

Corporate Governance Report

Corporate Governance in the Kinnevik Group is based on Swedish legislation and other generally accepted sound practice on the securities market. Kinnevik applies the Swedish Corporate Governance Code (the "Code")¹⁾. This Corporate Governance report represents a formal part of the Board of Directors' Report and has been reviewed by the company's auditors.

During 2012, Kinnevik, in line with previous years, deviated from the Code regulation stipulating that the Chairman of the Board may not be the Chairman of the Nomination Committee. The deviation from the Code is explained in more detail in the section Nomination Committee below.

Annual General Meeting

The Swedish Companies Act (2005:551) ("ABL") and the Articles of Association determine how the notice to the Annual General Meeting and extraordinary general meetings shall occur, and who has the right to participate in and vote at the meeting. There are no restrictions for the number of votes each shareholder may cast at the general meeting. A-shares entitle to ten votes, whereas other shares entitle to one vote. Distance participation and voting at the general meeting is not available.

Information on major shareholders in the Company, as well as issue authorizations approved by the Annual General Meeting and authorization to acquire own shares, is provided in Note 11 to the Parent Company, Share Capital.

Nomination Committee

At the 2012 Annual General Meeting, it was decided that a Nomination Committee consisting of at least three members representing the Company's largest shareholders would be established during October 2012 following consultation with the largest shareholders in the Company at 30 September 2012. The Nomination Committee would be elected for a period commencing with the publication of the Company's interim report for the third quarter of 2012 until the next Nomination Committee is formed. If a member of the Nomination Committee resigns prematurely, a replacement shall be appointed in consultation with the largest shareholders in the Company. However, if no particular grounds exist, no changes shall be made to the composition of the Nomination Committee if only marginal changes in the number of votes occurred or if a change occurred less than three months prior to the Annual General Meeting. Cristina Stenbeck is to be a member of the Nomination Committee and will convene the Nomination Committee. The Nomination Committee will itself appoint a Chairman at the first meeting. The Nomination Committee is entitled, upon request, to receive resources from the Company such as the secretarial function in the Nomination Committee and the right to charge the Company with expenses for recruiting consultants if this is deemed necessary.

Pursuant to the resolution of the Annual General Meeting, Cristina Stenbeck convened a Nomination Committee prior to the 2013 Annual General Meeting. The Nomination Committee comprises Cristina Stenbeck, Max Stenbeck on behalf of Verdere S.å.r.l, Wilhelm Klingspor on behalf of the Klingspor family, Ramsay Brufer on behalf of Alecta and Edvard von Horn on behalf of the von Horn family. The Nomination Committee's task is to submit proposals for the Board of Directors and Auditors, in the event Auditors shall be elected, and fees to the Board of Directors and Auditors, as well as a proposal for the Chairman of the Annual General Meeting ahead of the 2013 Annual General Meeting. The Chairman of the Board, Cristina Stenbeck, was appointed Chairman of the Nomination Committee, an appointment that deviates from what the Code prescribes. The other members of the Nomination Committee declared their decision regarding election of the Chairman of the Nomination Committee as being in the Company and shareholders' best interest and a natural consequence of Cristina Stenbeck leading the Nomination Committee's work in recent years, as well as her connection to the Company's largest shareholders.

Auditors

According to the Articles of Association, the Company shall have not more than three auditors, with not more than three deputies, or a registered audit firm.

At the 2009 Annual General Meeting, the registered audit firm Ernst & Young AB, with newly appointed Authorized Public Accountant Thomas Forslund as Auditor in Charge, was elected Company auditor for a period of four years until the 2013 Annual General Meeting. Thomas Forslund, born 1965, has also audit engagements in a number of other listed companies such as DGC One AB, Feelgood Svenska AB, Systemair AB, Tradedoubler AB, WeSc AB and Softronic AB. The auditor's independence is secured by legislation and professional ethics and the audit firm's internal guidelines and by adhering to the Audit Committee's guidelines governing the type of assignments that the audit firm may conduct in addition to the audit. During 2012, Ernst & Young AB has provided certain services in issues regarding internal controls, Corporate Responsibility and IFRS. Information regarding remuneration appears in the Annual Report in Note 24 to the consolidated accounts and Note 5 to the Parent Company, Auditors' Fees for elected auditors.

