Investment AB Kinnevik

Skeppsbron 18
P.O. Box 2094
SE-103 13 Stockholm Sweden
www.kinnevik.se

(Publ) Reg no 556047-9742
Phone +46 8 562 000 00
Fax +46 8 20 37 74

INTERIM REPORT 2005
1 JANUARY – 30 JUNE

- **Net sales for the first half of the year amounted to SEK 2,871 million (2,898). Since Kinnevik will distribute all the shares in Invik & Co. AB ("Invik") to Kinnevik's shareholders, Invik is reported as discontinued operations and is not included in figures above. Total turnover in Invik increased for the first half of the year to SEK 754 million (pro forma first half of 2004 SEK 663 million).**

- **Korsnäs Holding reported an operating profit of SEK 141 million (463). The comparative figures for 2004 include earnings of about SEK 60 million from own forests during the first quarter. The operating profit for the first half of 2005 was also affected by the rebuild of Paper Machine 4 and maintenance stoppage, amounting to approximately SEK 170 million.**

- **The market value of the Group's holdings of listed securities declined in the first half of the year by a net of SEK 593 million after dividends received and the redemption of shares in Tele2 for SEK 627 million, and amounted on 30 June 2005 to SEK 20,896 million.**

- **Including the decrease in the value of its listed holdings, the Group reported a loss after tax of SEK 727 million (loss of 408).**

- **The loss per share for continuing operations was SEK 3.00 (loss of 1.85).**

- **The recalculation of the comparative figures for the first half of 2004 to conform with IFRS is described in appendix 1 and can also be found on the Company's website, www.kinnevik.se under Investor Relations/Accounting Principles.**

- **Invik's interim report for the first half of 2005 is included as appendix 2 of this interim report.**

MANAGEMENT

The market value of the Group's holdings of listed securities declined in the first half of the year by a net of SEK 593 million after dividends received and the redemption of shares in Tele2 for SEK 627 million, and amounted on 30 June 2005 to SEK 20,896 million. The change in value is shown in the consolidated income statement in accordance with IFRS.

Since 1976, the Kinnevik share has generated an average real return of 14.9% annually as a result of rising share prices and dividends, including the value of subscription offers. During the past five years, the Kinnevik share provided an average negative real return of 0.9% annually. The calculation of the real return is based on the assumption that shareholders retained their allotment of shares in Tele2, Modern Times Group ("MTG"), Metro International ("Metro") and Transcom WorldWide ("Transcom").

During the second quarter, Kinnevik sold its convertible bonds in Millicom International Cellular ("Millicom") for the amount of SEK 219 million and acquired 1,616,940 shares in Millicom for the same amount. After the transaction, Kinnevik with subsidiaries hold 36,759,475 shares in Millicom representing 37.2% of capital and votes.

The shareholders voted at the Annual General meeting on 12 May in favor of the Board's proposal of a non-cash dividend in the form of a distribution of all shares in Invik & Co. AB ("Invik") (former Modern Finance Group). In addition to the non-cash dividend of shares in Invik the AGM also decided on a cash dividend of SEK 0.25 per share. The shareholders will receive one class A share in Invik for each ten class A shares held in Kinnevik, and one class B share in Invik for each ten class B shares held in Kinnevik. The preliminary record date for the distribution in kind is 30 August 2005, provided that the Stockholm Exchange has approved the listing of Invik. Given the background that Kinnevik will distribute all shares in Invik to Kinnevik's shareholders, Invik's assets and liabilities are, in accordance with IFRS, reported separately from Kinnevik's in the consolidated balance sheet for the Group. In the consolidated income statement Invik's net profit is reported under profit from discontinued operations. A complete interim report from Invik is included as appendix 2 of this interim report.

CONSOLIDATED RESULT FOR THE FIRST HALF OF THE YEAR

Net sales for the first half of the year amounted to SEK 2,871 million compared with SEK 2,898 million in the preceding year.

Operating profit amounted to SEK 133 million (454). The comparative figures for 2004 include earnings of about SEK 60 million from own forests during the first quarter. Net profit for the first half of 2005 was also affected by the rebuild of Paper Machine 4 ("PM4") and maintenance stoppage, amounting to approximately SEK 170 million. Costs for wood have increased by approximately SEK 60 million over the corresponding period in the preceding year.

The net change in the value of listed holdings after dividends received and the redemption of shares in Tele2 amounted to an overall decrease of SEK 593 million (decrease of 614), of which Tele2 showed a decrease of SEK 1,098 million (decrease of 1,504), Millicom a decrease of SEK 142 million (increase of 1,085), Metro a decrease of SEK 201 million (decrease of 307), MTG an increase of SEK 581 million (decrease of 12), Transcom an increase of SEK 206 million (increase of 13) and Cherryföretagen an increase of SEK 56 million (increase of 64).

Other financial income and expenses amounted net to an expense of SEK 126 million (expense of 156), of which net interest expenses were SEK 112 million (expense of 126) and exchange rate differences were a loss of SEK 3 million (gain of 1).

The Group reported a loss after financial items of SEK 586 million (loss of 316).

The Group's earnings have been charged with SEK 205 million in tax expenses related to previous years, attributable to the outcome of tax disputes that were resolved by the Administrative Court of Appeal during the second quarter.

CONSOLIDATED RESULT FOR THE SECOND QUARTER

Net sales for the second quarter amounted to SEK 1,488 million compared with SEK 1,460 million in the preceding year.

Operating profit amounted to SEK 15 million (178). The decline in profit relates to Korsnäs and is attributable to the aforementioned circumstances.

The net change in the value of listed holdings

BOOK VALUE OF LISTED AND UNLISTED HOLDINGS, AND MARKET VALUE OF LISTED HOLDINGS

	A shares	B shares	Equity interest (%)	Voting interest (%)	30 June 2005 (SEK m)	Change since 31 Dec. 2004 [2] (SEK m)	(%)
Listed holdings, market and book value [1]							
Tele2	33,830,229	91,651,296	28.3	49.9	9,192	– 1,098	– 10%
Millicom International Cellular	36,759,475		37.2	37.2	5,312	– 142	– 3%
Metro International	96,454,191	115,229,193	40.2	36.6	3,016	– 201	– 6%
Modern Times Group MTG	9,710,886	224,125	15.0	47.2	2,379	581	32%
Transcom WorldWide	12,627,543	2,287,479	20.6	34.9	738	206	39%
Cherryföretagen [3]	1,402,500	7,378,249	23.1	24.2	239	56	31%
Viking Telecom	7,037,952		29.3	29.3	20	1	8%
Total listed holdings					**20,896**	**– 597**	**– 3%**
Unlisted holdings							
Korsnäs Holding			100	100	4,941		
Invik [4]			100	100	801		
Mellersta Sveriges Lantbruk			100	100	208		
Other assets and liabilities [5]					– 331		
Total unlisted holdings					**5,619**		
Interest bearing net debt (excluding Invik)					– 7,179		
Total equity					**19,336**		

1) In accordance with IFRS, listed holdings are valued at fair value, as a result of which reported value and market value are the same.

2) Net after dividend received.

3) After sale of shares in Cherryföretagen in July 2005, Kinnevik owns 701,250 A-shares representing 1.8% of the capital and 7.9% of the votes in Cherryföretagen.

4) Equity in Kinnevik's accounts.

5) Consist mainly of tax liability.

after dividends received and the redemption of shares in Tele2 amounted to an overall decrease of SEK 139 million (decrease of 487), of which Tele2 accounted for an increase of SEK 52 million (decrease of 418), Millicom an increase of SEK 51 million (increase of 19), Metro a decrease of SEK 519 million (decrease of 98), MTG an increase of SEK 253 million (increase of 20), Transcom an increase of SEK 64 million (decrease of 12) and Cherryföretagen a decrease of SEK 41 million (increase of 1).

Other financial income and expenses amounted net to an expense of SEK 72 million (expense of 71), of which net interest expenses were SEK 56 million (expense of 53) and exchange rate differences were a loss of SEK 14 million (loss of 4).

The Group reported a loss after financial items of SEK 196 million (loss of 380).

EARNINGS PER SHARE

The loss per share from continuing operations was SEK 3.00 (loss 1.85). The total number of shares outstanding at 30 June 2005 was 263,981,930, of which 50,197,050 were class A shares and 213,784,880 class B shares. In addition Kinnevik holds treasury stock comprising 3,914,302 of its own class A shares and 7 B shares that will be retired without repayment in accordance with decision at AGM. Out of these shares, 3,914,300 A shares have been held by Kinnevik since the merger between Kinnevik and old Invik was completed in July 2004, while 2 A shares and 7 B shares have been repurchased on the market in June 2005 to enable distribution of Invik by ensuring that the number of shares in the company is a number evenly divisible by ten.

FINANCIAL POSITION AND INVESTMENTS

The Group's liquidity reserve excluding funds in Invik, comprising cash, bank, short-term investments and unutilized credit facilities, totaled SEK 795 million at 30 June 2005 and SEK 1,203 million at 31 December 2004.

The Group's interest-bearing net debt, excluding funds in Invik, totaled SEK 7,179 million at 30 June and SEK 7,168 million at 31 December 2004.

The average interest cost for the first half of the year amounted to 3.0% (3.9%) (calculated as interest expense in relation to average interest-bearing liabilities).

The Group's cash flow from operations amounted in the first half of the year to SEK 319 million (509). The decline compared with the first half of 2004 is attributable to lower operating profit in Korsnäs, which has been offset by an increase in dividend received from Tele2 in 2005. A sharp increase in working capital during the first half of 2005 (which was temporarily at a low level at year-end 2004 due to high accounts payable) and the payment to Invik of SEK 158 million during the first half of 2005 have also lowered cash flow from operations.

The divestment of subsidiaries totaling SEK 3,050 million in the comparative figures for 2004 related to the payment received for the sale of forest land to Bergvik Skog.

Investments in and sales of securities are shown in the tables below.

