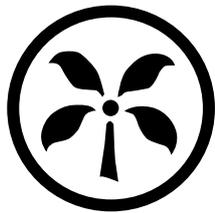


Industrieförvaltnings AB
Kinnevik



Interim Report 1999
January 1- June 30

ADMINISTRATION

Consolidated result

Net turnover for the first six months of 1999 amounted to MSEK 3,527 (3,338). Korsnäs Holding AB's turnover amounted to MSEK 2,459 (2,625). The net turnover of other subsidiaries amounted to MSEK 1,070 (713).

Operating income amounted to MSEK 139 (950). Income from corporate development amounted to MSEK 42 (696).

Kinnevik's interest in the earnings of affiliated companies amounted to a net loss of MSEK 576 (loss 442), of which the interest in losses incurred by Millicom International Cellular S.A. (MIC) amounted to MSEK 235 and in those of Société Européenne de Communication S.A. (SEC) to MSEK 319.

Financial revenue and expense amounted to net expense of MSEK 80 (expense 156).

Income after financial revenue and expense amounted to a loss of MSEK 517 (income of 352).

The net loss for the period amounted to MSEK 539 (income of 301).

The loss per share for the period was SEK 8.56, (earnings 4.78) per share.

The comparative figures for the first six months of 1998 are proforma and relate to the Kinnevik Group and the companies now belonging to the Group.

MELLERSTA SVERIGES LANTBRUKS AB

The heavy rain in Western Sweden has had a serious effect on the spring-sown crops. The autumn crops look far healthier. As the late arrival of autumn last year prevented sowing of the planned acreage in the autumn, the volume of autumn grain will probably not be sufficient to offset any shortfall in the harvest amongst the spring crops.

Large stocks of animal fodder in Sweden and Europe have had a moderating effect on prices. Initially, other kinds of grain usually follow the same pattern. It is to be hoped that the generally low share of autumn crops will cause the prices of these volumes to rise later this winter.

Net turnover amounted to MSEK 8 (9) and the 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 for most of the group's products has been slightly down, and the overall level of prices was markedly below the level for the corresponding period last year which explain the lower result. The volume of production during the first six months was 4 per cent lower than last year's level.

Net turnover for the first six months of the year amounted to MSEK 2,459 (2,625). Operating income amounted to MSEK 169 (434). The profit margin was 7 per cent (17). Income after financial net amounted to MSEK 205 (465).

Korsnäs Skog

Pulpwood prices were reduced by SEK 20 per m³ at the beginning of 1999, and generally slacker supply of wood is to be expected.

However, favourable harvesting conditions and active purchasing at the local level, mainly by sawmills, offset the expected effects of the price reduction. Moreover, the level of felling activity among private forest owners was quite healthy during the first six months of the year.

Korsnäs's own felling activities were largely in line with plans.

Raw material stocks in Sweden are at the normal seasonal level. Korsnäs's own wood stocks were running at the planned level at the end of June. Korsnäs's deliveries of saw timber to sawmills outside the group were high during the first half of the year and are expected to remain so throughout the remainder of 1999.

The joint raw material procurement activities carried on by Korsnäs, MoDo and Stora-Enso through Industriskog AB will be discontinued on August 1, 1999.

Korsnäs Skog's net turnover for the first half of the year amounted to MSEK 727 (785), and its operating income amounted to MSEK 108 (115). This figure includes capital gains of MSEK 4 (7) on sales of land.

Korsnäs Timber

The sawn timber market remained weak during the first half of the year. Demand for Korsnäs's sawn timber products is stable, especially in the case of customised products for the Scandinavian market. As far as Korsnäs is concerned, order books are stable, and market prospects for the second half-year

are regarded as favourable, above all for the fourth quarter.

Production declined by 1 per cent in relation to the corresponding period in the previous year, deliveries fell by 11 per cent, and on average prices decreased by 6 per cent.

Korsnäs Timber's net turnover amounted to MSEK 145 (169) and its operating result was a loss of MSEK 2, which may be compared with income of MSEK 5 in the previous year.

Korsnäs Industrial

Thanks to a stronger order intake, deliveries rose by 8 per cent during the second quarter in relation to the same period in 1998. Much of the increase in volume was achieved on various segments of the paperboard. Deliveries of paper are, however, slightly lower as the group's sack factory in Yugoslavia was out of production. Deliveries for the entire January-June period were 2 per cent up on the corresponding period in 1998, whereas production was 4 per cent down. The price structure during the past twelve months was adversely affected by excess capacity and stiff competition, as well as by unfavourable currency fluctuations. All in all, these factors resulted in the average price of the group's products being nine per cent less during the first half of 1999 than in the corresponding period of 1998. However, the prices of fluff pulp were successively raised during the second quarter. Further measures intended to raise prices are to be expected during the coming six months. These measures will also be extended to include the paper segment,

Net turnover and operating income declined to MSEK 1,653 (1,796), and MSEK 64 (273) respectively, largely as a result of the lower price level.

