

YEAR-END RELEASE FOR 1998

Turnover remained practically unchanged, operating income amounted to M SEK 1,063 (734).

Income after financial net amounted to M SEK 532 (207). Income has improved thanks to corporate development and capital gains and despite costs related to the build up of SEC (M SEK 649).

Net income amounted to M SEK 464 (169).

The purchase right in SEC (SEK 1,50) which was divided out in 1998 is currently quoted at SEK 27, an increase by 1,700%.

Transcom, the customer services company, continues to make good progress, turnover increased by 124% to M SEK 358.

Earnings per share after full tax and after full conversion amounted to SEK 7.37 (2.74).

During the past 15 years, Kirnevik's shares have generated an average effective yield of 33 per cent per year as a result of capital growth and dividends, and including the value of offers to subscribe to shares. The effective yield for 1998 was 76 per cent.

The board proposes a dividend of one share in Irvik & Co. AB for each 100 shares in Industriförvaltnings AB Kirnevik series A and B respectively, plus a cash dividend of SEK 1 per share.

Operations

Consolidated result

Warrants corresponding to 20 per cent of the total number of shares in Société Européenne de Communication S.A. (SEC) were distributed to Industriförvaltnings AB Kirnevik's shareholders on June 4th, 1998. The comparative figures for 1997 are pro forma and relate to the Kirnevik Group as it is now constituted.

Net turnover for 1998 amounted to M SEK 6,888, which may be compared with M SEK 6,566 in the previous year for comparable units. Other operating revenue amounted to M SEK 266 (201).

Income, from corporate development and capital gains on sales of securities, amounted to M SEK 1,036 (394) and relates primarily to non-recurring effects, arising from the formation of SEC and the distribution of warrants in SEC to Kirnevik's shareholders, to a net amount of M SEK 723. The figure also includes the sale of convertible loan stock in NetCom AB, the sale of shares in Irvik & Co. AB and an option premium in respect of TV1000.

Operating income amounted to M SEK 1,063 (734). A sum of M SEK 36 was charged against the result in respect of a provision for options arranged for senior executives within Modern Times Group MTG AB in accordance with a decision made by the Annual General Meeting in May 1996.

The Group's interest in the earnings of associate companies corresponded to a loss of M SEK 230 (loss 265), of which Millicom International Cellular S.A. (MIC) accounted for income of M SEK 196 and SEC for a loss of M SEK 384. MIC's result includes capital gains of M USD 141 on sales of shares and a non-recurring effect of M USD 56 on the formation of SEC.

Net financial revenue and expense, excluding interest on convertible loan stock, amounted to a net expense of M SEK 301 (expense 262).

Income after net financial items, excluding interest on convertible loan stock, amounted to M SEK 532 (207).

Net income amounted to M SEK 464 (169).

Business areas

Mellersta Sveriges Lantbruks AB

1998 was the wettest year for farmers in living memory. After a mild winter and a fairly damp, cold spring, the early summer saw rain and more rain. Crops respond to such conditions by growing vigorously and lushly, with weaker stalks as a result. Later in the year, when the weather failed to improve, the result was extensive flattened grain, which in most cases caused quality problems. The average basic price remained unchanged at last year's level, while quality problems influenced the selling price of the harvest. The crayfish farm on the Svedberga estate provided a good catch this year. Net turnover amounted to M SEK 15 (14). Operating income amounted to M SEK 2 (3).

Korsnäs Holding AB

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

The year got off to a strong start with firm demand and stable prices. The result was affected by lower delivery volumes in combination with gradually falling prices during the second half of 1998. Some M SEK 55 of the decline in the result compared to the previous year, was due to commissioning and running in the PM 5 paper machine after completion of the rebuild, and to additional costs caused by the snow storms which paralysed the Gävle region on December 7th-9th.

In connection with the current restructuring program and measures to improve the efficiency of the business, costs of some M SEK 20 incurred on contractual pensions and severance pay in connection with personnel reductions were charged against the result.

