

Investment AB Kinnervik

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INTERIM REPORT 2006 1 JANUARY – 30 JUNE

- The market value of the Group's holdings of listed securities increased by 13% during the first half of the year, equal to SEK 3,361 million including dividends received from Tele2 and Transcom totaling SEK 260 million. On 30 June 2006 the market value of the listed share portfolio amounted to SEK 28,783 million.
- On 12 May, the European Commission approved Korsnäs' acquisition of Frövi for SEK 3,647 million from Sveaskog; the acquisition was completed shortly thereafter.
- On 31 May, the sale of Korsnäs Packaging for SEK 667 million, excluding 20% of the shares in Valvosacco S.p.A., to JSC Segezha Pulp and Paper Mill was completed.
- Revenue for Korsnäs Industrial increased by 22% to SEK 2,299 million and operating profit increased from SEK 123 million to SEK 326 million, of which revenue for Korsnäs Frövi amounted to SEK 202 million from the date of consolidation on 1 June. The operating profit for the first half of 2005 was affected by the rebuild of Paper Machine 4 and maintenance stoppage, amounting to approximately SEK 170 million. Korsnäs Frövi's operating result for the month of June 2006 was negatively impacted by SEK 28 million due to that acquired assets are valued at fair value at the time of acquisition and amounted to a loss of SEK 4 million.
- Revenue for the Group totaled SEK 2,707 million (2,279) and operating profit was SEK 303 million (132).
- Including the increase in the fair value of financial assets and result from discontinued operations, the Group reported a profit after tax of SEK 3,692 million (loss of 727) for the first six months of the year.
- The profit per share for continuing operations was SEK 14.03 (loss of 2.98).

MANAGEMENT

The market value of the Group's holdings of listed securities increased by 13% during the first half of the year, equal to SEK 3,361 million including dividends received from Tele2 and Transcom WorldWide ("Transcom") totaling SEK 260 million. On 30 June 2006 the market value of the listed share portfolio amounted to SEK 28,783 million. The change in value is shown in the consolidated income statement.

Since 1976, the Kinnevik share has generated an average total return of 15.8% 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 10.8% annually. The calculation of the total return is based on the assumption that shareholders retained their allotment of shares in Tele2, Modern Times Group ("MTG"), Metro International ("Metro"), Transcom and Invik & Co. ("Invik").

The shareholders voted at the Annual General Meeting on 11 May in favour of the Board's proposal of a cash-dividend of SEK 1.60 per share to be paid to the shareholders for 2005.

BOOK AND MARKET VALUE OF ASSETS

	A shares	B shares	Equity interest (%)	Voting interest (%)	Book value 30 June 2006 (SEK m)	Market value 30 June 2006 (SEK m)	Change since 31 Dec. 2005 ²⁾
Listed holdings ¹⁾							
Tele2	25,830,229	99,651,296	28.2	45.3	9,129	9,129	- 12%
Millicom International Cellular	37,835,438		37.7	37.7	12,296	12,296	52%
Metro International	96,454,191	115,229,193	40.2	36.6	2,403	2,403	- 15%
Modern Times Group MTG ⁶⁾	9,821,336	113,675	14.9	47.6	3,954	3,954	20%
Transcom WorldWide	12,627,543		17.4	34.7	1,001	1,001	21%
Total listed holdings					28,783	28,783	13%
Unlisted and other holdings							
Korsnäs Industrial and Forestry ⁴⁾			100	100	7,399	11,428 ³⁾	
Mellersta Sveriges Lantbruk ⁵⁾			100	100	310	350 ³⁾	
Invik convertible, option element					285	285	
Other assets and liabilities					- 15	0 ³⁾	
Total unlisted holdings					7,979	12,063	
Interest bearing net debt including convertible loan in Invik					- 10,181	- 10,181	
Total equity / net asset value					26,581	30,665	
Net asset value per share, SEK						116.2	
Closing price B share 30 June 2006, SEK						88.5	
Net asset value discount						24%	

¹⁾ According to IFRS listed holdings are valued at fair value, as a result of which reported value and market value are the same.

²⁾ Including dividends received.

³⁾ Consensus among analysts covering Kinnevik.

⁴⁾ Including 5% of the shares in Bergvik Skog and 41% of the shares in Karskär Energi.

⁵⁾ Including 22% of the shares in Black Earth Farming.

⁶⁾ Including the value of 9,935,011 redemption shares in MTG entitling the shareholder to receive 6,954,507 Metro class A shares and 13,909,015 Metro class B shares.

SIGNIFICANT EVENTS DURING THE SECOND QUARTER

On 12 May, the EU Commission gave its approval for Korsnäs' acquisition of AssiDomän Carton-board ("Frövi") for SEK 3,647 million from Sveaskog. The acquisition was completed shortly thereafter.

