Investment AB Kinnevik

Annual Report 2011

”Seventyfive years of entrepreneurial tradition
under the same group of principal owners”

Contents

Five-year Summary

(SEK m)	2011	2010	2009	2008	2007
Key Ratios					
Operating margin, %	9.4	10.3	10.0	5.2	11.5
Capital employed	66 898	62 111	50 462	33 067	59 778
Return on capital employed, %	10.8	24.8	40.1	-54.5	32.0
Return on shareholders' equity, %	11.5	28.3	50.2	-69.8	38.2
Equity/assets ratio, %	85	84	78	66	80
Net debt	6 539	7 123	8 233	8 906	9 205
Debt/equity ratio, multiple	0.12	0.14	0.21	0.41	0.19
Net debt against Korsnäs	5 212	5 575	6 419	5 845	6 534
Net debt against listed holdings	1 605	1 706	2 001	3 066	2 753
Available liquidity	5 465	4 923	3 942	2 031	2 481
Risk capital ratio, %	86.8	85.7	80.4	69.0	82.2
Fair value Paper & Packaging	4 992	4 755	3 813	2 181	5 125
Fair value Telecom & Services	44 406	43 557	35 735	22 251	45 130
Fair value Media	5 000	6 936	5 589	1 834	5 715
Fair value Online	7 800	2 196	207	195	125
Fair value Microfinancing	446	348	137	120	97
Fair value Agriculture	677	1 095	878	720	1 458
Fair value Renewable energy	303	267	189	198	143
Total assets	70 068	64 833	53 240	35 871	62 818
Estimated net asset value	61 839	57 513	44 829	24 325	54 941
Net asset value growth	8%	28%	84%	-56%	40%
Net asset value per share, SEK	223	208	162	93	208
Closing price, class B share, SEK	134	137	107	63	147
Market capitalization	37 087	37 971	29 656	16 410	38 739
Summary of Income Statement					
Revenue	8 789	8 593	8 397	7 719	7 673
Operating profit	826	889	842	398	885
Change in fair value of financial assets including dividends received	6 122	13 004	15 853	-25 726	15 850
Result after net financial items	6 688	13 737	16 516	-25 872	16 266
Result for the year	6 555	13 622	16 373	-25 762	16 179
Earnings per share	23.64	49.08	61.66	-97.94	61.29
Summary of Cash Flow Statement					
Cash flow from operations	781	1 310	1 698	524	878
Investments in tangible and intangible assets	-797	-717	-653	-441	-353
Investments in financial assets	-2 892	-1 563	-535	-193	-530
Cash flow from investing activities	1 298	716	-475	1 261	695
Cash flow from financing activities	-2 047	-2 113	-1 495	-1 382	-1 581
Cash flow for the year	32	-87	-272	403	-8

For definitions of financial key ratios, refer to page 76.

Chief Executive's review

In 2011 Kinnevik celebrated its 75th anniversary. It was in 1936 that three friends - Robert von Horn, Wilhelm Klingspor and Hugo Stenbeck - formed a company with the aim of investing in and managing shares. They called the company Aktiebolaget Kinnevik. 75 years later I am proud to be the CEO of Kinnevik where the fundamental strategy of active ownership to create value remains intact, and where we have managed to evolve with time, building a group of companies in modern industries and claim new frontiers in emerging markets. The founding families remain owners today, and our history provides us with a strong sense of responsibility to make sure that Kinnevik will stand the test of time also going forward.

Growth in Kinnevik is supported by rapidly changing consumer and business behavior, both in the developed world and in emerging markets. As consumers go online, this drives sales, not only in the rapidly growing online part of our portfolio, but also in the telecom and media companies. With our strong positions within mobile and media in Scandinavia as well as in Latin America, Eastern Europe, Russia and Africa, I am convinced that we are in the right segments on the right markets at the right time. In 2011, when the macroeconomic climate was characterized by the eurocrisis in Europe and weak growth in the US, Kinnevik's sales growth on a see-through basis was 8% and earnings increased by 7% demonstrating the strength of our market positions.

Millicom and Tele2 are key beneficiaries of the data explosion as consumers increasingly use their mobile phones to access online services. Tele2's mobile customers are rapidly shifting to smartphones, increasing their data consumption and using mobile services. In Sweden, an increasing number of customers access the 4G net which was launched at the end of 2010.

Mobile companies all over the world recognize the need to develop value-added services, and our emerging market operator Millicom is in the forefront of pushing this development. The company has a dedicated team in each market focusing on innovation. New services are developed in a structured process from identifying a need in the market to developing and marketing a solution and a new service. Examples of new services include Tigo Mimi, which is a

"cloud phone" for the least affluent customers. It enables the consumer to have a fixed telephone number accessible from anyone's Tigo phone. Another newly developed service is Tigo search in DRC, which is a phone service providing information on demand in areas where access to information is scarce.

Kinnevik invested around SEK 3 billion in 2011, mainly in online and this segment now stands for around 12% of the total net asset value. We are creating value through our new investments, and I think it is important that we have the perseverance to continue to invest in order to secure the long term growth in Kinnevik. In 2012, we have guided for continued investments in new ventures of around SEK 5 billion.

Online services are growing strongly and we are searching for various types of investments 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. Expansion in consumer related Internet services is capital intensive and competition in the market is tough, but at the same time, the growth potential is significant. As an example, CDON showed an organic growth of 37% in 2011, a year when retail sales in Sweden only increased by 0.7%.

Our online investments include large companies such as Zalando, a leading European shoe and fashion site with operations in seven European markets including Germany, France, the Netherlands, Italy, the UK, Switzerland and Austria. In Russia, Kinnevik is the largest owner of Avito, a site for classifieds. Kinnevik is one of the founders of the company, and it has been exciting to see how it has developed successfully to become the largest Russian site in its kind. In November 2011, Groupon was listed on NASDAQ. Kinnevik received Groupon shares when "MyCityDeal", a company founded by Rocket Internet, was acquired by Groupon. At the end of 2011, the value of Kinnevik's directly owned shares in Groupon was 1.2 billion SEK, a fantastic development from our initial investment of around SEK 20 m.

With consumers changing their way of consuming media, our media assets have to evolve with their customers. In order to adapt to the new landscape, MTG launched Viaplay in the spring. Viaplay is a multi-screen on-demand pay-TV service which enables a Viasat subscriber to use a single ID and password to access Viasat pay-TV content on any internet connected device. I use Viaplay myself and it really changes the way of watching television and gives me much more flexibility to watch what I want when I want to. MTG also continued to expand into new markets, and launched new channels in Africa as well as in Eastern Europe.

Printed media also needs to manage the transformation to online. Metro, our free-sheet newspaper has been through a restructuring process in the past years, and the company has divested and left unprofitable markets and expanded into emerging markets in Latin America and Russia. As the company's largest owner, we have supported this transition. In the beginning of 2012, Kinnevik made a public offer for the outstanding shares, warrants and debentures in the company. We want to continue the strategic transformation of Metro both in terms of geographies and product enhancement.

Korsnäs, our packaging company, continued to show a stable development in 2011. Sales of its largest product line, liquid packaging board, continued to grow, supported by increasing demand mainly in emerging markets. With sales of SEK 8.3 billion, Korsnäs has one of the highest operating margins among peers in Scandinavia, amounting to 11% in 2011.

Kinnevik took another important step in the area of corporate responsibility in 2011 and formally joined the UN Global Compact. The guiding principles within human rights, labor standards, environment and anti-corruption have directed Kinnevik in its corporate responsibility efforts since these were initiated and I am proud that we are now a formal signatory and contributor to UN Global Compact. All of the Kinnevik companies are working hard to continue to develop their businesses in a sustainable way, and they are making good progress. For example, Tele2 continued the roll-out and follow up of a supplier code of conduct continued, including field visits to some of the largest suppliers. Our packaging company, Korsnäs is working actively to reduce its climate impact. In 2011, CO2 emissions fell by around 40% supported by the investments made in the past years to improve energy efficiency.

The Kinnevik board has proposed a dividend of SEK 5.50 per share to be paid out after the Annual General meeting of shareholders in May. The increase reflects Kinnevik's strong balance sheet as well as the good cash flow that Kinnevik is receiving mainly from Millicom, Tele2 and MTG. So, closing the books on 2011 and looking forward to 2012, 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.

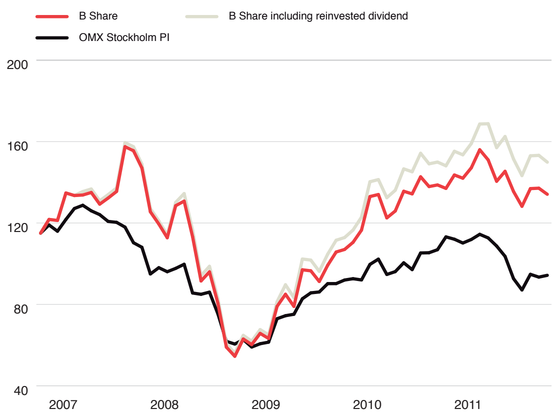
Mia Brunell Livfors

The Kinnevik share

Share-price trend

The price of Kinnevik's class B share decreased by 1% in 2011, which was better than the OMX30-index on NASDAQ OMX Stockholm which decreased by approximately 20%.

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 2011, an average of 798,000 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 5%. At year-end, Kinnevik's class B share was quoted at SEK 133.80, providing a total return of 1% in 2011.

Share capital

As of 31 December 2011 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, 228,517,952 are class B shares with one vote each and 399,914 are class C treasury shares with one vote each. The total number of votes in the Company amounted to 715,571,106 (715,171,192 excluding 399,914 class C treasury shares).

During the year, 25,086 class C shares were converted to class B shares and delivered to the participants in the Long Term Incentive Plan for 2008.

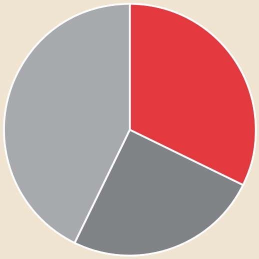
The Board has authorization to repurchase a maximum of 10% of all shares in the Company. The Board did not utilize this mandate in 2011. There are no convertibles or warrants in issue.

Dividend

For the financial year 2011 the Board proposes a cash dividend of SEK 5.50 per share, which is an increase of 22% compared to last year's dividend of SEK 4.50 for the financial year 2010.

Shareholder structure

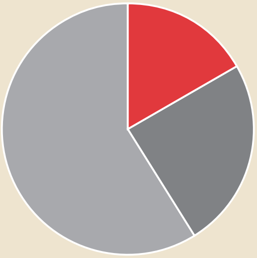
(percentage of capital)



- Swedish institutions and funds 32.4%
- Other Swedish shareholders 24.9%
- Foreign shareholders 42.7%

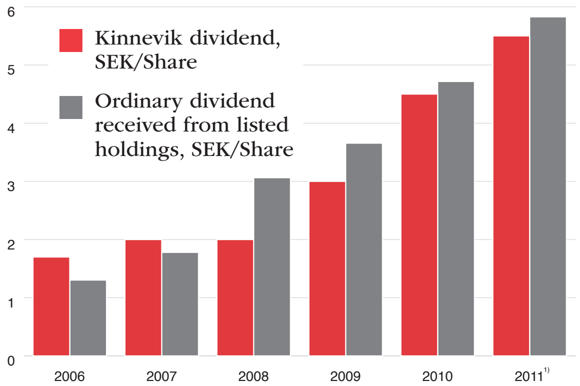
Shareholder structure

(percentage of votes)



- Swedish institutions and funds 16.7%
- Other Swedish shareholders 24.5%
- Foreign shareholders 58.8%

Source: Euroclear



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.

Share distribution

Size of shareholding	Number of shareholders	%	Number of A and B shares	%
100 001 -	274	0.5	214 714 465	77.5
50 001 - 100 000	122	0.2	9 027 121	3.3
10 001 - 50 000	774	1.3	16 492 309	5.9
5 001 - 10 000	1 035	1.8	7 612 491	2.7
1 001 - 5 000	7 255	12.3	16 420 373	5.9
1 - 1 000	49 298	83.9	12 916 517	4.7
Total	58 758	100.0	277 183 276	100.0

Number of shareholders at 31 December 2011 was 58,758 (56,080).

Ownership structure

Kinnevik's 20 largest shareholders in terms of capital and votes according to Euroclear at 31 December 2011.

Shareholder	Class A shares	Class B shares	Percentage of capital	Percentage of votes
Verdere S.à.r.l.	25 124 759	0	9.1	35.1
Klingspor Family	6 469 152	2 202 158	3.1	9.4
JP Morgan Bank	4 975 456	9 972 863	5.4	8.4
HS Sapere Aude Trust	2 952 876	462 611	3.1	4.2
von Horn Family	1 775 855	443 211	0.8	2.5
Hugo Stenbeck's Foundation	1 567 052	659 578	0.8	2.3
Korsnäs AB Social Fund	1 213 195	0	0.4	1.7
Alecta Pensionsförsäkring	766 000	16 625 000	6.3	3.4
Skandia	284 976	4 432 369	1.7	1.0
SSB CL Omnibus	255 725	12 688 908	4.7	2.1
Goldman Sachs	1 067	3 173 592	1.1	0.4
Swedbank Robur Funds	0	7 904 049	2.9	1.1
Unionen	0	5 179 890	1.9	0.7
SEB	0	4 358 480	1.6	0.6
AMF	0	3 625 948	1.3	0.5
Nordea	0	2 832 617	1.0	0.4
Handelsbanken	0	2 998 747	1.1	0.4
Tredje AP-fonden	0	3 196 540	1.2	0.5
Folksam - KPA - Förenade Liv	0	2 809 389	1.0	0.4
State Street Bank	0	3 492 420	1.3	0.5
Other	3 279 211	147 761 391	52.7	25.3
Total	**48 665 324**	**228 517 952**	**100.0**	**100.0**
Class C shares held by Kinnevik		399 914		

Shareholders including Verdere S.à r.l., SMS Sapere Aude Trust, HS Sapere Aude Trust among others, together holding shares representing 46.6% of the votes and 12.9% of the share capital in Kinnevik, have informed the company that they have an agreement regarding coordinated voting of their shares.

Data per share

	2011	2010	2009	2008	2007
Average number of shares (000s)	277 173	277 158	265 325	263 078	263 982
Earnings per share, SEK	23.64	49.08	61.66	-97.94	61.29
Shareholders' equity per share, SEK	215.15	196.27	150.23	90.23	190.37
Market price class B share at 31 December, SEK	133.80	137.00	107.00	63.00	146.75
Dividend per share, SEK	5.50 [1]	4.50	3.00	2.00	2.00
Direct yield	4.1%	3.3%	2.8%	3.2%	1.4%

[1] Proposed cash dividend.

Book and fair value of assets

SEK m	Equity interest (%) 31 Dec 2011	Voting interest (%) 31 Dec 2011	Book value 31 Dec 2011	Fair value 31 Dec 2011	Fair value 31 Dec 2010	Total return 2011 [6]
Paper & packaging						
Korsnäs Industrial and Forestry	100	100	7 627	9 551 [1]	9 774 [1]	
Bergvik Skog [2]	5	5	653	653	556	
Interest bearing net debt relating to Korsnäs			-5 212	-5 212	-5 575	
Total Paper & packaging			**3 068**	**4 992**	**4 755**	
Telecom & services						
Millicom	37.3	37.3	26 088	26 088	24 309	12%
Tele2	30.5	47.7	18 129	18 129	18 915	15%
Transcom	33.0	39.7	189	189	333	-95%
Total Telecom & Services			**44 406**	**44 406**	**43 557**	
Media						
MTG	20.3	49.9	4 436	4 436	6 009	-24%
Metro shares	46.6	42.4	148	148	285	-48%
Metro warrants [3]			129	129	374	-65%
Metro subordinated debentures, interest bearing			263	287	268	
Total Media			**4 976**	**5 000**	**6 936**	
Online						
Rocket Internet with portfolio companies			5 434	5 434	957	
Groupon, directly owned shares			1 197	1 197	450	
Avito (directly and through Vosvik)	52 [4]	28	336	336	274	
CDON	25.1	25.1	629	629	420	22%
Other Online investments			157	204	95	
Total Online			**7 753**	**7 800**	**2 196**	
Microfinancing						
Bayport	37 [5]	37 [5]	405	405	332	
Other Microfinancing investments			33	41	16	
Total Microfinancing			**438**	**446**	**348**	
Agriculture						
Black Earth Farming	24.9	24.9	427	427	824	-48%
Rolnyvik	100	100	181	250	250	
RawAgro			-	-	21	
Total Agriculture			**608**	**677**	**1 095**	
Renewable energy						
Latgran	75	75	144	245	259	
Vireo	75	75	29	58	8	
Total Renewable energy			**173**	**303**	**267**	
Interest bearing net debt against listed holdings			-1 605	-1 605	-1 706	
Debt, unpaid investments			-490	-490	-	
Other assets and liabilities			310	310	65	
Total equity/net asset value			**59 637**	**61 839**	**57 513**	
Net asset value per share				**223.10**	**207.51**	
Closing price, class B share				133.80	137.00	1%

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 2011. 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 2011) 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.

		Reported		Proportional part of		Change compared to Jan-Dec 2010	
Jan-Dec 2011 (SEK m)	**Equity interest**	**revenue**	**EBIT**	**revenue**	**EBIT**	**revenue**	**EBIT**
Korsnäs	100.0%	8 254	907	8 254	907	1%	-2%
Millicom	37.3%	29 427	8 165	10 976	3 046	13%	16%
Tele2	30.5%	40 750	6 972	12 429	2 126	3%	4%
Transcom	33.0%	5 005	-253	1 652	-83	-6%	N/A
MTG	20.3%	13 473	1 933	2 735	392	3%	0%
Metro	46.6%	1 779	112	829	52	12%	9%
CDON	25.1%	3 404	149	854	37	54%	10%
Black Earth Farming [1]	24.9%	353	-285	88	-71	-22%	N/A
Other holdings				1 560	-60	96%	N/A
Total sum of Kinnevik's proportional part of revenue and operating result				**39 377**	**6 347**	**8%**	**7%**

[1] Reported with one quarter's delay.

References page 8.

[1] Consensus among analysts covering Kinnevik.

[2] Corresponding to 5% of the company's equity.

[3] Warrants in Metro are valued at fair value.

[4] After full dilution.

[5] After warrants have been utilised.

[6] Including dividends received.

Historical background

Investment AB Kinnevik was formed in late 1936 in the city of Lidköping, just south of Sweden's largest lake, Vänern – Kinnevik was named after a cove in Lake Vänern. The first Articles of Association stipulated that Kinnevik is to invest in shares in companies in various sectors, although the company also has wholly owned businesses, including several agricultural operations.

The first major investment made by Kinnevik was in shares of the Korsnäs forestry and sawmill group. Most of these shares derive from Korsnäs, which held a block of treasury shares for a few years.

The advice to purchase a stake in Korsnäs came from Robert von Horn, who was one of the three founders of Kinnevik, along with Wilhelm Klingspor and Hugo Stenbeck. The latter was an attorney, in the capacity of which he conducted assignments on behalf of the Klingspor family, including the sale of the holding in Mellansvenska Sockerbruksaktiebolaget. This was the transaction that formed the foundation for the approximately SEK 6 m in assets – or nearly SEK 180 m in today's monetary value – with which Kinnevik began.

The three families, which are now represented by the third generation after the founders, remain the principal owners of Kinnevik, 75 years after its inception.

During the first decades, Kinnevik mainly acquired equities in steel, forestry and mining companies. Kinnevik invested in a relatively limited number of companies in which it gradually increased its shareholdings year after year. The dividends from Korsnäs were the primary source of funding for acquisitions, although Kinnevik also occasionally paid with treasury shares. Kinnevik was listed in 1954, at which time Korsnäs accounted for about half of Kinnevik's assets.

A few years later, Kinnevik and Korsnäs purchased a majority stake in the Sandvik engineering group in conjunction with Sandvik's new share issue. The main attraction was the production of cemented carbide in Sandvik's Coromant subsidiary. After increasing its influence during another new share issue in the early 1960s, Kinnevik and Korsnäs owned a quarter of the shares in Sandvik.

In 1976, the company's founder Hugo Stenbeck stepped down from Kinnevik altogether, after four decades at the company and a number of years as Chairman. He passed away a few months later. His son Hugo Stenbeck Jr., who had been President of Kinnevik since the early 1960s, also passed away. Instead, Jan Hugo Stenbeck, the younger brother of Hugo Jr., became the principal representative for the Stenbeck family.

Jan Stenbeck, who had been a member of Kinnevik's Board since the early 1970s, began expanding the company's investments to more sectors, although the major changes began around 1980, at which time Kinnevik began to gradually sell its former holdings, except Korsnäs and Sandvik, to instead invest in sectors that were entirely new to the company.

One of the sectors was not only new to Kinnevik, but also to the world. It involved mobile telephony, which was still in its infancy. The other new sector was media, where commercial TV, which was not available in Sweden at the time, became the first major business.

