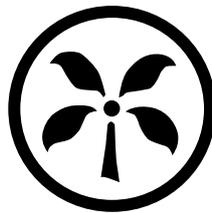


Industrieförvaltnings AB
Kinnevik



Interim Report 1998
January 1 - March 31

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- Operating income for the first quarter amounted to MSEK 626 (286).
 - Earnings per share SEK 7.63 (2.54).
 - The operating margin for Korsnäs was 19% (16%).
 - SEC had 184,000 subscribers on May 12.

OPERATIONS

Group structure

Kinnevik's Board has proposed to the Annual General Meeting to be held on May 15, 1998 that 20 per cent of the shares in Société Européenne de Communication SA (SEC) be sold to Kinnevik's shareholders. Kinnevik's result for the first quarter of 1998 is stated in both pro forma and actual form with the object of clarifying the effects of the distribution and change of ownership in connection with the formation of SEC. The pro forma accounts represent a calculation of how Kinnevik's result and position would have appeared if the formation of SEC and the sale proposed by the Board had been implemented as of January 1, 1998.

Consolidated result

Net sales for the first three months amounted to MSEK 1,752, compared with MSEK 1,552 for the previous year.

Korsnäs Holding AB increased its turnover by 12 per cent to MSEK 1,346. The net turnover of other units amounted to MSEK 406 (345).

Operating income amounted to MSEK 626, compared with MSEK 286 for the corresponding period of last year and with MSEK 841 on a pro forma basis.

Income from corporate development amounted to MSEK 495 (22) and relates to the effect of the formation of SEC.

Income from sales of securities amounted to MSEK 30 (165) and relates to the sale of the company's holding of its own convertible loan stock and to an option premium in respect of TV1000.

The net interest in the results of associate companies was a deficit of MSEK 62 (deficit 50), of which the interest in the result of Millicom International Cellular SA (MIC) was a deficit of MSEK 57.

Financial revenue and expense excluding interest on convertibles, amounted to net expense of MSEK 74 (expense 77).

Income after financial net, excluding interest on convertibles, amounted to MSEK 490 (159).

Income before tax amounted to MSEK 490, compared with MSEK 157 for the previous year and MSEK 663 pro forma.

Earnings per share for the period amounted to

SEK 7.63 compared with SEK 2.54 for the same period in the previous year.

The comparative figures for 1997 refer to the Kinnevik group on a pro forma basis with the companies now being part of the Group.

MELLERSTA SVERIGES LANTBRUKS AB

The spring tillage was finished early at Ullevi and Svedberga and is now also finished at Russelbacka. The spring tillage in Östergötland was delayed because of rain. The crops sown in the autumn passed the winter well at all the farms. The conditions for a good harvest this year are thus favorable.

KORSNÄS HOLDING AB

Korsnäs Holding AB is the parent company of Korsnäs AB which, together with its subsidiary companies, forms the Korsnäs group.

Korsnäs group

The Korsnäs group's net sales for the first quarter of 1998 amounted to MSEK 1,346 (1,207). Operating income before transfer to profit-sharing plan, including interests in the earnings of associates, amounted to MSEK 257 (190). The profit margin was 19 per cent (16).

The improvement in the result compared with the first quarter of the previous year is mainly due to higher deliveries and higher production as well as to higher prices. All four divisions improved their result during the period.

Demand is still firm for most products, with stable prices for the main products, and with some signs of a strengthening price trend. Deliveries of Korsnäs' main products in the paperboard, paper and pulp segments, increased by 5 per cent compared with the first quarter 1997, and deliveries of sacks rose by 38 per cent. Production during the first quarter was running at a high level, with output 8 per cent up on the first quarter of the previous year.

Korsnäs Skog

Pulpwood stocks in Sweden are continuing their slow decline, and supplies of wood from private forest owners have fallen to a low level compared with the later months of 1997.