On 31 May, the divestment of Korsnäs Packaging for SEK 667 million to JSC Segezha Pulp and Paper Mill was finalized.

CONSOLIDATED RESULT FOR THE SECOND QUARTER

From 1 June, Korsnäs Frövi's earnings are included in the Group.

Revenue for the second quarter of the year amounted to SEK 1,462 million compared with SEK 1,162 million in the preceding year, of which Korsnäs Frövi contributed with SEK 202 million in the current year.

Operating profit amounted to SEK 163 million (10). Korsnäs Frövi's operating result for the month of June 2006 was negatively impacted by SEK 28 million due to that acquired assets are valued at fair value at the time of acquisition and amounted to a loss of SEK 4 million.

The net change in the fair value of financial assets and dividends received amounted to an overall decrease of SEK 3,719 million (decrease of 136), of which Tele2 accounted for a decrease of SEK 2,164 million (increase of 52), Millicom a decrease of SEK 1,551 million (increase of 51), Metro a decrease of SEK 307 million (decrease of 519), MTG an increase of SEK 343 million (increase of 253), Transcom a decrease of SEK 57 million (increase of 64) and convertibles in Invik an increase of SEK 15 million (-).

Other financial income and expenses amounted net to an expense of SEK 70 million (expense of 72), of which net interest expenses were SEK 61 million (expense of 52) and exchange rate differences were SEK 0 million (loss of 16). The fall in net interest income is due to increased borrowing related to the acquisition of Frövi.

The Group reported a loss after financial items of SEK 3,626 million (loss of 198).

Due to the fact that Invik was spun off to Kinnevik's shareholders and Korsnäs Packaging was divested, Invik and Korsnäs Packaging are reported in the consolidated income statement as Net profit/loss from discontinued operations. Invik

is included in comparative figures through to the date of the spin-off, 31 August 2005, and Korsnäs Packaging to the date the divestment was finalized, 31 May 2006. The result from discontinued operations amounted to a loss of SEK 6 million (profit of 41), of which SEK 0 million (profit of 39) in Invik and a loss of SEK 6 million (profit of 2) in Korsnäs Packaging.

CONSOLIDATED RESULT FOR THE FIRST HALF OF THE YEAR

Revenue for the first half of the year amounted to SEK 2,707 million compared with SEK 2,279 million in the preceding year, of which Korsnäs Frövi contributed with SEK 202 million in the current year.

Operating profit amounted to SEK 303 million (132). The operating profit for Korsnäs Industrial for the first half of 2005 was affected by the rebuild of Paper Machine 4 and maintenance stoppage, amounting to approximately SEK 170 million.

The net change in the fair value of financial assets and dividends received amounted to an overall increase of SEK 3,573 million (decrease of 590), of which Tele2 accounted for a decrease of SEK 1,317 million (decrease of 1,098), Millicom an increase of SEK 4,219 million (decrease of 142), Metro a decrease of SEK 413 million (decrease of 201), MTG an increase of SEK 661 million (increase of 581), Transcom an increase of SEK 214 million (increase of 206) and convertibles in Invik an increase of SEK 186 million (-).

Other financial income and expenses amounted net to an expense of SEK 123 million (expense of 122), of which net interest expenses were SEK 110 million (expense of 104) and exchange rate differences were a loss of SEK 1 million (loss of 7).

The Group reported a profit after financial items of SEK 3,753 million (loss of 580).

The Group reported a tax expense of SEK 49 million (207). 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.

The result from discontinued operations amounted to a loss of SEK 12 million (profit of 60), of which SEK 0 (profit of 64) in Invik and a loss of SEK 12 million (loss of 4) in Korsnäs Packaging.

EARNINGS PER SHARE

Earnings per share from continuing operations was

SEK 14.03 (loss 2.98) for the first half of the year. The total number of shares outstanding at 30 June 2006 was 263,981,930, of which 50,197,050 were class A shares and 213,784,880 class B shares.

FINANCIAL POSITION AND INVESTMENTS

The Group's liquidity reserve comprising cash, bank, short-term investments and unutilized credit facilities, totaled SEK 639 million at 30 June 2006 and SEK 699 million at 31 December 2005.

The Group's interest-bearing net debt amounted to SEK 10,181 million at 30 June 2006 and SEK 7,249 million at 31 December 2005. The change was attributable mainly to the acquisition of Frövi, the divestment of Korsnäs Packaging and dividends paid and received.

The average interest cost for the first half of the year amounted to 2.9% (3.0%) (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 operations amounted to SEK 592 million (negative 26) for the first half of the year. The change compared with 2005 is mainly attributable to increase in profit within Korsnäs Industrial and a positive change in working capital.

