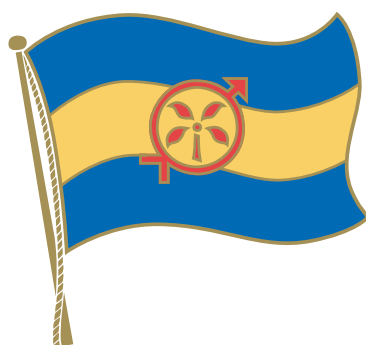


Industrieförvaltnings AB
Kinnervik



Annual Report 2003

Annual General Meeting

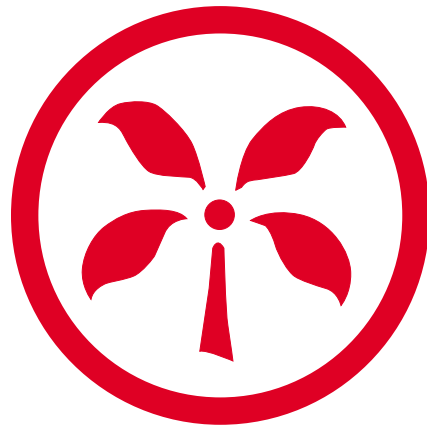
The Annual General Meeting will be held on Thursday 13 May 2004 at 11.00 a.m. at Brasserie by the Sea, Tullhus 2, Skeppsbron, Stockholm. Shareholders who wish to participate at the Annual General Meeting shall be entered in the register of shareholders maintained by VPC AB (the Swedish Securities Register Centre) on Monday 3 May 2004, and also notify the company of their intention of participating by no later than Friday 7 May 2004 at 3.00 p.m. The notification shall be made on the company's website www.kinnevik.se, or by telephone +46 433 – 74756, or in writing to the company at the following address:

Industriförvaltnings AB Kinnevik
P.O. Box 2094
SE- 103 13 Stockholm, Sweden

When giving the notice of participation, the shareholder should state name, personal identification number (or company registration number), address, telephone number, shareholdings and any advisors attending. Shareholders who wish to be represented by a representative shall submit a written power of attorney giving authorisation to a specific person together with the notice of participation. Written notifications should be marked "Bolagsstämma / AGM". Shareholders whose shares are registered in the names of nominees must temporarily re-register the shares in their own name in order to be entitled to participate in the Meeting. In order to be entered in the register of shareholders by Monday 3 May 2004, shareholders must request temporary re-registration a sufficient number of working days before this date.

Financial information

Interim report Q1 2004, April 22, 2004.
Interim report Q2 2004, August 5, 2004.
Interim report Q3 2004, October 21, 2004.
Year-end release for 2004, February 2005.
Annual Report for 2004, March 2005.
Annual General Meeting, May 2005.



"Close to 70 years of entrepreneurship under
the same group of principal owners"

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Board of Directors and Auditors



The Board of Directors and President of Industriförvaltnings AB Kinnevik.
Left to right: Hans Wahlbom, Thorbjörn Hallström, Anders Fällman, Cristina Stenbeck,
Kenneth Portin, Edvard von Horn, Jan-Henrik Sandberg, Vigo Carlund, Stig Nordin,
Wilhelm Klingspor and Dag Tigerschiöld.

Board of Directors

Honorary Members

Carl-Gustaf Klingspor
Bo von Horn

Directors

Edvard von Horn, Chairman	Cristina Stenbeck, Vice Chairman
Stig Nordin	Jan-Henrik Sandberg*
Thorbjörn Hallström*	Anders Fällman
Dag Tigerschiöld	Wilhelm Klingspor

Deputy Members

Kenneth Portin* Hans Wahlbom*

Auditors

Auditors

Lars Träff Carl Lindgren Erik Åström
Authorized Public Accountants

Deputy Auditors

Thomas Forslund Björn Flink Anders Wiger
Authorized Public Accountants

* Representatives nominated by union organizations.

See page 62 for further information about Kinnevik's Board of Directors.

Management



Left to right, Mikael Larsson, Chief Financial Officer of Industriförvaltnings AB Kinnevik, Stockholm; Per Lindberg, President of Korsnäs AB, Gävle; Vigo Carlund, President of Industriförvaltnings AB Kinnevik, Stockholm; Peter Buckley, President of Korsnäs Packaging Group, Paris; Sture Gustavsson, President of Mellersta Sveriges Lantbruks AB, Vadstena.

See page 63 for further information about Kinnevik's Management.

Financial Highlights 1999–2003

Consolidated Statements of Income ¹

(SEK million)	1999	2000	2001	2002	2003
Net turnover	5,189	5,330	5,919	5,865	5,614
Income from corporate development	96	8,471	– 4	735	193
Income from sales of securities	6	– 81	27	40	62
Operating income	454	8,584	345	1,336	770
Interest in earnings of associated companies	387	534	– 487	– 4,297	2,675
Income after financial items	609	8,871	– 455	– 3,973	3,317

Key ratios

Return on capital employed (%)	7.0	49.1	– 0.1	– 17.3	20.5
Return on shareholders' equity (%)	9.3	86.0	– 4.0	– 37.6	37.7
Interest coverage ratio (times)	2.7	20.7	– 0.1	– 7.8	8.5
Profit margin (%)	11.7	166.4	– 7.7	– 67.7	59.1
Equity / assets ratio (%)	36.7	57.7	53.6	43.4	53.9
Debt / equity ratio (times)	1.4	0.6	0.7	1.1	0.7
Risk capital ratio (%)	39.4	59.3	57.3	48.8	57.7

Per share data ²

Earnings per share (SEK)	8.53	139.71	– 8.95	– 65.70	59.14
Shareholders' equity per share (SEK)	91	234	219	131	183
Market price at December 31 (SEK)	264	181	166	87	236
Dividend (SEK)	4.76 *	13.50 **	2.00	4.00	5.50 ***
Direct return (%)	2	7	1	5	2

* Including distribution of warrants in Société Européenne de Communication S.A. (SEC).

** Including distribution of shares in Transcom WorldWide S.A. (Transcom).

*** Proposed cash dividend.

¹⁾ Figures relate to the Group excluding distributed and sold companies.

²⁾ Number of shares before / after dilution amounting to 62,938,677 has been unchanged from 1999 until 2003.

Definitions

Capital employed

Total assets – interest-free liabilities – deferred tax liability.

Return on capital employed

Income after financial items + interest expense / average capital employed.

Return on stockholders' equity

Net income / average equity.

Interest coverage ratio

Income after financial items + interest expense / interest expense.

Profit margin

Income after financial items / net turnover.

Equity/assets ratio

Equity + minority interests in equity / total assets.

Debt/equity ratio

Interest-bearing liabilities / equity + minority interests in equity.

Risk capital ratio

Equity + minority interests in equity + deferred tax liability / total assets.

Earnings per share

Net income / number of shares.

Stockholders' equity per share

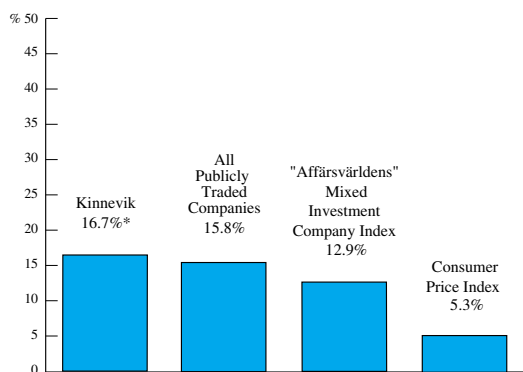
Equity / number of shares.

Direct return

Dividend / market price on December 31.

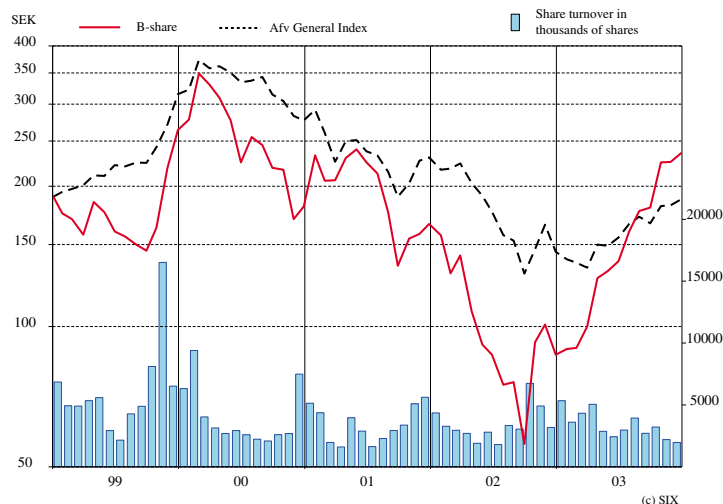
Figures

Effective Annual Average Rate of Return on Share Ownership 1976-2003



* Including the value of dividends of Tele2, MTG, SEC, Invik, and Transcom and the value of share subscription offers.

Kinnevik's share price during 1999-2003



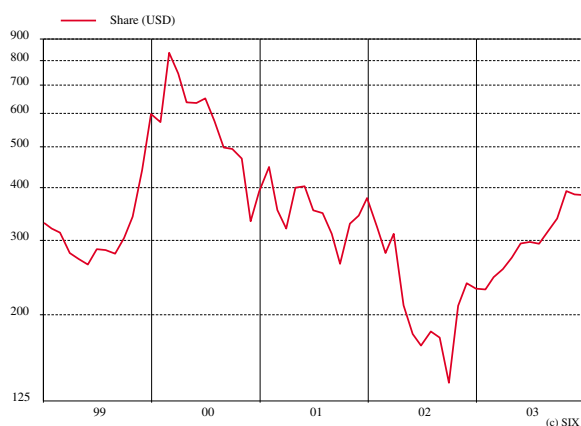
Kinnevik shares

The above curve shows changes in Kinnevik's share price during the past 27 and five years respectively. The share price has been corrected for the distribution of shares in Société Européenne de Communication S.A. (SEC), Invik & Co. AB (Invik) and Transcom WorldWide S.A. (Transcom). On May 27, 1999, warrants were distributed to shareholders entitling them to acquire one share in Invik & Co. AB for every 100 shares owned in Kinnevik. On May 31, 2000, Kinnevik distributed warrants to its shareholders entitling them to acquire 1.6% of the shares in SEC for SEK 11.70 per share. On September 4, 2001, all shares in Transcom were distributed to Kinnevik's shareholders.

Kinnevik options

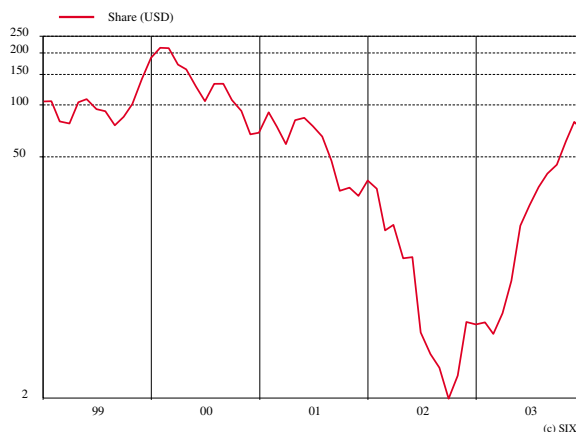
Options in Kinnevik were first listed on OM in October 1993. In 2003, an average of 82 option contracts was traded each day, which corresponds to 8,200 shares. As of October 1999, options with long durations, known as warrants, were listed. A total of 1,024,500 warrants were traded in 2003.

Tele2's share price during 1999-2003



Kinnevik's holding in Tele2 amounts to 20.4% of capital. The market value on December 31, 2003, was SEK 11,508 million.

MIC's share price during 1999-2003



Kinnevik's holding in MIC amounts to 35.3% of capital. The market value on December 31, 2003, was SEK 3,601 million including convertible notes.

Shareholders

The number of Kinnevik shares owned by the principal shareholders and their percentage interest in the share capital and votes, according to VPC, December 31, 2003.

Shareholder	A shares	B shares	Per cent of capital	Per cent of votes
Invik & Co. AB	6,281,387	2,286,936	13.6	35.0
Emesco Group	3,336,905	0	5.3	17.9
The estate of Jan H Stenbeck	1,424,000	0	2.3	7.6
Klingspor family	1,135,682	195,526	2.1	6.2
SEB / SEB Trygg Liv Fonder	0	6,593,310	10.5	3.5
Robur	48,450	3,896,375	6.3	2.4
von Horn family	405,597	48,220	0.7	2.2
Korsnäs Trust	378,419	124,911	0.8	2.1
Fjärde AP-fonden	0	2,810,600	4.5	1.5
Gamla Livförsäkringsaktiebolaget	0	2,270,500	3.6	1.2
Svenska Handelsbanken / SPP Fonder	60,000	1,676,568	2.8	1.2
Hugo Stenbeck's Trust	199,530	0	0.3	1.1
Alecta	0	1,587,039	2.5	0.9
Skandia	67,544	988,076	1.7	0.9
SIF	0	1,354,600	2.2	0.7
Catella Fonder	0	1,300,000	2.1	0.7
Stiftelsen för Kunskaps och Kompetensutveckling	0	350,000	0.6	0.2
Banco Fonder	0	228,259	0.4	0.1
Nordea	950	257,684	0.4	0.1
Kungl Skogs- och Lantbruksakademin	0	172,000	0.3	0.1
Others	364,570	23,095,039	37.0	14.4
Total	13,703,034	49,235,643	100.0	100.0

Total number of shareholders as of December 31, 2003, was 24,639 (23,143).

Size of shareholding	Number of shareholders	Per cent	Number of shares	Per cent
100,001-	80	0.32	47,094,808	74.83
50,001-100,000	28	0.11	1,938,243	3.08
10,001-50,000	202	0.82	4,719,593	7.50
5,001-10,000	192	0.78	1,375,413	2.19
1,001-5,000	1,484	6.02	3,267,330	5.19
1-1,000	22,653	91.94	4,543,290	7.21
Total	24,639	100.0	62,938,677	100.0

Kinnevik's shares have been listed on Stockholmsbörsen's "A" list since 12 November 1992 with the abbreviation KINV A and KINV B. A trading block consists of 100 shares.

Review by the Board of Directors

Objectives

The purpose of Industriförvaltnings AB Kinnevik is to produce value for its shareholders, primarily by net asset value growth. The business comprises the long-term development of operating companies and administer a share portfolio of long term investments in a small number of listed companies. Kinnevik seeks to play an active role on the boards of its subsidiaries and associated companies, together with other large, long-term shareholders. In this work, the awareness that every company has, and should continually strive to strengthen its business franchise is the foundation, and the long-term increase in value-added created in the operations is the lodestar.

Historical background

The predecessor of Industriförvaltnings AB Kinnevik was founded on December 18, 1936, by a group of friends, and the business has been carried on by their offspring, now in the third generation. Thus the Company embodies close to seventy years of entrepreneurship under the same group of principal owners. The original investments mainly took the form of purchases of substantial minority holdings in listed companies, with price as an important criterion. Decisions on investments are often made against the prevailing market trend, or contrary to generally accepted views. As other investors tend to give too much credence to these views the return on their investments is consequently often lower than the market average. Consequently, investments have mainly been made in periods of unclear outlook, or in companies with uncertain prospects.

Ever since it was founded, the Group has owned large agricultural properties. Investments were originally made principally in heavy manufacturing, in the forest products, in the iron and steel industries and in fabrication often associated with these industries. Kinnevik's major portfolio investments have been in Korsnäs AB and Sandvik AB.

In 1978, shares of Fagersta AB were acquired for the purpose of seeking to coordinate the steel operations of Fagersta and Sandvik. When Skanska AB, in concert with Investment AB Beijer, acquired major holdings of shares in Sandvik AB, Kinnevik sold its Sandvik shares in the fall of 1983. In 1984, finally, agreements were reached to restructure the Swedish specialty steel industry. The assets of Fagersta AB for production of stainless steel were sold to other manufacturers. Fagersta AB was then merged into a single entity with its major stockholder, Investment AB Kinnevik. In 1985 the Parent Company of the Group changed its name to Industriförvaltnings AB Kinnevik.

Kloster Speedsteel AB, Kinnevik's last major investment in specialty steel manufacturing, was sold in 1991.

During the past 24 years, as the prices of established companies appeared to be high, Kinnevik, instead of investing in these, has set up companies around new products or services, largely in information distribution in the broadest sense of the term, from telecommunications to television. Kinnevik or its subsidiary companies, have invested in operating cellular mobile telephone systems since 1981, in establishing DBS satellite operations since 1985, in operating credit card telephone and credit card transaction systems since 1986, in providing SMA-TV services since 1987, in publishing since 1987, in satellite TV broadcasting since 1987, in independent TV production since 1988, in distribution of pay-TV since 1989, in television homeshopping since 1989, in radio broadcasting since 1991, in digital mobile telecommunications since 1992, in text TV since 1993, in international telecommunications since 1993 and in national telecommunications since 1994. Metro, a daily newspaper, was started in 1995. Internet companies and companies related in other ways to IT as well as customer service operations were started in 1996. Even though errors surely have been committed, these ventures now appear to be successful overall.

In 1992 Kinnevik made a tender offer to acquire the minority shares outstanding in Korsnäs AB, a company in which Kinnevik has been a shareholder since 1936 and which has developed, in terms of value, into one of the largest assets in Kinnevik.

Following its heavy capital investments at the end of the eighties, Korsnäs was about to enter a period when the profit expected would exceed its day-to-day investment requirements. A merger between Korsnäs and Kinnevik created an opportunity to invest Korsnäs's operating surplus in other fast growing areas of business.

On February 8, 1996, Kinnevik's Board announced its intention of successively distributing some subgroups to Kinnevik's own shareholders. The shares in Tele2 AB (formerly NetCom AB) ("Tele2") were distributed at the Annual General Meeting in 1996, and then listed on Stockholmsbörsen's "O" list and on Nasdaq in the USA.

The Annual General Meeting in 1997 decided to distribute the shares in Modern Times Group MTG AB ("MTG") to Kinnevik's shareholders. This split was carried out on September 15, 1997 and the shares were listed shortly thereafter on Stockholm Börsinformation (SBI) and on Nasdaq in the USA.

The Annual General Meeting in 2001 resolved in favour of distributing Kinnevik's shares in Transcom WorldWide S.A. ("Transcom"), one of the leading customer service companies in Europe, to Kinnevik's shareholders. The date of record for the distribution was September 4, and Transcom obtained a listing on Stockholmsbörsen's "O" list and on Nasdaq in the USA on September 6, 2001.

Following these three spin-offs, Industriförvaltning AB Kinnevik's most important holdings are the shares in the wholly owned subsidiary Korsnäs AB and 21% of the shares in Tele2.

As of December 31, 2003, the total value of the spun-off shares in Tele2, MTG, Metro International S.A. ("Metro") (spun-off from MTG in 2000) and Transcom amounted to SEK 75,679 million.

Organisation

During the past 24 years, total investments in new businesses have amounted to some SEK 15,000 million.

During the build-up phase it has been an advantage for new businesses to be included within Kinnevik, whose organisation is very similar to that of a conglomerate, thus enabling them to benefit from the Group's total financial and management resources.

Since, when the companies reach a certain degree of maturity, it has become desirable to expose their economic values and give them a higher degree of autonomy, several sub-groups have been distributed to the shareholders by spin-off. Following the distribution of Tele2 (1996), MTG (1997), Metro (distributed from MTG 2000) and Transcom (2001) as well as divestment of CIS Credit International Services AB's debt collection business in 2003, the Kinnevik group is organised into the following business areas:

- Mellersta Sveriges Lantbruks AB ("MSLA"), engaged in arable farming in Sweden and Poland.
- Korsnäs AB engaged in businesses within paperboard and paper (Korsnäs Industrial) and forestry and supply of raw material (Korsnäs Forestry).
- Korsnäs Packaging AB engaged in business in the packaging sector.

In addition, Kinnevik also owns substantial holdings in Tele2, MIC, MTG, Metro and Transcom, which gives the company the financial strength that is a prerequisite for corporate development, in so far as this will continue, or for a return to the policy of buying holdings in other listed companies that are temporarily out of favour.

