

# *Industriförvaltnings AB* *Kinnevik*

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## YEAR-END RELEASE 2003

- Net turnover for the full year amounted to SEK 5,660 (6,110) million.
- The underlying operating result improved to SEK 854 (617) million. The operating profit, including write-downs of SEK 331 (0) million in the value of Korsnäs Packaging's fixed assets, restructuring costs of SEK 0 (27) million, and income from corporate development and capital gains on sales of securities of SEK 255 (755) million, amounted to SEK 778 (1,365) million.
- Kinnevik's interest in the earnings of associate companies excluding write-downs and reversals of write downs amounted to a net gain of SEK 97 (-1,023) million.
- Net result after taxes improved to SEK 3,731 (-4,109) million.
- Earnings per share amounted to SEK 59.27 (-65.28).
- The market value of the Group's holdings of listed securities increased during the year by 112% (excluding investments and disposals) and amounted to SEK 18,952 million at the end of the year.
- The Board proposes to pay a cash dividend of SEK 5.50 (4.00) per share.

## ADMINISTRATION

Since 1976, Kinnevik's shares have generated an average effective yield of 17% per year as a result of rising share prices and dividends, including the value of subscription offers. During the past five years, Kinnevik's shares have generated an average effective yield of 9% per year.

The market value of the Group's holdings of listed securities increased during the year by 112% (excluding investments and disposals) and amounted to SEK 18,952 million at December 31, 2003. On February 11, 2004 the value was SEK 19,597 million, which means that the market value exceeded the book value of the Group's listed portfolio by SEK 7,837 million on that date.

On December 8, Kinnevik announced that the Board of Directors has approved a plan to restructure the ownership of Korsnäs' forestry assets in Sweden. The Swedish forestry assets of Korsnäs and Stora Enso will be combined in a new company, which will be called Bergvik Skog AB. Korsnäs and Stora Enso will retain minority shareholdings in the new company of 5.0% and 44.9% respectively. The rest of the company's shares will be sold to institutional investors. Bergvik Skog will also be financed by a syndicated bank loan. The transaction is expected to be completed during the first quarter of 2004. Korsnäs owned forestlands today provide about 30% of Korsnäs' fibre supply. The forthcoming transaction will be structured so as to secure the supply of fibre to the Korsnäs' mill. Korsnäs will transfer its 0.4 million hectares of Swedish forests (of which 0.3 million hectares are productive forest land) and Stora Enso will transfer its 1.9 million hectares (of which 1.5 million hectares are productive forest land) to the new company. Korsnäs will maintain approximately 15,000 hectares of special land and rights. Bergvik Skog will enter into long-term timber supply contracts, which will grant approximately 5.5 million cubic meters (solid under bark) per year of felling rights at market prices to Korsnäs och Stora Enso. Bergvik Skog will maintain the former owners' environmental certifications and sustainable forestry policies. Korsnäs will continue remain responsible for the wood procurement and fibre supply for its mill, and administer the harvesting and silviculture activities pertaining to the long-term supply contracts. Korsnäs will receive estimated cash proceeds of SEK 3,050 million from

the transaction, which will result in a capital gain of approximately SEK 500 million.

During the fourth quarter Kinnevik sold 527,050 class B shares in Tele2 on the stock market at an average price of SEK 394 per share.

On December 15, Kinnevik bought 10,863,000 Millicom International Cellular S.A. (MIC) 2% Senior Convertible PIK notes for USD 68,007,453. The convertible notes are equivalent to 1,010,512 shares in MIC after conversion. In total Kinnevik held 13,205,000 PIK Notes in MIC as per December 31, equivalent to 1,228,372 shares after conversion. The convertible notes have a book value of SEK 512 million and are stated in the consolidated balance sheet among long-term, interest-bearing receivables as per December 31, 2003.

## CONSOLIDATED RESULT FOR 2003

Net turnover amounted to SEK 5,660 (6,110) million.

