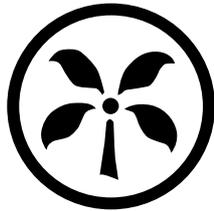


Industrieförvaltnings AB
Kinnevik



Interim Report 1999
January 1 - September 30

ADMINISTRATION

During the last fifteen years, Kinnevik shares have generated an average effective yield of 34 per cent per year as a result of increased market value and dividends, including the value of offers to subscribe to shares.

The value of the Group's holdings of listed securities was MSEK 12,277 as of September 30, 1999. By November 22, 1999, the value was MSEK 17,783. Consequently, the premium over the book value of the Group's portfolio of listed shares was MSEK 15,832 on that date.

Net turnover for the first nine months of 1999 amounted to MSEK 5,176 (4,983). Korsnäs Holding AB's net turnover amounted to MSEK 3,720 (3,861). The net turnover of other subsidiaries amounted to MSEK 1,474 (1,135).

Operating income after depreciation amounted to MSEK 316 (1,352), including income of MSEK 101 (961) from corporate development and sales of securities.

Kinnevik's interest in the earnings of affiliated companies amounted to a net loss of MSEK 955 (loss 657), of which the interest in the loss incurred by Millicom International Cellular S.A. (MIC) amounted to MSEK 372 and in that of Société Européenne de Communication S.A. (SEC) to MSEK 548.

Financial revenue and expense amounted to a net expense of MSEK 120 (expense 213).

Income after financial revenue and expense amounted to a loss of MSEK 759 (income of 482).

The net result for the period was a loss of MSEK 804 (net income 421).

The loss per share for the period was SEK 12.78 (income 6.69).

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

MELLERSTA SVERIGES LANTBRUKS AB

After a sunny summer, this year's harvest was completed according to plan. The year's volumes can be regarded as normal. Nothing else was expected, as last year's poor weather inevitably also affected this

year's crops. On the whole, quality appears to have been good. Only in Skåne, where there was a very rainy August, was there a problem with falling numbers, especially in the case of wheat.

Net turnover amounted to MSEK 10 (11) and operating income amounted to MSEK 3 (4).

KORSNÄS HOLDING AB

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

After the Group experienced slightly lower demand and considerably lower prices during the first half of the year than in the corresponding period last year, demand and price levels recovered during the third quarter. The production volume during the first nine months was 3 per cent down on last year's level.

Net turnover for the first nine months of the year amounted to MSEK 3,720 (3,861). Operating income amounted to MSEK 328 (616). The profit margin was 9 per cent (16). Income after financial net amounted to MSEK 320 (527).

Korsnäs Forestry

Prices were gradually reduced during the year across the entire product range. The price of Swedish pulpwood was reduced by some SEK 20 per m³ at the beginning of 1999, and the price of imported pulpwood has also been gradually lowered. Saw timber prices were reduced slightly around the end of June but have now stabilised.

Korsnäs Forestry's net turnover for the nine-month period amounted to MSEK 1,047 (1,115) and operating income amounted to MSEK 153 (152). This figure includes capital gains of MSEK 9 (13) on sales of land.

Korsnäs Industrial

There has been a distinct improvement in the state of the market for paper, paperboard and fluff pulp since the late spring. All products experienced a strong order intake, and total deliveries for the third quarter were 11 per cent above those for the corresponding period last year. Paperboard and paper volumes exceeded last year's, while deliveries of fluff pulp were slightly lower. Capacity utili-

sation remained high during the third quarter, although it was slightly lower than in the third quarter of 1998 (down by 2%). Further increases in fluff pulp prices have been implemented, and for certain paperboard products and paper, prices have been firmed up, although this was partly offset by the strengthening of the krona.

The first nine months of the year were characterised by slacker demand throughout Europe than during the corresponding period last year. In combination with excess capacity, this resulted in narrower margins. Deliveries declined by five per cent on the previous year.