Investments in securities	**Number**	**Proceeds (SEK million)**
1 Jan. - 30 June 2005		
Metro A	100,000	2
Millicom convertible bond	35,000,000	235
Millicom shares	1,616,940	219
Transcom A	687,300	26
		482
1 Jan. - 30 June 2004		
Millicom shares	1,550,000	252
Viking Telecom	2,380,952	10
		262

Sales of securities	**Number**	**Proceeds (SEK million)**
1 Jan. - 30 June 2005		
AcandoFrontec	2,127,580	17
Metro B	100,000	2
Millicom convertible bond	35,000,000	219
Transcom B	687,300	27
		265
1 Jan. - 30 June 2004		
AcandoFrontec	3,600,000	24
Radio P4	1,902,000	20
		44

Investments in intangible and tangible fixed assets amounted to SEK 460 million (137) for the first half of the year. The increase is explained by the rebuild of PM4 and investment in a new conversion line in Korsnäs Packaging's German plant.

The Group's equity/assets ratio, excluding Invik, was 64% at the end of June compared to 66% at 31 December 2004.

The Group's borrowing is primarily arranged in SEK. Foreign subsidiaries are, however, largely financed in local currencies.

On an annual basis, the net effect of the Group's in- and outflows in foreign currencies is a net inflow of about SEK 1,000 million, which mainly comprises Korsnäs Industrial's sales in Euro.

KORSNÄS HOLDING

Korsnäs Holding is the parent company of Korsnäs and Korsnäs Packaging. Korsnäs and its subsidiaries pursue operations in the packaging materials area (Korsnäs Industrial), as well as the purchase of wood and fiber (Korsnäs Forestry). In March 2004, Korsnäs completed the sale of its Swedish forest holdings to Bergvik Skog, a company in which Korsnäs holds 5% of the shares.

Net sales for the Korsnäs Holding Group for the first six months of the year totaled SEK 2,839 million (2,883), with operating profit amounting to SEK 141 million (463).

Korsnäs Industrial

The first half of the year was characterized by weaker demand and somewhat less favorable product mix, compared with the corresponding period in the preceding year. This, combined with the rebuild of PM4 in the spring, caused a decline in the total number of deliveries from the Korsnäs plants of approximately 20,000 tons (approximately 5.5%), compared with the corresponding period of the preceding year. After a weak start to the year, the market for sack and kraft paper became stronger in the second quarter. Prices are still on a low level. The market for White Top Liner was also weak at first but recovered, partly, in the second quarter. During the period, Korsnäs secured its market position in Europe and prices were stable. In the beginning of the period, demand for liquid packaging board was relatively weak, but became stronger in the second quarter. Demand for fluff pulp was stable. Producers were able to raise prices, but they remain lower than in the corresponding period of the preceding year due to currency fluctuations. Altogether, total sales were slightly less than 6% lower than in the first half of 2004. The strike in the Finnish forest industry had no impact on deliveries.

The production outcome for the Korsnäs plants amounted for the first half of the year to a total of 306,000 tons, which is 47,000 tons or approximately 14% lower than the same period in the preceding year. The rebuild of PM4 was carried out in March and April over a period of 44 days, as planned. In April, a week-long maintenance window was carried out, requiring the stoppage of the entire plant – which is normally done in the autumn. Since no stoppage took place in autumn 2004, nor will take place in autumn 2005, the maintenance stoppage in April was more extensive than normal. The commissioning of PM4 follows the expected start-up curve with steadily increased availability. The quality outcome corresponds to stated requirements and the products are well received by the market. Otherwise, production – from the pulp plant, PM2, PM5 and TM6 – was marked by a high level of availability and an improved quality outcome.

Net sales for Korsnäs Industrial totaled SEK 1,880 million (1,996) for the first half of the year, with operating profit amounting to SEK 123 million (377). Of the deterioration in operating profit, approximately two-thirds, or approximately SEK 170 million, is attributable to production losses in conjunction with the renovation of PM4 and the more extensive than usual maintenance stoppage in April. After the start-up of PM4 at the end of April and in May, operating profit for June returned to a normal level. Costs for wood have also increased by approximately SEK 60 million over the corresponding period in the preceding year. The gradual implementation of a program of corrective action to strengthen margins has been under way since the first quarter.

Korsnäs Forestry

In the Swedish operations, harvesting and deliveries to Korsnäs Industrial and to external customers has proceeded according to plan. As a result of government subsidization of fuel, it was possible to reach an agreement on stable fuel costs within the region until the beginning of 2006. The decline in the price of soft pulpwood during the spring reduced the supply of harvesting rights. Inventories of soft and hard pulpwood and chips are normal. Contracting of harvesting rights with Bergvik Skog follows the contract signed when Bergvik Skog was formed.

The Korsnäs operations in Latvia are performing well in several areas. The unit's own harvesting is proceeding according to plan. After a slump earlier in the year, shipments from the Freja harbor recovered to target. Storm felling effects in Latvia created new opportunities for purchasing timber, harvesting and reselling. After the storm, softwood prices in Latvia dropped from a hitherto high level. In the minority-owned energy company, Latgran, the recently established pellet plant was placed in operation and is expected to reach full production by autumn.

Net sales totaled SEK 867 million (825) for the first half of the year, with operating profit amounting to SEK 17 million (68). The comparative figures for 2004 include earnings of about SEK 60 million from own forests during the first quarter up to the divestment to Bergvik Skog.

Korsnäs Packaging

The weak market situation for Korsnäs Packaging was ongoing during the first half of the year. While delivery volumes in Eastern Europe increased, Western European demand for sack paper shows no sign of recovery. Overall, delivery volumes increased over the year-earlier period. As a result of tough competition, sales prices remained under pressure, resulting in low gross margins.

The plant in Germany was modernized during the period by an investment in a new conversion line, which also resulted in a personnel reduction. Due to the rebuild, production was considerably lower than normal, which combined with personnel termination costs had an adverse impact on profit for Korsnäs Packaging in the first half of the year. The investment in a new conversion line, which will lead to lower production costs in the highly competitive German market, will already begin to have a favorable effect on profit in the second half of the year. Two conversion lines were moved from Germany to Romania and Ukraine, increasing production capacity in Eastern Europe.

Net sales for Korsnäs Packaging totaled SEK 638 million (643) for the first half of the year, with operating profit amounting to SEK 1 million (18).

INVIK & CO.

Developments within Invik's business areas are described in the Invik interim report, which is included as appendix 2 to this interim report.

MELLERSTA SVERIGES LANTBRUK

A cool and fairly damp spring gave the seeds a good start coupled with a slow rate of growth, which leads to good grain crops and good seed establishment. The cool, damp weather, which continued through early summer, will however result in a late harvest, with the associated risk of quality problems. The transition to drier and warmer weather in the beginning of July could improve the situation.

Prices on the European market were generally low or even very low during the first half of the year, due to subtantial inventory build-up and minimal market movements. However, a weak price increase, due to the increasing drought in southern Europe, was noted.

Net sales for Mellersta Sveriges Lantbruk totaled SEK 27 million (11) for the first half of the year and operating profit was SEK 1 million (4). The weak profit is attributable to the fact that no EU subsidies have been taken to income since they have not yet been completely approved.

TELE2

The market value of Kinnevik's holding of shares in Tele2 totaled SEK 9,192 million at 30 June 2005. The Tele2 share is listed on Stockholm Stock Exchange's O-list and is included in the Attract 40 segment, and on NASDAQ in New York.

Tele2 is Europe's leading alternative telecom operator, offering fixed and mobile telephony as well as datanet and Internet services to 29.4 million customers in 25 countries.

Tele2 has successfully challenged the old European telecom monopolies by offering subscribers telecom services at minimum market rates. Tele2's strategy is based on creating a strong brand, offering simple, straightforward products and investing in high quality customer services.

Extensive flexibility and cost awareness have transformed Tele2 from a regional Scandinavian telecom company to the fastest growing and most cost-effective telecom operator in Europe.

Net sales for the first half of the year amounted to SEK 23,622 million (21,090) and earnings after financial items were SEK 1,726 million (2,135).

MILLICOM INTERNATIONAL CELLULAR

The market value of Kinnevik's shareholding in Millicom amounted to SEK 5,312 million at 30 June 2005. Millicom's shares are listed on NASDAQ in New York, Stockholm Stock Exchange's O-list, where they are included in the Attract 40 segment, and on the Luxembourg Stock Exchange.

Millicom is a leading international mobile telephone operator, focusing on emerging markets in Asia, Latin America and Africa. Economic development in these markets is creating a demand for improved communication services. Millicom's aim is to become established on new markets at an early stage through license agreements, preferably in partnership with local operators. The company's strategy is to be the price leader on all markets by offering its customers pre-paid mobile telephony services at the minimum prices.

Millicom currently has equity interests in 16 mobile telecom companies in 15 countries, representing a combined a market of approximately 332 million inhabitants. On 30 June 2005, the total number of subscribers in these companies was 7.2 (5.0 pro forma excluding Vietnam on 30 June 2004) million, up 45% over the previous 12-month period. On a proportional basis in relation to Millicom's equity interests, the subscriber base was 5.8 (3.9 pro forma excluding Vietnam on 30 June 2004) million, an increase of 48%.

Net sales for the first half of the year amounted to USD 530.3 million (429.9) and earnings after net financial items were USD 20.6 million (71.9).

METRO INTERNATIONAL

The market value of Kinnevik's shareholding in Metro amounted to SEK 3,016 million on 30 June 2005. Metro's shares are listed on Stockholm Stock Exchange's O-list.

Metro is the world's largest and fastest growing international newspaper, with 57 editions published in 18 countries across Europe, North and South America and Asia. The newspapers are distributed free of charge, with income generated from sales of advertising space. Metro attracts a readership of 16.8 million daily.

Net sales for the first half of the year amounted to USD 184.4 million (145.4) and the profit after net financial items was USD 1.3 million (loss of 2.9).

MODERN TIMES GROUP MTG

The market value of Kinnevik's shareholding in MTG amounted to SEK 2,379 million on 30 June 2005. MTG's shares are listed on Stockholm Stock Exchange's O-list, where they are included in the Attract 40 segment.