The new investments required capital for a number of years before they could amass a customer base to generate revenue. Kinnevik was also busy managing its existing operations, which was increasingly intense in an evolving business environment. An example of this was the merger of the Fagersta steel and power group, in which Kinnevik and Korsnäs were major owners at the time, and Kinnevik in 1983. This transaction generated better means with which to resolve the protracted structural negotiations concerning the Swedish steel industry. After several strong decades, the steel industry was subject to more competition from other countries and a declining market. Fagersta owned power assets that could be sold to generate capital for investments in new sectors. A few months in autumn 1983, prior to the finalization of the transaction between Fagersta and Kinnevik, were perhaps the most dramatic in Kinnevik's history.

During these months, the Swedish construction and property group Skanska also purchased major share blocks in Sandvik, which resulted in Kinnevik and Korsnäs divesting their shares in the steel manufacturer after having been its principal owners for a quarter century. The funds from this

1936
Kinnevik is founded, Korsnäs is the first investment.

1954
Quoted on stockmarket. Move to Stockholm

1976
Jan Stenbeck takes over operative control with a new management team.

1981
Kinnevik starts mobile phone operations in the Comvik company.

1983
Skanska takes power in Sandvik after which Kinnevik and Korsnäs sell their Sandvik shares. Fagersta and Kinnevik merge where Fagersta formally purchases Kinnevik.

1987
On New Year's Eve, TV3 begins broadcasting to Sweden, Denmark and Norway from London.

sale were also primarily invested in mobile telephony and media.

The first Kinnevik-owned mobile-telephony network was launched in 1981, although analog technology prevailed at the time. Comvik, as the company was called, became the first competitor to the state-owned company Telia. In the mid-1980s, Kinnevik began seeking mobile-telephony licenses outside Europe, often in partnership with the US-based company Millicom. In 1990, these operations were coordinated under the name Millicom International Cellular.

In the 1980s, as part of its focus on commercial TV, Kinnevik assumed a highly active role when Astra satellites, which are capable of broadcasting a number of channels, were launched into orbit. At year-end 1987, TV3 began broadcasting to the Scandinavian countries. In Kinnevik, companies were also being developed in a number of various TV businesses, including advertising sales companies, production companies, film-channel companies, as well as advertising-financed radio.

In the early 1990s, Comvik was working on the digital mobile technology being launched at the time, thus significantly facilitating competition with the state-owned company Telia.

In 1992, Kinnevik submitted a bid for the remaining shares in Korsnäs, which thus became wholly owned after being among Kinnevik's holdings since the inception of the investment company.

For more than 12 years, Kinnevik added at least one new business annually. Overall, Kinnevik invested well over SEK 10 billion – an intense undertaking since it takes time before new companies report a profit. To underscore the values that had been amassed and to allow the new operations to develop independently, a number of sub-groups were spun off to Kinnevik's shareholders.

The first was the telecom operator Netcom, which was subsequently renamed Tele2 and spun off in 1996. The year after, it was time to spin off its media operations, which had been consolidated in the Modern Times Group, or MTG. A few years later, MTG in turn allocated the shares of the free daily paper group Metro to its shareholders. In 2001, it was time for Kinnevik to divest its customer-service group Transcom. And ten years after Metro, in 2010, MTG listed its next subsidiary, the e-commerce company CDON Group.

In August 2002, Jan Hugo Stenbeck passed away. The year after, his daughter, Cristina Stenbeck, was elected onto the Board of most of Kinnevik's companies. A few years later, in 2007, she was appointed Chairman of Kinnevik.

In the past ten years, Kinnevik has conducted a number of major transactions. In 2004, the two parent companies, Invik and Kinnevik, merged. Since Invik was the largest owner of Kinnevik, Kinnevik thus again became a majority owner of the companies in which shares were previously distributed to their shareholders. The financial operations, including fund management and banking, were consolidated in the restructured Invik, which was spun off to Kinnevik's shareholders in 2005. In 2007, Kinnevik sold its shares in Invik in conjunction with a tender to all shareholders.

For Korsnäs, liquid packaging board has become an increasingly important element of the business. A major step was taken in 2006, when the industry associate Frövi was acquired. A few years earlier, Korsnäs/Kinnevik freed up capital by selling substantial portions of Korsnäs' forestry holding.

Korsnäs has undergone major changes during its years under Kinnevik, as has the other operation that has been there from the beginning – agriculture. In this area, the farms and land that were owned in Sweden were sold and Kinnevik has instead made various agricultural investments in Poland and Russia.

In recent years, Kinnevik has invested in a number of start-ups in such sectors as online services and microfinancing. The funding for this no longer derives from the sale of other operations, but from dividends from listed companies. In monetary terms, Kinnevik now finances more "New investments," than was ever invested in the mobile operations when they were wholly owned by Kinnevik and accounted for the former peak of investments in the early 1990s.

The market capitalization of Kinnevik and the listed companies that were formed and built up in the Kinnevik Group amounted to SEK 143 billion at the end of 2011, corresponding to a value increase of 82,000 percent on the SEK 6 m with which the company began, measured in real monetary terms.

1990
Comvik International is merged with Millicom. Millicom International Cellular, MIC, is formed.

1992
GSM-traffic starts in Sweden. Tele2 starts fixed-line traffic in Sweden. Kinnevik makes a bid for the outstanding Korsnäs shares and reaches the essential 90 percent.

1996
Netcom is distributed to shareholders and quoted on the stockexchange.

1997
MTG is quoted on the stock exchange.

2002
Jan Stenbeck dies.

2006
Kinnevik starts to invest in new sectors.

Corporate Responsibility

Corporate Responsibility and Communication on Progress for Investment AB 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.

During 2011, Kinnevik formally adopted the UN Global Compact ten principles in the areas of human rights, labour, the environment and anti-corruption.

The CEO of Kinnevik, Mia Brunell Livfors, declares that: "Kinnevik signed the UN Global compact charter in May 2011 and we express our intent to advance those principles within our sphere of influence. Kinnevik is committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals. In this first Communication on Progress report Kinnevik documents the progress within Kinnevik as well as our major holdings. I think that the Kinnevik group are making progress in implementing the Global Compact principles as this report will demonstrate."

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 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 high and 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 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 issues are found within each holdings' operations. A thourough 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 larger 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 2011, 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. Korsnäs, Tele2, and MTG produce GRI reports that can be found on the respective websites.

Human rights		**Examples – Kinnevik Group companies**
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	In 2011 Millicom joined nine other telecommunications companies in a dialogue to jointly define how the UN "protect, respect, remedy" framework should be applied in the telecommunications sector, especially as it relates to freedom of expression and privacy. The participating companies will work together on broadly accepted principles, tools and due diligence mechanisms to ensure the respect for privacy and freedom of expression.
Principle 2	Businesses should make sure they are not complicit in human rights abuses	Millicom in Paraguay began work with a Spanish NGO Pantallas Amigas for a campaign to promote responsible and safe use of cell phones and Internet for children and young people.

Labour		**Examples – Kinnevik Group companies**
Principle 3	Businesses should uphold the freedom of association and the effective right to collective bargaining	The right to collective bargaining is recognized throughout the group. At the Kinnevik level, 2 board members are employee representatives appointed by the trade unions at the subsidiary Korsnäs. Korsnäs ambition is to have a close relationship with the trade unions and the company regards union work as important and valuable. The cooperation with the trade unions is a pre-requisite for the changes now being implemented in the company. Company employees are represented in the Korsnäs Board of Directors by ordinary board members or by deputy members. The company and the trade unions cooperate both on a central and local level when it comes to large investments and other important projects. For all mills there are trade union cooperation groups which are in regular contact with the management of the mill.

Labour		Examples – Kinnevik Group companies
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour	Kinnevik and the Group companies shall ensure compliance with labor and employment laws, including wages and working hours. In the Millicom supplier code of conduct it is stated that ”The supplier may not use any form of forced labor, debt bondage or involuntary prison labor. Employees and contractors should be free to leave work or terminate their employment with the Supplier after a reasonable notice period. Workers will never be deprived of their identity documents or work permits by their employer or contractor.”
Principle 5	Businesses should uphold the effective abolition of child labour	In 2011 Millicom supported several activities relating to primary education in its markets of operation. These included, for example, financial support to orphans in the Democratic Republic of Congo to attend school and providing educational materials and renovating schools in Tanzania, Senegal and Paraguay. Millicom participates in a Millennium Schools project together with USAid in Guatemala, which constructed 90 schools in 2011 in the country.
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	In 2011 Millicom reviewed its whistle-blower policy and introduced new channels for employees and third parties to report any wrong-doing or ask any questions relating to the Code of Ethics. Employees or external parties can reach the Integrity Office via email or phone or via a web-form, which also allows anonymous reporting. The channel is available in English, French and Spanish.

Environment		Examples – Kinnevik Group companies
Principle 7	Businesses are asked to support a pre-cautionary approach to environmental changes	In Korsnäs, the CO2-impact was reduced in 2011 from 174,000 tons in 2010 to 100,000 tons 2011, a reduction by 43%. The target for 2012 is 80,000 tons. Millicom has set a target of reducing CO2 emissions per base station by 50% by 2020, compared to 2009 baseline. Millicom ran recycling campaigns for mobile phones in Guatemala, El Salvador and Colombia in 2011.
Principle 8	Undertake initiatives to promote greater environmental responsibility	Korsnäs has undertaken several investments in the 2009-2013 to improve its carbon footprint. The total investment to improve environmental impact of Korsnäs amounts to around SEK 1.5 billion 2009-2013. The construction of a new bio-energy plant in Gävle for electricity as well as district heating, total investment SEK 1.8 billion is ongoing. In total, a new evaporation plant and the bio-plant will reduce oil consumption in Korsnäs Gävle plant from 44,000 to 4,000 m3/year. CO2 emmissions are expected to fall from 125,000 tons to around 10,000 tons.
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	Bioenergy is of strategic interest for Kinnevik given strong European growth expectations in combination with Kinnevik's experience from and activities in agriculture and forestry. Renewable energy production is expected to see substantial growth in coming years, especially in Europe driven by EU commitments to 20% renewable production by 2020.The strategy is focused around two core areas – large scale wood pellets production, and local energy production based on biogas and biomass. Central and Eastern Europe is the main geographical focus where operations are conducted in the two companies Latgran and Vireo Energy.

Anti-corruption		Examples – Kinnevik Group companies
Principle 10	Businesses should work against corruption in all its forms including extortion and bribery	Korsnäs as well as the listed holdings all have policies and reporting lines in place regulating code of ethics as well as reporting lines in case of violations (whistle blower policies). These also extend to suppliers. To ensure efficient supply chain follow-ups. Tele2 for example has developed criteria for supplier selection based on risk, as well as checklists for evaluation of supplier compliance. In December 2011, representatives of Tele2 visited one of the biggest suppliers, a SIM-card producer in Slovakia. Millicom introduced specific guidelines on conflict of interests, fair competition, third party due diligence, and gifts and entertainment as first steps to address high risk areas relating to compliance and corruption. In Tele2, a programme to implement the Code of Conduct, adopted by the Board of Directors in 2010, was initiated in all countries. The Code is available on Tele2's website www.tele2.com and has so far been signed by 92% of the more than seven thousand Tele2 employees. The remaining 8% are expected to sign during the first six months of 2012. As from 2011, all new employees are asked to sign the Code of Conduct as part of their employment contract. The Code of Conduct does not only apply to the company itself, but also to suppliers and others parties representing Tele2. As a first step of implementing the Code of Conduct in the supply chain, the largest suppliers, together constituting 80% of the spending, were asked to sign. By 31 December 2011, 752 out of the 892 suppliers had signed the Code of Conduct. Since 2011, the Code of Conduct is included in the purchasing agreements when Tele2 renews contracts with existing suppliers or contracts new suppliers and agents.

Playing for Change 2011

Playing for Change is a non-profit organisation founded by Kinnevik that invests in social entrepreneurs who help children and youth to a better life. We believe that the best way to create social change is to give business tools to social entrepreneurs who are passionate about improving the lives of children and who has the entrepreneurial drive to make a change.

We support social entrepreneurs with salary funding and an incubator model where advisors from our partner companies play an important role in helping the social entrepreneurs develop and scale their operations. Kinnevik, together with Korsnäs, Metro, MTG, Tele2, Millicom and the Hugo Stenbecks Stiftelse, is senior partners to Playing for Change, contributing their co-workers expertise to create a better, and more playful world, for children and youth.

Vision

Playing for Change envisions a world where all children can play freely – a healthy, just and thriving society with all barriers to play removed.

Goal 2015

Remove barrier to play for 20 million children.

How we do it

- Playing for Change finds the best social entrepreneurs and supports them to scale their social innovations.
- We give social entrepreneurs tools to evaluate and frame the social impact of children and youth.
- We advocate and build awareness about social entrepreneurship as a prime tool to support the United Nation Convention on the Rights of the Child.
- We give strategic CSR-support to our corporate partners to ensue the Child Rights and Business Principles

Results 2011:

Together with our social entrepreneurs, our Playmakers, we have supported 849,074 children during 2011. Also worth noting is that after only two operational years, Playing for Change has removed barriers of play for over 1,1 million children, so far in Sweden, Ghana and Russia. We measure the unique children that we, and our Playmakers interact with and support during a year. It is children that have been participated in the programs and operations, that have been empowered or had their life changed in different ways.

Runners' Academy, managed by Playmaker David Lillo has developed a ten-week-program where long-distance running is used as a tool for personal development. The target group is teenagers in the age of 15-16 years, that come from the surburbs of Stockholm. In addition to running the participants take part in workshops and personal coaching. Runners' Academy also organizes popular races in two Stockholm suburbs.

Meet a Playmaker:

Barnkraft

Åsa Järnhäll Olsson & Johanna Järnhäll, Nyköping, Sweden

The problem

Sexual abuse of children in today's society is still a taboo subject in the public dialogue. Because of this, many victims remain silent and information about the prevalence and nature of sexual abuse is scarce.

The solution

Barnkraft believes that society must recognize and confront the problem of sexual child abuse through education of both children and adults. Barnkraft uses a positive approach and work with strengthening and preventative measures, in schools and with adults – both parents, students and professionals.

The persons

Barnkraft's Åsa and Johanna are two sisters driven by a strong commitment for sexually abused children. They work tirelessly to empower children, educate adults and remove the taboo that surrounds sexual child abuse. Åsa was herself a victim of sexual abuse as a child, and uses her experience to show other adults that it is possible to break the silence and become whole again.

Peter Ndonwie

Pan-African Organisation for Research and Protection of Violence on Women and Children (PAORP-VWC) Ndonwie Peter, Tamale, Ghana.

The problem

Child trafficking and child labour is rampant in Ghana. The worst affected are children and women from the poorer regions in Northern Ghana. Discrimination and abuse against women and children takes place daily. Girls are especially vulnerable, often prevented from going to school and subjected to early marriages.

The Solution

PAORP-VWC promotes the education of all children in all areas where discrimination against women and children takes place. The mission is to research, organize, support, expand and strengthen the activities of human rights organizations as well as women and youth groups. This is done through emancipation and empowerment of women, children and youth within their communities.

The person

Dr. Ndonwie Peter saw the importance of education very early, giving lessons to children in his own neighbourhood. A professional human rights development worker, he also holds a PhD in Business Management. Peter uses innovative methods and creativity to fight for change in rural villages where the rights of vulnerable women and children have been trampled upon. He believes that "as a social entrepreneur you have to know that you are the only person that can ut your dream into action and get what you want in life".

Playmaker Johan Wendt manages Mattecentrum, a non-profit organization that offers free math tutoring and homework assistance for students in grades 7-9 and high school. The Math labs are available in ten cities reaching from Lund to Luleå, and have approximately 2,000 returning students. Mattecentrum also offers online assistance with some 45,000 students as users.

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 Telecom and Services, Media, Online, Paper & Packaging, Microfinancing, Agriculture and Renewable 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

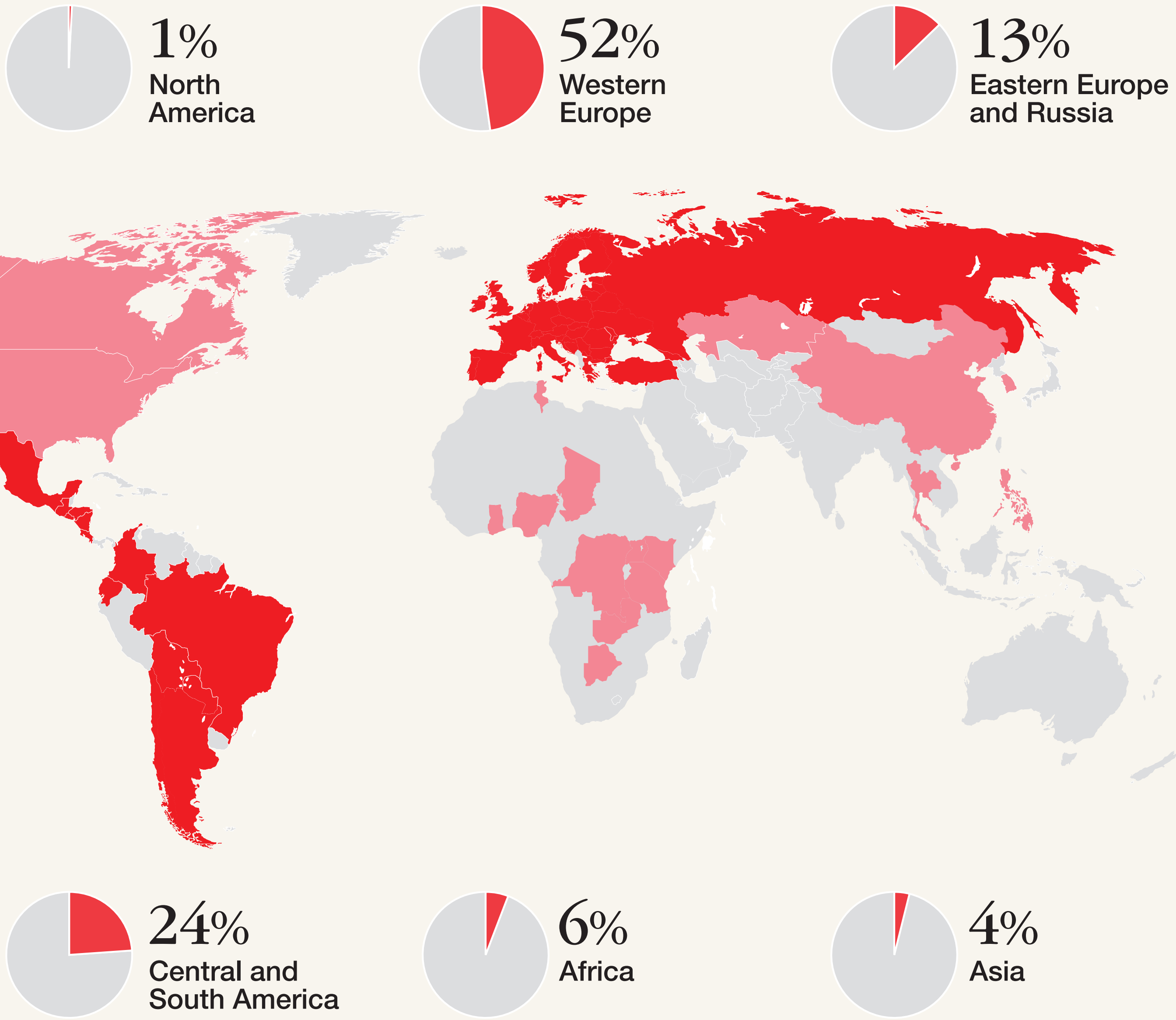
Kinnevik is an operational investor with a long-term strategic focus. This means that we have the patience and industrial competence to develop our portfolio companies over a long-term and we have no pre-determined exit horizon. Having a long-term view does not, however, mean that we are not impatient 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

Proportional distribution of sales



strategic focus

Paper & Packaging

Korsnäs

Korsnäs, a wholly owned subsidiary of Kinnevik, is the second largest producer in the world of liquid packaging board, the second largest when it comes to coated white top liner and one of the largest producers of cartonboard. 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. 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 1,130 thousand tons of paper and cartonboard products, of which 700 thousand tons in Gävle and 430 thousand tons in Frövi. Korsnäs is 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.

Korsnäs creates the prerequisites to satisfy high demands from its customers using extensive and solid experience, comprehensive expertise and sophisticated technology. Korsnäs has long pursued a targeted strategy of focusing on highly processed products. As a result, paperboard has become the largest product area, with focus on liquid packaging board, coated White Top Liner and cartonboard.

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

Key data (SEK m)	2011	2010
Korsnäs Industrial		
Revenue	7 129	7 148
EBIT	859	879
Operating margin	12.0%	12.3%
Korsnäs Forestry		
Revenue	1 125	1 030
EBIT	48	47
Korsnäs Group		
Revenue	8 254	8 178
EBIT	907	926
Operating margin	11.0%	11.3%
Return on operational capital	11.0%	11.9%
Cash flow data		
EBITDA	1 515	1 528
Change in working capital	-437	113
Cash flow from operations	832	1 314
Investments in tangible fixed assets	-687	-604
Production, thousand tons	1 061	1 019
Deliveries, thousand tons	1 002	1 021
Number of employees	1 772	1 760

Korsnäs' operating profit for the full-year 2011 amounted to SEK 907 m, compared with SEK 926 m in 2010. Operating profit for 2011 includes insurance compensation of SEK 45 m, pertaining to damage to a soda recovery boiler in Frövi, which caused shorter production shutdowns in 2009 and 2010. Operating profit for the current year was adversely impacted by a breakdown of a turbine in Gävle (included below in energy costs). The breakdown is estimated to have caused additional costs of SEK 40 m. Operating profit was also negatively impacted by higher costs for wood and chemicals that were not fully offset by higher sales prices. Despite the negative effects from the breakdown of the turbine, energy costs were lower than the preceding year mainly due to energy investments in Gävle and lower electricity prices. The results for 2010 included strike remuneration of SEK 84 m from the Confederation of Swedish Enterprise as compensation for direct costs resulting from an industrial dispute.