Board of Directors and Group Management

Board members are elected at the Annual General Meeting for a period expiring at the close of the next Annual General Meeting. The Articles of Association contains no restrictions pertaining to the eligibility of the Board members. According to the Articles of Association, the number of Board members can be no fewer than three and not more than nine, with not more than three deputies. In addition, according to legislation, the union organizations have the right to appoint two employee Board members and two deputies.

¹⁾ The Code is available at: <http://www.bolagsstyrning.se>

At the 2012 Annual General Meeting, following a motion by the former Nomination Committee, Tom Boardman, Vigo Carlund, Dame Amelia Fawcett, Wilhelm Klingspor, Erik Mitteregger, Allen Sangines-Krause and Cristina Stenbeck were re-elected members of the Company's Board. The Annual General Meeting re-elected Cristina Stenbeck as Chairman of the Board. In May 2012, the employees' organizations in Korsnäs AB appointed Bo Myrberg and Tobias Söderholm as ordinary employee Board members with Magnus Borg and Geron Forsman as deputies. In connection with the closing of the combination between Korsnäs and Billerud on 29 November 2012, all employee representatives seceded from the board of Kinnevik.

The independence of Board members in relation to the Company and Company Management, and to the major shareholders of the Company is specified on pages 36-37. None of the Board members is employed within the Group, with the exception of the employee representatives until they seceded on 29 November. The Board member Allen Sangines Krause has during 2012, following approval by the Board, acted as consultant to the Company performing various management services. Information concerning Group Management is presented in the Annual Report on page 79 and in Note 29 to the consolidated accounts, Personnel.

Board work

Kinnevik's Board of Directors is responsible for the overall strategy of the Group and for organizing its administration in accordance with the Swedish Companies Act. The Board's work and delegation procedures, instructions for the CEO and reporting instructions are updated and approved annually following the Annual General Meeting.

The significant issues that were addressed by Kinnevik's Board during 2012 include the impact of the global economy on Kinnevik and the companies in which Kinnevik has invested, the combination between Korsnäs and Billerud, the offer to buy out Metro from the stock exchange, new investment decisions within the Online business area, capital structure of Kinnevik as well as capital structure of the listed associated companies, as well as the overall strategy and financial performance of all major portfolio companies. As the basis for discussions concerning the listed associated companies, Kinnevik's management presented independent analyses of each company's strategy, operations as well as provided an independent assessment of future opportunities within the markets in which they are active. The annual strategy meeting in Ghana was held for two days at the beginning of 2013. Representatives of a number of Kinnevik's portfolio companies with operations in Africa participated and

Cristina Stenbeck, Chairman

Born: 1977

Nationality: US and Swedish citizen

Independence: Independent of the Company and management, not independent of major shareholders. Direct or related person ownership: 2,200 Class B shares. In addition to her own directly held shares, Cristina is via Verdere S.à.r.l. indirectly owner of a considerable shareholding in Kinnevik.

Committee work: Member of the Remuneration Committee.

Cristina has been Chairman of the Board of Investment AB Kinnevik since 2007. She serves as a Director of the Board of Modern Times Group MTG AB and Tele2 AB since 2003. Cristina was Vice Chairman of Investment AB Kinnevik 2004-2007 and Industriförvaltnings AB Kinnevik 2003-2004.

Cristina graduated with a B.Sc. from Georgetown University in Washington DC, USA.

Tom Boardman

Born: 1949

Nationality: South African citizen

Independence: Independent of the Company and

management and independent of major shareholders.

