



INTERIM REPORT 1997 1ST QUARTER

OPERATIONS

Group structure

Kinnevik's Board proposed to the Annual General Meeting held on May 23 that shares in Modern Times Group MTG AB should be distributed to shareholders. MTG is stated separately with the object of reflecting such a distribution. The shares in MTG are stated in the balance sheet at March 31 as an external shareholding.

The comparative figures for the first quarter of the previous year refer to the consolidated income statement and balance sheet on a pro forma basis, i.e. excluding MTG and NetCom Systems AB.

Prior to the distribution of MTG, a new MTG was formed, in connection with the formation of which the new MTG Group acquired certain businesses from Kinnevik, whilst certain other units were retained by Kinnevik. The pro forma figures have been adjusted to take account of the subsidiaries transferred between sub-groups.

Consolidated results

Sales for the first three months of 1997 amounted to MSEK 1,821 compared with MSEK 1,775 for the previous year, for comparable units (exclusive for MTG and NetCom Systems), which is an increase of 3 per cent. Korsnäs Holding AB's sales declined by 2 per cent to MSEK 1,207. Investment AB Kinnevik increased its sales by 19 per cent to MSEK 502.

Operating income amounted to MSEK 291 compared with MSEK 463 for the corresponding period in the previous year.

Income from corporate development amounted to MSEK 22 (MSEK 333) and relates to non-recurring effects in connection with the reduction in the equity interest in MTV Production AB as a result of a share issue, with the provisionally estimated effect on income being included in the result.

Income from sales of securities amounted to MSEK 165 (0); this relates to sales of convertible loan stock in NetCom Systems.

The interest in the results of associate companies was a net deficit of MSEK 51 (deficit 17).

Net financial expense, excluding interest on convertibles, amounted to MSEK 81 (net expense: 23).

Income after financial revenue and expense, excluding interest on convertibles, amounted to MSEK 159 (423).

Income before tax amounted to MSEK 157, compared with MSEK 517 for the previous year.

Earnings per share for the period amounted to SEK 2.50 compared with SEK 7.46 for the same period in the previous year.

If Modern Times Group MTG AB had been consolidated in the Kinnevik Group at March 31, 1997, Kinnevik's sales would have amounted to MSEK 2,381 (2,388). Operating income would have amounted to MSEK 148 (401).

KORSNÄS HOLDING AB

Korsnäs Holding AB is the parent company of Korsnäs AB which, together with its subsidiary companies, forms the Korsnäs Group.

Korsnäs Group

The Korsnäs Group's sales during the first three months of 1997 amounted to MSEK 1,207 (1,234). Operating income before transfers to the employees' profit-sharing plan amounted to MSEK 188 (237). The profit margin was 16 per cent (19%).

The result has deteriorated compared with the corresponding period in the previous year, although it is better than for the fourth quarter of 1996, when sales amounted to MSEK 1,144 and operating income to MSEK 152.

The forestry, sawn timber and sack divisions all report a better result than in 1996. Sales of the Group's main products - paperboard, paper and fluff pulp - were firm. However, the prices of most products were under pressure, which had a marked effect on the result which did not reach the same level as during the first quarter of 1996.

During the period the Swedish krona weakened against several important currencies. This boosted the result but only partly offset the low average price level.

The Forestry division's result improved slightly compared with the corresponding period in the previous year.

The volume of wood harvested in company forests and imported was in line with established plans. The improvement in the market for sawn timber resulted in saw timber being in short supply, with higher prices as a consequence. The price of pulpwood, on the other hand, remained at the same level as it has been ever since

April 1996, and in view of the current situation with stocks only falling slowly, it will probably not change during the first half of the year.

The market for sawn timber began to turn back up during the first quarter of 1996 and the positive trend continued during the early months of the current year, with stable demand and rising prices. The total production of sawn timber in Sweden during the first three months of the year rose by 7 per cent; in the case of redwood products by 4 per cent, with whitewood products up by 10 per cent.

Demand for redwood products, the main products in Korsnäs's Sawn timber division, was firm during the first quarter. As far as Korsnäs is concerned, order books are stable, and the division, which incurred a loss in 1996, is back in profit.

In the case of paperboard, paper and fluff pulp, the period was characterised by firm demand, especially for paperboard products but also by depressed and unstable prices in most product areas. This is the main reason for deterioration in the result compared with the first quarter of 1996. Production and deliveries rose in all areas except fluff pulp.