The explanatory items are presented in the table below.

Explanation items in changes in EBIT (SEK m)	Jan-Dec
EBIT 2010	926
Delivery and production volumes and changed product mix	76
Cost changes for chemicals	-73
Cost changes for pulpwood and external pulp	-182
Cost changes for energy	95
Sales prices including currency effects	142
Change in fixed costs	-63
Insurance compensation	45
Received strike compensation 2010	-84
Other	25
EBIT 2011	**907**

Market

From a stable market position in the first quarter, the market was characterized by uncertainty since the second quarter. Caution among customers who reduced their inventories and delayed placing orders due to uncertainty of the direction of the market continued in the fourth quarter. Compared with 2010, which was characterized by strong demand, demand in 2011 was generally lower.

At the beginning of the year, Korsnäs' inventory levels were low and during the second quarter, the Frövi facility experienced some production problems. This means that deliveries in the first six months of 2011 were impacted by a shortage of materials, while deliveries during the second half of the year were affected by uncertainty in the market.

During the year, sales of paper and cartonboard products amounted to 1,002,000 tons, compared with 1,021,000 tons in 2010. Price increases were implemented from 1 January 2011, in line with agreements with major liquid packaging board customers, and price increases were also implemented in other product areas during the first nine months. Prices remained unchanged during the fourth quarter.

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 Asia and South America. Primarily, coated Liquid Packaging Board is showing growth, as a result of end-users' increased demand for print quality on the finished packaging. Despite the uncertain market situation, Korsnäs succeeded in increasing delivery volumes of liquid packaging board by 6% for full-year 2011, compared with 2010. 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.

Cartonboard

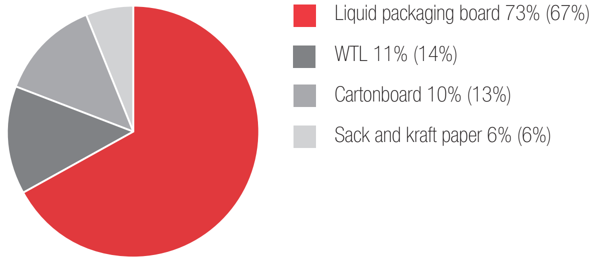
Korsnäs cartonboard is used primarily in selected segments for packaging cosmetics, luxury drinks and confectionery. Within cartonboard, deliveries declined compared with 2010 due to lower demand at the end of the year combined with a reduction of customer inventories. Deliveries of cartonboard with white backs, Korsnäs White, increased 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 market for WTL in Europe declined in 2011. Korsnäs' total sales of WTL declined during the year as a result of lower demand. 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.

Korsnäs Industrial's sales volume divided per product

Numbers in brackets refer to 2010.



Sack and kraft paper

Sack and kraft paper are used for sacks, carrier bags and food packaging. Demand for sack and kraft paper also weakened during the latter part of the year. The market for white paper, which is the segment on which Korsnäs has been focusing for a couple of years, now has a relatively good balance between supply and demand, resulting in slightly lower decline. Korsnäs' sales of white paper rose in 2011, while total volumes of sack and kraft paper fell somewhat. Billerud and UPM Kymmene are the main competitors in this area.

Production

Production for the full-year 2011 amounted to 1,061,000 tons, compared to 1,019,000 tons in 2010.

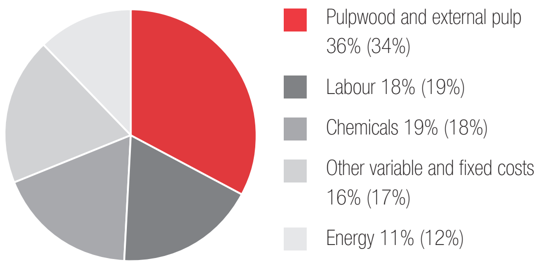
Production volumes for 2011 were impacted by a number of minor operational problems at the Gävle plant in the fourth quarter, resulting in production loss totaling approximately 15,000 tons (in addition to the production loss due to the maintenance shutdown lasting for 11 days), as well as production problems at the Frövi facility during the second quarter resulting in a production loss of slightly more than 10,000 tons of paper and carton products. During 2010, Korsnäs' production was impacted by production loss of approximately 59,000 tons due to unscheduled operational shutdowns and an industrial conflict.

As a result of energy investments in Gävle, energy costs have been reduced significantly compared with 2010. The

new evaporation facility that came online in May 2010 has decreased oil consumption well in line with the anticipated savings of 19,000 m3 annually. However, a turbine in Gävle broke down in April 2011, resulting in an operational stoppage of the turbine until the end of July. The stoppage is estimated to have resulted in additional costs of approximately SEK 40 m.

Distribution of operating costs

Excluding depreciation, Korsnäs Industrial. Numbers in brackets refer to 2010.



Investments and maintenance stoppages

The project pertaining to a new bioenergy facility in Korsnäs' industrial area is progressing in cooperation with Gävle Energi AB's jointly owned company, Bomhus Energi AB. The aim of the bioenergy facility is to assure delivery of eco-friendly electricity and steam to Korsnäs' plant in Gävle from 2013, as well as district heating to Gävle Energi's customers. All main components have been procured within the project's budget framework and construction is proceeding as planned. For Korsnäs, the investment in 50% of the shares and debenture loans in Bomhus will amount to approximately SEK 320 m, of which SEK 115 m was paid during 2010 and SEK 112 m during the 2011. In addition to the investment in Bomhus Energi, Korsnäs is making further energy investments of about SEK 145 m in the existing plant for the delivery of waste heat to Gävle Energi AB, of which SEK 66 m was paid in 2010 and SEK 29 m in 2011.

During the third quarter, a decision was made to invest SEK 270 m in the rebuilding of PM5 in Gävle. The rebuild will affect several parts of the machine and is an assertive quality investment to improve cartonboard quality. The rebuild will be implemented during the scheduled maintenance stoppage in autumn 2012.

Decisions have also been made to install a new wash press and to modify the oxygen phase in Fiber-line 3 in Gävle. The expansion is estimated to increase wood replacement and decrease requirements of bleaching chemicals. The investment totals SEK 95 m, of which SEK 29 m was paid in 2011.

In July, a judgment was handed down to Korsnäs Gävle from the Land and Environmental Court of the Östersund District Court. According to the judgment, Korsnäs must additionally reduce emissions of TOC (Total Organic Carbon, oxygen-consuming substances) from the plant in Gävle. Consequently, Korsnäs must invest approximately SEK 200-300 m in its external purification facility in 2014. Korsnäs has appealed the judgment of the Land and Environmental Court and a review dispensation was granted in November.

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 rose from 1 January 2011 by SEK 10-30/m3fub, depending on the range and catchment area. During the summer, additional price increases of SEK 10-25/m3fub were announced, but which did not have an effect on Korsnäs' purchase prices before a price reduction of up to SEK 15/m3fub from Korsnäs' earlier price level was announced in September. In mid-December, an additional price reduction was implemented of SEK 20/m3fub for coniferous pulpwood and SEK 15-20/m3fub for birch pulpwood. The price changes for pulpwood will impact Korsnäs' operating profit, subject to a lag of approximately three to six months.

Research and development

During the year, Korsnäs intensified cooperation with its largest customers, with a focus on expansion in terms of volumes for these customers. In several instances, work was through direct cooperation projects with the customer, with the value chain as the starting point for the development efforts. Work on the coating concept resulted in optimized products in all coated segments. Work with convertibility generated satisfactory results for existing products, which is expected to contribute to additionally improving interchangeability between machines. In cooperation with the marketing and production departments, several development efforts were implemented resulting in stronger market positions as basis, with excellent results. Work with the added-value concept in all end-user areas has commenced. The volumes pertaining to newly launched products expanded during the year and additional concepts have been prepared for future advancements and launches. Korsnäs invested SEK 76 m (76) 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 oligations is limited by means of credit checks, whereby all customers are analyzed by sales managers and a credit council monthly. 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.

Within production operations, risk analyses 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 analysis is also made for safety purposes and the work environment.

Korsnäs' net purchases of power during 2011 totaled 1,057 GWh. In addition, 393 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 on-going 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 will be recognized as they fall due. As of 31 December 2011, the market value of financial hedges amounted to a negative SEK 8 m (positive 75), and comprises 17% of the estimated net power purchases in Sweden for 2012.

With regard to the purchase of pulpwood during 2011, approximately half of Korsnäs' pulpwood consumption was supplied from Bergvik Skog and Sveaskog. The remaining pulpwood derives from purchases in Sweden, 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.

For 2011, Korsnäs' net flow in foreign currencies was a net inflow of about SEK 600 m, comprised mainly of sales in Euro and GBP. The corresponding figure for 2012 is expected to amount to approximately SEK 800 m. 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

During 2011, Korsnäs commenced work on strategic competency and staff planning. The work signified that staffing issues will be handled in a more structured manner with adequate advance planning.

All Korsnäs' managers participated in three of six management modules during the year aimed at increasing knowledge of general leadership but also specific change management. The management program was conducted as part of the effort to implement KOM (Korsnäs Operative Target Management). In parallel with the management program, individual coaching was conducted, using both internal and external coaches. During the year, group-level development efforts were conducted.

As part of Korsnäs' strategic staffing effort, a group of skilled trainees were recruited to take over ordinary positions in the long-term.

A new method for career-development talks was prepared with representatives of the trade union organizations. All employees were informed during information meetings, followed by interactive training.

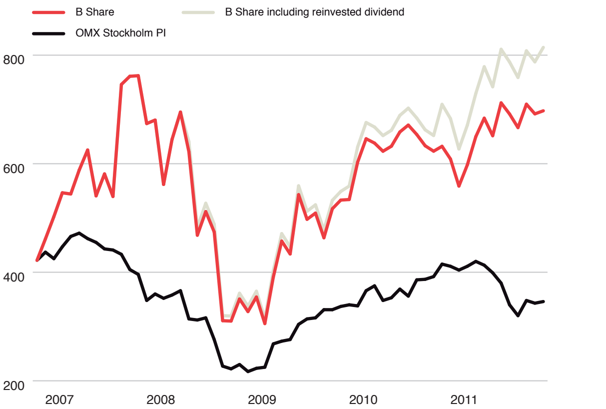
Telecom & Services

Kinnevik has strong market positions in mobile telephony in Latin America, Sub-Saharan Africa, Scandinavia, the Baltics and Russia through its holdings in Millicom and Tele2. In total, Kinnevik's telecom assets cover a total population of 366 million people and have 77 million subscribers in 24 countries.

Millicom

Key data (USD m)	2011	2010[1]
Revenue	4 530	4 018
EBITDA	2 087	1 896
Operating profit, EBIT	1 257	1 083
Net profit	925	1 620
Number of mobile subscribers 31 Dec (million)	43.1	38.6

[1] Pro-forma figures to reflect the full consolidation of Honduras.



The market value of Kinnevik's shareholding in Millicom amounted to SEK 26,088 million on 31 December 2011. Millicom's shares are listed on 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's focus in 2011 was on growing its revenues through innovative products in the Information, Entertainment, Solutions, and mobile financial services (MFS) categories. The Information, Solutions and MFS categories combined now contribute in excess of 15% of recurring revenues. In Latin America, VAS amounts to more than one third of revenues.

Millicom now has more than 4 million users of data services in Latin America (2G and 3G) representing almost 16% of the regional customer base. The price of entry level smartphones is today below USD 100 in some of Milliocm's markets, a level the company believes close to the inflexion point for mass market adoption. Affordability of quality smartphones is crucial for adoption of 3G in Africa in particular.

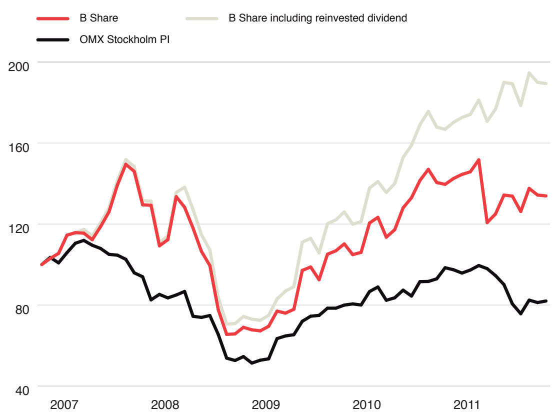
Organic revenue increased by 10.5% in 2011 and despite the continued investments in data and mobile financial services, Millicom's EBITDA margin was 46.1% for the year. Revenue growth in Central America accelerated while Africa recovered to double digit top line growth by the end of the year. South America maintained a healthy growth rate.

Dividend

The Millicom Board will propose to the AGM in May 2012 the payment of a USD 2.40/share ordinary dividend, an increase of 33% versus last year. For the year 2012, a share buyback program up to USD 300 million has been approved by the Board.

Tele2

Key data (SEK m)	2011	2010
Revenue	40 750	40 164
EBITDA	10 852	10 284
Operating profit, EBIT	6 968	7 088
Net profit	4 904	6 481
Number of subscribers 31 Dec (million)	34.2	30.9



The market value of Kinnevik's shareholding in Tele2 amounted to SEK 18,129 m on 31 December 2011. 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 34 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 Tele2 provides 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 competitively priced, easy-to-use services, both in the postpaid and in the prepaid segments. Tele2 holds market-leading positions in prepaid mobile telephony in several countries under successful brands, e.g. Comviq in Sweden and Zelta Zivtina in Latvia.

In the corporate segment, Tele2 also offers more advanced services, in order to satisfy the need for buying communication as a service. One example is "Tele2 Direct", a network-based company switchboard service.

New technologies will change customer's behaviour. Tele2 believes that the mobile phone will more and more become the communication tool of choice both for consumers as well as for corporate users. An increasing number of functions are being built into the new mobile devices and the trend is clear, more customers cut the cord and move from fixed to mobile services.

The development in 2011 confirmed the momentum of Tele2's growth during 2011 with the completion of acquisitions in Norway (Network Norway), and in Austria (Silver Server), the launch of mobile services in 12 out of 16 regions in Kazakhstan and the acquisition of spectrum in Sweden, Estonia, Lithuania, Latvia and Kazakhstan to contribute to data strategies. Tele2 won 6 new regions in Russia, bringing the total to 43 (37).

Tele2 Russia added more than 2 million customers in 2011 out of 2.8 million for the group. As the Russian market matures, Tele2 intends to shift its focus from volume to value.

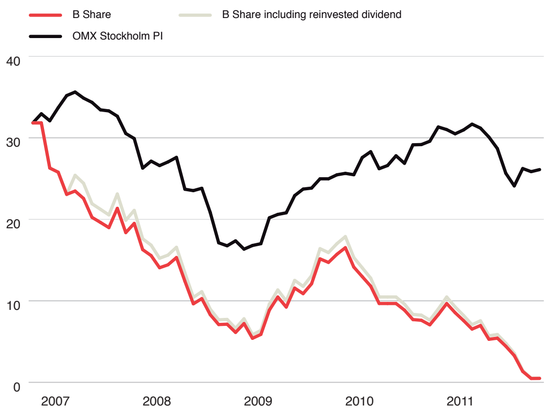
The Nordic operations continue to show growth with the expansion of the smartphone market in particular. In Sweden, the roll out of the 2G and 4G networks in the country accelerated to meet increasing data demand from customers. The market area again delivered strong cash flow during the fourth quarter and reinforced its standing as the major test bed for new technology and services.

Dividend

The Board of Tele2 AB has decided to recommend to the Annual General Meeting (AGM) in May 2012 a total dividend payment of SEK 13.00 (27.00) per ordinary A or B share, to be comprised of an ordinary dividend of SEK 6.50 (6.00) and an extraordinary dividend of SEK 6.50 (21.00).

Transcom

Key data (EUR m)	2011	2010
Revenue	554.1	589.1
Operating profit/loss, EBIT	-28.0	-6.5
Net profit/loss	-49.4	-8.0



The market value of Kinnevik's shareholding in Transcom amounted to SEK 189 m on 31 December 2011. Transcom's shares are listed on NASDAQ OMX Stockholm's list for Small Cap companies.

Transcom is active within outsourcing of Customer Relationship Management (CRM) and Credit Management Services. Today the company is employing more than 24,500 people delivering services from 27 countries.

2011 was a difficult and turbulent year with disappointing results for Transcom. The target is to reverse the company's negative development and return to growth and improved profitability.

Transcom's revenue in 2011 was EUR 554.1 m, a decrease by 5.9% compared to 2010. Iberia and the North region are performing well despite tough economic and business conditions. North America & Asia Pacific is facing changing delivery demands and volume growth mainly in Asia. West & Central results are disappointing and France is facing a lengthy restructuring process.

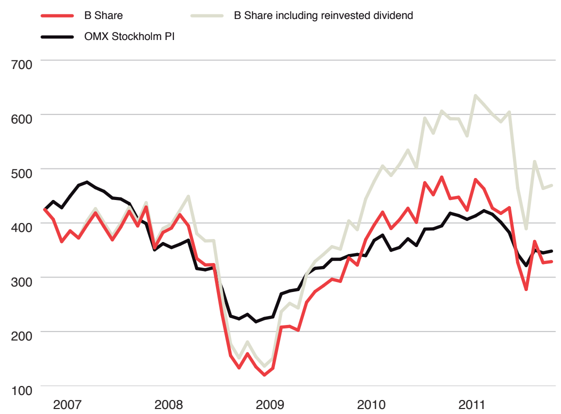
Transcom entered 2012 with a stronger balance sheet after the recently completed rights issue. The restructuring program announced in the second quarter of 2011 is still underway. The successful completion of these restructuring actions is an important short-term focus area and Transcom continues to look for areas for improvement in order to achieve a financial uplift. The target is to optimize capacity and that will continue to be a focus area throughout 2012 as the company reviews its global delivery footprint.

Media

Kinnevik's media companies have operations in a total of 41 markets and a combined reach of 125 million daily TV viewers in MTG and 18 million daily readers in Metro.

Modern Times Group MTG

Key data (SEK m)	2011	2010
Revenue	13 473	13 101
Operating profit/loss, EBIT	-637	2 355
Net profit/loss	-1 289	3 541



The market value of Kinnevik's shareholding in MTG amounted to SEK 4,436 m on 31 December 2011. MTG's shares are listed on NASDAQ OMX Stockholm's list for Large Cap companies.

Modern Times Group MTG AB is a leading international entertainment broadcasting group with the largest geographical broadcast footprint in Europe. MTG's Viasat Broadcasting is the leading free-TV and pay-TV operator in Scandinavia

and the Baltics, and has broadcasting operations in Bulgaria, Czech Republic, Hungary, Slovenia, Russia, Ukraine and Ghana. Viasat's free-TV and pay-TV channels and pay-TV platforms are available in 35 countries. MTG is the major shareholder in Russia's largest independent television broadcaster, and the number one commercial radio operator in the Nordic region.

In 2011, MTG's four broadcasting businesses reported growing revenues despite the broader economic uncertainty that prevailed during the year. Sales for the Scandinavian free-TV operations were up year on year as the advertising markets continued to grow. The Nordic pay-TV subscriber base continued to grow and the Viaplay online service is developing well. The emerging market free-TV operations have taken share and outperformed in advertising markets that are still lagging the recovery in western Europe, whilst the emerging market pay-TV operations reported continued strong subscriber intake.

The results for 2011 were impacted by a number of non-recurring and primarily non-cash items following year-end impairment tests, but the underlying profitability and cash flows remain healthy and MTG continues to explore new growth opportunities.

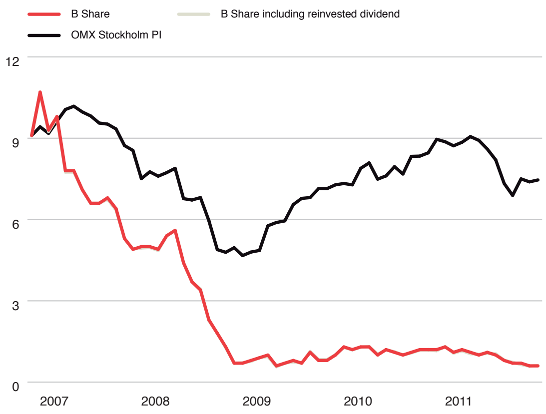
Dividend

The Board of MTG proposes 20% increase in annual cash dividend to SEK 9.00 (7.50) per share to the AGM in May 2012 and has adopted a dividend policy to distribute at least 30% ofrecurring net profit to shareholders as an annual ordinary dividend.

Metro

Key data (EUR m)	2011	2010
Revenue	197	175
Operating result, EBIT	19.4	11.7
Net result	4.7	2.9

Excluding discontinued operations.