Direct or related person ownership: -

Committee work: Member of the Audit Committee.

Tom has been Director of the Board of Investment AB Kinnevik since 2011. He is Non-Executive Director of Nedbank Group since 2010, Woolworths Holdings Ltd since 2010, Royal Bafokeng Holdings since 2010 and African Rainbow Minerals Ltd since 2011. Tom held various managerial positions within the South African mining, timber and retailing industries 1973-1986. Between 1986-2002 he held various managerial positions within the BoE Bank and in 2003-2010 he was Chief Executive of Nedbank Group Ltd.

Tom has a B Com and CTA from the University of

Witwatersrand, South Africa.

Vigo Carlund

Born: 1946

Nationality: Swedish citizen

Independence: Independent of the Company and management and independent of major shareholders.

Direct och related person ownership: 500,000 Class B shares, owned through insurance.

Committee work: -

Vigo has been Director of the Board of Investment AB Kinnevik since 2006. He is Chairman of the Board of Net Entertainment NE AB since 2011 and Black Earth Farming Ltd since 2012. He also serves as Director of the Board of Academic Work Solutions since 2006 and IZettle AB since 2010.

Vigo worked within the Kinnevik Group 1968-2006 and was CEO of Korsnäs AB 1998-2000, and President and CEO of Transcom WorldWide S.A. 2000-2002 and Kinnevik 1999-2006.

Dame Amelia Fawcett

Born: 1956

Nationality: US and UK citizen

Independence: Independent of the Company and management and independent of major shareholders.

Direct or related person ownership: -

Committee work: Member of the Remuneration Committee. Dame Amelia has been Director of the Board of Investment AB Kinnevik since 2011. She is Non-Executive Chairman of Guardian Media Group Plc since 2009 (Non-Executive Director since 2007), Chairman of the Hedge Fund Standards Board in London since 2011 and is a Non-Executive Director of State Street Corpo-

presented their operations, and the opportunities for future in-depth cooperation between the companies were discussed.

Compliance with laws and regulations, responsibility and market confidence in Kinnevik are some of the key issues with which the Board actively works. The Corporate Responsibility Policy adopted by the Kinnevik Board, describes Kinnevik's policy on issues pertaining to social responsibility, environmental considerations and ethics.

A Remuneration Committee and an Audit Committee were established within the Board. These committees are preparatory bodies of the Board and do not reduce the Board's overall responsibility for the governance of the Company and the decisions made. The entire Board overtook during 2012 responsibility for the tasks that during 2011 were performed by the New Ventures Committee.

The Board complies with a formal performance review process to assess how well the Board, its committees and processes are performing and how they might be improved. The review also assesses the performance of each Board member, including the Chairman, and the contribution they make.

The Board appointed Legal Counsel Tobias Hultén as the Company Secretary. The Company Secretary is responsible for ensuring that rules of procedure are complied with and all Board Members can turn to the Secretary for advice and assistance in their work for the Board.

During 2012, the Kinnevik Board held nine meetings (excluding the statutory meeting), of which five were extra meetings held via telephone. The Board member Dame Amelia Fawcett was absent from three extra board meetings held via telephone and Allen Sangines-Krause was absent from one extra board meeting held via telephone. Other ordinary Board members were present at all Board meetings.

Remuneration Committee

The Remuneration Committee's assignments are stipulated in Chapter 9.1 of the Code, and comprise issues concerning salaries, pension terms and conditions, incentive programs and other conditions of employment for the management of the Parent Company and Presidents of the Group's business areas. The guidelines applied in 2012 are presented in Note 29 to the consolidated accounts, Personnel.

Cristina Stenbeck, Dame Amelia Fawcett, Wilhelm Klingspor and Erik Mitteregger were members of the Remuneration Committee during 2012. The Chairman of the Remuneration Committee was Wilhelm Klingspor.