It now looks as if the declining stocks of pulp will finally allow the increases in pulp prices, which were announced long ago, to be made during the second quarter. Higher prices for bale pulp should have an indirect effect on the price of fluff pulp, as well as on other products.

The sack paper segment has also raised its deliveries and can report a positive earnings trend since the turn of the year, even though prices have gradually been coming under pressure.

The Group is continuing to successively strengthen its position on the sack market in Europe. A new factory that is jointly owned by Korsnäs and Yogo Cartona was commissioned in Yugoslavia this spring. This unit will have an annual output of some 30 million sacks.

In January the Board made a decision to expand and convert the PM 5 paper machine at Korsnäsverken at a cost of MSEK 460 in order to strengthen its position on the paperboard market. This investment will be carried out during the second half of 1998.

A study has been initiated in co-operation with the Arthur D. Little consulting firm with the object of reviewing the organisation and further improving cost and capital efficiency. This study is expected to be completed during the second quarter of 1997.

Investment AB Kinnevik's sales rose to MSEK 502 compared with MSEK 423 in the previous year. Operating income amounted to MSEK 13, compared with a loss of MSEK 14 in the previous year.

During the first quarter, Millcom International Cellular S.A. (MIC), the international mobile telecommunication company, announced a far-reaching plan to maximise the value of its shares by altering its structure. Shares in MIC's Asian subsidiaries will be distributed to MIC's own shareholders, and a listing on Nasdaq and the Singapore Stock Exchange will then be applied for under the name of Sanbao Telecommunications. A strategic review of the operations of MIC's Latin American subsidiaries is currently in process; this includes discussions with potential buyers. MIC, which will include the remaining subsidiaries in Europe, the Middle East and Africa, as well as MACH the international clearing company, will retain its listing on Nasdaq.

The rapid expansion of MIC's subscriber base has continued, to more than 580,000 by the end of the first quarter. This represents a growth rate of more than 90 per cent. Sales revenues rose by 62 per cent during the quarter to MUS\$ 70.2. A license for wire-less wide-band traffic has been awarded to MIC in Great Britain.

The market value of Kinnevik's holding of shares in MIC was MSEK 5,107 at March 31, 1997, which represents an increase of MSEK 1,513 since December 31, 1996. On May 19, 1997 the market value of the holding was MSEK 5,745.

In connection with the formation of the new MTG, Investment AB Kinnevik acquired certain companies from MTG, namely Imedia, MTV, Moderna Tider and certain IT companies. The global intelligence company Imedia's order intake for the period was better than in the corresponding period in the previous year. However, the result was affected by the cost of restructuring the unit in Norway. MTV Produktion obtained a listing on the Stockholm

Stock Exchange on March 14. Kinnevik's equity interest is now 44 per cent. The shares have performed well since being listed and by May 16 they had risen from their subscription price of SEK 63 to SEK 72. The operations of the IT companies will be concentrated within fewer companies and the business will be focused on a range of on-line services, consulting, and software products within Internet and telecommunications. Tele2 Europe is continuing to expand as planned, and this company now has eight sales offices in Europe.

The other units within Investment AB Kinnevik are developing as planned.

OTHER SUBSIDIARY COMPANIES

Other subsidiary companies are those companies which will remain within Kinnevik in connection with the formation of the new MTG. Also included are TV1000, AirTime, Play-TV, Modern Cartoons and the farming activities conducted through MSLA.

The sales of these companies amounted to MSEK 120 (120) and they incurred an operating loss of MSEK 54 (loss 61). In the case of TV1000, the intense competition on the pay-TV market continued throughout the period. Play-TV has continued its prospecting for lottery licenses in Eastern Europe.

YIELD

Over the past ten years Kinnevik's shares have generated an average effective yield of 20.6 per cent per year as a result of price increases and dividends, including the value of subscription offers.

FINANCIAL POSITION

The comparative figures for the first three months of the previous year relate to the pro forma consolidated income statement and balance sheet, exclusive of MTG and NetCom Systems.

The Group's liquid assets, including undrawn credit facilities and holdings of

NetCom convertibles (MSEK 57) and the company's own convertibles (MSEK 466), amounted to MSEK 2,262 on March 31 (1,203).

The Group's net interest-bearing loan liabilities amounted to MSEK 4,688 (3,566), of which convertible loan stock accounted for MSEK 388 (1,824).

The average cost of interest for the period was 7.3 per cent (9.5%) (interest expense in relation to average interest-bearing liabilities excluding pension liabilities and convertibles).

The Group's capital expenditure (excluding purchases of shares) during the period amounted to MSEK 126 (116). The closing equity ratio was 41 per cent (44%).