Operating income amounted to SEK 778 (1,365) million. The operating income includes write-down of fixed assets within Korsnäs Packaging of SEK 331 (0) million, costs relating to restructuring of SEK 0 (27) million, income from corporate development of SEK 193 (735) million and SEK 62 (40) million from sales of securities. The income from corporate development consists mainly of the gain on the sale of Credit International Services' debt collection business and of Cargo Pak, one of Korsnäs Packaging's lines of business, during the first quarter. The income from sales of securities includes a capital gain of SEK 57 million on the sale of a bond loan issued by MIC. Excluding these items, operating income amounted to SEK 854 (617) million.

The SEK 3,663 million write-down in the book value of the Group's holdings of listed securities to their market value as at December 31, 2002 was reversed by SEK 2,874 million on December 31, 2003. The reversal of the write-down was made at the lower of the listed value on December 31, 2003 and the original acquisition value.

The income from Kinnevik's interests in associate companies of SEK 2,675 (-4,297) million includes write-downs and reversals of write-downs totalling SEK 2,578 (-3,274) million.

Kinnevik's interests in associate companies excluding write-downs and reversals of write-downs amounted to SEK 97 (-1,023) million, of

which Tele2 AB accounted for SEK 149 (–123) million, MIC for SEK –6 (–616) million and Metro International S.A. for SEK –39 (–220) million.

The income from other securities amounted to SEK 277 (–624) million, and relates in full to write-downs and reversals of write-downs, of which SEK 289 (–382) million is attributable to Modern Times Group MTG AB, SEK –20 (–168) million to Modern Holdings Inc. (formerly XSource Corporation Inc.) and SEK 0 (–67) million to Marcstone Overseas Euro Ltd.

Other financial revenue and expense amounted to a net expense of SEK –405 (–390) million, of which net interest costs amounted to SEK –369 (–359) million and exchange rate differences accounted for SEK –25 (–11) million. The decline in financial net is due to a cost of SEK 67 million in respect of a previously not reserved interest cost in connection with the settlement of the dispute with the Alecta occupational pension company over the outstanding 4% of the shares in Korsnäs AB in the first quarter of 2003.

The result after financial items amounted to SEK 3,325 (–3,946) million.

#### **CONSOLIDATED RESULT FOR THE FOURTH QUARTER OF 2003**

Net turnover for the fourth quarter amounted to SEK 1,336 (1,391) million.

Operating income amounted to SEK –86 (15) million. The operating income includes write-down of fixed assets within Korsnäs Packaging of SEK 331 (0) million, costs relating to restructuring of SEK 0 (27) million, income from corporate development of SEK 0 (–17) million and an income of SEK 92 (0) million from sales of securities. Excluding these items, operating income amounted to SEK 153 (59) million.

The income from Kinnevik's interests in associate companies of SEK 2,474 (–3,657) million includes write-downs and reversals of write-downs totalling SEK 2,578 (–3,274) million. Kinnevik's interests in associate companies excluding write-downs and reversals of write-downs amounted to SEK –104 (–383) million, of which Tele2 accounted for SEK –132 (–83) million, MIC for SEK 0 (–200) million and Metro for SEK 24 (–75) million.

Other financial revenue and expense amounted to a net expense of SEK –106 (–116) million, of

which exchange rate differences accounted for SEK –19 (9) million.

The result after financial items amounted to SEK 2,559 (–4,382) million.

#### **MELLERSTA SVERIGES LANTBRUKS AB**

Mellersta Sveriges Lantbruks AB is engaged in farming on the Ullevi estate in Sweden and the Barciany and Podlawki estates in Poland. The total acreage is 7,392 hectares, of which 665 hectares are in Sweden. The Polish farms are stocked with some 750 dairy cows and 600 young animals.

Inclement weather conditions during the winter, spring and early summer resulted in a moderate harvest of varying quality in Sweden. Growing conditions in Poland were similar to those in Sweden during the winter and spring, but the summer there was favourable, which gave a normal harvest of good quality. The autumn's price trends were firm in Poland, particularly for wheat and sugar beet, and in Sweden for organically grown products from Ullevi, which produced a satisfactory financial result.

Net turnover for the year amounted to SEK 44 (7) million and the operating result was SEK 4 (–1) million. As the Polish business has been consolidated as a wholly-owned subsidiary since December 31, 2002, the comparable figures for 2002 only include the Swedish operations. The turnover of the Polish business amounted to SEK 24 million and its operating result for 2002 was SEK –2 million.