The Remuneration Committee shall meet not less than once a year, and more frequently as required, at which minutes of these meetings shall be kept. The Remuneration Committee held six meetings during 2012, of which five were held via telephone. Dame Amelia Fawcett was absent from one meeting. The other members were present at all the meetings.

ration in Boston, USA since 2006 and Non-Executive Member of the UK Treasury Board since 2012. Dame Amelia is a Governor of the London Business School, Chairman of The Prince of Wales's Charitable Foundation, a Commissioner of the US-UK Fulbright Commission and a Trustee of Project Hope (UK). Dame Amelia held various managerial positions within Morgan Stanley 1987-2006 and was Vice Chairman and Chief Operating Officer of the European operations 2002-2006. Dame Amelia has a Law Degree from University of Virginia, USA, and a BA Magna cum Laude in History from the Wellesley College in Massachusetts, USA.

Wilhelm Klingspor

Born: 1962

Nationality: Swedish citizen

Independence: Independent of the Company and management and independent of major shareholders.

Direct or related person ownership: 1,103,080 Class A shares and 780,071 Class B shares

Committee work: Chairman of the Remuneration Committee. Member of the Audit Committee.

Wilhelm has been Director of the Board of Investment AB Kinnevik since 2004 and was Director of Industri-

förvaltnings AB Kinnevik 1999-2004. He also serves as Director of the Board of BillerudKorsnäs AB since 2012 (Director of Korsnäs AB 2003-2012).

Wilhelm is CEO of Hellekis Säteri AB.

Wilhelm graduated as Forest Engineer from the Swedish University of Agricultural Sciences in Skivviken.

Erik Mitteregger

Born: 1960

Nationality: Swedish citizen

Independence: Independent of the Company and management and independent of major shareholders.

Direct or related person ownership: 35,000 Class A shares and 165,000 Class B shares

Committee work: Chairman of the Audit Committee.

Member of the Remuneration Committee.

Erik has been Director of the Board of Investment AB Kinnevik since 2004. He also serves as Chairman of the Board of Wise Group AB since 2009, Director of the Board of Firefly AB, Metro International S.A. since 2009 and Tele2 AB since 2010.

Erik was founding partner and Fund Manager at Brummer & Partners Kapitalförvaltning AB 1995-2002. In 1989-1995 he was Head of Equity Research and

member of the Management Board at Alfred Berg Fondkommission.

Erik holds a B.Sc. in Economics and Business Administration from Stockholm School of Economics.

Allen Sangines-Krause

Born: 1959

Nationality: UK and Mexican citizen

Independence: Not independent of the Company and management, independent of major shareholders.*

Direct or related person ownership: -

Committee work: Member of the Audit Committee.

Allen has been Director of the Board of Investment AB Kinnevik since 2007. He is also Chairman of the Board of Millicom International Cellular S.A. since 2010 (Director since 2008) and of BK Partners, an asset management company.

Allen was Managing Director with Goldman Sachs 1993-2008 where he was responsible for investment banking and business development in Latin America, Spain, Russia and other CIS States.

Allen holds a Ph.D. in Economics from Harvard University in Massachusetts, USA.

* See further Note 29 to the consolidated accounts, Personnel.

Audit Committee

The Audit Committee's assignments are stipulated in Chapter 8, Section 49b of the Swedish Companies Act. These tasks include maintaining and enhancing the efficiency of contact with the Group's auditors and conducting inspections of the procedures applied for accounting and financial reporting, as well as the internal audits within the Group. The Audit Committee's work focuses on the quality and accuracy of the Group's financial accounting and the accompanying reporting, as well as work on internal financial controls within the Company. Furthermore, the Audit Committee evaluates the auditors' work, qualifications and independence. The Audit Committee monitors the development of the accounting policies and requirements, discusses other significant issues connected with the Company's financial reporting and reports its observations to the Board.

Tom Boardman, Wilhelm Klingspor, Erik Mitteregger and Allen Sangines-Krause were members of the Audit Committee during 2012. The Chairman of the Committee was Erik Mitteregger.