MTG is the leading commercial TV company in Scandinavia, Central and Eastern Europe. It is the largest commercial and pay-TV operator in the Nordic and Baltic regions. It also has pay-TV companies in Russia and Hungary. MTG also operates the largest commercial radio network in Northern Europe and is a leading company in the production of reality-TV. Revenue is mainly generated by the sale of advertising time, pay-TV subscriptions and product sales.

Net sales for the first half of the year amounted to SEK 3,721 million (3,343) and the profit after net financial items were SEK 828 million (292).

TRANSCOM WORLDWIDE

The market value of Kinnevik's shareholding in Transcom amounted to SEK 738 million on 30 June 2005. Transcom's shares are listed on the Stockholm Stock Exchange's O-list.

Transcom is a rapid-growth company in outsourcing with activities at 42 service centers and more than 11,000 employees delivering services to 24 countries. Transcom provides solutions in Customer Relationship Management (CRM) – which also includes debt collection and legal services – for companies in telecommunications, e-commerce, travel and tourism, trading, financial services, and in staple industries.

Net sales for the first half of the year amounted to EUR 214.7 million (175.6) and the profit after net financial items was EUR 14.2 million (7.5).

PARENT COMPANY

The Parent Company's net sales amounted to SEK 6 million (6) for the first half of the year and adminstrative expenses totaled SEK 26 million (25).

The Parent Company's profit after financial items was SEK 469 million (2,987).

Fixed capital expenditure amounted to SEK 0 million (0).

The Parent Company's liquidity, including short-term investments and unutilized credit facilities totaled SEK 377 million at the end of June compared to SEK 864 million at 31 December 2004.

The Parent Company's interest-bearing external liabilities amounted to SEK 4,570 million at the end of June compared to SEK 3,885 million at 31 December 2004.

ACCOUNTING PRINCIPLES

This interim report for the Group was prepared in accordance with IAS 34, Interim Financial Reporting, which is in compliance with the requirements set in the Swedish Financial Accounting Standards Council's recommendation RR 31, Interim reports for corporate groups.

The interim report for the Parent Company has been prepared in accordance with RR 32, Reporting for legal entities.

The accounting principles applied in this interim report are those described in the 2004 Annual Report, Notes 1 and 38. Among other items, these state that the International Financial Reporting Standards (IFRS) are applied as of 2005 and that the comparison information for 2004 is restated in accordance with the new principles. This also applies to IAS 39, which Kinnevik has chosen to apply even for the 2004 comparison year.

The effects on comparative figures regarding the results for the first half of 2004 and shareholders' equity at the end of the period are described in Appendix 1 to this interim report and can also be found on the company's website, www.kinnevik.se under Investor Relations/Accounting Principles.

The 2005 Annual Report shall be prepared in accordance with the standards applicable at the end of the year. IFRS is the object of continuous review and must be approved by the European

Commission. Accordingly, the information on the effects of the transition to IFRS is preliminary and could change.

EVENTS AFTER THE END OF THE PERIOD

On 10 July Kinnevik sold 701,250 A-shares and 7,378,249 B-shares in Cherryföretagen to an institutional investor. After the transaction, Kinnevik with subsidiaries own 701,250 A-shares in Cherryföretagen, representing 1.8% of the capital and 7.9% of the votes.

NEXT FINANCIAL REPORT

The interim report for the period January – September 2005 will be published on 25 October 2005.

Stockholm, 26 July 2005

President and Chief Executive Officer

REVIEW REPORT

We have reviewed this interim report in accordance with the recommendation issued by FAR.

A review is considerably limited in scope compared with an audit.

Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Annual Accounts Act and IAS 34.

Stockholm, 26 July 2005

Ernst & Young AB

Erik Åström

FOR FURTHER INFORMATION, PLEASE VISIT WWW.KINNEVIK.SE OR CONTACT:

Vigo Carlund, President and
Chief Executive Officer

tel +46 (0) 8 562 000 00

Henrik Persson, Information and Investor Relations

tel +46 (0) 8 562 000 87, mobile +46 (0) 70 762 00 87

Investment AB Kinnevik's objective is to increase shareholder value, primarily through net asset value growth. The Parent Company manages a portfolio of long-term investments in a number of listed companies such as Tele2, Modern Times Group MTG, Millicom International Cellular, Metro International and Transcom WorldWide. Kinnevik plays an active role on the Boards of its listed holdings.

The Company's subsidiaries are principally active in cartonboard and paper production through Korsnäs, banking, insurance, securities broking, trading and asset management through Invik as well as farming through Mellersta Sveriges Lantbruk.

Investment AB Kinneviks A and B shares are traded on the Stockholm Stock Exchange O-list and are included in the Attract 40 segment. The ticker codes are KINV A and KINV B.

CONSOLIDATED INCOME STATEMENT (SEK MILLION)

	2005 1 Jan. - 30 June	2004 1 Jan. - 30 June	2005 1 Apr. - 30 June	2004 1 Apr. - 30 June	2004 Full year
Net sales	2,871	2,898	1,488	1,460	5,713
Cost of goods and services	– 2,566	– 2,287	– 1,395	– 1,203	– 4,580
Gross profit	**305**	**611**	**93**	**257**	**1,133**
Selling, administration, research and development costs	– 236	– 236	– 113	– 118	– 499
Other operating income	67	80	43	44	936
Other operating expenses	– 13	– 14	– 8	– 8	– 40
Result from participations in associated companies	10	13	0	3	21
Operating profit	**133**	**454**	**15**	**178**	**1,551**
Dividends from listed holdings	627	92	627	92	92
Change in value of listed holdings	– 1,220	– 706	– 766	– 579	– 2,537
Interest income and other financial income	8	18	– 5	0	23
Interest expenses and other financial expenses	– 134	– 174	– 67	– 71	– 328
Profit/loss after financial items	**– 586**	**– 316**	**– 196**	**– 380**	**– 1,199**
Taxes	– 205	– 92	– 107	– 26	– 274
Net loss for the period from continuing operations	**– 791**	**– 408**	**– 303**	**– 406**	**– 1,473**
Net profit from discontinued operations (Invik)	64	–	39	–	56
Net loss for the period	**– 727**	**– 408**	**– 264**	**– 406**	**– 1,417**
Earnings per share before and after dilution, SEK:					
– from continuing operations	– 3.00	– 1.85	– 1.15	– 1.84	– 6.08
– from discontinued operations (Invik)	0.24	–	0.15	–	0.23
Total number of shares before and after dilution	263,981,937	220,285,370	263,981,936	220,285,370	242,133,655

REVIEW OF THE GROUP (SEK MILLION)

	2005 1 Jan. - 30 June	2004 1 Jan. - 30 June	2005 1 Apr. - 30 June	2004 1 Apr. - 30 June	2004 Full year
Distribution of net sales by business area					
Korsnäs Industrial	1,880	1,996	961	1,004	3,807
Korsnäs Forestry	867	825	422	407	1,754
Korsnäs Packaging	638	643	348	341	1,252
Eliminations within Korsnäs Holding	– 546	– 581	– 259	– 300	– 1,149
Total Korsnäs Holding	2,839	2,883	1,472	1,452	5,664
Mellersta Sveriges Lantbruk	27	11	13	6	32
Parent Company and other	12	10	6	4	22
Eliminations	– 7	– 6	– 3	– 2	– 5
Total net sales	**2,871**	**2,898**	**1,488**	**1,460**	**5,713**
Operating profit by business area					
Korsnäs Industrial	123	377	3	165	656
Korsnäs Forestry	17	68	8	1	85
Korsnäs Packaging	1	18	5	11	25
Total Korsnäs Holding	141	463	16	177	766
Mellersta Sveriges Lantbruk	1	4	– 1	7	7
Parent Company and other	– 9	– 13	– 3	– 6	781
Eliminations	0	0	3	0	– 3
Total operating profit	**133**	**454**	**15**	**178**	**1,551**

CONSOLIDATED CASH-FLOW STATEMENT (SEK MILLION)

	2005 1 Jan. - 30 June	2004 1 Jan. - 30 June	2004 Full year
Cash flow in operations before change in working capital, excluding Invik	748	559	826
Change in working capital	– 271	– 50	307
Cash flow from (to) Invik	– 158	–	– 30
Cash flow from operations	**319**	**509**	**1,103**
Sales of subsidiaries	0	3,050	3,050
Investments in intangible and tangible fixed assets	– 460	– 137	– 512
Investments in financial fixed assets	– 483	– 430	– 1,037
Sales of fixed assets	266	73	124
Cash flow from investing activities	**– 677**	**2,556**	**1,625**
Change in interest-bearing liabilities	334	– 2,776	– 2,314
Cash dividend	– 66	– 346	– 346
Cash flow from financing activities	**268**	**– 3,122**	**– 2,660**
Cash flow for the period	**– 90**	**– 57**	**68**
Cash and bank, opening balance	281	215	215
Exchange rate differences in liquid funds	15	1	– 2
Cash and bank, closing balance, excluding Invik	206	159	281

CONSOLIDATED BALANCE SHEET (SEK MILLION)

	2005 30 June	2004 30 June	2004 31 Dec.
Fixed assets			
Intangible assets	17	17	101
Tangible assets	4,608	4,159	4,328
Shares in associated companies and other companies	21,235	18,804	22,257
Deferred tax assets	42	0	42
Long-term interest-bearing receivables	300	369	73
Long-term non-interest-bearing receivables	28	39	569
	26,230	23,388	27,370
Current assets			
Inventories	1,158	1,055	1,183
Short-term interest-bearing receivables	–	–	1,333
Short-term non-interest-bearing receivables	844	869	1,169
Short-term investments	308	3	2,568
Cash and bank	206	159	1,170
	2,516	2,086	7,423
Invik's assets (discontinued operations)	8,727		
Elimination of intra group receivables between Kinnevik and Invik *)	– 435		
Total assets	**37,038**	**25,474**	**34,793**
Shareholders' equity	19,336	18,316	20,109
Provisions			
Provisions for pensions	671	706	672
Deferred tax liability	629	840	885
Other provisions	99	96	129
	1,399	1,642	1,686
Long-term liabilities			
Interest-bearing liabilities	7,272	4,604	6,840
Non-interest-bearing liabilities	4	4	548
	7,276	4,608	7,388
Short-term liabilities			
Interest-bearing liabilities	50	0	2,641
Non-interest-bearing liabilities	1,486	908	2,969
	1,536	908	5,610
Invik's provisions and liabilities (discontinued operations)	7,926		
Elimination of intra group liabilities between Kinnevik and Invik *)	– 435		
Total shareholders' equity, provisions and liabilities	**37,038**	**25,474**	**34,793**

KEY RATIOS

Debt/equity ratio	0.4	0.3	0.5
Equity ratio	52%	72%	58%
Equity ratio excluding Invik	64%	72%	66%
Net debt excluding Invik	7,179	4,779	7,168

*) Consist of convertible loan of SEK 235 million that Invik has issued to Kinnevik and Invik's loan receivable on Kinnevik amounting to SEK 200 million as of 30 June 2005.

