

Industrieförvaltnings AB *Kinnevik*

Skeppsbron 18
Box 2094, SE-103 13 Stockholm
Phone +46-8-562 000 00



(Publ) Registration No. 556001-9035
Registered office Fagersta
Fax +46-8-20 37 74

Interim Report January 1 - March 31 2003

- **Operating income** amounted to MSEK 440 (193). This figure includes income from corporate development and income from sales of securities of MSEK 190 (36), of which MSEK 158 relates to capital gain on the sale of CIS's debt collection business. After adjustment for these non-recurring items, operating income amounted to MSEK 250 (157).
- Kinnevik's interest in the earnings of associated companies amounted to a net gain of MSEK 50 (loss 160), of which Tele2 AB accounted for a gain of MSEK 78 (-), Millicom International Cellular S.A. for a gain of MSEK 0 (loss 89) and Metro International S.A. for a loss of MSEK 27 (loss 54).
- The market value of the Group's holdings of listed securities amounted to MSEK 8,762 at March 31, 2003. On April 24, 2003 the value was MSEK 9,358, which means that market value exceeds book value of the Group's listed portfolio by MSEK 1,590 on that date.

ADMINISTRATION

Kinnevik's Board proposes to the Annual General Meeting to be held on May 16 that a cash dividend of SEK 4 per share be paid.

Since 1976, Kinnevik's shares have generated an average effective yield of 13 % per year as a result of rising prices and dividends, including the value of subscription offers. During the past five years, Kinnevik's shares have generated an average effective yield of -4 % per year.

The market value of the Group's holdings of listed securities amounted to MSEK 8,762 at March 31, 2003. On April 24, 2003 the value was MSEK 9,358, which means that market value exceeds book value of the Group's listed portfolio by MSEK 1,590 on that date.

In accordance with the Board's decision in October 2002, a loan of MSEK 150 was paid out to Metro International S.A. (Metro) in January.

On March 14, Kinnevik entered into an agreement with Transcom WorldWide S.A. on the sale of Credit International Services' ("CIS") debt collection business to Transcom. Of the purchase price of MSEK 180, 75% is to be paid in cash and 25% in newly issued shares in Transcom. The capital gain on the sale, which amounted to MSEK 158, is stated under income from corporate development in Kinnevik's consolidated accounts.

On March 14, Kinnevik applied to the SEC to have the company's American Depositary Shares (ADS) delisted, under the terms of the 1934 Securities Exchange Act. The last day of trading in the Depositary Shares on the Nasdaq National Market was March 21. The delisting from the Nasdaq does not affect the company's listing on Stockholmsbörsen.

On March 20, Kinnevik settled the dispute with the Alecta occupational pension company over Kinnevik's bid for Korsnäs AB from 1992. As of the same date, Kinnevik made a cash payment to Alecta of MSEK 300, including interest, for the remaining 4% of the shares in Korsnäs AB. The transaction involves a surplus value of MSEK 29 in Kinnevik's consolidated accounts, which has been allocated to forest property.

CONSOLIDATED RESULT FOR THE FIRST QUARTER OF 2003

Net turnover for the first quarter amounted to MSEK 1,496, which may be compared with MSEK 1,544 for the previous year.

Operating income amounted to MSEK 440 (193). This figure includes income from corporate development of MSEK 190 (1) and income from sales of securities of MSEK 0 (35). After adjustment for these non-recurring items, operating income amounted to MSEK 250 (157).

Kinnevik's interest in the earnings of associated companies amounted to a net gain of MSEK 50 (loss 160), of which Tele2 AB ("Tele2") accounted for a gain of MSEK 78 (-), Millicom International Cellular S.A. ("MIC") for a gain of MSEK 0 (loss 89) and Metro for a loss of MSEK 27 (loss 54).

Other financial revenue and expense amounted to a net expense of MSEK 128 (expense 86), of which exchange rate differences accounted for a gain of MSEK 12 (loss 15). The decrease in financial net is explained by MSEK 67 is charged as previously not reserved interest cost in connection with the settlement of the dispute with the Alecta occupational pension company regarding the remaining 4% of the shares in Korsnäs AB.

The result after financial items amounted to a gain of MSEK 362 (loss 53).