#### **KORSNÄS HOLDING AB**

Korsnäs Holding AB is the parent company of Korsnäs AB and Korsnäs Packaging AB. Korsnäs AB and its subsidiaries are engaged in forestry ("Korsnäs Forestry") and packaging materials ("Korsnäs Industrial"). Net turnover of the Korsnäs Holding Group for the year amounted to SEK 5,553 (5,809) million and the operating income was SEK 527 (622) million. The operating income includes write-downs of fixed assets within Korsnäs Packaging of SEK 331 (0) million and costs relating to restructuring within Korsnäs Packaging of SEK 0 (22) million. The comparable figures for 2002 include the Kastet sawmill, which was divested in August 2002. The sawmill's turnover amounted to SEK 184 million and its operating result was SEK –13 million prior to the divestment in August 2002.

### **Korsnäs Forestry**

During the year, demand on the wood market for saw timber was firm with steadily rising prices. Although demand for softwood pulpwood was high at the start of the year and prices consequently higher, the situation eventually stabilised and so during the latter part of the year prices remained unchanged. Following the sale of 200,000 hectares of forest land in 2002, the harvested volume from company forests has declined, but is still on target. The program launched to reduce the amount of capital tied up in inventories continued during the year, enabling inventories of softwood and hardwood pulpwood to be reduced by a further 20% over and above the reductions made in 2001 and 2002. Korsnäs has a stable supply situation, with well-functioning imports from Russia and the Baltic States. The volumes harvested by the Latvian company increased by some 40% during the year to the planned 550,000 cubic metres. The remaining 48% of the shares in the company were acquired during the year.

Korsnäs Forestry's net turnover for the year amounted to SEK 1,441 (1,480) million and operating income was SEK 142 (194) million. Operating income has been affected by last year's sale of 200,000 hectares of forest land.

### **Korsnäs Industrial**

The market situation was characterised during the year by relatively high demand for Korsnäs's products as a whole, despite a general unease about the state of the economy and weaker prices for certain products. After a slight slackening in demand during the first half of the year, sales picked up during the second half of the year. The aggregate delivery volumes for paper, pulp and paperboard products increased by over 2% on the 2002 figure, which means that total sales reached record levels during the year. Korsnäs's long-term strategy of focusing on growth markets and offering differentiated and niche products that meet stringent demands for strength, printability and runnability in conversion was successful during the year. The market share for both liquid packaging board and White Top Kraftliner (WTL) strengthened, while deliveries of sack and kraft paper and fluff pulp declined slightly.

Recent years' investments in additional capacity

and the focus on reducing production bottlenecks have produced results. Production on existing machines increased beyond expectations in 2003, more than compensating for the capacity that was withdrawn from production in 2002. Production is expected to rise further in 2004. Korsnäsverken produced a total of 683,000 tonnes during the year, 6% more than in 2002. Production has therefore been running at unprecedented levels, and several records were broken. Despite strong sales, this resulted in a slight increase in inventories.

The new organisation introduced in 2002 is functioning well and the centralised organisation with the two new control rooms that came into effect in 2002 has greatly improved the ability to control production.

The launch of new products continues. The new hot calendered products have been well received by the market and demand is expected to build up gradually in 2004.

The assessed value of the Korsnäsverken mill complex was reviewed by the tax authorities in 2003 and reduced by about SEK 2,500 million. This decision had a positive effect on the fourth quarter result of SEK 60 million, which is stated as a reduction of the cost of goods sold. SEK 51 million of the refunded amount related to property tax paid in previous years.

The cost-reduction measures, combined with improved production efficiency and stable sales, generated a substantial increase in Korsnäs Industrial's result in relation to last year.

Korsnäs Industrial's net turnover for the year amounted to SEK 3,816 (3,968) million, and operating income was SEK 793 (468) million. The comparable figures for 2002 include the Kastet sawmill, which was divested in August 2002. The result for the year was high enough for a sum of SEK 19 million to be allocated to the profit-sharing program.