MOVEMENTS IN SHAREHOLDERS' EQUITY (SEK MILLION)

	2005 1 Jan. - 30 June	2004 1 Jan. - 30 June	2004 Full year
Opening balance	20,109	19,082	19,082
Translation differences	20	– 12	6
Merger settlement Kinnevik/old Invik	–	–	4,695
Elimination of cross-ownership in the merger	–	–	– 1,911
Cash dividend	– 66	– 346	– 346
Net profit for the period	– 727	– 408	– 1,417
Closing amount	19,336	18,316	20,109

DEFINITIONS OF KEY RATIOS

Debt/equity ratio	Interest-bearing liabilities and interest bearing provisions divided by shareholders' equity.
Equity ratio	Shareholders' equity as percentage of total assets.
Net debt	Interest-bearing liabilties including pension provisions less the sum of interest-bearing receivables, short-term investments and cash and bank.
Operating margin	Operating profit divided by net sales.
Operational capital employed	Average of intangible and tangible fixed assets, shares in associated companies, inventories and short-term non-interest bearing receivables less other provisions and non-interest bearing liabilities.
Return on operational capital employed	Operating profit divided by operational capital employed.

FINANCIAL KEY RATIOS, BUSINESS AREAS

	2005 Q2	2005 Q1	2004 Full year	2004 Q4	2004 Q3	2004 Q2	2004 Q1
Net sales (SEK million)							
Korsnäs Industrial	961	919	3,807	879	932	1,004	992
Korsnäs Forestry	422	445	1,754	504	425	407	418
Korsnäs Packaging	348	290	1,252	290	319	341	302
Eliminations within Korsnäs Holding	– 259	– 287	– 1,149	– 278	– 290	– 300	– 281
Total Korsnäs Holding	1,472	1,367	5,664	1,395	1,386	1,452	1,431
Mellersta Sveriges Lantbruk	13	14	32	9	12	6	5
Operating profit (SEK million)							
Korsnäs Industrial	3	120	656	113	166	165	212
Korsnäs Forestry	8	9	85	16	1	1	67
Korsnäs Packaging	5	– 4	25	– 3	10	11	7
Total Korsnäs Holding	16	125	766	126	177	177	286
Mellersta Sveriges Lantbruk	– 1	2	7	3	0	7	– 3
Operating margin							
Korsnäs Industrial	0.3%	13.1%	17.2%	12.9%	17.8%	16.4%	21.4%
Korsnäs Forestry	1.9%	2.0%	4.8%	3.2%	0.2%	0.2%	16.0%
Korsnäs Packaging	1.4%	– 1.4%	2.0%	– 1.0%	3.1%	3.2%	2.3%
Korsnäs Holding	1.1%	9.1%	13.5%	9.0%	12.8%	12.2%	20.0%
Mellersta Sveriges Lantbruk	– 7.7%	14.3%	21.9%	33.3%	0.0%	116.7%	–60.0%
Operational capital employed (SEK million)							
Korsnäs Industrial and Forestry	4,554	4,351	4,814	4,191	4,221	4,248	5,722
Korsnäs Packaging	766	722	738	724	727	711	769
Korsnäs Holding	5,320	5,072	5,553	4,914	4,948	4,960	6,492
Mellersta Sveriges Lantbruk	185	204	186	202	191	177	169
Return on operational capital employed							
Korsnäs Industrial and Forestry	1.0%	11.9%	15.4%	12.3%	15.8%	15.6%	19.5%
Korsnäs Packaging	2.6%	neg	3.4%	neg	5.5%	6.2%	3.6%
Korsnäs Holding	1.2%	9.9%	13.8%	10.3%	14.3%	14.3%	17.6%
Mellersta Sveriges Lantbruk	neg	3.9%	3.8%	5.9%	0.0%	15.8%	neg

APPENDIX 1 RECALCULATION OF COMPARABLE FIGURES FOR THE FIRST HALF OF 2004 TO CONFORM WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Consolidated income statement for the period 1 January – 30 June 2004

	According to financial statements 1 Jan. - 30 June	Effect of IFRS 3 Business Combi-nations	Effect of IAS 28, 39 Financial assets [1)]	Effect of IAS 41 Agri-culture [2)]	In line with IFRS 1 Jan. - 30 June
Net sales	2,898	–	–	–	2,898
Cost of goods and services	–2,287	–	–	–	–2,287
Gross profit	**611**	**–**	**–**	**–**	**611**
Selling, administration, research and development expenses	– 236	–	–	–	– 236
Income from corporate development	461	–	–	– 461	–
Other operating income	78	–	–	2	80
Other operating expenses	– 16	2	–	–	– 14
Result from participations in associated companies	–	–	13	–	13
Operating profit	**898**	**2**	**13**	**– 459**	**454**
Result from participations in associated companies	33	–	– 33	–	–
Change in value of listed holdings	–	–	– 706	–	– 706
Dividends from listed holdings	–	–	92	–	92
Income from sale of securities	14	–	– 14	–	
Interest income and other financial income	20	–	–2	–	18
Interest expenses and other financial expenses	– 174	–	–	–	– 174
Profit/loss after financial items	**791**	**2**	**– 650**	**– 459**	**– 316**
Taxes	– 256	–	164	–	– 92
Minority share in income	– 1	1	–	–	–
Net profit/loss for the period from continuing operations	**534**	**3**	**– 486**	**– 459**	**– 408**
Net profit from discontinued operations (Invik)	–	–	–	–	–
Net profit/loss for the period	**534**	**3**	**– 486**	**– 459**	**– 408**
Earnings per share before and after dilution, SEK:					
– from continuing operations	2.42				– 1.85
– from discontinued operations	–				–
Total number of shares before and after dilution	220,285,370				220,285,370

Consolidated income statement for the period 1 April – 30 June 2004

	According to financial statements 1 Apr. - 30 June	Effect of IFRS 3 Business Combi-nations	Effect of IAS 28, 39 Financial assets [1]	Effect of IAS 41 Agri-culture [2]	In line with IFRS 1 Apr. - 30 June
Net sales	1,460	–	–	–	1,460
Cost of goods and services	–1,203	–	–	–	–1,203
Gross profit	**257**	**–**	**–**	**–**	**257**
Selling, administration, research and development expenses	– 118	–	–	–	– 118
Income from corporate development	–	–	–	–	–
Other operating income	43	–	–	1	44
Other operating expenses	– 9	1	–	–	– 8
Result from participations in associated companies	–	–	3	–	3
Operating profit	**173**	**1**	**3**	**1**	**178**
Result from participations in associated companies	31	–	– 31	–	–
Change in value of listed holdings	–	–	– 579	–	– 579
Dividends from listed holdings	–	–	92	–	92
Income from sale of securities	14	–	– 14	–	–
Interest income and other financial income	2	–	– 2	–	0
Interest expenses and other financial expenses	– 71	–	–	–	– 71
Profit/loss after financial items	**149**	**1**	**– 531**	**1**	**– 380**
Taxes	– 117	–	91	–	– 26
Minority share in income	– 1	1	–	–	–
Net profit/loss for the period from continuing operations	**31**	**2**	**– 440**	**1**	**– 406**
Net profit from discontinued operations (Invik)	–	–	–	–	–
Net profit/loss for the period	**31**	**2**	**– 440**	**1**	**– 406**
Earnings per share before and after dilution, SEK:					
– from continuing operations	0.14				– 1.84
– from discontinued operations	–				–
Total number of shares before and after dilution	220,285,370				220,285,370

Condensed consolidated balance sheet as of 30 June 2004

	According to financial statements 30 June 2004	Effect of IFRS 3 Business Combi- nations	Effect of IAS 28, 39 Financial assets [1]	Effect of IAS 41 Agri- culture [2]	In line with IFRS opening balance 30 June 2004
Intangible fixed assets	18	– 1	–	–	17
Tangible fixed assets	4,150	–	–	9	4,159
Shares and participations in associated and other companies	12,170	–	6,634	–	18,804
Other fixed assets	408	–	–	–	408
Total fixed assets	16,746	– 1	6,634	9	23,388
Current assets	2,086	–	–	–	2,086
Total assets	**18,832**	**– 1**	**6,634**	**9**	**25,474**
Shareholders' equity	11,676	– 1	6,634	7	18,316
Provisions	1,640	–	–	2	1,642
Long-term liabilities	4,608	–	–	–	4,608
Short-term liabilities	908	–	–	–	908
Total shareholders' equity, provisions and liabilities	**18,832**	**– 1**	**6,634**	**9**	**25,474**

[1] IAS 28 point 1 and IAS 39 mean that listed holdings in associated companies and other companies are reported at their fair value, with value change reported in the consolidated income statement, as opposed to the former accounting practice, that is, in accordance with the equity method and at acquisition cost.

