internal and external audit.

# Consolidated Statement of Income

for the period 1 January-31 December (SEK m)

	Note	2010	2009
Revenue	2	8 593	8 397
Cost of goods and services	4	-7 315	-7 075
<b>Gross profit</b>		<b>1 278</b>	<b>1 322</b>
		-146	
Selling costs	4		-149
Administration costs	4	-342	-322
Research and development costs	4	-50	-49
Other operating income	3	326	243
Other operating expenses	3	-177	-203
<b>Operating profit</b>		<b>889</b>	<b>842</b>
Dividends received	5	3 105	1 027
Change in fair value of financial assets	6	9 899	14 826
Interest income and other financial income	7	60	40
Interest expenses and other financial expenses	7	-216	-219
<b>Profit after financial items</b>		<b>13 737</b>	<b>16 516</b>
Taxes	9	-115	-143
<b>Net profit for the year</b>		<b>13 622</b>	<b>16 373</b>
Attributable to:			
Equity holders of the Parent Company		13 602	16 361
Non-controlling interest		20	12
Earnings per share before dilution, SEK		49.08	61,66
Earnings per share after dilution, SEK		49.05	61,66
Proposed dividend per share, SEK		4.50	3,00
Average number of shares outstanding before dilution		277 158 190	265 324 899
Average number of shares outstanding after dilution		277 286 286	265 324 899

# Consolidated Statement of Comprehensive Income

for the period 1 January-31 December (SEK m)

	Note	2010	2009
Net profit for the year		13 622	16 373
<b>Other comprehensive income for the year</b>			
Translation differences		-50	-23
Cash flow hedging	19	97	81
Actuarial profit/loss		6	-1
Tax attributable to cash flow hedging		-26	-20
Tax attributable to actuarial profit/loss		-1	-1
<b>Total other comprehensive income for the year</b>		<b>26</b>	<b>36</b>
<b>Total comprehensive income for the year</b>		<b>13 648</b>	<b>16 409</b>
Total comprehensive income for the year attributable to:			
Equity holders of the Parent Company		13 634	16 398
Non-controlling interest		14	11



# Consolidated Statement of Cash Flow

for the period 1 January-31 December (SEK m)

	Note	2010	2009
<b>Operations</b>			
Operating profit for the year		889	842
Adjustment for depreciation	4,10	625	634
Other non-cash items		-15	-21
Taxes paid		-301	-13
<b>Cash flow from operations before change in working capital</b>		<b>1 198</b>	<b>1 442</b>
Change in inventory		52	266
Change in accounts receivable and other operating assets		-114	-11
Change in accounts payable and other operating liabilities		174	1
<b>Cash flow from operations</b>	8	<b>1 310</b>	<b>1 698</b>
<b>Investing activities</b>			
Acquisition of subsidiaries	8	-85	-147
Investments in tangible and biological fixed assets	10	-688	-653
Sales of tangible and biological fixed assets	10	7	2
Investments in intangible fixed assets	10	-29	-
Investments in shares and other securities	8	-1 478	-388
Dividends received	5	3 029	687
Change in loan receivables		-63	-
Interest received		23	24
<b>Cash flow from investing activities</b>		<b>716</b>	<b>-475</b>
<b>Financing activities</b>			
Borrowing		4 715	774
Amortisation of loans		-5 794	-1 525
Interest paid		-203	-223
Dividend paid		-831	-521
<b>Cash flow from financing activities</b>		<b>-2 113</b>	<b>-1 495</b>
<b>Cash flow for the year</b>		<b>-87</b>	<b>-272</b>
Exchange rate differences in liquid funds		0	0
<b>Cash and bank, opening balance</b>	17	<b>237</b>	<b>509</b>
<b>Cash and bank, closing balance</b>	17	<b>150</b>	<b>237</b>

# Consolidated Balance Sheet

31 December (SEK m)

	Note	2010	2009
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	10	828	836
Tangible and biological fixed assets	10	6 385	6 368
Financial assets accounted at fair value through profit and loss	11	54 324	42 584
Financial assets held to maturity	12	225	192
Investment in companies accounted for using the equity method	13	126	11
<b>Total fixed assets</b>		<b>61 888</b>	<b>49 991</b>
<b>Current assets</b>			
Inventories	14	1 663	1 725
Trade receivables	15	829	741
Income tax receivable		12	16
Other current assets	16	291	530
Short-term investments	17	5	51
Cash and cash equivalents	17	145	186
<b>Total current assets</b>		<b>2 945</b>	<b>3 249</b>
<b>TOTAL ASSETS</b>		<b>64 833</b>	<b>53 240</b>

	Note	2010	2009
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	19		
Share capital		28	28
Other contributed capital		8 840	8 840
Reserves		66	38
Retained earnings including net profit/loss for the year		45 464	32 731
<b>Shareholders' equity attributable to equity holders of the Parent Company</b>		<b>54 398</b>	<b>41 637</b>
Non-controlling interest		27	38
<b>Total shareholders' equity</b>		<b>54 425</b>	<b>41 675</b>
<b>Long-term liabilities</b>			
Interest-bearing loans	20	7 081	7 611
Provisions for pensions	21	542	580
Other provisions	22	26	51
Deferred tax liability	9	1 107	1 146
Other liabilities		4	4
<b>Total long-term liabilities</b>		<b>8 760</b>	<b>9 392</b>
<b>Short-term liabilities</b>			
Interest-bearing loans	20	63	586
Provisions	22	39	59
Trade creditors	23	981	843
Income tax payable		24	163
Other liabilities	23	541	522
<b>Total short-term liabilities</b>		<b>1 648</b>	<b>2 173</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>64 833</b>	<b>53 240</b>
<b>Pledged assets</b>	26		
<b>Contingent liabilities</b>	27		

# Movements in Shareholders' equity of the Group

	Attributable to the Parent Company's shareholders							Total share- holders' equity
	Share capital	Other contri- buted capital	Hedging reserve	Translation reserve	Retained earnings includ- ing net result for the year	Total	Non- controlling interest	
Opening balance, 1 January 2009	26	6 589	-77	76	16 889	23 503	27	23 530
Other comprehensive income	-	-	61	-22	-2	37	-1	36
Profit for the year					16 361	16 361	12	16 373
<b>Total comprehensive income for the year</b>	-	-	61	-22	16 359	16 398	11	16 409
<b>Other changes in shareholders' equity</b>								
New share issue (asset acquisition Emesco) <sup>1)</sup>	2	2 251				2 253		2 253
Effect of employee share saving programme					4	4		4
Cash dividend <sup>2)</sup>					-521	-521		-521
<b>Closing balance, 31 December 2009</b>	<b>28</b>	<b>8 840</b>	<b>-16</b>	<b>54</b>	<b>32 731</b>	<b>41 637</b>	<b>38</b>	<b>41 675</b>
Other comprehensive income	-	-	71	-43	5	33	-7	26
Profit for the year					13 602	13 602	20	13 622
<b>Total comprehensive income for the year</b>	-	-	71	-43	13 607	13 635	13	13 648
<b>Other changes in shareholders' equity</b>								
Acquisition from non controlling interest					-47	-47	-24	-71
Effect of employee share saving programme					4	4		4
Cash dividend <sup>3)</sup>					-831	-831		-831
<b>Closing balance, 31 December 2010</b>	<b>28</b>	<b>8 840</b>	<b>55</b>	<b>11</b>	<b>45 464</b>	<b>54 398</b>	<b>27</b>	<b>54 425</b>

<sup>1)</sup> Through the share issue of 16,676,260 class B-shares the assets in Emesco AB were acquired, mainly consisting of a share portfolio at a value of SEK 2,241 m, see note 8. The transaction was treated as an acquisition of assets and the contributed capital was decided by the fair value of the assets.

<sup>2)</sup> The Annual General Meeting held on 11 May 2009, resolved in favor of paying a cash dividend of SEK 2.00 per share, a total of SEK 521 m.

<sup>3)</sup> The Annual General Meeting held on 17 May 2010, resolved in favor of paying a cash dividend of SEK 3.00 per share, a total of SEK 831 m.



# Notes to the Group's financial statements

## Note 1 Summary of significant accounting policies

### Statement of compliance

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). Since the Parent Company is a company that is active in the EU, only EU-approved IFRS are applied. The consolidated accounts have also been prepared in accordance with Swedish law, with application of the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting regulations for Groups. The Parent Company's annual accounts have been prepared in accordance with Swedish law, and with application of the Swedish Financial Reporting Board's recommendation RFR 2 Reporting for legal entities. This means that application of the IFRS valuation and disclosure rules includes the deviations reported in the Parent Company's accounting principles.

### New and revised standards 2010

The following standards and amendments to standards apply from 1 January, 2010. – Amendments to IAS 27R entail that changes in shareholdings in a subsidiary, whereby the majority shareholder does not lose controlling influence, are recognized as equity transactions instead of the previous goodwill.

The following standards and amendments to standards apply from 1 January, 2010, but have not yet had any impact on the consolidated income statement and balance sheet.

– Amendments to IFRS 3R entail a number of changes in the reporting of business acquisitions, which will influence the size of the recognized goodwill, recognized earnings in the acquisition period and future recognized earnings.

### Future IFRS amendments

IFRS 9 Financial instruments, which is part of a complete revision of IAS 39, will entail a decrease in the number of valuation categories for financial assets. IFRS 9 has not yet been approved by EU but will probably be applied from 2013. Pending the completion of all sections of the standard, Kinnevik has not evaluated the effects of the new standard. It is estimated that other future standards and improvements of IFRS will not have any significant impact on the financial statements for Kinnevik, other than in the form of supplementary information in some cases.

### Basis of preparation of consolidated accounts

The consolidated financial statements have been prepared on a historical cost basis, except for investments in forest and other biological assets, derivative financial instruments and certain financial assets valued at fair value through profit and loss. The consolidated statements are presented in Swedish kronor (SEK) and all values are rounded to the nearest million except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as of 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

The consolidated financial statements include the Parent Company and all companies in which the Parent Company controls more than 50% of the votes or in any other way exercises a controlling influence.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the result for the part of the reporting year during which the Group has control.

The consolidated accounts are prepared using the purchase method. The difference between the acquisition value of shares in a subsidiary and the fair value of identifiable assets and liabilities of that subsidiary at the time of acquisition is reported as goodwill.

Intercompany transactions, balance sheet items and unrealized gains on transactions between companies are eliminated. Unrealized losses are also eliminated, unless the transaction evidences the need to write down the transferred asset.

### Non-controlling interest

Non-controlling interest – consisting of the profit/loss portion and net assets in Group companies that do not accrue to the Parent Company's shareholders – are reported as a special item in consolidated shareholders' equity. In the consolidated income statement, the non-controlling interest share is included in reported earnings and information is given in connection with the Statement of income.

### Foreign currency translation

The functional and presentation currency of the Parent Company and its Swedish subsidiaries is Swedish kronor (SEK). Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. Realized and unrealized exchange gains/losses on receivables and liabilities of an operating nature are reported in operating income, while exchange rate differences on financial assets and liabilities in foreign currencies are reported among financial items. Korsnäs has elements of its borrowing in foreign currency, which is aimed at balancing net exposure of current receivables and liabilities. The translation differences of these loans are recognized in operating profit.

As at the reporting date, the assets and liabilities of subsidiaries that have not the same functional currency as the Group are translated at the rate of exchange ruling at the balance sheet date. Their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken in other comprehensive income and as a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation are recognized in the income statement through Other comprehensive income.

Long-term monetary balances between the Parent Company and subsidiaries may be deemed to represent an extension or a contraction of the Parent Company's net investment in the subsidiary. Foreign currency differences arising on such balances are therefore charged as other comprehensive income as a translation difference.

### Intangible assets

Intangible assets with a finite useful life are measured on initial recognition at cost and are then carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated on a straight-line schedule based on the acquisition value of the asset and its estimated useful life.

Goodwill consists of the amount by which the acquisition value exceeds the fair value of the Group's share in the identifiable net assets of the acquired subsidiary/associated company at the time of acquisition. Goodwill from the acquisition of subsidiaries is reported as intangible assets. Intangible assets including goodwill are tested for impairment annually to identify any possible need of a write-down and is reported at its acquisition value less accumulated write-downs. Gains or losses on the divestment of a unit include the remaining reported value of the goodwill relating to the divested unit.

Goodwill is distributed among cash-generating units when it is tested with respect to a possible need for a write-down.

### Tangible and biological assets

Tangible assets are recognized at cost less deduction of accumulated depreciation and any impairment. The cost includes the purchase price, as well as expenses and borrowing costs directly attributable to the asset being put into position and in working order for utilization according to the purpose of the acquisition. Depreciation is calculated on a straight-line schedule based on the acquisition value of the asset and its estimated useful life. The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year-end.

Forest and other biological assets are recorded at their fair value.

### Impairment

Assets are assessed with respect to the reduction in their value whenever events or changes in circumstances indicate that the reported value might not be recoverable.

To calculate the impairment requirement, assets are grouped in cash-generating units. An impairment loss is done in the amount by which the assets' reported value exceeds its recovery value. The recovery value is the higher of an assets' fair value, less the cost of sale and the value in use. The value in use comprises the present value of deposits and disbursements attributable to the asset during the time it is expected to be in use in operations, plus the present value of the net sales value at the end of the useful life.

### Financial instruments

A financial asset or financial liability is recognized in the balance sheet when the Company becomes a party to the instrument's contractual terms. Accounts receivable are recognized when the invoice is sent. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been sent.

A financial asset is derecognized from the balance sheet when the rights in the contract are realized, expired or the Company loses control over them. The same applies for a portion of a financial asset. A financial liability is derecognized from the balance sheet when the obligation in the contract is met or in some other manner is extinguished. The same applies for a portion of a financial liability.

Acquisition and divestment of financial assets are reported on the transaction date, which is the date on which the Company commits to acquire or divest the assets, except in the case the Company acquires or divests listed securities when settlement date reporting is applied.

### Financial assets

Financial assets, with the exception of loan receivables, trade receivables and assets held to maturity, are valued at their fair value through profit and loss.

The fair value of financial instruments traded on an active market is based on the market prices listed on the closing date. The listed market price used for the Group's financial assets is the current bid price. For companies with two classes of shares the market price for the most liquid share class is used.

Kinnevik's unlisted holdings within the New Ventures business area are valued using the International Private Equity and Venture Capital Valuation Guidelines, whereby a collective assessment is made to establish the valuation method that is most suitable for individual holdings. Firstly, it is considered whether any new transactions have been implemented at arm's length in the holdings, such as rights issues directed to shareholders other than Kinnevik. If no transactions were recently implemented in the holdings, a valuation will be conducted by applying relevant multiples to the Company's historical and forecast key figures, such as EBITDA, the size of the loan portfolio (companies in the financial sector), the number of hectares of land (companies in the agricultural sector), whereby a comparison will be made with a selected group of comparable companies. In such a comparison, consideration will be given to potential adjustments due to, for example, difference in size, history or geographic market between the current holding and the group of comparable companies. In the event that there are other methods that would better reflect the fair value of the holding, the outcome from this method will be compared with the outcome from other relevant methods. After that, an assessment will be made of which method that best reflects the market capitalization of the current holding and the holding valued according to this method.

Financial assets held to maturity are valued at the accrued cost by using the effective interest method.

When establishing the fair value of other financial instruments, methods that in every individual case are assumed to provide the best estimation of fair value have been used. For assets and liabilities maturing within one year, a nominal value adjusted for interest payments and premiums is assumed to provide a good approximation to fair value.

Information is provided in Note 30 for the Group per class of financial instruments that are valued at fair value in the balance sheet, distributed in the three levels stated below:

Level 1: Fair value established based on listed prices in an active market for the same instrument.

