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## YEAR-END RELEASE 2006

- The market value of the Group's holdings of listed securities increased during the year by 42%, corresponding to SEK 11,063 million, including dividends received from Tele2, MTG and Transcom totaling SEK 485 million. On 31 December 2006, the market value of the listed share portfolio was SEK 36,518 million.
- Korsnäs Industrial's pro forma revenues, which include Frövi from 1 January 2005, increased by 5% from SEK 6,105 million to SEK 6,392 million for full-year 2006.
- Operating profit for Korsnäs Industrial pro forma, excluding restructuring costs, increased by 23% from SEK 668 million to SEK 821 million for full-year 2006.
- Earnings for the fourth quarter of 2006 were charged with SEK 183 million in restructuring costs in conjunction with the integration of Korsnäs Frövi. The restructuring program, which will be more extensive than originally planned, includes the reduction of 125-140 full-time employees, increased productivity and reduced purchasing costs. The restructuring program is expected to generate annual savings of approximately SEK 200 million, with full effect from 2008.
- The Group's total revenue amounted to SEK 6,305 million (4,618) and operating profit for the year was SEK 478 million (353).
- Profit after tax for the year, including fair-value changes of financial assets and result from discontinued operations, amounted to SEK 11,549 million (4,097).
- The profit per share for continuing operations was SEK 43.79 (16.75).
- The Board proposes that the Annual General Meeting decide on a cash dividend amounting to SEK 1.70 (1.60) per share.

## MANAGEMENT

The market value of the Group's holdings of listed securities increased by 42% during the year, equal to SEK 11,063 million including dividends received from Tele2, Modern Times Group ("MTG") and Transcom WorldWide ("Transcom") totaling SEK 485 million. On 31 December 2006 the market value of the listed share portfolio amounted to SEK 36,518 million. On 16 February 2007 the corresponding amount was SEK 43,470 million. The change in value is shown in the consolidated income statement.

Since 1976, the Kinnevik share has generated an average total return of 16.1% annually as a result of rising share prices and dividends, including the value of subscription offers. During the past five years, the Kinnevik share has provided an average

total return of 20.6% annually. For 2006 the total return was 57.6%. The calculation of the total return is based on the assumption that shareholders retained their allotment of shares in Tele2, MTG, Metro International ("Metro"), Transcom and Invik & Co. ("Invik").

## CONSOLIDATED RESULT FOR THE FOURTH QUARTER

Total revenues for the fourth quarter of the year amounted to SEK 1,767 million, compared with SEK 1,199 million the preceding year, of which Korsnäs Frövi accounted for SEK 600 million in the current year.

Operating loss amounted to SEK 124 million (profit of 51). Korsnäs Industrial's operating result for the fourth quarter of 2006 was charged with

## BOOK AND MARKET VALUE OF ASSETS

	A shares	B shares	Equity interest (%)	Voting interest (%)	Book value 31 Dec 2006 (SEK m)	Market value 31 Dec 2006 (SEK m)	Change since 31 Dec 2005 <sup>1)</sup>
<b>Listed holdings</b>							
Tele2	25,830,229	99,651,296	28.2	45.3	12,548	12,548	20%
Millicom International Cellular	37,835,438		37.6	37.6	16,326	16,326	102%
Metro International	103,408,698	129,138,208	44.1	39.2	2,116	2,116	- 32%
Modern Times Group MTG	9,821,336	113,675	14.8	47.5	4,471	4,471	46%
Transcom WorldWide	12,627,543		17.4	34.7	998	998	21%
Kontakt East	1,440,000		18.0	18.0	59	59	-
<b>Total listed holdings</b>					<b>36,518</b>	<b>36,518</b>	<b>42%</b>
<b>Unlisted and other holdings</b>							
Korsnäs Industrial and Forestry <sup>2)</sup>			100	100	6,927	11,559 <sup>4)</sup>	
Interest bearing external liabilities relating to Korsnäs					- 6,998	- 6,998	
Mellersta Sveriges Lantbruk <sup>3)</sup>			100	100	430	500	
Invik convertible, option element					447	447	
Other assets and liabilities					- 44	0	
<b>Total unlisted holdings</b>					<b>762</b>	<b>5,508</b>	
Interest bearing net debt including convertible loan in Invik (excluding liabilities relating to Korsnäs)					- 2,858	- 2,858	
<b>Total equity / net asset value</b>					<b>34,422</b>	<b>39,168</b>	
<b>Net asset value per share, SEK</b>						<b>148,4</b>	
<b>Closing price B share 31 December 2006, SEK</b>						<b>115,0</b>	
<b>Net asset value discount</b>						<b>22%</b>	

<sup>1)</sup> Including dividends received.

<sup>2)</sup> Including 5% of the shares in Bergvik Skog and 41% of the shares in Karskär Energi.

<sup>3)</sup> Including 22% of the shares in Black Earth Farming.

<sup>4)</sup> Consensus among analysts covering Kinnevik.

restructuring costs of SEK 183 million in conjunction with the integration of Frövi, which was acquired during the year. Korsnäs Industrial's operating profit for the fourth quarter of 2005 was charged with a severance pay provision of SEK 69 million. As a result of longer and more extensive maintenance downtimes compared with the year-earlier quarter, the fourth quarter was charged with maintenance costs totaling SEK 113 million, compared with SEK 16 million for Korsnäs Gävle in 2005. Most of the preceding year's maintenance was performed during the long production downtime for rebuilding Paper Machine 4, in the spring of 2005.

The net change in the fair value of financial assets amounted to an overall increase of SEK 9,360 million (3,867) of which Tele2 accounted for an increase of SEK 3,262 million (784), Millicom an increase of SEK 5,032 million (2,678), Metro an increase of SEK 46 million (decrease of 84), MTG an increase of SEK 710 million (392), Transcom an increase of SEK 89 million (decrease 8) and convertibles in Invik an increase of SEK 121 million (61).