The market value of Kinnevik's shareholding in Metro amounted to SEK 148 m on 31 December 2011. In addition Kinnevik holds warrants at a market value of SEK 129 m and debentures at a market value of SEK 287 m. 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 22 countries across Europe, North & South America and Asia. Metro has a global reach attracting an audience of close to 18 million daily readers.

2011 was an exciting year for Metro and the company is well on track to reach the target announced back in May 2008; that Metro on Group-level will be double-digit margin in 2012.

Metro expanded its reach, growing both offline and online. Metro launched in three more Latin American countries, Colombia, Guatemala and Peru, and added nine new editions and approximately 1 million readers.

Online growth continued, and in December 2011, Metro had 7.7 million unique users across its various web properties and constantly growing.

In February 2012, Kinnevik launched a recommended all cash offer for the shares, warrants and debentures in Metro, for further information see page 31.

Online

Investment (SEK m)	Ownership	Invested amount	Estimated fair value
Rocket Internet with portfolio companies	mixed	3 411	5 434
Groupon, directly owned shares	8 377 156	20	1 197
Avito (directly and through Vosvik)	52%	285	336
CDON	25.1%	517 [1]	629
Other online investments	mixed	511	204
Total		**4 744**	**7 800**

[1] The value of dividend received from MTG when shares distributed and share purchases made thereafter.

Online services are growing strongly and Kinnevik is searching for various types of investments that will benefit from households spending a growing proportion of their time and budget online. The main focus is consumer-oriented services, with proven business concepts. Expansion in consumer-related Internet services is capital-intensive and competition in the market is tough, but at the same time, the growth potential is significant.

In 2011, Kinnevik invested a total of SEK 2,933 m within Online, including SEK 2,673 m in Rocket Internet with portfolio companies, SEK 62 m in Avito and SEK 101 m in CDON.

At the end of the year, investments in Online were valued at a total of SEK 7,800 m. The assessed change in fair value recognized in the consolidated income statement amounted to SEK 2,666 m (640) for the year, of which SEK 1,813 m (209) related to the change of fair value of shares and warrants in Rocket Internet with portfolio companies, SEK 747 m (430) related to the change in fair value of directly owned shares in Groupon, and SEK 108 m (4) related to CDON.

In the valuation of Kinnevik's investment in Rocket Internet, and direct investments in Rocket's portfolio companies, all portfolio companies with the exception of Zalando and Groupon have been valued at cost, which is considered to correspond to fair value. Rocket's shares in Groupon have been valued at current stock-market price at year-end and Zalando is recognized at the assessed fair value by applying a multiple to the company's historic sales. The multiple was determined based on a comparison with a group of comparable companies.

During 2011 and early 2012, a number of Rocket's portfolio companies issued new shares to external investors at price levels that exceeded Kinnevik's recognized assessed fair values. Since the newly issued shares have better preference over the portfolio companies' assets in the event of liquidation or sale than Kinnevik's shares have, Kinnevik do not consider these price levels as a relevant base for assessing the fair values in the accounts. The latest transactions that have been made with better preference than Kinnevik's shareholdings, have been made at levels that, applied on Kinnevik's shareholdings, is above three billion kronor higher than Kinnevik's book value as per 31 December 2011.

Rocket Internet

Rocket Internet is a company that incubates and develops e-commerce and other consumer-oriented online companies. Through an agreement signed in 2009, Kinnevik owns 25% of Rocket Internet following the exercise of outstanding warrants (12% before exercise of warrants).

Kinnevik works closely with the founders of Rocket Internet in order to start up companies and develop them into leading Internet players. During 2011, a number of companies were established in emerging markets where Rocket Internet's online expertise can be combined with Kinnevik's experience and network in emerging markets.

Rocket Internet's portfolio comprises companies that are active in:

- E-commerce with a focus on footwear and fashion, with Zalando in Europe, Dafiti in Brazil, Lamoda in Russia and a number of other newly started companies in emerging markets.
- E-commerce of furniture, with Home 24 (formerly Möbel-Profi) in Europe and a number of new companies that have been started in emerging markets.
- Other E-commerce comprising outdoor articles, toys, jewelry, interior decor and beauty products (Glossybox).
- Group discounts, with MyCitydeal, a company started up by Rocket merging with the US company Groupon in 2010.
- Marketplaces for brokering short-term housing through the companies Wimdu and Airizu.
- The profile-matching dating website, e-Darling.

During 2011, Kinnevik, together with Rocket Internet and other external investors, increased its investments in the portfolio companies. Kinnevik's investments are distributed as follows:

Invested amount	2011	Accumulated invested amounts
Rocket Internet	-	345
Zalando	828	1 027
Other e-commerce companies within footwear, fashion and accessories	565	738
Home24 and other e-commerce companies within furniture	363	363
Other e-commerce companies	574	595
Wimdu, Airizu	343	343
Total invested	**2 673**	**3 411**

Zalando

Zalando started its operations in Germany in 2008 and has today online shops also in the Netherlands, France, the United Kingdom, Austria, Italy and Switzerland. The company intends to continue its expansion geographically and through increasing its range of footwear, fashion and accessories. In 2011, Zalando launched its own logistic center and opened the first warehouse operated by the company. A new warehouse construction project was initiated in the city of Erfurt in Germany to start operations in 2012. Zalando has continued its strong growth in 2011. In the first half of 2011, the company generated net sales of approximately EUR 200 m, compared to full year sales of EUR 159 m in 2010. Due to the strong growth and geographical expansion, the company reported an operating loss.

Groupon

Key data (USD m)	2011	2010
Revenue	1 625	313
Operating profit, EBIT	-203	-420
Net profit	-275	-413

Groupon is a leading daily deal site with a global presence, offering goods and services at a discount on local e-commerce marketplaces. The Company has today more than 10,000 employees in some 45 countries. The company has offerings within six comprehensive categories; local, national, travel, events, goods and Now!, offerings in limited quantities that are available only for a short period of time, and the company intends to keep diversifying its portfolio of services through more categories. During 2011, Groupon has continued growing its customer base and revenues have increased over five times compared to last year. Due to strong growth, the company reported an operating loss.

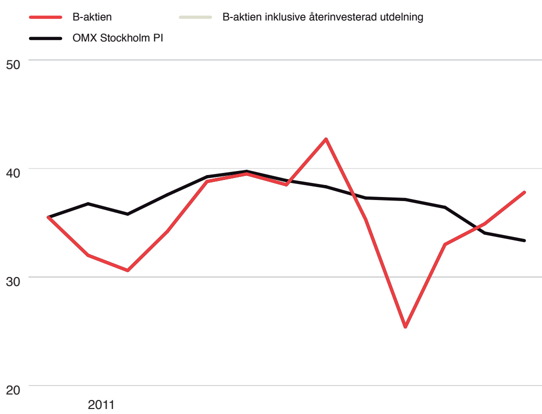
Avito

Avito.ru is the leading online service for classified advertising in Russia. In the fourth quarter 2011, the company had an average of 3.6 million new classifieds per month (2.1 million for the corresponding period last year) and 18.3 million (8.7) million unique monthly visitors. The company has in 2011 continued to invest to further strengthen its leading position. Revenues primarily derive from advertising sales on the website.

CDON

CDON Group is a leading e-commerce company with some of the most well known and appreciated brands in the Nordic area.

Key data (SEK m)	2011	2010
Revenue	3 404	2 210
Operating profit, EBIT	149	135
Net profit	83	90



The market value of Kinnevik's shareholding in CDON amounted to SEK 629 m on 31 December 2011. CDON Group's business concept is to offer the best range of products via the internet, both own and external brands within the segments where it operates, to capitalise on the ongoing rapid shift towards e-commerce and through the CDON Group platform and infrastructure continue to build fast and profitable growth.

In 2011, CDON showed rapid growth and a considerably improved result. In a generally weak retail market, CDON improved its result by 54%. All segments showed profitable growth and contributed to the total result. CDON invested in growth throughout the year and the strong result in the fourth quarter shows that the strategy has paid off and that there is room for growth within the Group.

Microfinancing

Investment (SEK m)	Ownership	Invested amount	Estimated fair value
Bayport	37%	329	405
Other Microfinancing investments	mixed	44	41
Total		**373**	**446**

Similar to the manner in which Kinnevik developed telecom services in emerging markets through innovative products and distribution networks, Kinnevik is now searching for investment opportunities in the microfinancing sector.

Bayport, a company offering micro credits and financial services in five African countries (Ghana, Uganda, Zambia, Tanzania and Botswana) as well as in Colombia, is Kinnevik's largest investment in the microfinancing sector. Bayport was founded in 2002 and has grown with profitability into a leading African micro credit company with total assets of around USD 265 m. The company has about 235,000 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.

Ghana and Zambia are Bayport's largest markets, while also the other countries are displaying rapid growth. Bayport expanded its operations to Colombia in the first quarter of 2011 through the acquisition of a majority stake in the Colombian payroll deduction company FiMSA.

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

Agriculture

Investment (SEK m)	Owner-ship	Invested amount	Estimated fair value
Black Earth Farming, Russia	24.9%	659	427
Rolnyvik, Poland	100%	174	250
Total		**833**	**677**

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

Black Earth Farming

Black Earth Farming (BEF), 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 South-west Russia.

Key data (USD m)	2011	2010
Revenue	77.6	59.9
Operating loss, EBIT	-25.3	-25.7
Net loss	-41.7	-36.4

Black Earth Farming's reported an operating loss for 2011. There are several driving factors, both external and internal, affecting crop yield and price including weather conditions as well as issues with harvest and storage logistics. Revenue per hectare was close to 2008 levels when yields were higher but prices lower. Operating costs per hectare were up year-on-year but the severe drought that impacted the 2010 harvest makes it an abnormal reference point, as some inputs were scaled back and volume driven costs were lower. Overhead and indirect costs per hectare are trending lower but the key to improving results going forward will be on the revenue side.

There are a lot of initiatives underway to lift crop yield performance. The end target is to lower the cost per ton to increase the potential of being highly profitable in a favorable year whilst staying profitable in a bad year. With an almost completely new management team put in place in the latter part of 2011 the process of improving performance has begun.

Agriculture – non-listed holdings

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

Rolnyvik reported operating profit of SEK 23 (16) m in 2011. The improved operating profit was attributable to the storage and sale of a substantial proportion of the preceding year's harvest in the beginning of 2011 at the going market rate for grain, which was higher than in 2010.

A dry growth season, followed by a very rainy harvest season, resulted in lower harvest per hectare, compared with the year-earlier period.

During the third quarter, Kinnevik divested its 30% shareholdings in the Ukrainian agricultural company, RawAgro, for SEK 28 m.

Renewable energy

Investment (SEK m)	Owner-ship	Invested amount	Estimated fair value
Latgran	75%	129	245
Vireo	75%	58	58
Total		**187**	**303**

Renewable energy production is expected to see substantial growth in coming years, especially in Europe driven by EU commitments to 20% renewable production by 2020. Bioenergy is of strategic interest for Kinnevik given strong European growth expectations in combination with Kinnevik's experience from and activities in agriculture and forestry. The strategy is focused around two core areas – large scale wood pellets production, and local energy production based on biogas and biomass. Central and Eastern Europe is the main geographical focus where operations are conducted in the two companies Latgran and Vireo Energy.

Latgran

Key data (SEK m)	2011	2010
Revenue	319	299
Operating profit, EBIT	32	54
Deliveries, thousand tons	265	237
Production, thousand tons	292	239

Latgran conducts production of pellets from forest raw materials at the company's three 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 2011. Increased costs for raw material and energy, which has not been fully compensated by price increases on pellets, resulted in a decrease in operating margin down to 10% compared to 18% in 2010. During the third quarter, the company's third pellets plant in South-east Latvia was commissioned as planned. The investment totalled approximately EUR 14 m and the plant will have a planned annual production of approximately 140,000 tons.

In 2010, Vireo Energy commenced operations aimed at building, owning and operating facilities that produce energy from renewable sources. Initially, the company is focusing primarily on projects to recover energy from landfill gas, and other forms of waste based biogas. Geographic focus is Poland and adjacent countries. Contracts have been signed for the recovery of biogas with a number of landfills in Poland and Belarus. Vireo are now investing in these facilities and is commencing the sale of energy.

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 seven business sectors; Paper & Packaging, Telecom & Services, Media, Online, Microfinancing, Agriculture and Renewable energy. 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 19 March 2012 and the Board of Directors and CEO herewith present the annual report and consolidated financial statements for the financial year 2011. 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 7 May 2012.

In the group accounting all companies in which the Parent Company controls more than 50% of the votes or in any other way exercises a controlling influence are consolidated. Those are mainly the following companies: Korsnäs, Latgran, Rolnyvik, Vireo Energy, Relevant Traffic, Guider Media, Duego Technologies, Milvik and G3 Good Governance Group. All other holdings are accounted at fair value with changes in fair value reported through profit and loss.

Key events during 2011

Paper & Packaging

Korsnäs' operating profit for the full-year 2011 amounted to SEK 907 m, compared with SEK 926 million in 2010. Operating profit for 2011 includes insurance compensation of SEK 45 m, pertaining to damage to a soda recovery boiler in Frövi, which caused shorter production shutdowns in 2009 and 2010. Operating profit for the current year was adversely impacted by a breakdown of a turbine in Gävle. The breakdown is estimated to have caused additional costs of SEK 40 m. Despite the negative effects from the breakdown of the turbine, energy costs were lower than the preceding year mainly due to energy investments in Gävle which has resulted in significant lower energy costs compared to 2010.

From a stable market position in the first quarter, the market was characterized by uncertainty since the second quarter and caution among customers who reduced their inventories and delayed placing orders due to uncertainty of the direction of the market.

Despite the uncertain market situation, Korsnäs succeeded in increasing delivery volumes of liquid packaging board by 6% compared with 2010. Within all other product groups, deliveries decreased compared to 2010. However, deliveries of coated WTL increased in line with the company's long-term strategy.

Price increases were implemented from 1 January 2011, in line with agreements with major liquid packaging board customers, and price increases were also implemented in other product areas during the first nine months.

The project pertaining to a new bioenergy facility in Korsnäs' industrial area is progressing in cooperation with Gävle Energi AB's jointly owned company, Bomhus Energi AB. For Korsnäs, the investment in 50% of the shares and debenture loans in Bomhus will amount to approximately SEK 320 m, of which SEK 227 m was paid during 2010 and 2011. During 2011, a decision was made to invest SEK 270 m in the rebuilding of PM5 in Gävle. The rebuild is an assertive quality investment to improve cartonboard quality and will be implemented during the scheduled maintenance stoppage in autumn 2012.

Telecom & Services

Kinnevik's ownership share in Millicom has increased from 35.8% to 37.3% during the year due to share buy backs by Millicom of USD 498 m.

During 2011, Kinnevik received a total of SEK 4,846 m in dividends from its telecom holdings, of which SEK 1,187 m from Millicom and SEK 3,659 m from Tele2.

In December Kinnevik subscribed for 33.7% in Transcom's issue of new shares, of which 22.3% with preferential rights and 11.4% in addition to this, in accordance with previously granted guarantee. In total, the payment amounted to SEK 170 m. Following the share issue, Kinnevik owns 33.0% of the capital and 39.7% of the votes in Transcom.

Online

In 2011, Kinnevik invested a total of SEK 2,933 m within Online, including SEK 2,673 m in Rocket Internet with portfolio companies, SEK 62 m in Avito and SEK 101 m in CDON.

On 4 November, the shares in Groupon Inc. were listed on NASDAQ in New York. Kinnevik has a direct holding of 1.2% in Groupon. In addition, Rocket Internet, in which Kinnevik owns 25% after all warrants have been exercised, owns 5.5% of the shares in Groupon. Kinnevik reports its directly owned shares in Groupon as a listed holding, while the indirectly owned shares held by Rocket Internet are continued to be reported under "Rocket Internet and portfolio companies".

At the end of the year, investments in Online were valued at a total of SEK 7,800 m. The assessed change in fair value recognized in the consolidated income statement amounted to SEK 2,666 m (640) for the year, of which SEK 1,813 m (209) related to the change of fair value of shares and warrants in Rocket Internet with portfolio companies, SEK 747 m (430) related to the change in fair value of directly owned shares in Groupon, and SEK 108 m (4) related to CDON.

Other events

In addition to investments in the above business sectors Kinnevik invested SEK 143 m in G3 Good Governance Group, a company that offers emerging market strategic advisory services to multinational customers. After the acquisition Kinnevik is the majority owner of the company.

Events after the end of the reporting period

- On 6 February 2012, Kinnevik announced a cash offer to acquire all outstanding shares, warrants and debentures in Metro International S.A. (”Metro”). The total offer value (excluding Kinnevik's existing holdings) for all shares and warrants amounts to approximately SEK 560 m and SEK 816 m including debentures. Metro's independent Board committee unanimously recommends Metro's shareholders and owners of warrants to accept the offer, supported by a fairness opinion that has been prepared in conjunction with the offer. Completion of the offer is not subject to a certain acceptance level. The acceptance period for the offer commenced on 22 February. It is Kinnevik's intention to continue operations in accordance with the strategic plan that has been developed by the management of Metro and continue to invest in emerging markets. This strategy entail a balance between cost savings in the free newspaper business while at the same time investing in emerging markets and in the online business. From that perspective, Kinnevik believes that significant opportunities exist to further develop Metro outside of the stock exchange, where Kinnevik, as an active owner with significant capital resources for expansion and investments, can provide the long-term support for the management and the business that is needed in order to capture and fully capitalise on the opportunities that lie ahead.
- In February 2012, the Swedish Tax Authorities informed Kinnevik that they consider to increase the Group's taxes by approximately SEK 700-800 m pertaining to Kinnevik's acquisition of Emesco AB in 2009. Following correspondence between the two parties and a number of meetings on the issue, the Tax Authorities have to date maintained their consideration to interpret the nature of the transaction in a manner that Kinnevik strongly refutes. Kinnevik has engaged a number of legal and tax experts, who all confirm Kinnevik's view of the matter. The timing of a potential decision by the Tax Authorities is not known at the moment. If the Tax Authorities maintain their position and move forward with the issue against the company, Kinnevik will appeal the decision since the company is of the strong opinion that the Tax Authorities' interpretation of the law is incorrect.

Consolidated earnings

The Group's total revenue during the year amounted to SEK 8,789 m compared with SEK 8,593 m in the preceding year.

The Group's operating profit amounted to SEK 826 m (889).

The change in fair value of financial assets and dividends received amounted to SEK 6,122 m (13,004), of which SEK 4,129 m (12,737) was related to listed holdings and SEK 1,993 m (267) to unlisted financial assets.

Net profit amounted to SEK 6,555 m (13,622), corresponding to SEK 23.64 (49.08) per share.

Cash flow and investments

The Group's cash flow from operations excluding change in working capital amounted to SEK 1,241 m (1,198) during the year. Working capital increased by SEK 460 m (decrease of 112) and is mainly explained by increased inventories within Korsnäs.

Investments made in tangible and intangible fixed assets amounted to SEK 797 m (717) during the year, of which SEK 687 m (604) was in Korsnäs.

During 2011, Kinnevik invested SEK 3,382 m (1,563) in financial fixed assets, of which SEK 490 m was paid out in January 2012 and not included in the cash flow for 2011.

Liqudity and financing

The Group's available liquidity, including short-term investments and available credit facilities, totalled SEK 5,465 m at 31 December 2011 and SEK 4,923 m at 31 December 2010.

The Group's interest-bearing net debt amounted to SEK 6,539 m and SEK 7,123 m on the same dates. Of the total net debt at 31 December 2011, SEK 5,212 m related to external net debt within Korsnäs or with shares in Korsnäs as collateral.

At the end of December, Kinnevik signed a new three year syndicated credit facility agreement of SEK 5,300 m with extension options for another two years. The new credit facility is secured by listed shares, but without any financial covenants. It has from January 2012 replaced bilateral credit facilities with listed shares as security, totalling SEK 4,950 m. After the refinancing, the Group's credit facilities carry an interest rate according to Stibor or similar base rate with an average margin of 1.3% (1.4%). All loans have fixed interest terms of no longer than three months. At 31 December 2011, the average remaining duration for all credit facilities amounted to 3.1 (3.2) years (including the earlier mentioned facility that was signed in December but closed in January 2012).

Of the Group's interest expenses and other financial costs of SEK 328 m (216), interest expenses amounted to SEK 277 m (203). This means that the average interest rate for the year was 3.6% (2.4%) (calculated as interest expense in relation to average interest-bearing liabilities).

The Group's borrowing is primarily arranged in SEK. In

2011, the net flow in foreign currencies, excluding dividends received and investments made, was a net inflow of about SEK 600 m, comprised mainly of Korsnäs' sales in EUR and GBP. For 2012, the net inflow of mainly EUR and GBP is expected to increase to about SEK 800 m.

Research and development

During the year, Korsnäs continued to improve and develop its products in close collaboration with major customers. Work on the coating concept resulted in optimized products in all coated segments. Work with convertibility generated satisfactory results for existing products. The Group's research and development expenses amounted to SEK 76 m (76), and related 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.

In July, a judgment was handed down to Korsnäs Gävle from the Land and Environmental Court of the Östersund District Court. According to the judgment, Korsnäs must additionally reduce emissions of TOC (Total Organic Carbon, oxygen-consuming substances) from the plant in Gävle. Consequently, Korsnäs must invest approximately SEK 200-300 m in its external purification facility in 2014. Korsnäs has appealed the judgment of the Land and Environmental Court and a review dispensation was granted in November.