Of the acquisition of subsidiaries for SEK 3,649 million, SEK 3,647 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, excluding 20% of the shares in Valvosacco S.p.A. which have not yet been sold, amounted to SEK 667 million (SEK 611 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.

Investments in securities	Proceeds (SEK Number million)	
1 Jan. – 30 June 2006		
Black Earth Farming Ltd	9,120,000	<u>106</u> 106
1 Jan. – 30 June 2005		
Metro A	100,000	2
Millicom convertible	35,000,000	235
Millicom shares	1,616,940	219
Transcom A	687,300	<u>26</u> 482

Sales of securities	Proceeds (SEK Number million)	
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1 Jan. – 30 June 2006		
Viking Telecom	1,077,952	<u>2</u> 2
1 Jan. – 30 June 2005		
Acando	2,127,580	17
Metro B	100,000	2
Millicom convertible	35,000,000	219
Transcom B	687,300	<u>27</u> 286

Investments in tangible fixed assets amounted to SEK 76 million (384) for the first half of the year. Changes compared with the year-earlier are the result of the upgrading of Paper machine 4, which was implemented in conjunction with a prolonged maintenance stoppage during the first six months of 2005. This year's maintenance stoppage at Korsnäs will be implemented during the second half of the year.

The Group's equity/assets ratio was 66% at 30 June 2006 compared to 70% at 31 December 2005.

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

KORSNÄS

Subsequent to the acquisition of Frövi and the finalization of the divestment of Korsnäs Packaging in May 2006, Korsnäs and its subsidiaries conduct operations in the packaging material sector (Korsnäs Industrial) at the two mills, Korsnäs Gävle and Korsnäs Frövi, and the purchase of wood and fiber (Korsnäs Forestry). Korsnäs also owns 5% of the shares in Bergvik Skog. The transactions finalized during the second quarter emphasized Korsnäs' strategy of focusing on its successful operations in highly processed cardboard and paper products for the packaging industry.

Korsnäs Industrial

The first six months of the year was marked by slightly stronger demand compared with the year-earlier period. During the first six months of 2005, a major upgrading of Paper machine 4 in Gävle was implemented in connection with a major maintenance stoppage indicating reduced production and deliveries. Compared with the first half of 2005,

delivery volumes for paper, pulp and board products increased by 5% to 350,000 tons for Korsnäs Gävle while the delivery volumes for Korsnäs Frövi decreased by 5% to 172,000 tons.

For the period, the demand for Liquid Packaging Board was normal, with increasing volumes compared with the same period in 2005. The market for White Top Liner continued to improve during the period and Korsnäs was able to improve its market position in Europe. The trend for Folding Cartonboard was positive, with increased volumes during the period. The market for sack and kraft paper was generally strong, with considerable demand, and deliveries of white paper increased. In April, manufacture of fluff pulp was discontinued in Korsnäs Gävle and inventory reduction will be concluded during the year. Compared with 2005, the intended changes to the product portfolio from unbleached paper and fluff pulp to increase the portion of board and white sack and kraft paper have now been realized. Combined with higher prices, this resulted in an increase of approximately 5% in the average price for Korsnäs Gävle's sold volumes.

During the first six months, production for Korsnäs Gävle amounted to 352,000 tons, 15% higher than in the year-earlier period, which is primarily a result of the above-mentioned upgrade of Paper machine 4. During the first quarter, the machine achieved its highest ever production level. Paper machine 5 also performed well during the first six months of 2006 and a new record month was noted in May. Also, production in Paper machine 2 was higher than expected and, in the autumn, a new headbox will be installed at a cost of approximately SEK 50 million, to further enhance the quality of the machine's demanding bleached products. In future, after the discontinuation of the production of fluff pulp in April, drying machine 6 will only be used for driving pulp for internal usage.

During the first six months, production for Board machine 5 at Korsnäs Frövi amounted to 194,000 tons, which is an increase of 5% compared with the corresponding period of 2005. The main reason for the significant production increase is investments made during the autumn of 2005.

In connection to the acquisition of Frövi a new

management team was appointed at the beginning of June. The final organization will be decided in September. From June, a detailed survey of the synergy effects is in progress and will be realized in the short-term and medium-term. Combined, these will amount to at least SEK 150 million on a yearly basis when fully implemented.