Operations in 2003

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. Steps are in progress to transfer knowledge from Sweden and streamline the Polish business and this has, amongst other things, resulted in a higher

degree of mechanisation.

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 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.

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. Production is being concentrated in fewer, larger and more strategically located facilities. Cargo Pak and the business in the USA were divested during the year. In addition, the units in England and Romania were relocated. In light of the weak result achieved by Korsnäs Packaging over the past few years, the book value of its fixed assets has been reviewed, after which the book value was written down by SEK 331 million to SEK 560 million on December 31, 2003.

The market value of Kinnevik'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. During 2003 stock markets recovered after the downturn of the previous year, whereby the SEK 3,663 million write-down in the book value of the Group's holding of listed securities as at December 31, 2002, was reversed by SEK 2,874 million on December 31, 2003. After the reversal, the market value of the portfolio exceeds the book value by SEK 7,193 million as at December 31, 2003.

A brief look back and future prospects

An unusual amount of drama and contrasts characterised the global economy in 2003. The drama was mostly played out on the financial and currency markets, while the contrasts were manifested in marked differences in growth and development capacity in different countries and regions.

Share prices hit bottom in March, at which point the MSCI Global Index had lost almost half of the value it had at its all-time high in 2000; then, by the end of the year, it had climbed by almost 29%. Even more hair-raising was the roller-coaster ride of the Nasdaq and its twin, the Swedish stock exchange. Between the peak in the spring of 2000 and the trough three years later, the Nasdaq lost 74% of its value and Stockholm's AFGX 65%. By the end of 2003, they had risen by 57% and 51% respectively.

The swings on currency markets were also wide. On a trade-weighted basis, the US dollar declined by almost 16% during 2003, while the euro rose by over 10%. Against the Swedish krona, the US dollar fell by slightly more than 16%, while the euro depreciated insignificantly against the Swedish currency. Thanks to massive intervention by the Bank of Japan, the yen's weighted appreciation was limited to just under 5%.

To help bolster expectations of a recovery, the easier monetary policy that was launched in 2001 was fully implemented in 2003. In June, the Fed cut its prime rate to 1%, the lowest since 1958. In the eurozone the repo rate was cut to 2%. The outcome of this was extremely steep, positive-sloping yield curves that indicate that the market's long-term inflation and growth expectations might well have passed their low point.

Of all the high-income countries, the USA is in a class of its own when it comes to growth. Thanks to the easy monetary policy, large tax cuts and higher federal spending, the growth rate has accelerated while inflation has remained low. Although the Japanese economy has recovered after more than a decade of stagnation, deflation is still a problem.

For the eurozone, 2003 was a disappointing year for growth. As a whole the EMU economy more or less stagnated, mainly because of slack domestic markets and high unemployment in the big three EMU economies: Germany, France and Italy. Across the channel, Britain steamed on at a cracking pace with consumer spending at a high level and unemployment at a low one. By the end of 2003, the economy had delivered 46 quarters of uninterrupted growth.

Expectations for 2004 reflect confidence, judging from the results of consumer and business surveys. As in 2003, the USA is setting the pace among the high-income countries. Rising profits and capacity utilisation suggest that investments are picking up in the technology, media and telecom sectors as well,

while more definite signals of a recovery in Latin America and expansion across a broad front in a self-generating process of growth in Asia, Russia and Central and Eastern Europe are expected to stimulate export demand. High liquidity and low interest rates are creating favourable conditions for a sustained high level of, partly loan-financed, consumption.

In light of this brighter economic outlook, growth expectations have gradually moved up a notch in the OECD countries. However, these expectations pale in comparison with forecasts for the Chinese dragon, the Asian tigers and the Russian bear. China's growth rate is expected to be around 8 to 9%, while the interval is 5 to 6% for Asia and Russia. Taking all these regional differences into consideration, we can expect the global economy to grow at a rate of 3 to 4% in 2004.

A number of unpredictable factors, however, are casting a shadow over these promising forecasts. In geopolitical terms, the Middle East, Afghanistan and North Korea look just as volatile as before. Almost daily acts of terrorism underscore deep-seated ethnic, religious and ideological tensions. Greater currency instability driven, for instance, by the continued fall of the US dollar, rising energy prices, protectionism and unsettled stock markets are other real threats to a sustainable global economic recovery. Any inability to ease tensions and reduce the threats could dash hopes of stronger, broader growth, which, given the general condition of mutual dependence, could trigger of panicky domino effects.

Directors' Annual Report

Return and asset value

Since 1976, Kinnevik's shares have generated an average effective yield of 17% per year as a result of rising 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 effective yield in 2003 was 176%.

The shareholders voted at the Annual General Meeting on May 16 in favour of the Kinnevik Board's proposal to pay a cash dividend of SEK 4 per share. The closing price was SEK 236 for both Kinnevik's Class "A" and Class "B" shares.

Consolidated result

Net turnover for 2003 amounted to SEK 5,660 million, which may be compared with SEK 6,110 million for the previous year.

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 which are included in other operating expenses, 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. 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 assessed value of the Korsnäsverken mill complex was reviewed in 2003 and reduced by about SEK 2,500 million. This decision had a positive effect on the fourth quarter operating result of some SEK 60 million. SEK 51 million of the refunded amount related to property tax paid in previous years.

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

The net income from 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 interest 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 was a profit of SEK 3,325 (–3,946) million.

Important events during the year

On March 14, Kinnevik entered into an agreement with Transcom WorldWide S.A. on the sale of Credit International Services' ("CIS") debt collection business to Transcom. Of the purchase price of SEK 180 million, 75% was paid in cash and 25% in newly issued shares in Transcom. The capital gain on the sale, which amounted to SEK 158 million, is stated under income from corporate development in Kinnevik's consolidated accounts.

On March 14, Kinnevik applied to the SEC to have the company's American Depository Shares (ADS) delisted, under the terms of the 1934 Securities Exchange Act. The last day of trading in the Depository Shares on the Nasdaq National Market was March 21. The delisting from the Nasdaq does not affect the company's listing on Stockholmsbörsen.

On March 20, Kinnevik settled the dispute with the Alecta occupational pension company over Kinnevik's bid for Korsnäs AB from 1992. As of the same date, Kinnevik made a cash payment to Alecta of SEK 300 million, including interest, for the remaining 4% of the shares in Korsnäs AB. The transaction involved a surplus value of SEK 29 million in Kinnevik's consolidated accounts, which has been allocated to forest property.

On May 14 Kinnevik completed a major refinancing of its banking facilities. The parent company, Industriförvaltnings AB Kinnevik, refinanced SEK 3,175 million of existing facilities with a number of new three to five year bilateral facilities from Svenska Handelsbanken, Nordea and Toronto Dominion. Wholly owned Kinnevik operating subsidiary, Korsnäs AB, refinanced its existing SEK 1,800 million bank facility by means of a SEK 2,500 million five-year syndicated loan. The facility has been provided by a syndicate of leading international banks compri-

sing Bank of Nova Scotia, Den norske Bank, Svenska Handelsbanken, SEB, Nordea and Crédit Agricole Indosuez. Kinnevik's total credit facilities, including overdraft facilities, amounted to SEK 8,300 million, of which SEK 173 million is short-term, as at December 31, 2003.

A loan of SEK 100 million was paid out to Invik in June 2003. This is a short-term loan with an interest rate of Stibor +2,5% in margin. Collateral has been provided in the form of listed shares. As at December 31, 2003, the amount payable was SEK 78 million including accrued interest. The loan is included in a list of loans to shareholders that require specification pursuant to the Swedish Companies Act.

On June 10, Kinnevik entered into an agreement with Metro International S.A. ("Metro") to convert its long-term interest-bearing loan to Metro into Metro shares. Kinnevik received 47.1 million new Metro class A shares and 115.2 million new Metro class B shares at a price of SEK 3.75 per share in exchange for the retirement of the SEK 609 million long-term interest bearing loan to Metro, including interest accrued up to May 31, 2003. Kinnevik did also fully underwrite a rights issue by Metro to raise SEK 252 million. Holders of Metro's Swedish depository receipts received one subscription right for each class A or class B share held. Each subscription right entitled the holder to subscribe to one new class A share at a subscription price of SEK 2.30 per share. Kinnevik subscribed for its rights and received Metro class A shares in proportion to its shareholding prior to the conversion of outstanding loans.

On August 6, MTG Intressenter AB called for the redemption of the outstanding 40% of the original option issued by Kinnevik, which corresponded to 1,193,956 class B shares in MTG, and 358,187 class A shares and 835,769 class B shares in Metro. The redemption price for the options was SEK 69.70 per MTG share (each MTG share included one Metro share). As provision had already been made in Kinnevik's balance sheet for this commitment, the transaction had no effect on the consolidated result.

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 and 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.

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 a convertible loan issued by MIC having a book value of SEK 512 million, which Kinnevik intends to convert into shares. During 2003 the interest-bearing receivable on Metro of SEK 609 million has been converted into shares, which has increased the net debt.

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 premium over the book value of the holdings in listed securi-

ties, 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.

Research and development

For many years Korsnäs has had a deliberate policy of concentrating on products with high added value. The new hot-calendered products offer an uncoated alternative to coated paperboard, and provide excellent printability and cost-efficient conversion. Another example is Korsnäs's unique paperboard for complete conservation of foodstuffs, which has been developed in co-operation with a major customer. The Group's research and development expense amounted to SEK 35 million (36), of which SEK 34 (36) million is attributable to Korsnäs Industrial and SEK 1 (0) million to Korsnäs Packaging.

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.

Environment

The Kinnevik Group is engaged in operations requiring a permit pursuant to the Environmental Code within Korsnäs AB, on the basis of decisions made in 1996. The company's activities requiring permits and/or notification largely have an effect on the environment through Korsnäs Industrial. This unit produces pulp, paper and paperboard, which mainly

affect the external environment via emissions into air and water, and in the form of noise. On February 28, 2002, the Environmental Court announced its decision on issues referred to it on the basis of submitted investigation results. The company has appealed some points in the decision to the Supreme Environmental Court (conditions relating to nutrient salts and the time schedule for additional studies that have been requested). On November 17, 2003, the Supreme Environmental Court announced its decision on the issues the company had appealed. The decision means that the result of the inquiry regarding emissions into water shall be presented by December 31, 2004, at the latest, and that the company's landfill is granted certain concessions. On other points, the Environmental Court's decision in effect approves the company's proposed plan for the landfill site. Measures costing a total of SEK 25-30 million are being taken in stages during the years 2003-2008.

Board procedures

Kinnevik's Board held 13 minuted meetings in 2003. The Board has approved operating procedures for its board work and an instruction for the President. Those questions received by the Board pertaining to internal controls and internal and external audits are to be dealt with by the Board in their entirety. Every year the company's external auditors report the findings of their examination and give their opinion of the internal control to the Board.

Future developments

See Review by the Board of Directors and the presentation of the Group's operative companies.

Proposed treatment of unappropriated earnings

The Group's unrestricted equity amounts to SEK 7,352 million.

At the disposal of the parent company's Annual General Meeting is:

	(SEK thousand)
Unrestricted equity	9,842,168
Whereof available for distribution	7,352,000

The Board and the President propose that the unappropriated earnings at the disposal of the Annual General Meeting be dealt with as follows:

Payment of a cash dividend of SEK 5.50 per share,

Amounting to	346,163
To be carried forward	9,496,005
Total	<u>9,842,168</u>

Consolidated Statement of Income

for the period January 1 – December 31 (SEK million)

	2002	2003
Net turnover, Notes 2, 29.....	6,110	5,660
Cost of goods and services	<u>- 5,042</u>	<u>- 4,357</u>
Gross result	<u>1,068</u>	<u>1,303</u>
Selling expenses	- 136	- 115
Administration expenses	- 412	- 382
Research and development expenses	- 36	- 35
Income from corporate development, Notes 3, 4 ...	735	193
Income from sales of securities, Notes 3, 4	40	62
Other operating income, Note 5	205	181
Other operating expenses, Note 5	<u>- 99</u>	<u>- 429</u>
Operating income, Notes 2, 6, 23, 27, 28, 29	<u>1,365</u>	<u>778</u>
Interest in earnings of associated companies, Note 8	- 4,297	2,675
Income from other securities, Note 8	- 624	277
Interest income and similar, Notes 9, 29	100	77
Interest expense and similar, Note 10	<u>- 490</u>	<u>- 482</u>
Income after financial items	<u>- 3,946</u>	<u>3,325</u>
Taxes, Note 11	- 155	403
Minority share in income	<u>- 8</u>	<u>3</u>
Net result for the year	<u>- 4,109</u>	<u>3,731</u>
Earnings per share before/after dilution, SEK	- 65.28	59.27
Proposed dividend per share, SEK		5.50
Total number of shares before/after dilution	62,938,677	62,938,677

Consolidated Statement of Cash Flow

for the period January 1 – December 31 (SEK million)

	2002	2003
Operations		
Net result for the year	– 4,109	3,731
Adjustment for items not included in cash flow, etc.		
Depreciation, Note 6	480	465
Write-down of tangible and intangible fixed assets	–	331
Interest in earnings of associated companies	4,297	– 2,675
Income from other securities	624	– 277
Minority interests	8	– 3
Change in deferred tax liability	135	– 401
Income from corporate development, Note 4	– 735	– 193
Sales of securities, Note 4	– 40	– 62
Other, net	– 181	– 127
Cash flow from operations before changes in working capital	<u>479</u>	<u>789</u>
Cash flow from changes in working capital		
Change in short-term investments	97	144
Change in inventories	162	– 43
Change in accounts receivable	221	127
Change in other current assets	23	– 135
Change in accounts payable	– 83	38
Change in other operating liabilities	– 108	– 114
Cash flow from operations	<u>791</u>	<u>806</u>
Investing activities		
Acquisition of subsidiaries, Note 12	6	– 236
Sales of subsidiaries, Note 12	1,989	282
Investments in intangible fixed assets	– 23	– 11
Investments in tangible fixed assets	– 435	– 243
Sales of tangible fixed assets	31	30
Investments in financial fixed assets	– 1,583	– 769
Sales of financial fixed assets	338	464
Cash flow from investing activities	<u>323</u>	<u>– 483</u>
Financing activities		
Increase in long-term liabilities	252	5,551
Amortization of loans	– 1,178	– 5,782
Dividends paid	– 126	– 252
Cash flow from financing activities	<u>– 1,052</u>	<u>– 483</u>
Cash flow for the year, Note 12	62	– 160
Cash and cash equivalents at beginning of year ..	325	379
Exchange rate differences on cash and cash equivalents	– 8	– 4
Cash and cash equivalents at end of year	379	215

Consolidated Balance Sheet

December 31 (SEK million)

ASSETS	2002	2003
Non-current assets		
Intangible assets, Note 13		
Goodwill.....	130	21
Tangible assets, Note 13		
Land and buildings.....	1,036	884
Forest and agricultural property.....	2,673	2,669
Machinery	3,461	3,044
Equipment, tools and fittings.....	134	120
Construction in progress and advances relating to property, plant and equipment	112	99
	7,416	6,816
Financial assets		
Shares in associated companies, Note 14	7,424	10,581
Receivables from associated companies, Note 29 .	693	145
Shares and participations in other companies, Note 14	679	825
Other long-term interest bearing receivables, Note 29	251	819
Other long-term non-interest bearing receivables	22	55
	9,069	12,425
Total non-current assets	16,615	19,262
Current assets		
Inventories etc, Note 15		
Raw materials and consumables.....	358	336
Felling rights	36	27
Work in progress	57	62
Finished products and goods for resale	516	521
Work on contract	2	1
Advance payment to suppliers	1	28
	970	975
Current receivables, Note 29		
Accounts receivable, Note 16.....	700	548
Other receivables	166	276
Prepaid expenses and accrued income, Note 17 .	102	92
	968	916
Short-term investments	99	12
Cash and cash equivalents	379	215
Total current assets.....	2,416	2,118
TOTAL ASSETS, Note 2.....	19,031	21,380

SHAREHOLDERS' EQUITY AND LIABILITIES	2002	2003
Shareholders' equity, Note 18		
Restricted equity		
Share capital	629	629
Restricted reserves	<u>3,522</u>	<u>3,534</u>
	4,151	4,163
Unrestricted equity		
Unrestricted reserves	8,179	3,621
Net result	<u>- 4,109</u>	<u>3,731</u>
	4,070	7,352
Total shareholders' equity	<u>8,221</u>	<u>11,515</u>
Minority interest in equity	<u>0</u>	<u>0</u>
Provisions		
Pensions, Note 19	628	614
Deferred tax liability, Note 11	1,021	818
Other, Note 20	<u>576</u>	<u>191</u>
Total provisions	<u>2,225</u>	<u>1,623</u>
Long-term liabilities		
Interest-bearing, Note 21		
Overdraft facilities	243	76
Other liabilities to financial institutions, Note 24	7,270	7,299
Other liabilities	<u>15</u>	<u>5</u>
	7,528	7,380
Non-interest-bearing	<u>0</u>	<u>4</u>
Total long-term liabilities	7,528	7,384
Short-term liabilities		
Interest-bearing		
Liabilities to financial institutions	66	0
Other liabilities	<u>20</u>	<u>0</u>
	86	0
Non-interest-bearing, Note 29		
Advance payments from customers	6	2
Accounts payable	411	441
Income tax liabilities	33	8
Other liabilities	123	60
Accrued expenses and		
prepaid income, Note 22	<u>398</u>	<u>347</u>
	971	858
Total short-term liabilities	<u>1,057</u>	<u>858</u>
TOTAL SHAREHOLDERS' EQUITY		
AND LIABILITIES, Note 2	<u>19,031</u>	<u>21,380</u>
 Pledged assets, Note 24	 8,063	 9,812
Contingent liabilities, Note 25	<u>513</u>	<u>51</u>

Movements in Shareholders' equity of the Group

	Share capital	Restricted reserves ^{1,2}	Unrestricted reserves ³	Total
Opening balance, January 1, 2002	629	3,951	9,118	13,698
Translation differences ⁴	–	– 83	– 219	– 302
Net result 2002	–	–	– 4,109	– 4,109
Dividend ⁵	–	–	– 126	– 126
Step-up acquisition of shares in Tele2 AB ⁷	–	–	– 940	– 940
Transfer between restricted and unrestricted reserves ⁸	–	– 346	346	0
Closing balance, December 31, 2002	629	3,522	4,070	8,221
Translation differences ⁴	–	– 163	– 22	– 185
Net result 2003	–	–	3,731	3,731
Dividend ⁶	–	–	– 252	– 252
Transfer between restricted and unrestricted reserves	–	175	– 175	0
Closing balance, December 31, 2003	629	3,534	7,352	11,515

¹⁾ The consolidated restricted reserves include an equity method reserve, which is the positive differences between the value at Group level and the book value in the accounts of individual companies of shares in associated companies, of SEK 466, 0 and 0 million for the years ended on December 31, 2001, 2002 and 2003 respectively.

²⁾ The restricted equity balance as of December 31, 2001, 2002 and 2003 include SEK 550, 467 and 304 million respectively, of cumulative translation differences.

³⁾ The non-restricted equity balance as of December 31, 2001, 2002 and 2003 include SEK 118, –101 and –123 million respectively, of cumulative translation differences.

⁴⁾ The translation differences of SEK –302 million in 2002 and SEK –185 million in 2003, are largely attributed to net investments in subsidiaries and associated companies expressed in Euro and US dollars. Foreign investment holding companies are entirely financed by the parent company and for the most part own shares in listed Swedish companies why they are accounted for as integrated foreign business units.

⁵⁾ The Annual General Meeting held on May 17, 2002, resolved in favour of paying a cash dividend of SEK 2.00 per share, a total of SEK 126 million.

⁶⁾ The Annual General Meeting held on May 16, 2003, resolved in favour of paying a cash dividend of SEK 4.00 per share, a total of SEK 252 million.