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 32 for the Group.

Parent Company

The administration costs within the Parent Company amounted to a net expense of SEK 121 m (expense of 83). Dividends received totaled SEK 3,640 m (1,445), of which SEK 178 m (0) relates to dividends from wholly-owned Group companies. The result from financial assets amounted to a loss of SEK 895 m (profit of 256). Net of other financial income and expenses amounted to an income of SEK 345 m (405). The Parent Company's result after financial items amounted to SEK 2,989 m (2,046).

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

The Parent Company's liquidity including short-term investments and unused credit facilities amounted to SEK 4,437 m (4,051) at the end of the year. The interest-bearing external liabilities amounted to SEK 2,173 m (2,551) at the end of the year.

Share capital

As of 31 December 2011 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, 228,517,952 are class B shares with one vote each and 399,914 are class C treasury shares with one vote each. The total number of votes in the Company amounted to 715,571,106 (715,171,192 excluding 399,914 class C treasury shares).

During the year, 25,086 class C shares were converted to class B shares and delivered to the participants in the Long Term Incentive Plan for 2008.

The Board has authorization to repurchase a maximum of 10% of all shares in the Company. The Board did not utilize this mandate in 2011. There are no convertibles or warrants outstanding.

As per 31 December 2011, 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., SMS Sapere Aude Trust, HS Sapere Aude Trust among others, together holding shares representing 46.6% of the votes and 12.9% 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 16 May 2011. The guidelines apply on remuneration for senior executives within the group. Senior executives covered include the CEO in the Parent Company, other senior executives in the Parent Company and the CEO of Korsnäs ("Senior Executivies") 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.

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.
– 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.
– Board Members, elected at General Meetings, 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 be approved by the Board of Directors.

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 will propose to the AGM 2012 that the above guidelines will be unchanged.

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. These reflect Kinnevik's evaluation of its balance sheet structure, 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 2011

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 2011, to be approved at the AGM in May is proposed to be about 95% of expected ordinary dividends to be received in 2012.
Leverage target in Korsnäs	Net debt of at least 3 times EBITDA.	As per 31 December 2011 the net debt was 3.4 times EBITDA for 2011.
Leverage target listed share portfolio	No or a low leverage to have financial flexibility in the Parent Company, which meant an expected leverage of SEK 0-5 billion in 2011.	The net debt related to the listed share portfolio was SEK 1.6 bln as at 31 December 2011.

Return target on investments: Average yearly internal rate of return of at least 15%

Outcome	1 year 2011	5 years 2007-2011
Paper & Packaging [1]	13%	12%
Telecom & Services	13%	13%
Media	-23%	-8%
Online	95%	54%
Microfinancing	21%	15%
Agriculture	-36%	0%
Renewable energy	-5%	32%

[1] Return calculated as net profit divided by average invested capital.

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 5.50 per share. The total dividend payment to Kinnevik shareholders 2012 will then amount to SEK 1,525 m, corresponding to approximately 95% of the expected ordinary dividends from Millicom, Tele2 and MTG.

During 2012, the investments within Online, Microfinancing, Agriculture and Renewable energy are expected to be around SEK 5 billion compared to the SEK 3 billion that was invested in 2011.

For 2012, the Parent Company's leverage against the listed share portfolio is expected to be in the range of SEK 1-5 bln. Leverage against Korsnäs is expected to remain above 3xEBITDA.

Proposed treatment of unappropriated earnings

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

Retained earnings	30,200,585,942
Share premium	1,615,929,594
Total	31,816,515,536

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 5.50 per share,	
amounting to	1,525,328,893 [1]
Carried forward:	
Share premium	1,615,929,594
Retained earnings	28,675,257,049
Total	31,816,515,536

Treasury shares are not entitled to dividend.

[1] In the dividend proposal, full allocation has been assumed in accordance with the long-term incentive program that expires on 31 March 2012. 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 sound practice on the securities market. Kinnevik applies the Swedish Corporate Governance Code (the "Code") [1]. This Corporate Governance report represents a formal part of the Board of Directors' Report and has been reviewed by the company's auditors.

During 2011, Kinnevik, in line with previous years, 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 in the section Nomination Committee below.

Annual General Meeting

The Swedish Companies Act (2005:551) ("ABL") and the Articles of Association determine how the notice to the Annual General Meeting and extraordinary general 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 general meeting. A-shares entitle to ten votes, whereas other shares entitle to one vote. Distance participation and voting at the general meeting 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 11 to the Parent Company, Share Capital.

Nomination Committee

At the 2011 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 2011 following consultation with the largest shareholders in the Company at 30 September 2011. The Nomination Committee would be elected for a period commencing with the publication of the Company's interim report for the third quarter of 2011 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 2012 Annual General Meeting. The Nomination Committee comprises Cristina Stenbeck, Ramsay Brufer representing Alecta, Henry Guy representing Verdere S.à.r.l., 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 fees to the Board of Directors and Auditors, as well as a proposal for the Chairman of the Annual General Meeting ahead of the 2012 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 appointed Authorized Public Accountant Thomas Forslund as Auditor in Charge, was elected 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, WeSC AB and Softronic 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 2011, 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 25 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 2011 Annual General Meeting, following a motion by the former Nomination Committee, Vigo Carlund, Wilhelm Klingspor, Erik Mitteregger, Allen Sangines-Krause and

[1] The Code is available at: http://www.bolagsstyrning.se

Cristina Stenbeck were re-elected members of the Company's Board and Tom Boardman and Dame Amelia Fawcett were elected as new Board members. The Annual General Meeting re-elected Cristina Stenbeck as Chairman of the Board. In May 2011, 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 on pages 36-37. None of the Board members is employed within the Group, with the exception of the employee representatives. The Board member Allen Sangines Krause has acted as consultant to the Company performing various management services. Information concerning Group Management is presented in the Annual Report on page 75 and in Note 30 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 procedures, 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 2011 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 the Online business area and the overall financial performance of all major portfolio companies. The overall strategy for Kinnevik, Korsnäs, the listed associated companies and the companies within Online were discussed during a full day strategy meeting. 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.

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.

Tom Boardman
Born: 1949
Nationality: South African citizen
Independence: Independent of the Company and management and independent of major shareholders.
Direct or related person ownership: -
Committee work: Member of the Audit Committee and the New Ventures Committee
Tom was elected Director of the Board at the AGM 2011. He is Non-Executive Director of Mutual & Federal Insurance Co Ltd. since 2006, Nedbank Group Ltd since 2010, Woolworths Holdings Ltd since 2010, Royal Bafokeng Holdings since 2010 and African Rainbow Minerals Ltd since 2011.
Tom held various managerial positions within the South African mining, timber and retailing industries 1973-1986. Between 1986-2002 he held various managerial positions within the BoE Bank and in 2003-2010 he was Chief Executive of Nedbank Group.
Tom has a B Com and CTA from the University of Witwatersrand, South Africa.

Vigo Carlund
Born: 1946
Nationality: Swedish citizen
Independence: Independent of the Company and management and independent of major shareholders.
Direct och 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) and Net Entertainment NE AB since 2011. He also serves as Director of the Board of Academic Work Solutions since 2006 and IZettle since 2010.
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.

Dame Amelia Fawcett
Born: 1956
Nationality: US and UK citizen
Independence: Independent of the Company and management and independent of major shareholders.
Direct or related person ownership: -
Committee work: Member of the Remuneration Committee and the New Ventures Committee
Dame Amelia was elected Director of the Board at the AGM 2011. She is Non-Executive Chairman of Guardian Media Group Plc since 2009 (Non-Ececutive Director since 2007), Chairman of the Hedge Fund Standards Board in London since 2011 and is a Non-Executive Director of State Street Corporation in Boston, USA since 2006. Dame Amelia is a Governor of the London Business School, a Commissioner of the US-UK Fullbright Comission and a Trustee of Project Hope (UK). She is also a Chairman of the American Friends of the National Portrait Gallery (London).
Dame Amelia held various managerial positions within Morgan Stanley 1987-2006 and was Vice Chairman and Chief Operating Officer of the European operations 2002-2006.
Dame Amelia has a Law Degree from University of Virginia, USA and a BA Magna cum Laude in History form the Wellesley University in Massachaussets 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

The review also assesses the performance of each Board member, including the Chairman, and the contribution they make.

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 2011, the Kinnevik Board held nine meetings (excluding the statutory meeting), of which four were extra meetings held via telephone. The Board members Tom Boardman and Dame Amelia Fawcett were absent from one ordinary meeting. Vigo Carlund, Dame Amelia Fawcett, John Hewko (Board member until May 2011) and Bo Myrberg were absent from one extra board meeting held via telephone. 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 2011 are presented in the Board of Directors report, page 33.

Cristina Stenbeck, Dame Amelia Fawcett, Wilhelm Klingspor and Erik Mitteregger were members of the Remuneration Committee during 2011. 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 one meeting during 2011, 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.

Tom Boardman, Wilhelm Klingspor, Erik Mitteregger and Allen Sangines-Krause were members of the Audit Committee during 2011. The Chairman of the Committee

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 Skinnskatteberg.

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 85,000 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 member of the Management Board at Alfred Berg Fondkommission.
Erik holds a B.Sc. in Economics and Business Administration from Stockholm School of Economics.

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 30 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.

was 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 seven meetings during 2011, of which five were held via telephone. Tom Boardman and Allen Sangines-Krause were absent from one meeting held via telephone. 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 Tom Boardman, Dame Amelia Fawcett, 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 two meetings via telephone in 2011. In addition, the Committee addressed a number of issues via email, which resulted in one meeting that was held by circular minutes.

The Board's description of internal control pertaining to the financial reporting for the 2011 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 on-going 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 and financial risks are reported each quarter to the Board, including an analysis of their consequences and financial impact in the event of them materializing, and how and who exercises on-going control over each risk and how these can be minimized. During 2011, the reporting format for the Risk report sent to the Board was updated in order to clarify the risks that might have the most significant financial impact if they would materialize.

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	2011	2010
Revenue	2	8 789	8 593
Cost of goods and services	4	-7 476	-7 311
Gross profit		**1 313**	**1 282**
Selling costs	4	-127	-130
Administration costs	4	-437	-336
Research and development costs	4	-76	-76
Other operating income	3	158	326
Other operating expenses	3	-5	-177
Operating profit		**826**	**889**
Dividends received	5	4 951	3 105
Change in fair value of financial assets	6	1 171	9 899
Interest income and other financial income	7	68	60
Interest expenses and other financial expenses	7	-328	-216
Profit after financial items		**6 688**	**13 737**
Taxes	10	-133	-115
Net profit for the year		**6 555**	**13 622**
Attributable to:			
Equity holders of the Parent Company		6 553	13 602
Non-controlling interest		2	20
Earnings per share before dilution, SEK	8	23.64	49.08
Earnings per share after dilution, SEK	8	23.62	49.05
Proposed dividend per share, SEK		5.50	4.50
Average number of shares outstanding before dilution		277 173 242	277 158 190
Average number of shares outstanding after dilution		277 396 143	277 286 286

Consolidated Statement of Comprehensive Income

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

	Note	2011	2010
Net profit for the year		6 555	13 622
Other comprehensive income for the year			
Translation differences		-3	-50
Cash flow hedging	20	-82	97
Actuarial profit/loss		-14	6
Tax attributable to cash flow hedging		21	-26
Tax attributable to actuarial profit/loss		4	-1
Total other comprehensive income for the year		**-74**	**26**
Total comprehensive income for the year		**6 481**	**13 648**
Total comprehensive income for the year attributable to:			
Equity holders of the Parent Company		6 478	13 634
Non-controlling interest		3	14

Consolidated Statement of Cash Flow

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

	Note	2011	2010
Operations			
Operating profit for the year		826	889
Adjustment for depreciation	4,11	647	625
Other non-cash items		-42	-15
Taxes paid		-190	-301
Cash flow from operations before change in working capital		**1 241**	**1 198**
Change in inventory		-517	52
Change in accounts receivable and other operating assets		33	-114
Change in accounts payable and other operating liabilities		24	174
Cash flow from operations	9	**781**	**1 310**
Investing activities			
Acquisition of subsidiaries	9,19	-148	-85
Investments in tangible and biological fixed assets	11	-792	-688
Sales of tangible and biological fixed assets	11	7	7
Investments in intangible fixed assets	11	-5	-29
Investments in shares and other securities	9	-2 744	-1 478
Sales of shares and other securities	9	28	-
Dividends received	5	4 951	3 029
Change in loan receivables		-26	-63
Interest received		27	23
Cash flow from investing activities		**1 298**	**716**
Financing activities			
Borrowing		622	4 899
Amortisation of loans		-1 090	-5 978
Interest paid		-328	-203
Dividend paid to equity holders of the Parent company		-1 247	-831
Dividend paid to holders of non-controlling interest		-4	-
Cash flow from financing activities		**-2 047**	**-2 113**
Cash flow for the year		**32**	**-87**
Exchange rate differences in liquid funds		0	0
Cash and bank, opening balance	18	**150**	**237**
Cash and bank, closing balance	18	**182**	**150**

Consolidated Balance Sheet

31 December (SEK m)

	Note	2011	2010
ASSETS			
Fixed assets			
Intangible fixed assets	11	957	828
Tangible and biological fixed assets	11	6 526	6 385
Financial assets accounted at fair value through profit and loss	12	58 615	54 324
Financial assets held to maturity	13	263	225
Investment in companies accounted for using the equity method	14	242	126
Total fixed assets		**66 603**	**61 888**
Current assets			
Inventories	15	2 180	1 663
Trade receivables	16	771	829
Income tax receivable		25	12
Other current assets	17	307	291
Short-term investments	18	0	5
Cash and cash equivalents	18	182	145
Total current assets		**3 465**	**2 945**
TOTAL ASSETS		**70 068**	**64 833**

	Note	2011	2010
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Share capital		28	28
Other contributed capital		8 840	8 840
Reserves		1	66
Retained earnings including net profit/loss for the year		50 768	45 464
Shareholders' equity attributable to equity holders of the Parent Company		**59 637**	**54 398**
Non-controlling interest		50	27
Total shareholders' equity		**59 687**	**54 425**
Long-term liabilities			
Interest-bearing loans	21	4 936	7 081
Provisions for pensions	22	534	542
Other provisions	23	9	26
Deferred tax liability	10	1 060	1 107
Other liabilities		12	4
Total long-term liabilities		**6 551**	**8 760**
Short-term liabilities			
Interest-bearing loans	21	1 741	63
Provisions	23	19	39
Trade creditors	24	999	981
Income tax payable		10	24
Other liabilities	24	1 061	541
Total short-term liabilities		**3 830**	**1 648**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**70 068**	**64 833**
Pledged assets	27		
Contingent liabilities	28		

Movements in Shareholders' equity of the Group

	Attributable to the Parent Company's shareholders							
	Share capital	Other contri-buted capital	Hedging reserve	Translation reserve	Retained earnings inclu-ding net result for the year	Total	Non-controlling interest	Total share-holders' equity
Opening balance, 1 January 2010	**28**	**8 840**	**-16**	**54**	**32 731**	**41 637**	**38**	**41 675**
Other comprehensive income	-	-	71	-43	5	33	-7	26
Profit for the year					13 602	13 602	20	13 622
Total comprehensive income for the year	**-**	**-**	**71**	**-43**	**13 607**	**13 635**	**13**	**13 648**
Other changes in shareholders' equity								
Acquisition from non-controlling interest					-47	-47	-24	-71
Effect of employee share saving programme					4	4		4
Cash dividend [1]					-831	-831		-831
Closing balance, 31 December 2010	**28**	**8 840**	**55**	**11**	**45 464**	**54 398**	**27**	**54 425**
Other comprehensive income	-	-	-61	-4	-10	-75	1	-74
Profit for the year					6 553	6 553	2	6 555
Total comprehensive income for the year	**-**	**-**	**-61**	**-4**	**6 543**	**6 478**	**3**	**6 481**
Other changes in shareholders' equity								
Acquisition, non-controlling interest							22	22
Contribution from non-controlling interest							2	2
Dividend paid to owners of non-controlling interest							-4	-4
Effect of employee share saving programme					8	8		8
Cash dividend [2]					-1 247	-1 247		-1 247
Closing balance, 31 December 2011	**28**	**8 840**	**-6**	**7**	**50 768**	**59 637**	**50**	**59 687**

[1] 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.

[2] The Annual General Meeting held on 16 May 2011, resolved in favor of paying a cash dividend of SEK 4.50 per share, a total of SEK 1,247 m.

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 the IFRS valuation and disclosure rules are applied but with the deviations reported in the Parent Company's accounting principles.

New and revised standards 2011

There are no new standards for 2011 that have had any effect on Kinnevik's financial position or results.

Future IFRS amendments

The IASB has published three new standards relating to consolidation; IFRS 10 Consolidated Financial Statements , IFRS 11, Joint Arrangements and IFRS 12 Disclosures of interests in Other Entities, as well as amended IAS 27 and IAS 28. The effective date for these standards and amendments for Kinnevik is as from 1 January 2013. EU has not yet endorsed these standards and amendments.

The main potential effect for Kinnevik is that the new definition of control in IFRS10 can lead to a requirement for consolidation of some of the holdings that today are accounted at fair value through profit and loss. The new standards furthermore include more extensive disclosure requirements which will have an impact on Kinnevik's disclosures covering consolidated and unconsolidated entities.

Kinnevik has not finalized the investigation of the impact on the financial statements in the period of initial application or in subsequent periods due to the fact that the standards and amendments are not yet endorsed by the EU, and also the fact that there is another exposure draft called Investment Entities which, if it will be endorsed by the EU, could mean that Kinnevik will continue to account for the holdings at fair value through profit and loss if Kinnevik would meet the definition of an Investment entitity. No other new or revised IFRS principles or interpretations are expected to have any effect on Kinnevik except for additional supplementary disclosures.

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.

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 business areas Online, Microfinancing, Agriculture and Renewable Energy 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. For new issues, consideration is taken to if the newly issued shares have better preference to the holding's assets than earlier issued shares if the company is being liquidated or sold. If no transactions were recently implemented in the holdings, or a new issue was made with better preference than Kinnevik's shares have, a valuation will be conducted by applying relevant multiples to the Company's historical and forecast key figures, such as sales, EBITDA, EBIT, 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 is 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 31 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 Telecom & services, Media, Online, Microfinancing, Agriculture and Renewable Energy 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 mainly 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 (ITP 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 programs for which the fair value, calculated on the date of allotment, of the allotted share-based instruments is expensed over the vesting period and is recognized directly in equity. Instrument issued within the Group's share-savings program consists of shares. Kinnevik classifies the share-related remuneration programs as transactions that will be regulated with equity instrument. The fair value of the shares consists of the market price on each allocation occasion. The cost is based on the Group's assessment of the number of shares that will be allotted. A new assessment of the anticipated number of allocated shares is performed at year-end. 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 22) and other provisions (Note 23) 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 2011	Paper & Packaging	Other operating subsidiaries	Parent Company & other	Eliminations	Total Group
Revenue	8 254	637	24	-126	8 789
Operating costs	-6 873	-607	-121	132	-7 469
Depreciation	-608	-37	-2		-647
Other operating income and expenses	134	18	7	-6	153
Operating profit/loss	**907**	**11**	**-92**	**0**	**826**
Dividends received	4		4 947		4 951
Change in fair value of financial assets	97		1 074		1 171
Interest income and other financial income	37	3	65	-37	68
Interest expenses and other financial expenses	-192	-7	-166	37	-328
Profit/loss after financial items	**853**	**7**	**5 828**	**0**	**6 688**
Investments in subsidiaries and financial fixed assets		143	3 127		3 270
Investments in joint ventures	112				112
Investments in intangible fixed assets		5			5
Investments in tangible and biological fixed assets	687	103	2		792
Impairment of intangible fixed assets		-11			-11
Assets and liabilities					
Operating assets	10 108	828	57		10 993
Financial fixed assets	2 477	4	58 271	-1 859	58 893
Short-term investments, cash and cash equivalents	76	101	5		182
Total assets	**12 661**	**933**	**58 333**	**-1 859**	**70 068**
Operating liabilities	1 436	164	510		2 110
Provision for pensions	496		38		534
Deferred tax liability	1 052	8	0		1 060
Interest-bearing loans	4 792	200	3 544	-1 859	6 677
Total liabilities	**7 776**	**372**	**4 092**	**-1 859**	**10 381**

1 Jan-31 Dec 2010	Paper & Packaging	Other operating subsidiaries	Parent Company & 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
Operating profit/loss	**926**	**10**	**-47**	**0**	**889**
Dividends received	4		3 101		3 105
Change in fair value of financial assets	64		9 835		9 899
Interest income and other financial income	36	3	58	-37	60
Interest expenses and other financial expenses	-152	-4	-97	37	-216
Profit/loss after financial items	**878**	**9**	**12 850**	**0**	**13 737**
Investments in subsidiaries and financial fixed assets			1 448		1 448
Investments in joint ventures	115				115
Investments in intangible fixed assets		29			29
Investments in tangible and biological fixed assets	604	82	2		688
Impairment of goodwill		-34			-34
Assets and liabilities					
Operating assets	9 489	573	61		10 123
Financial fixed assets	3 140		53 997	-2 577	54 560
Short-term investments, cash and cash equivalents	86	30	34		150
Total assets	**12 715**	**603**	**54 092**	**-2 577**	**64 833**
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	107	4 456	-2 577	7 144
Total liabilities	**8 260**	**187**	**4 538**	**-2 577**	**10 408**

Kinnevik is a diversified company whose business consists of managing a portfolio of investments and to conduct operations through subsidiaries. The Kinnevik Group's accounting is, starting from 2011, distributed on the following three accounting segments:

1. Paper & Packaging - Korsnäs (former Major Unlisted Holdings).
2. Other operating subsidiaries - Latgran, Rolnyvik, Vireo Energy, Relevant Traffic, Guider Media, Duego Technologies and Milvik (former subsidiaries within New Ventures) as well as G3 Good Governance Group.
3. Parent Company & other - all other companies and financial assets (including change in fair value of financial assets earlier reported within Major Listed Holdings and New Ventures).

