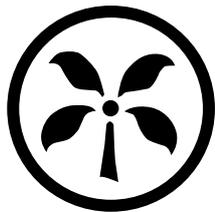


Industrieförvaltnings AB
Kinnevik



Interim Report 1999
January 1- March 31

ADMINISTRATION

Consolidated result

Net turnover for the first three months amounted to MSEK 1,696, compared with MSEK 1,666 for the same period in the previous year.

Korsnäs Holding AB's turnover declined by 8% to MSEK 1,232. The net turnover of other subsidiaries increased by 44% to MSEK 466 (323).

Income from corporate development and net capital gains on sales of securities amounted to MSEK 31 (665), and relate mainly to premiums over the book values of options in TV1000.

Operating income amounted to MSEK 85 compared with MSEK 841 for the corresponding period in the previous year.

Kinnevik's interest in the earnings of associate companies amounted to a net loss of MSEK 263 (loss 113), of which its interests in the losses incurred by Millicom International Cellular S.A. (MIC) and Société Européenne de Communication S.A. (SEC) amounted to MSEK 114 and MSEK 137 respectively.

Net financial expense amounted to MSEK 11 (net expense 65).

The result after financial revenue and expense was a loss of MSEK 189 (income 663).

The net result for the period was a loss of MSEK 202 compared with net income of MSEK 653 for the previous year.

The loss per share for the period was SEK 3.20, compared with earnings of SEK 10.38 per share for the same period in the previous year.

The comparative figures for the first three months of 1998 are pro forma and relate to the Kinnevik Group and the companies now belonging to the Group.

MELLERSTA SVERIGES LANTBRUKS AB

The very snowy winter and spring caused considerable delays in spring sowing. At Ullevi and Svedberga, this was completed in April while at Russelbacka it did not begin until May.

KORSNÄS HOLDING AB

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

Korsnäs group

Demand for most products was slightly lower and the total price level was below that for the corresponding period last year. Production volumes during the first three months were 6% below last year's levels.

At divisional level, Korsnäs Forestry and Korsnäs Timber noted an unchanged operating result while the other divisions report slightly lower results.

Net turnover for the first three months of the year amounted to MSEK 1,232 (1,346). Operating income amounted to MSEK 101 (257). The profit margin was 8% (19%). Income after financial net amounted to MSEK 120 (288). Currency fluctuations had a positive effect of MSEK 13 on operating income in relation to the previous year.

Korsnäs Forestry

The level of Korsnäs' wood stocks is satisfactory. The stock of felling rights has continued to decline, whereas stocks of pulpwood increased slightly. Pulpwood is in ample supply in Sweden as well as in Russia and the Baltic region.

In relation to the corresponding period last year, the average price of saw timber remained largely unchanged whilst domestic pulpwood prices have fallen by 2%.

The costs for operation and administration are 5% lower than the figures for the previous year. The number of employees continues to be successively reduced.

The net turnover for Korsnäs Forestry amounted to MSEK 382 (401) and operating income amounted to MSEK 69 (70).

Korsnäs Timber

The sawn timber market has shown continued instability and caution. Swedish and Finnish production of sawn timber and manufactured timber products is, however, still running at a high level. Production at the Korsnäs sawmill has remained at the same level as in the previous year. However, deliveries are 10% down and the average price is 4% below that of last year.

Korsnäs Timber's net turnover amounted to MSEK 68 (79) and its operating income was MSEK 0 (1).

Korsnäs Pulp Paper Board

Following a period of weaker demand during the second half of 1998, the order intake has increased gradually within all product areas. The declining price tendency continued during the first quarter of 1999. However, the price of sack paper, mainly for cement sacks, is beginning to stabilise as the level of activity in the construction industry is now rising. A trend break in the price of market pulp appears imminent, now that price increases have been announced in other sectors of the forest products industry. Compared with the first quarter of 1998, this year's production and deliveries are 6% and 4% down respectively. Paperboard production on the newly rebuilt PM5 board machine has so far been running above plan. The increase in deliveries that are associated with the increase in capacity on PM 5 after the rebuild are mainly expected to take place during the second half of the year. Demand for beverage board has continued stable.

The result has weakened, largely due to lower selling prices combined with the slight reduction in production and delivery volumes.

Korsnäs Pulp Paper Board's net turnover was MSEK 804 (935) and its operating income amounted to MSEK 37 (188).