Level 2: Fair value established based on valuation techniques with observable market data, either directly (as a price) or indirectly (derived from a price) and not

included in Level 1.

Level 3: Fair value established using valuation techniques, with significant input from data that is not observable in the market.

### Associates

Companies in which the Group has significant influence and which is not a subsidiary are regarded as associated companies.

In accordance with IAS 28 point 1, listed and unlisted holdings in associated companies within the business areas Major Listed Holdings and New Ventures are reported at their fair value. When establishing the fair value of holdings in associates the same methods as for financial instruments are used.

Other unlisted associated companies are accounted for using the equity method. Adjustments are made to bring into line any dissimilar accounting policies that may exist before the Group's interest in earnings is calculated.

Adjustments for intra-group profits/losses arising out of transactions with associated companies are made in connection with the calculation of the Group's consolidated interest in earnings and capital. Elimination of such intra-group profits/losses occurs in pace with their realization through the sale of the particular assets to external parties and/or by reduction of the Group's ownership interest in the associated company.

### Loan receivables and trade receivables

Loan receivables and other receivables are non-derivative financial assets with defined or definable payments and defined maturities that are not listed on an active market. The values established are amortized cost, and the valuation is based on the effective interest method (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument).

Trade receivables, which generally have 30-90 day terms, are recognized and carried at invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Trade receivable pertain to a large number of customers mainly in Sweden and the rest of Europe. The Group deals solely with well-established and creditworthy counterparties, which reduces the credit risk.

Credit risks pertaining to the Group's other financial assets, which include cash and cash equivalents, are the risks of failure to pay by counterparties. The maximum risk corresponds to the financial instruments' reported value.

### Financial liabilities

Financial liabilities not held for trading are measured at accrued acquisition value, which is determined based on the effective interest rate calculated when the liability was assumed. This means that surplus and deficit values as well as direct costs in conjunction with assuming of loans are distributed over the term of the liability.

Long-term liabilities have an expected term of exceeding one year, while current liabilities have a term of less than one year.

Trade payables have short expected term and are valued at nominal value.

### Accounting for derivatives and hedging

The Group's derivative instruments consist primarily of futures contracts to cover the risk of changes in power prices. All derivatives are reported initially and continually at their fair value in the balance sheet. Changes in the value of derivatives categorized as a cash flow hedge are reported as other comprehensive income and are reversed to the income statement in pace with effect of the hedge cash flow on earnings. Any ineffective portion of the change in value is reported directly in the income statement.

### Inventories

Inventory of raw materials, consumables, work in progress and finished goods are valued at the lower of cost and net sales value. Inventory is valued on a First-In, First-Out (FIFO) basis.

Felling rights, representing the cost to acquire the right to fell timber on land that the Group does not own, are valued at acquisition cost and are expensed when the corresponding wood is used in production or sold. Felling rights are reclassified as raw materials (logs and timber) as the timber is harvested based on the relationship between the remaining book value of the felling rights and the estimated volume of recoverable timber.

The costs of purchase of inventories comprise the purchase price, import duties

and other taxes (other than VAT), and transport, handling and other costs directly attributable to the acquisition of inventories. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Net sales value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### Employee remuneration

The Group has one defined benefit multi-employer plan, which is insured with the mutual insurance company Alecta (TTP plan). There is a lack of information to permit the reporting of the Group's proportional share of the defined benefit commitment and of the plan assets and costs associated with this plan. Consequently, the plan is reported as if it were a defined contribution plan, which means that the expenses incurred are reported as a cost.

In addition, the Group has one defined benefit pension plan covering employees in Sweden. The cost of providing benefits in accordance with this plan is determined via the Projected Unit Credit Method (PUCM method) on the basis of actuarial assumptions. Deviation from the actual pension expenses and return represent actuarial gains and losses. All actuarial gains and losses, plus any supplements for payroll taxes, are charged to other comprehensive income. Pension commitments are reported as a liability in the balance sheet. The liability is calculated on the basis of company-specific actuarial assumptions, with due consideration of such features as the estimated future pension increases.

### Share-based remuneration

Kinnevik has share saving programmes for which the fair value, calculated at the date of allotment, of the allotted share-based instruments is expensed over the vesting period and is recognized directly in equity. The cost is based on the Group's assessment of the number of shares that will be allotted. Fair value is restated on every balance-sheet date, to reflect calculations of social security costs expensed continuously over the vesting period in the various companies.

### Other provisions

Provisions are reported when the Group has a legal or contractual obligation to fulfill the obligation, when it is likely that a payment or some other form of compensation is required to settle the undertaking and a reliable estimate of the amount can be made. Provisions are reported at their discounted present value when the time horizon exceeds two years. A provision for restructuring is reported when the Group has presented a detailed plan for the implementation of the measures and the plan has been communicated to the parties involved and soundly based anticipation is created.

### Revenue recognition

#### Sale of products

Revenue from the sale of products, net of allowance for returns and discounts, is recognized when products are delivered and significant risks and benefits associated with ownership of the goods are transferred and can be reliably measured.

#### Rendering of services

Revenue from the sale of services is recognized at the time the service is rendered to the customer, after deductions for discounts.

#### Interest

Revenue is recognized as the interest accrues to the net carrying amount of the financial assets.

#### Dividends received

Dividends received are recognized when the shareholders' right to receive the payment is assessed as certain.

### Research and Development costs

Research and development costs are charged to the income statement during the year they arise, unless the Company can demonstrate that the amount will be able to generate future economic benefit.

### Marketing costs

Advertising costs and other marketing activities are expensed as they arise.

### Income tax

The total tax on the year's income consists of current and deferred tax. Taxes are stated in the income statement except when the underlying transaction is charged to other comprehensive income or directly against equity, in which case the related tax effect is also stated in equity. Current tax expense is the tax that is to be paid or received for the year in question, plus correction of tax expense for earlier periods. Deferred tax is calculated on the basis of the temporary differences between the book values of assets and liabilities and their value for tax purposes. The amounts are calculated on the basis of how these differences can be expected to be evened out and using the tax rates and rules in effect or announced as of the closing date. Temporary differences are not recorded in the case of differences attributable to interests in subsidiaries and associated companies that are not expected to be taxable in the foreseeable future. In the consolidated financial statements, untaxed reserves are divided into deferred tax liability and equity. The deferred tax asset component of deductible temporary differences and tax loss carry forwards is only recorded in so far as it is likely that these will result in a lower tax payment in the future.

### Dividends paid

For dividends in kind, the net assets market value is recorded as dividend. Cash dividends to shareholders are recorded in the accounting period the dividend is approved.

### Leases

Leases are classified in the consolidated accounts as financial leases or operational leases. A financial lease is when the financial risk and benefits are associated with the ownership of an item is essentially transferred from the lessee to the lessor, regardless of whether or not the lessee retains the legal right of ownership of the asset. For financial leases, the leasing asset is reported as an asset and the obligation for future payments as a liability in the balance sheet. An operating lease is a lease that does not fulfill the conditions for financial leases. For operating leases, the rental expense is reported in the lessee's accounts distributed equally over the period during which the asset is used, even if the payments are made according to some other schedule.

### Cash flow statement

For purposes of the Parent Company and the consolidated cash-flow statements, the Group include cash and investments with original duration of maximum three months among cash and bank. The book value of these items corresponds to fair value.

### Significant judgments and assumptions

The preparation of the annual financial statements and consolidated financial statements includes a number of estimates and assumptions. The application of these estimates and assumptions affects the reporting and disclosures. Accounting policies that require more significant judgments by the Board and the management in the application of IFRS, and assumptions and estimations in matters that are inherently uncertain, are summarized below.

In accordance with IAS 28, that deals with accounting for shares in associated companies, Kinnevik can recognize such shares at fair value through profit or loss or apply the equity method of accounting. The Board and management has made the judgment that an accounting at fair value through profit or loss most often reflects in the best way how the Group follows and evaluates its shares in associated companies. Shares in associated companies are therefore most often reported at fair value in the balance sheet, whereas the change in fair value affects the result for the year. Consequently, the reported results and equity of Kinnevik are primarily affected by changes in the fair value of the shares and only indirectly by the reported results of the associated companies, as opposed to an accounting according to the equity method.

Valuation of unlisted holdings are to a higher degree based on estimates and assumptions than valuation of holdings traded on an active market.

Actuarial assumptions and other assumptions and estimations when estimating the provisions for pensions (Note 21) and other provisions (Note 22) could have a material impact on the financial statements. The estimates used are based on experience, market information and practice, and are regularly reviewed.

Note 2 Segment reporting

1 Jan-31 Dec 2010	Major Unlisted Holdings	Major Listed Holdings	New Ventures	Parent Company and other	Eliminations	Total Group
Revenue	8 178		508	25	-118	8 593
Operating costs	-6 803		-459	-91	125	-7 228
Depreciation	-602		-22	-1		-625
Other operating income and expenses	153		-17	20	-7	149
<b>Operating profit/loss</b>	<b>926</b>		<b>10</b>	<b>-47</b>	<b>0</b>	<b>889</b>
Dividends received	4	3 101				3 105
Change in fair value of financial assets	64	9 101	734			9 899
Financial net	-116	-19	12	-33		-156
<b>Profit/loss after financial items</b>	<b>878</b>	<b>12 183</b>	<b>756</b>	<b>-80</b>	<b>0</b>	<b>13 737</b>
Investments in subsidiaries and financial fixed assets	115		1 434	14		1 563
Investments in intangible fixed assets			29			29
Investments in tangible fixed assets	604		82	2		688
Impairment of goodwill			-34			-34
<b>Assets and liabilities</b>						
Operating assets	9 489		573	61		10 123
Financial fixed assets	3 140	50 870	2 124	1 003	-2 577	54 560
Short-term investments, cash and cash equivalents	86		30	34		150
<b>Total assets</b>	<b>12 715</b>	<b>50 870</b>	<b>2 727</b>	<b>1 098</b>	<b>-2 577</b>	<b>64 833</b>
Operating liabilities	1 483		72	60		1 615
Provision for pensions	504			38		542
Deferred tax liability	1 115		8	-16		1 107
Interest-bearing loans	5 158	1 706	107	2 750	-2 577	7 144
<b>Total liabilities</b>	<b>8 260</b>	<b>1 706</b>	<b>187</b>	<b>2 832</b>	<b>-2 577</b>	<b>10 408</b>
1 Jan-31 Dec 2009	Major Unlisted Holdings	Major Listed Holdings	New Ventures	Parent Company and other	Eliminations	Total Group
Revenue	8 039		467	26	-135	8 397
Operating costs	-6 605		-422	-69	135	-6 961
Depreciation	-611		-19	-4		-634
Other operating income and expenses	28		13	-1		40
<b>Operating profit/loss</b>	<b>851</b>		<b>39</b>	<b>-48</b>	<b>0</b>	<b>842</b>
Dividends received	6	1 017		4		1 027
Change in fair value of financial assets	40	14 705	81			14 826
Financial net	-148	-48	17			-179
<b>Profit/loss after financial items</b>	<b>749</b>	<b>15 674</b>	<b>137</b>	<b>-44</b>	<b>0</b>	<b>16 516</b>
Investments in financial fixed assets		2 515	114			2 629
Investments in intangible fixed assets (acquisition of operation)	37					37
Investments in tangible fixed assets	740		10	3		753
- of which acquisition of operation	100					100
<b>Assets and liabilities</b>						
Operating assets	9 265		489	462		10 216
Financial fixed assets	2 919	41 320	919	76	-2 447	42 787
Short-term investments, cash and cash equivalents	81		44	112		237
<b>Total assets</b>	<b>12 265</b>	<b>41 320</b>	<b>1 452</b>	<b>650</b>	<b>-2 447</b>	<b>53 240</b>
Operating liabilities	1 509		57	76		1 642
Provision for pensions	541			39		580
Deferred tax liability	1 139			7		1 146
Interest-bearing loans	5 960	2 001	161	2 522	-2 447	8 197
<b>Total liabilities</b>	<b>9 149</b>	<b>2 001</b>	<b>218</b>	<b>2 644</b>	<b>-2 447</b>	<b>11 565</b>

Kinnevik is a diversified company whose business consists of managing a portfolio of investments and to conduct operations through subsidiaries. The Kinnevik Group is organised in the following three segments:

**Major Unlisted Holdings**, which comprises the cartonboard and paper company Korsnäs.

**Major Listed Holdings**, which comprises Millicom, Tele2, MTG, CDON, Metro and Transcom.

**New Ventures**, with Kinnevik's holdings within the four focus areas; agriculture, renewable energy, online and microfinance.

This distribution coincides with management's internal structure for controlling and monitoring the Group's operations during 2010. The accounting policies for the business segments coincide with the Group's accounting policies.

Revenue comprises total sales proceeds net of sales discounts, VAT and other taxes directly connected to the revenue.

Of total revenue of SEK 8,593 m (8,397), SEK 8,333 m (8,132) is attributable to sale of goods and SEK 260 m (265) to sale of services.

Sales to one single customer represented 48% and 49% respectively, of total revenue for the years 2010 and 2009.

External revenue cover sales to all parties other than the Parent Company and its subsidiaries. For information on sales to related parties, refer to Note 28. Internal sales prices are set in the same manner as external sales, that is, on commercial terms.

Intra-Group revenue in the Parent Company totaled SEK 18 m (14).

Operating assets entail intangible and tangible fixed assets, investment in companies accounted for using the equity method, inventories and short-term non interest-bearing receivables.

Operating liabilities entail other provisions and short-term non interest-bearing liabilities.

### New reporting structure from 2011

From 2011, Kinnevik will change its reporting structure and group all holdings into the following business sectors: Telecom & Services, Media, Paper & Packaging, Online, Microfinance, Agriculture and Bioenergy. The accounting segments will consist of Paper & Packaging (Korsnäs), other operating subsidiaries (today part of New Ventures) and Parent Company & others.

### Revenue distributed by geographic market

	2010	2009
Sweden	1 902	1 707
Other Nordic countries	310	276
Rest of Europe	4 868	4 873
North and South America	21	21
Asia	1 332	1 354
Africa	160	166
	<b>8 593</b>	<b>8 397</b>

The geographic distribution of revenue is based upon the geographic location of the buyer.

### Distribution of assets by geographic market

	2010	2009
Sweden	9 480	9 614
Rest of Europe	654	613
<b>Other assets</b>		
Financial fixed assets	54 549	42 776
Short-term investments, cash and cash equivalents	150	237
	<b>64 833</b>	<b>53 240</b>

### Distribution of investments in tangible and intangible assets by geographic market

	2010	2009
Sweden	627	780
Rest of Europe	90	10
	<b>717</b>	<b>790</b>

### Note 3 Other operating income and other operating expenses

	2010	2009
Exchange gains on operating receivables/liabilities	143	192
Strike compensation, Korsnäs	84	0
Other	99	51
<b>Other operating income</b>	<b>326</b>	<b>243</b>

	2010	2009
Exchange losses on operating receivables/liabilities	-146	-194
Capital losses on disposal of tangible fixed assets	-11	-1
Repayment from pension plan, UK	14	-
Impairment of goodwill	-34	-
Other	0	-8
<b>Other operating expenses</b>	<b>-177</b>	<b>-203</b>

### Note 4 Depreciation

	2010	2009
<b>Operating profit/loss includes depreciation as follows:</b>		
Buildings, land and land improvements	-61	-60
Forest and agricultural properties	-1	-1
Machinery and other technical plants	-545	-556
Equipment and tools	-15	-17
Intangible fixed assets	-3	-
	<b>-625</b>	<b>-634</b>

	2010	2009
<b>Depreciation is split per cost category as follows:</b>		
Cost of sold goods and services	-613	-623
Selling costs	0	-1
Administration costs	-6	-8
Research and development costs	-3	-2
Other operating costs	-3	-
	<b>-625</b>	<b>-634</b>

### Note 5 Dividends received

	2010	2009
<b>Financial assets accounted to fair value</b>		
<b>Associated companies</b>		
Millicom International Cellular S.A.	1 818	340
Modern Times Group MTG AB, cash dividend	74	50
Modern Times Group MTG AB, shares CDON Group AB	416	-
Tele2 AB	793	627
<b>Other companies</b>		
Bergvik Skog AB	4	4
Radio Components Sweden AB	-	4
Other	-	2
	<b>3 105</b>	<b>1 027</b>



**Note 6 Change in fair value of financial assets**

	2010	2009
Bergvik Skog AB	64	40
Black Earth Farming Ltd	105	119
CDON Group AB	4	-
Kintas Ltd (RawAgro)	-8	-
Kontakt East Holding AB	-2	-36
Metro International S.A.	42	69
Metro International S.A., warrants	28	224
Millicom International Cellular S.A.	4 143	6 735
Modern Times Group MTG AB	1 205	2 017
Tele2 AB	3 983	5 323
Transcom WorldWide S.A.	-304	337
Rocket Internet with portfolio companies	639	-
Other	-	-2
	<b>9 899</b>	<b>14 826</b>

Out of change in fair value of financial assets, 93% (99%) relates to assets traded on an active market, Level 1.