This distribution coincides with management's internal structure for controlling and monitoring the Group's operations. The comparative figures have been recalculated.

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 8,789 m (8,593), SEK 8,420 m (8,333) is attributable to sale of goods and SEK 369 m (260) to sale of services.

Sales to one single customer represented 50% and 48% respectively, of total revenue for the years 2011 and 2010.

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 29. 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 (18).

Operating assets entail intangible and tangible fixed assets, investments 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.

Revenue distributed by geographic market

	2011	2010
Sweden	1 762	1 902
Other Nordic countries	335	310
France	689	845
Germany	1 131	907
Rest of Europe	2 958	3 116
North and South America	93	21
Asia	1 661	1 332
Africa	160	160
	8 789	**8 593**

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

Distribution of assets by geographic market

	2011	2010
Operating assets		
Sweden	10 202	9 480
Rest of Europe	791	654
Other assets		
Financial fixed assets	58 893	54 549
Short-term investments, cash and cash equivalents	182	150
	70 068	**64 833**

Distribution of investments in tangible and intangible assets by geographic market

	2011	2010
Sweden	678	627
Rest of Europe	119	90
	797	**717**

Note 3 Other operating income and other operating expenses

	2011	2010
Exchange gains on operating receivables/liabilities	1	143
Insurance compensation, Korsnäs	46	-
Strike compensation, Korsnäs	-	84
Other	111	99
Other operating income	**158**	**326**

	2011	2010
Exchange losses on operating receivables/liabilities	-3	-146
Capital losses on disposal of tangible fixed assets	-2	-11
Repayment from pension plan, UK	-	14
Impairment of goodwill	-	-34
Other operating expenses	**-5**	**-177**

Note 4 Depreciation and impairment

	2011	2010
Operating profit/loss includes depreciation and impairment as follows:		
Buildings, land and land improvements	-61	-61
Forest and agricultural properties	-1	-1
Machinery and other technical plants	-556	-545
Equipment and tools	-14	-15
Intangible fixed assets, depreciation	-4	-3
Intangible fixed assets, impairment	-11	-
	-647	**-625**

	2011	2010
Depreciation and impairment is split per cost category as follows:		
Cost of sold goods and services	-622	-613
Administration costs	-7	-6
Research and development costs	-3	-3
Other operating costs	-15	-3
	-647	**-625**

Note 5 Dividends received

	2011	2010
Financial assets accounted to fair value		
Associated companies		
Millicom International Cellular S.A.	1 187	1 818
Modern Times Group MTG AB, cash dividend	101	74
Modern Times Group MTG AB, shares CDON Group AB	-	416
Tele2 AB	3 659	793
Other companies		
Bergvik Skog AB	4	4
	4 951	**3 105**

Note 6 Change in fair value of financial assets

	2011	2010
Associated companies		
Bayport Management Ltd	73	-
Black Earth Farming Ltd	-396	105
CDON Group AB	108	4
Kintas Ltd (RawAgro)	-	-8
Vosvik AB (Kontakt East Holding AB/Avito Holding AB)	0	-2
Metro International S.A.	-138	42
Metro International S.A., warrants	-244	28
Millicom International Cellular S.A.	1 778	4 143
Modern Times Group MTG AB	-1 573	1 205
Rocket Internet with portfolio companies	1 813	209
Tele2 AB	-786	3 983
Transcom WorldWide S.A.	-314	-304
Other companies		
Bergvik Skog AB	97	64
Groupon, directly owned shares	747	430
Other	6	-
	1 171	**9 899**

Out of change in fair value of financial assets, SEK -818 m (9,206) relates to assets traded on an active market, Level 1.

Note 7 Financial income and expenses

	2011	2010
Interest income, cash and cash equivalents	4	5
Interest income financial assets accounted at fair value	24	17
Interest income financial assets held to maturity	38	33
Exchange differences	2	5
Financial income	**68**	**60**
Interest expenses, loans from credit institutions	-258	-185
Accrued financing costs, loans from credit institutions	-8	-8
Interest expense PRI	-19	-17
Other financial expenses	-43	-6
Financial expenses	**-328**	**-216**
Net financial income/expenses	**-260**	**-156**

Note 8 Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to holders of shares in the parent company by a weighted average number of shares outstanding. Earnings per share after dilution is calculated by dividing profit for the year attributable to holders of shares in the parent company by the average of the number of shares outstanding during the year, adjusted for the dilution effect of potential shares from outstanding share saving plans.

	2011	2010
Net profit for the year attributable to the equity holders of the Parent company	6 553	13 602
Average number of shares outstanding	277 173 242	277 158 190
Earnings per share before dilution, SEK	**23.64**	**49.08**
Average number of shares outstanding	277 173 242	277 158 190
Effect from outstanding share saving program	222 901	128 096
Average number of shares outstanding after dilution	277 396 143	277 286 286
Earnings per share after dilution, SEK	**23.62**	**49.05**

Note 9 Supplementary cash flow information

	2011	2009
Operations		
Profit/loss for the year	6 555	13 622
Adjustment for non cash items in operating profit/loss		
Depreciation	647	625
Impairment of goodwill	-	34
Exchange gains from operating receivables/liabilities	0	-143
Exchange losses from operating receivables/liabilities	3	146
Net capital gain/loss on disposal of tangible fixed assets	7	5
Change in fair value of financial assets	-1 171	-9 899
Dividends received	-4 951	-3 105
Interest net	260	156
Incremental cash items from operations		
Changes in other provisions	-37	-45
Other	-16	-12
Adjustment of paid/unpaid taxes	-56	-186
Cash flow from operations before change in working capital	**1 241**	**1 198**
Change in working capital	-426	112
Change in working capital, acquired operation	-34	-
Cash flow from operations	**781**	**1 310**
Acquisition of subsidiaries		
G3 Good Governance Group	143	-
Audit Value	5	-
Sia Latgran, acquisition from non-controlling interest	-	71
Emesco AB, additional purchase price	-	14
	148	**85**
Investments in shares and other securities		
Paper & Packaging		
Bomhus Energi AB	112	115
Telecom & Services		
Transcom WorldWide S.A.	170	-
Online		
Rocket Internet with portfolio companies	2 673	747
- of which not paid out during 2011	-490	-
Captalis S.L	9	-
CDON Group AB	101	-
Celadorco Investments Ltd (Sapato)	21	17
E-motion Advertising Ltd	30	-
ARM Private Equity Fund LP	27	-
Avito Holding AB	33	148
Vosvik AB/ Avito Holding AB	28	5
Vosvik AB/ Kontakt East Holding AB	10	-
Microfinancing		
Bayport Management Ltd	-	313
Fimsa S.A.	7	-
Microvest II	11	9
Agriculture		
Black Earth Farming Ltd	-	124
	2 744	**1 478**
Sales of shares and other securities		
Kintas Ltd (RawAgro)	28	-
	28	**0**

Note 10 Taxes

	2011	2010
Distribution of profit/loss after financial items		
Sweden	6 570	13 612
Outside Sweden	118	125
	6 688	**13 737**
Distribution of current tax expense		
Sweden	-137	-160
Outside Sweden	-17	-6
Distribution of deferred tax expense		
Sweden	22	55
Outside Sweden	-1	-4
Total tax charge for the year	**-133**	**-115**
Current tax expense		
Tax expense for the period	-151	-191
Adjustment of tax expense for previous years	-3	25
	-154	**-166**
Deferred tax expense		
Deferred tax related to temporary differences	42	38
Deferred tax expense on utilization of tax loss carryforwards	-21	-23
Activated tax value in tax loss carryforwards	0	5
Change of provision for any additional tax	0	31
	21	**51**
Total tax expense for the year	**-133**	**-115**

Reconciliation of effective tax rate

	2011	%	2010	%
Profit/loss before tax	6 688		13 737	
Income tax at statutory rate of Parent Company, 26.3%	-1 759	-26.3%	-3 613	-26.3%
Foreign tax rate differential	13	0.2%	18	0.1%
Change in fair value of financial assets	307	4.6%	2 604	19.0%
Non-taxable dividends received	1 302	19.5%	817	5.9%
Tax attributable to previous years	-3	0.0%	25	0.2%
Other non-taxable income	12	0.2%	8	0.1%
Impairment of goodwill	0	0.0%	-9	-0.1%
Other non-taxable expenses	-6	-0.1%	0	0.0%
Used and recognized tax loss carry forwards, not earlier recognized	0	0.0%	38	0.3%
Other	1	0.0%	-3	0.0%
Effective tax/tax rate	**-133**	**-2.0%**	**-115**	**-0.8%**

During the year, a tax income of SEK 25 m (expense 27) has been recognised against other comprehensive income. No tax has been recognised against sharehol-ders' equity.

	2011	2010
Deferred tax assets		
Pensions and other provisions	16	29
Tax loss carryforwards	0	21
Cash flow hedging reported through other comprehensive income	3	-
	19	**50**

Provisions for deferred tax	2011	2010
Tangible and biological fixed assets	-1 079	-1 137
Cash flow hedging reported through other comprehensive income	0	-20
Provisions for any additional tax	0	-
	-1 079	**-1 157**
Net provisions for deferred tax	**-1 060**	**-1 107**

Of deferred tax liabilities of SEK 1,079 m (1,137) relating to tangible and biological fixed assets, SEK 1,072 m (1,065) is attributable to untaxed reserves in the form of accumulated excess depreciation.

Deferred tax is not stated for associated companies, subsidiaries and other share-holdings, 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.

For warrants held in companies within Online and Microfinancing, no deferred tax was taken into account since they will not be sold but will instead be utilized for share subscriptions.

	2011	2010
Distribution of deferred tax assets		
Sweden	19	45
Outside Sweden	0	5
	19	**50**
Distribution of provisions for deferred tax		
Sweden	-1 070	-1 143
Outside Sweden	-9	-14
	-1 079	**-1 157**
Net provisions for deferred tax	**-1 060**	**-1 107**

Tax loss carryforwards

The Group's tax loss carryforwards amounted to SEK 66 m (136) at 31 December, of which SEK 48 m (87) is attributable to Sweden with eternal duration and the remaining amount is limitied to five years. A deferred tax asset of SEK 0 m (21) was recognized in the consolidated balance sheet, of which SEK 0 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 Com-pany. 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 Administra-tive Court that Kinnevik's sale of Invik in 2007 was not tax-exempt as reported in Kinnevik's accounts. Kinnevik's 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 2011, the Administrative Court handed down a ruling in the case, which was prejudicial to the company. Kinnevik has appealed the ruling to the Administrative Court of Appeal. In the event the ruling by the Administrative Court of Appeal is prejudicial to the company, the maximum exposure will be SEK 120 m in additional tax after offsetting previously unutilized capital losses that have not been recognized in the accounts.

Note 11 Intangible and tangible fixed assets

Intangible fixed assets

	Goodwill		Other intangible fixed assets	
	2011	2010	2011	2010
Opening acquisition value	873	873	29	-
Investments	138	-	8	29
Reclassification for the year	-	-	-2	-
Closing acquisition value	**1 011**	**873**	**35**	**29**
Opening accumulated depreciation	-71	-37	-3	-
Depreciations	-	-	-4	-3
Impairment	-	-34	-11	-
Closing accumulated depreciation	**-71**	**-71**	**-18**	**-3**
Closing book value	**940**	**802**	**17**	**26**

For purposes of calculating depreciation, other intangible fixed assets are assumed to have estimated useful economic lives of 5-8 years.

Goodwill that has arisen through company acquisitions is distributed among four cash-generating units: G3 Good Governance Group (G3), 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 2011. 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 2012 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 2012 and a moderate growth in 2013 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.

The acquisition of G3 in 2011 generated goodwill of SEK 135 m. Testing for possible impairment requirements at the end of the year showed that the company's earning ability remains high and that the value had not decreased since the acquisition.

Goodwill distributed on cash-generating units

	2011	2010
G3 Good Governance Group	135	-
Korsnäs	769	769
Latsin	15	15
Relevant Traffic	18	18
Other	3	-
Closing book value	**940**	**802**

Tangible and biological fixed assets

For purposes of calculating depreciation, tangible and biological 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

2011	Buildings, land, land improvements	Forest, agricultural properties	Machinery, technical plants	Equipment, tools	Construction in progress, advances	Total
Opening acquisition values	2 041	133	11 689	342	421	14 626
Assets in acquired operations			1	3		4
Investments for the year	12	2	83	7	687	791
Disposals/scrapping for the year	-6		-9	-2		-17
Reclassification for the year	47		593	7	-647	0
Translation difference		-11	-5		-3	-19
Closing acquisition values	**2 094**	**124**	**12 352**	**357**	**458**	**15 385**
Opening accumulated depreciation	-1 166	-5	-6 778	-292	0	-8 241
Disposals/scrapping for the year	1		7	2		10
Depreciation for the year	-61	-1	-556	-14		-632
Translation difference		2	2			4
Closing accumulated depreciation	**-1 226**	**-4**	**-7 325**	**-304**	**0**	**-8 859**
Closing book value	**868**	**120**	**5 027**	**53**	**458**	**6 526**

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
Closing acquisition values	**2 041**	**133**	**11 689**	**342**	**421**	**14 626**
Opening accumulated depreciation	-1 107	-6	-6 243	-280	0	-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
Closing accumulated depreciation	**-1 166**	**-5**	**-6 778**	**-292**	**0**	**-8 241**
Closing book value	**875**	**128**	**4 911**	**50**	**421**	**6 385**

Note 12 Financial assets accounted at fair value through profit and loss

2011	Reg no	Registered office	Number of shares/ warrants	Capital/ voting (%)	Book value
Associated companies					
Avito Holding AB	556690-0113	Stockholm	6 196 472	30/30	181
Bayport Management Ltd [1]		Mauritius	4 190	31/31	405
Black Earth Farming Ltd		Jersey	31 087 097	25/25	427
CDON Group AB	556035-6940	Malmö	16 639 607	25/25	629
E-motion Advertising Ltd		Nigeria	27 135 844	28/28	30
Vosvik AB (Kontakt East Holding AB/Avito Holding AB)	556757-1095	Stockholm	50 000	50/50	175
Metro International S.A.		Luxembourg	245 921 466	47/42	148
Metro International S.A. warrants		Luxembourg	717 115 821		129
Millicom International Cellular S.A.		Luxembourg	37 835 438	37/37	26 088
Modern Times Group MTG AB	556309-9158	Stockholm	13 503 856	20/49.9	4 436
Rocket Internet with portfolio companies[2]		Germany			5 434
Tele2 AB	556410-8917	Stockholm	135 496 137	31/48	18 129
Transcom WorldWide S.A.		Luxembourg	410 971 252	33/40	189
					56 400
Other companies					
Bayport Colombia		Colombia	185 000	15/15	7
Bergvik Skog AB	556610-2959	Falun	353	5/5	653
Captalis S.L.		Spain	1 497	19/19	9
Celadorco Investments Ltd		Cyprus	3 419	14/14	22
Groupon, directly owned shares		USA	8 377 156	1/1	1 197
Gävle Sjöfarts AB	556010-6774	Gävle	1 080	10/10	0
Microvest II			fund participation	17	27
Modern Holdings Inc.		US	2 646 103	18/18	26
ARM Private Equity Fund LP		Nigeria	fund participation		24
Radio Components Sweden AB	556573-3846	Stockholm	2 346 337	19/19	2
Other					21
					1 988

	Maturity	
Other financial assets		
Bayport Management Ltd, bond loan	2015	175
Bayport Management Ltd, promissory note	Oct 2012	35
Celadorco Investments Ltd		16
Other interest-bearing receivables		1
		227
Total		**58 615**

[1] Kinnevik owns 31.4% of the shares and warrants entitling to 5.3% of the company on a fully dilluted basis.

[2] 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 into a number of Rocket Internet's portfolio companies of which the larger ones, in terms of value, are: Zalando GmbH, Bigfoot GmbH, Wimdu GmbH and Beauty Trend Holding GmbH.

Out of book value of financial assets accounted at fair value through profit and loss, 88% (93%) relates to assets traded on an active market, Level 1 assets.

2010	Reg no	Registered office	Number of shares/ warrants	Capital/ voting (%)	Book value
Associated companies					
Avito Holding AB	556690-0113	Stockholm	6 196 472	30/30	148
Bayport Management Ltd		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
					52 106
Other companies					
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		Germany			1 407
Vindin AB	556713-5172	Stockholm	100	7/7	4
Other					12
					2 040

	Maturity	
Other financial assets		
Bayport Management Ltd, bond loan	2015	175
Financial receivables, associated companies		3
		178
Total		**54 324**

Reconciliation of book value

	Holdings in associated companies	Shares in other companies	Other financial assets	Total
Opening balance, 1 January 2010	**41 910**	**559**	**115**	**42 584**
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
Closing balance, 31 December 2010	**52 106**	**2 040**	**178**	**54 324**
Investments	3 045	67	51	3 163
Reclassification	957	-961		-4
Change in value of remaining holdings, refer to Note 6	321	843		1 164
Disposals	-21			-21
Amortisation of loan receivables	-9	0	-2	-11
Translation differences	1	-1		0
Closing balance, 31 December 2011	**56 400**	**1 988**	**227**	**58 615**

Note 13 Financial assets held to maturity

		2011	2010
Metro International S.A., debenture	Dec 2013	263	225
Total		**263**	**225**

	2011	2010
Opening balance, book value, 1 January	**225**	**192**
Investments	-	-
Accrued interest income	38	33
Closing balance, book value, 31 December	**263**	**225**
Market value, 31 December	**287**	**268**

Note 14 Investments in companies accounted for using the equity method

		Reg no	Registered office	Number of shares	Capital/ voting (%)	2011	2010
Altlorenscheurerhof S.A.	associated company		Luxembourg	625	33	11	11
Bomhus Energi AB	Joint Venture	556793-5217	Gävle	148	50	227	115
Vindin AB	associated company	556713-5172	Stockholm	100	7/7	4	0
Shared Services S.A.	associated company		Luxembourg	200	30	0	0
Closing book value						**242**	**126**

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

Bomhus Energi AB	2011	2010
Current assets	96	161
Fixed assets	512	147
Short-term liabilities	-81	-93
Long-term liabilities	-300	-100
Net assets	**227**	**115**

Korsnäs has committed to invest another SEK 93 m in shares and debentures in Bomhus Energi AB.

The Group's part of total assets in all other associated companies' (excluding Bomhus Energi) exceed the book value of SEK 15 m (11).

Not 15 Inventories

	2011	2010
Raw materials and consumables	777	629
Felling rights	92	81
Work in progress	94	70
Finished products and goods for resale	1 027	702
Advance payments to suppliers	190	181
	2 180	**1 663**

SEK 1 m (14) of the inventories are valued at net sales value. The rest of the inventories are valued at aquisition value.

Note 16 Trade receivables

	2011	2010
Trade receivables	790	839
Reserve for doubtful accounts	-19	-10
	771	**829**

Accrued sales revenue are included in trade receivables with SEK 86 m (118). Trade receivables overdue more than 90 days, but not provided for, amounts to SEK 15 m (3).

Bad debt provision

	2011	2010
Opening balance, 1 January	**10**	**13**
Provisions in acquired operations	2	-
Provisions during the year	9	3
Confirmed losses	-1	-4
Recovery of previous provisions	-1	-2
Closing balance, 31 December	**19**	**10**

Note 17 Other current assets

	2011	2010
Accrued interest income	6	3
Accrued insurance compensation	45	-
Other accrued income and prepaid expenses	81	76
Derivatives, cash flow hedging power supplies	-	75
Other receivables	175	137
	307	**291**

Note 18 Cash and cash equivalents

	2011	2010
Cash at banks	182	145
Short term investments	0	5
	182	**150**

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 5,283 m (4,773).

Note 19 Business combinations

2011

On 31 May, Kinnevik acquired 68% of the shares in G3 Good Governance Group (G3), a company that provides strategic advice service on emerging markets, for purchase consideration totaling SEK 191 m (GBP 18 m), including SEK 51 m in cash (GBP 5 m). Other assets and liabilities comprise fixed assets of SEK 5 m, current assets of SEK 58 m and operating liabilities of SEK 31 m. According to the acquisition analysis, the transaction generated goodwill of SEK 135 m in Kinnevik's consolidated financial statements. Shareholders' equity attributable to non-controlling interests at the time of acquisition amounted to SEK 12 m (GBP 1 m).