Korsnäs Packaging

The entire first quarter has been a period with lower demand than during the corresponding period of last year. The slack demand, in combination with excess capacity, has meant that prices have come under pressure on the sack market, as a result of which margins were tighter than in 1998. However, Korsnäs Packaging's market share has been maintained unchanged. Deliveries fell by 4% in relation to the previous year.

Korsnäs Packaging's turnover amounted to MSEK 325 (336) and its operating income was MSEK 4 (17).

OTHER SUBSIDIARIES

Other subsidiaries mainly include the operative subsidiary companies Transcom AB, Svenska Motor AB SMA, Fagersta Australia, TV1000 and AirTime.

Transcom, the customer services company, has continued its expansion. First quarter turnover increased by 133% to MSEK 135 (58) in relation to

the same period last year. The company is active in Sweden, Norway and Denmark. Transcom had 1,620 employees as of March 31, 1999.

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

Although the level of building activity Sweden is still low, an improvement began to become evident during the early months of the year, which is reflected in the marked increase in the order book.

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

TV1000 has been achieving healthy growth since March 1998. The number of subscribers has risen by 35% to 343,000 (254,000), as of March 31, 1999. Under the terms of an agreement between Kinnevik and Modern Times Group MTG AB (MTG), MTG distributes the premium channels TV1000 and TV1000 Cinema. In 1999 Kinnevik will cover TV1000's losses up to MSEK 30, with MTG assuming liability for any losses above this level.

AirTime's result has continued to improve thanks to a combination of an expanding market and cost reductions.

The net turnover of Other Subsidiaries amounted to MSEK 466, compared with MSEK 323 for the same period in the previous year. The operating result was MSEK 0 compared with a loss of MSEK 14 for the corresponding period in 1998.

AFFILIATED COMPANIES

Kinnevik's principal affiliated companies are Millicom International Cellular S.A. (MIC) (34% interest), Société Européenne de Communication S.A. (SEC) (45% interest) and MTV Produktion AB (MTV) (44% interest).

As of March 31, 1999, MIC had 1,576,958 subscribers, which gives a growth rate 78%. On a pro rata basis, the number of subscribers was 963,797, an increase of 88%. In April 1999, SENTEL (GSM 900 licence), a company in which MIC has a 75% interest, commenced operations in Senegal. MIC currently has equity stakes in 30 companies in 19 countries, where the total market amounts to 455 million people.

Turnover amounted to MUSD 119 (101). Gross

operating income before depreciation amounted to MUS\$ 32 (31).

At March 31, 1999, the market value of Kinnevik's holding in MIC amounted to MSEK 3,535. On May 17, 1999 the market value was MSEK x, xxxx.

SEC consists mainly of Tele2 Europe, which is engaged in the provision of national and international fixed telephony services. Tele2 Europe commenced operations in Germany, Holland and Switzerland at the beginning of the year. In March 1999, operations commenced in Austria and France, and Tele2 started up in Italy at the beginning of April. After only two weeks, Tele2 Europe had more than 100,000 subscribers in France.

The company also holds licences in Luxembourg and Ireland. The number of subscribers as of March 31st 1999 was 1,041,359.

SEC also includes 3C Communications, Transcom International, Transcom Europe and Tango, a cellular telephone company in Luxembourg. Tango had 44,566 subscribers by March 31, 1999.

Turnover amounted to MDEM 82, while the operating result before to depreciation was a loss of MDEM 51.

The market value of the Kinnevik's interest in SEC on March 31, 1999 was MSEK 2,983. On May 17, 1999, the market value of this holding was MSEK x,xxx.

YIELD

During the past 15 years, Kinnevik's shares have generated an average effective annual yield of 29%, as a result of rising share prices and dividends, including the value of warrants to subscribe to shares.

FINANCIAL POSITION

The Group's liquid funds, including short-term placements and undrawn credit facilities, amounted to MSEK 3,470 (3,129) at March 31, 1999.

The Group's net interest-bearing debt amounted to MSEK 5,197 (4,392).

The average cost of interest for the period was 4.6% (5.4) (calculated as interest expense in relation to average interest-bearing debt excluding pension liabilities and convertible loans).

The Group's fixed capital expenditure (excluding purchases of shares) during the period amounted to MSEK 194 (214).

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

The equity ratio at the end of the period was 34% (42).

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

NEXT FINANCIAL REPORT

The interim report for the January–June 1999 period, is expected to be released on August 17, 1999.