The final phase of the consolidation program in Germany will be implemented in December when the factory in Freden will be closed and its production transferred to Aachern. At the English plant, a rationalisation program was carried out during the third quarter, involving a reduction of 20 per cent in the work force due to greater automation. The plants in Croatia and Serbia are now back in full production.

The sawn timber market was weak during the period. Deliveries in the third quarter were five per cent lower than for the corresponding period in 1998, as a result of start-up problems with the new sawing equipment.

The net turnover for Korsnäs Industrial for the first three quarters amounted to MSEK 3,440 (3,579) and the operating income was MSEK 185 (465).

TRANSCOM AB

Transcom designs, maintains and develops tailored customer care programs for consumer-intensive companies and is the leading supplier in this field in Scandinavia. Since the company was founded in 1995, its business has expanded rapidly in terms of scope, quality and volume. Today, Transcom offers tailor-made solutions based on each customer company's specific service requirements.

This year the company has opened facilities in Norrköping and Helsinki, Finland. The investment in outgoing telephony has gathered speed and is expanding rapidly. Outgoing calls have increased from some 50,000 last year to about 700,000, and incoming calls from some 5 million to around 8.9 million. In addition to this, some 3.3 million char-

geable administrative tasks were handled, compared with around 1.9 million last year.

As of September 30, 1999, Transcom had 1,805 employees, of whom 1,314 are in Sweden, 280 in Denmark, 191 in Norway and 20 in Finland. At the same time in 1998, the number of employees was 1,321.

The market for customer services is expected to continue to grow by 35-40 per cent a year.

Transcom's net turnover for the first three quarters rose by 76 per cent to MSEK 399 (227). Operating income for the same period was MSEK 19 (4).

COLLECT SWEDEN AB

Collect Sweden AB (formerly Loyalty Management Sweden AB) supplies loyalty programs for its corporate clients. The company started operations in April 1998, and during the autumn of 1998 launched the Collect customer club for its clients Comviq, Kabelvision, Tele2 and Viasat. During 1999, Sydkraft, an electricity company, and the Big Travel chain of travel agents became affiliated to Collect. This year, the company doubled the number of customers, of whom there are now (September 30, 1999) some 400,000. The annual turnover of customers using the Collect program has increased by 141 per cent since the launch in 1998.

The third quarter saw the initial expansion of Collect into Europe. Before the end of the year, the customer club program will have been launched in Germany, France, Italy, Holland, Switzerland, Austria and Luxembourg. The program will be established in Denmark and Norway at the beginning of next year.

Net turnover for the first three quarters of 1999 was MSEK 22 (18), and the operating result was a loss of MSEK 2 (loss 4).

CIS CREDIT INTERNATIONAL SERVICES AB

CIS is a "Business Service Center" which provides financial and credit management services for small companies and groups alike. Services offered primarily include accounting, controlling, credit evaluation, debt collection, and legal and financial support.

To be able to meet the demand, a variety of automated functions have been introduced. Moreover,

in order to satisfy the requirements of customers and markets alike for rational invoicing, the installation of a new invoicing system has also begun. Both Scanning and Workflow, as well as the invoicing system, will become operational during the fourth quarter.

CIS had 149 employees as of September 30, which represents an increase of 60 per cent on last year.

The customer base continued to increase rapidly in 1999. To be able to process all the new credit card applications, the initial steps have been taken during the fourth quarter for starting operations in Germany and Switzerland.

The company's net turnover for the first three quarters increased by 76 per cent to MSEK 45 (25) while operating income was MSEK 5 (4).

OTHER SUBSIDIARIES

Other subsidiaries include the operative subsidiary companies Fagersta Australia, TV1000 and AirTime.

Fagersta Australia's sales and margins improved during the first nine months of the year, thanks to strong domestic demand in the building sector.

TV1000 has expanded steadily since September 1998. The number of subscribers has risen by 26 per cent to 344,000 (272,000). 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 loss beyond that. As of 2000, MTG will assume responsibility for TV1000's total result.

AirTime has further increased its share of the market for TV and radio advertising during the year. Net turnover increased by 24 per cent to MSEK 61 during the first nine months of the year.