Korsnäs Packaging

The whole of the first half-year was characterised by slacker demand throughout Europe than during the corresponding period last year. The weak demand, combined with excess capacity, brought prices under pressure on the sack market, as a result of which margins were narrower than in the previous year. Deliveries decreased by five per cent on the previous year. Korsnäs Packaging's market share remains unchanged.

Korsnäs Packaging's turnover amounted to

MSEK 628 (665), and its operating income was MSEK 2 (41).

OTHER SUBSIDIARIES

Other subsidiaries mainly include the operative subsidiary companies Transcom AB, Credit International Services AB (CIS), Fagersta Australia, TV1000 and AirTime.

Transcom, the customer services company, has continued to expand. During the first half of the year, turnover rose to MSEK 274, or by 108 per cent. The company is active in Sweden, Norway and Denmark, and will commence operations in Finland in July. Transcom had 1,718 employees.

CIS's business, which includes financial and credit management services, experienced steady growth during the first half of the year, and the company is now active in Norway, Denmark and Luxembourg, as well as in Sweden.

Fagersta Australia's sales and margins improved during the first six months of the year, thanks to strong domestic demand in the building industry.

TV1000 has been expanding strongly ever since June 1998. The number of subscribers had risen by 33 per cent to 336,000 (253,000). 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 1999, Kinnevik will cover TV1000's losses up to MSEK 30, with MTG assuming liability for any loss beyond that.

AirTime has further improved its result thanks to a combination of an expanding market and cost reductions.

On July 6, 1999, Kinnevik sold SMA Maskin AB to Machinium Oy for a capital gain of MSEK 14, which will be taken into account in the third quarter, and will have a positive effect of MSEK 216 on the Kinnevik Group's cash position.

The net turnover other subsidiaries amounted to MSEK 1,070, which may be compared with MSEK 713 for the same period in the previous year. The operating result was a profit of MSEK 15 compared with a loss of MSEK 14 for the corresponding period in the previous year.

AFFILIATED COMPANIES

Kinnevik's principal affiliated companies are Millicom International Cellular S.A. (MIC) (34 %

interest), Société Européenne de Communication S.A. (SEC) (45 % interest), and MTV Production AB (MTV) (44 % interest).

As of June 30, 1999, MIC had 1,740,837 subscribers, which gives a growth of 72 %. On a proportional basis of MIC's ownership, the number of subscribers was 1,078,671, an increase of 84 %. The subscriber base of MIC's minority ownership in NetCom is not included in the above figures. In April 1999, SENTEL (GSM 900 license), a company in which MIC has a 75 per cent interest, commenced operations in Senegal. MIC currently has equity stakes in 30 companies in 19 countries, where the total market amounts to 455 million people.

Turnover amounted to MUSD 253 (212). Operating income before depreciation amounted to MUSD 63 (63).

At June 30, 1999, the market value of Kinnevik's holding in MIC was MSEK 4,225. On August 16, 1999, the market value was MSEK 3,502.

SEC consists principally of Tele2 Europe, which is engaged in the provision of national and international fixed telecommunication services. Tele2 Europe began the year with operations in Germany, Holland and Switzerland. In March 1999, operations commenced in Austria and France, as well as in Italy at the beginning of April. The company also has licenses in Luxembourg and Ireland. By June 30, 1999, the number of subscribers had reached 1,590,887.

SEC also includes 3C Communications, Transcom International, Transcom Europe, and Tango, a cellular telephone company in Luxembourg. Tango had 53,402 subscribers at June 30, 1999.

Turnover amounted to MDEM 212, while the operating result before depreciation was a loss of MDEM 123.

The market value of Kinnevik's interest in SEC on June 30, 1999 was MSEK 3,125. On August 16, 1999, the market value of this holding was MSEK 3,125.

RETURN

During the last fifteen years, Kinnevik shares have generated an average effective yield of 30 per cent per year as a result of rising prices and dividends, including the value of offers to subscribe to shares.

FINANCIAL POSITION

The Group's liquid funds, including short-term placements and undrawn credit facilities, amounted to MSEK 3,172 (4,199) at June 30, 1999.

The Group's net interest-bearing debt amounted to MSEK 5,708 (4,969).

The average cost of interest for the period was 4.2 % (5.4) (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 363 (388).

In March 1999, Kinnevik and MIC each subscribed MDEM 100 to a convertible debenture loan issued by SEC.

The closing equity ratio was 31 per cent (38).

The net effect of the Group's in- and outflows in foreign currencies amounts, on an annual basis, to net inflow of approximately MSEK 1,200.

PARENT COMPANY

The parent company's result after financial net was a loss of MSEK 45 (income 296).

The parent company's capital expenditure during the period amounted to MSEK 0 (1). Liquid funds, including short-term placements and undrawn credit facilities, amounted to MSEK 1,924 (2,471) on June 30, 1999.