MELLERSTA SVERIGES LANTBRUKS AB

Agriculture was Kinnevik's original line of business. Mellersta Sveriges Lantbruks AB ("MSLA") today owns Ullevi, an estate outside Vadstena, and Barcainy and Garbno, two estates in Poland. The estates in Sweden cover a total of 665 hectares, of which 93 hectares are leased. The entire acreage is being adapted for the cultivation of organic crops. The total Polish acreage amounts to 6,727 hectares and is stocked with 750 dairy cattle and 560 young animals.

The cold temperature in the winter has had a negative effect on the crops, particularly the autumn-sown oil-yielding plants, while other crops have fared slightly better. The spring sowing, which was completed in March, appears to be turning out well despite everything, which means we can hope for a normal harvest.

The sale of last year's harvest has been affected by the high inventories of the past two quarters throughout the entire European market. In general, this has put pressure on the prices of more or less all qualities. However, conditions are such that the market situation should improve during the spring.

Net turnover for the first quarter amounted to MSEK 8 (4) and the operating result was a loss of MSEK 4 (loss 1). The Polish business is consolidated as a wholly-owned subsidiary with effect from December 31, 2002, why the comparative figures for 2002 only includes the Swedish operations.

KORSNÄS HOLDING AB

Korsnäs Holding AB is the parent company of Korsnäs AB, which, together with its subsidiaries, makes up the Korsnäs Group. Net turnover for the Korsnäs Group amounted to MSEK 1,438 (1,470) and the operating income was MSEK 249 (170). Income after financial items amounted to MSEK 275 (189). The comparative figure for 2002 includes the Kastet sawmill, which was divested in August 2002. The sawmill's turnover amounted to MSEK 75 and its result was a loss of MSEK 5 for the first quarter of 2002.

Korsnäs Forestry

The wood market is characterised by firm demand for both saw timber and pulpwood. Saw timber prices were increased at the beginning of the quarter, while pulpwood prices remained unchanged. Inventories of pulpwood declined during the early months of the year, in part due to strained delivery conditions caused by the severe ice situation in the Baltic. However, inventories are now back at normal levels and supplies to Korsnäs Industrial have been secured. Production has been characterised by sound harvesting conditions, which meant that the harvest in regions with lower productivity included a higher proportion of hardwood pulpwood. This partly offset the lower imports of hardwood pulpwood during the period. The business in Latvia is progressing according to plan with increasing volumes and profitability.

Korsnäs Forestry's net turnover amounted to MSEK 381 (371) and operating income was MSEK 46 (41).

Korsnäs Industrial

The market situation during the first three months of the year was characterised by buoyant demand for paper and paperboard products, as well as for fluff pulp. The volume of paper, pulp and paperboard products delivered was on aggregate 1% higher than during the corresponding period last year. The healthy demand for paper and paperboard products contributed to the relative stability of prices, despite otherwise negative economic indicators. The price of sack paper was increased during the period, while kraft paper prices remained stable. The price of white kraft board was reduced on certain markets, while the price of fluff pulp was stable throughout the period. However, the strengthening of the krona meant that the average price during the period was 2% lower than for the corresponding period last year. The total revenue from paper, pulp and paperboard products was 1% down on the same period last year.

On the cost side, the benefits of ongoing efficiency programs are continuing to show through in the form of lower personnel costs. Measures aimed at reducing the level of costs are continuing, and further personnel cutbacks are being made.

First quarter production at Korsnäsverken amounted to a total of 175,000 tonnes, an increase of 5% on the same period last year. Production of paper and paperboard is going very well, with capacity increasing successively above the budgeted level and quality results well in line with expectations. During the quarter, Korsnäsverken beat several production records. All in all, the very buoyant sales mean that inventories only increased marginally during the period.

The cost-reduction measures, in combination with high production and sales, brought about a dramatic improvement in Korsnäs Industrial's result in relation to the corresponding period last year.

Korsnäs Industrial's net turnover amounted to MSEK 981 (1,067), and operating income was MSEK 222 (137). The comparative figures for 2002 include Kastets' sawmill, which was sold in August 2002.