During June – December, G3 contributed SEK 95 m and SEK 22 m, respectively, to the Group's earnings and profits. If G3 had been part of the Group from 1 January, earnings and profits would have been SEK 40 m and SEK 8 m higher, respectively. Of G3's sales totaling SEK 97 m, after Kinnevik's acquisition, SEK 2 m pertained to Kinnevik or other companies within the Kinnevik Group.

2010

No operations were acquired during the year.

Note 20 Shareholders' equity

Share capital

Share capital refers to the Parent Company's share capital; refer to Note 11 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.

Hedging reserve

The hedging reserve which is fully attributable to power supplies reported against shareholders' equity totaling SEK -8 m (gain of SEK 75 m) at 31 December 2011, before deduction of deferred tax, are estimated to yield outcomes of SEK -8 m in 2012.

Hedging reserve	Gross	Tax	Net
Opening balance 1 January 2010	**-22**	**6**	**-16**
Transferred to the income statement	-46	12	-34
Change for the year	143	-38	105
Closing balance 31 December 2010	**75**	**-20**	**55**
Transferred to the income statement	-14	4	-10
Change for the year	-69	18	-51
Closing balance 31 December 2011	**-8**	**2**	**-6**

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 21 Interest-bearing loans

A summary of maturities and other terms and conditions pertaining to liabilities to credit institutions is presented below. On 31 December 2011, the average remaining maturity for all credit facilities amounted to 3.1 (3.2) years (including the below mentioned facility that was signed in December but closed in January 2012). All loans had floating interest rates at Stibor, or a similar basic interest rate, plus an average margin of 1.3% (1.4%) with a maximum interest period of 3 months. Accrued borrowing costs totaled SEK 0 m (37) 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 27.

	2011	2010
Interest-bearing long-term loans		
Liabilities to credit institutions	4 965	7 119
Accrued borrowing costs	-29	-38
	4 936	**7 081**
Interest-bearing short-term loans		
Liabilities to credit institutions	1 741	63
	1 741	**63**
Total long and short-term interest-bearing loans	**6 677**	**7 144**

Credit institution	Credit facility as per 31 Dec 2011	Utilised amount 31 Dec 2011	Unutilised amount 31 Dec 2011	Currency
Long-term loans				
Parent Company				
Skandinaviska Enskilda Banken AB (publ) [1]	750	0	750	SEK
Svenska Handelsbanken AB (publ)	1 500	425	1 075	SEK
Total Parent Company	**2 250**	**425**	**1 825**	
Other Group companies				
AB Svensk Exportkredit (publ)	600	600	0	SEK
DnB NOR Bank ASA [2]	4 000	3 179	821	SEK, EUR
Nordea Bank AB (publ)	600	600	0	SEK
Svenska Handelsbanken AB (publ)	143	143	0	EUR
Other	18	18	0	EUR, SEK
Total Group	**7 611**	**4 965**	**2 646**	
Short-term loans				
Parent Company				
Nordea Bank AB (publ)	30	6	24	SEK
Svenska Handelsbanken AB (publ)	102	65	37	SEK, EUR
Calyon SA France Bank Branch in Stockholm [1]	500	0	500	SEK
DnB NOR Bank ASA (Sweden Branch) [1]	1 000	1 000	0	SEK
Nordea Bank AB (publ) [1]	1 300	650	650	SEK
Svenska Handelsbanken AB (publ) [1]	900	0	900	SEK
Swedbank AB (publ) [1]	500	0	500	SEK
Total Parent Company	**4 332**	**1 721**	**2 611**	
Other Group companies				
Nordea Bank AB (publ)	9	4	5	SEK
Svenska Handelsbanken AB (publ)	36	15	21	SEK
Other	1	1	0	SEK, GBP
Total Group	**4 378**	**1 741**	**2 637**	
Total liabilities to credit institutions, Group	**11 989**	**6 706**	**5 283**	

1) In December 2011, Kinnevik signed a new syndicated credit facility of SEK 5,300 m, replacing six bilateral loan facilities totaling SEK 4,950 m. The new facility, with effective date in January 2012, has a tenor of 3 years with two extension options for another year each meaning that if both are fully exercised, the effectice tenor will be 5 years.

2) 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 2011 all covenants were complied for.

Note 22 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

	2011	2010
Net obligation for defined-benefit plans as at 1 January	542	580
Benefits paid	-31	-32
Cost recognised in the income statement	9	0
Actuarial profit/losses for the year reported against comprehensive income	14	-6
Net obligation for defined-benefit plans as at 31 December	**534**	**542**

Net cost of defined benefit pension plans

	2011	2010
Earned during the year	0	0
Reduction of pension commitments	-9	-16
Interest component in the increase during the year of the present value of the pension commitment	18	16
Reported pension cost, net	**9**	**0**

Reported provision at the end of the year

	2011	2010
Commitments	534	542
Plan assets	-	-
Reported provision 31 December	**534**	**542**

The year's actuarial revaluation resulted in a loss of SEK 14 m (gain 6), including corresponding payroll tax income of SEK 4 m (cost 1), and this was recognized against comprehensive income. The accumulated actuarial losses totaled SEK 101 m (87).

Primary assumptions used in setting the pension undertaking (%)

	2011	2010
Discount rate	3.75	3.90
Future pay increases	N/A	N/A
Future pension increases (inflation)	1.75	1.75

Since the interest rates for government bonds are considered being too low in a long term perspective, mortgage bond rates have been used in the discounting with consideration to the average term of the underlying pension liabilities.

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 13 m (18). Alecta's surplus may be distributed to policyholders and/or the insured. Alecta's surplus in form of collective solvency ratio was 113% (146%).

The cost of all defined contribution plans amounted to SEK 74 m (88) for the Group (including premiums paid to Alecta).

The Group's payments into the defined benefit plan in 2012 are expected to amount to SEK 12 m.

Historical information

	2011	2010	2009	2008	2007
Present value of commitments	534	542	580	580	972
Fair value of plan assets	-	-	-	-	-438
Net	**534**	**542**	**580**	**580**	**534**
Adjustments based on experience					
Defined benefit commitments	-	-	-11	8	6
Plan assets	-	-	-	-	0

Note 23 Other provisions

	2011	2010
Severance pay and other provisions for restructuring	24	60
Environmental studies	4	5
	28	**65**
Long-term	9	26
Short-term	19	39
	28	**65**
Opening balance, 1 January	**65**	**110**
Severance pay completed	-43	-58
New provision for severance pay	7	16
Release of other provisions	-1	-3
Closing balance, 31 December	**28**	**65**

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 1.2 m was used in 2010 and 2011.

Note 24 Trade creditors and other liabilities

	2011	2010
Invoiced trade creditors	807	769
Accrued expenses for purchase of goods	192	212
Total trade creditors	**999**	**981**
Accrued interest expenses	4	14
Accrued personnel expenses	234	237
Other accrued expenses and prepaid income	193	171
Derivatives, cash flow hedging power supplies	8	-
Liabilities outstanding investments	490	-
Other liabilities	132	119
Total other liabilities	**1 061**	**541**

For trade creditors and other liabilities to related parties refer to Note 29.

Note 25 Auditors' fees

	2011	2010
To Ernst & Young		
Audit assignments	2.1	2.3
Other services	0.8	1.1
	2.9	**3.4**

Note 26 Leasing agreements

Group companies have concluded a number of agreements covering the rental of premises and other fixed assets. During 2011, SEK 22 m (20) was paid in accordance with operational leasing agreements. Future minimum payments for agreements concluded for leased assets as of 31 December:

	2011	2010
	Premises and other fixed assets	**Premises and other fixed assets**
2011		19
2012	17	15
2013	15	14
2014	14	12
2015	13	12
2016 and later	14	10
	73	**82**

The Group had financial leasing agreements of SEK 9 m (4) reported in the balance sheet on 31 December 2011.

Note 27 Pledged assets

	2011	2010
For liabilities to credit institutions		
Real estate mortgages	2 174	1 900
Shares in subsidiaries	4 829	4 605
Shares in associated and other companies	5 917	5 581
Business mortgages	600	600
Cash and cash equivalents	8	-
	13 528	**12 686**

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 28 Contingent liabilities

	2011	2010
Sureties and guarantees	21	20
Guarantee commitments, FPG	10	9
	31	**29**

Refer also to Note 23 regarding costs for decontamination of contingent contamination damages.

Note 29 Related-party transactions

For transactions with the Board of Directors and Senior Executives, refer to Note 30. During 2011 and 2010, Kinnevik engaged in transactions with the following related companies.

Related companies	**Relationship**
Bayport Management Ltd ("Bayport")	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 ("CDON")	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.
Altlorenscheurerhof S.A.	Associated company to 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's subsidiary G3 Good Governance Group sells strategic advisory services to a number of Kinnevik's associated companies.
- Kinnevik's subsidiary Audit Value sells internal audit services to a number of Kinnevik's associated companies.
- Kinnevik buys telephony services from Tele2 in a number of countries in which the companies are engaged in business.
- Kinnevik rent premises from Altlorenscheurerhof.
- Other revenue and operating expenses relate mainly to reinvoiced 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 it's financing with a bond loan where Kinnevik has subscribed for SEK 175 m. During 2011 Bayport borrowed another SEK 35 m from Kinnevik against a promissory note due i Q4 2012.

Other transactions

- In 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.
  The subordinated debentures are recognized at amortized cost by using the effective interest method with an annual effective interest rate of 16%.
- In 2011 Kinnevik acquired Audit Value International S.A. from Modern Asset Management Inc., a company controlled by major shareholders of Kinnevik, for EUR 0.6 m. The purchase price was supported by an independent valuation.

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

	Group		Parent Company	
	2011	2010	2011	2010
Revenue				
Anima Regni	0.5	0.3	-	-
Bayport	0.0	0.9	0.0	0.4
Black Earth Farming	1.5	0.3	0.0	0.1
Bomhus Energi	7.1	4.5	-	-
CDON	12.8	1.1	0.2	-
Metro	6.9	1.8	0.3	0.0
Millicom	1.7	0.1	0.0	0.1
MTG	8.4	4.6	0.4	0.1
Tele2	19.4	7.7	0.2	0.1
Transcom	1.7	0.2	0.4	0.0
	60.0	**21.5**	**1.5**	**0.8**
Operating expenses				
Altlorenscheurerhof	-1.5	-3.0	-1.5	-3.0
Audit Value	-	-0.1	-	-
Black Earth Farming	-0.2	-	-	-
Bomhus Energi	-1.8	-	-	-
Metro	-0.0	-0.4	-0.0	-0.4
MTG	-1.3	-0.8	-	-0.1
Tele2	-3.8	-4.8	-0.5	-1.7
	-8.6	**-9.1**	**-2.0**	**-5.2**
Interest income				
Bayport	23.8	7.6 [1]	-	-
Metro, debenture loan	38.0	33.0	-	-
	61.8	**40.6**	**-**	**-**
Financial receivables from associated companies				
Metro, debenture loan	263	225	-	-
Bayport, bond loan	175	175	-	-
Bayport, promissory note receivable	35	-	-	-
Other associated companies	1	3	-	-
	474	**403**	**-**	**-**
Accounts receivable and other current receivables				
Bomhus Energi	-	3	-	-
CDON	2	1	-	-
Metro	2	-	0	
MTG	2	1	-	-
Tele2	2	1	-	-
Transcom	1	-	0	-
	9	**6**	**0**	**-**

[1] Bayport became related-party in July 2010. Relates to interest income July-December 2010.

Note 30 Personnel

Average number of employees

	2011		2010	
	men	women	men	women
Group				
Sweden	1 400	244	1 379	229
Germany	3	1	3	1
Latvia	193	40	191	37
Poland	57	7	61	7
Spain	8	7	7	4
Switzerland	1	-	1	-
UK	19	12	6	-
France	4	1	11	4
China	1	2	1	1
Ghana	16	13	-	-
USA	1	2	-	-
	1 703	329	1 660	283
Total number of employees		**2 032**		**1 943**

Distribution of women and men on the Board and in the management group, Group [1]

	2011		2010	
	men	women	men	women
Board members				
Elected by the AGM	29	3	31	4
Employee representatives, ordinary	4	-	4	-
Employee representatives, deputies	4	-	4	-
CEO	-	1	-	1
Other senior executives	6	1	4	1
	43	**5**	**43**	**6**

[1] As regards the distribution of women and men in the Board and the management group, the Group has been defined as the following companies 2011: Investment AB Kinnevik, Korsnäs AB, Sia Latgran, Relevant Traffic Europe AB, Vireo Energy AB and Milvik AB.

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

	2011		2010	
	men	women	men	women
Board members				
Elected by the AGM	5	2	6	1
Employee representatives, ordinary	2	-	2	-
Employee representatives, deputies	2	-	2	-
CEO	-	1	-	1
Other senior executives	3	1	3	1
	12	**4**	**13**	**3**

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

	2011 Board, CEO, senior executives [1]	2011 Other employees [3]	2010 Board, CEO, senior executives [1]	2010 Other employees [3]
Total salaries and other remuneration	42 012	887 739	36 591	865 931
Social security expenses	19 159	377 537	20 100	355 879
Of which, pension expense [2]	7 582	110 074	10 880	92 995

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

2) Relates to present and former Board members and CEOs.

3) The amount includes SEK 39 m (53) in remuneration paid during the year which relates to restructuring costs within Korsnäs expensed in earlier years.

Pension and other obligations and similar benefits for former Board members and CEOs for the Group amounts to a total of SEK 44,377,000 (48,322,000). 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 2011 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, Dame Amelia Fawcett, Wilhelm Klingspor and Erik Mitteregger were members of the Remuneration Committee during 2011. Wilhelm Klingspor was the Committee Chairman.

Remuneration to the CEO and other senior executives consists of fixed salary, variable salary, customary benefits and pension. Variable salary may not exceed 50% of the fixed salary. During 2011 and 2010 there was, besides the CEO, five other senior executives employed within Kinnevik.

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

	2011 CEO	2011 Other senior executives	2010 CEO	2010 Other senior executives
Fixed salaries	6 378	11 709	6 104	10 570
Variable salaries	2 490	3 666	2 820	3 674
Benefits	123	572	119	485
Pension expenses	1 266	2 353	1 220	2 192
Estimated costs for share-based remuneration	2 594	3 764	2 158	3 904

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. 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 2009 - 31 March 2012,1 April 2010 - 31 March 2013 and 1 April 2011- 31 March 2014, 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 2012, January - March 2013, January - March 2014 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 Online, Microfinancing, Agriculture and Renewable energy areas.
– 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.

Completed plan 2008-2011

The plan approved in 2008, with a measure period of 1 April 2008 – 31 March 2011, resulted in allotment of 25,086 shares out of a maximum allotment of 91,400 rights. The number of total alloted sharers included dividend compensation totaling 848 shares. Participants' profit, which was restricted to a maximum of SEK 570 per share right, was SEK 158.10 per right. The dilution, which was restricted to a maximum of 0.04% in terms of shares outstanding, was less than 0.01%. The plan's total cost was SEK 4.5 m and was expensed continuously during 2008 – 2011.

Plan 2008-2011	Number of participants	Allotmernt of rights	Dividend compensation	Received shares
CEO of the Group	1	28 000	0.035	6 125
CEO of Korsnäs	1	8 250	0.035	2 387
Management, category 1	3	24 750	0.035	6 333
Management, category 2	1	2 800	0.035	898
Management Korsnäs	8	21 200	0.035	7 291
Other participants	4	6 400	0.035	2 052
Total	**18**	**91 400**		**25 086**

Outstanding plans

At 31 December 2011, 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:

Plan 2009-2012	Number of participants	Allotmernt of rights
CEO of the Group	1	38 500
CEO of Korsnäs	1	16 500
Management, category 1	4	44 000
Management, category 2	1	4 000
Management Korsnäs	8	32 000
Other participants	4	8 800
Total	**19**	**143 800**

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 2011, 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:

Plan 2010-2013	Number of participants	Allotmernt of rights
CEO of the Group	1	28 000
CEO of Korsnäs	1	11 000
Management, category 1	4	33 000
Management, category 2	2	5 600
Management Korsnäs	11	30 000
Other participants	5	8 000
Total	**24**	**115 600**

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.

At 31 December 2011, the Plan that was established in 2011, with a Measure Period of 1 April 2011 - 31 March 2014, had participation totaling 27,100 shares held by employees entitling a maximum allotment of 136,150 rights, of which 27,100 retention share rights and 109,050 performance share rights. The Plan encompasses the following number of shares and maximum number of share rights for the various categories;

Plan 2011-2014	Number of participants	Allotmernt of rights
CEO of the Group	1	28 000
CEO of Korsnäs	1	11 000
Management, category 1	2	22 000
Management, category 2	3	24 750
Kinnevik key personnel	6	16 800
Management Korsnäs	10	28 000
Other participants	4	5 600
Total	**27**	**136 150**

The participant's maximum profit is limited to SEK 721 per right. The maximum dilution is 0.06% 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.

Total cost before tax for share rights outstanding in incentive programs was expensed continuously during a three-year period and calculated based on anticipated outcome amounting to approximately SEK 31 m, including social security costs, of which SEK 9 m (10) was expensed during 2011. Total liability for social security costs pertaining to the incentive programs amounted to SEK 6 m (6) on 31 December, 2011.

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

	2011				2010		
	Board fees, Parent Company	**Board positions, subsidiaries**	**Other assignment uppdrag [1)]**	**Total fee**	**Board fees, Parent Company**	**Board positions, subsidiaries**	**Total fee**
Cristina Stenbeck (Chairman)	1 050			1 050	950		950
Tom Boardman	550			550			
Vigo Carlund	450	500		950	400	500	900
Dame Amelia Fawcett	500			500			
John Hewko	-			-	425		425
Wilhelm Klingspor	575	150		725	525	150	675
Erik Mitteregger	650			650	600		600
Stig Nordin	-	150		150	475	150	625
Allen Sangines-Krause	550		2 000	2 550	500		500
	4 325	**800**	**2 000**	**7 125**	**3 875**	**800**	**4 675**

[1)] 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.

Note 31 Financial assets and liabilities allocated by category

2011	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	51 372					51 372	51 372
Financial assets accounted at fair value, Level 3	7 243					7 243	7 243
Financial assets held to maturity		263				263	287
Trade receivables			771			771	771
Other current assets	6		301			307	307
Short term investments			-			-	-
Cash at bank			182			182	182
Total financial assets	**58 621**	**263**	**1 254**	**0**		**60 138**	**60 162**
Interest bearing loans					6 677	6 677	6 677
Trade creditors					999	999	999
Other liabilities				8	427	435	435
Total financial liabilities				**8**	**8 103**	**8 111**	**8 111**

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
Total financial assets	**54 324**	**225**	**1 267**	**75**		**55 891**	**55 934**
Interest bearing loans					7 144	7 144	7 144
Trade creditors					981	981	981
Other liabilities					304	304	304
Total financial liabilities					**8 429**	**8 429**	**8 429**

Duration

For the duration of interest bearing loans refer to Note 21. 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 on the balance sheet date. 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

	2011	2010
Opening balance, book value, 1 January	2 852	861
Acquisitions	2 884	1 411
Reclassifications to level 1	-450	-
Disposals	-21	-
Amortization on loan receivables	-11	-112
Change in value through the income statement	1989	693
Exchange gain/loss	0	-1
Closing balance, 31 December	**7 243**	**2 852**

Closing balance at 31 December 2011 includes SEK 2,871 m in unrealised profit/loss.

The reclassifications in 2011 is related to Groupon due to listing in November 2011.

Maturity structure

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

	2012	2013	2014	2015	later	Total
Non-interest-bearing receivables	1 078					1 078
Interest-bearing receivables	62	382	23	195		662
Non-interest-bearing liabilities	-1 434					-1 434
Interest-bearing liabilities	-273	-670	-242	-240	-6 275	-7 700
Total as per 31 December 2011	**-567**	**-288**	**-219**	**-45**	**-6 275**	**-7 394**

	2011	2012	2013	2014	later	Total
Non interest-bearing receivables	1 120					1 120
Interest-bearing receivables	23	23	382	23	195	646
Non interest-bearing liabilities	-1 285					-1 285
Interest-bearing liabilities	-379	-2 024	-835	-153	-4 783	-8 174
Total as per 31 December 2010	**-521**	**-2 001**	**-453**	**-130**	**-4 588**	**-7 693**

Note 32 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 a model for risk management with the aim to identify, control and reduce risks. The output of the model is 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 listed holdings.
– The interest rates, resulting from changes in underlying interest rates.
– The exchange rates, comprising transaction and translation exposure.
– Liquidity and refinancing, meaning the risk that the cost of financing will increase or that opportunities will be limited when loans mature, 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 and unlisted companies. Accordingly, the portfolio is concentrated to a small number of companies, which makes the return is highly 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 69 billion at 31 December 2011, 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 2011, 11% (10%) of the listed stock portfolio was used as collateral for the Group's loans; also refer to Note 27.

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 2011 would have affected earnings and shareholders' equity by SEK 528 m. Further, the value of the unlisted shareholdings may increase or decrease due to a number of different factors, of which changes of trends in the stock markets is one. A 1% change of value of all of the unlisted shareholdings at 31 December 2011 would have affected earnings and shareholders' equity by SEK 70 m.