During the third quarter, Kinnevik sold one of its subsidiaries, SMA Maskin AB, to Machinium Oy, along with the property in which SMA conducts its business. The proceeds received by Kinnevik from these sales, which generated a total capital gain of MSEK 39, amounted to MSEK 260.

The net turnover of other subsidiaries amounted to MSEK 998 compared with MSEK 854 for the same period last year. The operating loss amounted

to MSEK 5, compared with MSEK 46 for the corresponding period in 1998.

MILLICOM INTERNATIONAL CELLULAR S.A. (MIC) 34%

As of September 30, 1999, the market value of Kinnevik's holding in MIC was MSEK 3,818. On November 22, 1999, the market value was MSEK 6,058.

By September 30, 1999, MIC had 1,915,464 subscribers, which corresponds to growth of 64 per cent during the past twelve-month period. The number of subscribers based on MIC's interest in its affiliates, was 1,199,393, an increase of 74 per cent. This figure does not include the subscriber base of NetCom, in which MIC has a minority holding. In October 1999, MIC reduced its interest in NetCom AB from 6,64 per cent to 5,77 per cent, on which it made a capital gain of MUSD 34.8. On the other hand, MIC raised its stake in Comcel in Guatemala in October, from 47 per cent to 55 per cent. MIC is currently the largest shareholder in 30 companies in 19 countries, where the market amounts on aggregate to 455 million people.

Net turnover amounted to MUSD 402 (337). Operating income before depreciation amounted to MUSD 92 (101).

SOCIÉTÉ EUROPÉENNE DE COMMUNICATION S.A. (SEC) 45%

Kinnevik's interest and convertible debenture loans in SEC had a market value of MSEK 5,967 on September 30, 1999. During the fourth quarter, Kinnevik has sold some 5.4 million shares for a capital gain of MSEK 108. On November 22, 1999, Kinnevik has converted all of its convertible debenture loan stock in SEC into shares. On November 22, 1999 Kinnevik's shares in SEC had a market value of MSEK 8,686.

SEC consists primarily of Tele2 Europe, which is engaged in the provision of national and international fixed telecommunication services. Tele2 Europe began the year with operations in Germany, Holland and Switzerland. Operations were started in Austria and France in March 1999, in Italy at the beginning of April, and in Luxembourg at the beginning of October. The company also has a licen-

ce in Ireland. By September 30, 1999, the number of subscribers had reached 2,201,926, (541,694) which represents an increase of 306 per cent.

SEC also includes 3C Communications, Transcom International, Transcom Europe, and Tango, a cellular telephone company in Luxembourg. Tango had 63,344 (25,774) subscribers on September 30, 1999, which represents an increase of 146 per cent.

Net turnover amounted to MDEM 377 for the first nine months of the year, while the operating result before depreciation was a loss of MDEM 213.

OTHER AFFILIATED COMPANIES

Other affiliated companies include MTV Produktion AB 42% and a 34% holding in Viking Telecom AB. The net result from other affiliated companies was a loss of MSEK 35.

FINANCIAL POSITION

The Group's liquid funds, including short-term investments and undrawn credit facilities, amounted to MSEK 2,754 (3,146) at September 30, 1999.

The Group's net interest-bearing debt amounted to MSEK 5,486 (4,624).

The average cost of interest for the period was 4.1% (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 547 (604).

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

The equity ratio was at September 30, 1999, 29 per cent (37). After taking into account the premium over the book value of listed securities, the equity ratio was 58 per cent (62).

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

NEXT FINANCIAL REPORT

It is expected that the year-end release for 1999 will be published on February 22, 2000.