NEXT FINANCIAL REPORT

The interim report for the period January-September 1999 will be published on November 23, 1999.

Stockholm August 17, 1999

Board

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

CONSOLIDATED INCOME STATEMENT (MSEK)

	1998 Full year	1998 January 1-June 30 pro forma*	1999 January 1-June 30
Net sales	6,888	3,338	3,527
Cost of sales	<u>- 5,739</u>	<u>- 2,674</u>	<u>- 3,029</u>
Gross result	1,149	664	498
Expenses for selling, administration, research and development	- 1,228	- 408	- 413
Income from corporate development	759	493	4
Income from sales of securities	277	203	38
Other operating income	266	84	88
Other operating expenses	<u>- 160</u>	<u>- 86</u>	<u>- 76</u>
Operating income	1,063	950	139
Participations in affiliated companies	- 230	- 442	- 576
Net financial items	<u>- 301</u>	<u>- 156</u>	<u>- 80</u>
Income before tax	532	352	- 517
Taxes	- 83	- 59	- 25
Minority share in income	<u>15</u>	<u>8</u>	<u>3</u>
Net result for the period	<u>464</u>	<u>301</u>	<u>- 539</u>
Earnings per share after full tax, and after full conversion, kronor	7.37	4.78	- 8.56

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)

	1998 January 1-June 30 pro forma*	1999 January 1-June 30
Breakdown of net sales by business area		
Mellersta Sveriges Lantbruks AB	9	8
Korsnäs Holding AB	2,625	2,459
Other subsidiaries	713	1,070
Parent company, Holding companies and eliminations	<u>- 9</u>	<u>- 10</u>
Total	<u>3,338</u>	<u>3,527</u>
Breakdown of operating income/loss by business area		
Mellersta Sveriges Lantbruks AB	5	4
Korsnäs Holding AB	431	162
Other subsidiaries	- 14	15
Parent company, Holding companies and eliminations	<u>528</u>	<u>- 42</u>
Total	<u>950</u>	<u>139</u>
Breakdown of income/loss after net financial items by business area		
Mellersta Sveriges Lantbruks AB	5	4
Korsnäs Holding AB	374	174
Other subsidiaries	- 24	2
Affiliated companies	- 437	- 566
Parent company, Holding companies and eliminations	<u>434</u>	<u>- 131</u>
Total	<u>352</u>	<u>- 517</u>

* The comparative figures for 1998 refer to the Kinnevik group on a pro forma basis with the companies now being part of the Group.

CONSOLIDATED BALANCE SHEET (MSEK)	December 31, 1998	June 30, 1998	June 30, 1999
Fixed assets			
Capitalized development costs	51	38	59
Goodwill	322	300	295
Machinery, equipment, property etc	7,870	7,656	7,929
Other stocks and participations	1,304	972	725
Long-term receivables	<u>1,047</u>	<u>451</u>	<u>1,437</u>
	10,594	9,417	10,445
Current assets			
Inventories	1,553	1,464	1,568
Short-term receivables	1,848	1,629	2,010
Cash, bank and short-term investments	<u>1,625</u>	<u>1,988</u>	<u>1,212</u>
	5,026	5,081	4,790
Total assets	<u>15,620</u>	<u>14,498</u>	<u>15,235</u>
Equity			
Restricted equity	4,508	4,461	4,492
Unrestricted equity	<u>1,303</u>	<u>1,001</u>	<u>153</u>
	5,811	5,462	4,645
Minority interests in equity	24	31	19
Provisions			
Provisions for pensions	688	672	683
Deferred tax liabilities	401	394	423
Other provisions	<u>798</u>	<u>774</u>	<u>119</u>
	1,887	1,840	1,225
Long-term liabilities			
Non-interest bearing liabilities	1	10	1
Interest-bearing liabilities	<u>6,169</u>	<u>5,701</u>	<u>6,838</u>
	6,170	5,711	6,839
Short-term liabilities			
Non-interest bearing liabilities	1,545	1,232	1,632
Interest-bearing liabilities	<u>183</u>	<u>222</u>	<u>875</u>
	1,728	1,454	2,507
Total stockholders' equity and liabilities	<u>15,620</u>	<u>14,498</u>	<u>15,235</u>

CONSOLIDATED STATEMENT OF CASHFLOWS (MSEK)

	1998	1998	1999
	Full year	January 1-June 30	January 1-June 30
Cashflow from			
operations	155	- 201	39
investing activities	- 842	- 440	- 430
financing activities	<u>532</u>	<u>475</u>	<u>247</u>
Net change in cash and cash equivalents	- 155	- 166	- 144
Cash and cash equivalents at beginning of period	<u>491</u>	<u>491</u>	<u>336</u>
Cash and cash equivalents at end of period	<u>336</u>	<u>325</u>	<u>192</u>