⁷⁾ The step-up acquisition of shares in Tele2 relate to the effect on the asset value that would have been stated if the holding had been consolidated under the equity interest method as of the date of each acquisition. The amount has been taken direct to equity in accordance with the Swedish Financial Accounting Standards Council's recommendation RR13.

⁸⁾ Revaluation reserve in Korsnäs AB has, as a result of sale of forest land in 2002, decreased from SEK 1,733 million to SEK 1,557 million as at December 31, 2002.

Parent Company Statement of Income

for the period January 1 – December 31 (SEK million)

	2002	2003
Net turnover, Notes 2, 29	13	15
Administration expenses	– 71	– 41
Income from corporate development, Notes 3, 4 ...	– 14	– 7
Income from sales of securities, Note 3, 4	– 29	– 95
Other operating income, Note 5	<u>3</u>	<u>3</u>
Operating income, Notes 6, 27, 28, 29	– 98	– 125
Result from participation in Group companies, Note 7	1,902	2,899
Interest in earnings of associated companies, Note 8.	– 145	38
Income from other securities, Note 8	– 553	81
Interest income and similar, Notes 9, 29	461	329
Interest expense and similar, Note 10	<u>– 577</u>	<u>– 406</u>
Net result for the year	<u>990</u>	<u>2,816</u>

Parent Company Statement of Cash Flow

for the period January 1 – December 31 (SEK million)

	2002	2003
Operations		
Net result for the year	990	2,816
Adjustment for items not included in cash flow, etc.		
Depreciation	1	1
Anticipated dividend	– 2,115	– 3,000
Interest in earnings of associated companies	145	– 38
Income from other securities	553	– 81
Income from corporate development, Note 4....	14	7
Sales of securities, Note 4	29	95
Other, net	<u>304</u>	<u>202</u>
Cash flow from operations before changes in working capital	<u>– 79</u>	<u>2</u>
Cash flow from changes in working capital		
Change in short-term investments	149	44
Change in inter-company balances	937	1,256
Change in other current assets	25	– 11
Change in accounts payable	– 1	0
Change in other operating liabilities	<u>– 19</u>	<u>– 10</u>
Cash flow from operations	<u><u>1,012</u></u>	<u><u>1,281</u></u>
Investing activities		
Investments in tangible fixed assets	– 1	0
Investments in financial fixed assets	– 119	– 201
Sales of financial fixed assets	<u>16</u>	<u>202</u>
Cash flow from investing activities	<u><u>– 104</u></u>	<u><u>1</u></u>
Financing activities		
Increase in long-term liabilities	18	2,839
Amortisation of loans	– 812	– 3,857
Dividends paid	<u>– 126</u>	<u>– 252</u>
Cash flow from financing activities	<u><u>– 920</u></u>	<u><u>– 1,270</u></u>
Cash flow for the year, Note 12	<u><u>– 12</u></u>	<u><u>12</u></u>
Cash and cash equivalents at beginning of year ..	<u>14</u>	<u>2</u>
Cash and cash equivalents at end of year	<u>2</u>	<u>14</u>

Parent Company Balance Sheet

December 31 (SEK million)

ASSETS	2002	2003
Non-current assets		
Tangible assets, Note 13		
Equipment.	2	1
Financial assets		
Shares in Group companies, Note 14.	12,189	12,527
Receivables from Group companies.	281	5
Shares in associated companies, Note 14.	607	1,119
Receivables from associated companies, Note 29	690	239
Shares and participations in other companies, Note 14.	468	352
Other long-term interest bearing receivables, Note 29	176	307
	<u>14,411</u>	<u>14,549</u>
Total non-current assets	<u>14,413</u>	<u>14,550</u>
Current assets		
Current receivables		
Receivables from Group companies.	5,721	6,679
Other receivables, Note 29	39	37
Prepaid expenses and accrued income, Note 17 . .	1	15
	<u>5,761</u>	<u>6,731</u>
Short-term investments	44	0
Cash and cash equivalents.	2	14
Total current assets	<u>5,807</u>	<u>6,745</u>
TOTAL ASSETS	<u>20,220</u>	<u>21,295</u>

SHAREHOLDERS' EQUITY AND LIABILITIES	2002	2003
Shareholders' equity, Note 18		
Restricted equity		
Share capital	629	629
Premium reserve	357	357
Revaluation reserve	190	190
Legal reserve	<u>2,987</u>	<u>2,987</u>
	<u>4,163</u>	<u>4,163</u>
Unrestricted equity		
Retained earnings	5,671	7,026
Net result	<u>990</u>	<u>2,816</u>
	<u>6,661</u>	<u>9,842</u>
Total shareholders' equity	<u>10,824</u>	<u>14,005</u>
Provisions		
Pensions, Note 19	33	32
Deferred tax liability, Note 11	<u>40</u>	<u>40</u>
	73	72
Long-term liabilities, Note 21		
Interest-bearing		
Overdraft facilities	58	0
Other liabilities to financial institutions, Note 24	3,509	2,556
Liabilities to Group companies	<u>16</u>	<u>230</u>
Total long-term liabilities	3,583	2,786
Short-term liabilities		
Interest-bearing		
Liabilities to Group companies	5,498	3,778
Other liabilities	<u>20</u>	<u>0</u>
	5,518	3,778
Non-interest-bearing, Note 29		
Accounts payable	1	1
Liabilities to Group companies	196	638
Other liabilities	12	5
Accrued expenses and prepaid income, Note 22.	<u>13</u>	<u>10</u>
	<u>222</u>	<u>654</u>
Total short-term liabilities	<u>5,740</u>	<u>4,432</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>20,220</u>	<u>21,295</u>
Pledged assets, Note 24	<u>11,747</u>	<u>13,264</u>
Contingent liabilities, Note 25	<u>115</u>	<u>94</u>

Movements in Shareholders' equity of the Parent Company

	Share capital	Premium reserve	Revaluation reserve	Legal Reserve	Unrestricted equity	Total
Parent Company						
Opening balance, January 1, 2002	629	357	190	2,987	5,587	9,750
Net result 2002	–	–	–	–	990	990
Dividend ¹	–	–	–	–	– 126	– 126
Group contributions, net	–	–	–	–	210	210
Closing balance						
December 31, 2002	<u>629</u>	<u>357</u>	<u>190</u>	<u>2,987</u>	<u>6,661</u>	<u>10,824</u>
Net result 2003	–	–	–	–	2,816	2,816
Dividend ²	–	–	–	–	– 252	– 252
Group contributions, net	–	–	–	–	617	617
Closing balance						
December 31, 2003	<u><u>629</u></u>	<u><u>357</u></u>	<u><u>190</u></u>	<u><u>2,987</u></u>	<u><u>9,842</u></u>	<u><u>14,005</u></u>

¹⁾ The Annual General Meeting held on May 17, 2002, resolved in favour of paying a cash dividend of SEK 2.00 per share, a total of SEK 126 million.

²⁾ The Annual General Meeting held on May 16, 2003, resolved in favour of paying a cash dividend of SEK 4.00 per share, a total of SEK 252 million.

Note 1

The consolidated financial statements of Industriförvaltnings AB Kinnevik (publ) for 2003 have been approved for publication in accordance with a Board decision of February 12, 2004. The balance sheets and the income statements for the Group and the parent company require the approval of the Annual General Meeting. The Group's principal business is described under Note 2.

The parent company Industriförvaltnings AB Kinnevik (publ), with corporate registration number 556001-9035 and its registered office in Fagersta, has its head office at Skeppsbron 18, Box 2094, 103 13 Stockholm, Sweden

Accounting and valuation principles

The annual report has been prepared in accordance with the Annual Accounts act and the recommendations of the Swedish Financial Accounting Standards Council, pursuant to which the accounting and valuation principles listed below are applied.

Six new recommendations from the Swedish Financial Accounting Standards Council came into effect in 2003. Compliance with these new recommendations has not had any material effect on the Group's financial position or its result.

Compliance with International Financial Reporting Standards IFRS 2005

As of 2005, Kinnevik, like other listed companies, shall apply International Financial Reporting Standards. In 2002, Kinnevik began to prepare for the transition to IFRS. The difference between IFRS and current accounting principles is primarily in the reporting and valuation of certain of the Group's shareholdings (IAS 39: Financial instruments). According to IAS 39 these shall be valued at market value.

Principles of consolidation

The consolidated financial statements include the parent company and all companies in which the parent controls more than 50% of the votes or in any other way exercises a controlling influence.

The consolidated accounts were prepared using the purchase method, as specified in the Swedish Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council. By this method, the book value of the Parent company's shares in each subsidiary is eliminated against that subsidiary's acquisition value, in other words, the subsidiary's shareholders' equity (including the equity component of untaxed reserves) at the time of acquisition based on a fair market value of that subsidiary's net assets. In this way the Group's shareholders' equity includes only that part of each subsidiary's equity generated after acquisition. The difference between the acquisition value of shares in a subsidiary and the fair value of assets and liabilities of that subsidiary at the time of acquisition, not resulting from differences between fair market value and book value of the net assets, is allocated to and reported as goodwill. Goodwill is amortised on a straight-line basis over periods ranging from 5-20 years.

Subsidiary holding companies abroad that are entirely financed by the parent company are classified as businesses integrated with the parent company. Other foreign subsidiaries are classified as autonomous subsidiary companies.

The current method is used for translating the income statements and balance sheets of autonomous business units abroad. The accounts of businesses that are integrated with the parent company are translated using the monetary method. The current method means that all assets, provisions and liabilities are translated at closing date rates and all income statement items are translated at average rates. Translation differences arising are charged directly to shareholders' equity.

The monetary method involves the translation of monetary assets and liabilities at closing date rates and of non-monetary items and matching items in the income statement at investment date rates or rates in effect at the time the business is reclassified from autonomous to integrated.

Minority interest includes the share of net profit/(loss) and shareholders' equity attributable to the minority shareholdings. For negative shareholders' equity, a receivable from the minority is reported to the extent that minority owners are required and able to contribute their share of the deficit.

Accounting treatment of associated companies

Companies in which the Group controls at least 20% and no more than 50% of the voting rights and in which the level of ownership is judged to be long-term are regarded as associated companies.

Associated companies are reported based on the equity method. The Group's share of earnings in associated companies' profit or loss after financial items is reported under "Interest in earnings of associated companies". The Group's share of associated companies' tax expense is reported among the Group's tax expenses.

The difference between the acquisition price of the shares and the market value of the acquired net assets of the associated company is stated as goodwill. Goodwill is amortized over 5 or 10 years and is taken against the interest in the associated company.

Excess values on consolidation in respect of non-Swedish associated companies are stated as assets denominated in foreign currencies. These values are translated into Swedish kronor using the same principles applied to the associated companies' income statements and balance sheets.

The accounts of associated companies are adjusted to comply with Kinnevik's accounting and valuation principles before the Group's interest in earnings is calculated.

Intra-group profits (losses) arising out of transactions with associated companies are eliminated in connection with the calculation of the Group's consolidated interest in earnings and capital. Such intra-groups profits (losses) are recognised when capital gains or losses are realised through sale of the asset in question to an external party and/or by reduction of the Kinnevik Group's equity interest in the associated company.

When the Group's equity portion in an associated company decreases because of an issue of new shares, the profit or loss is reported in the consolidated income statements under "Interest in earnings of associated companies."

Short-term investments

Short-term investments are valued at the lower of acquisition value and actual value.

Receivables

Receivables are recorded at amounts deemed recoverable.

Receivables and liabilities denominated in foreign currencies

The Group's receivables and liabilities that are denominated in foreign currencies are translated into Swedish kronor using exchange rates prevailing on the closing date. Exchange rate differences attributable to the operations like accounts payable or accounts receivable are reported in operating profit/loss, while differences attributable to loans or financial assets denominated in foreign currencies are reported under financial items.

Long-term monetary balances between the parent company and subsidiary companies may be deemed to represent an extension or a contraction of the parent company's net investment in the subsidiary. Foreign currency differences arising on such balances are therefore charged directly to shareholders' equity as a translation difference.

Inventories

Inventories are valued at the lower of acquisition cost and actual value as follows:

Raw materials and supplies, excluding wood from the Group's own forests, are valued at the lower of acquisition and replacement cost. Wood from Group-owned forests is valued at harvesting costs plus transportation cost.

Chemicals and supplies are valued at the lower of acquisition cost and replacement cost. Obsolescence is provided for at a standard rate of 3% except for those cases where replacement value or net realizable values are used.

Felling rights, representing the cost to acquire the right to harvest timber on land that the Group does not own, are recorded at acquisition cost. Felling rights are reclassified as raw materials (logs and timber) as the timber is harvested based on the relationship between the remaining book value of the felling rights and the estimated volume of recoverable timber.

Work in progress is valued at the lower of production cost and net realizable value.

Finished goods are valued at the lower of acquisition cost and net realizable value. Goods for resale are valued at the lower of acquisition cost and net realizable value.

Intangible and tangible fixed assets

Intangible and tangible fixed assets are reported net after deductions for accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line schedule based on the acquisition value of the asset and its estimated useful life.

Forest and agricultural properties are recorded at acquisition cost. Forest restoration costs are charged to costs of goods and services as timber is harvested. The Company is legally required to incur forest restoration costs, representing the cost to restore, sow and replant, under Swedish environmental legislation.

For purposes of calculating depreciation, fixed assets are classified on the basis of their estimated useful economic lives according to the following categories:

	Parent Company	Group
Goodwill		5 – 20 years
Industrial buildings		20 – 67 years
Office buildings		20 – 67 years
Residential buildings		20 – 67 years
Land improvements		25 – 30 years
Machinery and equipment ...	5 years	3 – 25 years

Financial fixed assets

Financial fixed assets are valued at acquisition value with the exception of shares in associated companies that are consolidated using the equity method (see Accounting treatment of associated companies).

Impairment of fixed assets

In accordance with prevailing accounting standards, the book value of shareholdings shall be appraised when the listed values have fallen significantly or if there is some other indication of depreciation in value. The appraisal shall be based partially on the actual listed value of the shares and partially on expectations regarding future developments in order to determine whether the book values should be adjusted.

The book values of other fixed assets are assessed in order to determine any write-down requirement. The write-down is carried out in those cases where a decrease in value is judged to exist with due consideration given to future cash flows that the asset is expected to generate. If a previous write-down can no longer be justified the write-down is reversed.

Dividends

The book value of shares distributed are recorded as dividends. Cash dividends to shareholders are recorded in the accounting period the dividend has been approved.

Accounting for leases

Leases are classified in the consolidated accounts as financial leases or operational leases. A financial lease is a contract that entails the lessee to a material extent enjoying all economic benefits and bearing all economic risks associated with the asset regardless of whether or not the lessee retains the legal right of ownership of the asset. For financial leases, the leasing asset is reported as a fixed asset and the obligation for future payments as a liability in the lessee's balance sheet. An operating lease is a lease that does not fulfil the conditions for financial leases. For operating leases, the rental expense is reported in the lessee's accounts distributed equally over the period during which the asset is used, even if the payments are made according to some other schedule.

Revenue recognition

Revenue from the sale of products is recognised when products are shipped, net of allowance for returns and discounts.

Revenue from the sale of services is recognised at the time the service is rendered to the customers.

Advertising costs

Advertising costs are charged to operations as incurred.

Income from corporate development

Income from corporate development includes capital

gains/(losses) on the sale of shares in subsidiaries and associated companies and similar transactions.

Other operating revenues and expenses

Revenue secondary to the core business of a company and foreign exchange gains are reported as "Other operating revenues".

Expenses secondary to the core business of a company, amortization of goodwill and foreign exchange losses are reported as "Other operating expenses".

Borrowing costs

Borrowing costs are taken against the result for the period in which they are incurred.

Pensions

The Group's pension commitments primarily consist of four determined benefit pension plans in respect of employees in Sweden, Germany and England. A provision and annual cost based on the present value of the earned future benefit is calculated for three of these plans. Provisions and annual costs relating to these plans are stated on the basis of local rules and regulations in each country. Pension commitments in accordance with the fourth plan (the ITP plan) are financed by means of insurance policies with Alecta. The cost in accordance with this plan consists of insurance premiums.

Corporate income tax

The Parent Company and the Group apply the Swedish Financial Accounting Standards Council's recommendation RR9 Income taxes. The total tax on the year's income consists of current and deferred tax. Taxes are stated in the income statement except when the underlying transaction is taken direct against equity, in which case the related tax effect is also stated in equity. Current tax expense is the tax that is to be paid or received for the year in question, plus correction of tax expense for previous years. Deferred tax is calculated using the balance sheet method and is based on temporary differences between the book values of assets and liabilities and their value for tax purposes. The amounts are calculated on the basis of how these differences can be expected to be utilised and using the tax rates and rules in effect or announced as of the closing date. Temporary differences are not recorded in the case of differences attributable to interests in subsidiary companies that are not expected to be taxable in the foreseeable future. In the consolidated financial statements, untaxed reserves are divided into deferred tax liability and restricted equity. The deferred tax asset component of deductible temporary differences and tax loss carry-forwards is only recorded in so far as it is likely that these will result in a lower tax payment in the future.

Change of accounting principles 2004

A new recommendation regarding the reporting of remuneration to employees, RR 29, came into effect as of January 1, 2004. This recommendation involves a change in the principle for reporting pension commitments. According to RR 29, pension commitments shall be reported as a liability in the balance sheet. The liability shall be calculated on the basis of company-specific actuarial commitments, where, amongst other things, an assessment of future salary

adjustments shall be taken into consideration. The application of the new accounting principle means that the stated pension liability increased by some SEK 88 million as of January 1, 2004. The effect has been charged direct against equity as of January 1, 2004.

Actuarial profits and losses arise as a consequence of the regular review of the actuarial commitments. When the actuarial profits or losses fall below 10% of the pension commitments' present value, the gain or loss is not considered when calculating the pension liability. When the actuarial profits or losses are above 10% of the pension commitments' present value, the excess amount is periodised in the income statement over the average remaining period of employment.

The Group's pension commitments primarily consist of four pension plans, three of which are determined benefit plans in respect of employees in Sweden, Germany and England. The fourth is a multi employer determined benefit plan that covers several employers (ITP/Alecta). At present, there is no information available on the Group's proportional share of the commitment and assets in this plan. According to this plan, the cost consists of insurance premiums.

In calculating pension commitments as of January 1, 2004, the most important assumptions are shown in the table below:

	Discount factors	Future salary increases	Future pension increases
%			
Sweden.....	5.25	3.00	2.00
Germany	5.75	*	1.25
England	5.50	3.25	2.75

* No new earnings arise

Opening value of pension plans in Sweden, Germany and England as of January 1, 2004, are shown in the table below:

SEK million	Current value of pension commitments	Market value of administration assets
Sweden.....	438	–
Germany	106	–
England	349	236

Note 2

Business Segments

Kinnevik is a diversified company whose business consists of the long-term development of operative companies. Kinnevik also has significant holdings in a small number of listed companies, including Tele2 AB ("Tele2"), Modern Times Group MTG AB ("MTG"), Metro International S.A. ("Metro"), Millicom International Cellular S.A. ("MIC"), and Transcom WorldWide S.A. ("Transcom").

The Kinnevik Group is organised into the following five, primary, segments:

- 1 Mellersta Sveriges Lantbruks AB ("MSLA") together with its subsidiaries, which is engaged in farming in Sweden and Poland. MSLA owns the Ullevi estate, near Vadstena in Sweden, and the Barciany and Podlawki estates in north-east Poland. The total acreage amounts to 665 hectares in Sweden and 6,727 hectares in Poland. Korsnäs Holding AB, together with its subsidiary and

associated companies in three areas of business: packaging materials ("Korsnäs Industrial"), forestry and supply of raw material ("Korsnäs Forestry") and packaging ("Korsnäs Packaging").