Korsnäs Packaging

Korsnäs Packaging is the second largest producer

of paper sacks and paper bags in Europe with 11 production units and an annual capacity of more than 900 million sacks and bags. Sales are handled by offices in 15 European countries. A production facility and a sales office were opened in the USA in 2001.

The market for Korsnäs Packaging remained weak with slack demand. In combination with the higher cost of raw materials, this had a negative effect on the result for the first quarter of the year. Korsnäs Packaging has continued to improve productivity at all its facilities with the object of reducing operating costs and raising capacity utilisation.

In March, Cargo Pak, one of Korsnäs Packaging's lines of business was divested to Illinois Tooling. Cargo Pak is market leader outside North America in airbags for cargo stabilisation. The capital gain on the sale, which amounted to MSEK 42, is stated under income from corporate development in Kinnevik's consolidated accounts. During the quarter, Korsnäs Packaging also sold its shares in its Polish associate company, Smurfit-Korsnäs Paper Sacks (Polska) Ltd to its partner, in order to focus on sales from wholly owned units in the region. Moreover, a contract has been signed covering the sale of Korsnäs Packaging's property in Northfleet outside London. The transaction will be completed in December 2003 when production in England is relocated to a facility that is more suited to the needs of the business.

Korsnäs Packaging's net turnover amounted to MSEK 362 (366) and the operating result was a loss of MSEK 19 (loss 8), excluding capital gain on the sale of Cargo Pak.

CIS CREDIT INTERNATIONAL SERVICES AB

On March 14, Kinnevik reached an agreement with Transcom Worldwide S.A. on the sale of CIS's debt collection business to Transcom. Of the purchase price of MSEK 180, 75% is being paid in cash and 25% in newly issued shares in Transcom. In April 2003, Kinnevik has received 2,270,647 "A" shares and 2,179,002 "B" shares in Transcom. The number of shares was established on the basis of the average price of Transcom's "A" and "B" shares between March 10 and March 21, 2003. Of the cash element in the price MSEK 72 had been received by March

31 and the remainder will be paid by September 30, 2003 at the latest. The capital gain on the sale, which amounted to MSEK 158, is stated under income from corporate development in Kinnevik's consolidated accounts.

The debt collection business was valued before the sale by two independent, leading consultancy firms, and their assessment was submitted to the independent members of Kinnevik's Board.

CIS's debt collection business fits in well with Transcom's existing activities and even before the sale the companies shared premises at a number of places. For Transcom, which belonged to the Kinnevik Group up until September 2001, the transaction offers an opportunity to develop the debt collection business in Europe by making use of existing infrastructure and assets.

CIS's other activities within finance and payroll management, which have not been earning a satisfactory return, will be wound up during the first half of 2003.

Net turnover in CIS amounted to MSEK 46 (50) and operating income amounted to MSEK 8 (8), excluding the capital gain regarding the sale of the debt collection business.

OTHER SUBSIDIARIES

Other subsidiaries include N.P. Birraria Hugo's in Kosovo, Förvaltnings AB Eris & Co. and Bison Air AB.

In 2001, N.P. Birraria Hugo's started production of the only domestically produced lager beer in Kosovo.

The net turnover of Other subsidiaries amounted to MSEK 5 (14) and the operating result was a loss of MSEK 2 (loss of 7). The comparative figures for 2002 include AirTime (AT)AB. AirTime's net turnover amounted to MSEK 9 and the operating result was a loss of MSEK 4, for the first three months of 2002.

ASSOCIATED COMPANIES AND OTHER INVESTMENTS

At March 31, 2003, Kinnevik's long-term holdings comprised the following listed securities:

- Tele 2 AB, 6,498,880 "A" shares and 24,611,121 "B" shares corresponding to 26.2% of the votes

and 21.1% of the capital.