[2] IAS 41 entails that forest assets are reported at their fair value, with value change reported in the consolidated income statement, and forestland at the deemed cost. Accordingly, no capital gain arises on the sale to Bergvik Skog in the first quarter of 2004.

INVIK & CO. AB

INTERIM REPORT, JANUARY 1 – JUNE 30, 2005

- The new Invik Group was formed during the autumn of 2004. Comparative figures indicated in parentheses refer to the corresponding period in preceding year's pro forma accounts unless otherwise specified. This interim report has been prepared in accordance with IFRS, and the comparative figures have been recalculated in compliance herewith.
- An application for listing on the O-list of the Stockholm Stock Exchange is expected to be submitted in August.
- Total revenues for the first six months of the year amounted to SEK 753.5 million (662.5), an increase of 14%.
- Profit for the period was SEK 65.2 million (60.5), an increase of 8%.
- Earnings per share for the six-month period amounted to SEK 2.47 (2.29). Earnings per share after dilution amounted to SEK 2.32 (2.29).
- Embedded value was calculated for the unit-linked insurance operations in Moderna Försäkringar Liv AB at June 30, 2005. The calculation was performed according to European Embedded Value Principles and the value is estimated to amount to SEK 189 million.

CONDENSED CONSOLIDATED INCOME STATEMENT (MSEK)	Jan-June 2005	Jan-June 2004 pro forma	Apr-June 2005	Apr-June 2004 pro forma	Full year 2004 pro forma
Total revenues	753.5	662.5	400.8	353.6	1,398.0
Total expenses	-660.4	-579.9	-341.0	-313.2	-1,238.8
Operating income	93.1	82.6	59.8	40.4	159.2
Profit before income tax	91.6	82.5	57.8	40.3	159.2
Income tax expenses	-26.4	-22.0	-14.7	-7.7	-45.8
Profit for the period	65.2	60.5	43.1	32.6	113.4
Earnings per share (SEK)	2.47	2.29	1.63	1.23	4.30
Earnings per share after dilution (SEK)	2.32	2.29	1.44	1.23	4.30

SKEPPSBRON 18 • BOX 2095 • SE-103 13 STOCKHOLM
TEL +46 8 562 000 20 • FAX +46 8 562 000 99 • Org No 556594-1787
WWW.INVIK.SE

INVIK

Invik & Co. AB is the parent company of a financial conglomerate consisting of six business areas: Modern Insurances Non-life, Modern Insurances Life, Modern Insurances Run-off, Banque Invik, Fischer Partners and Invik Kapitalförvaltning. The Parent Company acts as a holding company.

On May 12, 2005, the Annual General Meeting of Investment AB Kinnevik ("Kinnevik") approved a distribution in kind of all shares in Invik. The distribution of Invik is intended to be implemented during the second half of 2005. Shareholders in Kinnevik will receive one Class A share in Invik for every ten Class A shares held in Kinnevik and one Class B share in Invik for every ten Class B shares held in Kinnevik. An application for listing of the Class B shares on the Stockholm Stock Exchange is expected to be submitted in August. Because the distribution of Class A shares will not be sufficient for a listing, Invik's articles of association therefore permits ongoing conversion of Class A shares to Class B shares to the extent that Class A shareholders request.

At extraordinary general meetings of Invik on June 20 and June 30, 2005, Helena Dyrssen was elected as new member of the Board of Directors, Wilhelm Klingspor resigned from the Board and a decision was taken to the effect that the fee for the Board of Directors until the end of the 2006 Annual General Meeting will be a total of MSEK 1.4.

CONSOLIDATED EARNINGS FOR THE FIRST SIX MONTHS

The comparison figures shown in parentheses in this interim report refer to the pro forma accounts for the corresponding period preceding year. For the key ratios return on equity, capital adequacy and solvency ratio the figures shown in parentheses refer to the full year 2004 pro forma and December 31, 2004, figures respectively.

Operating income for the first six months amounted to SEK 93.1 million (82.6).

The increase in profit for the first half of the year was largely attributable to favorable return on investments for Modern Insurances Non-life, continued success for fund operations within Aktie-Ansvar and reduced costs for credit-card frauds within Banque Invik. At the same time, reduced turnover and lower volatility on the Stockholm and Helsinki exchanges had a negative impact on Fischer Partner's earnings.

CONSOLIDATED EARNINGS FOR THE SECOND QUARTER

Operating profit for the second quarter amounted to SEK 59.8 million (40.4).

The increase in profit during the second quarter was primarily attributable to Banque Invik, which reduced costs for credit-card operations, and Invik Kapitalförvaltning, which successfully managed Aktie-Ansvar's fund operations. A reversal of the VAT reserve in Invik Kapitalförvaltning during the second quarter had a positive impact of SEK 6.1 million on operating income.

EARNINGS PER SHARE

Earnings per share amounted to SEK 2.47 (2.29). Earnings after dilution for the convertible debentures that on full subscription carry the rights to 4,519,230 shares amounted to SEK 2.32 (2.29). The total number of shares at June 30, 2005 was 26,398,193, of which 5,019,705 were Class A shares and 21,378,488 were Class B shares. The shares have a par value of SEK 5. Class A shares entitle the holder to 10 votes, while Class B shares carry one vote. In other respects, the shares carry equal rights to participation in the company's assets and profit. According to the company's articles of association, Class A shares may be converted to Class B shares.

FINANCIAL POSITION

At the end of the period, Invik had convertible debenture loan with a par value of SEK 235 million issued to Kinnevik, which on full conversion carries the rights to 4,519,230 shares in Invik. The loan, which has an annual interest rate of 3.5%, is due for payment on December 30, 2011, if conversion has not taken place before that date. Conversion for a payment of SEK 52 per share may take place from December 1, 2006 up until November 30, 2011.

Invik's business areas have their own operative credit facilities totaling some SEK 450 million, of which about SEK 100 million had been utilized at the end of the period. At the end of the period, the Invik Group had claims on Kinnevik totaling SEK 200 million, of which SEK 150 million were long term with maturities up to two years. The claims on Kinnevik carry interest of 180 days' Stibor plus 0.5 percentage points. Kinnevik will amortize the debt with payments of SEK 50 million every six months starting on March 31, 2006.

Cash flow

Most of Invik's assets consist of financial investments, lending and liquid funds. As a consequence, Invik's working capital fluctuates considerably between different reporting dates. During the first six months of 2005, the increase in working capital was SEK 622.2 million. A more relevant measure is cash flow from operations before changes in working capital, which for the six-month period amounted to SEK 117.7 million.

Capital adequacy

Invik & Co. AB is regarded by the Swedish Financial Supervisory Authority as a holding company with financial operations, and the financial activities within Invik are therefore regarded as constituting a financial companies group. For the companies included in the finance companies group, Invik must thus comply with the rules for capital adequacy and large exposures, which include requirements for a capital base of at least 8% of risk-weighted assets and commitments. At June 30, 2005, Invik's capital adequacy ratio was 18.4%. In conjunction with the new Basel II regulations that will take effect at the end of 2006, the capital adequacy ratio is expected to decline, since further capital requirements will be introduced regarding operational risks. Preliminary estimates indicates that Invik will also meet the capital adequacy requirements according to the Basel II regulations.

Incentive program for senior executives

The Kinnevik Annual General Meeting on May 12, 2005 approved an incentive program for Invik. This program involves the issue of subordinate debentures with 1,390,000 detachable warrants. Each warrant entitles the holder to subscribe for one Invik Class B share. The program corresponds to 4.3% of the share capital and 1.8% of the voting rights after full dilution. New subscription for a Class B share may take place at a price corresponding to 115% of the average quoted price for Invik's Class B shares during a certain period after the listing of the share on the Stockholm Stock Exchange.

Presentation of business areas

The figures given in the business area presentation are for the first six months of 2005, with comparison figures in parentheses for the same period during the preceding year pro forma unless otherwise specified.

Insurance operations

Insurance operations consist of Modern Insurances Non-life, Modern Insurances Life and Modern Insurances Run-off.

Modern Insurances Non-life

Modern Insurances Non-life continued to report favorable growth and a positive earnings trend. Premium revenues increased by 18%, compared with the corresponding period in the preceding year and amounted to SEK 399.7 million (338.0). The strongest revenue growth was noted in the Business segment, which achieved successful growth primarily in affinity product insurance. A number of major contracts were signed during the quarter in the affinity product and group insurance segment. Increasingly tough competition will have a restraining effect on future growth.

In May, Standard & Poor's upgraded the company's rating to BBBpi, motivated by good earnings capacity, strengthened capital base and adequate reserves. The upgrade will strengthen Modern Insurances' competitiveness in the non-life insurance market.

The gross claims ratio, which was strongly affected by the storm at the beginning of the year but also by the tsunami-catastrophy, amounted to 76.6% (61.9%), while the expense ratio was 24.9% (25.4%), resulting in a combined ratio of 101.5% (87.3%). Excluding the effects of the storm, the gross claims ratio was 66.1%.

Operating profit amounted to SEK 45.1 million (38.6). The improvement during the first half of 2005 compared with the corresponding period in the preceding year was primarily due to higher return on investments. Financial investments resulted in a net profit of SEK 47.4 million (27.7). The solvency ratio was 82.7% (101.4%). The change reflects the strong volume growth in the business over the past 12 months.

Modern Insurances Life

Modern Insurances Life's sales of unit-linked insurance policies amounted to SEK 621.8 million (228.4). According to IFRS, only the risk portion of a unit-linked insurance contract is reported in the income statement as premium income. Premium income for Modern Insurances Life therefore amounted to SEK 55.9 million (39.1) for the first six months of 2005. The Modern Duo asset insurance product continued to attract customers and together with a marked increase in sales of company pension area contributed to favorable growth.

Unit-linked insurance operations incur high marketing and distribution costs during the start-up phase, meaning that these operations are expected to continue reporting a loss during the initial growth phase. Collectively, the operations in life insurance reported an operating loss of SEK 6.9 million (loss: 3.9) for the first six months.

Group life insurance continued to grow, particularly in Norway, and reported premium growth of 20% with a continued low level of claims during the period.