- 2 Korsnäs' Industrials' activities are concentrated at the Korsnäsverken complex in Gävle, which has an annual capacity of 700,000 tonnes of pulp. The total output of sulphate pulp is processed within the complex into paperboard, sack and kraft paper, and fluff pulp. Paperboard is the largest product area in terms of volume, where liquid packaging board is used for packaging of beverages, and white top kraft board is used as the outer layer in corrugated board packaging.
- 3 Korsnäs Forestry supplies Korsnäs Industrial with wood harvested in its own forests, from purchased felling rights, and wood purchased from outside suppliers. As at December 31, 2003, the company owns a total area of 427,000 hectares, of which 325,000 hectares are productive forestland. 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. 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 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 and Stora Enso. 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.
- 4 Korsnäs Packaging is the second largest producer of paper sacks and paper bags in Europe with 12 wholly or part-owned production units. Sales are handled by offices in 20 European countries.
- 5 Other subsidiaries consist of AirTime (AT) AB (now named Frevik AB), N.P. Birraria Hugo's in Kosovo, Förvaltnings AB Eris & Co. and Bison Air AB. The business of AirTime was sold to MTG with effect from October 1, 2002, after which the company became dormant. Bison Air AB divested its 1981 Cessna Citation II in June 2003, after which the company's business ceased. N.P. Birraria Hugo's began production of the only domestically produced lager beer in Kosovo in 2001.

The following two segments were divested in 2002 and 2003:

- CIS Credit International Services AB and its subsidiaries ("CIS") with debt-collection, financial and payroll handling services in Sweden, Norway, Denmark and Germany. On March 14, 2003, Kinnevik reached an agreement with Transcom on the sale of CIS' debt-collection business to Transcom. The remainder of CIS's business within finance and payroll, which had not achieved satisfactory profitability, was wound up during the first half of 2003.
- Worldwide Loyalty B.V. and its subsidiary and associated companies supplied loyalty programs and targeted

marketing activities on behalf of clients through the Collect loyalty program. A decision was made in October 2002 to discontinue Worldwide Loyalty B.V.'s operations and in 2003 the companies have been dormant.

Net turnover by business segment	2002	2003
Continuing operations		
Mellersta Sveriges Lantbruks AB		
External.....	7	44
Internal.....	–	–
Total Mellersta Sveriges Lantbruks AB.....	7	44
Korsnäs Forestry		
External.....	529	529
Internal.....	951	912
Total Korsnäs Forestry.....	1,480	1,441
Korsnäs Industrial		
External.....	3,713	3,638
Internal.....	255	178
Total Korsnäs Industrial.....	3,968	3,816
Korsnäs Packaging		
External.....	1,567	1,386
Internal.....	–	–
Total Korsnäs Packaging.....	1,567	1,386
Other subsidiaries		
External.....	50	17
Internal.....	6	16
Total other subsidiaries.....	56	33
Parent Company, holding companies and eliminations.....	– 1,213	– 1,106
Subtotal continuing operations.....	5,865	5,614
Discontinuing operations		
CIS Credit International Services AB		
External.....	201	46
Internal.....	1	0
Total CIS Credit International Services AB.....	202	46
Worldwide Loyalty B.V.		
External.....	43	–
Internal.....	–	–
Total Worldwide Loyalty B.V.	43	–
Subtotal discontinuing operations..	245	46
Total.....	6,110	5,660

Net turnover comprise total sales proceeds net of sales discounts, VAT and other taxes directly connected to sales. Sales to one single customer represented 31% and 35% of total consolidated net turnover for the years ended December 31, 2002 and 2003, respectively. External sales include all sales to parties other than the Parent Company and the consolidated subsidiaries. For information on sales to related parties, see Note 29. Intersegment sales are made on the basis of prices charged to external customers. Industriförvaltnings AB Kinnevik's net intersegment sales amounted to SEK 12 (12) million.

Operating income/loss by business segment

	2002	2003
Continuing operations		
Mellersta Sveriges Lantbruks AB...	– 1	4
Korsnäs Forestry	194	142
Korsnäs Industrial.....	468	793
Korsnäs Packaging	– 40	– 408
Other subsidiaries.....	– 6	– 11
Parent Company, holding companies and eliminations	721	92
Subtotal continuing operations.....	1,336	612
Discontinuing operations		
CIS Credit International Services AB	29	8
Worldwide Loyalty B.V.....	0	–
Gain on discontinuance of CIS	–	158
Subtotal discontinuing operations ..	29	166
Total.....	1,365	778

Parent company, holding companies and eliminations include capital gain on sale of part of forestland and saw-mill operations in 2002 of SEK 752 million.

Operating assets by business segment

	2002	2003
Continuing operations		
Mellersta Sveriges Lantbruks AB...	196	174
Korsnäs Forrestry	2,999	2,887
Korsnäs Industrial.....	4,596	4,456
Korsnäs Packaging	1,520	1,094
Other subsidiaries.....	81	50
Parent Company, holding companies and eliminations	21	67
Subtotal continuing operations.....	9,413	8,728
Discontinuing operations		
CIS Credit International Services AB	66	–
Worldwide Loyalty B.V.....	5	–
Subtotal discontinuing operations ..	71	–
Other assets		
Financial fixed assets	9,069	12,425
Short term investments and cash and cash equivalents	478	227
Total.....	19,031	21,380

Operating liabilities by business segment

	2002	2003
Continuing operations		
Mellersta Sveriges Lantbruks AB...	2	3
Korsnäs Forestry	242	188
Korsnäs Industrial.....	633	534
Korsnäs Packaging	453	358
Other subsidiaries.....	4	3
Parent Company, holding companies and eliminations	116	– 33
Subtotal continuing operations.....	1,450	1,053
Discontinuing operations		
CIS Credit International Services AB	38	–
Worldwide Loyalty B.V.....	59	–
Subtotal discontinuing operations ..	97	–
Other liabilities		
Provisions for pensions.....	628	614
Deferred tax liability	1,021	818
Interest-bearing liabilities.....	7,614	7,380
Total.....	10,810	9,865

Depreciation and amortization by business segment

	2002	2003
Continuing operations		
Mellersta Sveriges Lantbruks AB...	– 1	– 4
Korsnäs Forestry	– 18	– 19
Korsnäs Industrial.....	– 344	– 336
Korsnäs Packaging	– 105	– 97
Other subsidiaries.....	– 4	– 4
Parent Company and holding companies	– 3	– 4
Subtotal continuing operations	– 475	– 464
Discontinuing operations		
CIS Credit International Services AB	– 5	– 1
Worldwide Loyalty B.V.....	0	–
Subtotal discontinuing operations ..	– 5	– 1
Total.....	– 480	– 465

Investments by business segment

	2002	2003
Continuing operations		
Mellersta Sveriges Lantbruks AB...	0	12
Korsnäs Forestry	44	20
Korsnäs Industrial.....	229	124
Korsnäs Packaging	179	94
Other subsidiaries.....	1	4
Parent Company and holding companies	3	0
Subtotal continuing operations	456	254
Discontinuing operations		
CIS Credit International Services AB.	2	–
Worldwide Loyalty B.V.....	0	–
Subtotal discontinuing operations ..	2	–
Total.....	458	254

Distribution of net turnover by geographic market (secondary segment)

The geographic distribution of net turnover is based upon the geographic location of the buyer.

	2002	2003
Sweden	1,261	1,000
Other Nordic countries	498	375
Rest of Europe	3,281	3,185
North- and South America.....	59	73
Asia	837	886
Oceania.....	1	0
Africa.....	173	141
Total.....	6,110	5,660

Operating income/loss and assets is based upon Group companies' geographical domicile.

Distribution of operating income/loss by geographic market

	2002	2003
Sweden	617	1,055
Other Nordic countries	– 5	– 81
Rest of Europe	785	– 164
North America.....	– 32	– 32
Total.....	1,365	778

Distribution of operating assets by geographic market

	2002	2003
Sweden	7,659	7,352
Other Nordic countries	506	276
Rest of Europe	1,267	1,098
North America	52	2
Other assets		
Financial fixed assets	9,069	12,425
Short term investments and cash cash equivalents.....	478	227
Total.....	<u>19,031</u>	<u>21,380</u>

Note 3**Significant acquisitions and divestitures**

On May 27, 2002, Kinnevik acquired 17% of the shares in MIC Systems B.V. from MIC for USD 17 million. MIC Systems' principal asset at the time of the acquisition consisted of all the shares in Multinational Automated Clearing House S.A. (MACH). On November 15, 2002, MIC Systems B.V. sold MACH to an outside buyer for EUR 95 million, out of which Kinnevik received guaranteed minimum proceeds of USD 17 million.

Between May and November 2002, Kinnevik increased its interest in Tele2 by 8,099,314 shares, by means of a number of purchases. The total price paid for these shares was SEK 1,356 million, or SEK 167 per share.

On August 27, 2002, a final agreement was reached with Sveaskog on the sale of 200,000 hectares of productive forestland, corresponding to just over a third of Korsnäs's forests, and its sawmill operations. Supply agreements were signed with Sveaskog to ensure the supply of raw material to Korsnäs Industrial in Gävle. The purchase price amounted to SEK 1,989 million and capital gains amounted to SEK 752 million in Kinnevik consolidated accounts.

On March 14, 2003, Kinnevik entered into an agreement with Transcom WorldWide S.A. on the sale of Credit International Services' ("CIS") debt collection business to Transcom. Of the purchase price of SEK 180 million, 75% was paid in cash and 25% in newly issued shares in Transcom. The capital gain on the sale, which amounted to SEK 158 million, is stated under income from corporate development in Kinnevik's consolidated accounts.

On March 20, 2003, Kinnevik settled the dispute with the Alecta occupational pension company over Kinnevik's bid for Korsnäs AB from 1992. As of the same date, Kinnevik made a cash payment to Alecta of SEK 300 million, including interest, for the remaining 4% of the shares in Korsnäs AB. The transaction involved a surplus value of SEK 29 million in Kinnevik's consolidated accounts, which has been allocated to forest property.

During the April-December 2003 period Kinnevik sold 1,074,692 Tele2 class B shares for an average price of SEK 234 per share, totalling SEK 251 million.

On June 10, 2003, Kinnevik entered into an agreement with Metro International S.A. ("Metro") to convert its long-term interest-bearing loan to Metro into Metro shares. The receivable amounted on May 31, 2003, to SEK 609 million including accrued interest, which on August 26 was converted to 47.1 million new Metro class A shares and 115.2 million new Metro class B shares. This represents a conversion price of SEK 3.75 per share.

On December 15, 2003, 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.

During 2002 and 2003, the Group made certain other acquisitions and divestitures that were not material to the Group's consolidated accounts.

Note 4**Income from corporate development**

Income from corporate development includes capital gains/(losses) on the sale of shares in subsidiaries and associated companies and similar transactions.

	Parent Company		Group	
	2002	2003	2002	2003
Cargo Pak.....	—	—	—	42
CIS Credit International Services AB	—	—	—	158
Eco-Sack Europe BV	—	—	— 2	—
Gunnarsholm AB (former TV1000 Sverige AB)	—	—	— 15	—
Invik Intressenter AB	— 14	—	—	—
Korsnäs Kraft AB.....	—	— 3	—	— 3
Korsnäs sawmill operations and part of forest land	—	—	752	—
Liquidation of subsidiaries.....	—	— 4	—	—
Söderhamns Invest AB	—	—	—	2
Trumf Holding AS	—	—	—	6
	<u>— 14</u>	<u>— 7</u>	<u>735</u>	<u>193</u>

Income from sales of securities

	Parent Company			Group
	2002	2003	2002	2003
Invik & Co. AB	- 2	2	-	-
Marcstone Overseas Euro Ltd.	-	- 5	-	- 5
Metro International S.A.	- 4	-	-	-
Millicom International Cellular S.A. bond	-	-	-	57
Modern Times Group MTG AB	- 23	- 8	40	0
Tele2 AB	-	- 84	-	10
	<u>- 29</u>	<u>- 95</u>	<u>40</u>	<u>62</u>

In 2002, Kinnevik sold 607,000 class B shares in MTG on the stock market for SEK 158 million, resulting in a capital gain of SEK 40 million in the consolidated accounts.

In 2003, Kinnevik exchanged convertible notes at a 13.5% interest rate in Millicom (13.5% Senior Subordinated Discount Notes due 2006) for convertible notes (2% Senior Convertible PIK Notes) and notes with 11% interest in Millicom (11% Senior Notes due 2006). This transaction resulted in a capital gain of SEK 57 million in the consolidated accounts.

In 2003, Kinnevik sold 1,074,692 Tele2 class B shares externally for SEK 251 million, resulting in a capital gain of SEK 10 million in the consolidated accounts.

Note 5**Other operating income**

	Parent Company			Group
	2002	2003	2002	2003
Exchange gains on operating receivables/liabilities	-	-	39	30
Capital gains on disposal of tangible fixed assets	-	-	26	67
Other	<u>3</u>	<u>3</u>	<u>140</u>	<u>84</u>
	<u>3</u>	<u>3</u>	<u>205</u>	<u>181</u>

Other operating expenses

	Parent Company			Group
	2002	2003	2002	2003
Exchange losses on operating receivables/liabilities	-	-	- 73	- 49
Capital losses on disposal of tangible fixed assets	-	-	- 7	- 22
Write-downs of fixed assets	-	-	-	- 331
Amortization of goodwill	-	-	- 16	- 16
Other	<u>-</u>	<u>-</u>	<u>- 3</u>	<u>- 11</u>
	<u>0</u>	<u>0</u>	<u>- 99</u>	<u>- 429</u>

Note 6**Depreciation according to plan**

Operating income include depreciation and amortization as follows:

	Parent Company			Group
	2002	2003	2002	2003
Goodwill	-	-	- 16	- 16
Buildings	-	-	- 56	- 54
Machinery	-	-	- 362	- 352
Equipment, tools and fittings	<u>- 1</u>	<u>- 1</u>	<u>- 46</u>	<u>- 43</u>
	<u>- 1</u>	<u>- 1</u>	<u>- 480</u>	<u>- 465</u>

Depreciation and amortization are split per cost category as follows:	Parent Company		Group	
	2002	2003	2002	2003
Cost of goods and services	–	–	– 433	– 421
Selling expenses.....	–	–	– 1	0
Administration expenses.....	– 1	– 1	– 26	– 24
Research and development expenses	–	–	– 4	– 4
Other operating expenses	–	–	– 16	– 16
	<u>– 1</u>	<u>– 1</u>	<u>– 480</u>	<u>– 465</u>

Note 7

Result from participation in Group companies

	Parent Company	
	2002	2003
Dividend from		
AB Eldrimner	115	–
Frevik AB	–	65
Kinnevik International AB	–	3,000
Korsnäs Holding AB	2,000	–
Svenska Motor AB SMA	98	–
Stenblocket AB	30	–
Stenblocket i Trelleborg AB	0	–
Vilandevik AB	1	–
Write-down of shares in		
Frevik AB	–	– 43
SMA Holding AB	–	– 118
Capital loss.....	– 342	–
Write-down on intra group receivable.....	–	– 5
	<u>1,902</u>	<u>2,899</u>

Note 8

Interest in earnings of associated companies (ownership % at December 31, 2003)

	Parent Company		Group	
	2002	2003	2002	2003
Cherryföretagen AB (29%).....	– 23	23	– 45	8
Gävle Sjöfarts AB (24%).....	–	–	0	0
Industriskog AB (33%).....	–	–	0	0
Karskär Energi AB (41%)	–	–	2	6
Metro International S.A. (37%)	– 103	15	– 591	88
Millicom International Cellular S.A. (35%).....	–	–	– 616	– 6
Modern Cartoons Ltd USA (23%)	– 19	0	– 7	0
Rolnyvik Sp.z.o.o. (100%).....	–	–	– 5	–
Sacchificio Tordera SpA (50%)	–	–	– 1	4
SCD Invest AB (50%)	–	–	– 5	– 13
Smurfit-Korsnäs Paper Sacks (Polska) Ltd (0%).....	–	–	0	–
Tele2 AB (20%)	–	–	– 2,975	2,588
Trumf Holding AS (0%)	–	–	– 1	–
Valvosacco SpA (20%).....	–	–	5	0
Viking Telecom AB (24%).....	–	–	– 58	0
	<u>– 145</u>	<u>38</u>	<u>– 4,297</u>	<u>2,675</u>

The Parent Company's result from interests in earnings of associated companies is attributable to write-downs made in 2002 and reversals of write-downs in 2003.

Of the Group's profit on its interests in associated companies, SEK 2,578 (–3,274) million was due to the reversal of write-downs (2002, write-downs), of which SEK 12 (–24) million on account of Cherryföretagen, SEK 128 (–371) million Metro, SEK 2,438 (–2,852) million Tele2, and SEK 0 (–27) million Viking Telecom.

After the write-down of the holdings in Metro at December 31, 2002, the remaining goodwill amounted to SEK 247 million. In 2003, Kinnevik acquired additional shares in Metro (see Note 3) and the write-downs made in 2002 were partly reversed at December 31, 2003, after which goodwill amounts to SEK 727 million.

Following the reclassification by Tele2 of class A shares held by certain other shareholders to class B shares in July 2002 the

Group's voting interest exceeds 20%, as a result of which its holding is now classified as shares and participations in associated companies. As of July 2002, the equity method is used when preparing the consolidated financial statements. The difference between the value stated in the consolidated accounts and the interest in Tele2's equity amounted to SEK 4,122 million at the time of acquisition. This comprises goodwill upon consolidation, which is written off over ten years. After write-downs as of December 31, 2002, the remaining goodwill amounted to SEK 1,089 million, and after the reversal of write-downs as of December 31, 2003, goodwill amounts to SEK 3,415 million.

Since as of December 31, 2002, Kinnevik controls 100% of the shares in Rolnyvik Sp.z.o.o., the company is consolidated as a subsidiary as of that date.

The Group's loss on its interest in MIC amounted to SEK –616 million in 2002 and SEK –6 million in 2003, whereafter the book value of shares in MIC is 0 as at December 31, 2003 (see Note 14). Kinnevik has therefore ceased to recognise further losses in MIC since there are no obligations towards MIC. Kinnevik's part of non-recognised losses for 2002 amounted to SEK –348 million in 2002, and non-recognised income for 2003 amounted to SEK 94 million.

	Parent Company			Group
Income from other securities (write-downs)	2002	2003	2002	2003
Invik & Co. AB	– 3	–	– 7	7
Modern Times Group MTG AB	– 315	101	– 382	289
Modern Holdings Inc. (former XSource Corp)	– 168	– 20	– 168	– 20
Marcstone Overseas Euro Ltd	– 67	–	– 67	–
Other	–	–	–	1
	<u>– 553</u>	<u>81</u>	<u>– 624</u>	<u>277</u>

Note 9	Parent Company			Group
Interest income and similar	2002	2003	2002	2003
Dividends	9	0	10	1
Interest income from third-parties	65	45	90	76
Interest income from subsidiaries	352	259	–	–
Exchange rate differences	35	25	0	0
	<u>461</u>	<u>329</u>	<u>100</u>	<u>77</u>

Note 10	Parent Company			Group
Interest expense and similar	2002	2003	2002	2003
Interest expense to third-parties	– 187	– 146	– 421	– 422
Interest expense PRI	0	0	– 28	– 23
Interest expense to subsidiaries	– 382	– 260	–	–
Exchange rate differences	0	0	– 11	– 25
Other financial items	– 8	0	– 30	– 12
	<u>– 577</u>	<u>– 406</u>	<u>– 490</u>	<u>– 482</u>

Note 11

Taxes

Distribution of income after financial items		2002	Group 2003
Sweden		– 4,194	3,573
Outside Sweden		248	– 248
		<u>– 3,946</u>	<u>3,325</u>
Distribution of current tax expense			
Sweden		0	0
Outside Sweden		– 14	2
Distribution of deferred tax expense			
Sweden		1	361
Outside Sweden		– 142	40
Total tax charge for the year		<u>– 155</u>	<u>403</u>

Out of deferred tax expense outside Sweden, SEK –10 (–93) million refers to the Group's share of the tax expense of its associated company MIC. Out of deferred tax expense Sweden, SEK 224 (11) million refers to the Group's share of the tax income of its associated company Tele2.