Other financial income and expenses amounted to a net expense of SEK 100 million (expense of 58), of which net interest expenses were SEK 91 million (expense of 43) and exchange rate differences were a loss of SEK 1 million (0).

The group reported a profit after financial items of SEK 9,136 million (3,860).

## CONSOLIDATED RESULT FOR THE FULL YEAR 2006

Total revenues for the year amounted to SEK 6,305 million, compared with SEK 4,618 million in the preceding year. This year's revenue includes Korsnäs Frövi with SEK 1,428 million from the time the company was included in the Group on 1 June.

Operating profit amounted to SEK 478 million (353). Korsnäs Industrial's operating profit was charged with SEK 183 million in restructuring costs 2006 in conjunction with the integration of Korsnäs Frövi. Operating profit for 2005 was charged with a provision of SEK 69 million pertaining to severance pay.

The net change in the fair value of financial assets and dividends received amounted to an overall increase of SEK 11,462 million (4,523), of which Tele2 accounted for an increase of SEK 2,102 million (376), Millicom an increase of SEK 8,248 million (2,462), Metro a decrease of SEK 925 million (decre-

ase of 402), MTG an increase of SEK 1,402 million (1,495), Transcom an increase of SEK 211 million (377) and convertibles in Invik an increase of SEK 349 million (98).

Other financial income and expenses amounted to a net expense of SEK 332 million (expense of 229), of which net interest expenses were SEK 310 million (expense of 188) and exchange rate differences were a loss of SEK 3 million (loss of 6). The reduced net interest was due to increased loans at the acquisition of Frövi and results being charged with approximately SEK 20 million in interest expenses as a result of the arbitration loss with regard to production tax on electricity within Korsnäs.

The Group reported a profit after financial items of SEK 11,608 million (4,647).

The Group reported a tax expense of SEK 47 million (224). In comparable figures for 2005, earnings have been charged with SEK 205 million in tax expenses attributable to the outcome of tax disputes related to previous years.

## EARNINGS PER SHARE

Earnings per share from continuing operations was SEK 43.79 (16.75) for the full year. The total number of shares outstanding at 31 December 2006 was 263,981,930, of which 50,197,050 were class A shares and 213,784,880 class B shares, which is unchanged since 31 December 2005.

## FINANCIAL POSITION AND INVESTMENTS

The Group's available liquidity, including short-term investments and unutilized credit facilities, totaled SEK 929 million at 31 December 2006 and SEK 699 million at 31 December 2005.

The Group's interest-bearing net debt amounted to SEK 9,856 million at 31 December 2006 and SEK 7,269 million at 31 December 2005. The change was attributable mainly to the acquisition of Frövi and the divestment of Korsnäs Packaging.

The average interest cost for the year amounted to 3.5% (2.8%) (calculated as interest expense in relation to average interest-bearing liabilities). All loans have fixed interest term of no longer than three months.

The Group's cash flow from operating activities during the year amounted to SEK 1,533 million (52). The change compared with the preceding year was primarily attributable to Korsnäs Industrial's improved operating profit, SEK 310 million exclu-

ding the effects of restructuring provisions, a positive change in working capital amounting to SEK 714 million and reduced tax payments amounting to SEK 351 million.

Of the acquisition of subsidiaries for SEK 3,638 million, SEK 3,636 million is the purchase price paid for Frövi (net after cash received totalling SEK 34 million). The payment received from the sale of Korsnäs Packaging, amounted to SEK 606 million (net after deduction of the company's cash balance of SEK 56 million).

Investments in and sales of financial fixed assets are shown in the tables below.

<b>Investments in securities</b>	<b>Amount (SEK Number million)</b>	
<b>1 Jan. – 31 Dec. 2006</b>		
Black Earth Farming Ltd	16,780,800	215
Kontakt East Holding AB	1,440,000	34
Relevant Traffic Europe AB	81,124	28
Other		<u>11</u>
		288
<b>1 Jan. – 31 Dec. 2005</b>		
Metro A	100,000	2
Millicom convertible	35,000,000	235
Millicom shares	2,692,903	381
MTG A	110,450	33
Transcom A	687,300	<u>26</u>
		677
<b>Sales of securities</b>		
		<b>Amount (SEK Number million)</b>
<b>1 Jan. – 31 Dec. 2006</b>		
Phonera	2,680,000	<u>4</u>
		4
<b>1 Jan. – 31 Dec. 2005</b>		
AcandoFrontec	2,127,580	17
Cherryföretagen	8,780,749	218
Metro B	100,000	2
Millicom convertible	35,000,000	219
MTG B	110,450	34
Transcom B	2,974,779	<u>148</u>
		638

Investments in tangible fixed assets amounted to SEK 308 million (442) for the year.

The Group's equity/assets ratio was 72% at 31 December 2006 compared to 70% at 31 December 2005.

The Group's borrowing is primarily arranged in SEK. On an annual basis, the net flow in foreign currencies is a net inflow of about SEK 1,000 million, comprised mainly of Korsnäs Industrial's sales in Euro.

## KORSNÄS

Following the acquisition of Frövi and the finalization of the divestment of Korsnäs Packaging in May 2006, Korsnäs and its subsidiaries pursue operations in the production of virgin fiber-based packaging material (Korsnäs Industrial) for primarily consumer products at the two mills in Gävle and Frövi, and the purchase of wood and fiber (Korsnäs Forestry). Korsnäs also owns 5% of the shares in Bergvik Skog and 41% of the shares in Karskär Energi. Transactions that were finalized during the year highlighted Korsnäs' strategy of focusing on its successful operation within refined board and paper products for the packaging industry.

Korsnäs' pro forma revenue, including Frövi and excluding Korsnäs Packaging from 1 January 2005, increased by 6% from SEK 6,803 million to SEK 7,177 million in 2006. Pro forma operating profit, excluding restructuring costs of SEK 183 million (69), amounted to SEK 875 million (730) for the year.