### **Korsnäs Packaging**

The market for Korsnäs Packaging has remained weak with low demand for paper sacks and bags, which resulted in lower sales than expected. After falling during the first half of the year, sales prices stabilised during the second half. As the pressure on prices in the market was not fully compensated for by lower raw material costs, the gross margin was narrower than in 2002. Further efficiency

improvements in production produced a slightly better operating result, exclusive of write-downs, for the second half of the year than for the first. Production is being concentrated in fewer, larger and more strategically located facilities. The units in England and Romania were relocated during the year, and the other East European factories were reorganised.

In March, Cargo Pak, one of Korsnäs Packaging's lines of business, was sold to Illinois Tooling. The capital gain of SEK 42 million on the sale is included under income from corporate development in Kinnevik's consolidated accounts.

The loss-making business in the USA was divested in November to Frantschach Group, a global packaging group based in Austria, after which Korsnäs Packaging will focus exclusively on its European operations. The proceeds of the sale amounted to USD 5.5 million, which was in line with the book value.

Despite the continued restructuring of the plants, cost reductions and personnel cutbacks, the weak demand on the market and low selling prices resulted in a further operating loss being incurred in 2003. In light of the weak results achieved by Korsnäs Packaging over the past few years, the book value of its fixed assets has been reviewed. The calculations for the recovery value, which are based on the value of usage in the form of expected discounted cash flow, are below the book value. The book value of fixed assets was therefore written down by SEK 331 million to SEK 560 million on December 31, 2003. The write-down is stated in the consolidated income statement under other operating costs.

Korsnäs Packaging's net turnover for the year amounted to SEK 1,386 (1,567) million and the operating result was SEK -408 (-40) million, excluding the capital gain on the sale of Cargo Pak. The operating income includes write-downs of fixed assets of SEK 331 (0) million and costs relating to restructuring of SEK 0 (22) million.

#### **CIS CREDIT INTERNATIONAL SERVICES AB**

In March, Kinnevik reached an agreement with Transcom WorldWide S.A. on the sale of CIS's debt collection business to Transcom. Of the purchase price of SEK 180 million, 75% was paid in cash and 25% in newly issued Transcom shares. The capital

gain on the sale, which amounted to SEK 158 million, is included under income from corporate development in Kinnevik's consolidated accounts.

CIS's other activities within finance and payroll management, which did not earn a satisfactory return, were wound up during the first half of 2003.

CIS's net turnover prior to the divestment as at March 31 amounted to SEK 46 million and the operating income was SEK 8 million excluding the capital gain on the sale of the debt collection business. Net turnover for 2002 amounted to SEK 202 million and operating income was SEK 29 million including restructuring costs of SEK 5 million.

#### **OTHER SUBSIDIARIES**

Other subsidiaries include N.P. Birraria Hugo's in Kosovo, Förvaltnings AB Eris & Co. and Bison Air AB.

In June, Bison Air AB sold its 1981 Cessna Citation, after which the company's business was wound up. The capital loss on the sale of the aircraft was SEK 9.5 million, which is included in the operating result of Other Subsidiaries.

The net turnover of Other Subsidiaries for the year amounted to SEK 17 (56) million and the operating result was SEK -11 (-6) million. The comparable figures for 2002 include AirTime (AT) AB prior to the divestment on October 1, 2002. AirTime's net turnover amounted to SEK 33 million and the operating result was SEK -7 million prior to the divestment.

#### **ASSOCIATE COMPANIES AND OTHER INVESTMENTS**

At December 31, 2003, Kinnevik's long-term holdings comprised the following listed securities:

- Tele 2 AB, 6,368,880 class A shares and 23,665,929 class B shares corresponding to 25.5% of the votes and 20.4% of the capital.
- Millicom International Cellular S.A., 5,843,790 shares corresponding to 35.3% of the votes and capital before dilution, and convertible notes equivalent to 1,228,372 shares.
- Metro International S.A., 79,537,742 class A shares and 115,222,215 class B shares corresponding to 30.2% of the votes and 37.0% of the capital.
- Modern Times Group MTG AB, 3,529,637 class A shares and 224,125 class B shares corresponding

to 17.2% of the votes and 5.7% of the capital.