The Audit Committee shall meet not less than four times annually. Minutes are kept at the Audit Committee's meetings and are reported to the Board at its next meeting. The Audit Committee held eight meetings during 2012, of which four were held via telephone. All members were present at all the meetings. The external auditors participated in most of the meetings and issued their reports on the results of their examination to both the Audit Committee and the Board of Directors both orally and in writing. The auditors also held an annual meeting with the Board without management being present.

The Board's description of internal control pertaining to the financial reporting for the 2012 fiscal year

The Board is responsible for internal control in accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance. This description has been prepared in accordance with the Swedish Code of Corporate Governance, section 7.4 and Chapter 6, paragraph 6 and Chapter 7, paragraph 31 of the Annual Accounts Act (1995:1554), and is thus restricted to the internal control pertaining to the financial reporting.

Control environment

The purpose of the Board of Directors' rules of procedure and instructions for the CEO and Board committees is to ensure a distinct division of roles and responsibility that promotes the efficient management of operational and financial risks. The Board has also adopted a number of fundamental guidelines of significance to activities involving internal controls, which are described in Kinnevik's Policy and Procedure Manual and include instructions governing the financial reporting of results, authorization procedures, purchasing policies, investment policies, accounting principles, financial risk management and the internal audit. The Company's management reports regularly to the Board following estab-

hed procedures. In addition, the Audit Committee reports on its work. The Company's management is responsible for the system of internal controls required for managing risks associated with on-going operations. This includes guidelines for the employees to ensure that they understand the importance of their particular roles in efforts to maintain efficient internal control. The Company's operational and financial risks are reported each quarter to the Board, including an analysis of their consequences and financial impact in the event of them materializing, and how and who exercises on-going control over each risk and how these can be minimized.

Risk assessment and control activities

Kinnevik has implemented a model for assessing the risk of errors in accounting and the financial reporting based on COSO's framework for internal control. The most significant items and processes in which the risk of significant errors can typically arise encompass intangible fixed assets and financial instruments in the income statement and balance sheet, and the investment process. Kinnevik has documented work routines and continuously evaluates how well the controls function pertaining to these items and processes. During 2012, the Audit Committee placed major focus on Kinnevik's policies and processes for valuation of unlisted holdings. To ensure that policies and internal processes function well, the Audit Committee commissioned external expertise in the area.

Internal audits

The Company engages independent auditors that are responsible for following up and evaluating work involved in risk management and internal control. This work includes the monitoring of compliance with set guidelines. The internal auditors conduct their work on instructions from the Audit Committee and are continuously reporting the results of their examination in the form of written reports to the Committee.

Information and communication

Kinnevik's Policy and Procedure Manual and other guidelines of importance to financial reporting are updated at least once annually. Both formal and informal information channels to Company management and the Board of Directors are available for important information from employees. For external communication, guidelines have been compiled in an Information Policy that ensures that the Company complies with the meticulous demands for correct information to the market and other various constituencies, such as shareholders, Board members, employees and customers.

Follow-up

The Board of Directors continuously evaluates the information provided by Company management and the Audit Committee. The Audit Committee's work to monitor the efficiency of Company management's efforts in this area is of particular importance to the follow-up of internal controls. This work includes ensuring that action is taken concerning those shortcomings and proposed measures that result from the internal and external audit.

Audit Report

To the annual meeting of the shareholders of Investment AB Kinnevik (publ), corporate identity number 556047-9742

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Investment AB Kinnevik (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included on pages 31-75.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the balance sheet of the parent company as of 31 December 2012 and of its statement of income and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial per-

formance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company. We also recommend that the annual meeting of shareholders adopt the consolidated statement of income and the consolidated balance sheet.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Investment AB Kinnevik (publ) for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 26 March 2013

Ernst & Young AB

Thomas Forslund
Authorized Public Accountant