Interest rate risk

Kinnevik's main 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 2011, all of Kinnevik's liabilities to credit institutions, SEK 6,706 m, were exposed to interest rate changes, of which SEK 6,350 m to changes in Stibor and SEK 356 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 2011 had risen with 1% the average interest expense on an annualized basis would have risen by SEK 67 m. Any short-term negative effects from increases in the interest rate does not have any material impact on Kinnevik due to the positive operating cash flow from Korsnäs and dividends received from a number of Kinnevik's listed holdings, but the risk is continuously monitored to manage the potential impact a sharp increase in the interest rate would 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 2011, Kinnevik had no outstanding hedging contracts.

A change in the EUR/SEK rate by SEK +/-5% would have affected consolidated profit in 2011 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 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 2011, 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 2011. 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, such as Millicom, Tele2 and MTG. The principal exchange rate risk exists in Millicom, a company that reports in USD and conducts operations in Latin America and Africa. On 31 December 2011, the book value of the holdings in Millicom was SEK 26,088 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 2011, the Company also had cash and cash equivalents amounting to SEK 182 m and committed but unutilized credit facilities amounting to SEK 5,283 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. In December 2011, Kinnevik signed a new syndicated credit facility of SEK 5,300 m. This facility, with effective date in January 2012, has a tenor of 3 years with two extension options for another year each meaning that if both are fully exercised, the effective tenor will be 5 years.

On 31 December 2011, the available amount under the existing credit facilities totalled SEK 11,989 m (11,955). The average remaining term was 3.1 (3.2) years. including the new facility.

Parent Company's financial statements

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

	Note	2011	2010
Revenue		18	19
Administration costs		-121	-83
Other operating income		2	4
Operating loss		**-101**	**-60**
Dividends received	2	3 640	1 445
Earnings from financial assets, associated companies	4	-663	40
Earnings from financial assets, subsidiaries	4	-232	216
Interest income and other financial income	3	592	554
Interest expenses and other financial expenses	3	-247	-149
Profit/loss after financial items		**2 989**	**2 046**
Taxes	6	-8	15
Net profit for the year [1]		**2 981**	**2 061**

[1] Net profit corresponds with total comprehensive income

Parent Company Balance Sheet 31 December (SEK m)

	Note	2011	2010
ASSETS			
Tangible fixed assets			
Equipment	7	2	2
Shares and participations in Group companies	9	18 321	17 725
Receivables from Group companies		14 108	14 108
Shares and participations in associated companies	8	10 118	10 679
Shares and participations in other companies	8	29	29
Deferred tax receivables		3	4
Other long-term receivables		2	-
Total fixed assets		**42 583**	**42 547**
Current assets			
Receivables from Group companies		553	533
Other receivables		14	16
Accrued income		1	0
Prepayments		1	2
Cash and cash equivalents		1	1
Total current assets		**570**	**552**
TOTAL ASSETS		**43 153**	**43 099**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	11		
Restricted equity			
Share capital (277,583,190 shares of SEK 0.10 each)		28	28
Premium reserve		6 868	6 868
Unrestricted equity			
Share premium		1 616	1 616
Retained earnings		27 219	26 399
Net result		2 981	2 061
Total shareholders' equity		**38 712**	**36 972**
Untaxed reserves		**1**	**1**
Provisions			
Provisions for pensions		27	26
Other provisions	10	4	9
Total provisions		**31**	**35**
Long-term liabilities			
External interest-bearing loans	12	421	2 467
Liabilities to Group companies		1 408	2 693
Total long-term liabilities		**1 829**	**5 160**
Short-term liabilities			
External interest-bearing loans	12	1 721	57
Trade creditors		5	4
Liabilities to Group companies		786	809
Other liabilities		46	41
Accrued expenses	13	23	20
Total current liabilities		**2 581**	**931**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**43 153**	**43 099**
Pledged assets	**14**	**9 953**	**8 035**
Contingent liabilities	**15**	**2**	**2**

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

	2011	2010
Operations		
Operating loss	-101	-60
Non-cash items	-2	-4
Taxes paid	-1	13
Cash flow from operations before change in working capital	**-104**	**-51**
Change in operating assets	-3	1
Change in operating liabilities	-20	21
Cash flow from operations	**-127**	**-29**
Investing activities		
Investments in subsidiaries	-598	-14
Investments in tangible fixed assets	-1	-1
Investments in shares and other securities	-114	-
Disposals of shares and other securities	14	17
Change in long-term receivables	-2	-
External dividends received	3 463	789
Interest received	592	531
Cash flow from investing activities	**3 354**	**1 322**
Financing activities		
Borrowing	585	261
Amortisation of loans	-971	-1 346
Change in intra-Group balances	-1 382	722
Interest paid	-212	-151
Dividend paid	-1 247	-831
Cash flow from financing activities	**-3 227**	**-1 345**
Cash flow for the year	**0**	**-52**
Cash and bank, opening balance	**1**	**53**
Cash and bank, closing balance	**1**	**1**

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

	Share capital	Pre-mium reserve	Un-restric-ted equity	Total
Opening balance, 1 January 2010	**28**	**6 868**	**28 844**	**35 740**
Cash dividend [1]	–	–	-831	-831
Effect of employee share saving programme	–	–	2	2
Net result	–	–	2 061	2 061
Closing balance, 31 December 2010	**28**	**6 868**	**30 076**	**36 972**
Cash dividend [2]	–	–	-1 247	-1 247
Effect of employee share saving programme	–	–	6	6
Net result	–	–	2 981	2 981
Closing balance, 31 December 2011	**28**	**6 868**	**31 816**	**38 712**

[1] 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.

[2] The Annual General Meeting held on 16 May 2011, resolved in favor of paying a cash dividend of SEK 4.50 per share, a total of SEK 1,247 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. From 2011, Group contribution is recognized as Earnings from financial assets. Comparative figures for 2010 have been changed according to the new policies, entailing that earnings for 2010, after recalculation, amounted to SEK 2,061 m, compared with SEK 2,264 m according to the previous policies. In the past, Group contribution was recognized according to UFR 2 Group contribution and shareholder contribution directly in equity.

For information concerning related party transactions, refer to Note 29 for the Group.

Note 2 Dividends received

	2011	2010
Subsidiaries	178	0
Associated companies		
Modern Times Group MTG AB, cash dividend	74	55
Modern Times Group MTG AB, shares in CDON Group AB	-	306
SCD Invest AB (repaid shareholders contribution)	-	350
Tele2 AB	3 388	734
	3 640	**1 445**

Note 3 Financial income and expenses

	2011	2010
Interest income from third parties	3	4
Interest income from Group companies	589	527
Exchange-rate differences	-	23
Financial income	**592**	**554**
Interest expenses to credit institutions	-68	-74
Interest expenses to Group companies	-144	-75
Exchange-rate differences	-5	-
Other financial expenses	-30	0
Financial expenses	**-247**	**-149**
Net financial income/expenses	**245**	**405**

Note 4 Earnings from financial assets

	2011	2010
Intra-group sale of shares in CDON Group AB	-294	-
Write-down of shares in associated companies	-369	-
Reversed write-down of shares in associated companies	-	39
Other	-	1
Total earnings from associated companies	**-663**	**40**
Write-down of shares in subsidiaries	-18	-1
Reversed write-down of shares in subsidiaries	-	480
Repaid shareholders contribution, subsidiaries	20	12
Group contribution received	552	534
Group contribution paid	-786	-809
Total earnings from subsidiaries	**-232**	**216**

Write-down of shares in associated companies in 2011 are related to Metro International S.A. and Transcom WorldWide S.A. and are made due to declined market value.

Note 5 Auditors' fees

	2011	2010
To Ernst & Young		
Audit assignments	0.8	0.8
Other services	0.2	0.3
	1.0	**1.1**

Note 6 Taxes

	2011	2010
Tax expenses for the period	-6	-1
Adjustments of tax expenses for previous years	-1	22
Deferred tax related to temporary differences	-1	-6
	-8	**15**

Reconciliation of effective tax rate

	2011	%	2010	%
Profit/loss before tax	2 989		2 046	
Income tax at statutory rate of Parent Company, 26.3%	-786	-26.3%	-538	-26.3%
Earnings from participations in associated companies	-77	-2.6%	3	0.2%
Non-taxable dividends received	958	32.0%	380	18.6%
Tax attributable to previous years	-1	0.0%	22	1.1%
Other non-taxable income	0	0.0%	1	0.0%
Write-down of shares in associated companies	-97	-3.2%	-	-
Reversed write-down of shares in subsidiaries and associated companies	-	-	137	6.7%
Other non-taxable expenses	-5	-0.2%	-1	-0.1%
Used and recognized tax loss carry forwards, not earlier recognized	-	-	14	0.7%
Other	0	0.0%	-3	-0.2%
Effective tax/tax rate	**-8**	**-0.3%**	**15**	**0.7%**

Note 7 Tangible fixed assets

	2011	2010
Equipment		
Opening acquisition values	4	4
Investments for the year	1	1
Disposals/scrapping for the year	0	-1
Closing acquisition values	**5**	**4**
Opening accumulated depreciation	-2	-2
Disposals/scrapping for the year	0	0
Depreciation for the year	-1	0
Closing accumulated depreciation	**-3**	**-2**
Closing book value	**2**	**2**

Note 8 Shares and participations

Associated companies	Reg no	Registered office	Number of shares, 2011	2011 Capital/ voting (%)	Book value	2010 Capital/ voting (%)	Book value
Altlorenscheurerhof S.A.		Luxembourg	625	33	11	33	11
CDON Group AB	556035-6940	Malmö	-	-	-	15	306
Metro International S.A.		Luxembourg	232 546 906	44/40	139	44/40	269
Metro International S.A, warrants		Luxembourg	684 279 421		106		106
Modern Cartoons Ltd		USA	2 544 000	23	0	23	0
Modern Times Group MTG AB	556309-9158	Stockholm	9 935 011	15/38	1 133	15/36	1 133
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	277 868 867	22/29	128	17/31	253
					10 118		**10 679**

Other companies	Reg. no.	Registered office	Number of shares	2011 Capital/ voting (%)	Book value	2010 Capital/ voting (%)	Book value
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
					29		**29**

Change in book value, shares and participations in associated companies

	2011	2010
Opening acquisition value,1 January	11 796	11 490
Dividends received, shares in CDON Group AB	-	306
Investments for the year	114	-
Disposals, Group internal	-306	-
Closing acquisition value, 31 December	**11 604**	**11 796**
Opening write-down, 1 January	-1 117	-1 156
Write-down for the year	-369	-
Reversed write-down for the year	-	39
Closing write-down, 31 December	**-1 486**	**-1 117**
Closing book value, 31 December	**10 118**	**10 679**

Change in book value, shares and participations in other companies

	2011	2010
Opening acquisition value,1 January	29	46
Disposals, Group internal	-	-17
Investments for the year	-	0
Closing acquisition value, 31 December	**29**	**29**

Note 9 Shares and participations in Group companies

Shares and participations in direct-owned subsidiaries

	Reg no	Registered office	Number of shares	Capital/ voting (%)	2011	2010
Assuransinvest AIA AB	556051-6238	Stockholm	295 384	100/100	93	93
Audit Value International AVI AB	556809-6308	Stockholm	50 000	100/100	4	-
Emesco AB	556035-3749	Stockholm	1 635	100/100	7 692	7 692
G3 Good Governance Holdings Ltd, in liquidation		Isle of Man	1 323	83/83	174	-
Gefle Borg Bryggeri AB, in liquidation	556489-9689	Gävle	1 736 000	99/99	0	0
Invik & Co. AB	556061-4124	Stockholm	7 000	100/100	0	0
Invik S.A.		Luxembourg	551 252	100/100	630	211
Kinnevik UK Ltd		UK	1 000	100/100	2	2
Förvaltnings AB Eris & Co.	556035-7179	Stockholm	1 020 000	100/100	166	166
Kinnevik New Ventures AB	556736-2412	Stockholm	100	100/100	1 239	1 239
Korsnäs AB	556023-8338	Gävle	53 613 270	100/100	8 320	8 320
Korsnäs Holding AB, in liquidation	556170-7703	Stockholm	1 000	100/100	0	0
Kinnevik Radio AB	556237-4594	Sollentuna	7 500	100/100	1	1
Kinnevik S.A., in liquidation		Luxembourg	1 249	100/100	0	0
Plonvik Sp.zo.o		Poland	-	-	-	1
Book value					**18 321**	**17 725**

Reconciliation of the book value of shares in subsidiaries

	2011	2010
Opening acquisition value, 1 January	18 927	18 992
Shareholders' contribution	420	44
Repaid shareholders contribution	-	-123
Acquisitions	195	14
Internal disposals	-1	-
Closing acquisition value, 31 December	**19 541**	**18 927**
Opening write-down, 1 January	-1 202	-1 682
Write-down for the year	-18	0
Reversed write-downs for the year	-	480
Closing write-down, 31 December	**-1 220**	**-1 202**
Closing book value, 31 December	**18 321**	**17 725**

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 (%)
Audit Value International B.V.		Netherlands	100/100
Duego Technologies AB	556820-3110	Gothenburg	70/70
Duego Ltd		Malta	70/70
G3 Good Governance Ltd		UK	68/68
Proven UK Ltd		UK	68/68
G3 Good Governance (US) Corporation		US	68/68
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 Agri AB	556833-3917	Stockholm	100/100
Kinnevik Holding SA		Luxembourg	100/100
Kinnevik Mauritius Ltd		Mauritius	100/100
Kinnevik Online Ventures AB	556815-4958	Stockholm	100/100
Kinnevik Online Holding AB	556862-0404	Stockholm	100/100
Latgran Biofuels AB	556811-4184	Stockholm	75/75
Sia Latgran		Latvia	75/75
Invik Mauritius Ltd		Mauritius	100/100
Millcellvik AB	556604-8285	Stockholm	100/100
Milvik AB	556849-6250	Stockholm	56/56
Millvik Ghana Ltd		Ghana	56/56
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 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 Sågverks 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	99/99
Relevant Traffic Spain S.L.		Spain	99/99
Saltside Technologies AB	556852-1669	Gothenburg	75/75
Vireo Energy AB	556798-5907	Stockholm	75/75
Vireo Energy Polska Sp. z.o.o		Poland	75/75
Vireo Energy Sierakowa Sp. z.o.o		Poland	75/75
Vireo Energy, foreign limitied liability company		Belarus	75/75

Note 10 Other provisions

	2011	2010
Remuneration to former CEO	-	4
Environmental studies	4	5
	4	**9**
Long-term	4	5
Short-term	0	4
	4	**9**
Change for the year		
Opening balance, 1 January	**9**	**16**
Remuneration paid to former CEO	-4	-5
Payment out of other provisions	-1	-2
Closing balance, 31 December	**4**	**9**

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 1.2 m was used in 2010 and 2011.

Note 11 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 2011 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	228 517 952	22 851
Class C shares in own custody	399 914	40
Registered number of shares	277 583 190	27 758

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.

During 2011, 25,086 class C shares were converted to class B shares and delivered to the participants in the Long Term Incentive Plan for 2008.

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., SMS Sapere Aude Trust, HS Sapere Aude Trust among others, together holding shares representing 46.6% of the votes and 12.9% 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 2011 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 30 for the Group.

Note 12 Interest-bearing loans

Interest-bearing long-term loans

	2011	2010
Liabilities to credit institutions	425	2 475
Accrued borrowing costs	-4	-8
	421	**2 467**

Interest-bearing short-term loans

	2011	2010
Liabilities to credit institutions	1 721	57
	1 721	**57**

For further information about the Parent Company's interest bearing loans refer to Note 21 for the Group.

Note 13 Accrued expenses

	2011	2010
Accrued personnel expenses	16	13
Accrued interest expenses	0	3
Other	7	4
	23	**20**

Note 14 Pledged assets

	2011	2010
For liabilities to credit institutions		
Shares in subsidiaries	8 320	8 320
Shares in associated companies and other companies	1 633	1 406
	9 953	**9 726**

Note 15 Contingent liabilities

	2011	2010
Sureties and guarantees for subsidiaries	1	1
Guarantee commitments, FPG	1	1
	2	**2**

Refer also to Note 10 regarding costs for decontamination of contingent contamination damages.

Note 16 Intra-group transactions

Intra-group revenue for the Parent Company amounted to SEK 18 m (18) of which refer to invoicing of management fee to Korsnäs AB of SEK 12 m (12) and Kinnevik New Ventures AB of SEK 6 m (5).

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.

Note 17 Personnel

Average number of employees

	2011 men	2011 women	2010 men	2010 women
Parent Company				
Stockholm	5	7	5	5

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

	2011 Board, CEO and other senior execu-tives	2011 Other em-ployees	2010 Board, CEO and other senior executi-ves	2010 Other em-ployees
Salaries and other remuneration	23 725	4 631	21 550	3 447
Social security expenses [1]	10 762	3 160	8 709	689
- of which pension expense [1]	3 306	1 705	3 587	-271
Provision for share-based remu-neration	5 873	1 093	4 768	611

[1] Other employees includes reversed provisions for former employees with SEK 0 (918,000) 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 30 for the Group.

Note 18 Financial assets and liabilities by category

2011	Financial assets accounted for at cost	Loan receivables and trade receivables	Financial liabilities	Total book value
Receivables from Group companies	-	14 661		14 661
Receivables from associated companies	-	-		0
Shares and participation in other companies	29	-		29
Interest-bearing receivables	-	-		0
Other receivables	-	14		14
Short-term investments	-	-		0
Cash at bank	-	1		1
Total financial assets	**29**	**14 676**		**14 705**
Interest-bearing liabilities			2 142	2 142
Liabilities to Group companies			2 194	2 194
Trade creditors			5	5
Other liabilities			53	53
Total financial liabilities			**4 394**	**4 394**

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
Total financial assets	**29**	**14 658**		**14 687**
Interest-bearing liabilities			2 524	2 524
Liabilities to Group companies			3 502	3 502
Trade creditors			4	4
Other liabilities			48	48
Total financial liabilities			**6 078**	**6 078**

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, 19 March 2012

Cristina Stenbeck
Chairman of the Board

Tom Boardman
Member of the Board

Vigo Carlund
Member of the Board

Dame Amelia Fawcett
Member of the Board

Geron Forsman
Member of the Board
Employee representative

Wilhelm Klingspor
Member of the Board

Erik Mitteregger
Member of the Board

Bo Myrberg
Member of the Board
Employee representative

Allen Sangines-Krause
Member of the Board

Mia Brunell Livfors
President & CEO

Our Audit Report was issued on 19 March 2012
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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Investment AB Kinnevik (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 30–72.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation, of the annual accounts in accordance with the Annual Accounts Act and, of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Investment AB Kinnevik (publ) for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 19 March 2012

Ernst & Young AB

Thomas Forslund, Authorized Public Accountant

Board of Directors

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

Left to right: Bo Myrberg, Erik Mitteregger, Magnus Borg, Allen Sangines-Krause, Vigo Carlund, Cristina Stenbeck, Tom Boardman, Mia Brunell Livfors, Wilhelm Klingspor, Dame Amelia Fawcett, Tobias Söderholm, Geron Forsman and Mikael Larsson.

For information about individual directors, please refer to pages 36-37.

Senior Executives and other key employees

Left to right: Joakim Andersson, Torun Litzén, Warren Campbell, Christer Simrén, Mia Brunell Livfors, Henrik Persson and Mikael Larsson.

Mia Brunell Livfors *President and Chief Executive Officer Investment AB Kinnevik*
Studies in 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: 20,125 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 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 6,887 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: 8,111 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: 5,887 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: 5,098 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: 62,387 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: 2,000 class B shares.

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.
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 companies within Online, Microfinancing, Agriculture and Renewable Energy is based on generally accepted valuation principles such as discounted cash-flow models, multiple valuation using EBIT, net profit, price per hectare etc.

Annual General Meeting 2012

Date and venue

The Annual General Meeting will be held on Monday, 7 May 2012, 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 at the Annual General Meeting shall

- be entered in the share register maintained by Euroclear Sweden AB on Monday, 30 April 2012
- give notice of their attendance no later than Monday, 30 April 2012, at 3:00 p.m.

Shareholders cannot vote or, in any other way, participate on distance.

How to be entered in the register of shareholders

Shares can be registered in the share register 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 re-register the shares in their own name to be entitled to participate in the Annual General Meeting. Shareholders requiring such re-registration must inform the nominee of this in sufficient time prior to 30 April 2012.

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
- by writing to the Company at: Investment AB Kinnevik, c/o Computershare AB, P.O. Box 610, SE-182 16 Danderyd, Sweden
- by telephone, +46 (0) 771 24 64 00, from 2 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. A template proxy form is available on the Company's website at www.kinnevik.se. Notification must be submitted to the Company no later than Monday, 30 April 2012 at 3:00 p.m.

Nomination Committee

In accordance with the resolution of the 2011 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., 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.

Financial information

Interim Report January-March, 20 April 2012
Interim Report January-June, 20 July 2012
Interim Report January-September, 19 October 2012
Year-end Report 2012, February 2013
Annual Report for 2012, April 2013
Annual General Meeting, May 2013

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