- Transcom WorldWide S.A., 4,232,697 class A shares and 2,179,002 class B shares corresponding to 11.7% of the votes and 9.0% of the capital.
- Viking Telecom AB, 4,657,000 shares corresponding to 23.6% of the votes and capital.
- Cherryföretagen AB, 1,402,500 class A shares and 7,378,249 class B shares corresponding to 26.4% of the votes and 28.7% of the capital.
- Invik & Co. AB, 391,430 class A shares corresponding to 10.2% of the votes and 5.0% of the capital.
- P4 Radio Hele Norge ASA, 4,026,820 shares corresponding to 12.5% of the votes and capital.
- AcandoFrontec AB, 5,935,580 class B shares corresponding to 7.5% of the votes and 10.7% of the capital.

#### **TELE2 AB**

The market value of Kinnevik's holding of Tele2 shares amounted to SEK 11,508 million on December 31, 2003. On February 11, 2004, the listed value was SEK 11,365 million. Tele2's shares are listed on Stockholmsbörsen's Attract 40 list, and on Nasdaq in New York.

Tele2, which was formed in 1993, is the leading alternative pan-European telecoms company, and offers fixed and mobile telephony, as well as data-net and Internet services to more than 20 million subscribers in 23 countries.

Tele2 has successfully challenged the old European telecom monopolies by offering subscribers telecom services at the market's lowest rates. Tele2's strategy has been to create a strong brand, to offer simple, straightforward products and to invest in high quality customer services rather than networks.

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

Alpha Telecom was acquired at the start of 2003. Alpha is Britain's leading provider of pre-paid fixed telephony, and in October Tele2 further increased its involvement in the area by offering a full range of services on the British market, primarily by adding fixed telephony to households. During the year, Tele2 launched six GSM networks on the fast-growing Russian market, and increased its interest

in five of its Russian mobile operations. Tele2 also launched fixed network services in Belgium and Portugal and 3G services in Luxembourg, which could become something of a test market for Tele2's other 3G operations. In France, Tele2 launched ADSL services during the second half of the year, and in Switzerland it was awarded a GSM licence.

The net turnover for the full year was SEK 36,911 (31,282) million and the result after financial items was SEK 1,267 (796) million.

#### **MILLICOM INTERNATIONAL CELLULAR S.A.**

The market value of Kinnevik's holding of shares and convertible notes in MIC amounted to SEK 3,601 million on December 31, 2003. On February 11, 2004, the market value was SEK 3,978 million. MIC's shares are listed on Nasdaq in New York and on the Luxembourg Stock Exchange. Preparations for listing MIC on Stockholmsbörsen are in progress.

MIC is a leading international mobile telephone operator that focuses on emerging markets in Asia, Latin America and Africa. Economic developments on these markets are creating a demand for improved communication services. MIC's aim is to become established on new markets at an early stage through licence agreements, preferably in partnership with local operators. The company's strategy is to be the price leader on all markets by offering its customers pre-paid mobile telephony services at the lowest possible prices. MIC also offers high-speed data transmission in five countries.

MIC currently has equity interests in 16 mobile telecom companies in 15 countries, which together represent a market with 428 million inhabitants. On December 31, 2003, the total number of subscribers in these companies was 5,690,542 (4,002,911), which is an increase by 42% over the previous 12-month period. On a pro rata basis in relation to MIC's equity interests, the subscriber base was 4,025,577 (2,784,187), which is an increase by 45%.

The roll-out of GSM networks in Latin America and the allocation of GSM frequencies in Pakistan during the fourth quarter represented part of MIC's strategy of expanding its GSM networks in all countries in which it is active as a means of exploiting potential product and procurement synergies. Thanks to the low cost and the greater breadth of functions provided by GSM technology, MIC has

the capacity to grow significantly in terms of subscriber numbers in 2004.

The net turnover for the financial year was USD 647 (605) million and the result after net financial items was USD 246 (–340) million.

#### **METRO INTERNATIONAL S.A.**

The market value of Kinnevik's holding of shares in Metro amounted to SEK 2,624 million on December 31, 2003. On February 11, 2004 the market value was SEK 2,849 million. Metro's shares are listed on Stockholmsbörsen's Attract 40 list.

Metro is the world's largest free newspaper and is published in 34 editions in 16 countries in Europe, North and South America and Asia. There are also two franchise papers in South Korea. The newspapers are distributed freely, with income being generated from sales of advertising space. Metro attracts a readership of 13,0 million a day and 27,5 million per week (TNS Gallup poll, November 2003).