Korsnäs' wood situation only changed marginally during the first quarter. Total supplies of wood from private forest-owners in the vicinity of Korsnäs have fallen, whereas Korsnäs'

contracted purchases are above the level at the corresponding time in 1997. Stocks of felling rights declined during the period. Harvesting on company land is developing in line with plan and, after the first quarter, is running some 6 per cent above the previous year's volume. The volume of pulpwood imports is continuing at the planned level, which is close to last year's.

The turnover of the forestry division amounted to MSEK 401 (398) and operating income amounted to MSEK 70 (48). The income for 1998 includes a capital gain of some MSEK 6 on land sales.

Korsnäs Timber

During the first three months of the year, the sawn timber market remained hesitant. Nonetheless, the underlying consumption of sawn timber in Europe is firm. Demand in the renovation sector is expected to rise in Europe in 1998.

Swedish output of sawn timber products continued at a high level. Production at the Korsnäs sawmill benefited from the mild winter but was at the same time hit by some technical problems which, all in all, resulted in an unchanged level compared with the previous year. Deliveries are marginally lower than in last year, whereas prices are higher.

The turnover of the sawn timber division amounted to MSEK 79 (75) and operating income amounted to MSEK 1 (MSEK 0).

Korsnäs Pulp Paper Board

Demand for the company's products in the fluff pulp, paper and paperboard segments generally remained strong during the first quarter. Production and deliveries rose by 8 per cent and 5 per cent respectively in the first quarter, compared with the previous year. Production was high thanks to the scope for adjusting the product mix.

Invoiced sales and operating income by division (MSEK)

	Net sales		Operating income			
	January - March		1998		1997	
	1998	1997	1998	1998	1997	1997
	MSEK	MSEK	MSEK	% of sales	MSEK	% of sales
Forestry	401	398	70	17	48	12
Timber	79	75	1	1	0	0
Pulp, paper board	935	866	188	20	134	15
Packaging	336	229	17	5	15	7
Group adjustments and other	- 405	- 361	- 19		- 7	
Total	1,346	1,207	257	19	190	16

Prices were maintained at a stable level during the quarter, but they were distinctly higher than one year ago, and price increases have been announced in certain product areas. In comparison with the first quarter of 1997, the result improved by 40 per cent.

The result also improved considerably compared with the final quarter of 1997. The division's turnover amounted to MSEK 935 (866) and operating income amounted to MSEK 188 (134).

Korsnäs Packaging

During the first quarter, the packaging division raised its deliveries by 38 per cent, compared with the previous year, largely as a result of the new sack factories coming into production in Denmark, Yugoslavia and Croatia during the year. For comparable units deliveries remain unchanged. Prices on the sack market have recently come under pressure which has tended to lower margins.

The packaging division's turnover amounted to MSEK 336 (229) and its operating income was MSEK 17 (15).

SOCIETE EUROPEENNE DE COMMUNICATION

Société Européenne de Communication SA (SEC) consists mainly of Tele2 Europe, whose business consists of telecom services, and which commenced operations in Holland at the end of October 1997, and also in Germany during the first quarter of 1998. In February 1998, the company was awarded a single digit licence in France and is currently engaged in final discussions with the French supervisory authority concerning equal rights treatment with France Telecom in both international and national telephony in France. The company has also applied for licences in Italy, Switzerland and Austria. The number of

subscribers at May 12, 1998 amounted to 184,000.

SEC also includes 3C Communications, Transcom International, Transcom Europe, and Tango (a mobile telephony company in Luxembourg).

The net sales of the Kinnevik-owned companies being injected into SEC amounted to MSEK 89 (59) during the first quarter and their operating result was a loss of MSEK 75 (loss of 5).

OTHER SUBSIDIARY COMPANIES

Other Subsidiary Companies include the operative subsidiary companies Transcom AB, Svenska Motor AB SMA, Fagersta Australia, TV1000 and AirTime. The net sales of Other Subsidiaries amounted to MSEK 328, compared with MSEK 299 for the same period in the previous year. The operating result was a loss of MSEK 24 compared with a loss of MSEK 26 the previous year.

The customer services company Transcom has further expanded its operations. During the first quarter volume growth amounted to 30 per cent. The company is now active in Sweden and Norway. The business in Denmark is at the start-up phase.

