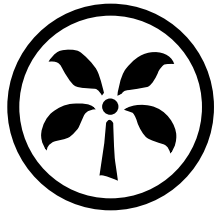


Industrieförvaltnings AB
Kinnevik



Interim Report 1998
January 1 - September 30

- Operating income for first nine months of 1998 amounted to MSEK 1,112 (613), an increase of 81 %.
- Earnings per share amounted to SEK 6.69 (3.66)
- MIC's subscriber base reached 1,402,316 at September 30.
- SEC had 567,468 subscribers at September 30.

ADMINISTRATION

Group structure

Kinnevik's Annual General Meeting on May 15 decided to distribute to Kinnevik's shareholders warrants corresponding to 20% of the total number of shares in Société Européenne de Communication S.A. (SEC). When the subscription period closed on October 30, 99.7% of the shares had been subscribed to, after which Kinnevik owned 45% of SEC's capital, controlling 52% of the votes. As of June, SEC is stated as an associate company by virtue of the shareholder agreement reached in connection with its formation of SEC.

Consolidated result

Net turnover for the first nine months of 1998 amounted to MSEK 5,189, compared with MSEK 4,823 the previous year.

Korsnäs Holding AB increased its turnover by 5% to MSEK 3,861. The net turnover of Other Units, excluding SEC, amounted to MSEK 1,122 (923), an increase of 22%.

Operating income amounted to MSEK 1,112 compared with MSEK 613 for the corresponding period in the previous year, an increase of 81%. A sum of MSEK 34 has been charged against this result in the form of provisions to cover options granted to senior executives of MTG.

Income from corporate development amounted to MSEK 712 (134) and relates for the most part to non-recurring effects arising in connection with the formation of SEC and the distribution of warrants in SEC to Kinnevik's shareholders on which Kinnevik earned a net profit of MSEK 680.

Income from sales of securities amounted to MSEK 249 (164), of which MSEK 148 relates to sales of convertibles in NetCom AB, a loss of MSEK 5 to sales of the company's own holdings of convertible loan stock, MSEK 39 to the sale of 360,000 "Series B" shares in Invik & Co AB, and MSEK 63 to an option premium in respect of TV1000.

Kinnevik's interest in the earnings of associate companies amounted to a net loss of MSEK 400 (loss 190) primarily from MIC and SEC.

Financial revenue and expense, excluding interest on convertibles, amounted to net expense of MSEK 230 (expense 165).

Income after financial revenue and expense, excluding interest on convertibles, amounted to MSEK 482 (258).

Income before tax amounted to MSEK 482 compared with MSEK 259 for the previous year.

Earnings per share for the period amounted to SEK 6.69 compared with SEK 3.66 for the same period in the previous year.

The comparative figures for the first nine months of 1997 are pro forma and relate to the Kinnevik Group and the companies belonging to it now.

MELLERSTA SVERIGES LANTBRUKS AB

The cold, wet summer and autumn adversely affected this year's harvest. Most of the grain does not satisfy the quality requirements for use in the production of food. Overall, other crops, which correspond to 20% of the acreage, overall yielded a smaller harvest than normal. However, the crayfish pond at Svedberga yielded a good catch this year.

Net turnover amounted to MSEK 11 (11), and operating income amounted to MSEK 4 (5).

KORSNÄS HOLDING AB

Korsnäs Holding AB is the parent company of Korsnäs AB, which together with its subsidiaries makes up the Korsnäs group.

Korsnäs group

Demand was firm for most products and seen overall, the price level remained relatively stable, although prices in certain segments came under increasing pressure. Deliveries of paper sacks have increased by 20% in 1998 compared with the previous year, while deliveries of other products were unchanged. Production volumes are 3% higher than in the previous year.

At divisional level, the forestry division improved its operating result, whilst the other divisions' results were unchanged.

Net turnover for the first nine months of the year amounted to MSEK 3,861 (3,684). Operating income before transfer to the profit-sharing scheme rose by 5% to MSEK 617 (586). The profit margin was 16% (16%). Income after financial net amounted to MSEK 664 (637). Currency fluctuations have had a positive effect of MSEK 36 on operating income compared with the previous year.