## Korsnäs Industrial

The general upturn of the economy that characterized 2006 also resulted in increased demand in Korsnäs' markets. Compared with 2005, delivery volumes for paper, pulp and board products increased by 2% to 1,037 thousand tons for Korsnäs Gävle and Korsnäs Frövi combined. Sales volumes increased in all product areas with the exception of fluff pulp, production of which discontinued in April 2006 and the remaining inventories of which were subsequently sold.

Demand for liquid packaging board was normal during the year and Korsnäs increased its deliveries, compared with 2005. The market for White Top Liner improved somewhat and Korsnäs strengthened its market position with increased volumes to the main markets in Europe. Cartonboard experienced favorable development during the year with an increase of 10% in delivered volumes. The market for sack and kraft paper was stable in terms of prices and volumes and Korsnäs increased its volume of white paper in line with its strategy, when production of fluff pulp discontinued in April.

Compared with 2005, the intended change in Korsnäs Gävle's product portfolio, from unbleached paper and fluff pulp to an increased share of refined board products and white sack and kraft paper has now been achieved.

Production output in 2006 amounted to 1,058 thousand tons, which was 3.5% higher than for 2005. This is a production record for board and paper manufacture in both Gävle and Frövi, with total production of 684 thousand and 374 thousand tons respectively. The primary reasons for the increase were investments in Board Machine 5 at Frövi during the autumn of 2005 and the fact that volumes from Paper Machine 4 ("PM4") were lower in 2005 due to rebuilding. The quality of the products from the rebuilt PM4 meets our expectations. During the week-long maintenance stoppage in the autumn, a new headbox was installed on PM2 at a cost of SEK 50 million. The machine was restarted according to plan, with improved product quality in the machine's demanding bleached products.

During an extended two-week-long maintenance stoppage at Frövi, new equipment for back coating was installed on Board Machine 5. The amount invested was approximately SEK 100 million. The back coater is a prerequisite included in the introduction of a new product, Frövi White, which will be launched in the market at the beginning of 2007. Production of kraft pulp in Frövi totaled 260 thousand tons, which was also a new production record.

The integration work that commenced in conjunction with the acquisition of Frövi in May with the aim of achieving results improvements in production, purchasing and other support functions, continues as planned. Several projects have been started to further increase productivity at both mills in Gävle and Frövi. The original goal to achieve results improvements of more than SEK 150 million on an annual basis following complete implementation of the restructuring program is expected to be surpassed. Annual results improvements from the restructuring program, which started during the latter part of 2006, are presently estimated to total approximately SEK 200 million, with the full effect on earnings from 2008.

Total revenues for Korsnäs Industrial amounted to SEK 5,451 million (3,858) during the year, of

which Korsnäs Frövi accounted for SEK 1,428 million from 1 June 2006 when the company was consolidated. Operating profit for Korsnäs Industrial amounted to SEK 486 million (314). Restructuring costs of SEK 183 million to achieve synergies and other efficiency enhancements were charged against operating profit for the fourth quarter of 2006, compared with SEK 69 million in provisions for severance pay during the fourth quarter of 2005. Restructuring costs for 2006 include severance pay provisions for 125-140 full-time employees, who will gradually leave the Group during 2007. Significant cost increases for electricity and oil-price-sensitive chemicals also had a negative impact on earnings for 2006. Energy costs, in addition to high market prices, were also negatively influenced by the breakdown of a back-pressure aggregate belonging to associated company Karskär Energi. The effects of Hurricane Gudrun kept back pulpwood prices at the beginning of 2006, which caused annual costs to remain almost unchanged compared with 2005.

Korsnäs Industrial's pro forma revenue, which includes Frövi from 1 January 2005, increased by 5% from SEK 6,105 million to SEK 6,392 million in 2006. Pro forma operating income, excluding restructuring costs of SEK 183 million (69), totaled SEK 821 million (668) for the year. Operating income includes maintenance costs of SEK 113 million (90) in conjunction with production downtime at both mills, with the majority of costs for 2005 being charged against the second-quarter earnings, while 2006 costs were charged against the fourth quarter.

Integration activity following the acquisition of Frövi has shown that the industrial logic on which the transaction was based has been realized to date, and even surpassed in terms of synergy effects following the implementation of the above-mentioned restructuring and knowledge transfer between the two companies. Consequently, the global GDP growth, combined with the effects of the acquisition, creates the prerequisites for a positive profit trend in Korsnäs in the years ahead. However, the positive effects will be offset by negative effects from price increases for input goods, with the announced wood and energy price increases expected to have the most impact on Korsnäs' operating income.



### **Korsnäs Forestry**

Wood prices for sawn timber and soft pulpwood, which declined due to hurricane Gudrun, increased in 2006 to the levels prior to the hurricane. Korsnäs' agreements with Bergvik Skog and Sveaskog means that price increases will not fully influence Korsnäs' purchase prices until 2007. Swedish prices for hard pulpwood remained unchanged, while prices in Russia and the Baltic States declined during the first part of the year, only to again increase toward the end of the year. During the year, Korsnäs' inventories of softwood fibers declined to the level prior to the hurricane.

Within the Latvian company Sia Latgran, pellet production totaled approximately 66 thousand tons following the installation of a new press at the beginning of the year. Sales are in line with production and as a result of a strong demand trend, prices have been gradually raised. During the fourth quarter, it was decided to invest approximately SEK 120 million in a second pellet plant with an annual production capacity of approximately 110 thousand tons, from the date the plant comes into operation early in 2008.

Korsnäs Forestry's revenue for the year totaled SEK 1,860 million (1,741) and operating profit amounted to SEK 54 million (62). The comparative figure for 2005 included SEK 40 million that represented a value increase for forests reported in conjunction with the divestment of the Latvian forest land during the fourth quarter of 2005.

