

Industriförvaltnings AB *Kinnevik*

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Sales revenue amounted to MSEK 9,744 compared with MSEK 9,621 for the previous year. The comparative figures for 1995 relate to the Kinnevik Group pro forma, i.e. excluding NetCom Systems AB.

Operating income before depreciation amounted to MSEK 1,220 (1,868). Income from corporate development and capital gains on sales of securities amounted to MSEK 580 (337). Income after depreciation amounted to MSEK 595 (1,212).

Income after net financial items amounted to MSEK 159 (1,010), excluding interest on convertible loan stock.

Net income amounted to MSEK 374 (323).

Earnings per share after full tax and full conversion amounted to SEK 4.38 (10.27).

The estimated net asset value at the year end amounted to SEK 230 per share.

The board's intention is to propose to the annual general meeting to distribute MTG to the shareholders with unchanged cash dividend. The proposed allocation of unappropriated earnings will be subject to consideration at an extra board meeting on April 29.

Operations

Consolidated result

Sales revenue in 1996 amounted to MSEK 9,744 compared with MSEK 9,621 for the previous year for comparable units. Other operating revenue amounted to MSEK 295 (207).

Income from corporate development and capital gains on sales of securities amounted to MSEK 580 and relate largely to non-recurring items in the consolidated accounts arising from the deconsolidation and stock dividend of shares in NetCom Systems AB and to the sale of convertibles in NetCom.

The consolidated operating income before depreciation amounted to MSEK 1,220 (1,868).

Income after depreciation amounted to MSEK 595 (1,212).

The interest in the earnings of associate companies was a deficit of MSEK 18 (133), of which Millicom International Cellular S.A. account for a deficit of MSEK 26, TV4 for a deficit of MSEK 11 and Radio P4 Hele Norge asa for income of MSEK 10.

Net financial revenue and expense, excluding interest on convertible loan stock, amounted to net expense of MSEK 417 (expense 335).

Income after financial net, excluding interest on convertible loan stock, amounted to MSEK 159 (1,010).

Net income amounted to MSEK 374 (323).

The comparative figures for 1995 relate to the Kinnevik Group pro forma, i.e. excluding NetCom Systems AB.

Business areas

Korsnäs Holding

Korsnäs Holding owns the Group's shares in Korsnäs AB. Korsnäs AB's sales amounted to MSEK 4,872, compared with MSEK 5,092 in 1995. Income after depreciation but before transfer to the profit-sharing plan, amounted to MSEK 714 (1,293). The profit margin was around 15 per cent (26), which is well above the average for the industry. The economic upswing that came to a halt around the middle of 1995 was succeeded by a period with a weaker market and falling prices. This market weakness persisted throughout the whole of 1996. As far as Korsnäs's main products are concerned, the market for beverage board was stable, while the market for white kraft board gradually improved during the year. The markets for sack paper and fluff pulp remained weak throughout the period.

Korsnäs' income for the year was affected by the steadily falling prices in many product areas and the strengthening of the krona, among other factors. The introduction of the 6-shift in the spring of 1996 affected results adversely in the form of cost increases.

Modern Times Group MTG

Modern Times Group MTG AB includes Kinnevik's TV and media businesses. Its stated strategy is to develop its position as a leading Scandinavian media company with its main focus on TV.

The division's revenue rose by 14 per cent during the year and amounted to MSEK 3,631 (MSEK 3,188). After depreciation, a loss of MSEK 536 was incurred (loss MSEK 126).

Developments on the Swedish TV advertising market were disappointing in 1996. Despite a positive trend in real consumer incomes no corresponding effect on consumption emerged, which resulted in the advertising market not developing as well as expected in 1996. In 1994 MTG earned a profit, but the losses incurred in 1995 persisted in 1996.

During the year a cost-reduction programme was initiated, which involved the reduction and

repositioning of certain TV channels as well as a considerable personnel reduction (200 persons). Moreover, the efficiency of administrative procedures has been further improved.

A new organisation was introduced at the beginning of 1997 whereby the number of business areas has been significantly reduced. MTG now consists of five business areas: Broadcasting, Radio, Publishing, Electronic Retailing and Media Services.