- Millicom International Cellular S.A., 5,799,433 shares corresponding to 35.6% of the votes and capital.
- Metro International S.A., 15,999,010 “A” shares and 835,000 “B” shares corresponding to 28.7% of the votes and 15.4% of the capital.
- Modern Times Group MTG AB, 3,529,637 “A” shares and 1,418,081 “B” shares corresponding to 17.8% of the votes and 7.5% of the capital.
- Transcom WorldWide S.A., 962,050 “A” shares corresponding to 2.9% of the votes and 1.5% of the capital. In April 2003, another 2,270,647 “A” shares and 2,179,002 “B” shares have been received as payment for the sale of CIS’s debt collection operations to Transcom. After this Kinnevik holds 9.2% of the votes and 7.8% of the capital.
- Viking Telecom AB, 4,657,000 shares corresponding to 23.6% of the votes and capital.
- Cherryföretagen AB, 1,402,500 “A” shares and 7,378,249 “B” shares corresponding to 26.4% of the votes and 28.7% of the capital.
- Invik & Co. AB, 391,430 “A” shares corresponding to 9.4% of the votes and 5.0% of the capital.

TELE2 AB

The market value of Kinnevik’s holding of shares in Tele2 amounted to MSEK 7,937 on March 31, 2003. On April 24, the market value was MSEK 8,174. Tele2’s “A” and “B” shares are listed on Stockholmsbörsen’s Attract 40-list and on Nasdaq in New York.

Tele2 AB is the leading alternative pan-European telecommunications company offering fixed and mobile telephony, data network and Internet services under the brands Tele2, Tango and Comviq to 17.7 million people in 22 countries. Tele2 operates Datamatrix, which specializes in systems integration, 3C Communications, providing integrated credit card processing, web payment solutions and public payphones; Transac, providing billing and transaction processing service; C³, offering co-branded pre-paid calling cards and Optimal Telecom, the price-guaranteed residential router device. The Group also offers cable television services under the Kabelvision brand name.

Net turnover for the first three months amounted

to MSEK 8,616 (7,386). Operating income amounted to MSEK 669 (160) and income after financial items was MSEK 491 (11).

MILlicom INTERNATIONAL CELLULAR S.A.

The market value of Kinnevik’s holding of shares in MIC amounted to MSEK 306 on March 31, 2003. On April 24, the market value was MSEK 472. MIC’s shares are listed on Nasdaq in New York and on the Luxembourg Stock Exchange.

MIC is a global provider of mobile telecom services with operations in Asia, Latin America and Africa.

MIC currently has equity interests in 16 mobile telecom companies in 15 countries together representing markets with 382 million inhabitants. On March 31, 2003, the total number of subscribers in these companies was 4,248,714 (3,331,533), which is an increase by 28% over the previous 12-month period. In proportional terms in relation to MIC’s equity interests, the subscriber base was 2,962,603 (2,369,603), which is an increase by 25%.

Net turnover for the first three months amounted to MUSD 145 (145). Operating income amounted to MUSD 35 (22), and income after financial items was MUSD 40 (loss of 19).

METRO INTERNATIONAL S.A.

The market value of Kinnevik’s holding in Metro amounted to MSEK 61 on March 31, 2003. On April 24, the market value was MSEK 67. Metro’s “A” and “B” shares are listed on Stockholmsbörsen’s “O” list and on Nasdaq in New York.

Metro is the world’s largest free newspaper. It is published in 25 editions in 16 countries in 14 languages. Metro is the fastest growing newspaper in the world with a daily readership of 12.3 million. Income is generated by means of advertising sales.

Net turnover for the first three months amounted to MUSD 44 (28). Operating result was a loss of MUSD 10 (loss of 19), and the company’s result after financial net was a loss of MUSD 16 (loss of 21).

FINANCIAL POSITION

The Group’s liquid funds, including short-term investments and undrawn credit facilities, amounted to MSEK 1,247 (1,962) as of March 31.

The Group’s net interest-bearing debt amounted to MSEK 6,712 (7,464).

The average cost of interest for the first quarter was 5.1% (4.6%) (calculated as interest expense in relation to average interest-bearing debt excluding pension liabilities).

The Group's fixed capital expenditure amounted to MSEK 221 (123), of which MSEK 65 (103) related to tangible fixed assets and MSEK 156 (0) to financial fixed assets.

The equity ratio was 45% (53%) at March 31, 2003. After taking into account the premium over the book value (2002 deficiency) of listed securities, the equity ratio was 47% (49%).

The Group's borrowing is mainly arranged in Swedish kronor. Foreign subsidiaries are however largely financed in local currencies.