### **MELLERSTA SVERIGES LANTBRUK**

Due to the long, hot and dry summer, the year's harvest was the lowest in many years. The heavy rainfall in the autumn made harvesting complicated and lengthy. In both Sweden and Poland, the harvest volume represented only 75% of the average for the past few years. However, conditions were similar throughout Europe. Consequently, the existing intervention inventories emptied rapidly while prices increased. During the autumn, price levels were up to 40% higher for certain types compared with 2005. Prices for low-quality grain, which is normally difficult to sell, were even higher than prices paid for high quality grain the preceding year.

The investment in Black Earth Farming turned out favorably and at year-end the company had approximately 120,000 hectares of arable land

under its control. Since the price of land is expected to remain attractive, the company will continue with its land acquisition. Land cultivation commenced and during the autumn the first acreages were harvested and the harvest sold. Efforts to cultivate the land will intensify during 2007. During the fourth quarter, the company received an additional USD 70 million through a new share issue for continued expansion. Kinnevik participated in the new share issue and invested an additional USD 15 million (SEK 109 million), with the result that Kinnevik's participating interest of 22% of the capital in the company is unchanged.

Total revenue for Mellersta Sveriges Lantbruk for the year amounted to SEK 59 million (52) and operating profit was SEK 2 million (8), of which profit participation in the Russian operation, Black Earth Farming, was a negative SEK 3 million (-). The loss from Black Earth Farming applies to the period up to 30 September 2006, since the participation in the associated company is reported with a quarter's delay.

### **OTHER NEW VENTURES**

#### **Relevant Traffic Europe**

In September, Kinnevik invested SEK 28 million in a new share issue in Relevant Traffic Europe AB. Following the new share issue, Kinnevik owns 36% of the voting rights and capital in the company and has the option to later acquire additional shares from the company's other shareholders, increasing Kinnevik's ownership to 51%.

Relevant Traffic is a European full-service company within search marketing. The company has 40 employees in its offices in France, Spain, the UK, Germany and Sweden. Customers comprise everything from e-trading companies, banks and travel companies to niche companies that wish to be available when someone seeks their services and products in search engines or price comparison sites. Relevant Traffic's goal is to maximize its customers' yield on implemented marketing by providing relevant traffic, which includes search engines, contextual environments and price comparison sites. Sales for the Group were SEK 38 million during the first six months of the split fiscal year May 2006 – April 2007.

### Kontakt East Holding

In November, Kinnevik acquired shares and options totaling SEK 34 million in Kontakt East Holding AB prior to its listing on First North. The investment represents a participating interest of 18% in the company. Kontakt East owns the search services company Yellow Pages Russia, YPR. The market value of Kinnevik's shareholding in Kontakt East amounted to SEK 59 million at 31 December 2006.

### TELE2

The market value of Kinnevik's shareholding in Tele2 amounted to SEK 12,548 million on 31 December 2006.

Tele2 offers fixed and mobile telephony, broadband, data network services, cable TV and content services to 29 million customers in 22 countries.

In October, Tele2 announced that it had signed a contract to divest its French fixed network and broadband operations to Société Française du Radiotéléphone (SFR) for approximately SEK 3.3 billion.

Tele2's shares are listed on the Stockholm Stock Exchange's Nordic list for large-cap companies in the telecommunications services sector.

Tele2's revenue and result for 2005 and 2006 amounted to:

<b>(SEK million)</b>	<b>2006</b>	<b>2005</b>
Revenue	50,306	44,457
EBITDA	5,652	5,772
Operating profit/loss EBIT	-1,623 *	2,814

\* Including write-down of goodwill of SEK 3,300 million.

### MILlicom INTERNATIONAL CELLULAR

The market value of Kinnevik's shareholding in Millicom amounted to SEK 16,326 million on 31 December 2006.

In January 2007, Millicom announced that it had signed an agreement to divest its operation in Pakistan to China Mobile Communications Corporation for an estimated value of the entire company of USD 460 million.

Millicom offers affordable and easily accessible mobile telephone services to all market segments in 16 countries in Latin America, Africa and Asia, which combined represent an overall market of 280 million people (excluding Pakistan).

On 31 December, Millicom had 14.9 million subscribers in countries where the company has conti-

nued operations, which is an increase of 99% since 31 December 2005.

Millicom's shares are listed on NASDAQ in New York and the Stockholm Stock Exchange's Nordic list for large-cap companies in the telecommunications services sector.

Millicom's revenue and result for 2005 and 2006 amounted to:

<b>(USD million)</b>	<b>2006</b>	<b>2005</b>
Revenue	1,576	923
EBITDA	717	438
Operating profit EBIT	441	275

### METRO INTERNATIONAL

The market value of Kinnevik's shareholding in Metro amounted to SEK 2,116 million on 31 December 2006.

Metro is the world's largest and fastest-growing international newspaper with over 20 million daily readers. Metro is published in over 100 major cities in 20 countries in Europe, North and South America and Asia. The newspapers are distributed free of charge and income is generated primarily through advertising sales.

In January 2007, Metro announced that its Polish newspaper will be discontinued due to unsatisfactory profitability.

Metro's shares are listed on the Stockholm Stock Exchange's Nordic list for mid-cap companies in the consumer discretionary sector.

Metro's revenue and result for 2005 and 2006 amounted to:

<b>(USD million)</b>	<b>2006</b>	<b>2005</b>
Revenue	417	360
Operating profit EBIT	17	-3

### MODERN TIMES GROUP MTG

The market value of Kinnevik's shareholding in MTG amounted to SEK 4,471 million on 31 December 2006.

MTG is a leading international media company with operations in more than 30 countries around the world. MTG is the largest free and pay-TV operator in the Nordic region and the Baltic States, the largest shareholder in Russia's largest independent TV channel CTC Media and the number one commercial radio operator in the Nordic region. Viasat Broadcasting, MTG's business area for all TV operations, transmits TV channels to 22 European countries and reaches more than 90 million people

daily.

MTG's shares are listed on the Stockholm Stock Exchange's Nordic list for large-cap companies in the consumer discretionary sector.