Current taxes	2002	Group 2003
Current tax expense for the period	– 14	0
Correction of current tax expense for previous years	<u>0</u>	<u>2</u>
	<u>– 14</u>	<u>2</u>

Deferred taxes		
Deferred tax related to temporary differences	108	340
Deferred tax income relating to capitalization of tax loss carry forwards	10	12
Deferred tax expense on utilization of tax loss carry forwards	– 170	– 174
Tax on interest in earnings of associated companies	<u>– 89</u>	<u>223</u>
	<u>– 141</u>	<u>401</u>
Total tax charge for the year	<u>– 155</u>	<u>403</u>

Out of this year's total tax charge, SEK 18 (0) million refers to capital gain on divestment of subsidiaries.

Reconciliation of effective tax rate	2002	%	2003	Group %
Profit before tax	– 3,946		3,325	
Income tax at statutory rate of parent company, 28%	1,105	28%	– 931	– 28%
Foreign tax rate differential	0	0%	15	0%
Amortization and write-down of goodwill on consolidation ..	– 5	0%	– 29	– 1%
Non-deductible losses	– 1,474	– 37%	– 27	– 1%
Non-taxable income	0	0%	1,108	33%
Difference in result from corporate development and result from sales of securities	217	5%	43	1%
Adjustment of opening deferred tax liability due to new rules for taxation of share disposals	0	0%	297	9%
Capitalization of tax loss carry forwards from previous years ..	0	0%	121	4%
Provision for potential tax payments due to tax disputes ..	0	0%	– 185	– 6%
Other	<u>2</u>	<u>0%</u>	<u>– 9</u>	<u>0%</u>
Effective tax/tax rate	<u>– 155</u>	<u>– 4%</u>	<u>403</u>	<u>12%</u>

Deferred tax assets	2002	Group 2003
Other provisions	0	1
Tax loss carry forwards	<u>84</u>	<u>163</u>
	<u>84</u>	<u>164</u>

Deferred tax liability		
Tangible fixed assets	– 1,104	– 756
Inventories	– 1	– 1
Provision for tax disputes	<u>0</u>	<u>– 225</u>
	<u>– 1,105</u>	<u>– 982</u>
Deferred tax liability, net	<u>– 1,021</u>	<u>– 818</u>

Of the deferred tax liability of SEK 756 (1,104) million in respect of tangible fixed assets, a sum of SEK 756 (791) million is attributable to untaxed reserves in the form of accumulated depreciation in excess of plan and SEK 0 (313) million to accumulated revaluations.

Deferred tax is not stated for associated companies, as any dividend paid by these companies will not give rise to a tax liability, and no divestments that could give rise to capital gains taxation are planned for the foreseeable future.

Distribution of deferred tax assets

	2002	Group 2003
Sweden	33	110
Outside Sweden.....	51	54
	<u>84</u>	<u>164</u>

Distribution of deferred tax liability

Sweden	- 1,058	- 970
Outside Sweden.....	- 47	- 12
	<u>- 1,105</u>	<u>- 982</u>

The Group's loss carry forwards in Sweden were SEK 392 million at December 31, 2003 (excluding loss carry forwards in associated companies described below under Tax disputes). Deferred tax receivables of SEK 110 million have been recognised in the consolidated balance sheet as regards these loss carry forwards. There are also loss carry forwards in foreign subsidiaries in Denmark, England and Germany, which amounted to SEK 286 million at December 31, 2003, and which have the following maturity dates:

2004	4
2005	6
2006	2
2007	9
2008 or later	87
No maturity date	178
	<u>286</u>

A deferred tax receivable of SEK 53 million has been recognised in the consolidated balance sheet as regards loss carry forwards in foreign subsidiaries, which is offset by coming year's expected income from primarily Denmark and Germany.

Tax disputes

As a result of the completion of a tax audit for the fiscal years 1994-1998, the Swedish tax authority has contested certain tax positions taken by the Parent Company. The County Court's decision was handed down in 2002, and was largely in favour of the Tax Authority. The Company has appealed the County Court's decision to the Administrative Court of Appeal. Should the court decide against the Company, the Company could become liable to pay a further maximum SEK 350 million in the form of additional tax, including charges and interest.

Within Korsnäs there are a number of ongoing disputes with the tax authority in respect of the 1991-1998 fiscal years. Most of the disputes are currently awaiting settlement in the Administrative Court of Appeal. Should the court decide against the Company, the Company could become liable to pay an additional SEK 102 million in the form of additional tax, including charges and interest.

The Company's opinion is that most of the cases described above will be settled in favour of the Company. By way of precaution the Company has recorded a provision of SEK 225 million (50% of the total disputed amount) to cover any additional tax, including charges and interest.

Over and above this, there is an exposure of up to SEK 137 million as the consequence of the tax authority challenging the loss carry forwards stated in the accounts of certain associated companies. The loss carry forwards in these associated companies amounted to SEK 1,547 million at December 31, 2003, and can, according to the Company, be utilised to reduce the Group's future income. The tax authority has challenged the Company's ability to utilise these loss carry forwards and has contested the tax assessment for 1998. The County Court's decision was handed down in 2003, and was wholly in favour of the associated companies. No deferred tax receivable has been recognised in the consolidated accounts regarding these loss carry forwards. The Company's opinion is that these cases will also be decided in the Company's favour.

Note 12

Supplemental cash flow information

For purposes of the Parent Company and the consolidated statements of cash flows, the Group considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. The carrying amount of these items approximates fair value. Cash and cash equivalents as shown in both the cash flow statement and the balance sheet includes funds that are blocked.

Interest, dividends and tax paid	Parent Company		2002	Group 2003
	2002	2003		
Interest received.....	65	45	92	77
Interest paid	- 205	- 144	- 463	- 411
Dividends received.....	7	0	8	1
Tax received (paid).....	0	0	- 13	30
Acquired companies			2002	Group 2003
Tangible fixed assets.....			- 148	- 29
Financial fixed assets			9	-
Working capital			- 22	-
Provisions			-	- 207
Long-term liabilities			167	-
Cash and cash equivalents			<u>- 6</u>	<u>-</u>
Purchase price, gross			0	- 236
Less: Cash and cash equivalents of companies acquired ..			<u>6</u>	<u>-</u>
Purchase price, net			<u>6</u>	<u>- 236</u>

Acquired companies in 2002 relates to Rolnyvik Sp.z.o.o. Acquired companies in 2003 relates to the remaining 4% of the shares in Korsnäs AB.

Divested companies	2002	Group 2003
Tangible fixed assets.....	1,198	51
Intangible fixed assets	0	17
Financial fixed assets	-	- 45
Working capital	39	257
Provisions	0	2
Cash and cash equivalents	0	0
Equity	<u>752</u>	<u>0</u>
Gross proceeds of asset sales	1,989	282
Less: Cash and cash equivalents of divested companies...	<u>0</u>	<u>0</u>
Net proceeds of asset sales	<u>1,989</u>	<u>282</u>

Divested companies in 2002 relate to 31 Marma Skog companies and Sågverket Kastet AB.

Divested companies in 2003 relate to Credit International Service's debt collection operations, Cargo Pak (a division of Korsnäs Packaging) and the operations in Korsnäs Packaging US (Inc).

Note 13**Intangible and tangible fixed assets**

Group	Goodwill	Land and buildings	Forest and agricultural properties	Machinery	Equipment, tools and fittings	Construction in progress
Opening acquisition values	217	1,889	2,673	7,475	480	112
Changes in the Group's structure.....	- 2	-	-	-	-	-
Capital expenditure.....	11	16	6	5	10	206
Sale/scrapping.....	- 13	- 67	- 1	- 157	- 25	- 18
Reclassification.....	-	12	-	126	53	- 191
Translation differences.....	- 1	- 16	- 9	- 50	- 7	- 5
Closing acquisition values	212	1,834	2,669	7,399	511	104
Opening accumulated depreciation....	- 87	- 853	-	- 4,014	- 346	-
Changes in the Group's structure.....	1	-	-	-	-	-
Sale/scrapping.....	-	37	-	131	1	-
Depreciation	- 16	- 54	-	- 352	- 43	-
Write-downs	- 90	- 83	-	- 146	- 7	- 5
Translation differences.....	1	3	-	26	4	-
Closing accumulated depreciation.....	- 191	- 950	-	- 4,355	- 391	- 5
Closing net book value.....	21	884	2,669	3,044	120	99
Tax assessment value buildings		1,877				
Tax assessment value land		60	2,954			
Parent Company	Equipment					
Opening acquisition values	9					
Capital expenditure.....	0					
Sale/scrapping.....	0					
Closing acquisition values	9					
Opening accumulated depreciation....	- 7					
Sale/scrapping.....	0					
Depreciation	- 1					
Closing accumulated depreciation....	- 8					
Closing net book value.....	1					

Opening and closing acquisition values for forests and agricultural property include SEK 1,973 million attributable to a revaluation made by Korsnäs AB in 1994.

Note 14**Financial assets (SEK thousand)**

	Reg. no	Registered office	Number of shares	Capital/voting (%)	Book value
Shares in Group companies					
Frevik AB.....	556281-6040	Stockholm	1,000	100	1,136
Kinnevik International AB.....	556033-4640	Stockholm	40,000	100	12,524,048
Bison Air AB.....	556461-1670	Stockholm	-	100	-
AB Eldrimner	556024-4955	Stockholm	-	100	-
Förvaltnings AB Eris & Co.....	556035-7179	Stockholm	-	100	-
Stenblocket AB.....	556031-4998	Stockholm	-	100	-
Fagersta Ltd.....		Great Britain	-	100	-
Fagersta Steels Ltd		Great Britain	-	100	-
Goodguy AB	556579-7692	Stockholm	-	100	-
Mellersta Sveriges Lantbruks AB.....	556031-9013	Vadstena	-	100	-
AB Agrovik	556278-5880	Vadstena	-	100	-
Plonvik Sp.z.o.o		Poland	-	100	-

Rolnyvik Sp.z.o.o.		Poland	-	100	-
CIS Credit International Services AB ..	556353-2778	Karlskoga	-	100	-
CIS International Services AG.....		Switzerland	-	100	-
INKS AB.....	556585-9963	Karlskoga	-	100	-
Korsnäs Holding AB*.....	556170-7703	Fagersta	-	100	-
Korsnäs AB	556023-8338	Gävle	-	100	-
AB Stjernerunds Bruk	556028-6881	Gävle	-	100	-
Trävaru AB Dalerne	556044-3920	Gävle	-	100	-
Combi Shipping AB	556153-9932	Gävle	-	100	-
Diacell AB	556155-2786	Gävle	-	100	-
Fastighetsbolaget Marma Skog 31 AB .	556580-2203	Gävle	-	100	-
Korsnäs Advanced Systems AB.....	556560-8527	Gävle	-	100	-
Karskär Bygg AB	556629-8740	Gävle	-	100	-
Korsnäs France S.A.		France	-	100	-
Korsnäs GmbH.....		Germany	-	100	-
Korsnäs Italia S.r.l.		Italy	-	100	-
Korsnäs Latvia Sia.....		Latvia	-	100	-
Sia Freja.....		Latvia	-	100	-
Korsnäs Luxembourg Holding AB	556581-8126	Gävle	-	100	-
Korsnäs Packaging d.o.o.....		Serbia	-	100	-
Korsnäs Packaging Holding AB.....	556051-3789	Gävle	-	100	-
Korsnäs Sales Ltd		Great Britain	-	100	-
Korsnäs Sägverks AB.....	556024-8477	Gävle	-	100	-
Latsin Sia		Latvia	-	100	-
Sia Darbs un Co		Latvia	-	100	-
Sia Laura.....		Latvia	-	100	-
Marma Skog Holding AB.....	556644-5473	Gävle	-	100	-
Korsnäs Packaging AB	556286-4099	Gävle	-	100	-
Crown Sacks & Systems (Ain) Ltd		Great Britain	-	100	-
Crown Sacks & Systems (Holding) Ltd .		Great Britain	-	100	-
Korsnäs Paper Sacks Ltd.....		Great Britain	-	100	-
Crown Sacks & Systems (Sus) Ltd.....		Great Britain	-	100	-
Korsnäs d.o.o		Croatia	-	100	-
Korsnäs d.o.o		Serbia-Montenegro	-	100	-
Korsnäs Edam BV		The Netherlands	-	100	-
Korsnäs Finland OY.....		Finland	-	100	-
Korsnäs Oriana.....		Ukraine	-	75	-
Korsnäs Packaging France SA.....		France	-	100	-
Korsnäs Packaging Inc.....		USA	-	100	-
Korsnäs Packaging Nordic A/S.....		Denmark	-	100	-
Korsnäs Packaging SAU		Spain	-	100	-
Korsnäs Packaging Sp. z.o.o.....		Poland	-	100	-
Korsnäs Packaging SRL.....		Italy	-	100	-
Korsnäs Packaging SRO		Czech Republic	-	100	-
Korsnäs Strömsnäs AB	556094-7631	Gävle	-	100	-
Korsnäs Wilhelmstal GmbH					
Papiersackfabriken		Germany	-	100	-
Icoma FBS Packtechnik GmbH.....		Germany	-	100	-
Korsnäs Packaging d.o.o		Croatia	-	87	-
Investment AB Kinnevik.....	556094-7623	Stockholm	-	100	-
Kinnevik BV		The Netherlands	-	100	-
Lizoma BV		The Netherlands	-	100	-
N.P. Birraria Hugo´s		Kosovo	-	100	-
Worldwide Loyalty BV		The Netherlands	-	100	-
Collect Austria GmbH.....		Austria	-	100	-
Collect Denmark A/S		Denmark	-	100	-

*Korsnäs Holding AB includes another 42 companies named Fastighetsbolaget Marma Skog 1-30, 32-35,40,41,44-46 and 72-74.

Collect Deutschland GmbH.....		Germany	–	100	–	
Collect France SAS		France	–	100	–	
Collect Italy spa		Italy	–	100	–	
Collect Loyalty AG		Switzerland	–	100	–	
Collect Netherlands BV		The Netherlands	–	100	–	
Collect Sweden AB	556061-4124	Stockholm	–	100	–	
Loyalty Management Sweden AB	556253-8602	Stockholm	–	100	–	
Loyalty Corporation UK Ltd		Great Britain	–	100	–	
Latellana AG		Switzerland	–	100	–	
Sillender Oü		Estonia	–	100	–	
Svenska JCB AB	556306-0960	Järfälla	–	100	–	
Svenska Motor AB SMA	556207-5506	Stockholm	–	100	–	
Svenska Traktor AB	556051-6352	Järfälla	–	100	–	
Kinnevik Radio AB	556237-4594	Sollentuna	7,500	100	1,207	
Kinnevik S.A.		Luxembourg	–	100	0	
Ludvika Personalservice KB	916582-0268	Ludvika	–	100	100	
SMA Holding AB	556491-9487	Sollentuna	1,000	100	92	
Strix Vakt AB	556476-4958	Stockholm	1,000	100	100	
The Green House AB	556081-0037	Stockholm	3,000	100	300	
Vilandevik AB	556359-1105	Stockholm	1,000	100	100	
South East Asian Sea Rover AB	556488-7007	Stockholm	–	100	–	
					12,527,083	
Shares in associated companies	Reg. no	Registered office	Number of shares	Capital/ voting (%)	Book value	Market value
Parent Company						
Cherryföretagen AB	556090-4251	Solna	1,759,999	6/2	27,607	29,392
Modern Cartoons Ltd		USA	2,544,000	23	0	
Metro International S.A.		Luxembourg	167,664,283	32/20	643,335	2,271,813
Tele2 AB	556410-8917	Gävle	3,330,794	2/1	448,019	1,279,025
					1,118,961	
Shares in associated companies	Reg. no	Registered office	Number of shares	Capital/ voting (%)	Book value	Market value
Group						
Cherryföretagen AB	556090-4251	Solna	8,780,749	29/26	35,548	146,639
Förvaltnings AB Gävle Stuveriintressenter	556178-9040	Gävle	256	26	33	
Gävle Sjöfarts AB	556010-6774	Gävle	2,597	24	868	
Industriskog AB	556193-9470	Falun	25,000	33	125	
Karskär Energi AB	556018-9481	Gävle	12,331	41	68,455	
Metro International S.A.		Luxembourg	194,759,957	37/30	837,020	2,624,057
Millicom International Cellular S.A.		Luxembourg	5,843,790	35	0	2,975,950
Modern Cartoons Ltd		USA	2,544,000	23	0	
Sacchificio Tordera SpA		Italy	100,000	50	38,263	
SCD Invest AB	556353-6753	Stockholm	10,584,250	91/50	0	
Tele2 AB	556410-8917	Stockholm	30,034,809	20/25	9,567,052	11,507,891
Trätåg AB	556116-2719	Falun	250	50	3	
Valvosacco SpA		Italy	33,800	20	17,480	
Viking Telecom AB	556330-3055	Gothenburg	4,657,000	24	15,834	13,692
					10,580,681	

Following the reclassification by Tele2 of class A shares held by certain other shareholders to class B shares in July 2002 the Group's voting interest exceeds 20%, as a result of which its holding is now classified as shares and participations in associated companies. As of July 2002, the equity method is used when preparing the consolidated financial statements. The difference between the value stated in the consolidated accounts and the interest in Tele2's equity amounted to SEK 4,122 million at the time of acquisition. This comprises goodwill upon consolidation, which is written off over ten years. After write-downs as of December 31 2002, the remaining goodwill amounted to SEK 1,089 million, and after the reversal of write-downs as of December 31, 2003, goodwill amounts to SEK 3,415 million.

Reconciliation of book value of shares in associated companies (SEK million)

	Parent Company	Group
Opening balance January 1, 2003.	607	7,424
Investments in associated companies	616	657
Divestments	- 143	- 241
Netted off against receivables.	-	- 13
Interest in earnings of associated companies	-	97
Reversal of write-downs.	39	2,578
Interest in tax expense of associated companies	-	223
Translation differences	-	- 144
Closing balance December 31, 2003	<u>1,119</u>	<u>10,581</u>

Shares and participations in other companies

Parent Company

	Reg. no	Registered office	Number of shares	Capital/ voting (%)	Book value	Market value
Modern Holdings Inc (former XSource Corporation Inc.)		USA	1,999,555	13	20,000	
MTG Intressenter AB	556519-8529	Stockholm	3,075	12	7,665	
Modern Times Group MTG AB	556309-9158	Stockholm	3,076,840	5/15	324,089	458,449
Tenant-owners right					639	
					<u>352,393</u>	

Shares and participations in other companies Group

	Reg. no	Registered office	Number of shares	Capital/ voting (%)	Book value	Market value
AcandoFrontec AB	556272-5092	Stockholm	5,935,580	11/7	37,421	28,135
Invik & Co. AB	556047-9742	Stockholm	391,430	5/10	105,641	270,087
Modern Holdings Inc. (former XSource Corporation Inc.)		USA	1,999,555	13	20,000	
Modern Times Group MTG AB	556309-9158	Stockholm	3,753,762	6/17	561,195	559,871
MTG Intressenter AB	556519-8529	Stockholm	3,075	12	7,664	
P4 Radio Hele Norge asa		Norway	4,026,820	12	15,508	18,057
Transcom WorldWide S.A.		Luxembourg	6,411,699	9/12	72,612	182,360
Other					5,394	
					<u>825,435</u>	

Reconciliation of book value of shares and participations in other companies (SEK million)

	Parent Company	Group
Opening balance January 1, 2003.	468	679
Investments in new shares.	14	78
Divestments	- 211	- 209
Write-downs.	- 20	- 20
Reversal of write-downs.	101	297
Closing balance December 31, 2003	<u>352</u>	<u>825</u>

Note 15			Group
Inventories etc.		2002	2003
Raw materials and consumables		358	342
Felling rights		36	27
Work in progress		57	64
Finished products and goods for resale		537	535
Work on contract		2	1
Advance payment to suppliers		1	28
		991	997
Less: provisions for obsolete and slow moving inventory .		- 21	- 22
		<u>970</u>	<u>975</u>

Note 16			Group
Accounts receivable		2002	2003
Gross accounts receivable		715	564
Less: allowance for doubtful accounts		- 15	- 16
Total accounts receivable		<u>700</u>	<u>548</u>
Changes in the allowance for doubtful accounts are as follows:			
At beginning of year		- 19	- 15
New allowances		- 3	- 3
Recoveries		7	2
At end of year		<u>- 15</u>	<u>- 16</u>

Note 17		Parent Company			Group
Prepaid expenses and accrued income		2002	2003	2002	2003
Accrued sales revenue		0	-	22	9
Accrued interest income		0	0	5	4
Prepaid rents		0	-	1	1
Prepaid insurance premiums		1	1	4	2
Other		0	14	70	76
		<u>1</u>	<u>15</u>	<u>102</u>	<u>92</u>

Note 18

Shareholders' equity

Equity comprises restricted and unrestricted equity.