Broadcasts of MTG's TV channels via the Astra satellites was discontinued in the summer of 1996. These channels now broadcast only via the Norden position. This marks the conclusion of the major satellite dish-turning campaign, which turned out to be far more successful than expected.

Sales of ViaSat cards have gone well and the volume of card ownership reached 830,000 by the end of the year.

Investment AB Kinnevik

Investment AB Kinnevik continues Kinnevik's tradition of developing new business activities. The company's holdings include a substantial minority stake in Millicom International Cellular SA (MIC). The market value of the holding on December 31, 1996 was MSEK 3,594. The market value of the holding on March 14, 1997 was MSEK 5,072.

Income after depreciation for Investment AB Kinnevik was a loss of MSEK 17 (income: 244), of which income from corporate development accounted for MSEK 0 (312). Revenues amounted to MSEK 1,637, compared with MSEK 1,620 in the previous year.

Yield and net worth

During the past ten years Kinnevik shares have yielded an average effective return of 20 per cent per year in the form of capital growth and dividends, and including the value of warrants to subscribe to further shares. The effective yield in 1996 was 33 per cent.

Industriförvaltnings AB Kinnevik's closing net asset value can be estimated at MSEK 13,751 or SEK 230 per share after full conversion of outstanding 1993/97 convertible loan stock.

The price of Kinnevik's Series "B" shares fell during the year by 9 per cent to SEK 187.50, which represents 82 per cent of their net worth, according to the above. During the year all the shares in NetCom Systems AB were distributed to Kinnevik's own shareholders.

Financial position

The Group's closing liquid funds, including unused credit facilities and holdings of Kinnevik's own convertibles, amounted to MSEK 2,895 (2,039).

The Group's interest-bearing loans, excluding convertible loan stock of MSEK 389 (1,977) amounted at the year-end to MSEK 4,888 (3,384).

The average interest cost for the year was 7.2 per cent (9.7 per cent) (calculated as interest expense in relation to average interest-bearing debt, excluding pension liabilities and interest on convertibles).

The Group's loans are mainly raised in Swedish kronor. Foreign subsidiaries are, however, financed in local currencies.

The net effect of the Group's inward and outward currency flows is a net inflow of foreign currency of around MSEK 500 on an annual basis.

Parent company

The parent company reports net income from corporate development and net capital gains on sales of securities of MSEK 214 (loss 11).

Dividend income during the year of MSEK 922 (238) comprised an anticipated dividend from

Investment AB Kinnevik and a MSEK 22 dividend from TV4 AB.

The net effect of other financial revenue and expense, excluding interest on convertible loan stock, was income of MSEK 20 (70).

The conversions of the 1993/97 loan stock made during the year raised the share capital by MSEK 156, and the equity by MSEK 1,600. The favourable interest rate on the convertible loan during the year was due to the accrued interest of MSEK 121 being brought back in connection with conversion.

The parent company's income before allocations and tax amounted to MSEK 1,170 (19).

Dividend

The board's intention is to propose to the annual general meeting to distribute MTG to the shareholders with unchanged cash dividend. The proposed allocation of unappropriated earnings will be subject to consideration at an extra board meeting on April 29.

Stockholm, March 17, 1997

INDUSTRIFÖRVALTNINGS AB KINNEVIK

Board of Directors

SUMMARY OF THE GROUP IN FIGURES

(MSEK)	1995	1995	1996
Consolidated income statement		pro forma *	
Invoiced sales	11,559	9,621	9,744
Capital gains, net.	337	337	580
Operating profit before depreciation, including transfer to employees' profit-sharing plan	2,500	1,868	1,220
Depreciation according to plan.	- 1,260	- 656	- 625
Operating profit after depreciation	1,240	1,212	595
Interest in earnings of associates	- 69	133	- 18
Net financial costs	- 663	- 335	- 417
Profit after net financial items	508	1,010	159
Convertible interest	- 227	- 227	87
Paid tax	- 113	- 113	- 126
Provision for deferred tax liability	33	33	276
Minority interests	- 17	1	- 23
Net profit	185	323	374

Income from corporate development plus capital gains on sales of securities consist mainly of non-recurring effects of the distribution of NetCom Systems AB (MSEK 333) and the capital gain on the sale of convertibles in NetCom Systems AB (MSEK 214).