Metro launched editions in three more cities in Spain during the year, and another franchise paper in South Korea. During the year, a 34.1% interest in Metro France was sold to TF1, France's leading TV company.

The net turnover for the financial year was USD 204 (143) million and the result after financial items was USD –13 (–81) million.

#### **FINANCIAL POSITION**

The Group's liquid funds, including short-term investments and undrawn credit facilities, amounted to SEK 1,147 (1,755) million as at December 31.

The Group's net interest-bearing debt amounted to SEK 6,803 (6,820) million, including convertible loan issued by MIC having a book value of SEK 512 million, which Kinnevik intends to convert into shares.

The average cost of interest for the year was 4,7% (5.1%) (calculated as interest expense in relation to average interest-bearing debt excluding pension liabilities).

The Group's capital expenditure amounted to SEK 1,023 (2,041) million, of which SEK 243 (435) million related to tangible fixed assets and SEK 769 (1,583) million to financial fixed assets.

The equity to assets ratio was 54% (43%) as at December 31. After taking into account the premi-

um over the book value of the holdings in listed securities, the equity to assets ratio was 65% (43%).

The Group's borrowing is mainly arranged in Swedish kronor. Foreign subsidiaries are however largely financed in local currencies.

The net effect of the Group's in- and outflows in foreign currencies represents, on an annual basis, a net inflow of approximately SEK 1,000 million, which mainly comprises sales in Euro. Sales in USD are marginal.

#### **PARENT COMPANY**

The parent company's net turnover for the year amounted to SEK 15 (13) million. Income from corporate development and income from sales of securities amounted to SEK –102 (–43) million.

Result from participation in Group Companies amounted to SEK 2,899 (1,902) million, mainly in the form of dividends. The income from interests in associate companies and from other securities, which amounted to SEK 119 (–698) million, consisted of write-downs and reversals of write-downs. Other financial revenue and expense amounted to a net expense of SEK –77 (–116) million.

The parent company's result after financial items amounted to SEK 2,816 (990) million.

Fixed capital expenditure amounted to SEK 201 (120) million, of which SEK 201 (119) million related to investments in financial fixed assets.

The parent company's closing liquid funds, including short-term investments and undrawn credit facilities, amounted to SEK 874 (529) million at the end of the year.

Interest-bearing external debt amounted to SEK 2,556 (3,587) million.

#### **EVENTS AFTER THE END OF THE YEAR**

At the beginning of February 2004, Transcom repaid the outstanding amount of its SEK 136 million convertible loan to Kinnevik.

To meet the high demand for coated Liquid Packaging Board and White Top Kraftliner, a decision has been made to invest SEK 650 million in a coating unit at the Korsnäs mill in Gävle. The investment will make it possible for Korsnäs to continue to grow in line with the market of coated units, which will strengthen the company's profitability. The investment will impact on the cash flow for 2004 and 2005.

**ACCOUNTING PRINCIPLES**

This report has been prepared in accordance with recommendation 20 "Interim Reporting", issued by the Swedish Financial Accounting Standards Council.

The accounting principles are the same as those applied in the annual report for 2002.

**DIVIDEND**

The Board proposes to pay a cash dividend of SEK 5.50 (4.00) per share.

**ANNUAL GENERAL MEETING**

The Annual General Meeting will be held at 11.00 am on Thursday May 13, 2004, at Brasserie by the Sea, Tullhus 2, Skeppsbron, Stockholm.

The nomination group for the Annual General Meeting 2004 is being chaired by Cristina Stenbeck. Shareholders who would like to suggest representatives for the Kinnevik Board of Directors can contact: [agm@kinnevik.se](mailto:agm@kinnevik.se).

**FINANCIAL REPORTS**

It is expected that the annual report for 2003 will be distributed in March 2004 and will be made available to the public at the company's head office and on the company's website, [www.kinnevik.se](http://www.kinnevik.se).

The interim report for January-March 2004 will be published on April 22, 2004.