During the first six months, total revenue for Korsnäs Industrial amounted to SEK 2,299 million (1,880) and operating profit was SEK 326 million (123), of which Korsnäs Frövi's revenue amounted to SEK 202 million from the date of consolidation on 1 June 2006. Korsnäs Frövi's operating result for the month of June was negatively impacted by SEK 28 million and amounted to a loss of SEK 4 million as a result of increased costs of goods sold from inventory, which on acquisition was reported above Frövi's production costs, and increased depreciation of fixed assets that are reported above Frövi's earlier book value after the acquisition, see Appendix 1. The increase in operating profit for Korsnäs Gävle compared with the year-earlier period, is mainly due to the increase in sales and production. The revenue for the first six months of 2005 was negatively impacted by approximately SEK 170 million due to the upgrading of Paper machine 4 and the extensive maintenance stoppage. Significant cost increases in electricity, oil and oil-dependent chemicals had a negative impact on the profit for the first six months of 2006. In addition to increased market prices, energy prices were also negatively influenced by a breakdown of one of the back-pressure aggregates belonging to associated company, Karskär Energi.

Korsnäs Forestry

During the second quarter, several price-increase initiatives for soft pulpwood as well as hard pulpwood were taken by the Swedish market. Korsnäs' agreements with Bergvik Skog and Sveaskog entails that the price increases announced in the market will not have full effect on Korsnäs' purchase prices until 2007.

During the second quarter, Korsnäs utilized its option to increase ownership from 40% to 51% of the Latvian company, Sia Latgran, which manufactures pellets in Latvia, meaning that Sia Latgran is consolidated as a subsidiary from 1 June 2006. Subsequent to the installation of a new press, the

volume of pellets production was higher than expected. The market price for pellets increased significantly during the period.

During the first six months, revenue for Korsnäs Forestry amounted to SEK 926 million (867) and operating profit to SEK 13 million (17).

MELLERSTA SVERIGES LANTBRUK

A very late spring, followed by a dry and warm early summer, was not a desirable start for the sowing season.

Forecasts for moderate crops in Europe, combined with an expected increase in demand for wheat and corn for energy purposes, should be the reason for the increase in prices in the European market during the second quarter.

During the first six months, total revenue for Mellersta Sveriges Lantbruk amounted to SEK 29 million (27) and operating profit was SEK 3 million (1).

TELE2

The market value of Kinnevik's shareholding in Tele2 amounted to SEK 9,129 million at 30 June 2006.

Tele2 provides products and services within fixed and mobile telephony, broadband and cable TV. Tele2 has more than 30 million customers in 23 countries.

Tele2's efforts to offer cheap and simple telecom services are characterized by:

- Flexibility: Tele2 is positioned close to customers needs and are fast-acting.
- Openness: Tele2 is hallmarked throughout by unity, direct decisions and a simple organization.
- Cost awareness: Tele2 is thrifty, invests as late as possible and questions all of its costs.

In May, Tele2 launched Parlino, a new service which facilitates free telephone calls from a computer to other Parlino users.

In June, Tele2 acquired 75.1% of E.ON Bredband Sverige AB from E.ON. The transaction is an important step for Tele2's broadband investment in Sweden.

The Tele2 share is listed on the O-List of the Stockholm Stock Exchange and included in the Attract 40 segment.

MILICOM INTERNATIONAL CELLULAR

The market value of Kinnevik's holding of shares in Millicom amounted to SEK 12,296 million on 30 June 2006.

Millicom provides affordable, widely accessible and readily available pre-paid cellular telephony services to all market segments in 16 countries in Latin America, Africa and Asia, which together represent a market of approximately 390 million people.

At the close of the quarter, Millicom had 10.9 million subscribers in the 16 countries in which it is active.

Millicom's shares are listed on NASDAQ in New York and the Attract 40 List of the Stockholm Stock Exchange.

METRO INTERNATIONAL

The market value of Kinnevik's holding of shares in Metro amounted to SEK 2,403 million on 30 June 2006.

Metro is the world's largest and fastest growing international newspaper. 68 Metro editions are published in 92 major cities in 20 countries in 19 languages across Europe, North & South America and Asia. The newspapers are distributed free of charge, with income being generated almost exclusively from sales of advertising space.

In May, Metro revealed that a franchise agreement had been signed with Europapress Holding, the leading newspaper in Croatia, for the launch of Metro in that country.

During the second quarter, Metro was launched in Mexico City under the name Publímétro.

Metro's shares are listed on Stockholm Stock Exchange's O-List.

MODERN TIMES GROUP MTG

The market value of Kinnevik's shareholding in MTG, including the value of redemption shares in MTG which gives the right to receive 20.9 million shares in Metro, amounted to SEK 3,954 million on 30 June 2006.

MTG is an international entertainment-broadcasting group with operations in more than 30 countries around the world. MTG is the largest Free-to-air and Pay-TV operator in Scandinavia and the Baltics, the largest shareholder in Russia's largest independent television network 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 more than 20 countries and has, among others, 11.5 million pay-TV subscribers in Central and Eastern Europe.

During the second quarter, MTG announced the

acquisition of 100% of the shares in Prva TV d.o.o., the Slovenian TV channel, for Euro 8.1 million.