Korsnäs Forestry

Korsnäs's wood stocks are currently at a satisfactory level. Harvesting on company lands is proceeding according to plan despite the severe weather conditions in the autumn. After the first nine months of the year the level is 7% above last year's volumes. Wood prices were stable until September 30. There is currently a slight surplus of softwood pulpwood within the geographical area in which Korsnäs is active.

Net turnover of Korsnäs Forestry amounted to MSEK 1,115 (1,069), and operating income amounted to MSEK 152 (118).

Korsnäs Timber

The markets for sawn redwood and whitewood products were weak during the first nine months of the year.

Demand for Korsnäs's sawn timber products is still stable and the division has continued to focus on customised products for the Scandinavian market.

Both production and deliveries, as well as the prices, have remained at the same level as in 1997.

Net turnover of Korsnäs Timber amounted to MSEK 237 (226), and operating income amounted to MSEK 1 (0).

Korsnäs Industrial

Demand for the company's products on the paper, board and fluff pulp markets remained generally stable. Deliveries during the period were unchanged compared to the same period 1997. Production increased by 3% during the first nine months compared with the previous year. There has been a planned restocking in the board segment in preparation for reduction in production planned for a part of November 1998 in connection with the major MSEK 460 investment in the enlarged PM5 board machine.

Prices remained stable during the first nine months of the year, although the prices of fluff pulp and sack and kraft paper did come under pressure. In comparison with the first nine months of 1997 the result is unchanged.

A fire occurred on September 24 in an old part of Korsnäsverken, which resulted in a paper ware-

Invoiced sales and operating income by division (MSEK)

	Net sales		Operating income			
	January - September		January - September			
	1997	1998	1997	1997	1998	1998
	MSEK	MSEK	MSEK	% of sales	MSEK	% of sales
Forestry	1,069	1,115	118	11	152	14
Timber	226	237	0	0	1	0
Industrial	2,618	2,617	448	17	445	17
Packaging	851	1,031	58	7	57	6
Group adjustments and other	<u>- 1,080</u>	<u>- 1,139</u>	<u>- 38</u>		<u>- 38</u>	
Total	3,684	3,861	586	16	617	16

house being damaged by fire.

Net turnover of the Pulp Paper Board division amounted to MSEK 2,617 (2,618), and operating income amounted to MSEK 445 (448).

Korsnäs Packaging

During the first nine months of the year the Packaging division increased its deliveries by 20% compared with the previous year, mainly due to the sack factories acquired by the group in Denmark, Yugoslavia and Croatia during the year. Prices on the market for paper sacks are depressed, which has resulted in lower margins. In Germany and Scandinavia, a restructuring programme has begun. This will involve production in Germany being concentrated to Achern, and production in Scandinavia successively being allocated to Aalborg.

Together with Jefferson Smurfit, Korsnäs has set up a joint venture company for the manufacture of paper sacks in Poland that is expected to become operational at the beginning of 1999.

Net turnover of the Packaging division amounted to MSEK 1,031 (851), and the operating income amounted to MSEK 57 (58).

SOCIETE EUROPEENNE DE COMMUNICATION

The main unit within Société Européenne de Communication S.A. (SEC) is Tele2 Europe, whose business consists of telecom services and which commenced operations in Holland at the end of October 1997, in Germany during the first quarter of 1998, and in Switzerland at the beginning of October 1998. Also during 1998 the company has been awarded licences in France, Italy and Austria. The company plans to commence operations in these countries at the beginning of 1999. The number of subscribers at September 30 was 541,694. More than 20,000 customers have already been acquired in Switzerland during the first month in business.

SEC also includes 3C Communications, Transcom International, Transcom Europe and Tango, a mobile telecommunication company in Luxembourg. Tango had 25,774 subscribers by September 30.

SEC is quoted on the SBI exchange in Stockholm and on Nasdaq in New York.

The market value of Kinnevik's 45% interest in SEC amounted to MSEK 4,972 at September 30, 1998. On November 13, the market value of this holding was MSEK 5,114.