MTG's revenue and result for 2005 and 2006 amounted to:

<b>(SEK million)</b>	<b>2006</b>	<b>2005</b>
Revenue	10,136	8,012
Operating profit EBIT	1,777	1,213

### **TRANSCOM WORLDWIDE**

The market value of Kinnevik's shareholding in Transcom amounted to SEK 998 million on 31 December 2006.

Transcom is a rapidly expanding Customer Relationship Management (CRM) solution provider with 56 service centers in 28 countries. Transcom provides solutions within CRM and debt collection for companies within telecommunication, e-trading, travel & tourism, retail, financial services and in utilities.

In October, Transcom signed an agreement with SFR for the supply of CRM services in France.

During the fourth quarter, Transcom opened a new call center in Concepción, Chile, and its second call center in Osijek, Republic of Croatia.

Transcom's shares are listed on the Stockholm Stock Exchange's Nordic list for mid-cap companies in the industrials sector.

Transcom's revenue and result for 2005 and 2006 amounted to:

<b>(EUR million)</b>	<b>2006</b>	<b>2005</b>
Revenue	540	445
EBITDA	48	43
Operating profit EBIT	38	33

### **INVIK & CO.**

On 31 December 2006, Kinnevik held convertible debt instruments in Invik with a nominal value of SEK 235 million. On 16 January 2007, Kinnevik called for conversion of the debt instruments, after which Kinnevik holds 4,519,230 shares corresponding to 14.6% of the capital and 25.4% of the voting rights in Invik. On 31 December 2006, the convertibles were valued at SEK 682 million in Kinnevik's accounts, which corresponded to the market value.

The Invik Group comprises companies focusing on insurance, banking and fund management. A common feature of the companies within the group

is that they seek larger market shares in their selected growth segments, providing the basis for rapid growth with profitability.

During the fourth quarter, Invik Fonder continued to strengthen its market shares. The total fund volume increased to SEK 15.1 billion at the end of December, an increase of 86% compared to the end of December 2005.

Invik's shares are listed on the Stockholm Stock Exchange's Nordic list for mid-cap companies in the financial and real estate sectors.

Invik's revenue and result for 2005 and 2006 amounted to:

<b>(SEK million)</b>	<b>2006</b>	<b>2005</b>
Revenue	1,907	1,393
Operating profit EBIT	387	218

### **THE PARENT COMPANY**

The Parent Company's revenue for the year amounted to SEK 12 million (12) and administrative expenses totaled SEK 85 million (67). Administrative expenses for 2006 included provision for a lost dispute pertaining to value-added tax of SEK 13 million, and provision for expenses of SEK 26 million for the company's former CEO.

Dividends received amounted to SEK 485 million (462). The net of other financial income and expenses was an expense of SEK 196 million (income of 93).

The Parent Company's profit after financial items was SEK 219 million (512).

Investments in tangible fixed assets amounted to SEK 2 million (2).

The Parent Company's liquidity, including short-term investments and unutilized credit facilities totaled SEK 311 million at 31 December 2006 and SEK 364 million at 31 December 2005.

The Parent Company's interest-bearing external liabilities amounted to SEK 4,589 million as of 31 December 2006 and SEK 4,620 million as per 31 December 2005.

### **ACCOUNTING PRINCIPLES**

From 2005, the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. This report was prepared in accordance with the Annual Accounts Act and IAS 34, Interim Financial Reporting.

The accounting principles applied in this report are those described in the 2005 Annual Report, with



the addition of changes in IAS 19, whereby actuarial gains and losses on defined-benefits pension plans are reported directly against shareholders' equity. This has been retroactively corrected in the opening balance for 2005.

#### **DIVIDEND**

The Board proposes that the Annual General Meeting decide on a cash dividend of SEK 1.70 (1.60) per share.

#### **KINNEVIK'S ANNUAL GENERAL MEETING 2007**

The 2007 Annual General Meeting will be held on Thursday 10 May 2007 at 1:30 p.m. at the Skandia Cinema, Drottninggatan 82, Stockholm.

Shareholders wishing to have a matter considered at the Annual General Meeting should submit their proposals in writing to [arsstamma@kinnevik.se](mailto:arsstamma@kinnevik.se), or to The Company Secretary, Investment AB Kinnevik, Box 2094, SE-103 13 Stockholm, Sweden, at least seven weeks before the Annual Meeting (22 March), in order to guarantee that the proposal may be included in the notice to the meeting.

Further information on how and when to register will be published in advance of the Annual General Meeting.

#### **NOMINATION COMMITTEE FOR THE 2007 ANNUAL GENERAL MEETING**

A Nomination Committee of major shareholders in Kinnevik has been convened in accordance with the resolution of the 2006 Annual General Meeting. The Nomination Committee is comprised of Cristina Stenbeck on behalf of Emesco AB and other shareholders, Mats Guldbrand on behalf of AMF Pension, Wilhelm Klingspor on behalf of the Klingspor family, Mats Lagerqvist on behalf of Robur Fonder and Tomas Nicolin on behalf of Alecta, who together represent more than 50% of the voting rights in Kinnevik. Information about the work of the Nomination Committee can be found on Kinnevik's corporate website at [www.kinnevik.se](http://www.kinnevik.se).

#### **EVENTS AFTER THE CLOSE OF THE REPORTING PERIOD**

On 16 January 2007, Kinnevik called for the conversion of all debt instruments owned by Kinnevik in Invik to shares. The convertible debt instruments had nominal value of SEK 235 million and were

converted into 2,148,710 class A Shares and 2,370,520 class B Shares in Invik at the preset conversion price of SEK 52 per share. After conversion, Kinnevik's ownership corresponds to 14.6% of the capital and 25.4% of the voting rights in Invik. On 31 December 2006, the convertibles were valued at SEK 682 million in Kinnevik's accounts. As a result of the conversion, Kinnevik's net debt increased by SEK 235 million, compared with the reported amount on 31 December 2006.