**Note 7 Financial income and expenses**

	2010	2009
Interest income, cash and cash equivalents	5	6
Interest income financial assets accounted at fair value	17	18
Interest income financial assets held to maturity	33	16
Exchange differences	5	-
<b>Financial income</b>	<b>60</b>	<b>40</b>
Interest expenses, loans from credit institutions	-185	-193
Accrued financing costs, loans from credit institutions	-8	-7
Interest expense PRI	-17	-21
Exchange-rate differences	-	-1
Other financial expenses	-6	3
<b>Financial expenses</b>	<b>-216</b>	<b>-219</b>
<b>Net financial income/expenses</b>	<b>-156</b>	<b>-179</b>

**Note 8 Supplementary cash flow information**

	2010	2009
<b>Operations</b>		
Profit/loss for the year	13 622	16 373
<i>Adjustment for non cash items in operating profit/loss</i>		
Depreciation	625	634
Impairment of goodwill	34	-
Exchange gains from operating receivables/liabilities	-143	-192
Exchange losses from operating receivables/liabilities	146	194
Net capital gain/loss on disposal of fixed assets	5	1
Change in fair value of financial assets	-9 899	-14 826
Dividends received	-3 105	-1 027
Interest net	156	179
<i>Incremental cash items from operations</i>		
Changes in other provisions	-45	-59
Other	-12	35
Adjustment of paid/unpaid taxes	-186	130
<b>Cash flow from operations before change in working capital</b>	<b>1 198</b>	<b>1 442</b>
Change in working capital	112	249
Change in working capital, acquired operation	-	7
<b>Cash flow from operations</b>	<b>1 310</b>	<b>1 698</b>
<b>Investments in subsidiaries</b>		
Korsnäs Rockhammar AB	-	147
Latgran, acquisition from non-controlling interest	71	-
Emesco AB, additional purchase price	14	-
	<b>85</b>	<b>147</b>
<b>Investments in other securities</b>		
Avito Holding AB	148	-
Bayport Management Ltd	313	17
Black Earth Farming Ltd	124	5
Bomhus Energi AB	115	-
Celadorco Investments Ltd (Sapato)	17	-
Kintas Ltd (RawAgro)	-	33
Metro warrants	-	106
Metro debenture loans	-	168
Microvest II	9	10
Rocket Internet with portfolio companies	747	21
Vosvik AB/Avito Holding AB	5	-
Vosvik AB/Kontakt East Holding AB	-	28
	<b>1 478</b>	<b>388</b>
<b>Non cash investments through acquisition of Emesco AB</b>		
MTG	-	1 114
Tele2	-	982
Transcom	-	108
Metro	-	13
Metro warrants	-	15
Metro debenture loans	-	9
	<b>-</b>	<b>2 241</b>

## Note 9 Taxes

	2010	2009
<b>Distribution of profit/loss after financial items</b>		
Sweden	13 612	16 472
Outside Sweden	125	44
	<b>13 737</b>	<b>16 516</b>
<b>Distribution of current tax expense</b>		
Sweden	-160	-220
Outside Sweden	-6	-1
<b>Distribution of deferred tax expense</b>		
Sweden	55	82
Outside Sweden	-4	-4
<b>Total tax charge for the year</b>	<b>-115</b>	<b>-143</b>
<b>Current tax expense</b>		
Tax expense for the period	-191	-189
Adjustment of tax expense for previous years	25	-32
	<b>-166</b>	<b>-221</b>
<b>Deferred tax expense</b>		
Deferred tax related to temporary differences	38	82
Deferred tax expense on utilization of tax loss carryforwards	-23	0
Activated tax value in tax loss carryforwards	5	2
Change of provision for any additional tax	31	-6
	<b>51</b>	<b>78</b>
<b>Total tax expense for the year</b>	<b>-115</b>	<b>-143</b>

## Reconciliation of effective tax rate

	2010	%	2009	%
Profit/loss before tax	13 737		16 516	
Income tax at statutory rate of Parent Company, 26.3%	-3 613	-26.3%	-4 344	-26.3%
Foreign tax rate differential	18	0.1%	7	0.0%
Change in fair value of financial assets	2 604	19.0%	3 899	23.6%
Non-taxable dividends received	817	5.9%	270	1.6%
Tax attributable to previous years	25	0.2%	-7	0.0%
Other non-taxable income	8	0.1%	2	0.0%
Impairment of goodwill	-9	-0.1%	-	-
Provision for any additional tax	0	0.0%	-31	-0.2%
Used and recognized tax loss carry forwards, not earlier recognized	38	0.3%	57	0.3%
Other	-3	0.0%	4	0.0%
<b>Effective tax/tax rate</b>	<b>-115</b>	<b>-0.8%</b>	<b>-143</b>	<b>-1.0%</b>

During the year, a tax expense of SEK 27 m (21) has been recognised against other comprehensive income. No tax has been recognised against shareholders' equity.

	2010	2009
<b>Deferred tax assets</b>		
Pensions and other provisions	29	37
Tax loss carryforwards	21	25
Cash flow hedging reported through other comprehensive income	-	6
	<b>50</b>	<b>68</b>
<b>Provisions for deferred tax</b>		
Tangible and biological fixed assets	-1 137	-1 183
Cash flow hedging reported through other comprehensive income	-20	-
Provisions for any additional tax	-	-31
	<b>-1 157</b>	<b>-1 214</b>
<b>Net provisions for deferred tax</b>	<b>-1 107</b>	<b>-1 146</b>

Of deferred tax liabilities of SEK 1,137 m (1,183) relating to tangible and biological fixed assets, SEK 1,065 m (1,064) is attributable to untaxed reserves in the form of accumulated excess depreciation.

Deferred tax is not stated for associated companies, subsidiaries and other shareholdings, as any dividend paid by these companies will not give rise to a tax liability, and divestments may be made without giving rise to capital gains taxation.

	2010	2009
<b>Distribution of deferred tax assets</b>		
Sweden	45	68
Outside Sweden	5	0
	<b>50</b>	<b>68</b>
<b>Distribution of provisions for deferred tax</b>		
Sweden	-1 143	-1 210
Outside Sweden	-14	-4
	<b>-1 157</b>	<b>-1 214</b>
<b>Net provisions for deferred tax</b>	<b>-1 107</b>	<b>-1 146</b>

## Tax loss carryforwards

The Group's loss carryforwards amounted to SEK 136 m (199) at 31 December, of which SEK 87 m (199) is attributable to Sweden. A deferred tax asset of SEK 21 m (25) was recognized in the consolidated balance sheet, of which SEK 16 m (16) relates to tax loss carryforwards, that were added through the acquisition of Emesco AB in 2009.

## Tax disputes

Following the companies' tax audit, the National Tax Board appealed the Parent Company's taxation for 2001 and 2002. The main issue pertained to the right to deduct SEK 100 m for divested receivables. In March 2010, the Administrative Court of Appeal delivered a ruling on the dispute, which was to the advantage of the Company. Consequently, the Company received a tax refund of SEK 22 m, which had earlier been paid in 2009, as well as the entitlement to a further loss carryforwards of SEK 23 m (SEK 6 m tax effect). Including interest of SEK 4 m, income totaling SEK 32 m was thus recognized during 2010, as a result of the positive ruling for the Company. The National Tax Board did not appeal the ruling of the Administrative Court of Appeal.

In June 2010, the Swedish Tax Board submitted a petition to the Administrative Court that Kinnevik's sale of Invik in 2007 was not tax-exempt as reported in Kinnevik's accounts. Kinnevik's distinct opinion of the issue is that the Company complied with applicable regulations and general practices and that the transaction is tax-exempt, why the petition from the Tax Board has been contested. In the event the Tax Board is successful in the dispute, the maximum exposure for Kinnevik is approximately SEK 120 m in additional tax after offsetting previously unutilized capital losses that have not been recognized in the accounts.

Note 10 Intangible and tangible fixed assets

Intangible fixed assets

	Goodwill		Intangible fixed assets	
	2010	2009	2010	2009
Opening acquisition value	873	836	-	-
Investments	-	37	29	-
<b>Closing acquisition value</b>	<b>873</b>	<b>873</b>	<b>29</b>	<b>-</b>
Opening accumulated depreciation	-37	-37	-	-
Depreciations	-	-	-3	-
Impairment	-34	-	-	-
<b>Closing accumulated depreciation</b>	<b>-71</b>	<b>-37</b>	<b>-3</b>	<b>-</b>
<b>Closing book value</b>	<b>802</b>	<b>836</b>	<b>26</b>	<b>-</b>

Goodwill that has arisen through company acquisitions is distributed among three cash-generating units: Korsnäs pertaining primarily to the acquisition of Frövi, Karskär Energi and Rockhammar; Latsin in Latvia; and Relevant Traffic. An impairment test was performed at the end of 2010. The value in use for Korsnäs and Latsin was calculated on the basis of discounted cash flows, assuming an annual growth rate of 2%, and based on the budget for 2011 for both units and a pretax discount interest rate of 10% (10%), corresponding to the companies' average cost of capital. No

impairment requirement for the goodwill on these units was identified. Nor did a sensitivity analysis, whereby the discount interest rate was increased by one percentage point and cash flow was reduced by 10%, give rise to any impairment requirement.

For Relevant Traffic, the calculation was based on a pretax discount interest rate of 14%, plus forecasted profit in 2011 and a moderate growth in 2012 to 2015 and thereafter a growth of approximately 2%, which is regarded as reasonable since the company is active in an immature and growing market. An impairment of goodwill relating to Relevant Traffic amounting to SEK 34 m was identified during 2010.

Cash-generating units

	2010	2009
Korsnäs	769	769
Latsin	15	15
Relevant Traffic	18	52
<b>Closing acquisition value</b>	<b>802</b>	<b>836</b>

Tangible and biological fixed assets

For purposes of calculating depreciation, fixed assets are classified on the basis of their estimated useful economic lives according to the following categories:

Industrial buildings	20 – 67 years
Office buildings	20 – 67 years
Residential buildings	20 – 67 years
Land improvements	25 – 30 years
Machinery and equipment	3 – 25 years

2010	Buildings, land, land improvements	Forest, agricultural properties	Machinery, technical plants	Equipment, tools	Construction in progress, advances	Total
Opening acquisition values	1 969	143	11 003	333	556	14 004
Investments for the year	12	-	28	5	643	688
Disposals/scrapping for the year	-	-	-6	-2	-	-8
Reclassification for the year	72	-	692	9	-773	0
Translation difference	-12	-10	-28	-3	-5	-58
<b>Closing acquisition values</b>	<b>2 041</b>	<b>133</b>	<b>11 689</b>	<b>342</b>	<b>421</b>	<b>14 626</b>
Opening accumulated depreciation	-1 107	-6	-6 243	-280	-	-7 636
Disposals/scrapping for the year	-	-	3	2	-	5
Depreciation for the year	-61	-1	-545	-15	-	-622
Translation difference	2	2	7	1	-	12
<b>Closing accumulated depreciation</b>	<b>-1 166</b>	<b>-5</b>	<b>-6 778</b>	<b>-292</b>	<b>-</b>	<b>-8 241</b>
<b>Closing book value</b>	<b>875</b>	<b>128</b>	<b>4 911</b>	<b>50</b>	<b>421</b>	<b>6 385</b>
Tax assessment value, buildings	1 111	9				
Tax assessment value, land	271	38				

2009	Buildings, land, land improvements	Forest, agricultural properties	Machinery, technical plants	Equipment, tools	Construction in progress, advances	Total
Opening acquisition values	1 912	149	10 802	323	102	13 288
Assets in acquired operations	24	-	76	-	-	100
Investments for the year	14	-	3	4	632	653
Disposals/scrapping for the year	-	-	-11	-2	-	-13
Reclassification for the year	22	-	146	9	-177	0
Translation difference	-3	-6	-13	-1	-1	-24
<b>Closing acquisition values</b>	<b>1 969</b>	<b>143</b>	<b>11 003</b>	<b>333</b>	<b>556</b>	<b>14 004</b>
Opening accumulated depreciation	-1 048	-6	-5 701	-265	-	-7 020
Disposals/scrapping for the year	-	-	11	1	-	12
Depreciation for the year	-60	-1	-556	-17	-	-634
Translation difference	1	1	3	1	-	6
<b>Closing accumulated depreciation</b>	<b>-1 107</b>	<b>-6</b>	<b>-6 243</b>	<b>-280</b>	<b>-</b>	<b>-7 636</b>
<b>Closing book value</b>	<b>862</b>	<b>137</b>	<b>4 760</b>	<b>53</b>	<b>556</b>	<b>6 368</b>
Tax assessment value, buildings	1 193	9				
Tax assessment value, land	261	44				

**Note 11 Financial assets accounted at fair value through profit and loss**

2010	Reg no	Registered office	Number of shares/ warrants	Capital/ voting (%)	Book value
<b>Associated companies</b>					
Avito Holding AB	556690-0113	Stockholm	6 196 472	30/30	148
Bayport Management Ltd <sup>1)</sup>		Mauritius	4 190	31/31	332
Black Earth Farming Ltd		Jersey	31 087 097	25/25	824
CDON Group AB	556035-6940	Malmö	13 503 856	20/20	420
Kintas Ltd (RawAgro)		Cyprus	6 000	30/30	21
Vosvik AB (Kontakt East Holding AB/Avito Holding AB)	556757-1095	Stockholm	50 000	50/50	136
Metro International S.A.		Luxembourg	245 921 466	47/42	285
Metro International S.A. warrants		Luxembourg	717 115 821		374
Millicom International Cellular S.A.		Luxembourg	37 835 438	36/36	24 309
Modern Times Group MTG AB	556309-9158	Stockholm	13 503 856	20/48	6 009
Tele2 AB	556410-8917	Stockholm	135 496 137	31/48	18 915
Transcom WorldWide S.A.		Luxembourg	16 339 448	22/45	333
					<b>52 106</b>
<b>Other companies</b>					
Bergvik Skog AB	556610-2959	Falun	353	5/5	556
Celadorco Investments Ltd		Cyprus	3 419	14/14	17
Gävle Sjöfarts AB	556010-6774	Gävle	1 080	10/10	0
Microvest II			fund participation	17	16
Modern Holdings Inc.		USA	2 646 103	18/18	26
Radio Components Sweden AB	556573-3846	Stockholm	2 346 337	19/19	2
Rocket Internet with portfolio companies <sup>2)</sup>		Berlin			1 407
Vindin AB	556713-5172	Stockholm	100	7/7	4
Other					12
					<b>2 040</b>
					<b>Maturity</b>
<b>Other financial assets</b>					
Bayport Management Ltd, bond loan				2015	175
Financial receivables, associated companies					3
					<b>178</b>
<b>Total</b>					<b>54 324</b>

<sup>1)</sup> Kinnevik owns 31.4% of the shares and warrants entitling to 5.3% of the company on a fully diluted basis.