The net effect of the Group's in- and out-flows of foreign currency amounted to a net in-flow of foreign currency corresponding to some MSEK 1,200 on an annual basis.

MODERN TIMES GROUP MTG AB

As noted above, the subsidiary company Modern Times Group MTG AB is stated separately as a consequence of the proposed distribution of shares in this company.

Stockholm, May 20, 1997

Board of Directors

This interim report has not been subject to specific examination by the company's auditors.

CONSOLIDATED INCOME STATEMENT (MSEK)	1996 Full year	1996 Jan 1 - March 31 pro forma *	1996 Jan 1 - March 31 *
Net sales	9.744	1.775	1.821
Cost of sales	- 7.848	- 1.335	- 1.431
Gross result	1.896	440	390
Expenses for selling, administration, research and development	- 1.767	- 250	- 268
Income from corporate development	365	333	22
Income from sales of securities	214	-	165
Other operating income	295	28	76
Other operating expenses	- 408	- 88	- 94
Operating income	595	463	291
Participations in affiliated companies	- 18	- 17	- 51
Net financial items	- 418	- 23	- 81
Income after financial items, excluding interest on convertibles	159	423	159
Interest on convertibles	88	94	-2
Income before tax	247	517	157
Minority share in income	- 23	7	3
Earnings per share after full tax, and after full conversion, kronor	5,20	7,46	2,50

Any amount to be transferred to Korsnäs' profit-sharing plan is calculated when the income for 1997 is arrived at in connection with the finalisation of the accounts at the end of 1997.

REVIEW OF THE GROUP
(MSEK)

1996
1 jan - 31
mars
pro forma *

1996
1 jan - 31
mars *

Breakdown of net sales by business area

Korsnäs Holding AB	1.234	1.207
Investment AB Kinnevik	423	502
Other subsidiaries	120	120
Industriförvaltnings AB Kinnevik and eliminations	- 2	- 8
Total	1.775	1.821

Breakdown of operating income/loss by business area

Korsnäs Holding AB	234	184
Investment AB Kinnevik	- 14	13
Other subsidiaries	- 61	- 54
Industriförvaltnings AB Kinnevik and eliminations	304	148
Total	463	291

Breakdown of income/loss after net financial items by business area

Korsnäs Holding AB	206	160
Investment AB Kinnevik	- 69	- 58
Other subsidiaries	- 62	- 56
Industriförvaltnings AB Kinnevik and eliminations	348	113
Total	423	159

* Excluding NetCom Systems AB and Modern Times Group MTG AB.

CONSOLIDATED BALANCE SHEET (MSEK)	961231	960331 pro forma *	970331*
Fixed assets			
Capitalised development and establishment costs	295	88	71
Goodwill	522	222	185
Machinery, equipment, property etc	7.794	7.334	7.442
Stocks in NetCom Systems	-	182	-
Stocks in Modern Times Group MTG AB	-	- 387	891
Other stocks and participations	1.227	1.065	943
Long-term receivables	793	643	839
	10.631	9.147	10.371
Current assets			
Inventories including advances to suppliers	3.190	1.509	1.471
Short-term receivables	3.121	6.452	3.743
Cash, bank and short-term investments	1.969	972	1.717
	8.280	8.933	6.931
Total assets	18.911	18.080	17.302
Equity			
Restricted equity	3.991	2.663	3.991
Unrestricted equity	2.491	3.425	2.664
	6.482	6.088	6.655
Minority interests in equity	84	59	53
Provisions			
Provisions for pensions	620	643	626
Deferred tax liability	329	498	325
Other provisions	713	577	722
	1.662	1.718	1.673
Long-term liabilities			
Convertible debenture loans 1993/97	-	1.824	-
Non-interest bearing liabilities	694	84	73
Interest-bearing liabilities	4.977	2.985	4.707
	5.671	4.893	4.780

Short-term liabilities

Convertible debenture loans 1993/97	389	-	388
Non-interest bearing liabilities	3.021	1.931	1.839
Interest-bearing liabilities	1.602	3.391	1.914
	5.012	5.322	4.141
Total stockholders' equity and liabilities	18.911	18.080	17.302

* Excluding NetCom Systems AB and Modern Times Group MTG AB.

In accordance with American practice TV1000 have altered the principles for their accounting treatment of acquisitions of programme rights with effect from 1997.