OTHER SUBSIDIARIES

Other subsidiaries consist of the operative subsidiary companies

Transcom AB, Credit International Services AB (CIS), Svenska Motor AB SMA, Fagersta Australia, TV1000 and Airtime. Net turnover of Other Subsidiaries amounted to MSEK 1,124, compared with MSEK 944 for the same period last year. The operating loss amounted to MSEK 42 compared with a loss of MSEK 31 in the previous year.

Income from corporate development amounted to MSEK 14 (96) and is attributable to the sale of a property in England.

Transcom, the customer services company, reports further strong growth. MR-Gruppen's tele-marketing activities in Denmark were acquired during the third quarter. New customers are being steadily acquired and turnover during the first nine months of the year was up by 110% to MSEK 227 (108) on the comparable period last year. The company has operations in Sweden, Norway and Denmark. Transcom had 1,375 employees at September 30, 1998.

CIS's business, which includes collection services, has displayed steady growth during the year and the company is now active in Norway and Denmark, as well as in Sweden.

SMA's machine sales were favourably affected by the marginal improvement in the level of building activity in Sweden during the third quarter.

Fagersta Australia's sales were only slightly affected by the Asian crisis in 1998. On the other hand, margins are tighter this year compared with the previous year.

TV1000 has noted steady growth since September 1997. The number of subscribers has risen by 25% to 271,735 (217,175) at September 30, 1998. Under the terms of an agreement between Kinnevik and Modern Times Group MTG AB (MTG), MTG distributes the premium channels TV1000 and TV1000 Cinema. In 1998 Kinnevik covers TV1000's losses up to MSEK 60, with MTG assuming liability for any losses above this level.

Airtime has further improved its income as a result of a growing market and cost-reduction measures.

ASSOCIATE COMPANIES

Associate Companies comprise mainly a 34% interest in Millicom International Cellular S.A. (MIC), and a 43% holding in MTV Produktion AB (MTV). 20% of the shares in Viking Telecom AB, which is

active on the telecom market, were acquired at the end of September.

MIC had 1,402,316 subscribers as of September 30, 1998, which represents growth of 72%. In September, MIC sold its 48% interest in Ritabell, a mobile telecommunications company with activities in Estonia, to NetCom AB, for MUSD 50. MIC's capital gain on this transaction, which will be completed during the fourth quarter, will amount to MUSD 40. MIC and NetCom have also reached an agreement for NetCom to acquire MIC's 24.5% interest in Comliet UAB and its 35.8% interest in Mobile Telecommunication of Lithuania (Bite), both located in Lithuania. During the year, three businesses were started in new geographical regions in Russia. A further licence has been obtained in Senegal by SENTEL, a company in which MIC has a 75% interest. MIC is now engaged in 33 mobile telecom businesses in 20 countries with a total population of 470 million. With effect from September 30, MIC has launched its cash card in 18 countries with very good results. Revenue rose by 27% to MUSD 318 during the period. Operating income before depreciation increased by 62% during the period, compared with the previous year, to reach MUSD 109 (67). Sales of cash cards, subscriber acquisitions and cost-reduction programmes in combination have all contributed to the improvement in the result. Conditions in Asia improved markedly during the third quarter of 1998, although the growth rate in Russia declined marginally during the quarter. Growth in Latin America and Africa is still very good.

The market value of Kinnevik's holding of MIC shares amounted to MSEK 3,477 on September 30, and on November 13, 1988 the market value of the holding was MSEK 4,676.

RETURN

During the past 15 years, Kinnevik's shares have generated an average effective annual yield of 31% as a result of rising share prices and dividends, including the value of warrants to subscribe to shares.

FINANCIAL POSITION

The Group's liquid funds, including undrawn credit facilities and its holdings of shares in NetCom and convertibles in Invik and MTG, amounted to MSEK 3,146 at September 30 (2,905).

The Group's net interest-bearing liabilities amounted to MSEK 4,624 (4,481).

The average cost of interest for the period was

5.4% (6.1) (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 604 (692).

The equity ratio at the end of the quarter was 37% (37).

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

NEXT FINANCIAL REPORT

The release in respect of the year-end results for 1998 is expected to be published on February 25, 1999.

Stockholm, November 16, 1998

President

This interim report has not been subject to specific examination by the company's auditors.