On 1 June, MTG's associated company CTC Media announced that its common shares were priced at USD 14 per share in connection with listing on the NASDAQ. On 30 June the CTC share closed at USD 18.26.

MTG's shares are listed on Stockholm Stock Exchange's O list, where they are included in the Attract 40 segment.

TRANSCOM WORLDWIDE

The market value of Kinnevik's shareholding in Transcom amounted to SEK 1,001 million on 30 June 2006.

Transcom is Europe's largest outsourced Customer Relationship Management (CRM) and Credit Management Solutions (CMS) provider in terms of geographic footprint. Transcom provides solutions in Customer Relationship Management and debt collection for companies in such industries as telecommunications, electronic trading, travel and tourism, retail, financial services and in utilities.

During the second quarter, Transcom opened new call centers in Bari, Italy and in Soissons, France.

In addition, Transcom also announced that the company invested USD 1.5 million in a new CRM investment in the US through Cloud 10 Corporation.

Transcom's shares are listed on Stockholm Stock Exchange's O-List.

INVIK & CO.

Kinnevik holds convertible debt instruments in Invik with a nominal value of SEK 235 million, which may be converted to 4,519,230 shares corresponding to 14.6% of the capital and a maximum of 25.0% of the voting rights in Invik. Conversion may be carried out from 1 December 2006 through 30 November 2011. On 30 June 2006, the convertibles were valued at SEK 520 million in Kinnevik's accounts.

The Invik Group consists of companies focusing on insurance, banking and fund management. A common feature of the companies in the group is that they seek larger market shares in their selected growth segments, providing the basis for rapid

growth with profitability.

On 24 May, Invik announced the divestment of Fischer Partners for approximately SEK 425 million to Icelandic Glitnir banki hf.

Invik's shares are listed on Stockholm Stock Exchange's O-List.

PARENT COMPANY

The Parent Company's revenue amounted to SEK 6 million (6) for the first half of the year and administrative expenses totaled SEK 45 million (26). Administrative expenses for the first half of 2006 include provision for remuneration of the Company's current President in the amount of SEK 26 million. The provision has been reported in connection with the President announcing in March that he intends to step down as of 1 August and subsequently is entitled to 60% of his fixed salary on that date up to the age of 65.

Dividends received amounted to SEK 102 million (462) and the change in fair value of financial assets amounted to SEK 186 million (0) referring to convertible in Invik. The net of other financial income and expenses was income of SEK 48 million (19).

The Parent Company's profit after financial items was SEK 299 million (469).

Investments in tangible fixed assets amounted to SEK 0 million (0).

The Parent Company's liquidity, including short-term investments and unutilized credit facilities totaled SEK 468 million at 30 June 2006 and SEK 364 million at 31 December 2005.

The Parent Company's interest-bearing external liabilities amounted to SEK 4,620 million as of 30 June 2006, which was the same amount as per 31 December 2005.

ACCOUNTING PRINCIPLES

In preparing the consolidated financial statements, International Financial Reporting Standards (IFRS), as adopted by the EU, are applied from 2005. This report has been prepared in accordance with the Annual Accounts Act and IAS 34 Interim Financial Reporting in accordance with the requirements imposed by recommendation RR 1, Interim reports for corporate groups, of the Swedish Financial Accounting Standards Council.

The accounting principles applied in this report are similar to those described in the annual report

for 2005, with the exception of the valuation of financial assets at fair value through profit and loss in the Parent Company's financial statements. These were earlier reported at cost. As in the past, shares and participations in listed associated companies are reported at acquisition value in the Parent Company's financial statements.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 3 July, Kinnevik announced that the Company, as the majority shareholder in Millicom, supports the decision of the Millicom Board to finalize the company's strategic review that did not result in a sale of the company. Millicom's decision was caused by the Board's assessment that the potential purchaser with whom Millicom had conducted discussions since May could not offer a binding and sufficiently attractive offer in a reasonable time limit, given Millicom's positive development.

During the period 1 – 21 July, the market value of Kinnevik's holdings in listed securities decreased by SEK 4,386 million (SEK 16.61 per share) to SEK 24,397 million, of which Millicom accounted for SEK 3,141 million of the change as a result of, among others, the finalization of the above mentioned strategic review. Millicom's share price has from 18 January, the date before announcement of the strategic review, until 21 July increased by 19% from USD 27.9 to USD 33.2.

NEW APPOINTMENTS

On 1 August Mia Brunell will become the new President and Chief Executive Officer of Kinnevik. Mia succeeds Vigo Carlund, who is retiring after 37 years with the group, of which seven years as President and CEO of Kinnevik. Vigo Carlund was elected to the Board of Directors of Kinnevik at the Annual General Meeting in May 2006 and will participate in the work of the Board of Directors from 1 August 2006.