Stockholm November 23, 1999

President

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-Sept. 30 pro forma*	1999 January 1-Sept. 30
Net turnover	6,888	4,983	5,176
Cost of sales	- 5,739	- 4,009	- 4,384
Gross result	1,149	974	792
Expenses for selling, administration, research and development	- 1,228	- 632	- 631
Income from corporate development	759	712	43
Income from sales of securities	277	249	58
Other operating income	266	140	153
Other operating expenses	- 160	- 91	- 99
Operating income	1,063	1,352	316
Participations in affiliated companies	- 230	- 657	- 955
Net financial items	- 301	- 213	- 120
Income before tax	532	482	- 759
Taxes	- 83	- 71	- 46
Minority share in income	15	10	1
Net result for the period	<u>464</u>	<u>421</u>	<u>- 804</u>
Earnings per share after full tax, kronor	7.37	6.69	- 12.78

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-Sept. 30 pro forma*	1999 January 1-Sept. 30
Breakdown of net turnover by business area		
Mellersta Sveriges Lantbruks AB	11	10
Korsnäs Holding AB	3,861	3,720
Transcom AB	227	399
Collect Sweden AB	18	22
CIS Credit International Services AB	25	45
Other subsidiaries	854	998
Parent company, Holding companies and eliminations	- 13	- 18
Total	<u>4,983</u>	<u>5,176</u>
Breakdown of operating income/loss by business area		
Mellersta Sveriges Lantbruks AB	4	3
Korsnäs Holding AB	616	328
Transcom AB	4	19
Collect Sweden AB	- 4	- 2
CIS Credit International Services AB	4	5
Other subsidiaries	- 46	- 5
Parent company, Holding companies and eliminations	774	- 32
Total	<u>1,352</u>	<u>316</u>
Breakdown of income/loss after net financial items by business area		
Mellersta Sveriges Lantbruks AB	4	2
Korsnäs Holding AB	527	320
Transcom AB	0	12
Collect Sweden AB	- 4	- 2
CIS Credit International Services AB	3	4
Other subsidiaries	- 47	- 14
Affiliated companies	- 650	- 942
Parent company, Holding companies and eliminations	649	- 139
Summa	<u>482</u>	<u>- 759</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	Sept. 30, 1998	Sept. 30, 1999
Fixed assets			
Capitalized development costs	51	34	68
Goodwill	322	317	281
Machinery, equipment, property etc	7,870	7,774	7,939
Other stocks and participations	1,304	733	544
Long-term receivables	<u>1,047</u>	<u>912</u>	<u>1,548</u>
	10,594	9,770	10,380
Current assets			
Inventories	1,553	1,521	1,364
Short-term receivables	1,848	1,622	1,976
Cash, bank and short-term investments	<u>1,625</u>	<u>1,745</u>	<u>1,379</u>
	5,026	4,888	4,719
Total assets	<u>15,620</u>	<u>14,658</u>	<u>15,099</u>
Equity			
Restricted equity	4,508	4,480	4,491
Unrestricted equity	<u>1,303</u>	<u>946</u>	<u>- 102</u>
	5,811	5,426	4,389
Minority interests in equity	24	27	17
Provisions			
Provisions for pensions	688	685	626
Deferred tax liabilities	401	400	422
Other provisions	<u>798</u>	<u>797</u>	<u>110</u>
	1,887	1,882	1,158
Long-term liabilities			
Non-interest bearing liabilities	1	17	4
Interest-bearing liabilities	<u>6,169</u>	<u>5,694</u>	<u>7,349</u>
	6,170	5,711	7,353
Short-term liabilities			
Non-interest bearing liabilities	1,545	1,425	1,782
Interest-bearing liabilities	<u>183</u>	<u>187</u>	<u>400</u>
	1,728	1,612	2,182
Total stockholders' equity and liabilities	<u>15,620</u>	<u>14,658</u>	<u>15,099</u>

CONSOLIDATED STATEMENT OF CASHFLOWS (MSEK)

	1998	1998	1999
	Full year	January 1-Sept. 30	January 1-Sept. 30
Cashflow from			
operations	155	406	169
investing activities	- 842	- 339	- 465
financing activities	<u>532</u>	<u>- 179</u>	<u>334</u>
Net change in cash and cash equivalents	- 155	- 112	38
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>379</u>	<u>374</u>