CONSOLIDATED INCOME STATEMENT (MSEK)

	1997 Full year	1997 Jan. 1-September 30 pro forma*	1998 Jan. 1-September 30
Net sales	6,966	4,823	5,189
Cost of sales	<u>- 5,494</u>	<u>- 3,684</u>	<u>- 4,194</u>
Gross result	1,472	1,139	995
Expenses for selling, administration, research and development	- 1,218	- 852	- 894
Income from corporate development	129	134	712
Income from sales of securities	265	164	249
Other operating income	201	144	140
Other operating expenses	<u>- 143</u>	<u>- 116</u>	<u>- 90</u>
Operating income	706	613	1,112
Participations in affiliated companies	- 274	- 190	- 400
Net financial items	<u>- 267</u>	<u>- 165</u>	<u>- 230</u>
Income after financial items, excluding interest on convertibles	165	258	482
Interest on convertibles	<u>- 5</u>	<u>1</u>	<u>0</u>
Income before tax	160	259	482
Minority share in income	26	19	10
Earnings per share after full tax, and after full conversion, kronor	2.12	3.66	6.69

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-September 30 pro forma*	1998 Jan. 1-September 30
Breakdown of net sales by business area		
Mellersta Sveriges Lantbruks AB	11	11
Korsnäs Holding AB	3,684	3,861
Société Européenne de Communication SA**	216	206
Other operating companies	944	1,124
Parent company, Holding companies and eliminations	<u>- 32</u>	<u>- 13</u>
Total	<u>4,823</u>	<u>5,189</u>
Breakdown of operating income/loss by business area		
Mellersta Sveriges Lantbruks AB	5	4
Korsnäs Holding AB	562	616
Société Européenne de Communication SA**	- 34	- 240
Other operating companies	- 31	- 42
Parent company, Holding companies and eliminations	111	774
Total	<u>613</u>	<u>1,112</u>
Breakdown of income/loss after net financial items by business area		
Mellersta Sveriges Lantbruks AB	5	4
Korsnäs Holding AB	497	527
Société Européenne de Communication SA**	- 60	- 257
Other operating companies	- 37	- 48
Affiliated companies	- 200	- 393
Parent company, Holding companies and eliminations	53	649
Total	<u>258</u>	<u>482</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.

** Refers to the companies in SEC being wholly-owned by Kinnevik through May 31, 1998.

CONSOLIDATED BALANCE SHEET (MSEK)

	Dec. 31, 1997	Sept. 30, 1997 pro forma*	Sept. 30, 1998
Fixed assets			
Capitalized development and establishment costs	146	90	34
Goodwill	347	356	317
Machinery, equipment, property etc	7,745	7,596	7,774
Other stocks and participations	776	769	733
Long-term receivables	<u>853</u>	<u>1,261</u>	<u>912</u>
	9,867	10,072	9,770
Current assets			
Inventories	1,363	1,211	1,521
Short-term receivables	1,669	2,236	1,622
Cash, bank and short-term investments	<u>2,040</u>	<u>1,370</u>	<u>1,745</u>
	5,072	4,817	4,888
Total assets	<u>14,939</u>	<u>14,889</u>	<u>14,658</u>
Equity			
Restricted equity	4,064	3,962	4,480
Unrestricted equity	<u>1,101</u>	<u>1,182</u>	<u>946</u>
	5,165	5,144	5,426
Minority interests in equity	45	49	27
Provisions			
Provisions for pensions	661	633	685
Deferred tax liability	325	338	400
Other provisions	<u>754</u>	<u>734</u>	<u>797</u>
	1,740	1,705	1,882
Long-term liabilities			
Non-interest bearing liabilities	17	17	17
Interest-bearing liabilities	<u>5,783</u>	<u>5,090</u>	<u>5,694</u>
	5,800	5,107	5,711
Short-term liabilities			
Convertible debenture loan	358	358	-
Non-interest bearing liabilities	1,593	1,724	1,425
Interest-bearing liabilities	<u>238</u>	<u>802</u>	<u>187</u>
	2,189	2,884	1,612
Total stockholders' equity and liabilities	<u>14,939</u>	<u>14,889</u>	<u>14,658</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.