As a complement to the traditional financial reporting, Modern Insurances is for the first time publishing figures on embedded value for its unit-linked insurance operations. See appendix 2a of this interim report. This reporting complies with the methods and the assumptions established in the guidelines for European Embedded Value Principles ("EEV"). These guidelines differ from previous embedded value calculations in part through the use of a discount rate based on a market valuation of the risks in individual contracts that is lower than in previous embedded value models. The calculation model for embedded value was designed in cooperation with the international actuarial and consulting company Towers Perrin. Embedded value for unit-linked insurance operations was estimated to amount to SEK 189 million at June 30, 2005, based on an average discount rate of 4.6%. Invik intends to update and publish embedded value calculations for unit-linked insurance at the end of the second and fourth quarters each year.

Modern Insurances Run-off

Non-life run-off insurance comprises remaining obligations relating to divested operations in Business, Transport, Shipping, Aviation and Marine Norway segments, as well as assumed international reinsurance. The run-off of outstanding claims reported a neutral technical result after reinsurance. Currency movements at the beginning of the year had a negative effect of about SEK 6.8 million, but the claims reserve was hedged through a forward contract enter into the first quarter. During the second quarter Modern Insurances Run-off reported a positive operating result. At 30 June, 2005, the portfolio consisted of assumed international reinsurance claims from some 140 known ceding companies and was, what is called a London portfolio, containing a mix of international reinsurance contracts with exposure towards asbestos, environmental, health and occupational claims. Modern Insurances commuted (settled) the single largest component in the assumed international reinsurance portfolio during the second quarter of 2005 with a positive outcome for Modern Insurances.

Modern Insurances Run-off reported an operating loss of SEK 2.1 million (loss: 8.3).

Banque Invik

Banque Invik's primary business involves private banking for high net-worth individuals. The bank also provides advisory services for corporate financing, issues credit cards and conducts fund management. The branch in Stockholm offers treasury outsourcing services consisting of cash management, risk management and financial consulting services.

During the first six months of 2005, the bank's operating income improved, compared with the same period in the preceding year. Several of Banque Invik's operations reported increases in revenue during the first six months with the exception of the financing advisory services within Corporate Finance. Total revenue for Banque Invik amounted to SEK 128.6 million (122.6) during the period. Private Banking and Treasury Services both show a strong earnings capacity through their focus on high-margin services, increased customer focus and increased currency exchange volumes. During the first six months of the year, managed capital in the fixed-rate and share-index funds increased by 25% in comparison with the preceding year, in part due to successful participation in the PPM ("Premium Pension Authority") scheme.

Investments in IT systems in credit-card operations and changed credit controls effectively reduced fraud and processing costs. The tightening of credit and fraud controls for credit-card operations resulted in a reduction of costs for these types of losses to slightly less than a third of the costs during the corresponding period in the preceding year.

During the first half of 2005, individual asset management targeted to Scandinavians residing outside Scandinavia was established via Banque Invik Asset Management S.A. ("BIAM"), which is jointly owned with Invik Kapitalförvaltning. The company received formal permission from the Financial Supervisory Authority in Luxembourg ("CSSF") to conduct operations in January and had five asset managers employed at June 30, 2005. During the first six months, operations were gradually built up, and marketing has begun.

The capital adequacy ratio amounted to 21% (22%) at June 30, 2005, and the liquidity ratio amounted to 78% (69%).

Total assets increased by 40% as a result of increased marketing activities targeting both private and business customers. In the beginning of 2005, the bank received a shareholder contribution of EUR 7 million from Invik, meaning that the bank now has a strong financial base for the development of private banking operations. Despite a significantly stronger capital base, a very favorable development of the bank's core operations contributed to an increase in return on equity from 8.2% in 2004 to 14.2%. The cost/income ("C/I") ratio declined from 0.84 to 0.64, compared with the corresponding period preceding year.

Banque Invik's operating profit for the first six months was SEK 29.5 million (17.7).

Fischer Partners

Fischer Partners is one of the Nordic region's leading brokerage firms and a member of the Stockholm, Helsinki, Oslo, Copenhagen, Warsaw, Tallinn, Riga, Vilnius and Eurex exchanges. Fischer Partners' customers are primarily foreign and Swedish institutional investors and active private individuals.

During the first six months of 2005, Fischer Partners was the fifth largest exchange member in Stockholm (5.2% market share) and the eighth largest in Helsinki (4.1% market share) and the fifth and sixth largest, respectively, on a rolling 12-month basis. The lower market shares during the first half of the year were due to relatively moderate trading in the securities in which Fischer Partners is overrepresented, compared with the preceding year. The company also did not participate in any repurchasing programs.

Stockbroking operations developed positively during the first six month, while conditions were more difficult for the trading department, which delivered a lower result than preceding year. Revenues from trading operations amounted to SEK 14.1 million (31.2) for the first six months of 2005. The lower trading revenues were primarily a consequence of reduced volatility in the Stockholm and Helsinki exchanges. However, there was not a single month during the first six months when the trading operations reported a loss.

Total revenues for Fischer Partners amounted to SEK 135.7 million (168.6) during the period. Operating profit for the first six months amounted to SEK 19.2 million (40.2). The decline in revenues and profit was primarily due to the lower contribution from trading operations. The company was also negatively affected by lower trading volumes, margin pressure and increased costs for information systems.

Total assets increased by 6%, compared with the end of the second quarter of 2004. This was primarily a result of large cash transactions in conjunction with the closing of the second quarter. Fischer Partners strengthened the compliance function and expanded its back office in pace with increasing activity in an ever greater number of markets.

Fischer Partners' capital adequacy ratio was 34% (34%) at June 30, 2005. The C/I ratio increased from 0.69 to 0.77, compared with the end of the second quarter of 2004. The increase was primarily due to lower profit margins in brokerage operations and lower revenues from trading operations, which account for a large proportion of trading and settlement costs. Other costs, such as information costs, also increased. Compared with other players in the industry, however, Fischer Partners nonetheless has a satisfactory C/I ratio. Return on equity amounted to 10.5% (20.6%) during the first six months of 2005.

Invik Kapitalförvaltning

Invik Kapitalförvaltning is a group of companies that performs asset management in part through Invik Kapitalförvaltning AB ("IKF") and in part through the partly owned Banque Invik Asset Management S.A. ("BIAM") based in Luxemburg, as well as fund management through Aktie-Ansvar AB ("Aktie-Ansvar").

The market value of assets under management in asset management operations increased from SEK 4,785 million to SEK 5,432 million during the first six months of 2005. The increase in managed assets was due in part to positive growth in value of managed assets and in part from a positive net flow of capital from new and existing customers. During the second quarter, a number of marketing activities were conducted with the objective of increasing awareness of IKF.

Aktie-Ansvar conducts fund management in five funds. Total assets under management amounted to SEK 6,048 million at June 30, 2005. The net flow during the first six months of the year amounted to SEK 1,518 million. Since the end of the second quarter of 2004, the total volume under management increased by SEK 2,203 million. The three largest funds on the closing date were Graal with SEK 3,251 million, Aktie-Ansvar Yield with SEK 1,745 million and Aktie-Ansvar Sweden with SEK 901 million. The Graal hedge fund in particular gained considerable attention and success among both private and institutional investors as a low-risk alternative to a fixed-income investment. The return in Graal amounted to 3.18% for the first six months, to be compared with the return from the fund's benchmark index OMRX-T bill which was 1.26%.

For development within BIAM, see the description above under Banque Invik.

Total revenues for Invik Kapitalförvaltning amounted to SEK 56.2 million (39.7) for the first six months of 2005. Operating income for the same period amounted to SEK 20.9 million (8.1). Reversal of the reserve relating to VAT on brokerage fees allocated in the fourth quarter of 2004 had a positive effect of SEK 6.1 million on earnings. In addition, variable compensation in the Graal fund had a significantly positive effect on reported profit during the first half of the year.

Return on equity increased during the period and amounted to 15.3% (6.4%) at June 30, 2005. The capital adequacy ratio increased from 13% to 24% during the quarter, while the C/I ratio at June 30 declined to 0.57 (0.78) as a result of increased revenues from fund operations. Total lending remained unchanged during the second quarter and amounted to SEK 135 million (134) at June 30, 2005, while total deposits during the quarter increased from SEK 41 million to SEK 84 million.

Parent Company

The Parent Company conducts holding-company operations. The Parent Company's revenues during the first six months amounted to SEK 0 million (–). An operating loss before tax of SEK 14.3 million (–) was reported for the period. The Parent Company's net investments, which consisted in their entirety of capital contributions to subsidiaries, amounted to SEK 124.7 million. Investments in fixed assets amounted to SEK 0.4 million (–).

In April 2005, Invik acquired a debenture loan of SEK 100,000 with detachable warrants for 2,471 shares in Fischer Partners Fondkommission AB from a senior executive in Fischer Partners. The purchase price, which was based on a market valuation, amounted to SEK 14.3 million. The acquisition of the warrants was taken into consideration in the acquisition calculation and had no impact on earning in the consolidated accounts. After the acquisition, the warrants were canceled.

Other than the convertible debentures in an amount of SEK 235 million issued to Kinnevik, Invik has no other external loans. The Parent Company's net debt to subsidiaries amounted to SEK 174 million, while liquid funds totaled SEK 33.1 at June 30, 2005.

Accounting principles

This interim report was prepared in accordance with the International Financial Accounting Standards IAS 34. The Parent Company interim report has been prepared in accordance with RR 22 Accounting Principles for Legal Entities. A summary of the Invik Group's accounting principles is provided in the interim report for the first quarter of 2005 and at www.invik.se. Certain numerical information in the statements and tables may not sum due to rounding.

The applied principles are unchanged compared with previous interim reports except as described below.

Since the previous interim report, classification of deferred acquisition costs for investment contracts have been changed, and this item totaling SEK 44.3 million is now reported separately in the balance sheet. In addition, a contract regarding financial reinsurance that was previously reported net against deferred acquisition costs is now reported in the balance sheet as a liability of SEK 36.4 million on the closing date.