At the beginning of February, Kinnevik's subsidiary Mellersta Sveriges Lantbruk signed an agreement to divest the Ullevi farm outside Vadstena for SEK 81 million, which will result in a capital gain of approximately SEK 70 million in Kinnevik's consolidated accounts.

#### **FINANCIAL REPORTS**

The Annual Report for 2006 is scheduled to be released during March 2007 and will be available on the company's web site.

The interim report for the period January – March 2007 will be published on 26 April 2007.

Stockholm, 19 February 2007

Board of Directors

#### **FOR FURTHER INFORMATION, PLEASE VISIT [WWW.KINNEVIK.SE](http://WWW.KINNEVIK.SE) OR CONTACT:**

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*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, Transcom WorldWide and Invik. 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, and farming through Mellersta Sveriges Lantbruk.*

*Investment AB Kinnevik's class A and class B shares are listed on the Stockholm Stock Exchange's Nordic list for large-cap companies within the financial and real estate sector. The ticker codes are KINV A and KINV B.*

## CONDENSED CONSOLIDATED INCOME STATEMENT (SEK million)

	2006	2005	2006	2005
	Full year	Full year	1 Oct-31 Dec	1 Oct-31 Dec
Revenue	6,305	4,618	1,767	1,199
Cost of goods and services	<u>- 5,404</u>	<u>- 4,085</u>	<u>- 1,698</u>	<u>- 1,134</u>
<b>Gross profit</b>	<b>901</b>	<b>533</b>	<b>69</b>	<b>65</b>
Selling, administration, research and development costs	- 492	- 309	- 193	- 91
Other operating income	116	151	11	57
Other operating expenses	- 46	- 28	- 9	18
Share of profit/loss of associates accounted for using the equity method	<u>- 1</u>	<u>6</u>	<u>- 2</u>	<u>2</u>
<b>Operating profit</b>	<b>478</b>	<b>353</b>	<b>- 124</b>	<b>51</b>
Dividends received	488	630	-	-
Change in fair value of financial assets	10,974	3,893	9,360	3,867
Interest income and other financial income	22	30	4	10
Interest expenses and other financial expenses	<u>- 354</u>	<u>- 259</u>	<u>- 104</u>	<u>- 68</u>
<b>Profit / loss after financial items</b>	<b>11,608</b>	<b>4,647</b>	<b>9,136</b>	<b>3,860</b>
Taxes	<u>- 47</u>	<u>- 224</u>	<u>56</u>	<u>9</u>
<b>Net profit for the period from continuing operations</b>	<b>11,561</b>	<b>4,423</b>	<b>9,192</b>	<b>3,869</b>
Net profit / loss from discontinued operations				
- Invik	-	108	-	-
- Korsnäs Packaging	<u>- 12</u>	<u>- 434</u>	<u>-</u>	<u>- 404</u>
<b>Net profit for the period</b>	<b>11,549</b>	<b>4,097</b>	<b>9,192</b>	<b>3,465</b>
<b>Attributable to equity holders of the Parent</b>	<b>11,547</b>	<b>4,097</b>	<b>9,192</b>	<b>3,465</b>
Earnings per share before /after dilution, SEK:				
- from continuing operations	43.79	16.75	34.82	14.66
- from discontinued operations	- 0.05	- 1.23	-	- 1.53
Average number of shares before /after dilution	263,981,930	263,981,932	263,981,930	263,981,930

**CONDENSED CONSOLIDATED CASH-FLOW STATEMENT (SEK million)**

	2006	2005
	<b>Full year</b>	<b>Full year</b>
Operating profit	478	353
Adjustment for non-cash items	618	327
Taxes paid	<u>- 18</u>	<u>- 369</u>
<b>Cash flow from operations before change in working capital</b>	<b>1,078</b>	<b>311</b>
Change in working capital	<u>455</u>	<u>- 259</u>
<b>Cash flow from operations</b>	<b>1,533</b>	<b>52</b>
Acquisition of subsidiaries	- 3,638	-
Disposal of subsidiaries	606	-
Investments in tangible and biological fixed assets	- 308	- 442
Sales of tangible and biological fixed assets	16	75
Investments in shares and other securities	- 288	- 677
Sales of shares and other securities	4	638
Dividends received	263	648
Change in loan receivables	21	16
Interest received	<u>22</u>	<u>8</u>
<b>Cash flow from investing activities</b>	<b>- 3,302</b>	<b>266</b>
Change in interest-bearing liabilities	2,453	276
Interest paid	- 314	- 244
Dividend paid	<u>- 422</u>	<u>- 66</u>
<b>Cash flow from financing activities</b>	<b>1,717</b>	<b>- 34</b>
<b>Total cash flow from continuing operations</b>	<b>- 52</b>	<b>284</b>
Amortisation on loan from Invik	-	- 158
Cash flow in Korsnäs Packaging	29	- 28
Lending to Korsnäs Packaging	<u>- 79</u>	<u>- 181</u>
<b>Cash flow to / from discontinued operations</b>	<b>- 50</b>	<b>- 367</b>
<b>Cash flow for the period</b>	<b>- 102</b>	<b>- 83</b>
Exchange rate differences in liquid funds	- 4	14
<b>Cash and bank, opening balance</b>	<b>212 <sup>1)</sup></b>	<b>281</b>
<b>Cash and bank, closing balance</b>	<b>106</b>	<b>212 <sup>1)</sup></b>

<sup>1)</sup> Including cash and bank in discontinued operations, SEK 27 million.