The level of building activity in Sweden is still running at a very low level and the market for contractors plant consequently remained weak during the first quarter of 1998. This had an adverse effect on SMA during the period.

Fagersta Australia's sales were lower in the first quarter of 1998 than during the corresponding period of last year due to the continuing economic crisis in Asia.

TV1000 has been showing steady growth since September 1997. The number of subscribers at September 30, 1997 was 217,000, a figure which had increased to 254,000 by March 31, 1998. Pursuant to a special agreement between Kinnevik and MTG, MTG distributes the TV1000 and TV1000 Cinema channels. In 1998 Kinnevik will cover TV1000's losses up to MSEK 60, and MTG will cover losses over and above that level.

Airtime made encouraging progress during the first quarter thanks to the strength of the advertising market in Sweden.

ASSOCIATE COMPANIES

Associate companies mainly consist of Millicom International Cellular SA (MIC), in which Kinnevik has a 34 per cent interest, and MTV Produktion AB (MVT) in which Kinnevik's interest is 43 per cent.

At March 31, 1998 MIC had 1,083,759 subscribers, which represents a rate of increase of 110 per cent. Revenue rose by 43 per cent during the period to MUSD 101. Income before depreciation for the period increased by 51 per cent, compared with the previous year, to reach MUSD 31 (20).

The market value of Kinnevik's holding of MIC shares at March 31, 1998 amounted to MSEK 5,752, an increase of MSEK 901 since December 31, 1997. Of this total value, MSEK 544 corresponded to the option Kinnevik has issued to MTG. On May 12, 1998 the market value of the holding amounted to MSEK 5,385.

MTV's business shows a dramatic improvement in its result compared with the previous year.

YIELD

During the past 15 years Kinnevik's shares have generated an average effective annual yield of 29 per cent as a result of capital growth and dividends, including the value of offers to subscribe to shares.

FINANCIAL POSITION

The Group's liquid assets, including undrawn credit facilities and holdings of convertibles and shares in NetCom amounted to MSEK 2,854 (2,280) at March 31, 1998.

The Group's net interest-bearing debt amounted to MSEK 4,288 (4,534).

The average interest cost for the period was 5.1 per cent (7.3 per cent) (calculated as interest expense in relation to average interest-bearing debt excluding pension liabilities and convertible loans).

The Group's fixed capital expenditure (excluding purchases of shares) during the period amounted to MSEK 274 (125).

The closing equity ratio was 42 per cent (41).

The net effect of the Group's inflows and outflows in foreign currency amounts on an annual basis to a net inflow equivalent to some MSEK 1,200.

NEXT REPORT

The interim report for the January-June 1998 period is expected to be released on August 19, 1998.

Stockholm, May 13, 1998

Board

This interim report has not been specifically examined by the company's auditors.

CONSOLIDATED INCOME STATEMENT (MSEK)

	1997 Full year	1997 Jan. 1-March 31 pro forma*	1998 Jan. 1-March 31	1998 Jan. 1-March 31 pro forma**
Net sales	6,966	1,552	1,752	1,666
Cost of sales	- 5,494	- 1,222	- 1,318	- 1,245
Gross result	1,472	330	434	421
Expenses for selling, administration, research and development	- 1,218	- 225	- 264	- 174
Income from corporate development	129	22	495	635
Income from sales of securities	265	165	30	30
Other operating income	201	76	47	43
Other operating expenses	- 143	- 82	- 116	- 114
Operating income	706	286	626	841
Participations in affiliated companies	- 274	- 50	- 62	- 113
Net financial items	- 267	- 77	- 74	- 65
Income after financial items, excluding interest on convertibles	165	159	490	663
Interest on convertibles	- 5	- 2	0	0
Income before tax	160	157	490	663
Minority share in income	26	3	6	6
Earnings per share after full tax, and after full conversion, kronor	2.12	2.54	7.63	10.39

Any amount to be transferred to Korsnäs' profit-sharing plan is calculated when the income for the financial year is arrived at in connection with the finalization of the year-end accounts.