Restricted equity

Industriförvaltnings AB Kinnevik's share capital at December 31, 2003, consisted of 62.9 million shares each having a nominal value of SEK 10, which is unchanged compared to December 31, 2002. The breakdown by class of share was as follows:

	December 31, 2002		December 31, 2003	
	Number of shares	Total nominal amount	Number of shares	Total nominal amount
A shares	15,123,741	151	13,703,034	137
B shares	<u>47,814,936</u>	<u>478</u>	<u>49,235,643</u>	<u>492</u>
	<u>62,938,677</u>	<u>629</u>	<u>62,938,677</u>	<u>629</u>

A shares carry 10 votes and B shares 1 vote.

There have been no changes in share capital over the past five years. All shares carry equal rights to Kinnevik's assets and income. Kinnevik does not have any of its own shares. As far as the Board is aware, there are no share agreements or shareholder associations in Kinnevik.

There are no convertibles or warrants in issue. The Board has no authorisation to repurchase or issue shares, options or similar.

Restricted equity is not available for shareholder dividend. A transfer to legal reserve is to be made annually at a rate of 10% of the result for the year which is not used to cover loss carried forward until the legal reserve and the share premium reserve amount to 20% of the share capital. Under the terms of the Companies Act, restricted equity is not available for shareholder dividend, but may, in certain circumstances, be reduced to cover losses or distributed.

Restricted equity also includes the equity share of untaxed reserves, equity method reserve as regards shares in associated companies that, on the application of the equity accounting method, are stated at a higher value than that used for the acquisition value method, revaluation reserve and certain translation differences.

Unrestricted equity

Unrestricted equity is available for shareholder dividend. The Companies Act provides that any income earned after allocation to restricted equity as above or allocation under the terms of the Company's articles of association, may be distributed to the shareholders on the proposal of the Board and subsequent to the decision of the AGM. The rules of the Companies Act state that the dividend may not exceed unrestricted equity in the Parent Company or consolidated balance sheet. Moreover, dividends may not be of such a size that it contravenes sound business practice, taking into account the need to strengthen the balance sheet, liquidity and the position in general.

Note 19 Provisions for pensions	Parent Company		2002	Group 2003
	2002	2003		
Pensions secured through FPG/PRI	21	20	469	460
Other provisions for pensions	12	12	159	154
	<u>33</u>	<u>32</u>	<u>628</u>	<u>614</u>

Note 20 Other provisions		2002	Group 2003
Compulsory acquisition proceedings		211	4
Forest restoration		56	55
Severance pay		167	89
Other		<u>142</u>	<u>43</u>
		<u>576</u>	<u>191</u>

Movements in other provisions

Opening balance January 1, 2003	576
Release of provision for compulsory acquisition proceedings	- 207
Release of provision for forest restoration	- 1
Severance pay, paid out	- 78
Other provisions, utilised	- 114
New provisions, other	<u>15</u>
Closing balance December 31, 2003	<u>191</u>

The provision for the compulsory acquisition of shares in subsidiaries relates to the Alecia pension company's outstanding holding in Korsnäs AB, which was reversed when the dispute was settled in March 2003. See also Note 25.

Provisions for forest restoration relate to future costs for the restoration and replanting of harvested forestland as required by Swedish law.

Provisions for severance pay of SEK 89 (167) million relate to the severance pay made in connection with organisational changes at Korsnäs.

Note 21

Long-term interest-bearing liabilities

As of December 31, 2003, long-term interest-bearing liabilities matured in the following years:

	Parent Company	Group
2005	0	0
2006	100	376
2007	206	206
2008	2,250	4,750
2009 or later	<u>0</u>	<u>2,048</u>
	<u>2,556</u>	<u>7,380</u>

In addition to drawn credits, the Group had available at December 31, 2003, undrawn credit limits of SEK 920 (1,277) million, of which SEK 156 (451) million were overdraft facilities. The corresponding amount for the Parent Company at the same date was SEK 860 (633) million, of which SEK 100 (141) million were overdraft facilities.

The Group's total overdraft facilities amounted to SEK 231 (694) million as of December 31, 2003, of which SEK 100 (146) million related to the Parent Company.

Note 22 Accrued expenses and prepaid income	Parent Company		2002	Group 2003
	2002	2003		
Accrued expense for purchase of goods.....	–	–	126	91
Accrued personnel expenses.....	2	2	169	130
Accrued interest expenses.....	3	6	8	19
Accrued energy costs.....	–	–	35	23
Accrued freight costs.....	–	–	16	2
Accrued organization expenses.....	7	1	7	2
Other.....	<u>1</u>	<u>1</u>	<u>37</u>	<u>80</u>
	<u>13</u>	<u>10</u>	<u>398</u>	<u>347</u>

Note 23

Leasing agreements

Companies in the Group have entered into a number of agreements on leasing/rental of premises and other fixed assets. In 2003, SEK 97 (88) million were paid under the terms of operational leasing agreements. This figure includes SEK 70 (70) million on account of RoRo vessels chartered by Korsnäs.

Future payments for rent on non-cancellable leases at December 31, 2003, are as follows:

	Premises and other fixed assets	RoRo vessels
2004.....	23	71
2005.....	18	71
2006.....	13	–
2007.....	11	–
2008.....	5	–
2009.....	1	–
2010 or later.....	<u>0</u>	<u>–</u>
	<u>71</u>	<u>142</u>

Note 24 Pledged assets	Parent Company		2002	Group 2003
	2002	2003		
Cash and cash equivalents and short-term investments ¹ ..	35	–	35	–
Receivables.....	3,141	–	191	–
Shares in subsidiaries.....	7,779	12,524	– ²⁾	– ²⁾
Other shares.....	792	740	3,112	4,638
Real estate mortgages.....	–	–	3,662	4,574
Chattel mortgages.....	–	–	1,063	600
	<u>11,747</u>	<u>13,264</u>	<u>8,063</u>	<u>9,812</u>

¹ Thereof pledge for the benefit of Metro of SEK 0 (27) million. All other pledged assets in the Parent Company and in the Group relate to pledges in connection with the Group's own liabilities to financial institutions.

² Shares in Kinnevik International AB, Korsnäs Holding AB and Korsnäs AB have been pledged for loans of SEK 1,500 million.

Note 25 Contingent liabilities	Parent Company		2002	Group 2003
	2002	2003		
Sureties and guarantees*.....	37	8	503	41
Sureties and guarantees for subsidiaries.....	78	86	–	–
Pension commitments.....	<u>0</u>	<u>0</u>	<u>10</u>	<u>10</u>
	<u>115</u>	<u>94</u>	<u>513</u>	<u>51</u>

* Thereof guarantees for the benefit of former subsidiaries as follows:

Modern Times Group MTG AB.....	8	–	8	–
Transcom WorldWide S.A.....	<u>2</u>	<u>–</u>	<u>2</u>	<u>–</u>
	<u>10</u>	<u>–</u>	<u>10</u>	<u>–</u>

Litigation

Kinnevik raised its shareholdings in Korsnäs from 45% to over 90% as a result of a tender offer in 1992. Not all of the minority shareholders accepted the tender offer and in January 1994 Kinnevik, in compliance with the Swedish Companies Act, instituted compulsory acquisition proceedings against the non-accepting shareholders. On March 25, 1999 the arbitration panel issued a ruling establishing the value of the affected shares at SEK 95 per share. All minority shareholders except the occupational pension firm Alecta accepted the arbitration decision. The dispute was settled on March 20, 2003. On the same date, Kinnevik made a SEK 300 million cash payment for the remaining 4% of the shares in Korsnäs AB, including interest, to Alecta. The transaction gave a premium over book value of SEK 29 million in the Kinnevik Group, which was allocated to forest properties.

In 1996 Kinnevik instituted compulsory acquisition proceedings to acquire the outstanding shares in TV1000 Sverige AB ("TV 1000", later changed to Gunnarsvik AB) held by Warner Bros Sweden AB and Time Warner Entertainment Company L.P. (collectively "Time Warner"), the minority shareholders. As of November 2, 1998, Time Warner transferred its shares corresponding to 6.5% of the capital, to Kinnevik. In December 1998, Kinnevik withdrew its request for compulsory acquisition, after which, however, Time Warner opened arbitration proceedings with the object of determining a purchase price for the shares. On December 6, 2002, Kinnevik paid USD 6.1 million to Time Warner as a final payment including accrued interest, which brought the dispute to a conclusion.

See also Note 11, Taxes.

Note 26

Average number of employees

	men	2002 women	men	2003 women
Parent Company				
Stockholm	3	3	3	3
Group				
Sweden	1,283	301	1,108	180
Germany	277	93	203	66
Latvia	162	45	179	27
Denmark	168	122	139	66
Poland	–	–	112	38
The Netherlands	93	12	97	7
Spain	78	11	90	12
Great Britain	95	31	77	24
Czech Republic	70	5	70	14
Serbia	53	30	52	25
USA	28	3	43	10
Ukraine	37	6	38	2
Romania	25	7	31	7
France	3	–	9	1
Finland	41	16	4	5
Norway	22	34	3	5
Croatia	5	–	2	2
Switzerland	–	1	–	–
	<u>2,440</u>	<u>717</u>	<u>2,257</u>	<u>491</u>
Total number of employees		<u>3,157</u>		<u>2,748</u>

Distribution of women and men on the Board and in the management group.

	men	2002 women	men	2003 women
Parent Company				
Board members				
Elected by AGM	6	–	5	1
Employee representatives, ordinary	2	–	2	–
Employee representatives, deputies	2	–	2	–
President	1	–	1	–
Total	<u>11</u>	<u>–</u>	<u>10</u>	<u>1</u>

		2002		2003
	men	women	men	women
Group*				
Board members				
Elected by AGM.....	25	–	20	5
Employee representatives, ordinary.....	4	–	4	–
Employee representatives, deputies.....	5	–	5	–
President.....	1	–	1	–
Other management personnel	4	–	4	–
Total.....	39	–	34	5

* As regards the distribution of women and men in the Board and the management group, the Group has been defined as the following companies: Industriförvaltnings AB Kinnevik, Mellersta Sveriges Lantbruks AB, Korsnäs AB and Korsnäs Packaging AB.

Note 27

Salaries, other remuneration and social expenses

	Board of Directors and Presidents	2002 Other employees	Board of Directors and Presidents	2003 Other employees
Parent Company				
Salaries and other remuneration	9	3	11	4
Social expenses.....	5	2	6	2
Thereof pension expense*.....	2	1	3	1
Pension commitments*	14	–	14	–
Group				
Companies in Sweden.....	12	651	17	545
Companies abroad	22	379	28	304
Total salaries and other remuneration	34	1,030	45	849
Social expenses.....	19	370	22	340
Thereof pension expenses*	11	171	9	170
Pension commitments*	93	–	72	–

* Relates to present and former Board members, Presidents and Vice Presidents.

Principles

The total fee to ordinary members of the Board is decided by the Annual General Meeting, while the allotment of fees is decided by the Board. Travel expenses are settled against invoice.

Compensation to the President and other senior management personnel consists of basic salary, bonus, benefits in the form of a company car and pension. Bonuses to other senior management may not exceed 40% of their basic salary, and shall be calculated according to a combination of results achieved, overhead control and productivity.

Top management comprises the Chairman, Vice Chairman and President.

By other senior management personnel is meant the four individuals, and any predecessors, who are presented together with the President on page 63.

Compensation to the President for the 2003 fiscal year has been decided upon by the Board on the basis of the Remuneration Committee's recommendation. Compensation to other senior management personnel has been decided upon by the President after consultation with each subsidiary company's Remuneration Committee.

The Parent Company's Remuneration Committee consists of Edvard von Horn, Cristina Stenbeck, Wilhelm Klingspor and Dag Tigerschiöld.

Board fee

In accordance with the decision of the Annual General Meeting on fees to the Board, a fee of SEK 1,875,000 (1,818,000) was paid to the Board in 2003, of which, pursuant to a Board decision, SEK 300,000 (300,000) was paid to the Chairman and SEK 250,000 (0) to the Vice Chairman. Over and above this total fees of SEK 300,000 (0) were paid to the Chairman and of SEK 250,000 (0) to the Vice Chairman for board positions with subsidiaries. Other board members in the Parent Company's Board received fees amounting in total to SEK 250,000 (830,000) for board positions with subsidiaries.

Compensation to president and senior management personnel

A salary of SEK 7,056,000 (5,054,000) and a bonus of SEK 2,450,000 (2,000,000) were paid to the President of the Parent Company. Total fees of SEK 275,000 (215,000) were paid for board positions with subsidiary companies. Pension premiums of 20% of the fixed salary component were paid. Over and above this there are no pension commitments on behalf of the President. The President retires at 65. In the event of his employment being terminated by the company he is entitled to salary for a period of notices of 24 months. Severance compensation is netted off against salary received from any new employment during the period of notice.

Basic salaries including benefits of SEK 9,182,000 (7,896,000) and bonuses of SEK 2,108,000 (1,613,000) were paid for the year to other senior management personnel in the Group. The president of Korsnäs Packaging has an incentive program based on targets achieved in the period 2003-2006. As of December 31, 2003, the value of this commitment is estimated at SEK 4,100,000.

Other senior management personnel have the normal pension rights within the framework of the general pension plan, whereby they are entitled to take retirement at 65. Pension premiums are paid to external insurance companies.

Other senior management personnel are entitled in the event of their employment being terminated to salary during their period of notice for a minimum of six months and a maximum of twelve months. Severance compensation is netted off against salary received from any new employment during the period of notice.

Senior management personnel within Modern Times Group MTG AB had until 2003 an option plan approved by Industriförvaltnings AB Kinnevik's Annual General Meeting on May 3, 1996, whereby they acquired options on shares in MTG via a holding company specially set up for the purpose (see Note 29).

Note 28 Auditors' fees	Parent Company		2002	Group 2003
	2002	2003		
To Ernst & Young				
Audit assignments	0.8	0.7	5.4	5.0
Other contracts	0.7	0.3	1.2	0.5
To KPMG				
Audit assignments	0.1	0.1	0.1	0.1
Other contracts	0.1	–	0.1	–

Other work in the case of Ernst & Young refers mainly to the 20-F registration document for the Securities & Exchange Commission (SEC) USA.

Note 29 **Related party transactions**

In 2002 and 2003, Kinnevik engaged in transactions with the following related companies:

Related companies	Relationship
Invik & Co. AB ("Invik")	Invik owns shares in Kinnevik that give Invik significant influence over Kinnevik.
Tele2 AB ("Tele2")	An associate company of Kinnevik (see Note 14).
Modern Times Group MTG AB ("MTG")	MTG was a subsidiary of Kinnevik until its shares were distributed by way of a fission to Kinnevik's shareholders in 1997. Since then parties related to Kinnevik own shares in MTG, which means that the same owners have a significant influence over MTG and Kinnevik.
Metro International S.A. ("Metro")	An associate company of Kinnevik (see Note 14).
Transcom WorldWide S.A. ("Transcom")	Transcom was a subsidiary of Kinnevik until its shares were distributed by way of a fission to Kinnevik's shareholders in September 2001. Since then parties related to Kinnevik own shares in Transcom, which means that the same owners have a significant influence over Transcom and Kinnevik.
Millicom International Cellular S.A. ("MIC")	An associate company of Kinnevik (see Note 14).
Cherryföretagen AB ("Cherry")	An associate company of Kinnevik (see Note 14).
Applied Value Corporation ("Applied Value")	Parties that are related to Kinnevik own shares in Applied Value that give a significant influence over Applied Value.
Audit Value Inc. ("Audit Value")	Parties that are related to Kinnevik own shares in Audit Value that give a significant influence over Audit Value.
Great Universal Inc. ("Great Universal")	Parties that are related to Kinnevik own shares in Great Universal that give a significant influence over Great Universal.
Inlux S.A. ("Inlux")	Parties that are related to Kinnevik own shares in Inlux that give a significant influence over Inlux.
Modern Holdings Inc (Modern Holdings), formerly XSource Corporation	Parties that are related to Kinnevik own shares in Modern Holdings that give a significant influence over Modern Holdings.
Rolnyvik Sp.z.o.o.	An associate company to Kinnevik until December 31, 2002 (see Note 14).
SCD Invest AB	An associate company of Kinnevik (see Note 14).
Shared Value Ltd. ("Shared Value")	Parties that are related to Kinnevik own shares in Shared Value that give a significant influence over Shared Value.

Search Value Partners Ltd. ("Search Value")

Parties that are related to Kinnevik own shares in Search Value that give a significant influence over Search Value.

All transactions with related parties have taken place at arm's length basis, i.e. on market conditions. In connection with acquisitions and divestments, independent valuations were used as a basis for negotiations on the final price. In all agreements relating to goods and services prices are compared with up-to-date prices from independent suppliers on the market to ensure that all agreements are entered into on market conditions.

Information about related parties is also disclosed in Notes 14 and 25.

Commercial agreements with related parties

- Invik, Tele2, Transcom, Shared Value and MTG rent office premises in Stockholm from Kinnevik.
- Prior to March 2003, Kinnevik sold debt collection and related services to Invik, Tele2, MTG, Metro, Transcom and Inlux through its subsidiary CIS Credit International Services AB.
- Prior to December 2002 Kinnevik ran through its subsidiary Worldwide Loyalty B.V. the Collect loyalty program in Sweden and Denmark in which Invik, Tele2, MTG and Inlux were partners.
- Prior to September 30, 2002, Kinnevik sold advertising time on TV and radio through AirTime (AT) AB, a subsidiary, on behalf of MTG.
- Kinnevik buys financing and other administrative services from Invik.
- Kinnevik buys telephony services from Tele2 in a number of countries in which the companies are engaged in business.
- Kinnevik buys CRM services from Transcom.
- Kinnevik buys consulting services from Applied Value, information services from Shared Value, internal auditing services from Audit Value and recruitment services from Search Value.

Acquisitions and divestments from/to related parties

The following acquisitions and divestments from/to related parties took place in 2002 and 2003

- On May 27, 2002, Kinnevik acquired 17% of the shares in MIC Systems B.V. from MIC for USD 17 million. MIC Systems principal asset at the time of acquisition consisted of all the shares in Multinational Automated Clearing House S.A. (MACH). On November 15, 2002, MIC Systems B.V. sold MACH to an outside buyer for EUR 95 million, in which connection Kinnevik received a guaranteed minimum payment of USD 17 million.
- On May 31, 2002, Kinnevik sold 200,000 class B shares in MTG to Invik for SEK 34.4 million, which corresponded to the listed price of SEK 172 per share at the time. On the same date, Kinnevik purchased 200,000 class A shares in MTG from Invik for SEK 32.8 million, which corresponded to the listed price of SEK 164 per share at the time.
- Between June and November 2002, Kinnevik purchased 6,849,385 class B shares in Tele2 from MIC for SEK 1,140.9 million. The shares were purchased at the listed price on each occasion.
- On October 1, 2002, Kinnevik purchased 100,000 class B shares in Tele2 from Invik for SEK 13.7 million, which corresponded to the listed price of SEK 137 per share at the time.
- On October 1, 2002, Kinnevik sold the business conducted by AirTime (AT) AB to MTG for SEK 14 million, which corresponded to the book value of the business.
- On March 14, 2003, Kinnevik reached an agreement with Transcom concerning the sale of the debt collection business carried on by Credit International Services (CIS) to Transcom for SEK 180 million of which 75% was paid in cash and 25% in the form of newly issued shares in Transcom. Kinnevik received 2,270,647 class A shares and 2,179,002 class B shares in Transcom. The number of shares was determined on the basis of the average price of Transcom's class A and class B shares between March 10 and March 21, 2003. The debt collection business was valued prior to the sale by two leading, independent consulting companies, whose valuation was submitted to the independent members of Kinnevik's Board.