Deferred tax receivables were previously reported net against deferred tax liabilities to the extent that it was possible to offset receivables against liabilities through Group contributions. Given that it is unlikely that all deferred tax receivables totaling SEK 51.1 million and deferred tax liabilities totaling SEK 99.7 million will be regulated at the same time, these items are reported as gross amounts starting with this interim report. Finally, gross amounts are reported for two smaller items relating to brokerage fees in Invik Kapitalförvaltning that were previously reported as net amounts.

The 2004 pro forma comparison figures and the full-year figures for 2004 were recalculated taking the new classification of the above items into account. The changes in classification in the income statements and the balance sheet had no effect on reported results or financial position.

In conjunction with the initial reporting of the convertible debentures issued during the first quarter of 2005, consideration was not taken to deferred tax on the difference between par value and fair value of the debt portion. In this report, an adjustment has therefore been made and an amount of SEK 2.5 million is reported as a reduction of equity and an increased in deferred tax liability. The item will be reversed in the income statement in consideration of the reported interest expense.

Next interim report

The preliminary date for publication of the interim report for the period from January to September 2005 is October 25, 2005.

Stockholm, July 26, 2005

Anders Fällman

President and Chief Executive Officer

Review report

We have reviewed this interim report in accordance with the recommendations issued by FAR.

A review is considerably limited in scope compared with an audit.

Nothing has come to our attention that causes us to believe that this interim report does not comply with the Annual Accounts Act.

Stockholm, July 26, 2005

PricewaterhouseCoopers AB

Magnus Svensson Henryson

For further information, visit www.invik.se or contact:

Anders Fällman, President
Tel +46 (0) 8 562 000 20

Henrik Persson, Investor Relations
Tel +46 (0) 8 562 000 87

Consolidated Income Statement *

MSEK	Jan-June 2005	Jan-June 2004 pro forma	Apr-June 2005	Apr-June 2004 pro forma	Full year 2004 pro forma	Full year 2004
REVENUES						
Insurance premium revenue	455.5	376.9	250.7	219.9	850.1	277.5
Insurance premium ceded to reinsurers	-102.0	-78.9	-58.7	-44.5	-164.5	-56.9
Fee and commission income	246.1	232.2	134.9	113.1	443.5	106.6
Investment income	55.9	25.7	21.0	17.9	63.6	14.7
Net trading income	14.1	31.2	5.8	7.3	56.2	17.9
Interest income after loan loss provisions	74.1	73.6	38.6	39.3	137.2	18.9
Other operating income	9.9	1.9	8.6	0.6	11.9	5.4
Total revenues	**753.5**	**662.5**	**400.8**	**353.6**	**1,398.0**	**384.1**
EXPENSES						
Insurance benefits, claims and loss adjustment expenses	-360.3	-238.8	-187.9	-141.4	-555.0	-174.9
Insurance benefits, claims and loss adjustment expenses recovered from reinsurers	91.8	37.1	48.5	16.4	81.3	29.1
Fee and commission expenses	-99.5	-88.8	-49.8	-40.5	-187.8	-61.7
Interest expenses	-47.6	-46.1	-26.0	-23.8	-80.8	-9.7
Amortisation of tangible and intangible assets	-18.5	-14.0	-9.9	-6.9	-30.6	-10.2
Other operating expense	-226.3	-229.3	-115.9	-117.0	-465.8	-134.5
Total expenses	**-660.4**	**-579.9**	**-341.0**	**-313.2**	**-1,238.8**	**-362.0**
Result from operating activities	**93.1**	**82.6**	**59.8**	**40.4**	**159.2**	**22.0**
Finance income and costs	-1.6	-0.1	-2.0	-0.1	0.0	0.0
Profit before income tax	**91.6**	**82.5**	**57.8**	**40.3**	**159.2**	**22.0**
Income tax expense	-26.4	-22.0	-14.7	-7.7	-45.8	-16.6
Profit for the year	**65.2**	**60.5**	**43.1**	**32.6**	**113.4**	**5.5**
Earnings per share before dilution (SEK)	2.47	2.29	1.63	1.23	4.30	0.21
Earnings per share after dilution (SEK)	2.32	2.29	1.44	1.23	4.30	0.21
Number of shares outstanding before dilution	26.398.193	26.398.193	26.398.193	26.398.193	26.398.193	26.398.193
Number of shares outstanding after dilution	30.917.423	26.398.193	30.917.423	26.398.193	26.398.193	26.398.193
Average number of shares outstanding before dilution	26.398.193	26.398.193	26.398.193	26.398.193	26.398.193	26.398.193
Average number of shares outstanding after dilution	28.720.228	26.398.193	30.917.423	26.398.193	26.398.193	26.398.193

* The legal consolidated income statement for the first half of 2004 and second quarter of 2004 is not presented since the Invik group during those periods only consisted of the dormant parent company Invik & Co. AB.

Consolidated Balance Sheet

MSEK	30 June 2005	31 Dec 2004
ASSETS		
Property, Plant and Equipment	25.5	23.2
Intangible assets	576.0	576.7
Deferred acquisition costs	44.3	23.4
Investment in associates	6.7	6.2
Deferred income tax assets	51.1	49.3
Investment securities - fair value through P&L	1,185.1	795.9
Investment assets - Unit Link	1,185.9	535.3
Derivative financial instruments	46.7	33.2
Loans and advances to customers	1,398.2	1,274.1
Loans and receivables - insurance receivables	296.7	153.9
Reinsurance contracts	545.9	129.6
Other assets	217.1	228.9
Trading securities	23.7	10.7
Cash and cash equivalents	3,591.0	3,006.3
Total Assets	**9,193.9**	**6,846.7**
EQUITY		
Share capital	132.0	0.1
Other reserves	6.6	0.0
Profits brought forward	1,129.1	1,415.9
Total Equity	**1,267.7**	**1,416.0**
LIABILITITES		
Insurance contracts	1,701.4	1,307.5
Investment contracts - Unit Link	1,182.2	543.7
Interest bearing loans and liabilities	753.7	141.1
Liabilities to customers	3,268.8	2,860.3
Derivative financial instruments	33.5	32.0
Deferred income tax liabilities	99.7	78.3
Current income tax liabilities	35.2	29.0
Other liabilities	851.8	438.7
Total Liabilitites	**7,926.2**	**5,430.7**
Total Liabilities and Equity	**9,193.9**	**6,846.7**

Consolidated statement of changes in equity

MSEK	Jan-June 2005	Full year 2004
Opening balance for the period	**1,416.0**	**0.1**
Transfer of shares in subsidiaries	–	1,409.8
Translation differences	14.9	0.6
Convertible debenture loan - equity component	9.1	–
Deferred tax - convertible debenture loan	-2.5	–
Cash dividend	-235.0	–
Profit for the period	65.2	5.5
Closing balance for the period	**1,267.7**	**1,416.0**

Consolidated cash flow statement

MSEK	Jan-June 2005
Cash flow from operating activities before changes in working capital	117.7
Changes in working capital assets	-1,737.7
Changes in working capital liabilities	2,359.9
Cash flow from operating activities	**739.9**
Cash flow from investing activities	-31.2
Cash flow from financing activities	-124.0
Cash flow for the period	**584.7**
Cash and cash equivalents at beginning of the period	3,006.3
Cash flow	584.7
Cash and cash equivalents at end of the period	**3,591.0**

Segment information

Jan-June 2005 MSEK	Modern Insurance Non-life	Modern Insurance Life	Modern Insurance Run-off	Banque Invik	Fischer Partners	Invik Kapital-förvalt-ning	Head office and elim.	Invik Group
Insurance premium revenue	399.7	55.9	–	–	–	–	-0.1	455.5
Insurance premium ceded to reinsurers	-57.2	-44.8	–	–	–	–	0.0	-102.0
Fee and commission income	11.6	13.1	0.2	74.7	100.6	44.6	1.1	246.1
Investment income	47.4	1.3	9.8	0.1	–	–	-2.7	55.9
Net trading income	–	–	–	–	14.1	–	0.0	14.1
Interest income after loan loss provisions	–	–	–	53.8	15.4	5.1	-0.1	74.1
Other operating income	0.1	0.0	0.0	0.0	5.7	6.5	-2.3	9.9
Total revenues	**401.6**	**25.5**	**10.0**	**128.6**	**135.7**	**56.2**	**-4.1**	**753.5**
Insurance benefits, claims and loss adjustment expenses	-306.2	-44.1	-9.9	–	–	–	0.0	-360.3
Insurance benefits, claims and loss adjustment expenses recovered from reinsurers	47.5	43.4	0.9	–	–	–	0.0	91.8
Fee and commission expenses	-26.2	-13.4	–	-6.7	-46.6	-6.6	0.0	-99.5
Interest expenses	–	-0.1	-0.5	-38.7	-7.2	-1.4	0.3	-47.6
Amortisation of tangible and intangible assets	-9.0	-6.4	–	-1.8	-1.0	-0.2	0.0	-18.5
Other operating expenses	-62.5	-11.8	-2.5	-51.8	-61.7	-27.1	-8.9	-226.3
Total expenses	**-356.5**	**-32.4**	**-12.1**	**-99.1**	**-116.5**	**-35.3**	**-8.6**	**-660.4**
Result from operating activities	**45.1**	**-6.9**	**-2.1**	**29.5**	**19.2**	**20.9**	**-12.7**	**93.1**