<sup>2)</sup> Kinnevik owns 11.7% of the shares in the parent company Rocket Internet GmbH and warrants entitling to increase the ownership to 25%. In addition Kinnevik has invested directly in to four of Rocket Internet's portfolio companies: Zalando GmbH, Groupon Inc., Bigfoot GmbH and R2 International GmbH. At 31 December 2010 Kinnevik's ownership in Groupon Inc. was slightly over 1%.

Out of book value of financial assets accounted at fair value through profit and loss, 93% (98%) relates to assets traded on an active market, Level 1 assets.

## NOTES FOR THE GROUP

2009	Reg no	Registered office	Number of shares/ warrants	Capital/ voting (%)	Book value
<b>Associated companies</b>					
Black Earth Farming Ltd		Jersey	26 203 296	21/21	595
Kintas Ltd (RawAgro)		Cyprus	6 000	30/30	33
Vosvik AB (Kontakt East Holding AB)	556757-1095	Stockholm	50 000	50/50	133
Metro International S.A.		Luxembourg	245 921 466	47/42	243
Metro International S.A. warrants		Luxembourg	717 115 821		345
Millicom International Cellular S.A.		Luxembourg	37 835 438	35/35	20 166
Modern Times Group MTG AB	556309-9158	Stockholm	13 503 856	20/48	4 805
R2 International Internet GmbH		Germany	2	33/33	21
Tele2 AB	556410-8917	Stockholm	135 496 137	31/48	14 932
Transcom WorldWide S.A.		Luxembourg	16 339 448	22/45	637
					<b>41 910</b>
<b>Other companies</b>					
Bayport Management Ltd			856	6/6	17
Bergvik Skog AB	556610-2959	Falun	353	5/5	492
Gävle Sjöfarts AB	556010-6774	Gävle	1 080	10/10	0
Microvest II			fund participation	17	8
Modern Holdings Inc.		USA	2 646 103	18/18	26
Radio Components Sweden AB	556573-3846	Stockholm	2 346 337	19/19	2
Vindin AB	556713-5172	Stockholm	100	7/7	4
Other					10
					<b>559</b>
				<b>Maturity</b>	
<b>Other financial assets</b>					
Bayport Management Ltd				2011-2013	112
Financial receivables, associated companies					3
					<b>115</b>
<b>Total</b>					<b>42 584</b>

## Reconciliation of book value

	Holdings in associated companies	Shares in other companies	Other financial assets	Total
<b>Opening balance, 1 January 2009</b>	<b>24 696</b>	<b>493</b>	<b>126</b>	<b>25 315</b>
Investments	2 425	28	-	2 453
Amortisation of loan receivables	-	-	-2	-2
Change in value of remaining holdings, refer to Note 6	14 788	38	-	14 826
Translation differences	1	-	-9	-8
<b>Closing balance, 31 December 2009</b>	<b>41 910</b>	<b>559</b>	<b>115</b>	<b>42 584</b>
Investments	590	773	175	1 538
Dividend received, shares in CDON Group AB	416	-	-	416
Reclassification	-5	5	-	0
Change in value of remaining holdings, refer to Note 6	9 196	703	-	9 899
Amortisation of loan receivables	-	-	-112	-112
Translation differences	-1	-	-	-1
<b>Closing balance, 31 December 2010</b>	<b>52 106</b>	<b>2 040</b>	<b>178</b>	<b>54 324</b>



**Note 12 Financial assets held to maturity**

		2010	2009
Metro International S.A., debenture	Dec 2013	225	192
<b>Total</b>		<b>225</b>	<b>192</b>

	2010	2009
<b>Opening balance, book value, 1 January</b>	<b>192</b>	<b>0</b>
Investments	-	176
Accrued interest income	33	16
<b>Closing balance, book value, 31 December</b>	<b>225</b>	<b>192</b>
<b>Market value, 31 December</b>	<b>268</b>	<b>196</b>

**Note 13 Investments in companies accounted for using the equity method**

		Reg no	Registered office	Number of shares	Capital/voting (%)	2010	2009
Alltorenscheurerhof S.A.	associated company		Luxembourg	625	33	11	11
Bomhus Energi AB	Joint Venture	556793-5217	Gävle	148	50	115	-
SCD Invest AB, in liquidation	associated company	556353-6753	Stockholm	10 584 250	91/50	0	0
Shared Services S.A.	associated company		Luxembourg	200	30	0	0
<b>Closing book value</b>						<b>126</b>	<b>11</b>

The Group's share of the Joint Venture's balance sheet

	2010
Current assets	161
Fixed assets	147
Short-term liabilities	-93
Long-term liabilities	-100
<b>Net assets</b>	<b>115</b>

Korsnäs has committed to invest another SEK 205 m in shares and debentures in Bomhus Energi AB.

The Group's part of the the other companies' total assets amounts to more than SEK 11 m (11).

**Note 14 Inventories**

	2010	2009
Raw materials and consumables	629	629
Felling rights	81	44
Work in progress	70	70
Finished products and goods for resale	702	800
Advance payments to suppliers	181	182
	<b>1 663</b>	<b>1 725</b>

SEK 14 m (29) of the inventories are valued at net sales value. The rest of the inventories are valued at aquisition value.

**Note 15 Trade receivables**

	2010	2009
Trade receivables	839	754
Reserve for doubtful accounts	-10	-13
	<b>829</b>	<b>741</b>

Accrued sales revenue are included in trade receivables with SEK 118 m (101).

Trade receivables overdue more than 90 days, but not provided for, amounts to SEK 3 m (1).

**Bad debt losses**

	2010	2009
<b>Opening balance, 1 January</b>	<b>13</b>	<b>12</b>
Provisions during the year	3	8
Confirmed losses	-4	-6
Recovery of previous provisions	-2	-1
<b>Closing balance, 31 December</b>	<b>10</b>	<b>13</b>

**Note 16 Other current assets**

	2010	2009
Accrued interest income	3	3
Other accrued income and prepaid expenses	76	84
Derivatives, cash flow hedging power supplies	75	
Receivable Millicom regarding dividend 2009	-	335
Other receivables	137	108
	<b>291</b>	<b>530</b>

**Note 17 Cash and cash equivalents**

	2010	2009
Cash at banks	145	186
Short term investments	5	51
	<b>150</b>	<b>237</b>

Short term investments are cash at banks invested with a maximum original duration of three months.

In addition to cash and cash equivalents reported above, the Group had on 31 December undrawn credit facilities of SEK 4,773 m (3,705).

**Note 18 Business combinations**

**2010**

No operations have been acquired during the year.

**2009**

**Korsnäs Rockhammar AB**

In March 2009, Korsnäs signed an agreement to acquire operations in Rockhammar Mill from Rottneros. The purchase consideration, including transaction costs, amounted to SEK 147 m. The acquisition was made through a recently formed subsidiary, Korsnäs Rockhammar AB, through an asset-transfer transaction. According to the acquisition analysis, the acquisition cost was distributed as follows: goodwill in the amount of SEK 37 m, tangible assets SEK 100 m, inventories SEK 16 m and accrued personnel costs SEK 6 m. Korsnäs Rockhammar contributed to the Group's result with SEK 10 m in the period 1 April - 31 December 2009. The result includes costs in relation to the integration work between Rockhammar and the plant in Frövi, which entails a staff reduction negotiated with the trade union organizations. The entire volume produced in Rockhammar after the acquisition has been sold internally within the Korsnäs Group. If Korsnäs Rockhammar had been included in the Group from 1 January 2009, it is estimated that profit for 2009 would have been approximately SEK 8 m higher.

**Note 19 Shareholders' equity**

**Share capital**

Share capital refers to the Parent Company's share capital; refer to Note 10 for the Parent Company.

**Other contributed capital**

Other contributed capital consist of the Parent Company's share premium reserve, which arose through the conversion of convertible loans in 1997 and 1998, capital injected in conjunction with the merger between Invik & Co. AB and Industriförvaltnings AB Kinnevik in 2004, capital injected in conjunction with a new share issue when acquiring the assets in Emesco AB 2009, as well as by the Parent Company's legal reserve. During 2008 3,500,000 class B-shares were bought-back for a total amount of SEK 279 m. Those were cancelled following the approval at the AGM 2009.

**Hedging reserve**

The hedging reserve which is fully attributable to power supplies reported against shareholders' equity totaling SEK 75 m ( loss of SEK 22 m) at 31 December 2010, before deduction of deferred tax, are estimated to yield outcomes of SEK 65 m in 2011 and SEK 10 m in 2012.

Hedging reserve	Gross	Tax	Net
Opening balance 1 January 2009	-103	26	-77
Transferred to the income statement	78	-20	58
Change for the year	3	0	3
<b>Closing balance 31 December 2009</b>	<b>-22</b>	<b>6</b>	<b>-16</b>
Transferred to the income statement	-46	12	-34
Change for the year	143	-38	105
<b>Closing balance 31 December 2010</b>	<b>75</b>	<b>-20</b>	<b>55</b>

**Retained earnings including net profit for the year**

Retained earnings that are reported in the Group include the current and preceding year's profit.

**Capital**

Kinnevik's managed capital consists of shareholders' equity. There are no other external capital requirements, other than what is specified in the Swedish Companies Act. For dividend policy and leverage targets, please refer to the Board of Directors' report.

## Note 20 Interest-bearing loans

A summary of maturities and other terms and conditions pertaining to liabilities to credit institutions is presented below. On 31 December 2010, the average remaining maturity for all credit facilities amounted to 3.2 (1.8) years. All loans had floating interest rates at Stibor, or a similar basic interest rate, plus an average margin of 1.4% with a maximum interest period of 3 months. Accrued borrowing costs totaled SEK 37 m (9) for the year. The outstanding loans are a mix of revolving loans and term loans and they may be repaid or cancelled with short notice with no further contractual commitments.

For assets pledged as security for external interest-bearing loans, refer to Note 26.

	2010	2009
<b>Interest-bearing long-term loans</b>		
Liabilities to credit institutions	7 119	7 623
Accrued borrowing costs	-38	-12
	<b>7 081</b>	<b>7 611</b>
<b>Interest-bearing short-term loans</b>		
Liabilities to credit institutions	63	586
	<b>63</b>	<b>586</b>
<b>Total long and short-term interest-bearing loans</b>	<b>7 144</b>	<b>8 197</b>

## Maturity structure

Maturity structure for undiscounted, contracted interest-bearing receivables and liabilities along with future interest payments accruing therewith:

	2011	2012	2013	2014	later	Total
Interest-bearing receivables	23	23	382	23	195	646
Interest-bearing liabilities	-379	-2 024	-835	-153	-4 783	-8 174
<b>Total as per</b>						
<b>31 December 2010</b>	<b>-356</b>	<b>-2 001</b>	<b>-453</b>	<b>-130</b>	<b>-4 588</b>	<b>-7 528</b>

	2010	2011	2012	2013	Total
Interest-bearing receivables	19	36	75	394	524
Interest-bearing liabilities	-717	-5 170	-2 512	0	-8 399
<b>Total as per</b>					
<b>31 December 2009</b>	<b>-698</b>	<b>-5 134</b>	<b>-2 437</b>	<b>394</b>	<b>-7 875</b>

Credit institution	Credit facility as per 31 Dec 2010	Utilised amount 31 Dec 2010	Unutilised amount 31 Dec 2010	Currency
<b>Long-term loans</b>				
<b>Parent Company</b>				
Calyon Bank Stockholm Branch	500	500	0	SEK
DnB NOR Bank ASA (Sweden Branch)	1 000	600	400	SEK
Nordea Bank AB (publ)	1 300	500	800	SEK
Skandinaviska Enskilda Banken AB (publ)	750	0	750	SEK
Svenska Handelsbanken AB (publ)	2 400	675	1 725	SEK
Swedbank AB (publ)	500	200	300	SEK
<b>Total Parent Company</b>	<b>6 450</b>	<b>2 475</b>	<b>3 975</b>	
<b>Other Group companies</b>				
AB Svensk Exportkredit (publ)	600	600	0	SEK
DnB NOR Bank ASA <sup>1)</sup>	4 000	3 298	702	SEK, EUR
Nordea Bank AB (publ)	600	600	0	SEK
Svenska Handelsbanken AB (publ)	144	127	17	EUR
Other	19	19	0	EUR, SEK
<b>Total Group</b>	<b>11 813</b>	<b>7 119</b>	<b>4 694</b>	
<b>Short-term loans</b>				
<b>Parent Company</b>				
Nordea Bank AB (publ)	30	3	27	SEK
Svenska Handelsbanken AB (publ)	102	54	48	SEK, EUR
<b>Total Parent Company</b>	<b>132</b>	<b>57</b>	<b>75</b>	
<b>Other Group companies</b>				
Nordea Bank AB (publ)	9	5	4	SEK
Other	1	1	0	
<b>Total Group</b>	<b>142</b>	<b>63</b>	<b>79</b>	
<b>Total liabilities to credit institutions, Group</b>	<b>11 955</b>	<b>7 182</b>	<b>4 773</b>	

<sup>1)</sup> DnB NOR ASA is the facility agent for a syndicated facility with Crédit Agricole Corporate & Investment Bank (France) Sweden Branch, DnB NOR Bank ASA London Branch, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ) and Swedbank AB (publ) as participating banks. Utilisation under the facility agreement is subject to compliance of certain covenants, including key ratios for net debt to EBITDA and EBITDA in relation to net interest payables. As of 31 December 2010 all covenants were complied for.

Note 21 Provisions for pensions

Kinnevik has defined benefit occupational pension plans for some of its salaried employees within Korsnäs in Sweden (ITP plan) and for some former employees within the Parent Company. At the beginning of 2010, Korsnäs' new earnings plan was discontinued, resulting in Korsnäs instead paying pension premiums to Alecta. The following tables present an overview of the items included in net cost for the compensation reported in the consolidated income statement for the Groups' defined benefit pension plans. They also present amounts reported in the consolidated balance sheet.

Changes in the net obligations for defined-benefit plans recognised in the balance sheet

	2010	2009
Net obligation for defined-benefit plans as at 1 January	580	580
Benefits paid	-32	-32
Cost recognised in the income statement	0	31
Actuarial profit/losses for the year reported against comprehensive income	-6	1
<b>Net obligation for defined-benefit plans as at 31 December</b>	<b>542</b>	<b>580</b>

Net cost of defined benefit pension plans

	2010	2009
Earned during the year	0	10
Reduction of pension commitments	-16	
Interest component in the increase during the year of the present value of the pension commitment	16	21
<b>Reported pension cost, net</b>	<b>0</b>	<b>31</b>

Reported provision at the end of the year

	2010	2009
Commitments	542	580
Plan assets	-	-
<b>Reported provision 31 December</b>	<b>542</b>	<b>580</b>

The year's actuarial revaluation resulted in a gain of SEK 6 m (loss 1), including corresponding payroll tax costs of SEK 1 m (0), and this was recognized against comprehensive income. The accumulated actuarial losses totaled SEK 87 m (93).