## SEGMENT REPORTING (SEK million)

	2006	2005	2006	2005
	Full year	Full year	1 Oct- 31 Dec	1 Oct- 31 Dec
<b>Revenue by segment</b>				
Korsnäs Industrial	5,451	3,858	1,511	985
Korsnäs Forestry	1,860	1,741	483	483
Eliminations within Korsnäs	<u>- 1,075</u>	<u>- 1,043</u>	<u>- 252</u>	<u>- 282</u>
Total Korsnäs	6,236	4,556	1,742	1,186
Mellersta Sveriges Lantbruk	59	52	22	11
Parent Company and other	22	22	6	5
Eliminations	<u>- 12</u>	<u>- 12</u>	<u>- 3</u>	<u>- 3</u>
<b>Total revenue</b>	<u><b>6,305</b></u>	<u><b>4,618</b></u>	<u><b>1,767</b></u>	<u><b>1,199</b></u>
<b>Operating profit / loss by segment</b>				
Korsnäs Industrial	486	314	- 130	15
Korsnäs Forestry	<u>54</u>	<u>62</u>	<u>28</u>	<u>43</u>
Total Korsnäs	540	376	- 102	58
Mellersta Sveriges Lantbruk	2	8	2	5
Parent Company and other	<u>- 64</u>	<u>- 31</u>	<u>- 24</u>	<u>- 12</u>
<b>Total operating profit</b>	<u><b>478</b></u>	<u><b>353</b></u>	<u><b>- 124</b></u>	<u><b>51</b></u>

**CONDENSED CONSOLIDATED BALANCE SHEET (SEK million)**

	2006	2005
	31 Dec	31 Dec
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible assets	621	17
Tangible and biological fixed assets	6,831	3,851
Financial assets accounted to fair value through profit and loss	37,518	26,318
<i>whereof interest-bearing</i>	245	270
Investment in companies accounted for using the equity method	333	70
Other fixed assets	<u>12</u>	<u>21</u>
	45,315	30,277
<b>Current assets</b>		
Inventories	1,414	994
Trade and other receivables	834	571
Tax receivables	29	65
Prepayments	35	27
Short-term investments	–	3
Cash and cash equivalents	<u>106</u>	<u>185</u>
	2,418	1,845
<b>Total assets continuing operations</b>	<b>47,733</b>	<b>32,122</b>
Assets held for sale, Korsnäs Packaging	–	1,135
<b>Total assets</b>	<b><u>47,733</u></b>	<b><u>33,257</u></b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Equity attributable to equity holders of the Parent Company	34,411	23,300
Equity attributable to minority	<u>11</u>	<u>–</u>
	34,422	23,300
<b>Long-term liabilities</b>		
Interest-bearing loans	8,110	6,882
Provisions for pensions	549	498
Other provisions	207	177
Deferred tax liability	1,518	722
Other liabilities	<u>4</u>	<u>4</u>
	10,388	8,283
<b>Short-term liabilities</b>		
Interest-bearing loans	1,548	347
Provisions	145	58
Trade and other payables	1,218	813
Income tax payable	8	12
Prepaid income	<u>4</u>	<u>2</u>
	2,923	1,232
<b>Total liabilities continuing operations</b>	<b>13,311</b>	<b>9,515</b>
Liabilities directly associated with the assets held for sale, Korsnäs Packaging	<u>–</u>	<u>442</u>
<b>Total shareholders' equity and liabilities</b>	<b><u>47,733</u></b>	<b><u>33,257</u></b>



**MOVEMENTS IN SHAREHOLDERS' EQUITY OF THE GROUP (SEK million)**

	2006	2005
	Full year	Full year
Opening balance		20,109
Effect of changed accounting principle		— 2
<b>Adjusted opening balance</b>	<b>23,300</b>	<b>20,107</b>
Translation differences	2	33
Actuarial losses relating to pension provision in accordance with IAS 19	— 16	— 13
<b>Changes in assets recognised in equity, excluding transactions with the Parent company's owners</b>	<b>— 14</b>	<b>20</b>
Net profit	<u>11,549</u>	<u>4,097</u>
<b>Total changes in assets, excluding transactions with the Parent company's owners</b>	<b>11,535</b>	<b>4,117</b>
Cash dividend	— 422	— 66
Distribution in kind	—	— 858
Minority's share in acquired companies	<u>9</u>	<u>—</u>
<b>Closing amount</b>	<b><u>34,422</u></b>	<b><u>23,300</u></b>
Equity attributable to the shareholders of the Parent company	34,411	23,300
Equity attributable to the minority	11	0

**KEY RATIOS**

	2006	2005
	31 Dec	31 Dec
Debt/equity ratio	0.3	0.3
Equity ratio	72%	70%
Net debt	9,856	7,269