REVIEW OF THE GROUP (MSEK)

	1997 Jan. 1- Mar. 31 pro forma*	1998 Jan. 1- Mar. 31	1998 Jan. 1- Mar. 31 pro forma**
Breakdown of net sales by business area			
Korsnäs Holding AB	1,207	1,346	1,346
SEC companies	59	89	-
Other operating companies	299	328	328
Parent company, Holding companies and eliminations	- 13	- 11	- 8
Total	<u>1,552</u>	<u>1,752</u>	<u>1,666</u>
Breakdown of operating income/loss by business area			
Korsnäs Holding AB	184	255	255
SEC companies	- 5	- 75	-
Other operating companies	- 26	- 24	- 24
Parent company, Holding companies and eliminations	133	470	610
Total	<u>286</u>	<u>626</u>	<u>841</u>
Breakdown of income/loss after net financial items by business area			
Korsnäs Holding AB	160	242	242
SEC companies	- 16	- 84	-
Other operating companies	- 37	- 32	- 32
Affiliated companies	- 51	- 60	- 111
Parent company, Holding companies and eliminations	103	424	564
Total	<u>159</u>	<u>490</u>	<u>663</u>

* The comparative figures for 1997 refer to the Kinnevik group on a pro forma basis with the companies now being part of the Group.

**After selling out and ownership change in connection with the creation of Société Européenne de Communication (SEC). SEC is reported as an associate company.

CONSOLIDATED BALANCE SHEET (MSEK)

	December 31, 1997	March 31, 1997 pro forma*	March 31, 1998	March 31, 1998 pro forma**
Fixed assets				
Capitalized development and establishment costs	146	68	59	59
Goodwill	347	176	322	322
Machinery, equipment, property etc	7,745	7,396	7,612	7,612
Stocks in Modern Times Group MTG AB	–	891	–	–
Stocks in Société Européenne de Communication ***	–	–	495	518
Other stocks and participations	776	943	600	600
Long-term receivables	<u>853</u>	<u>839</u>	<u>1,263</u>	<u>1,263</u>
	9,867	10,313	10,351	10,374
Current assets				
Inventories	1,363	1,153	1,437	1,437
Short-term receivables	1,669	3,631	1,847	1,847
Cash, bank and short-term investments	<u>2,040</u>	<u>1,735</u>	<u>1,413</u>	<u>1,508</u>
	5,072	6,519	4,697	4,792
Total assets	<u>14,939</u>	<u>16,832</u>	<u>15,048</u>	<u>15,166</u>
Equity				
Restricted equity	4,064	3,991	4,455	4,455
Unrestricted equity	<u>1,101</u>	<u>2,483</u>	<u>1,740</u>	<u>1,858</u>
	5,165	6,474	6,195	6,313
Minority interests in equity	45	53	51	51
Provisions				
Provisions for pensions	661	626	666	666
Deferred tax liability	325	325	366	366
Other provisions	<u>754</u>	<u>722</u>	<u>780</u>	<u>780</u>
	1,740	1,673	1,812	1,812
Long-term liabilities				
Non-interest bearing liabilities	17	71	17	17
Interest-bearing liabilities	<u>5,783</u>	<u>4,706</u>	<u>5,405</u>	<u>5,405</u>
	5,800	4,777	5,422	5,422
Short-term liabilities				
Convertible debenture loan	358	388	–	–
Non-interest bearing liabilities	1,593	1,692	1,331	1,331
Interest-bearing liabilities	<u>238</u>	<u>1,775</u>	<u>237</u>	<u>237</u>
	2,189	3,855	1,568	1,568
Total stockholders' equity and liabilities	<u>14,939</u>	<u>16,832</u>	<u>15,048</u>	<u>15,166</u>

* The comparative figures for 1997 refer to the Kinnevik group on a pro forma basis with the companies now being part of the Group.

** After selling out and ownership change in connection with the creation of Société Européenne de Communication (SEC). SEC is reported as an associate company.

***The subsidiary Société Européenne de Communication is not consolidated as Kinnevik's ownership soon will fall below 50 per cent.