Primary assumptions used in setting the pension undertaking (%)

	2010	2009
Discount rate	3.90	3.75
Future pay increases	N/A	3.00
Future pension increases (inflation)	1.75	1.75

Some of the defined benefit pension commitments on behalf of salaried employees within Korsnäs in Sweden are secured by means of insurance policies with Alecta. As Alecta cannot provide sufficient information to permit the ITP plan to be stated in the accounts as defined benefit it is stated in accordance with UFR 6 as defined contribution. Fees paid during the year for pension insurance policies covered by Alecta amount to SEK 18 m (5). Alecta's surplus may be distributed to policyholders and/or the insured. At year-end 2010, Alecta's surplus in form of collective solvency ratio was 146% (141%).

The cost of all defined contribution plans amounted to SEK 88 m (70) for the Group (including premiums paid to Alecta).

The Group's payments into the defined benefit plan in 2010 are expected to amount to SEK 15 m.

Historical information

	2010	2009	2008	2007
Present value of commitments	542	580	580	972
Fair value of plan assets	-	-	-	-438
<b>Net</b>	<b>542</b>	<b>580</b>	<b>580</b>	<b>534</b>
<b>Adjustments based on experience</b>				
Defined benefit commitments	-	-11	8	6
Plan assets	-	-	-	0

The Group previously had a defined-benefit pension plan for former employees of Korsnäs Paper Sacks Ltd, in the UK. During 2008, the pension plan was discontinued when the commitment was reinsured through an external insurance company. During 2009, the administrator of the pension plan informed the company that there was a surplus in the pension plan after all commitments had been reinsured. During 2010, SEK 14 m was received from the pension plan and recognized under "Other operating expenses" in the Consolidated Income Statement. It is still unclear whether the company will receive further repayment.

**Note 22 Other provisions**

	2010	2009
Severance pay and other provisions for restructuring	60	104
Environmental studies	5	5
Other	0	1
	<b>65</b>	<b>110</b>
Long-term	26	51
Short-term	39	59
	<b>65</b>	<b>110</b>
<b>Opening balance, 1 January</b>	<b>110</b>	<b>137</b>
Severance pay completed	-58	-41
New provision for severance pay	16	22
Payment of other provisions	0	-1
Release of other provisions	-3	-7
<b>Closing balance, 31 December</b>	<b>65</b>	<b>110</b>

County administrative boards have submitted claims to Kinnevik regarding environmental studies at a number of sites where Fagersta AB (through name changes and a merger, Investment AB Kinnevik) conducted operations until 1983. Kinnevik's position is that the Company's responsibility to perform any decontamination measures must be very limited if any, primarily out of consideration to the long period of time that has passed since any potential contamination damages occurred and the regulations that were in force at the time, and the fact that a quarter century has passed since operations were shut down or turned over to new owners. Kinnevik has therefore not made any provisions for potential future claims for decontamination measures. SEK 5 m was provided in 2007 for potential environmental studies that Kinnevik might be required to pay for and of this approximately SEK 0.4 m was used in 2010.

**Note 23 Trade creditors and other liabilities**

	2010	2009
Invoiced trade creditors	769	690
Accrued expenses for purchase of goods	212	153
<b>Total trade creditors</b>	<b>981</b>	<b>843</b>
Accrued interest expenses	14	5
Accrued personnel expenses	237	237
Other accrued expenses and prepaid income	171	150
Derivatives, cash flow hedging power supplies	-	23
Other liabilities	119	107
<b>Total other liabilities</b>	<b>541</b>	<b>522</b>

For trade creditors and other liabilities to related parties refer to Note 28.

**Note 24 Auditors' fees**

	2010	2009
<b>To Ernst &amp; Young</b>		
Audit assignments	2.3	2.6
Other services	1.1	1.6
	<b>3.4</b>	<b>4.2</b>

**Note 25 Leasing agreements**

Group companies have concluded a number of agreements covering the rental of premises and other fixed assets. During 2010, SEK 20 m (25) was paid in accordance with operational leasing agreements. Future minimum payments for agreements concluded for leased assets as of 31 December:

	2010	2009
	Premises and other fixed assets	Premises and other fixed assets
2010		25
2011	19	11
2012	15	10
2013	14	9
2014	12	12
2015 and later	22	1
	<b>82</b>	<b>68</b>

The Group had financial leasing agreements of SEK 4 m (4) reported in the balance sheet on 31 December 2010.

**Note 26 Pledged assets**

	2010	2009
<b>For liabilities to credit institutions</b>		
Real estate mortgages	1 900	1 900
Shares in subsidiaries	4 605	4 227
Shares in associated and other companies	5 581	13 050
Business mortgages	600	600
Cash and cash equivalents	-	33
	<b>12 686</b>	<b>19 810</b>

Listed shares in associated companies, shares in unlisted companies and shares in subsidiaries have been pledged in favor of a number of banks for the Group's financing. Pledged listed shares' actual value shall, at any given time, amount to 200% of the outstanding loans. A mortgage deed of SEK 1,900 m in fixed assets and a business mortgage of SEK 600 m in Korsnäs has been provided as security in relation to Korsnäs' bank loans.

**Note 27 Contingent liabilities**

	2010	2009
Sureties and guarantees	20	57
Guarantee commitments, FPG	9	9
	<b>37</b>	<b>66</b>

Refer also to Note 22 regarding costs for decontamination of contingent contamination damages.



**Note 28 Related-party transactions**

For transactions with the Board of Directors and Senior Executives, refer to Note 29. During 2010 and 2009, Kinnevik engaged in transactions with the following related companies.

<b>Related companies</b>	<b>Relationship</b>
Bayport Management Ltd	Associated company of Kinnevik since July 2010.
Black Earth Farming Ltd	Associated company of Kinnevik.
Bomhus Energi AB	Associated company of Kinnevik.
CDON Group AB	Associated company of Kinnevik.
Tele2 AB ("Tele2")	Associated company of Kinnevik.
Modern Times Group MTG AB ("MTG")	Associated company of Kinnevik.
Metro International S.A. ("Metro")	Associated company of Kinnevik.
Transcom WorldWide S.A. ("Transcom")	Associated company of Kinnevik.
Millicom International Cellular S.A. ("Millicom")	Associated company of Kinnevik.
Anima Regni Partners S.à.r.l ("Anima Regni")	Related parties to Anima Regni owns shares in Kinnevik, which provides considerable influence over Kinnevik.
Audit Value S.A. ("Audit Value")	Parties related to Kinnevik own shares in Audit Value, providing considerable influence over Audit Value.
Alltlorenscheurerhof S.A.	Associated company to Kinnevik.
Emesco AB ("Emesco")	Emesco with related parties owned shares in Kinnevik until 17 September 2009 (at which date Kinnevik acquired Emesco), which provided considerable influence over Kinnevik.

All transactions with related parties have taken place at arm's length basis, i.e. on market conditions. In connection with acquisitions and divestments, independent valuations were used as a basis for negotiations on the final price. In all agreements relating to goods and services prices are compared with up-to-date prices from independent suppliers in the market to ensure that all agreements are entered into on market conditions.

**Commercial agreements with related parties**

- Anima Regni, MTG and Tele2 rent office premises from Kinnevik.
- Kinnevik's subsidiary Relevant Traffic performs services within digital sales and marketing to Tele2, MTG, CDON and Metro.
- Kinnevik buys telephony services from Tele2 in a number of countries in which the companies are engaged in business.
- Kinnevik buys internal audit services from Audit Value and rent premises from Alltlorenscheurerhof.
- Other revenue and operating expenses relate mainly to invoiced costs and management services provided.

**Financial loan transactions with related parties**

- Kinnevik has since 2008 had loan receivables on Bayport in form of an Acquisition Bridge Facility and a Mezzanine Term Facility. Bayport has paid interest on these loans on a regular basis. During the second half year 2010 the loans were fully repaid and Bayport replaced its financing with a bond loan where Kinnevik has subscribed for SEK 175 m.

**Other transactions**

- During the second quarter 2009, Kinnevik participated in the refinancing of Metro, investing SEK 274 m in subordinated debentures and warrants. Kinnevik subscribed for 51.9% of the total issue, of which 44.1% comprised preferential rights and 7.8% in addition to this, in accordance with the issued underwriting guarantee.

Kinnevik received a fee from Metro of SEK 7.4 m regarding an underwriting commitment for the refinancing of Metro. The subordinated debentures are recognized at amortized cost by using the effective interest method with an annual effective interest rate of 16%.

- In April 2009, Kinnevik concluded an agreement to acquire all of the shares of Emesco AB from Sapere Aude Trust reg., the Estate of Jan Hugo Stenbeck and Hugo Stenbecks Stiftelse, see further information under Shareholders' equity of the Parent Company, page 64.

The following is a summary of Kinnevik's revenue, expense, receivables and liabilities to and from related parties.

	<b>Group</b>		<b>Parent Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Revenue</b>				
Anima Regni	0.3	-	-	-
Bayport	0.9	-	0.4	-
Black Earth Farming	0.3	0.0	0.1	0.0
Bomhus Energi	4.5	-	-	-
CDON	1.1	-	-	-
Emesco	-	0.5	-	-
Metro	1.8	8.2	0.0	7.9
Millicom	0.1	0.1	0.1	0.1
MTG	4.6	3.4	0.1	0.3
Tele2	7.7	12.8	0.1	0.0
Transcom	0.2	0.3	0.0	0.1
	<b>21.5</b>	<b>25.3</b>	<b>0.8</b>	<b>8.4</b>
<b>Operating expenses</b>				
Alltlorenscheurerhof	-3.0	-2.7	-3.0	-2.7
Audit Value	-0.1	-0.1	-	-
Metro	-0.4	-0.2	-0.4	-0.2
MTG	-0.8	-0.3	-0.1	-0.3
Tele2	-4.8	-3.8	-1.7	-0.5
	<b>-9.1</b>	<b>-7.1</b>	<b>-5.2</b>	<b>-3.7</b>
<b>Interest income</b>				
Bayport <sup>1)</sup>	7.6	-	-	-
Metro, debenture loan	33.0	15.5	-	6.4
	<b>40.6</b>	<b>15.5</b>	<b>-</b>	<b>6.4</b>
<b>Financial receivables from associated companies</b>				
Metro, debenture loan	225	192	-	-
Bayport, bond loan	175	-	-	-
Other associated companies	3	3	-	-
	<b>403</b>	<b>195</b>	<b>-</b>	<b>-</b>
<b>Accounts receivable and other current receivables</b>				
Bomhus Energi	3	-	-	-
CDON	1	-	-	-
MTG	1	1	-	-
Tele2	1	1	-	-
	<b>6</b>	<b>2</b>	<b>-</b>	<b>-</b>

<sup>1)</sup> Bayport became related-party in July 2010. Relates to interest income July-December 2010.

**Note 29 Personnel**

## Average number of employees

Group	2010		2009	
	men	women	men	women
Sweden	1 379	229	1 406	235
Germany	3	1	4	1
Latvia	191	37	207	35
Poland	61	7	65	7
Spain	7	4	5	5
Switzerland	1	-	1	-
UK	6	-	6	-
France	11	4	14	3
Russia	0	0	1	1
China	1	1	-	-
<b>Total number of employees</b>	<b>1 660</b>	<b>283</b>	<b>1 709</b>	<b>287</b>
		<b>1 943</b>		<b>1 996</b>

Distribution of women and men on the Board and in the management group, Group <sup>1)</sup>

	2010		2009	
	men	women	men	women
<b>Board members</b>				
Elected by the AGM	31	4	24	5
Employee representatives, ordinary	4	-	4	-
Employee representatives, deputies	4	-	4	-
CEO	-	1	-	1
Other senior executives	4	1	4	1
	<b>43</b>	<b>6</b>	<b>36</b>	<b>7</b>

<sup>1)</sup> As regards the distribution of women and men in the Board and the management group, the Group has been defined as the following companies: Investment AB Kinnevik, Korsnäs AB, Mellersta Sveriges Lantbruks AB, Sia Latgran, Relevant Traffic Europe AB and Vireo Energy AB.

## Distribution of women and men on the Board and in the management group, Parent Company

	2010		2009	
	men	women	men	women
<b>Board members</b>				
Elected by the AGM	6	1	6	1
Employee representatives, ordinary	2	-	2	-
Employee representatives, deputies	2	-	2	-
CEO	-	1	-	1
Other senior executives	3	1	3	1
	<b>13</b>	<b>3</b>	<b>13</b>	<b>3</b>

## Salaries, other remuneration and social security expenses (SEK 000s)

Group	2010		2009	
	Board, CEO, senior executives <sup>1)</sup>	Other employees <sup>3)</sup>	Board, CEO, senior executives <sup>1)</sup>	Other employees <sup>3)</sup>
Sweden	31 864	809 257	28 579	770 172
Other countries	4 727	56 674	7 053	63 334
<b>Total salaries and other remuneration</b>	<b>36 591</b>	<b>865 931</b>	<b>35 632</b>	<b>833 506</b>
Social security expenses	20 100	355 879	17 983	336 048
Of which, pension expense <sup>2)</sup>	10 880	92 995	6 567	84 842

<sup>1)</sup> Relates to Board and CEO of all Group companies and senior executives in the Parent Company.

<sup>2)</sup> Relates to present and former Board members and CEOs.

<sup>3)</sup> The amount includes SEK 53 (36) m in remuneration paid during the year which relates to restructuring costs within Korsnäs expensed in 2009 and earlier.

Pension and other obligations and similar benefits for former Board members and CEOs for the Group amounts to a total of SEK 48,322,000 (60,777,000). These amounts are included among liabilities in the balance sheet of the Group.

**Principles**

Guidelines on remuneration for senior executives approved by the Annual General Meeting in 2010 are presented in the Board of Directors' Report. From these guidelines a Remuneration Committee draw up principles and proposal for the remuneration of the senior executives.

Following consultation with the Nomination Group, the Board appoints members and the Chairman in the Remuneration Committee. The Remuneration Committee's task covers issues involving salaries, pensions, incentive programs, variable remuneration and other terms and conditions of employment for the management of the Parent Company and the CEO of Korsnäs.

Cristina Stenbeck, Wilhelm Klingspor and Erik Mitteregger were members of the Remuneration Committee during 2010. Wilhelm Klingspor was the Committee Chairman.

Remuneration to the CEO and other senior executives consists of fixed salary, variable salary, and customary benefits and pension. Variable salary may not exceed 50% of the fixed salary. During 2010 there was, besides the CEO, five other senior executives (2009 five) employed within Kinnevik.

## Remuneration for the CEO and other senior executives (SEK 000's)

	2010		2009	
	CEO	Other senior executives	CEO	Other senior executives
Fixed salaries	6 104	10 570	5 998	9 299
Variable salaries	2 820	3 674	2 368	4 238
Benefits	119	485	101	451
Pension expenses	1 220	2 192	1 174	1 788
Estimated costs for share-based remuneration	2 158	3 904	1 284	1 760

For the CEO of the Parent Company, pension premium payments of 20% of fixed salary were paid. In the event of termination of employment initiated by the Company, the CEO is entitled to a salary during a notice period of 18 months. Any salary received from new employment during the notice period reduces salary received from Kinnevik during the notice period. In the event of termination of employment initiated by the CEO, the notice period is 12 months.

For the five other senior executives pension premium payments of a maximum of 20% of fixed salary were paid. Pension premiums are paid to insurance companies.