The net effect of the Group's in- and outflows in foreign currencies represents, on an annual basis, a net inflow of approximately MSEK 1,500.

PARENT COMPANY

The parent company's net turnover amounted to MSEK 4 (4). Income from corporate development and income from sales of securities amounted to a loss of MSEK 3 (gain 1).

Financial revenue and expense amounted to a net expense of MSEK 16 (expense 24).

The parent company's loss after financial items amounted to MSEK 25 (loss 32).

Fixed capital expenditure amounted to MSEK 151 (1), of which MSEK 151 (0) related to investments in financial fixed assets.

The parent company's closing liquid funds, including short-term investments and undrawn credit facilities, amounted to MSEK 545 (276).

Interest-bearing external debt amounted to MSEK 3,639 (3,949).

ACCOUNTING PRINCIPLES

This interim report is made up in accordance with recommendation 20 "Interim Reporting", issued by the Swedish Financial Accounting Standards Council.

The accounting principles are the same as those applied in the annual report for 2002.

NEXT FINANCIAL REPORT

The interim report for January-June 2003 will be published on August 7, 2003.

Stockholm, April 25, 2003

President and Chief Executive Officer

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

CONSOLIDATED INCOME STATEMENT (MSEK)

	2002	2002	2003
	Full year	Jan. 1-March 31	Jan. 1-March 31
Net turnover	6,110	1,544	1,496
Cost of sales	<u>- 5,042</u>	<u>- 1,228</u>	<u>- 1,132</u>
Gross result	1,068	316	364
Expenses for selling, administration, research and development	- 584	- 164	- 122
Income from corporate development	735	1	190
Income from sales of securities	40	35	0
Other operating income	205	38	28
Other operating expenses	<u>- 99</u>	<u>- 33</u>	<u>- 20</u>
Operating income	1,365	193	440
Interest in earnings of associated companies	- 4,297	- 160	50
Income from other securities	- 624	-	-
Net financial items	<u>- 390</u>	<u>- 86</u>	<u>- 128</u>
Income after financial items	- 3,946	- 53	362
Taxes	- 155	- 56	- 113
Minority share in income	<u>- 8</u>	<u>0</u>	<u>- 3</u>
Net result for the period	<u>- 4,109</u>	<u>- 109</u>	<u>246</u>
Earnings per share before/after dilution, SEK	- 65.28	- 1.72	3.91
Total number of shares before/after dilution	62,938,677	62,938,677	62,938,677

CONSOLIDATED STATEMENT OF CASHFLOWS (MSEK)

	2002	2002	2003
	Full year	Jan. 1-March 31	Jan. 1-March 31
Cashflow from			
operations	791	232	68
investing activities	323	25	- 275
financing activities	<u>- 1,052</u>	<u>47</u>	<u>134</u>
Cash flow for the period	62	304	- 73
Liquid funds, opening balance	325	325	379
Exchange rate differences in liquid funds	<u>- 8</u>	<u>- 8</u>	<u>- 1</u>
Liquid funds, closing balance	379	621	305