Stockholm, February 12, 2004

The Board

**CONSOLIDATED INCOME STATEMENT (SEK million)**

	2002 Full year	2003 Full year	2002 October 1-December 31	2003
Net turnover	6,110	5,660	1,391	1,336
Cost of sales	<u>- 5,042</u>	<u>- 4,357</u>	<u>- 1,285</u>	<u>- 1,072</u>
<b>Gross result</b>	1,068	1,303	106	264
Selling, administration, research and development expenses	- 584	- 532	- 123	- 156
Income from corporate development	735	193	- 17	0
Income from sales of securities	40	62	0	92
Other operating income	205	181	73	66
Other operating expenses	<u>- 99</u>	<u>- 429</u>	<u>- 24</u>	<u>- 352</u>
<b>Operating income</b>	1,365	778	15	- 86
Interest in earnings of associate companies	- 4,297	2,675	- 3,657	2,474
Income from other securities	- 624	277	- 624	277
Net financial items	<u>- 390</u>	<u>- 405</u>	<u>- 116</u>	<u>- 106</u>
<b>Income after financial items</b>	- 3,946	3,325	- 4,382	2,559
Taxes	- 155	403	33	722
Minority share in income	<u>- 8</u>	<u>3</u>	<u>9</u>	<u>3</u>
<b>Net result for the period</b>	<u>- 4,109</u>	<u>3,731</u>	<u>- 4,340</u>	<u>3,284</u>
Earnings per share before/ after dilution, SEK	- 65.28	59.27	- 68.94	52.16
Total number of shares before/ after dilution	62,938,677	62,938,677	62,938,677	62,938,677

**CONSOLIDATED STATEMENT OF CASH FLOW (SEK million)**

	2002 Full year	2003 Full year
Cash flow from operations before change in working capital	479	789
Change in working capital	<u>312</u>	<u>17</u>
<b>Cash flow from operations</b>	791	806
Cash flow from investing activities	323	- 483
Cash flow from financing activities	<u>- 1,052</u>	<u>- 483</u>
<b>Cash flow for the year</b>	62	- 160
Liquid funds, opening balance	325	379
Exchange rate differences in liquid funds	<u>- 8</u>	<u>- 4</u>
Liquid funds, closing balance	379	215

<b>REVIEW OF THE GROUP (SEK million)</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>
	<b>Full year</b>	<b>Full year</b>	<b>October 1-December 31</b>	
<b>Breakdown of net turnover by business area</b>				
<b>Continuing operations</b>				
Mellersta Sveriges Lantbruks AB	7	44	1	12
Korsnäs Forestry	1,480	1,441	369	358
Korsnäs Industrial	3,968	3,816	841	911
Korsnäs Packaging	1,567	1,386	366	304
Eliminations within Korsnäs Holding AB	<u>- 1,206</u>	<u>- 1,090</u>	<u>- 253</u>	<u>- 251</u>
Total Korsnäs Holding AB	5,809	5,553	1,323	1,322
Other subsidiaries	56	17	5	3
Parent company, holding companies and eliminations	<u>- 7</u>	<u>0</u>	<u>- 2</u>	<u>- 1</u>
<b>Subtotal continuing operations</b>	<b>5,865</b>	<b>5,614</b>	<b>1,327</b>	<b>1,336</b>
<b>Discontinuing operations</b>				
CIS Credit International Services AB	202	46	48	-
Worldwide Loyalty B.V.	<u>43</u>	<u>-</u>	<u>16</u>	<u>-</u>
<b>Subtotal discontinuing operations</b>	<b>245</b>	<b>46</b>	<b>64</b>	<b>-</b>
<b>Total net turnover</b>	<b><u>6,110</u></b>	<b><u>5,660</u></b>	<b><u>1,391</u></b>	<b><u>1,336</u></b>
<b>Breakdown of operating income/loss by business area</b>				
<b>Continuing operations</b>				
Mellersta Sveriges Lantbruks AB	- 1	4	2	4
Korsnäs Forestry	194	142	40	38
Korsnäs Industrial	468	793	41	133
Korsnäs Packaging	<u>- 40</u>	<u>- 408</u>	<u>- 30</u>	<u>- 352</u>
Total Korsnäs Holding AB	622	527	51	- 181
Other subsidiaries	- 6	- 11	2	- 1
Parent company, holding companies and eliminations	<u>721</u>	<u>92</u>	<u>- 41</u>	<u>92</u>
<b>Subtotal continuing operations</b>	<b>1,336</b>	<b>612</b>	<b>14</b>	<b>- 86</b>
<b>Discontinuing operations</b>				
CIS Credit International Services AB	29	8	0	-
Worldwide Loyalty B.V.	0	-	1	-
Gain on discontinuance of CIS	<u>-</u>	<u>158</u>	<u>-</u>	<u>-</u>
<b>Subtotal discontinuing operations</b>	<b>29</b>	<b>166</b>	<b>1</b>	<b>-</b>
<b>Total operating income/loss</b>	<b><u>1,365</u></b>	<b><u>778</u></b>	<b><u>15</u></b>	<b><u>- 86</u></b>
<b>Breakdown of income/loss after financial items by business area</b>				
<b>Continuing operations</b>				
Mellersta Sveriges Lantbruks AB	- 6	0	2	3
Korsnäs Holding AB	601	434	83	- 210
Other subsidiaries	- 4	- 10	2	0
Associate companies*	- 4,297	2,665	- 3,656	2,466
Parent company, holding companies and eliminations	<u>- 267</u>	<u>70</u>	<u>- 814</u>	<u>300</u>
<b>Subtotal continuing operations</b>	<b>- 3,973</b>	<b>3,159</b>	<b>- 4,383</b>	<b>2,559</b>
<b>Discontinuing operations</b>				
CIS Credit International Services AB	28	8	0	-
Worldwide Loyalty B.V.	- 1	-	1	-
Gain on discontinuance of CIS	<u>-</u>	<u>158</u>	<u>-</u>	<u>-</u>
<b>Subtotal discontinuing operations</b>	<b>27</b>	<b>166</b>	<b>1</b>	<b>-</b>
<b>Total income /loss after financial items</b>	<b><u>- 3,946</u></b>	<b><u>3,325</u></b>	<b><u>- 4,382</u></b>	<b><u>2,559</u></b>