Board fees paid to the Directors of the Parent Company (SEK 000's)

	2010			2009		
	Board fees, Parent Company	Board positions, subsidiaries	Total fee	Board fees, Parent Company	Board positions, subsidiaries	Total fee
Cristina Stenbeck (Chairman)	950		950	925	150	1 075
Vigo Carlund	400	500	900	400	400	800
John Hewko	425		425	400	-	400
Wilhelm Klingspor	525	150	675	525	150	675
Erik Mitteregger	600		600	575	-	575
Stig Nordin	475	150	625	475	150	625
Allen Sangines-Krause <sup>1)</sup>	500		500	500	-	500
	<b>3 875</b>	<b>800</b>	<b>4 675</b>	<b>3 800</b>	<b>850</b>	<b>4 650</b>

<sup>1)</sup> In January 2011 Kinnevik signed an agreement with Allen Sangines-Krause through his company which entitles him to a service fee of SEK 2 m per year for services provided to the Board and management of Kinnevik in addition to customary board work. Allen Sangines-Krause is from that date not considered as an independent Director of the Company and management.

In the event of termination of employment initiated by the Company, other senior executives are entitled to a salary over a notice period of a minimum 6 and a maximum 18 months. Any salary received from new employment during the notice period reduces salary received from Kinnevik during the notice period.

**Incentive plan**

There are long-term incentive plans (the "Plans") for senior executives and other key employees in the Kinnevik Group that require participants to own shares in Kinnevik.

For each share held within the framework of the Plans, the Company has distributed retention and performance-based share rights. Subject to fulfillment of certain retention- and performance-based conditions during the individual periods included in the Plans (1 April 2008 - 31 March 2011, 1 April 2009 - 31 March 2012 and 1 April - 31 March 2013, the "Measure Periods"), the participant remaining in the employment of the Kinnevik Group at the time of publication of the interim reports for the January - March 2011, January - March 2012, January - March 2013 periods, and subject to the participant retaining the invested shares, each retention right and performance right will entitle the participant to receive one class B share in the Company.

The number of shares the employee will receive depends on the fulfillment of defined retention- and performance-based conditions during the Measure Periods based on:

- Total return on the Kinnevik class B share
- Average annual development of the net asset value, including dividends
- Average annual return within the New Ventures business area
- Average normal return on working capital at Korsnäs
- Average EBITDA margin at Korsnäs in relation to a peer group

The goals included in each participant's program will depend on the company in which the participant is employed.

In order to equalize participants' interests with those of shareholders, the Company will compensate for forfeited dividends by increasing the number of shares and rights to which they are entitled.

At 31 December 2010, the Plan that was established in 2008, with a Measure Period of 1 April 2008 - 31 March 2011, had participation totaling 17,600 shares held by employees entitling a maximum allotment of 91,400 rights, of which 17,600 retention share rights and 73,800 performance share rights. The Plan encompasses the following number of shares and maximum number of share rights for the various categories: the CEO of the Group a maximum of 4,000 invested shares and seven rights per invested share, senior executives of Kinnevik (category 1) and the President of Korsnäs a maximum of 1,500 invested shares and 5.5 rights per invested share, senior executives of Kinnevik (category 2) and other members of Korsnäs' management group up to 700 invested shares and four rights per invested share,

and remaining participants up to 400 invested shares and four rights per invested share. The participant's maximum profit is limited to SEK 570 per right. The maximum dilution is 0.04% in terms of shares outstanding, 0.02% in terms of votes and 0.03% in terms of costs for the program as defined in IFRS 2 in relation to Kinnevik's market capitalization.

At 31 December 2010, the Plan that was established in 2009, with a Measure Period of 1 April 2009 - 31 March 2012, had participation totaling 27,700 shares held by employees entitling a maximum allotment of 143,800 rights, of which 27,700 retention share rights and 116,100 performance share rights. The Plan encompasses the following number of shares and maximum number of share rights for the various categories: the CEO of the Group a maximum of 5,500 invested shares and seven rights per invested share, the President of Korsnäs 3,000 invested shares and 5.5 rights per invested share, senior executives of Kinnevik (category 1) 2,000 invested shares and 5.5 rights per invested share, senior executives of Kinnevik (category 2) and other members of Korsnäs' management group up to 1,000 invested shares and four rights per invested share, and remaining participants up to 550 invested shares and four rights per invested share. The participant's maximum profit is limited to SEK 320 per right. The maximum dilution is 0.07% in terms of shares outstanding, 0.03% in terms of votes and 0.02% in terms of costs for the program as defined in IFRS 2 in relation to Kinnevik's market capitalization.

At 31 December 2010, the Plan that was established in 2010, with a Measure Period of 1 April 2010 - 31 March 2013, had participation totaling 22,900 shares held by employees entitling a maximum allotment of 115,600 rights, of which 22,900 retention share rights and 92,700 performance share rights. The Plan encompasses the following number of shares and maximum number of share rights for the various categories: the CEO of the Group a maximum of 4,000 invested shares and 7 rights per invested share, the President of Korsnäs 2,000 invested shares and 5.5 rights per invested share, senior executives of Kinnevik (category 1) 1,500 invested shares and 5.5 rights per invested share, senior executives of Kinnevik (category 2) and other members of Korsnäs' management group up to 700 invested shares and 4 rights per invested share, and remaining participants up to 400 invested shares and 4 rights per invested share. The participant's maximum profit is limited to SEK 573 per right. The maximum dilution is 0.05% in terms of shares outstanding, 0.02% in terms of votes and 0.02% in terms of costs for the program as defined in IFRS 2 in relation to Kinnevik's market capitalization.

The Plans described above could result in expenses for the Kinnevik Group in the form of social security costs upon utilization, as well as personnel costs during the vesting period, which is reserved on a running basis.

This year's cost amounts to a total of SEK 10 m (4) and is calculated according to anticipated outcome should all participants remain employed at the end of the Measure Period.

**Note 30 Financial assets and liabilities allocated by category**

2010	Financial assets accounted at fair value	Financial assets held to maturity	Loan receivables and trade receivables	Cash flow hedging	Financial liabilities	Total book value	Fair value
Financial assets accounted at fair value, Level 1	51 469			75		51 544	51 544
Financial assets accounted at fair value, Level 3	2 852					2 852	2 852
Financial assets held to maturity		225				225	268
Trade receivables			829			829	829
Other current assets	3		288			291	291
Short term investments			5			5	5
Cash at bank			145			145	145
<b>Total financial assets</b>	<b>54 324</b>	<b>225</b>	<b>1 267</b>	<b>75</b>		<b>55 891</b>	<b>55 934</b>
Interest bearing loans					7 144	7 144	7 144
Trade creditors					981	981	981
Other liabilities					304	304	304
<b>Total financial liabilities</b>				<b>-</b>	<b>8 429</b>	<b>8 429</b>	<b>8 429</b>

2009	Financial assets accounted at fair value	Financial assets held to maturity	Loan receivables and trade receivables	Cash flow hedging	Financial liabilities	Total book value	Fair value
Financial assets accounted at fair value, Level 1	41 723					41 723	41 723
Financial assets accounted at fair value, Level 3	861					861	861
Financial assets held to maturity		192				192	196
Trade receivables			741			741	741
Other current assets	3		527			530	530
Short term investments			51			51	51
Cash at bank			186			186	186
<b>Total financial assets</b>	<b>42 587</b>	<b>192</b>	<b>1 505</b>	<b>-</b>		<b>44 284</b>	<b>44 288</b>
Interest bearing loans					8 197	8 197	8 197
Trade creditors					843	843	843
Other liabilities				23	262	285	285
<b>Total financial liabilities</b>				<b>23</b>	<b>9 302</b>	<b>9 325</b>	<b>9 325</b>

**Duration**

For the duration of interest bearing loans refer to Note 20. Of other financial liabilities the major part will fall due within one to six months.

**Fair value**

Fair value of financial assets which are valued at accrued acquisition value and are charged with floating rate or have short-term maturity, the book value correspond to fair value.

The fair value of financial assets held to maturity is according to the listed price on Nasdaq OMX Stockholmsbörsen 31 December 2010. Financial assets accounted at fair value are distributed in the three levels stated below:

Level 1: Fair value established based on listed prices in an active market for the same instrument.

Level 2: Fair value established based on valuation techniques with observable market data, either directly (as a price) or indirectly (derived from a price) and not included in Level 1.

Level 3: Fair value established using valuation techniques, with significant input from data that is not observable in the market.

**Financial assets accounted at fair value, Level 3**

	2010	2009
Opening balance, book value, 1 January	861	760
Acquisitions	1 411	109
Amortization on loan receivables	-112	-
Change in value through the income statement	693	1
Exchange gain/loss	-1	-9
<b>Closing balance, 31 December</b>	<b>2 852</b>	<b>861</b>

Closing balance at 31 December 2010 includes SEK 882 m in unrealised profit/loss.

## Note 31 Financial risk management

The Group's financing and management of financial risks is centralized within Kinnevik's finance function and is conducted on the basis of a finance policy established by the Board of Directors. The Group has established a model for risk management, the aims of which are to identify, control and reduce risks. The identified risks and how they are managed are reported to the Kinnevik Board on a quarterly basis. Kinnevik is exposed to financial risks mainly in respect of

- The stock market, meaning the risk of changes in the value of the major listed holdings.
- The interest rates, resulting from changes in underlying interest rates.
- The exchange rates, comprising transaction exposure and translation exposure.
- Liquidity and refinancing, meaning the risk that the cost of financing will increase or that opportunities will be limited when loans are re-negotiated, and that payment obligations cannot be met due to insufficient liquidity.

### Stock market risk

Kinnevik's strategy is to participate actively in the companies in which the Group invests. Operations include management of a stock portfolio comprising considerable investments in a small number of listed companies. Accordingly, the portfolio is concentrated to a small number of companies, which makes the return dependent on how well these companies and their particular industries develop. By being an active owner, the return can be maximized and the risks controlled.

The Group's assets, through ownership of shares in a number of companies conducting operations in more than 60 countries, are exposed to political risks. More than 50% of the market value of Kinnevik's combined assets of approximately SEK 65 billion at 31 December 2010, were exposed to growth markets in Latin America, Sub Saharan Africa, Russia and Eastern Europe.

The concentrated portfolio results in a significant liquidity risk in the portfolio, in that it is difficult for Kinnevik during a limited time to make major changes in the portfolio's composition without this affecting the share price.

Parts of the stock portfolio are used as collateral for Kinnevik's loans from credit institutions. On 31 December 2010, 10% (30%) of the stock portfolio was used as collateral for the Group's loans; also refer to Note 26.

The stock market risk associated with Kinnevik's portfolio may be illustrated by stating that a 1% change in the prices of all of the listed shareholdings at 31 December 2010 would have affected earnings and shareholders' equity by SEK 515 m.

### Interest rate risk

Kinnevik's policy is to maintain short interest periods because the Company believes that this leads to lower interest expense over time. The Group has no borrowing subject to periods of fixed interest exceeding three months. On 31 December 2010, all of Kinnevik's liabilities to credit institutions, SEK 7,182 m, were exposed to interest rate changes, of which SEK 6,844 m to changes in Stibor and SEK 338 m to changes in Euribor. It would take three months for an increase in short-term interest rates to gain its full impact on Kinnevik's interest expense. Accordingly, if the interest rate at 31 December 2010 had risen with 1% the average interest expense on an annualized basis would have risen by SEK 72 m. According to Kinnevik, short-term negative effects from increases in the interest rate can be handled thanks to positive operating cash flow from Korsnäs, but is continuously measuring the risk to manage the potential impact a sharp increase in the interest rate might have on the business.

### Foreign exchange rate risk

#### Transaction exposure

The Group's revenues and operating expenses arise mainly in SEK and EUR. The Group's policy is to endeavor to match revenues and costs in the same currency. The net flow of the Group's inflow and outflow in foreign currency amounted to a net inflow of approximately SEK 600 m (600) for the year, which consisted mainly of EUR. The Group's policy is not to hedge this type of transaction exposure. The reason

for this approach is that the Group is dealing with a continuously even net inflow of foreign currency for which, over time, hedging measures would also be affected by exchange rate changes. However, specific transactions where the foreign exchange rate risks are material may be hedged on a case by case basis. As per 31 December 2010, Kinnevik had no outstanding hedging contracts.

A change in the EUR/SEK rate by SEK +/-5% would have affected consolidated profit in 2010 by approximately SEK +/-30 m.

#### Translation exposure

Translation exposure arises when the earnings and shareholders' equity of foreign subsidiaries are translated into SEK. This exposure also arises in situations when the capital employed and the financing of it is in different currencies. Kinnevik's policy is to minimise the foreign exchange rate risk by raising external borrowing in various currencies to finance capital employed. If this is not possible and significant temporary exposures exist, the Group's finance policy permits the use of forward contracts. On 31 December 2010, there were no outstanding forward contracts with this purpose. Translation exposure arising from the translation of the foreign subsidiaries' earnings and shareholders' equity is not hedged since the exposure is considered being of no material importance to Kinnevik. A change in the PLN/SEK rate by 5% would have affected consolidated net assets by SEK 9 m (9) on 31 December 2010. A change in the LVL/SEK rate by 5% would have affected consolidated net assets by SEK 7 m (7) on the same date. A change in the EUR/SEK rate or USD/SEK rate would have no material effect on the consolidated net assets.

In addition to the translation exposure existing in the operative subsidiaries, Kinnevik owns shares in listed companies that engage in foreign operations. Millicom, a company that reports in USD, has its main listing in the United States and conducts operations in Latin America and Africa, accounts for the principal exchange rate risk. On 31 December 2010, the book value of the holdings in Millicom was SEK 24,309 m.

#### Liquidity and refinancing risk

Kinnevik's liquidity risk is limited because listed shares account for a large part of the Company's assets. On 31 December 2010, the Company also had cash and cash equivalents and committed but unutilized credit facilities amounting to SEK 4,923 m.

Kinnevik's refinancing risk is limited by having loans from a number of different credit institutions with diversified maturities as well as by striving for refinancing of all credit facilities at least six months prior to maturity. On 31 December 2010, the available amount under the existing credit facilities totalled SEK 11,955 m (11,915) and the average remaining term was 3.2 (1.8) years.