Korsräs AB's net turnover amounted to M SEK 5,026, compared with M SEK 4,979 in the previous year. Operating income before transfers to the profit-sharing plan for employees amounted to M SEK 630 (770). The profit margin was approximately 13 per cent (15), which is better than the average for the industry.

	Net sales (M SEK)		Operating Income (M SEK)	
	1997	1998	1997	1998
Forest	1,457	1,504	213	228
Timber	315	322	3	2
Industries	3,475	3,299	530	375
Packaging	1,188	1,388	74	72
Eliminations	-1,456	-1,487	-50	-47
	4,979	5,026	770 *	630 *
Profit sharing for employees			-35	-16
Operating Income			735	614
Net financial items			67	70
Earnings after financial items			802	684

* Including participations in affiliated companies allocated by product area.

The closing equity ratio was 62 per cent (62). The transfer to the profit-sharing plan for employees amounted to M SEK 16 (35). This means that the provisional value of a full unit is SEK 4,800 (10,900).

Other subsidiary companies

Other subsidiaries include the following operative subsidiaries: Transcom AB, Credit International Services AB (CIS), Svenska Motor AB SMA, Fagersta Australia, TV1000 and Airtime. Net turnover of other subsidiaries amounted to M SEK 1,662, which may be compared with M SEK 1,317 for the same period last year. The operating result was a loss of M SEK 61 compared with a loss of M SEK 41 for the previous year.

Transcom, the customer services company, continues to make good progress. New customer acquisition has been successful and turnover rose by 124 per cent during the year to M SEK 358 (160). The company is active in Sweden, Norway and Denmark. The number of employees at Transcom amounted to 1,453 at December 31st 1998.

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

SMA's machine sales were favourably affected by the improvement in the level of building activity during the year and also by the improvement in the company's market share for several products, which on aggregate generated a healthy increase in volume.

Fagersta Australia's sales were only marginally affected by the crisis in Asia in 1998, although its margins are generally lower this year than in the previous year.

TV1000 has achieved steady growth since December 1997. The number of subscribers rose by 42 per cent to 325,934 (229,462) at December 31st 1998.

Airtime has further improved its result by a combination of expanding markets and cost reductions.

Associate companies

The main associate companies are Millicom International Cellular S.A. (MIC) in which Kirnevik has a 34 per cent interest and Société Européenne de Communication S.A. (SEC) where Kirnevik's interest is 45 per cent.

MIC's market capitalisation on December 31st 1998 was M SEK 4,594. The market value of Kirnevik's holding at February 24th 1999 was M SEK 3,601. SEC's market capitalisation at December

31st 1998 was M SEK 3,907. The market value of Kinnevik's holding on February 24th 1999 was M SEK 3,693.

Return

During the past 15 years, Kinnevik's shares have generated an average effective yield of 33 per cent per year as a result of capital growth and dividends, and including the value of offers to subscribe to shares. The effective yield for 1998 was 76 per cent.

During the year, Kinnevik distributed warrants corresponding to 20 per cent of the total number of shares in SEC to Kinnevik's shareholders. These warrants were listed at that time at a price of SEK 36.50. At the end of the year, the shares were stated in Kinnevik's books at SEK 190.

Financial position

The Group's liquid funds, including short-term placements and undrawn lines of credit, amounted to M SEK 3,803 (3,331) at December 31st 1998.

The Group's net interest-bearing debts amounted to M SEK 5,095 (4,502) at the end of the year.

The average interest cost for the year was approximately 5.4 per cent (6.3) (interest expense in relation to average interest-bearing liabilities excluding pension liabilities and interest on convertible loanstock).

The Group's borrowing is largely arranged in Swedish kronor, however foreign subsidiary companies are financed in local currency.

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

Parent company

The parent company reports net income from corporate development and capital gains on sales of securities of M SEK 279 (266).

The parent company's interest in the earnings of Group companies, amounting to M SEK 655 (deficit 110), consisted of dividends of M SEK 775 from Investment AB Kinnevik, of M SEK 55 from SMA Holding AB, and a write-down of M SEK 175 in the value of shares in subsidiary companies.

The net effect of other financial revenue and expense, excluding interest on convertible loanstock, was a cost of M SEK 9 (cost 68).