Financial loan transactions with related parties

- In November 1995, Kinnevik issued a USD 4.1 million convertible loan to the company now called Modern Holdings with a redemption date of December 28, 2005. The loan carries interest of 5%. As of December 31, 2003, the loan receivable amounted to SEK 39.5 million including accrued interest.
- In November 1995, Kinnevik lent USD 1.3 million to Great Universal. The loan carries interest at 5%. As of December 31, 2003, the loan receivable amounted to SEK 10.4 million including accrued interest.
- In November 1995, Kinnevik issued a USD 4.3 million convertible loan to the company now called Great Universal with a redemption date of December 28, 2005. The loan carries interest at 5%. As of December 31, 2003, the loan receivable amounted to SEK 34.7 million including accrued interest.
- In November 2000, Kinnevik lent USD 1.7 million to Modern Holdings at an annual interest rate of 10%. As of December 31, 2003, the loan receivable amounted to SEK 14.9 million including accrued interest.

-
- With the object of capitalising Transcom before distributing it to Kinnevik's shareholders in 2001, Kinnevik issued a convertible loan to Transcom on May 15, 2001. The loan was for a nominal amount of EUR 27.5 million, and the conversion price was EUR 3.53 per share. The loan may be converted in whole or in part until its expiry date of May 15, 2004. As of December 31, 2003, Transcom had utilised SEK 136 million of the loan including accrued interest, which is stated under "Other long-term receivables" in Kinnevik's balance sheet.
 - A SEK 100 million loan was paid out to Invik in June 2003. The loan is short term and bears interest with Stibor and a margin of +2.5%. Collateral has been received in the form of listed shares. As of December 31, 2003, the loan receivable amounted to SEK 78 million including accrued interest. The loan is included in a special list of loans to shareholders that is required by the Swedish Companies Act.
 - In February 2000 Kinnevik lent SEK 380 million to Metro and in January 2003 a further SEK 150 million. As of May 31, 2003, the total outstanding receivable, including accrued interest, amounted to SEK 609 million. On June 10, Kinnevik reached an agreement with Metro to convert Kinnevik's outstanding receivable from Metro into shares in Metro. On August 26, the receivable was converted into 47.1 million new class A shares and 115.2 million new class B shares in Metro. This corresponded to a conversion price of SEK 3.75 per share. The loan ran without interest between May 31 and August 26.
 - Between June 10, 2003 and August 26, when Metro carried out its rights issue (see under Guarantees to related parties below), Kinnevik provided bridge finance for Metro on the same terms as in Kinnevik's already outstanding loan to the company. A total of SEK 69 million was paid to Metro in the form of bridge finance, which was repaid out of the proceeds of Metro's rights issue.
 - As of December 31, 2003 Kinnevik's total loan receivable from SCD Invest AB and its subsidiaries amounted to SEK 137 million in the consolidated financial statements. The loan bears interest at Stibor and a margin of +1.25%.
 - On December 15, 2003, Kinnevik acquired 10,863,000 of Millicom International Cellular S.A.'s 2% Senior Convertible PIK Notes for USD 68,007,453. After conversion these notes correspond to 1,010,512 shares in MIC. In all, Kinnevik owned on December 31, 13,205,000 of MIC's senior convertible PIK notes, which corresponded to 1,228,372 shares upon conversion. The notes are recorded in the books at SEK 512 million among long-term, interest-bearing receivables in the consolidated balance sheet at December 31, 2003.

Guarantees to related parties

Between June 10 and August 26, 2003, Kinnevik guaranteed a rights issue by Metro for a total of SEK 252 million. Holders of Metro's depositary receipts were entitled to one subscription warrant for each class A or class B share. Each warrant entitled the owner to subscribe to one new class A share at a price of SEK 2.30 per share. The subscription period ran from July 21 to August 8. As the issue was fully subscribed, Kinnevik only subscribed to its share of the issue on the basis of its shareholding prior to conversion of the outstanding loan (see below under Other transactions with related parties). Kinnevik received SEK 3.2 million in compensation from Metro for underwriting the issue, which corresponded to 1.5% of the amount of the issue (excluding the part of the issue to which Kinnevik was entitled).

See also under Notes 24 and 25 above.

Other transactions with related parties

- On May 3, 1996, when MTG was still a subsidiary of Kinnevik, Kinnevik's Annual General Meeting resolved in favour of an option program for senior management personnel within MTG. The options were issued by Kinnevik to a special beneficiaries' company, MTG Intressenter AB, which is owned by senior management personnel within MTG and 12% by Kinnevik. In 2003, the remaining 40% of Kinnevik's total original commitment were exercised, which corresponded to 1,193,956 class B shares in MTG, 358,187 class A shares in Metro and 835,769 class B shares in Metro. In August, MTG Intressenter called for redemption of the remaining options at a price of SEK 69.70 per MTG share (including one Metro share for each MTG share requested).
- Between May 30 and August 31, 2002, Kinnevik lent 383,090 class A shares in MTG, 1,417,208 class B shares in MTG and 5,179,590 class A shares in Metro to Invik, in return for which Kinnevik received compensation in the form of an annual fee of 2% of the average market value of the shares during the period of the loan.
- On August 19, 2002, Kinnevik subscribed to 962,050 newly issued class A shares in Transcom at an issue price of EUR 1.10 per share, which corresponded to the average closing prices on the five immediately preceding trading days on the stock market.
- On December 13, 2002, Cherry carried out a share issue in which Kinnevik participated and subscribed to a further 2,926,916 shares at a subscription price of SEK 2 per share.
- In July 2003, Kinnevik took up its share of Metro's rights issue on the basis of its interest prior to the conversion of outstanding loans (see under Financial loan transactions with related parties) and received 16,834,010 class A shares at a price of SEK 2.30 per share on August 26.
- On September 5, 2003, Kinnevik subscribed to 1,000,000 newly issued class A shares in Transcom as part of a placement at a price of SEK 18.80 per share. The background to this transaction was the Transcom's existing options programme involved the issue of class B shares. The exercise of the options would mean that the number of class B shares, before the share issue, exceeded the number of class A shares, which is not permitted by Luxembourg law.

The following is a summary of Kinnevik's revenue, expense, receivables and liabilities to and from related parties.

Net turnover	Parent Company		2002	Group 2003
	2002	2003		
Invik.....	0.6	0.5	5.2	4.3
MTG.....	0.7	0.1	92.7	15.4
Transcom	–	0.0	3.3	1.8
Metro	0.7	3.9	3.5	4.0
Tele2.....	2.1	–	131.9	35.0
Inlux.....	–	–	0.8	–
Applied Value.....	–	–	0.2	–
	<u>4.1</u>	<u>4.5</u>	<u>237.6</u>	<u>60.5</u>

Operating costs	Parent Company		2002	Group 2003
	2002	2003		
Invik.....	– 3.3	– 2.7	– 25.6	– 6.0
MTG.....	0.0	–	– 12.3	– 0.1
Transcom	–	–	– 4.6	– 4.5
Metro	–	– 0.1	– 0.5	– 0.1
Tele2.....	– 0.1	–	– 9.3	– 8.4
MIC.....	– 1.2	– 0.1	– 4.3	– 0.5
Applied value	– 0.3	–	– 52.1	– 3.8
Great Universal	–	–	– 1.2	–
Search Value	– 0.5	–	– 2.7	0.0
Shared Value.....	– 0.1	– 0.9	– 0.1	– 1.2
	<u>– 5.5</u>	<u>– 3.8</u>	<u>– 112.7</u>	<u>– 24.6</u>

Interest income	Parent Company		2002	Group 2003
	2002	2003		
Invik.....	–	3.3	–	3.3
Transcom	8.7	9.8	8.7	9.8
Metro	26.5	17.5	26.5	17.5
MIC convertible notes	–	–	–	17.6
Great Universal	0.3	–	1.4	–
Modern Holdings	1.0	–	2.0	–
Rolnyvik	7.5	–	7.5	–
SCD Invest and subsidiaries.....	13.7	12.0	13.7	12.0
	<u>57.7</u>	<u>42.6</u>	<u>59.8</u>	<u>60.2</u>

Financial receivables from associated companies	Parent Company		2002	Group 2003
	2002	2003		
Metro	442	–	442	–
MIC.....	–	–	19	–
SCD Invest and subsidiaries	248	238	224	137
Other associated companies.....	–	–	8	8
	<u>690</u>	<u>238</u>	<u>693</u>	<u>145</u>

Other long-term interest bearing receivables	Parent Company		2002	Group 2003
	2002	2003		
Invik.....	–	78	–	78
Transcom	146	136	146	136
Great Universal	12	42	50	42
MIC convertible notes	–	–	–	512
Modern Holdings	18	50	54	50
	<u>176</u>	<u>306</u>	<u>250</u>	<u>818</u>

Accounts receivable and other current receivables	Parent Company		2002	Group 2003
	2002	2003		
MTG.....	–	–	12	1
Transcom	–	–	2	0
Metro	–	–	1	0
Tele2.....	2	1	13	1
Great Universal	–	0	1	–
Inlux.....	–	–	2	0
Modern Holdings	–	–	11	–
	<u>2</u>	<u>1</u>	<u>42</u>	<u>2</u>

Accounts payable and other non-interest bearing liabilities	Parent Company		2002	Group 2003
	2002	2003		
Invik.....	–	0	–	0
MTG.....	–	0	2	0
Transcom	–	–	1	–
Tele2.....	–	–	1	0
Applied Value.....	–	–	1	–
	<u>0</u>	<u>0</u>	<u>5</u>	<u>0</u>

Note 30

Financial instruments

Kinnevik is exposed to market risks, mainly owing to currency and interest rate fluctuations. The Group's policy on currency risks is wherever possible to match income and expense in each currency, and to finance the capital employed in the same currency. As of December 31, 2003, the company had no outstanding forward contracts or other derivative contracts. The book value of financial assets is estimated to correspond to their actual value, except in the case of listed holdings (see Note 14).

Operating costs are mainly incurred in SEK and EUR. Most of the costs incurred by the Swedish operations are incurred in SEK. The operating costs incurred in Korsnäs Packaging's European operations are denominated mainly in EUR. The Group's revenue is mainly in SEK, EUR and other currencies in those countries where its output is sold (see Note 2).

Most of the Group's assets are denominated in SEK, except for Korsnäs Packaging's subsidiaries, which have production facilities in nine European countries (mostly in the eurozone). The Group's borrowing is largely arranged in SEK, except in the case of Korsnäs Packaging's foreign subsidiaries, which are financed in EUR and GBP.

Kinnevik's main interest risk is due to fluctuations in Stibor. As of December 31, 2003, all of Kinnevik's liabilities to credit institutions, which amounted to SEK 7,375 million, were exposed to interest rate risks, of which SEK 6,595 million to changes in Stibor. The Group has no borrowing with commitments at fixed rates of interest longer than six months. Kinnevik's policy is to have short commitments at fixed rates of interest as the Company's view is that this results in lower interest expense in the long run.

Note 31

Subsequent events

Transcom repaid the outstanding amount of a SEK 136 million convertible loan to Kinnevik at the beginning of February 2004.

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.

Stockholm, February 12, 2004

Edvard von Horn
Chairman

Cristina Stenbeck
Vice Chairman

Anders Fällman

Thorbjörn Hallström

Wilhelm Klingspor

Stig Nordin

Jan-Henrik Sandberg

Dag Tigerschiöld

Vigo Carlund
Chief Executive Officer and President

Our Audit Report concerning these financial statements was issued on February 13, 2004

Lars Träff
Authorized Public Accountant

Erik Åström
Authorized Public Accountant

Carl Lindgren
Authorized Public Accountant

Auditors' Report

To the General Meeting of the shareholders of Industriförvaltnings AB Kinnevik
(Reg. no 556001-9035)

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Industriförvaltnings AB Kinnevik for the year 2003. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conduct our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any member of the Board or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Account Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Account Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with Generally Accepted Accounting Principles in Sweden.

A separate list of loans and collateral has been prepared in accordance with the stipulations in the Companies Act.

We recommend to the General Meeting of the shareholders that the income statement and the balance sheet of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 13, 2004

Lars Träff
Authorized Public Accountant

Erik Åström
Authorized Public Accountant

Carl Lindgren
Authorized Public Accountant

Mellersta Sveriges Lantbruks AB

SEK million	2001	2002	2003
Key ratios			
Net turnover	12	7	44
Operating income	4	-1	4
Investments in fixed assets	1	0	12
Depreciation	-1	-1	-4
Operational capital employed	32	108	183
Return on operational capital	12.7%	neg.	2.2%
Number of employees	4	3	145

Farming was Kinnevik's original business. Mellersta Sveriges Lantbruks AB ("MSLA") today owns the Ullevi estate outside Vadstena, and the Barciany and Podlawki estates in Poland.

The total acreage is 7,392 hectares, of which 665 hectares are in Sweden. The business concentrates on highly mechanized arable farming and dairy farming, following modern ecological principles. The Swedish farms are certificated in accordance with the ISO 14001 environmental management standard and in 2003 acreage cultivated in accordance with ecological principles was 620 hectares. Inclement weather conditions during the winter, spring and early sum-

mer resulted in a moderate harvest of varying quality in Sweden. However, prices were firm on the market for ecological products.

The Polish estates have a total acreage of 6,727 hectares and stock some 750 dairy cows and 600 young animals. Expertise is currently being transferred from Sweden and operating efficiency is being improved. As far as the Polish farms are concerned this involves a higher degree of mechanization and reductions in the numbers employed.

Cultivation conditions in Poland were almost identical to those in Sweden in the winter and spring, but as Poland enjoyed good weather in the summer the volume of the harvest was nonetheless normal and of good quality throughout. Price trends in Poland, especially for wheat and sugar beet, were firm during the autumn, as a result of which the financial result was satisfactory.

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.



The silo at Podlawki in Poland can hold up to 10,500 tonnes of wheat.

Korsnäs Holding AB

SEK million	2001	2002	2003
Key ratios			
Net turnover	5,842	5,809	5,553
Operating income	386	622	527
Investments in fixed assets	506	451	238
Depreciation	-491	-467	-452
Operational capital employed	8,798	8,311	7,572
Return on operational capital	4.4%	7.5%	7.0%
Number of employees	3,058	2,676	2,369

Korsnäs Holding AB is the parent company of Korsnäs AB and Korsnäs Packaging AB. Korsnäs AB and its subsidiaries are engaged in business in packaging materials (Korsnäs Industrial) and forestry (Korsnäs Forestry).

Historical background

Korsnäs AB was founded in 1855 when the company's name was Korsnäs Sågverks AB. The company is today one of the leading producers of high quality paperboard and paper products for the packaging industry. Korsnäs has 2,369 employees, 1,142 of whom work in Sweden.

The actual business started in 1855 and the sawmill commenced operations 1858 at Korsnäs, a small village in Dalarna. The business was relocated to Gävle in 1899. Pulp production started at Korsnäsverken in Gävle in 1910, and the company installed its first paper machine in 1925. The production of pulp and paper has successively evolved into Korsnäs main line of business. The company today has four market pulp machines in production. Korsnäs exited the sawmilling industry in 2002, when it sold the

Kastet sawmill.

Korsnäs's industrial activities are concentrated at the Korsnäsverken complex in Gävle, which has an annual capacity of 700,000 tonnes of pulp. The total output of sulphate pulp is processed within the complex into paperboard, sack and kraft paper, and fluff pulp.

Korsnäs has long had a strategy of concentrating on highly processed goods with a high added value. Paperboard has evolved into the largest product area in terms of volume, where liquid packaging board is used for packaging of beverages, and white top kraft board is used as the outer layer in corrugated board packaging.

Korsnäs is one of Europe's leading producers of high quality sack and kraft paper. More than one third of the sack paper produced is converted in the company's wholly owned or associated sack factories in Europe into sacks, paper bags and other types of packaging.

Following the disposal of forestland to Sveaskog in 2002 the total acreage amounts to 424,000 hectares, of which 324,000 hectares are productive timberland. In the beginning of December 2003, 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. 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 maintain approximately 15,000 hectares of special land and rights.



Packaging products manufactured out of paperboard, paper and fluff pulp from Korsnäs.

Korsnäs Forestry

SEK million	2001	2002	2003
Key ratios			
Net turnover	1,519	1,480	1,441
Operating income	210	194	142
Investments in fixed assets	43	44	20
Depreciation	-21	-18	-19
Operational capital employed	3,027	2,933	2,728
Return on operational capital	6.9%	6.6%	5.2%
Number of employees	286	282	273

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 forestland in 2002, the harvested volume from company forests

has declined, but it is still on target. The supply agreement with Sveaskog, who is Korsnäs's largest Swedish wood supplier, is making good progress.

The program launched to reduce the amount of capital tied up in inventories continued during the year, enabling stocks of softwood and hardwood pulpwood to be reduced by a further 20% over and above the reductions made in 2001 and 2002. Consequently, inventories have been reduced by a total of some 40% since 2001.

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 profitability of the Latvian business has been continuously improving, and the remaining 48% of the shares in the company were acquired during the year.

Once the forest transaction with Bergvik Skog AB has been completed in 2004, the forestry organisation within Korsnäs AB will continue to have responsibility for purchasing wood and fibre for Korsnäs's pulp and paper mill, and for harvesting and forestry under the terms of the wood supply agreement with Bergvik Skog. Most of Korsnäs Forestry's external customers are sawmills in Central Sweden.



PM5 in Gävle has the capacity to produce 300,000 tonnes of liquid packaging board and WTL per year.

Korsnäs Industrial

SEK million	2001*	2002*	2003
Key ratios			
Net turnover	4,094	3,968	3,816
Operating income	379	468	793
Investments in fixed assets	327	229	124
Depreciation	-330	-344	-336
Operational capital employed	4,621	4,299	3,943
Return on operational capital	8.2%	10.9%	20.1%
Number of employees	1,384	1,140	1,020

* The comparable figures for 2001 and 2002 include the Kastet sawmill which was divested in August 2002. The sawmill's turnover amounted to SEK 184 million in 2002 (SEK 254 million in 2001) and its operating result was SEK -13 million in 2002 (SEK -23 million in 2001).

The market situation was during the year characterised 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 mainly produces paperboard and paper products for packaging, Liquid Packaging Board, White Top Kraftliner (WTL), and sack and kraft paper. The principal market is Europe. Korsnäs-verken also produces fluff pulp.

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 WTL strengthened, while deliveries of sack and kraft paper and fluff pulp declined slightly.

Nowadays, customers are increasingly demanding various types of product and delivery service solutions, and Korsnäs aims to offer this at a low total cost to the customer.

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. Apart from wood, the main purchases are of electricity and chemicals.

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

Liquid Packaging Board

Liquid Packaging Board is used to make packaging for milk and fruit juice products. The market for Liquid Packaging Board continued to develop strongly. It is mainly the coated grades that are growing as a result of the end customers' more rigorous demands for packaging that will take high quality print. The global market for Liquid Packaging Board is growing at a rate of some 4-5% a year. Korsnäs's deliveries of Liquid Packaging Board rose by 8% on this market in 2003, and Korsnäs consequently strengthened its market position during the year. Stora Enso and Assi Domän Frövi (Sveaskog) are Korsnäs's main competitors on this market. For many years, Korsnäs has been engaged in successful joint product development with its customers on this market, which it intends to continue. During the year, new supply and joint product development agreements were signed in the liquid packaging board segment.

Tetra Pak is Korsnäs's largest Liquid Packaging Board customer, accounting for roughly one-third of total sales.