# Parent Company's financial statements

## Parent Company Statement of Income for the period 1 January-31 December (SEK m)

	Note	2010	2009
Revenue		19	22
Administration costs		-83	-71
Other operating income		4	3
<b>Operating loss</b>		<b>-60</b>	<b>-46</b>
Dividends received	2	1 445	1 754
Earnings from financial assets, associated companies	4	40	130
Earnings from financial assets, subsidiaries	4	491	14 998
Interest income and other financial income	3	554	50
Interest expenses and other financial expenses	3	-149	-138
<b>Profit/loss after financial items</b>		<b>2 321</b>	<b>16 748</b>
Tax		-57	34
<b>Net profit for the year <sup>1)</sup></b>		<b>2 264</b>	<b>16 782</b>

<sup>1)</sup> Net profit corresponds with total comprehensive income

## Parent Company Balance Sheet 31 December (SEK m)

	Note	2010	2009
<b>ASSETS</b>			
<b>Tangible fixed assets</b>			
Equipment	6	2	2
Shares and participations in Group companies	8	17 725	17 310
Receivables from Group companies		14 108	13 146
Shares and participations in associated companies	7	10 679	10 334
Shares and participations in other companies	7	29	46
Deferred tax receivables		4	9
Other long-term receivables		-	1
<b>Total fixed assets</b>		<b>42 547</b>	<b>40 848</b>
<b>Current assets</b>			
Receivables from Group companies		533	397
Other receivables		16	11
Accrued income		0	1
Prepayments		2	3
Short term investments		-	50
Cash and cash equivalents		1	3
<b>Total current assets</b>		<b>552</b>	<b>465</b>
<b>TOTAL ASSETS</b>		<b>43 099</b>	<b>41 313</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	10		
<b>Restricted equity</b>			
Share capital (277,583,190 shares of SEK 0.10 each)		28	28
Premium reserve		6 868	6 868
<b>Unrestricted equity</b>			
Share premium		1 616	1 616
Retained earnings		26 196	10 446
Net result		2 264	16 782
<b>Total shareholders' equity</b>		<b>36 972</b>	<b>35 740</b>
Untaxed reserves		1	0

	Note	2010	2009
<b>Provisions</b>			
Provisions for pensions		26	28
Other provisions	9	9	16
<b>Total provisions</b>		<b>35</b>	<b>44</b>
<b>Long-term liabilities</b>			
External interest-bearing loans	11	2 467	3 037
Liabilities to Group companies		2 693	359
<b>Total long-term liabilities</b>		<b>5 160</b>	<b>3 396</b>
<b>Short-term liabilities</b>			
External interest-bearing loans	11	57	572
Trade creditors		4	2
Liabilities to Group companies		809	1 507
Other liabilities		41	36
Accrued expenses	12	20	16
<b>Total current liabilities</b>		<b>931</b>	<b>2 133</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>43 099</b>	<b>41 313</b>
<b>Pledged assets</b>	13	<b>8 035</b>	<b>10 443</b>
<b>Contingent liabilities</b>	14	<b>2</b>	<b>2</b>

## Parent Company Statement of Cash Flow for the period 1 January-31 December (SEK m)

	2010	2009
<b>Operations</b>		
Operating loss	-60	-46
Non-cash items	-4	-7
Taxes paid	13	-31
<b>Cash flow from operations before change in working capital</b>	<b>-51</b>	<b>-84</b>
Change in operating assets	1	-3
Change in operating liabilities	21	4
<b>Cash flow from operations</b>	<b>-29</b>	<b>-83</b>
<b>Investing activities</b>		
Investments in subsidiaries	-14	-
Investments in tangible fixed assets	-1	0
Disposals of shares and other securities	17	-1
External dividends received	789	681
Interest received	531	44
<b>Cash flow from investing activities</b>	<b>1 322</b>	<b>724</b>
<b>Financing activities</b>		
Borrowing	261	774
Amortisation of loans	-1 346	-1 935
Change in intra-Group balances	722	1 069
Interest paid	-151	-160
Dividend paid	-831	-521
<b>Cash flow from financing activities</b>	<b>-1 345</b>	<b>-773</b>
<b>Cash flow for the year</b>	<b>-52</b>	<b>-132</b>
<b>Cash and bank, opening balance</b>	<b>53</b>	<b>185</b>
<b>Cash and bank, closing balance</b>	<b>1</b>	<b>53</b>

Movements in Shareholders' equity of the Parent Company (SEK m)

	Share capital	Pre-mium reserve	Un-restricted equity	Total
<b>Opening balance, 1 January 2009</b>	<b>26</b>	<b>6 868</b>	<b>10 846</b>	<b>18 740</b>
New share issue (acquisition Emesco) <sup>1)</sup>	2	-	1 616	1 618
Cash dividend <sup>2)</sup>	-	-	-521	-521
Group contribution	-	-	161	161
Tax, Group contribution	-	-	-42	-42
Effect of employee share saving programme	-	-	2	2
Net result	-	-	16 782	16 782
<b>Closing balance, 31 December 2009</b>	<b>28</b>	<b>6 868</b>	<b>28 844</b>	<b>35 740</b>
Cash dividend <sup>3)</sup>	-	-	-831	-831
Group contribution	-	-	-275	-275
Tax, Group contribution	-	-	72	72
Effect of employee share saving programme	-	-	2	2
Net result	-	-	2 264	2 264
<b>Closing balance, 31 December 2010</b>	<b>28</b>	<b>6 868</b>	<b>30 076</b>	<b>36 972</b>

<sup>1)</sup> Consideration for Emesco's share portfolio took the form of 16,676,260 newly issued Kinnevik class B shares to the shareholders of Emesco, representing approximately 6.0% of the capital and 2.3% of the votes in Kinnevik post issuance. In determining the number of class B shares to be issued, Kinnevik's class B shares were valued at a premium of 17.5% and 12.1% below net asset value, to the volume weighted average share price over the last ten trading days before the transaction was agreed on 23 April. The market value for the class B share was SEK 97 on 17 September when the acquisition was finalized.

<sup>2)</sup> The Annual General Meeting held on 11 May 2009, resolved in favor of paying a cash dividend of SEK 2.00 per share, a total of SEK 521 m.

<sup>3)</sup> The Annual General Meeting held on 17 May 2010, resolved in favor of paying a cash dividend of SEK 3.00 per share, a total of SEK 831 m.

## Notes to the Parent Company's financial statements

### Note 1 Parent Company's accounting principles

The Parent Company's annual accounts have been prepared in accordance with Swedish law and the Swedish Financial Reporting Board's recommendation RFR 2 (Reporting for legal entities).

The Parent Company's accounting principles depart from the principles governing consolidated accounting in respect of the valuation of financial instruments and pension liabilities. The Parent Company applies RFR 2 in respect of the option not to observe IAS 39. Financial instruments are thus not valued at fair value as in the Group but at their acquisition cost and after write-down, if any. Pension liabilities are reported in accordance with Swedish principles.

For information concerning related party transactions, refer to Note 28 for the Group.

### Note 2 Dividends received

	2010	2009
<b>Subsidiaries</b>	0	1 073
<b>Associated companies</b>		
Modern Times Group MTG AB, cash dividend	55	50
Modern Times Group MTG AB, shares in CDON Group AB	306	-
SCD Invest AB (repaid shareholders contribution)	350	-
Tele2 AB	734	627
<b>Other companies</b>		
Radio Components Sweden AB	-	4
	<b>1 445</b>	<b>1 754</b>

### Note 3 Financial income and expenses

	2010	2009
Interest income from third parties	4	22
Interest income from Group companies	527	20
Other financial income	-	8
Exchange-rate differences	23	-
<b>Financial income</b>	<b>554</b>	<b>50</b>
Interest expenses to credit institutions	-74	-111
Interest expenses to Group companies	-75	-23
Exchange-rate differences	-	-4
<b>Financial expenses</b>	<b>-149</b>	<b>-138</b>
<b>Net financial income/expenses</b>	<b>405</b>	<b>-88</b>

### Note 4 Earnings from financial assets

	2010	2009
Reversed write-down of shares in associated companies	39	131
Other	1	-1
<b>Total earnings from associated companies</b>	<b>40</b>	<b>130</b>
Intra-group sale of shares in Millicellvik AB	-	15 076
Write-down of shares in subsidiaries	-1	-201
Reversed write-down of shares in subsidiaries	480	123
Repaid shareholders contribution, subsidiaries	12	-
<b>Total earnings from subsidiaries</b>	<b>491</b>	<b>14 998</b>

Reversed write-down of shares in associated companies in 2010 are related to Metro International S.A. and are made due to increased market value. Reversed write-down of subsidiaries are related to Kinnevik New Ventures AB and are due to estimated increase in market value.

### Note 5 Auditors' fees

	2010	2009
<b>To Ernst &amp; Young</b>		
Audit assignments	0.8	0.7
Other services	0.3	0.7
	<b>1.1</b>	<b>1.4</b>

### Note 6 Tangible fixed assets

	2010	2009
<b>Equipment</b>		
Opening acquisition values	4	4
Investments for the year	1	0
Disposals/scrapping for the year	-1	0
<b>Closing acquisition values</b>	<b>4</b>	<b>4</b>
Opening accumulated depreciation	-2	-2
Disposals/scrapping for the year	0	0
Depreciation for the year	0	0
<b>Closing accumulated depreciation</b>	<b>-2</b>	<b>-2</b>
<b>Closing book value</b>	<b>2</b>	<b>2</b>

## Note 7 Shares and participations

Associated companies	Reg no	Registered office	Number of shares, 2010	2010 Capital/voting (%)	Book value	2009 Capital/voting (%)	Book value
Altlorenscheurerhof S.A.		Luxembourg	625	33	11	33	11
CDON Group AB	556035-6940	Malmö	9 935 011	15	306	-	-
Metro International S.A.		Luxembourg	232 546 906	44/40	269	44/40	230
Metro International S.A, warrants		Luxembourg			106		106
Modern Cartoons Ltd		USA	2 544 000	23	0	23	0
Modern Times Group MTG AB	556309-9158	Stockholm	9 935 011	15/36	1 133	15/36	1 133
SCD Invest AB, in liquidation	556353-6753	Stockholm	10 584 250	91/50	0	91/50	0
Shared Services S.A.		Luxembourg	200	30	0	30	0
Tele2 AB	556410-8917	Stockholm	125 481 525	28/37	8 601	28/37	8 601
Transcom WorldWide S.A.		Luxembourg	12 627 543	17/31	253	17/31	253
					<b>10 679</b>		<b>10 334</b>

Other companies	Reg. no.	Registered office	Number of shares	Capital/voting (%)	Book value	Capital/voting (%)	Book value
Bayport Management Ltd					-	6	17
Modern Holdings Inc.		USA	2 646 103	18	26	18	26
Radio Components Sweden AB	556573-3846	Stockholm	2 346 337	19	2	19	2
Tenant-owner apartments					1		1
					<b>29</b>		<b>46</b>

Change in book value, shares and participations in associated companies

	2010	2009
Opening acquisition value, 1 January	11 490	11 384
Dividends received, shares in CDON Group AB	306	-
Investments for the year	-	106
<b>Closing acquisition value, 31 December</b>	<b>11 796</b>	<b>11 490</b>
Opening write-down, 1 January	-1 156	-1 287
Reversed write-down for the year	39	131
<b>Closing write-down, 31 December</b>	<b>-1 117</b>	<b>-1 156</b>
<b>Closing book value, 31 December</b>	<b>10 679</b>	<b>10 334</b>

Change in book value, shares and participations in other companies

	2010	2009
Opening acquisition value, 1 January	46	29
Disposals, Group internal	-17	-
Investments for the year	-	17
<b>Closing acquisition value, 31 December</b>	<b>29</b>	<b>46</b>

## Note 8 Shares and participations in Group companies

Shares and participations in direct-owned subsidiaries

	Reg no	Registered office	Number of shares	Capital/voting (%)	2010	2009
Assuransinvest AIA AB	556051-6238	Stockholm	295 384	100/100	93	93
Emesco AB	556035-3749	Stockholm	1 635	100/100	7 692	7 678
Frevik AB (liquidated 2010)	556281-6040	Stockholm	1 000	100/100	-	1
Gefle Borg Bryggeri AB	556489-9689	Gävle	1 736 000	99/99	0	12
Invik & Co. AB	556061-4124	Stockholm	7 000	100/100	0	0
Invik S.A.		Luxembourg	551 252	100/100	211	174
Kinnevik UK Ltd		UK	1 000	100/100	2	2
Förvaltnings AB Eris & Co.	556035-7179	Stockholm	1 020 000	100/100	166	159
Kinnevik New Ventures AB	556736-2412	Stockholm	100	100/100	1 239	870
Korsnäs AB	556023-8338	Gävle	53 613 270	100/100	8 320	8 320
Plonvik Sp.zo.o <sup>1)</sup>		Poland	1	0/0	1	0
Korsnäs Holding AB	556170-7703	Stockholm	1 000	100/100	0	0
Kinnevik Radio AB	556237-4594	Sollentuna	7 500	100/100	1	1
Kinnevik S.A.		Luxembourg	1 249	100/100	0	0
<b>Book value</b>					<b>17 725</b>	<b>17 310</b>

<sup>1)</sup> Partly owned by the Parent Company. Wholly owned by the Group.

Reconciliation of the book value of shares in subsidiaries

	2010	2009
Opening acquisition value, 1 January	18 992	15 077
Shareholders' contribution	44	7 283
Repaid shareholders contribution	-123	-
Acquisitions	14	1 678
Internal disposals	-	-5 032
Liquidation of subsidiaries	-	-14
<b>Closing acquisition value, 31 December</b>	<b>18 927</b>	<b>18 992</b>
Opening write-down, 1 January	-1 682	-1 604
Write-down for the year	0	-201
Reversed write-downs for the year	480	123
<b>Closing write-down, 31 December</b>	<b>-1 202</b>	<b>-1 682</b>
<b>Closing book value, 31 December</b>	<b>17 725</b>	<b>17 310</b>

All transactions are non-cash items.

Over and above the direct-owned shares and participations of the Parent Company the following companies are included in the Group:

	Reg.no.	Registered office	Capital/voting (%)
Duego Technologies AB	556820-3110	Gothenburg	70/70
Finvik AB	556809-6308	Stockholm	100/100
Guider Media Group Europe AB	556800-3205	Stockholm	100/100
Mellersta Sveriges Lantbruks AB	556031-9013	Vadstena	100/100
Plonvik Sp. z o.o.		Poland	100/100
Rolnyvik Sp. z o.o.		Poland	100/100
Kinnevik Holding SA		Luxembourg	100/100
Kinnevik Mauritius Ltd		Mauritius	100/100
Kinnevik Online Ventures AB	556815-4958	Stockholm	100/100
Latgran Biofuels AB	556811-4184	Stockholm	100/100
Sia Latgran		Latvia	75/75
Invik Mauritius Ltd		Mauritius	100/100
Millicellvik AB	556604-8285	Sockholm	100/100
Milvik Ghana Ltd		Ghana	100/100
Korsnäs Paper Sacks Ltd, in liquidation		UK	100/100
AB Stjernsunds Bruk	556028-6881	Gävle	100/100
Trävaru AB Dalerne	556044-3920	Gävle	100/100
Diacell AB	556155-2786	Gävle	100/100
Korsnäs Advanced Systems AB	556560-8527	Gävle	100/100
Korsnäs Asia Holding Ltd		China	100/100
Korsnäs France S.A.S.		France	100/100
Korsnäs GmbH		Germany	100/100
Korsnäs Latvia Holding Sia		Latvia	100/100
Korsnäs Rockhammar AB	556761-2436	Gävle	100/100
Korsnäs Shanghai Trading Ltd		Shanghai	100/100
Korsnäs Switzerland AG		Switzerland	100/100
Latsin Sia		Latvia	100/100
Sia Freja		Latvia	100/100
Korsnäs Sales Ltd		UK	100/100
Korsnäs Sägverks AB	556024-8477	Gävle	100/100
Marma Skog 31 AB	556580-2203	Gävle	100/100
AB Marmaskog 75	556802-4359	Gävle	100/100
AB Marmaskog 76	556802-4367	Gävle	100/100
AB Marmaskog 77	556802-4375	Gävle	100/100
Relevant Traffic Europe AB	556618-1987	Stockholm	99/99
Relevant Traffic Sweden AB	556580-1650	Stockholm	100/100
SAS Relevant Traffic		France	100/100
Relevant Traffic Spain S.L.		Spain	100/100
Vireo Energy AB	556798-5907	Stockholm	75/75

**Note 9 Other provisions**

	2010	2009
Remuneration to former CEO	4	9
Environmental studies	5	5
Other	0	2
	<b>9</b>	<b>16</b>
Long-term	5	9
Short-term	4	7
	<b>9</b>	<b>16</b>
<b>Change for the year</b>		
<b>Opening balance, 1 January</b>	<b>16</b>	<b>24</b>
Remuneration paid to former CEO	-5	-5
Release of other provisions	-2	-3
<b>Closing balance, 31 December</b>	<b>9</b>	<b>16</b>

County administrative boards have submitted claims to Kinnevik regarding environmental studies at a number of sites where Fagersta AB (through name changes and a merger, Investment AB Kinnevik) conducted operations until 1983. Kinnevik's position is that the Company's responsibility to perform any decontamination measures must be very limited, if any, primarily out of consideration to the long period of time that has passed since any potential contamination damages occurred and the regulations that were in force at the time, and the fact that a quarter century has passed since operations were shut down or turned over to new owners. Kinnevik has therefore not made any provisions for potential future claims for decontamination measures. SEK 5 m was provided in 2007 for potential environmental studies that Kinnevik might be required to pay for of which approximately SEK 0.4 m was used in 2010.