Stockholm, May 18, 1999

Board of Directors

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

CONSOLIDATED INCOME STATEMENT (MSEK)

	1998 Full year	1998 January 1-March 31 pro forma*	1999 January 1-March 31
Net sales	6,888	1,666	1,696
Cost of sales	<u>- 5,739</u>	<u>- 1,245</u>	<u>- 1,447</u>
Gross result	1,149	421	249
Expenses for selling, administration, research and development	- 1,228	- 174	- 193
Income from corporate development	759	635	4
Income from sales of securities	277	30	27
Other operating income	266	43	37
Other operating expenses	<u>- 160</u>	<u>- 114</u>	<u>- 39</u>
Operating income	1,063	841	85
Participations in affiliated companies	- 230	- 113	- 263
Net financial items	<u>- 301</u>	<u>- 65</u>	<u>- 11</u>
Income before tax	532	663	- 189
Taxes	- 83	- 16	- 15
Minority share in income	<u>15</u>	<u>6</u>	<u>2</u>
Net result for the period	<u>464</u>	<u>653</u>	<u>- 202</u>
Earnings per share after full tax, and after full conversion, kronor	7,37	10,38	- 3,20

Any amount to be transferred to Korsnäs' profit-sharing plan is calculated when the income for the financial year is arrived at in connection with the finalization of the year-end accounts.

REVIEW OF THE GROUP (MSEK)

	1998 January 1- March 31 pro forma*	1999 January 1- March 31
Breakdown of net sales by business area		
Mellersta Sveriges Lantbruks AB	4	5
Korsnäs Holding AB	1,346	1,232
Other subsidiaries	323	466
Parent company, Holding companies and eliminations	<u>- 7</u>	<u>- 7</u>
Total	<u>1,666</u>	<u>1,696</u>
Breakdown of operating income/loss by business area		
Mellersta Sveriges Lantbruks AB	0	0
Korsnäs Holding AB	255	101
Other subsidiaries	- 14	0
Parent company, Holding companies and eliminations	<u>600</u>	<u>- 16</u>
Total	<u>841</u>	<u>85</u>
Breakdown of income/loss after net financial items by business area		
Mellersta Sveriges Lantbruks AB	0	0
Korsnäs Holding AB	242	137
Other subsidiaries	- 17	- 9
Affiliated companies	- 111	- 257
Parent company, Holding companies and eliminations	<u>549</u>	<u>- 60</u>
Total	<u>663</u>	<u>- 189</u>

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

CONSOLIDATED BALANCE SHEET (MSEK)

	December 31, 1998	March 31, 1998 pro forma*	March 31, 1999
Fixed assets			
Capitalized development costs	51	59	54
Goodwill	322	322	312
Machinery, equipment, property etc	7,870	7,612	7,915
Other stocks and participations	1,304	1,118	996
Long-term receivables	<u>1,047</u>	<u>1,263</u>	<u>1,216</u>
	10,594	10,374	10,493
Current assets			
Inventories	1,553	1,437	1,616
Short-term receivables	1,848	1,847	2,211
Cash, bank and short-term investments	<u>1,625</u>	<u>1,508</u>	<u>1,731</u>
	5,026	4,792	5,558
Total assets	<u>15,620</u>	<u>15,166</u>	<u>16,051</u>
Equity			
Restricted equity	4,508	4,455	4,488
Unrestricted equity	<u>1,303</u>	<u>1,858</u>	<u>968</u>
	5,811	6,313	5,456
Minority interests in equity	24	51	19
Provisions	1,887	1,812	1,213
Long-term liabilities			
Non-interest bearing liabilities	1	17	1
Interest-bearing liabilities	<u>6,169</u>	<u>5,405</u>	<u>6,685</u>
	6,170	5,422	6,686
Short-term liabilities			
Non-interest bearing liabilities	1,545	1,331	1,810
Interest-bearing liabilities	<u>183</u>	<u>237</u>	<u>867</u>
	1,728	1,568	2,677
Total stockholders' equity and liabilities	<u>15,620</u>	<u>15,166</u>	<u>16,051</u>

CONSOLIDATED STATEMENT OF CASHFLOWS (MSEK)

	1998 Full year	1998 January 1-March 31 pro forma*	1999 January 1-March 31
Cashflow from			
operations	155	63	- 56
investing activities	- 842	70	- 407
financing activities	<u>532</u>	<u>- 301</u>	<u>521</u>
Net change in cash and cash equivalents	- 155	- 168	58
Cash and cash equivalents at beginning of period	<u>491</u>	<u>491</u>	<u>336</u>
Cash and cash equivalents at end of period	<u>336</u>	<u>323</u>	<u>394</u>

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