White Top Kraftliner

WTL is used as the outer layer in corrugated board packaging. The market for WTL in Europe grew at a somewhat slower rate in 2003 than the long-term growth rate of 3-4%. Since Korsnäs's deliveries increased in 2003 in relation to 2002, its share of the European market was strengthened. However, prices came under pressure during the later part of the year. The principal markets in Europe are Germany, France and Italy. Korsnäs intends in the future to further strengthen its position on the market for high-graded WTL, and two new products were launched during the year. There are many suppliers on the market, with M-Real being the main competitor.

Sack and kraft paper

Sack and kraft paper are used for sacks, paper-bags and food packaging. The market situation for sack and kraft paper has been weak with generally slack demand and falling prices. The demand for sack paper has been declining for several years in Europe, whereas it has been growing in other parts of the world. In Europe there is considerable capacity for the production of sack paper, and some of the output is exported to other markets, mainly in the Middle East, Asia and Latin America. Frantschach and Smurfit are among the largest integrated producers with their own converting units, while Billerud and UPM Kymmene have considerable capacity but no converting facilities. The last-named are also major suppliers of kraft paper. Korsnäs's position on the market is characterised mainly by products with high strength that are readily converted, which offers customer benefits such as lower costs in connection with paper consumption and at the converting stage. One effect of the previously mentioned strategy of concentrating on growth markets is that in recent years Korsnäs has reduced its share of the market for sack and kraft paper in favour of other products. In 2002, Korsnäs further adjusted its sack and kraft paper capacity by withdrawing PM3 from production, which meant that in 2003 Korsnäs's capacity was more closely in line with the generally lower demand.

Fluff pulp

Fluff pulp is used for hygiene products such as diapers, feminine hygiene products, and napkins. In total the market for fluff pulp is expanding by around 2% a year and prices normally move in line with the general trend in pulp prices. The price of fluff pulp fell gradually over the year, largely owing to the depreciation of the dollar. The largest suppliers on this market are North American companies, principally Weyerhaeuser and Georgia Pacific. Korsnäs's volumes fell slightly in 2003 in relation to 2002, and its main focus is on raising the proportion of deliveries in airlaid and on establishing new products on the market.

Environment

Korsnäs's industrial and forestry activities have obtained certification in accordance with the ISO 14001 standard and the forestry activities have also been certificated in accordance with the Swedish FSC standard. The paper mill has, in addition, obtained hygiene certification in accordance with the ADAS standard.

Employees and restructuring

The review of working practices and the organisation continued throughout the year with the objective of creating a modern and cost-effective organization. The organization introduced in 2002 is working well, and the co-ordination of the two new control rooms brought into operation in 2002 has resulted in considerably improved scope for controlling production. As one step in the efficiency program total manning at Korsnäsverken has been further reduced. In most cases, employees left as a result of individual agreements, in which cases Korsnäs also offered active support in finding work outside the company. In connection with the final adjustment to the manning level in the new control rooms, the company and the Swedish Paper Industry Workers' Union have failed to reach an agreement after local and central negotiations. The Labour Court may start considering this case in February 2004.

A profit-sharing plan has been in operation since 1993, in which the amount transferred to the profit-sharing foundation is based on the income in excess of a certain level. The result for the year was high enough for a sum of SEK 19 million to be allocated to the profit-sharing program.

Research and development

Korsnäs has long had a clearly defined strategy of concentrating on high value added products, and new products are launched regularly. The new hot-calendered products offer an uncoated alternative to coated paperboard, which provides very good printability and cost-effective converting. These products have attracted a positive response on the market, and demand is expected to build up steadily during the course of 2004. Another example is Korsnäs's unique paperboard for the full preservation of foods, which was developed jointly with a major customer. The Korsnäs group's R&D costs amounted to SEK 35 (36) million in 2003.

Korsnäs Packaging AB

SEK million	2001	2002	2003
Key ratios			
Net turnover	1,617	1,567	1,386
Operating income	-203	-40	-408 *
Investments in fixed assets	136	179	94
Depreciation	-140	-105	-97
Operational capital employed	1,151	1,079	902
Return on operational capital	neg.	neg.	neg.
Number of employees	1,320	1,181	1,020

* Includes write-down of fixed assets of SEK 331 million.

Korsnäs Packaging is the second largest producer of paper sacks and paper bags in Europe with 12 wholly or part owned production units and an annual capacity of more than 900 million sacks and bags. Sales are handled by offices in 20 European countries. Korsnäs Packaging has 15% of the European market for industrial paper sacks with most of its customers in the cement, farming and chemical industries. The principal competitors on this market are Frantschach and Smurfit.

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. The losses incurred by the American unit, non-recurring costs for the relocation of the English and Romanian production facilities and the restructuring of the business at other

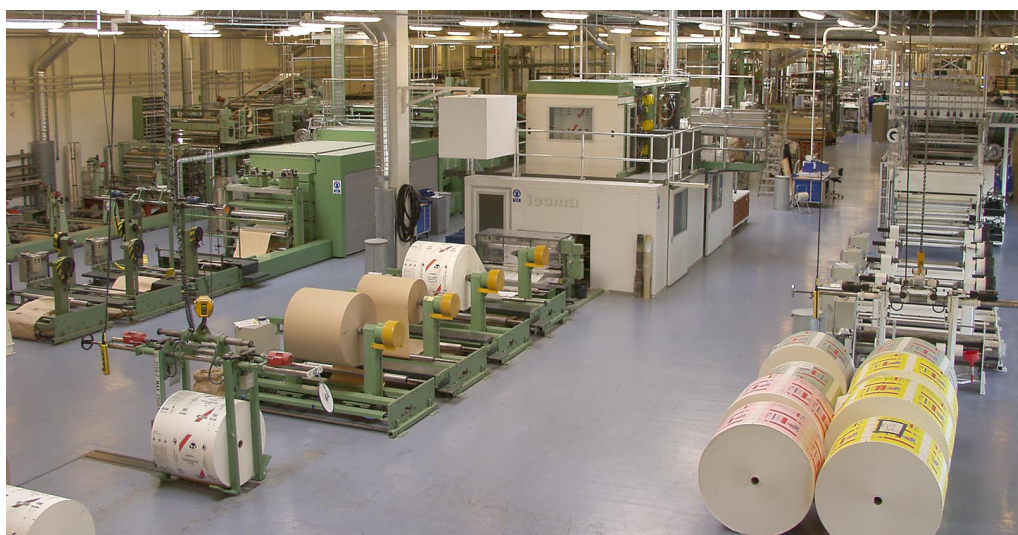
European production units had an adverse effect on operating income. The restructuring during the year involved a reduction of 9% in the work force, to give total manning reductions of 40% over the past three years.

In light of the weak result achieved by Korsnäs Packaging over the past few years, the book value of its fixed assets has been reviewed. The recovery value of the factories was therefore written down by SEK 331 million to SEK 560 million on December 31, 2003.

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, and also in comparison with the corresponding period last year.

In March, Cargo Pak, one of Korsnäs Packaging's lines of business, was sold to Illinois Tooling and in November the loss-making business in the USA was divested to Frantschach, a global packaging group based in Austria. The capital gain of SEK 42 million on the sale of Cargo Pak is included under income from corporate development in Kinnevik's consolidated accounts.

These divestments and restructuring measures are a consequence of Korsnäs Packaging's strategy of focusing on the European paper sack market and concentrating its activities at fewer, larger and more strategically located production facilities. A further aspect of the strategy is to focus increasingly on segments where profit margins are higher, such as food-stuffs and animal fodder. This approach has become possible as a result of certificating the production units in Edam in Holland and Aalborg in Denmark in accordance with the HACCP hygiene standard.



Korsnäs Packaging currently has 10 wholly owned paper converting factories in Europe.

Associated companies and other investments

Tele2 (20.4% of capital, 25.5% of votes)

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 datanet 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 this segment 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.

MIC (35.3% of capital and votes)

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



Millicom is partially owner of companies that own mobile telephony licenses in 15 countries.

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 a 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 (37.0% of capital, 30.2% of votes)

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 almost exclusively 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.

MTG (5.7% of capital, 17.2% of votes)

The market value of Kinnevik's shares in MTG amounted to SEK 560 million on December 31, 2003. On February 11, 2004 the market value was SEK 644 million. MTG's shares are listed on Stockholmsbörsen's Attract 40 list.

MTG is an international media company with most of its business in Scandinavia, the Baltic states and Russia. MTG's subsidiaries are active in more than 30

countries. MTG is the largest commercial and pay TV operator in the Nordic and Baltic countries, and the largest commercial radio broadcaster in northern Europe.

MTG broadcasts its own productions on 20 TV channels as well broadcasting 25 third-party channels in a total of fourteen countries. The group also includes several TV and film production companies, one of Europe's largest home shopping channels and a global subtitling and dubbing business with more than 60% of the global market for translating DVD films.

Net turnover for the financial year amounted to SEK 6,311 (6,023) million and income after financial net was SEK 375 (28) million.

Invik (5.0% of capital, 10.2% of votes)

The market value of Kinnevik's shares in Invik amounted to SEK 270 million on December 31, 2003. On February 11, 2004 the market value was SEK 273 million. Invik's shares are listed on Stockholmsbörsen's "O" list.

Invik manages a long-term portfolio of securities, consisting primarily of large investments in a small number of listed companies, such as Kinnevik, Tele2, MTG, Metro, Transcom and Millicom. Invik's subsidiaries are mainly engaged in finance and insurance.

Net turnover for the financial year amounted to SEK 1,186 (983) million and income after financial net was SEK 602 (-1,070) million.

Transcom (9.0% of capital, 11.7% of votes)

The market value of Kinnevik's shares in Transcom amounted to SEK 182 million on December 31, 2003. On February 11, 2004 the market value was SEK 229 million. Transcom's shares are listed on Stockholmsbörsen's Attract 40 list.

Transcom is a fast-growing company in outsourcing. It has operations at 35 call centres in 19 countries and more than 8,200 employees. Transcom provides solutions in Customer Relationship Management (CRM) for companies in such sectors as telecommunication and e-commerce, travel and tourism, retailing, financial services and staple industries.

The acquisition of CIS's debt collection business in March, which will broaden the range of products and services in Europe, was the most important event of the year for Transcom. The company has local debt collection activities in the Nordic countries, Germany and France, and the intention is to expand rapidly and cost-effectively into other European countries.

During the year Transcom opened new call centres in Poland and Portugal. Several key customers have selected Transcom as their supplier. Transcom also opened a new call centre in Barcelona during the year

for international sales and marketing.

Net turnover for the financial year amounted to EUR 286 (229) million and income after financial net was EUR 14 (5) million.

Cherry (28.7% of capital, 26.4% of votes)

The market value of Kinnevik's shares in Cherry amounted to SEK 147 million on December 31, 2003. On February 11, 2004, the market value was SEK 172 million. Cherry's shares are listed on Stockholmsbörsen's "O" list.

Cherry is active in online and casino gaming and in gaming machines. The main gaming activities are provided in restaurants in Sweden, on board ferries and passenger vessels in North European traffic, and online gaming on a global market. In all, Cherry has more than 600 employees.

Net turnover for the financial year amounted to SEK 264 (271) million and income after financial net to SEK 1 (0) million.

AcandoFrontec (10.7% of capital, 7.5% of votes)

The market value of Kinnevik's shares in AcandoFrontec amounted to SEK 28 million on December 31, 2003. On February 11, 2004, the value was SEK 39 million. Acando was acquired by Frontec, a listed company, on July 1, 2003, to form AcandoFrontec,

whose shares are listed on Stockholmsbörsen's "O" list.

AcandoFrontec is a management and IT consultant with just over 500 employees.

Radio P4 (12.5% of capital and votes)

The market value of Kinnevik's shares in Radio P4 amounted to SEK 18 million on December 31, 2003. On February 11, 2004, the value was SEK 27 million. Radio P4's shares are listed on Oslobörsen.

Radio P4 is Norway's largest national, commercial radio station.

Viking Telecom (23.6% of capital and votes)

The market value of Kinnevik's shares in Viking Telecom amounted to SEK 14 million on December 31, 2003. On February 11, 2004, the value was SEK 19 million. Viking Telecom's shares are listed on Stockholmsbörsen's "O" list.

Viking Telecom develops and markets access products for existing and planned communication networks in the Telecom and Microwave business segments.

Net turnover for the financial year amounted to SEK 80 (215) million and income after financial net was SEK -78 (-95) million.



Metro is published in 34 editions in 16 countries and reaches more than 13 million readers every day.

Acronyms and explanations

ADAS	British institution that awards good hygiene certificates to manufacturers and companies.
Airlaid	Product – dry-formed paper made of fluff pulp – for manufacture of tablecloths and napkins (napery) with a “linen look” or for converting into the core of hygiene products.
Callcenter	Customer service that handles customer contacts mainly via telephone, fax, e-mail, Internet services and letters.
FSC standard	“Forest Stewardship Council” is an international and independent organization for certification of forests.
GSM	Global System for Mobile telecommunication – digital mobile telephone network.
Hot-calendered products	Hot calendering a product involves pressing it between hot rolls, in contrast to normal calendering, which uses unheated rolls. Running the product through heated rolls gives it a superior surface finish. Korsnäs AB uses a patented method known as LNHC, or Long Nip Hot Calendering.
PM3	Paper Machine 3.
White Top Kraftliner	Paperboard that is brown on the reverse and white on the front that takes print very well and is used as the outer layer in corrugated board packaging.
SMA-TV	Small Master Antenna TV – local cable TV network.

Kinnevik's Board of Directors

Name	Assignments within Kinnevik	A shares	B shares	Other assignments in listed companies
Edvard von Horn Chairman Born 1943	Chairman of the Board since 2003. Member of the Board since 1992.	25,658	6,126	
Cristina Stenbeck Vice Chairman Born 1977	Member of the Board and Vice Chairman since 2003.	0	0	Vice Chairman in Invik and Metro. Member of the Board in Tele2, MTG, Transcom and MIC.
Anders Fällman Born 1962	Member of the Board since 2003.	0	0	Chief Executive Officer of Invik. Member of the Board in Metro.
Thorbjörn Hallström Born 1950	Member of the Board since 1996. Employee representative.	0	10	
Wilhelm Klingspor Born 1962	Member of the Board since 1999. Deputy member of the Board since 1997.	146,431	58,875	Member of the Board in Invik.
Stig Nordin Born 1943	Member of the Board since 1992.	0	4,168	Member of the Board in MTG.
Jan-Henrik Sandberg Born 1959	Member of the Board since 2002. Employee representative.	0	0	
Dag Tigerschiöld Born 1942	Member of the Board since 1998. Deputy member of the Board since 1993.	0	0	Member of the Board in Investment AB Öresund and Skanditek Industriförvaltning AB.
Kenneth Portin Born 1957	Deputy member of the Board since 1999. Employee representative.	0	10	
Hans Wahlbom Born 1950	Deputy member of the Board since 1996. Employee representative.	16	29	

Senior management and auditors

Senior management	Assignments within Kinnevik	A shares	B shares	Other assignments in listed companies
Vigo Carlund Born 1946	President of Industrieförvaltnings AB Kinnevik since 1999. Employed within Kinnevik since 1968.	3,000	4,000	Chairman in Metro and Transcom. Member of the Board in Tele2 and Millicom.
Mikael Larsson Born 1968	Chief Financial Officer of Industrieförvaltnings AB Kinnevik since 2001.	0	500	
Per Lindberg Born 1959	President of Korsnäs AB since 2001.	0	50	Member of the Board in Acando Frontec AB.
Sture Gustavsson Born 1959	President of Mellersta Sveriges Lantbruks AB since 1996.	0	0	
Peter Buckley Born 1965	President of Korsnäs Packaging AB since 2001.	0	400	

Auditors

Lars Träff, Ernst & Young Born 1954	Auditor of Industrieförvaltnings AB Kinnevik since 1993.
Erik Åström, Ernst & Young Born 1957	Auditor of Industrieförvaltnings AB Kinnevik since 2001.
Carl Lindgren, KPMG Bohlins Born 1958	Auditor of Industrieförvaltnings AB Kinnevik since 2002.
Björn Flink, KPMG Bohlins Born 1959	Deputy auditor of Industrieförvaltnings AB Kinnevik since 2002.
Thomas Forslund, Ernst & Young Born 1965	Deputy auditor of i Industrieförvaltnings AB Kinnevik since 1999.
Anders Wiger, Ernst & Young Born 1951	Deputy auditor of Industrieförvaltnings AB Kinnevik since 2001.

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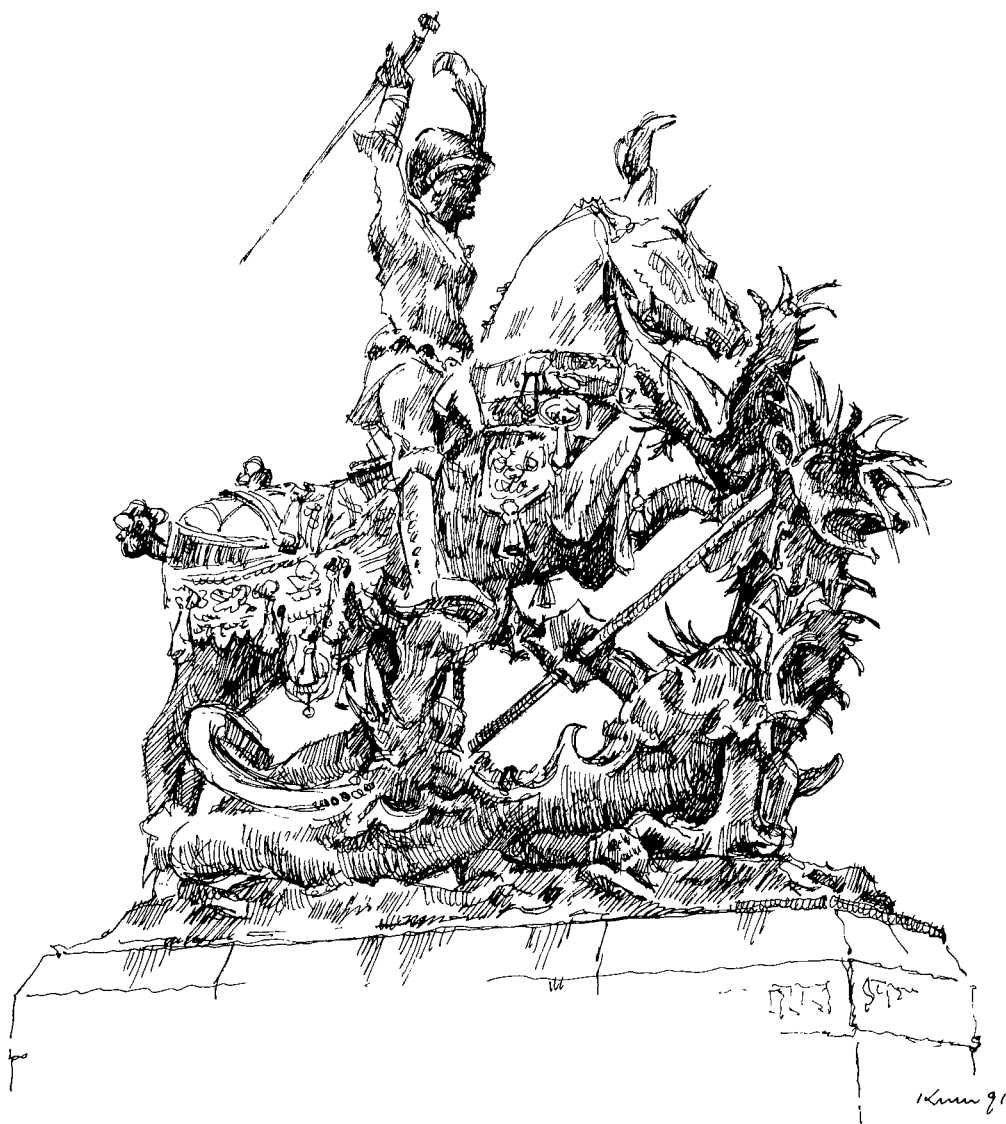
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