FINANCIAL REPORTS

The interim report for the period January – September 2006 will be published on 23 October 2006.

Stockholm, 24 July 2006

The Board of Directors

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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 traded on the Stockholm Stock Exchange O list and are included in the Attract 40 segment. The ticker codes are KINV A and KINV B.

REVIEW REPORT

We have reviewed the interim report of Investment AB Kinnevik for the period 1 January to 30 June 2006. The board of directors are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion

expressed based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, 24 July 2006

Ernst & Young AB

Erik Åström

Authorized Public Accountant

CONDENSED CONSOLIDATED INCOME STATEMENT (SEK million)

	2006	2005	2006	2005	2005
	1 Jan. - 30 June	1 Jan. - 30 June	1 Apr. - 30 June	1 Apr. - 30 June	Full year
Revenue	2,707	2,279	1,462	1,162	4,618
Cost of goods and services	<u>- 2,265</u>	<u>- 2,057</u>	<u>- 1,223</u>	<u>- 1,105</u>	<u>- 4,085</u>
Gross profit	442	222	239	57	533
Selling, administration, research and development costs	- 180	- 148	- 94	- 77	- 309
Other operating income	67	62	39	40	151
Other operating expenses	- 31	- 11	- 17	- 8	- 28
Share of profit/loss of associates accounted for using the equity method	<u>5</u>	<u>7</u>	<u>- 4</u>	<u>- 2</u>	<u>6</u>
Operating profit	303	132	163	10	353
Dividends received	263	630	263	630	630
Change in fair value of financial assets	3,310	- 1,220	- 3,982	- 766	3,893
Interest income and other financial income	17	12	9	- 3	30
Interest expenses and other financial expenses	<u>- 140</u>	<u>- 134</u>	<u>- 79</u>	<u>- 69</u>	<u>- 259</u>
Profit / loss after financial items	3,753	- 580	- 3,626	- 198	4,647
Taxes	- 49	- 207	- 29	- 107	- 224
Net profit / loss for the period from continuing operations	3,704	- 787	- 3,655	- 305	4,423
Net profit / loss from discontinued operations					
- Invik	-	64	-	39	108
- Korsnäs Packaging	<u>- 12</u>	<u>- 4</u>	<u>- 6</u>	<u>2</u>	<u>- 434</u>
Net profit / loss for the period	<u>3,692</u>	<u>- 727</u>	<u>- 3,661</u>	<u>- 264</u>	<u>4,097</u>
Attributable to equity holders of the Parent	3,691	- 727	- 3,662	- 264	4,097
Earnings per share before /after dilution, SEK:					
- from continuing operations	14.03	- 2.98	- 13.85	- 1.16	16.75
- from discontinued operations	- 0.05	0.23	- 0.02	0.16	- 1.23
Average number of shares before /after dilution	263,981,930	263,981,937	263,981,930	263,981,936	263,981,932

CONDENSED CONSOLIDATED CASH-FLOW STATEMENT (SEK million)

	2006	2005	2005
	1 Jan. - 30 June	1 Jan. - 30 June	Full year
Operating profit	303	132	353
Adjustment for non-cash items	206	134	327
Taxes paid	<u>- 14</u>	<u>- 57</u>	<u>- 369</u>
Cash flow from operations before change in working capital	495	209	311
Change in working capital	<u>97</u>	<u>- 235</u>	<u>- 259</u>
Cash flow from operations	592	- 26	52
Acquisition of subsidiaries	- 3,649	-	-
Disposal of subsidiaries	611	-	-
Investments in tangible and biological fixed assets	- 76	- 384	- 442
Sales of tangible and biological fixed assets	14	1	75
Investments in shares and other securities	- 106	- 482	- 677
Sales of shares and other securities	2	265	638
Dividend received	263	648	648
Change in loan receivables	7	0	16
Interest received	<u>12</u>	<u>4</u>	<u>8</u>
Cash flow from investing activities	- 2,922	52	266
Change in interest-bearing liabilities	3,021	334	276
Interest paid	- 136	- 130	- 244
Dividend paid	<u>- 422</u>	<u>- 66</u>	<u>- 66</u>
Cash flow from financing activities	2,463	138	- 34
Total cash flow from continuing operations	133	164	284
Amortisation on loan from Invik	-	- 158	- 158
Cash flow in Korsnäs Packaging	29	- 12	- 28
Lending to Korsnäs Packaging	<u>- 79</u>	<u>- 84</u>	<u>- 181</u>
Cash flow to / from discontinued operations	- 50	- 254	- 367
Cash flow for the period	83	- 90	- 83
Exchange rate differences in liquid funds	- 4	15	14
Cash and bank, opening balance	212	281	281
Cash and bank, closing balance	291	206	212