As a result of conversions during the year of the 1993/ 97/ 98 convertible loanstock, the share capital was raised by M SEK 32 and equity was increased by M SEK 356.

The parent company's income before tax amounted to M SEK 822 (43).

Dividend

The board proposes a dividend of one share in Irvik & Co. AB for each 100 shares in Industriförvaltning AB Kinnevik series A and B respectively, plus a cash dividend of SEK 1 per share.

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on May 21st 1999 at Gamla Stans Bryggeri (Tullhus 2, Skeppsbron), Stockholm.

Annual report

The annual report for 1998 is expected to be published in the middle of April 1999 and will be available to the public at the company's head office.

Stockholm, February 25th 1999

INDUSTRIFÖRVALTNING SABKINNEVIK

Board

SUMMARY OF THE GROUP IN FIGURES

(M SEK)	1997	1997	1998
Consolidated income statement		post forma *	
Net sales	6,966	6,566	6,888
Income from corporate development and sales of securities	394	394	1,036
Operating income	706	734	1,063
Interest in earnings of associates	-274	-265	-230
Net financial items	-267	-262	-301
Income after net financial items	165	207	532
Interest on convertible loan	-5	-5	0
Current taxes	-70	-70	-57
Deferred taxes	14	12	-26
Minority share in earnings	26	25	15
Net result	130	169	464
Balance sheet			
Fixed assets	9,867	9,867	10,594
Current assets	5,072	5,072	5,026
Total assets	14,939	14,939	15,620
Equity	5,165	5,165	5,811
Minority interest	45	45	24
Provisions	1,740	1,740	1,887
Liabilities	7,989	7,989	7,898
Total equity and liabilities	14,939	14,939	15,620
Consolidated Statement of Charges in Financial Position			
Funds generated from the year's operations	573	573	398
Other sources of funds	3,056	3,056	1,186
Total application of funds	2,612	2,612	1,113
Charge in working capital	1,017	1,017	471
Key ratios			
Liquid funds, including undrawn credit facilities and holding of company's own convertibles	3,331	3,331	3,803
Fixed capital expenditure	922	922	900
Equity ratio, incl. convertibles	37	37	39
Earnings per share after full tax and full conversion, SEK	2.12	2.74	7.37

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

Breakdown of turnover by business area 1997 *
 **1998**

(M SEK)

M ellersta Sveriges Lantbruks AB	14	15
K orsräs Hold ing AB	4,979	5,026
Société Eu ropéenne de Com m u nica tion.S.A.1	289	213
Other su bsid ia ries	1,317	1,662
Pa rent Com pa ry, Hold ing com pa nies and elim i na tions	-33	-28
Total	6,566	6,888

Breakdown of operating income by business area

(M SEK)

M ellersta Sveriges Lantbruks AB	3	2
K orsräs Hold ing AB2	743	611
Société Eu ropéenne de Com m u nica tion.S.A.1	-47	-246
Other su bsid ia ries	-41	-61
Pa rent Com pa ry, Hold ing com pa nies and elim i na tions 3	111	773
Total	769	1,079

Breakdown of income/loss after net financial items by business area

(M SEK)

M ellersta Sveriges Lantbruks AB	4	2
K orsräs Hold ing AB2	654	491
Société Eu ropéenne de Com m u nica tion.S.A.1	-73	-265
Other su bsid ia ries	-55	-65
Associa ted com pa nies	-276	-212
Pa rent Com pa ry, Hold ing com pa nies and elim i na tions 3, 4	-12	597
Total	242	548

* The com para tive fig u res for 1997 refer to the K irnevik G rou p on a post form a basis w ith the com pa nies now being part of the G rou p.

1) Refers to the com pa nies in SEC being w holly-ow ned by K irnevik through M ay 31, 1998.

2) Exclud ing trans fer of M SEK 16 (35) to em ployee's profit-sha ring plan

3) Includ ing incom e from corporate developm ent and sales of secu rities.

4) Exclud ing interest cost of M SEK 0 (-5) on convertible loan stock.