**DEFINITIONS OF KEY RATIOS**

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

## FINANCIAL KEY RATIOS, BUSINESS AREAS (SEK million)

	2006	2006	2006	2006	2006	2005	2005	2005	2005	2005
	Full year	Q 4	Q 3	Q 2 <sup>1)</sup>	Q 1	Full year	Q 4	Q 3	Q 2	Q 1
<b>Revenue</b>										
Korsnäs Industrial	5,451	1,511	1,641	1,250	1,049	3,858	985	993	961	919
Korsnäs Forestry	1,860	483	451	470	456	1,741	483	391	422	445
Eliminations within Korsnäs	- 1,075	- 252	- 271	- 277	- 275	- 1,043	- 282	- 261	- 237	- 263
Total Korsnäs	6,236	1,742	1,821	1,443	1,230	4,556	1,186	1,123	1,146	1,101
Mellersta Sveriges Lantbruk	59	22	8	16	13	52	11	14	13	14
<b>Operating profit / loss before depreciation (EBITDA)</b>										
Korsnäs Industrial	987	29	438	273	247	645	103	259	83	200
Korsnäs Forestry	64	31	16	10	7	73	46	4	11	12
Total Korsnäs	1,051	60	454	283	254	718	149	263	94	212
Mellersta Sveriges Lantbruk	9	3	- 2	5	3	15	7	4	0	4
<b>Operating profit / loss after depreciation (EBIT)</b>										
Korsnäs Industrial	486	- 130	290	163	163	314	15	176	3	120
Korsnäs Forestry	54	28	13	8	5	62	43	2	8	9
Total Korsnäs	540	- 102	303	171	168	376	58	178	11	129
Mellersta Sveriges Lantbruk	2	2	- 3	2	1	8	5	2	- 1	2
<b>Operating margin</b>										
Korsnäs Industrial	8.9%	- 8.6%	17.7%	13.0%	15.5%	8.1%	1.5%	17.7%	0.3%	13.1%
Korsnäs Forestry	2.9%	5.8%	2.9%	1.7%	1.1%	3.6%	8.9%	0.5%	1.9%	2.0%
Total Korsnäs	8.7%	- 5.9%	16.6%	11.9%	13.7%	8.3%	4.9%	15.9%	1.0%	11.7%
Mellersta Sveriges Lantbruk	3.4%	9.1%	-37.5%	12.5%	7.7%	15.4%	45.5%	14.3%	- 7.7%	14.3%
<b>Operational capital employed</b>										
Korsnäs Industrial	6,552	8,051	8,317	5,517	4,144	4,229	4,272	4,349	4,325	4,123
Korsnäs Forestry	261	268	261	269	243	238	248	251	229	228
Total Korsnäs	6,813	8,319	8,578	5,786	4,387	4,467	4,520	4,600	4,554	4,351
Mellersta Sveriges Lantbruk	319	371	311	261	273	203	220	192	185	204
<b>Return on operational capital employed</b>										
Korsnäs Industrial	7.4%	- 6.5%	13.9%	11.8%	15.7%	7.4%	1.4%	16.2%	0.3%	11.6%
Korsnäs Forestry	20.7%	41.8%	19.9%	11.9%	8.2%	26.1%	69.4%	3.2%	14.0%	15.8%
Total Korsnäs	7.9%	- 4.9%	14.1%	11.8%	15.3%	8.4%	5.1%	15.5%	1.0%	11.9%
Mellersta Sveriges Lantbruk	0.6%	2.2%	- 3.9%	3.1%	1.5%	3.9%	9.1%	4.2%	neg.	3.9%
<b>Korsnäs Industrial</b>										
Production, thousand tons	894	243	269	201	181	664	177	180	134	173
Deliveries, thousand tons	890	239	270	204	177	671	168	170	169	164

<sup>1)</sup> Korsnäs Frövi is included from 1 June 2006.

## Korsnäs Industrial pro forma including Frövi (excluding restructuring costs of SEK 183 million in Q4 2006 and SEK 69 million in Q4 2005):

Revenue	6,392	1,511	1,641	1,650	1,590	6,105	1,512	1,525	1,597	1,471
Operating profit before depreciation (EBITDA)	1,436	212	444	392	388	1,262	282	391	247	342
Operating profit after depreciation (EBIT)	821	53	296	237	235	668	128	242	102	196
Operating margin	12.8%	3.5%	18.0%	14.4%	14.8%	10.9%	8.5%	15.9%	6.4%	13.3%
Production, thousand tons	1,058	243	269	267	279	1,022	269	264	227	262
Deliveries, thousand tons	1,037	245	270	264	258	1,014	248	251	266	249

## Appendix 1

### Acquisition of 100% of the shares in AssiDomän Cartonboard Holding AB

On 15 November 2005, Korsnäs AB signed an agreement with Sveaskog Förvaltnings AB ("Sveaskog") for the acquisition of all shares in its subsidiary AssiDomän Cartonboard Holding AB ("Frövi"). The acquisition was completed after approval from the European Commission on 12 May 2006. Korsnäs Frövi is fully consolidated in the Group from 1 June 2006 and is reported in the Korsnäs Industrial segment. The purchase price including repayment of Frövi's intra-group loans and transaction costs amounted to SEK 3,670 million. The acquisition generated goodwill of SEK 604 million after surplus value of SEK 831 million was allocated to tangible fixed assets, SEK 29 million to inventory and a deferred tax liability in the amount of SEK 241 million was recorded. The reported surplus value for tangible fixed assets will result in an increase of SEK 69 million in Frövi's depreciation, on a yearly basis, compared with previously reported depreciation. Goodwill, in connection with the acquisition of Frövi, pertains to Korsnäs' expectation of strengthening its position in the market for Liquid Packaging Board and Folding Carton and the expectation of receiving economies of scale, which would result in reduced costs when Frövi is integrated into Korsnäs' existing operations.

Frövi's operations have contributed to an operating income in the amount of SEK 6 million and a net loss of SEK 49 million for the Group during the period June-December, including restructuring costs of SEK 118 million. The above-mentioned adjustment of Frövi's reported value of inventory has had a SEK 29 million negative impact on the operating result for Korsnäs Frövi for the period June-December as a result of increased costs of goods sold from inventory, which on acquisition was reported above Frövi's production costs.

If Frövi had been consolidated from 1 January 2006, the operation would have contributed with sales of SEK 2,369 million, operating profit of SEK 130 million and a net profit of SEK 14 million to the Group's consolidated earnings. The operating profit includes restructuring costs of SEK 118 million and an increase in depreciation of assets totalling SEK 98 million. Net profit also includes financing costs totalling SEK 55 million and a positive tax charge of SEK 38 million. Revenue for the entire Group had

then totaled SEK 7,246 million and net profit had amounted to SEK 11,612 million.

Detail of identifiable assets and liabilities at the time of acquisition:

	Frövis earlier reported value	Value in purchase price allocation
<b>Net assets acquired (SEK million)</b>		
Tangible fixed assets	2,307	3,138
Investment in companies accounted for using the equity method	1	1
Inventories	442	471
Other current assets	567	567
Cash and cash equivalents	34	34
Provisions for pensions	- 36	- 36
Deferred tax liability	- 539	- 780
Interest-bearing external loans	- 1	- 1
Trade and other non interest-bearing liabilities	- 328	- 328
Net identifiable assets and liabilities*	2,447	3,066
Goodwill on acquisition		604
Total consideration		3,670
Liquid funds in acquired companies		- 34
Cash consideration		3,636

\* Group internal loans totaling SEK 2,095 million, repaid at acquisition, are not included.