Balance sheet	1995	1995	1996
		pro forma *	
Current assets	6,898	9,074	8,280
Fixed assets	15,268	11,183	10,631
Total assets	22,166	20,257	18,911
Liabilities	16,421	14,152	12,346
of which interest-bearing liabilities	11,353	7,689	8,102
Equity	5,674	6,007	6,482
Balance sheet total	22,166	20,257	18,911

Key ratios

Liquid funds, including undrawn credit facilities and holding of company's own convertibles.	2,430	2,039	2,895
Fixed capital expenditure	3,700	1,636	642
Equity ratio, incl. convertibles	35%	40%	37%
Earnings per share after full tax and full conversion, SEK.	5.58	10.27	4.38
Estimated net asset value per share after full conversion, SEK	323	227	230

* The pro forma comparative figures for 1995 relate to the Group excluding NetCom Systems AB.

Breakdown of turnover by business area (MSEK)	1995 ⁴⁾	1996 ⁴⁾
Korsnäs Holding	5,092	4,872
Modern Times Group MTG	3,188	3,631
Investment AB Kinnevik	1,620	1,637
Industriförvaltnings AB Kinnevik and eliminations	– 72	– 101
Total	9,828	10,039

Breakdown of operating income/loss after depreciation by business area (MSEK)		
Korsnäs Holding ²⁾	1,285	703
Modern Times Group MTG ¹⁾	– 126	– 536
Investment AB Kinnevik ¹⁾	244	– 17
Industriförvaltnings AB Kinnevik and eliminations ¹⁾	– 114	453
Total	1,289	603

Breakdown of income/loss after net financial items (MSEK)		
Korsnäs Holding ²⁾	1,203	575
Modern Times Group MTG ¹⁾	– 298	– 691
Investment AB Kinnevik ¹⁾	215	– 186
Industriförvaltnings AB Kinnevik and eliminations ¹⁾³⁾	– 33	470
Total	1,087	168

The comparative figures for 1995 relate to the Group pro forma excluding NetCom Systems AB

¹⁾ Including income from corporate development and capital gains on sales of securities.

²⁾ Excluding transfer of MSEK 8 (78) to employees' profit-sharing foundation.

³⁾ Excluding interest of MSEK 87 on convertible loan stock (227).

⁴⁾ The totals for the respective sub-groups relate to the operative structure, which is not in all cases identical to the juridical structure.

CALCULATION OF NET ASSET VALUE	(MSEK)
Korsnäs Holding	6,500
Modern Times Group MTG	3,500
Investment AB Kinnevik	3,700
Industriförvaltnings AB Kinnevik	39
Re-entered 1993/97 convertible debenture loan	12
	13,751
Number of shares after conversion of 1993/97 convertible debenture loan outstanding	59,721,699
Per share, SEK	230

The calculation of net worth is made on the basis of the previous year's valuation. The market value is based on the estimated market value of the respective companies if they were standalone public traded companies. Caution has been observed when valuing individual companies. The valuation of Korsnäs is based on higher historical earnings. MTG, excluding TV4 and P4, is valued as a unit, taking into account the degree of integration of many of the companies. In the case of TV4 and P4, the closing list price on the stock market as per December 31, 1996 was used. MTG received MSEK 1,600 in new capital during the year. The closing stock market price as per December 31, 1996 was used for the shares in Millicom International Cellular S.A. that are owned by Investment AB Kinnevik. Industriförvaltnings AB Kinnevik's residual item consists of receivables from and liabilities to other Group units, external interest-bearing receivables and liabilities, and NetCom Systems convertibles for which the stock market price as per December 31, 1996 was used.

The number of shares in issue at December 31, 1996 was 59,614,276. Full conversion of the 1993/97 convertible loan will raise the number of shares by 107,423.