REVIEW OF THE GROUP (MSEK)	2002	2002	2003
	Full year	Jan. 1-March 31	Jan. 1-March 31
Breakdown of net turnover by business area			
Continuing operations			
Mellersta Sveriges Lantbruks AB	7	4	8
Korsnäs Forestry	1,480	371	381
Korsnäs Industrial	3,968	1,067	981
Korsnäs Packaging	1,567	366	362
Eliminations within Korsnäs Holding AB	<u>- 1,206</u>	<u>- 334</u>	<u>- 286</u>
Total Korsnäs Holding AB	5,809	1,470	1,438
Other subsidiaries	56	14	5
Parent company, holding companies and eliminations	<u>- 7</u>	<u>0</u>	<u>- 1</u>
Subtotal continuing operations	5,865	1,488	1,450
Discontinuing operations			
CIS Credit International Services AB	202	50	46
Worldwide Loyalty B.V.	<u>43</u>	<u>6</u>	<u>-</u>
Subtotal discontinuing operations	<u>245</u>	<u>56</u>	<u>46</u>
Total net turnover	<u>6,110</u>	<u>1,544</u>	<u>1,496</u>
Breakdown of operating income/loss by business area			
Continuing operations			
Mellersta Sveriges Lantbruks AB	- 1	- 1	- 4
Korsnäs Forestry	194	41	46
Korsnäs Industrial	468	137	222
Korsnäs Packaging	<u>- 40</u>	<u>- 8</u>	<u>- 19</u>
Total Korsnäs Holding AB	622	170	249
Other subsidiaries	- 6	- 7	- 2
Parent company, holding companies and eliminations	<u>721</u>	<u>24</u>	<u>31</u>
Subtotal continuing operations	1,336	186	274
Discontinuing operations			
CIS Credit International Services AB	29	8	8
Worldwide Loyalty B.V.	0	- 1	-
Gain on discontinuance of CIS	<u>-</u>	<u>-</u>	<u>158</u>
Subtotal discontinuing operations	<u>29</u>	<u>7</u>	<u>166</u>
Total operating income/loss	<u>1,365</u>	<u>193</u>	<u>440</u>
Breakdown of income/loss after financial items by business area			
Continuing operations			
Mellersta Sveriges Lantbruks AB	- 6	- 4	- 6
Korsnäs Holding AB	601	150	205
Other subsidiaries	- 4	- 6	- 2
Associated companies*	- 4,297	- 160	48
Parent company, holding companies and eliminations	<u>- 267</u>	<u>- 38</u>	<u>- 49</u>
Subtotal continuing operations	- 3 973	- 58	196
Discontinuing operations			
CIS Credit International Services AB	28	7	8
Worldwide Loyalty B.V.	- 1	- 2	-
Gain on discontinuance of CIS	<u>-</u>	<u>-</u>	<u>158</u>
Subtotal discontinuing operations	<u>27</u>	<u>5</u>	<u>166</u>
Total income /loss after financial items	<u>- 3,946</u>	<u>- 53</u>	<u>362</u>

* Excluding associated companies within Mellersta Sveriges Lantbruks AB and Korsnäs Holding AB.

CONSOLIDATED BALANCE SHEET (MSEK)			
	2002	2002	2003
	Dec. 31	March 31	March 31
Fixed assets			
Goodwill	130	146	109
Machinery, equipment, property etc	7,416	8,556	7,334
Other shares and participations	8,103	12,638	8,092
Long-term interest bearing receivables	944	1,159	1,215
Long-term non-interest bearing receivables	<u>22</u>	<u>16</u>	<u>24</u>
	16,615	22,515	16,774
Current assets			
Inventories	970	1,057	988
Current receivables	968	1,376	988
Cash, bank and short-term investments	<u>478</u>	<u>637</u>	<u>454</u>
	2,416	3,070	2,430
Total assets	<u>19,031</u>	<u>25,585</u>	<u>19,204</u>
Shareholders' equity			
Restricted equity	4,151	4,097	3,997
Unrestricted equity	<u>4,070</u>	<u>9,367</u>	<u>4,454</u>
	8,221	13,464	8,451
Minority interests in equity	0	11	2
Provisions			
Provisions for pensions	628	632	631
Deferred tax liability	1,021	998	1,068
Other provisions	<u>576</u>	<u>772</u>	<u>330</u>
	2,225	2,402	2,029
Long-term liabilities			
Non-interest bearing liabilities	0	9	0
Interest-bearing liabilities	<u>7,528</u>	<u>8,366</u>	<u>7,746</u>
	7,528	8,375	7,746
Short-term liabilities			
Non-interest bearing liabilities	971	1,072	972
Interest-bearing liabilities	<u>86</u>	<u>261</u>	<u>4</u>
	1,057	1,333	976
Total shareholders' equity and liabilities	<u>19,031</u>	<u>25,585</u>	<u>19,204</u>

MOVEMENTS IN SHAREHOLDERS' EQUITY (MSEK)

	2002	2002	2003
	Full year	Jan. 1-March 31	Jan. 1-March 31
Group			
Opening balance	13,698	13,698	8,221
Translation differences	- 302	- 125	- 16
Net income for the period	- 4,109	- 109	246
Dividend	- 126	-	-
Step-up acquisition of shares in associated companies	- 940	-	-
Closing balance	<u>8,221</u>	<u>13,464</u>	<u>8,451</u>