Previously programme rights were stated as an asset at the time the contract was signed even though the period during which the rights were used could last for several years. As a result the liability corresponding to this was stated at the same time. TV1000 will now state as an asset only that proportion of the stock of programme rights which is available for broadcasting and which has been scheduled. The liability corresponding to this will be stated in accordance with the same principle.

MODERN TIMES GROUP MTG AB

Prior to the distribution, a new MTG has been formed. In connection with the formation of the new MTG Group, MTG acquired certain businesses from Kinnevik while others remained within Kinnevik. MTG was also reorganised into five business areas with the object of improving operative efficiency and establishing more sharply defined responsibility for results. A further purpose was to make MTG's results more transparent and communicate them to the Stock market more effectively.

Modern Times Group MTG AB increased its sales by 8 per cent to MSEK 659 compared with the previous year and for comparable units. The operating result was a loss of MSEK 143 compared with a loss of MSEK 62 for the same period in the previous year and for comparable units.

At the beginning of 1997, ViaSat launched a new package - ViaSat+ - which includes TV6, ZTV, 3+, Sci-Fi, VH-1 and Nickelodeon, and which has made very good progress since the launch. ViaSat+ had more than 50,000 subscribers by the end of April. ViaSat+ is one element in MTG's strategy of creating a Scandinavian package of interrelated TV channels. Sales of the ViaSat card are still increasing, and the number of cards issued had reached some 860,000 by the end of April.

The Scandinavian TV market is still subject to intense competition. Even though it has captured a growing share of TV audiences, TV3 Sweden's share of the advertising market is not rising as fast as expected due to stiffer competition and depressed prices. The businesses in Norway and Denmark, on the other hand, are developing in accordance with expectations. A further factor behind the deterioration in the result compared with the corresponding period last year is the weakening of the Swedish krona, which has raised programme costs to the extent they relate to foreign film rights.

MTG set in motion a cost-reduction programme during the second half of 1996. This had been completed by the end of the year and its effects will show through successively. Further reductions in operating costs will be made in 1997. Advertising sales on behalf of Radio Rix rose sharply compared with the corresponding period in the previous year, albeit from a low level. This is explained by the rapid growth in the radio advertising market and Radio Rix's ability to raise its market share.

The success of Metro (daily newspaper) continued during the period within an increase in volume of more than 30 per cent compared with corresponding period in 1996. The newspaper's first international launch will take place in Prague in the summer of 1997.

In Electronic Retailing (home shopping), sales were more subdued during the first quarter on account of stiffer international competition. Measures have been taken to improve the product mix and to obtain more media time which is expected to partly offset the weak start to the year.

The companies within Media Services are developing as planned. Strix, the TV production company, sold two major entertainment productions during the period. The business carried on through the rights company Kinnevik Media Properties has performed more strongly than expected.

MTG's CONSOLIDATED INCOME STATEMENT (MSEK)	1996*	1996 Jan 1 - March 31*	1997 Jan 1 - March 31
Net sales	3.035	613	659
Cost of sales	- 2.403	- 520	- 602
Gross result	632	93	57
Expenses for selling, administration, research and development	- 624	- 132	- 156
Income from corporate development	31	-	-
Other operating income	69	16	7
Other operating expenses	- 180	- 39	- 51
Operating income	- 72	- 62	- 143
Participations in affiliated companies	3	4	14
Net financial items	- 151	- 73	- 15
Income after financial items	- 220	- 131	- 144

MTG's PRO FORMA CONSOLIDATED SUMMARIZED BALANCE SHEET (MSEK)	961231*	960331*	970331
Fixed assets	1.147	1.366	1.141
Current assets	1.733	1.771	1.673
Total assets	2.880	3.137	2.814
Equity	839	- 405	704
Minority interests	6	8	6
Provisions	4	145	4
Long-term liabilities	586	750	427
Net debt to Kinnevik	308	1.669	622
Short-term liabilities	1.137	970	1.051
Total equity and liabilities	2.880	3.137	2.814

* Modern Times Group MTG AB presented according to the present group structure.

Receivables from and liabilities to companies in Kinnevik are presented as a net amount in order to reflect the preparations for a capitalisation of MTG.

In accordance with American practice the TV channels have altered the principles for their accounting treatment of acquisitions of programme rights with effect from 1997.

Previously programme rights were stated as an asset at the time the contract was signed even though the period during which the rights were used could last for several years. As a result the liability corresponding to this was stated at the same time. The TV channels will now state as an asset only that proportion of the stock of programme rights which is available for broadcasting and which has been scheduled. The liability corresponding to this will be stated in accordance with the same principle.