\* Excluding associate companies included within Mellersta Sveriges Lantbruks AB and Korsnäs Holding AB.

<b>CONSOLIDATED BALANCE SHEET (SEK million)</b>		
	<b>2002</b>	<b>2003</b>
	<b>Dec. 31</b>	<b>Dec. 31</b>
<b>Fixed assets</b>		
Goodwill	130	21
Machinery, equipment, property etc	7,416	6,816
Other shares and participations	8,103	11,406
Long-term interest bearing receivables	944	964
Long-term non-interest bearing receivables	<u>22</u>	<u>55</u>
	16,615	19,262
<b>Current assets</b>		
Inventories	970	975
Current receivables	968	916
Cash, bank and short-term investments	<u>478</u>	<u>227</u>
	2,416	2,118
<b>Total assets</b>	<u>19,031</u>	<u>21,380</u>
<b>Shareholders' equity</b>		
Restricted equity	4,151	4,163
Unrestricted equity	<u>4,070</u>	<u>7,352</u>
	8,221	11,515
<b>Provisions</b>		
Provisions for pensions	628	614
Deferred tax liability	1,021	818
Other provisions	<u>576</u>	<u>191</u>
	2,225	1,623
<b>Long-term liabilities</b>		
Non-interest bearing liabilities	0	4
Interest-bearing liabilities	<u>7,528</u>	<u>7,380</u>
	7,528	7,384
<b>Short-term liabilities</b>		
Non-interest bearing liabilities	971	858
Interest-bearing liabilities	<u>86</u>	<u>0</u>
	1,057	858
<b>Total shareholders' equity and liabilities</b>	<u>19,031</u>	<u>21,380</u>
 <b>MOVEMENTS IN SHAREHOLDERS' EQUITY (SEK million)</b>		
	<b>2002</b>	<b>2003</b>
	<b>Full year</b>	<b>Full year</b>
<b>Group</b>		
Opening balance	13,698	8,221
Translation differences	- 302	- 185
Net income for the year	- 4,109	3,731
Dividend	- 126	- 252
Step-up acquisition of shares in associate companies	<u>- 940</u>	<u>-</u>
Closing balance	<u>8,221</u>	<u>11,515</u>