**Note 10 Shareholders' equity**

Change in shareholders' equity from the preceding year's balance sheet are presented in Movements in Shareholders' equity of the Parent Company.

**Share capital**

Investment AB Kinnevik's share capital as of 31 December 2010 was distributed among 277,583,190 shares with a par value of SEK 0.10 per share.

Distribution by class of shares was as follows

	Number of shares	Par value (SEK 000s)
Class A shares	48 665 324	4 867
Class B shares	228 492 866	22 849
Class C shares in own custody	425 000	42
Registered number of shares	277 583 190	27 758

During 2009, the following changes to the number of shares have been effected following approval at AGM and EGM in May: 290,000 newly issued class C shares held in treasury to be delivered to participants in incentive programs, 16,676,260 newly issued class B shares paid to the sellers of Emesco, and cancellation of 3,500,000 repurchased class B shares. The total increase of shares amounted to 13,466,260.

During 2010, following approval at the AGM, further 135,000 class C shares were issued and held in treasury to be delivered to participants in incentive programs.

One class A share entitles to ten votes, one class B share to one vote and one class C share to one vote. All class A shares and class B shares provide equal rights to participation in Kinnevik's assets and earnings. Class C shares are not entitled to dividend. The total amount of votes in Kinnevik is 715,571,106.

Shareholders including Verdere S.à.r.l., Sapere Aude Trust among others, together holding shares representing 48.3% of the votes and 17.4% of the share capital in Kinnevik, have informed the Company that they have an agreement regarding coordinated voting of their shares.

The Board was authorized by the AGM 2010 to repurchase a maximum of 10% of all shares in the Company. During the year no shares were bought back. There are no convertibles or warrants in issue.

Regarding share based long-term incentive plans (LTIP) refer to Note 29 for the Group.

**Note 11 Interest-bearing loans****Interest-bearing long-term loans**

	2010	2009
Liabilities to credit institutions	2 475	3 046
Accrued borrowing costs	-8	-9
	<b>2 467</b>	<b>3 037</b>

**Interest-bearing short-term loans**

	2010	2009
Liabilities to credit institutions	57	572
	<b>57</b>	<b>572</b>

For further information about the Parent Company's interest bearing loans refer to Note 20 for the Group.

**Note 12 Accrued expenses**

	2010	2009
Accrued personnel expenses	13	9
Accrued interest expenses	3	5
Other	4	2
	<b>20</b>	<b>16</b>

**Note 13 Pledged assets**

	2010	2009
<b>For liabilities to credit institutions</b>		
Shares in subsidiaries	8 320	6 629
Shares in associated companies and other companies	1 406	3 814
	<b>9 726</b>	<b>10 443</b>

**Note 14 Contingent liabilities**

	2010	2009
Sureties and guarantees for subsidiaries	1	1
Guarantee commitments, FPG	1	1
	<b>2</b>	<b>2</b>

Refer also to Note 9 regarding costs for decontamination of contingent contamination damages.

**Note 15 Intra-group transactions**

Intra-group revenue for the Parent Company amounted to SEK 18 m (14) of which refer to invoicing of management fee to Korsnäs AB of SEK 12 m (12) and Kinnevik New Ventures AB of SEK 5 m (2).

The Parent Company and the Swedish subsidiaries have their liquidity arranged through central bank accounts in different currencies. In addition, the Parent Company has a number of loans to subsidiaries. Market rate of interest are charged for all those balances.

During 2009, the Parent Company sold the shares in Millcellvik AB to the subsidiary Invik & Co. AB resulting in a profit of SEK 15,076 m.



Note 16 Personnel

Salaries, other remuneration and social security expenses  
(SEK 000s)

Average number of employees

	2010		2009		2010		2009		
	men	women	men	women	Board, CEO and other senior executives	Other employees	Board, CEO and other senior executives	Other employees	
<b>Parent Company</b>									
Stockholm	5	5	5	5	Salaries and other remuneration	21 550	3 447	20 805	3 148
					Social security expenses <sup>1)</sup>	8 709	689	9 475	1 762
					- of which pension expense <sup>1)</sup>	3 587	-271	3 570	773
					Provision for share-based remuneration	4 768	611	3 044	451

<sup>1)</sup> Other employees includes reversed provisions for former employees with SEK 918,000 (0) regarding SPP and other insurance companies. Board, CEO and other senior executives includes former employees.

Salaries and other remuneration to the Board, CEO and other senior executives are further presented in Note 29 for the Group.

Note 17 Financial assets and liabilities by category

2010	Financial assets accounted for at cost	Loan receivables and trade receivables	Financial liabilities	Total book value
Receivables from Group companies	-	14 641		14 641
Receivables from associated companies	-	-		0
Shares and participation in other companies	29	-		29
Interest-bearing receivables	-	-		0
Other receivables	-	16		16
Short-term investments	-	-		0
Cash at bank	-	1		1
<b>Total financial assets</b>	<b>29</b>	<b>14 658</b>		<b>14 687</b>

Interest-bearing liabilities			2 524	2 524
Liabilities to Group companies			3 502	3 502
Trade creditors			4	4
Other liabilities			48	48
<b>Total financial liabilities</b>			<b>6 078</b>	<b>6 078</b>

2009	Financial assets accounted for at cost	Loan receivables and trade receivables	Financial liabilities	Total book value
Receivables from Group companies	-	13 544		13 544
Receivables from associated companies	-	-		0
Shares and participation in other companies	46	-		46
Interest-bearing receivables	0	-		0
Other receivables	-	11		11
Short-term investments	-	50		50
Cash at bank	-	3		3
<b>Total financial assets</b>	<b>46</b>	<b>13 608</b>		<b>13 654</b>

Interest-bearing liabilities			3 965	3 965
Liabilities to Group companies			1 510	1 510
Trade creditors			2	2
Other liabilities			43	43
<b>Total financial liabilities</b>			<b>5 520</b>	<b>5 520</b>

Fair value

For financial assets which are valued at accrued acquisition value and are charged with floating rate or have short-term maturity, the book value correspond to fair value.

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the Board of Director’s Report gives a fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties that the Group companies face.

Stockholm, 25 March 2011

Cristina Stenbeck  
*Chairman of the Board*

Vigo Carlund  
*Member of the Board*

Geron Forsman  
*Member of the Board*  
*Employee representative*

John Hewko  
*Member of the Board*

Wilhelm Klingspor  
*Member of the Board*

Erik Mitteregger  
*Member of the Board*

Bo Myrberg  
*Member of the Board*  
*Employee representative*

Stig Nordin  
*Member of the Board*

Allen Sangines-Krause  
*Member of the Board*

Mia Brunell Livfors  
*President & CEO*

Our Audit Report was issued on 25 March 2011  
Ernst & Young AB

Thomas Forslund  
*Authorized Public Accountant*

# *Audit Report*

## **To the annual meeting of the shareholders of Investment AB Kinnevik (publ)**

### **Corporate identity number 556047-9742**

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Investment AB Kinnevik for the year 2010. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 29-69. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The board of directors' report and the corporate governance report are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the income statement and the balance sheet for the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the board of directors' report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 25 March 2011  
Ernst & Young AB

Thomas Forslund  
*Authorized Public Accountant*

# Definitions of financial key ratios

## **Operating margin**

Operating income divided by revenue.

## **Capital employed**

Total assets less non-interest-bearing liabilities less deferred tax liability.

## **Return on capital employed**

Income after financial items plus interest expenses divided by average capital employed.

## **Return on shareholders' equity**

Net profit divided by average shareholders' equity.

## **Equity/assets ratio**

Shareholders' equity, including minority holding as a percentage of total assets.

## **Net debt**

Interest-bearing liabilities including provisions for pensions less total interest-bearing receivables, short-term investments and cash and cash equivalents.

## **Debt/equity ratio**

Interest-bearing liabilities including interest-bearing provisions divided by shareholders' equity.

## **Risk capital ratio**

Shareholders' equity including minority interest in shareholders' equity and deferred tax liability divided by total assets.

## **Average number of shares**

Balanced average of number of shares outstanding during the year, adjusted for share issues, splits and buybacks.

## **Earnings per share**

Net profit for the year, attributable to equity holders of the Parent Company, divided by average number of shares.

## **Shareholders' equity per share**

Shareholders' equity, attributable to equity holders of the Parent Company, divided by number of shares.

## **Market price**

Market price at 31 December adjusted for share issues and splits.

## **Dividend per share**

Paid or proposed dividend per share adjusted for share issues and splits.

## **Dividend yield**

Dividend divided by market price at 31 December.

## **Operational capital employed**

Average intangible and tangible fixed assets, investment in companies accounted for using the equity method, inventory and current non-interest-bearing receivables after deductions for other provisions and short-term non interest-bearing liabilities.

## **Return on operational capital employed**

Operating profit divided by average operational capital employed.

## **Net Asset Value**

Major Unlisted Holdings – i.e. Korsnäs – are valued according to the consensus among analysts covering Kinnevik.

Major Listed Holdings are valued based on the market prices listed on the closing date. The listed market price used for the Group's financial assets is the current bid price. For companies with two classes of shares the market price for the most liquid share class is used.

The value of unlisted New Ventures is based on generally accepted valuation principles such as discounted cash-flow models, multiple valuation using EBITDA, net profit, price per hectare etc.

## **Annual General Meeting 2011**

### **Date and venue**

The Annual General Meeting will be held on Monday, 16 May 2011, at 10:00 a.m. at the Hotel Rival, Mariatorget 3, Stockholm. The doors will open at 9:00 a.m. and registration will be conducted until 10:00 a.m., when the doors will be closed.

### **Who is entitled to participate?**

Shareholders who intend to participate in the Annual General Meeting shall

- be entered in the register of shareholders maintained by Euroclear Sweden AB (Swedish Securities Depository & Clearing Organization) on Tuesday, 10 May 2011
- notify the Company of their intention to participate not later than Tuesday, 10 May 2011, at 3:00 p.m.

Distance participation and voting is not available.

### **How to be entered in the register of shareholders**

Shares can be registered in the register of shareholders maintained by Euroclear Sweden AB in the name of the owner or the nominee. Shareholders whose shares are registered in the names of nominees must temporarily register the shares in their own name to be entitled to participate in the Meeting. Shareholders requiring such registration must inform the nominee of this in sufficient time prior to 10 May 2011.

### **How to notify intention to participate**

Shareholders can notify the Company of their intention to participate by using one of the following alternatives:

- through the Company's website, [www.kinnevik.se](http://www.kinnevik.se)
- by writing to the Company at: Investment AB Kinnevik, c/o Computershare AB, Box 610, SE-182 16 Danderyd, Sweden
- by telephone, +46 (0) 771 24 64 00, from 14 April, weekdays from 9:00 a.m. to 4:00 p.m.

### **Notification should include the following information:**

- Name
- Personal identification number/corporate registration number
- Address and telephone number
- Shareholding
- Representatives, if applicable

If participation is based on written power of attorney, this should be submitted in conjunction with notification of participation in the Annual General Meeting. Notification must be submitted to the Company no later than Tuesday, 10 May 2011 at 3:00 p.m.

### **Nomination Committee**

In accordance with the resolution of the 2010 Annual General Meeting, Cristina Stenbeck has convened a Nomination Committee consisting of members representing the largest shareholders in Kinnevik. The Nomination Committee is comprised of Cristina Stenbeck, Ramsay Brufer on behalf of Alecta, Henry Guy on behalf of Verdere S.à.r.l. and other shareholders, Edvard von Horn on behalf of the von Horn family and Wilhelm Klingspor on behalf of the Klingspor family.

Information about the work of the Nomination Committee can be found on Kinnevik's corporate website at [www.kinnevik.se](http://www.kinnevik.se).

### **Financial information**

Interim Report January-March, 20 April 2011

Interim Report January-June, 21 July 2011

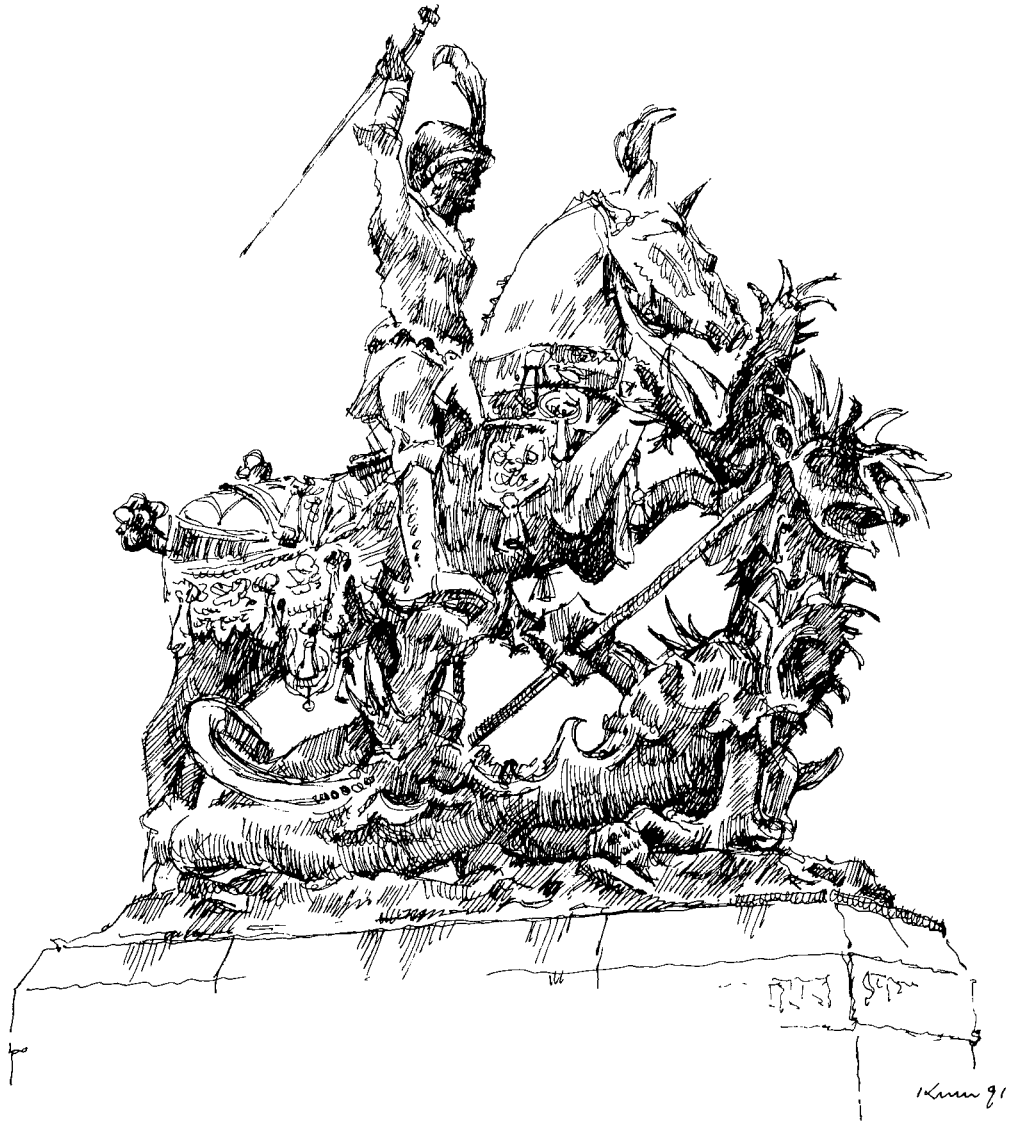
Interim Report January-September, 20 October 2011

Year-end Report 2011, February 2012

Annual Report for 2011, April 2012

Annual General Meeting, May 2012





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