SEGMENT REPORTING (SEK million)

	2006 1 Jan. - 30 June	2005 1 Jan. - 30 June	2006 1 Apr. - 30 June	2005 1 Apr. - 30 June	2005 Full year
Revenue by segment					
Korsnäs Industrial	2,299	1,880	1,250	961	3,858
Korsnäs Forestry	926	867	470	422	1,741
Eliminations within Korsnäs	<u>- 552</u>	<u>- 500</u>	<u>- 277</u>	<u>- 237</u>	<u>- 1,043</u>
Total Korsnäs	2,673	2,247	1,443	1,146	4,556
Mellersta Sveriges Lantbruk	29	27	16	13	52
Parent Company and other	12	12	7	6	22
Eliminations	<u>- 7</u>	<u>- 7</u>	<u>- 4</u>	<u>- 3</u>	<u>- 12</u>
Total revenue	<u>2,707</u>	<u>2,279</u>	<u>1,462</u>	<u>1,162</u>	<u>4,618</u>
Operating profit / loss by segment					
Korsnäs Industrial	326	123	163	3	314
Korsnäs Forestry	<u>13</u>	<u>17</u>	<u>8</u>	<u>8</u>	<u>62</u>
Total Korsnäs	339	140	171	11	376
Mellersta Sveriges Lantbruk	3	1	2	- 1	8
Parent Company and other	- 39	- 9	- 10	- 3	- 31
Eliminations	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>0</u>
Total operating profit	<u>303</u>	<u>132</u>	<u>163</u>	<u>10</u>	<u>353</u>

CONDENSED CONSOLIDATED BALANCE SHEET (SEK million)	2006 30 June	2005 30 June	2005 31 December
Fixed assets			
Intangible assets	632	17	17
Tangible and biological fixed assets	6,904	4,608	3,851
Financial assets accounted to fair value through profit and loss	29,604	21,407	26,318
<i>whereof interest-bearing</i>	254	300	270
Investment in companies accounted for using the equity method	202	128	70
Other fixed assets	16	28	21
Deferred tax assets	<u>0</u>	<u>42</u>	<u>0</u>
	37,358	26,230	30,277
Current assets			
Inventories	1,427	1,158	994
Trade and other receivables	1,126	764	636
Prepayments	42	80	27
Short-term investments	0	308	3
Cash and cash equivalents	<u>291</u>	<u>206</u>	<u>185</u>
	2,886	2,516	1,845
Total assets continuing operations	40,244	28,746	32,122
Assets held for sale*	<u>–</u>	<u>8,292</u>	<u>1,135</u>
Total assets	<u>40,244</u>	<u>37,038</u>	<u>33,257</u>
Shareholders' equity			
Equity attributable to equity holders of the Parent Company	26,571	19,336	23,315
Equity attributable to minority	<u>10</u>	<u>0</u>	<u>0</u>
	26,581	19,336	23,315
Long-term liabilities			
Interest-bearing loans	9,610	7,272	6,882
Provisions for pensions	508	671	478
Other provisions	144	89	177
Deferred tax liability	1,499	629	727
Other liabilities	<u>4</u>	<u>4</u>	<u>4</u>
	11,765	8,665	8,268
Short-term liabilities			
Interest-bearing loans	608	50	347
Provisions	92	10	58
Trade and other payables	1,159	1,439	813
Income tax payable	30	46	12
Prepaid income	<u>9</u>	<u>1</u>	<u>2</u>
	1,898	1,546	1,232
Total liabilities continuing operations	13,663	10,211	9,500
Liabilities directly associated with the assets held for sale*	<u>–</u>	<u>7,491</u>	<u>442</u>
Total shareholders' equity and liabilities	<u>40,244</u>	<u>37,038</u>	<u>33,257</u>

* Korsnäs Packaging as at 31 December 2005. Invik as at 30 June 2005.

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

	2006	2005	2005
	1 Jan. - 30 June	1 Jan. - 30 June	Full year
Opening balance	23,315	20,109	20,109
Translation differences	– 13	20	33
Cash dividend	– 422	– 66	– 66
Distribution in kind	–	–	– 858
Minority's share in acquired companies	9	–	–
Net profit/loss for the period	3,692	– 727	4,097
Closing amount	<u>26,581</u>	<u>19,336</u>	<u>23,315</u>

KEY RATIOS

	2006	2005	2005
	30 June	30 June	31 December
Debt/equity ratio	0.4	0.4	0.3
Equity ratio	66%	52%	70%
Net debt	10,181	7,179	7,249