Segment information

Jan-June 2004 pro forma MSEK	Modern Insurance Non-life	Modern Insurance Life	Modern Insurance Run-off	Banque Invik	Fischer Partners	Invik Kapital-förvalt-ning	Head office and elim.	Invik Group
Insurance premium revenue	338.0	39.1	–	–	–	–	-0.1	376.9
Insurance premium ceded to reinsurers	-48.4	-30.1	-0.4	–	–	–	0.0	-78.9
Fee and commission income	7.3	5.3	–	72.1	117.6	33.1	-3.2	232.2
Investment income	27.7	0.9	-2.7	–	–	–	-0.3	25.7
Net trading income	–	–	–	–	31.2	–	0.0	31.2
Interest income after loan loss provisions	–	–	–	50.5	16.5	6.6	-0.1	73.6
Other operating income	0.1	0.0	0.0	0.0	3.3	0.0	-1.5	1.9
Total revenues	**324.8**	**15.2**	**-3.1**	**122.6**	**168.6**	**39.7**	**-5.2**	**662.5**
Insurance benefits, claims and loss adjustment expenses	-209.0	-28.2	-1.6	–	–	–	0.0	-238.8
Insurance benefits, claims and loss adjustment expenses recovered from reinsurers	10.6	26.7	-0.2	–	–	–	0.0	37.1
Fee and commission expense	-25.5	-8.2	–	-6.8	-48.6	-3.2	3.3	-88.8
Interest expenses	–	–	–	-37.5	-6.7	-2.2	0.4	-46.1
Amortisation of tangible and intangible assets	-8.6	-2.9	–	-1.1	-1.2	-0.3	0.0	-14.0
Other operating expenses	-53.7	-6.6	-3.4	-59.6	-71.9	-25.9	-8.2	-229.3
Total expenses	**-286.2**	**-19.1**	**-5.2**	**-105.0**	**-128.3**	**-31.6**	**-4.5**	**-579.9**
Result from operating activities	**38.6**	**-3.9**	**-8.3**	**17.7**	**40.2**	**8.1**	**-9.7**	**82.6**

Key Ratios

Jan-June 2005 / June 30, 2005 MSEK	Modern Insur-ances Non-life	Modern Insur-ances Life	Modern Insur-ances Run-off	Fischer Partners	Invik Kapital-förvalt-ning	Banque Invik	Head office and elim.	Invik Group
Lending	–	–	–	1.032.6	298.5	145.5	-78.4	1.398.2
Financial assets	1.464.1	1.247.1	465.3	2.543.4	723.4	25.8	-436.7	6.032.4
Total assets	1.776.3	1.324.5	465.3	3.657.3	1.055.5	233.7	681.3	9.193.9
Technical reserves in insurance and unit-link contracts	1.279.1	1.273.7	330.8	–	–	–	–	2.883.6
Deposits	–	–	–	2.645.9	539.3	83.6	–	3.268.8
C/I-ratio	–	–	–	0.64	0.77	0.57	–	0.73
Return on equity	13.1%	-9.4%	-2.6%	14.2%	10.5%	15.3%	–	9.7%
No. of employees	118	14	0	67	65	27	5	296
Capital adequacy ratio	–	–	–	20.9%	34.2%	24.4%	–	18.4%*
Combined ratio, gross	101.5%							
Combined ratio, net	100.6%							
Claims ratio, gross	76.6%							
Claims ratio, net	75.6%							
Solvency ratio	82.7%							

*) Invik Group is a financial companies group with first reporting requirements to the Swedish Financial Supervisory Authority as of December 31, 2005.

Full year 2004 / Dec. 31, 2004 MSEK	Modern Insur-ances Non-life	Modern Insur-ances Life	Modern Insur-ances Run-off	Fischer Partners	Invik Kapital-förvalt-ning	Banque Invik	Head office and elim.	Invik Group
Lending	–	–	–	845.9	248.3	179.9	–	1,274.1
Financial assets	1,430.0	600.0	463.2	1,524.4	710.9	42.6	-389.7	4,381.4
Total assets	1,824.3	776.7	537.2	2,588.2	1,103.5	405.6	-388.8	6,846.7
Technical reserves in insurance and unit-link contracts	924.1	602.8	324.3	–	–	–	–	1,851.2
Deposits				2,164.8	634.6	60.9	–	2,860.3
C/I-ratio	–	–	–	0.84	0.69	0.78	–	0.77
Return on equity	12.6%	-7.2%	-28.2%	8.2%	20.6%	6.4%	–	8.3%
No. of employees	103	9	0	58	60	26	–	256
Capital adequacy ratio	–	–	–	21.5%	34.1%	13.1%	–	–**)
Combined ratio, gross	89.6%							
Combined ratio, net	95.5%							
Claims ratio, gross	65.7%							
Claims ratio, net	70.2%							
Solvency ratio	101.4%							

**) Information on capital adequacy ratio as of December 31, 2004 is not available.

Definitions

C/I ratio

Other operating expenses and amortisation of tangible and intangible assets in relation to total revenues less interest expense and commission expense, and for the Group insurance operations excluded.

Return on equity

Profit for the period after tax in relation to average equity adjusted for new share issues and dividends. Equity per business segment includes allocated intangible assets and goodwill. The return ratio is adjusted for the full year.

Combined ratio, gross

Gross claims incurred and operating expenses in relation to gross premiums earned, expressed as a percentage.

Combined ratio, net

Net claims incurred and operating expenses in relation to net premiums earned, expressed as a percentage.

Claims ratio, gross

Ratio between gross claims incurred and gross premiums earned, expressed as a percentage.

Claims ratio, net

Ratio between net claims incurred and net premiums earned, expressed as a percentage.

Solvency ratio

Solvency capital in relation to net premiums earned. Solvency capital includes equity adjusted for fair valuation of investment assets less deferred tax receivables plus deferred tax liablilities.

Appendix 2a

Embedded Value – Modern insurances life Unit-Link Operations

As of second quarter 2005, Modern Insurance Life is reporting embedded value figures for its unit-linked business in addition to traditional financial reporting. The methodology and assumptions used for the embedded value reporting are in line with the European Embedded Value (EEV) principles. Embedded value provides a measure the value of shareholders' interests in the contracts in force, and in the present value of new contracts during the last twelve months.

Assumptions

Due to the short history of Moderna Insurance Life, certain assumptions could not be based on company history. Where this was the case, for example for surrender and pensions transfer rates, the assumptions have been derived from general market experience. Assumptions on fees, fund rebate and the asset mix of the policyholder unit funds could be reasonably based on information from the existing portfolio.

The operating expenses have been split into maintenance and acquisition expenses per contract. During the coming few years, until a critical mass of business has been reached, there will be a period of actual maintenance expense overruns. The estimated expense overruns for value in business in force ("VBIF") and value of new business ("VNB") are SEK 3.4 million and SEK 5.0 million, respectively. The actual assumed expense levels were based on a business projection of Moderna Insurance Life that includes future new business.

The risk discount rate has been derived as explained below.

Economic assumptions at end of the accounting period

Return on long-term bonds	3.0%
Return on equities	5.5%
Rate of inflation	2.0%
Risk discount rate	4.6%

Methodology

The embedded value is the sum of the adjusted net worth and the VBIF (VNB included), including any expense overrun and the cost of holding capital (CoC). In addition, the value of new business for the period July 1, 2004 – June 30, 2005 VNB is disclosed.

Included in the VBIF and the VNB for Modern Insurance Life are the future shareholder profits generated from the unit-linked business. No value has been assigned to the traditional life and group life insurance business. The adjusted net worth includes fair valuation of assets and liabilities and equity after reduction of the net of deferred acquisition costs and financial reinsurance commissions. The adjusted net worth includes therefore not only the capital allocated to the unit-linked business.

To estimate the VBIF, we have used a "bottom-up" market-consistent approach. Here, the disclosed risk discount rate for the business has been derived from a calculation that values the risks in each individual contract separately on a market-consistent basis, allowing for the cost of capital. The same risk discount rate has been used for the VNB.

For the purpose of projecting expected future shareholder profits, cash flow streams for each individual contract have been calculated over the contract's estimated lifetime, based on economic and operative assumptions and the policyholder's profile. Among the most important assumptions were the risk discount rate, investment return rates on unit-link investment assets, taxes, retrocession, maintenance expenses, surrender rates, pension transfer rates and premium cessation rate.

The VNB is calculated at the time of sale using the same assumptions and methodology as for the VBIF. New business has been defined as new contracts signed and paid and additional premiums paid to existing contracts. Renewal premiums on existing contracts are not included.

The effect of existing reinsurance contracts has been included in the calculations.

Embedded value (SEK million)

	Risk discount rates		
	3.6%	4.6%	5.6%
VBIF (before CoC)	199.3	173.4	151.7
Future expense overrun	-3.4	-3.4	-3.4
Cost of capital	-5.3	-7.9	-9.9
VBIF (after CoC)	190.5	162.1	138.4
Adjusted net worth	26.8	26.8	26.8
Embedded value	217.4	188.9	165.3
VNB (before CoC)	79.0	64.6	52.5
Future expense overrun	-5.0	-5.0	-4.9
Cost of capital	-2.9	-4.3	-5.3
VNB (after CoC)	71.1	55.3	42.3

Sensitivities of in-force business

	VBIF	Change	%
Central basis	162.1		
Persistency assumptions increased by 20%	139.3	-22.7	-14%
Maintenance expenses increased by 20%	140.5	-21.6	-13%
Investment return +0.5 percentage points	172.2	10.1	6%

Sensitivities of new business

	VNB	Change	%
Central basis	55.3		
Persistency assumptions increased by 20%	41.5	-13.8	-25%
Maintenance expenses increased by 20%	42.2	-13.0	-24%
Investment return +0.5 percentage points	61.5	6.2	11%

Sensitivity analysis

Persistency assumptions increased by 20%:

In this test, the surrender rate, pensions transfer rate and the premium cession rate have been increased by 20%. This means, for example, an original assumption of 5% has been changed to 6%.

Maintenance expenses increased by 20%:

In this test, the yearly maintenance expense per contract has been increased by 20%.

Investment return +0.5 percentage points:

In this test, the investment return of the policyholders' unit funds has been increased with 0.5 percentage points.

Analysis of the embedded value

Usually, an analysis of the change in the embedded value gives valuable insights into the performance of the business during a reporting period especially considering the sensitivity of the value when adjusting central assumptions. As Modern Insurance Life is calculating embedded values for the first time, and given the short history of the company, such an analysis has not been possible to perform.