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

	2006	2006	2005	2005	2005	2005	2005
	Q2*	Q1	Full year	Q4	Q3	Q2	Q1
Revenue (SEK million)							
Korsnäs Industrial	1,250	1,049	3,858	985	993	961	919
Korsnäs Forestry	470	456	1,741	483	391	422	445
Eliminations within Korsnäs	<u>- 277</u>	<u>- 275</u>	<u>- 1,043</u>	<u>- 282</u>	<u>- 261</u>	<u>- 237</u>	<u>- 263</u>
Total Korsnäs	1,443	1,230	4,556	1,186	1,123	1,146	1,101
Mellersta Sveriges Lantbruk	16	13	52	11	14	13	14
Operating profit / loss before depreciation (EBITDA) (SEK million)							
Korsnäs Industrial	273	247	645	103	259	83	200
Korsnäs Forestry	<u>10</u>	<u>7</u>	<u>73</u>	<u>46</u>	<u>4</u>	<u>11</u>	<u>12</u>
Total Korsnäs	283	254	718	149	263	94	212
Mellersta Sveriges Lantbruk	5	3	15	7	4	0	4
Operating profit / loss after depreciation (EBIT) (SEK million)							
Korsnäs Industrial	163	163	314	15	176	3	120
Korsnäs Forestry	<u>8</u>	<u>5</u>	<u>62</u>	<u>43</u>	<u>2</u>	<u>8</u>	<u>9</u>
Total Korsnäs	171	168	376	58	178	11	129
Mellersta Sveriges Lantbruk	2	1	8	5	2	- 1	2
Operating margin							
Korsnäs Industrial	13.0%	15.5%	8.1%	1.5%	17.7%	0.3%	13.1%
Korsnäs Forestry	1.7%	1.1%	3.6%	8.9%	0.5%	1.9%	2.0%
Korsnäs	11.9%	13.7%	8.3%	4.9%	15.9%	1.0%	11.7%
Mellersta Sveriges Lantbruk	12.5%	7.7%	15.4%	45.5%	14.3%	- 7.7%	14.3%
Operational capital employed (SEK million)							
Korsnäs Industrial	5,517	4,144	4,229	4,272	4,349	4,325	4,123
Korsnäs Forestry	<u>269</u>	<u>243</u>	<u>238</u>	<u>248</u>	<u>251</u>	<u>229</u>	<u>228</u>
Total Korsnäs	5,786	4,387	4,467	4,520	4,600	4,554	4,351
Mellersta Sveriges Lantbruk	261	273	203	220	192	185	204
Return on operational capital employed							
Korsnäs Industrial	11.8%	15.7%	7.4%	1.4%	16.2%	0.3%	11.6%
Korsnäs Forestry	11.9%	8.2%	26.1%	69.4%	3.2%	14.0%	15.8%
Korsnäs	11.8%	15.3%	8.4%	5.1%	15.5%	1.0%	11.9%
Mellersta Sveriges Lantbruk	3.1%	1.5%	3.9%	9.1%	4.2%	neg.	3.9%
Korsnäs Gävle							
Production, thousand tons	171	181	664	177	180	134	173
Deliveries, thousand tons	173	177	671	168	170	169	164
Korsnäs Frövi							
Production, thousand tons	94	97	358	92	84	93	89
Deliveries, thousand tons	91	81	343	80	81	97	85

* Korsnäs Frövi is included from 1 June 2006, except for key ratios relating to production and deliveries.

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 will be reported in the Korsnäs Industrial segment. The preliminary purchase price including repayment of Frövi's intra-group loans and transaction costs amounted to SEK 3,681 million. The acquisition generated goodwill of SEK 615 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. The purchase price and purchase price allocation are preliminary.

Frövi's operations have contributed negative to the operating income in the amount of SEK 4 million and a net loss of SEK 7 million for the Group during the month of June. The above-mentioned adjustments of Frövi's reported values of assets and liabilities has had a SEK 28 million negative impact on the operating result for Korsnäs Frövi for the month of June as a result of increased costs of goods sold from inventory, which on acquisition was reported above Frövi's production costs, (SEK 22 million impact on the operating result for June) and increased depreciation of fixed assets that are reported above Frövi's earlier book value after the acquisition (SEK 6 million impact on the operating result for June).

If Frövi had been consolidated from 1 January 2006, the operation would have contributed sales of SEK 1,143 million, operating profit of SEK 97 milli-

on and a net profit of SEK 25 million to the Group's consolidated earnings. The operating profit includes an increase in depreciation of assets totaling SEK 63 million. Net profit also includes financing costs totaling SEK 24 million and a positive tax charge of SEK 18 million. Revenue for the entire Group had thus totaled SEK 3,648 million and net profit had amounted to SEK 3,724 million.

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

	Frövi's earlier reported value*	Value in purchase price allo- cation
Net assets acquired (SEK million)		
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		615
Total consideration		3,681
Liquid funds in acquired companies		- 34
Cash consideration		3,647

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