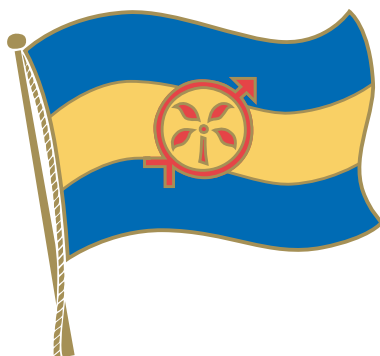


Industrieförvaltnings AB
Kinnevik



Annual Report 1999

Financial information

Interim Report 2000 1st quarter, May 9, 2000

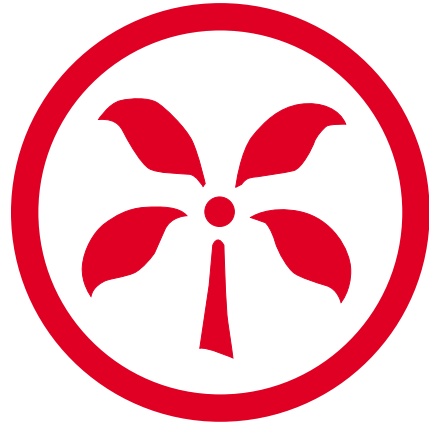
Half-yearly report 2000, August 15, 2000.

Interim report 2000 3rd quarter, November 7, 2000.

The Year-end Report for fiscal 2000, February 2001.

The Annual Report for fiscal 2000, April 2001.

Annual General Meeting, May 2001.



"More than 60 years of entrepreneurship under
the same group of principal owners"



700,000 people poured into the Skeppsbron area of Stockholm's Old Town, crowded the roads around Slussen and the ferry docks at Stadsgården, perched on Katarinavägen and Norrbro, and milled around Kungsträdgården and the Grand Hotel.

The fireworks display on New Year's Eve was seen by one million people in Stockholm.

The display was the climax of five days of festivities, called Årtusendets fest (The Party of the Millennium), which turned out to be Sweden's biggest festival ever.

The promoters were Invik & Co. AB, Industrieförvaltnings AB Kinnevik, NetCom AB, and Modern Times Group MTG AB. The official invitation came from the newspaper Metro.

The celebration began on December 27, with Historical Days in the Old Town, and continued through New Year's. Hundreds of thousands of

people enjoyed markets, handicrafts, sailing, entertainment and cultural events, games, gambling and amusements, and samples of food and drink.

They rediscovered how it had been in the Old Town over the centuries.

Above all, they eagerly followed the millennium celebrations' most popular performance: Historiens ljus (Light of History), with the popular Swedish author Herman Lindqvist as guide. Some 25,000 people came to the premiere, and 50,000 the next day. On the following two days, 80,000 people attended, although most of the audience could experience only a fraction of this multimedia extravaganza that quickly transported spectators from the dawn of Swedish history to modern day.

The main stages were at Norrström and Norrbro, but the Royal Palace, Riksdagen (House of Parliament), and the Opera served as imposing backdrops playing themselves.



Film, music, light, explosions, and bonfires recreated Swedish history right where it had happened.

As the last performance ended on New Year's Eve afternoon, with the entire Swedish royal family in attendance, preparations for the gigantic New Year's celebrations began. At 9:00 PM, the fires were lit. Millennium celebrations around the world were projected on giant TV screens. From 11 PM, the water was illuminated, and artists began performing on the floating stage beside the schooner "af Chapman", which now serves as a youth hostel. ABBA's Björn and Benny were honored by distinguished Swedish performers such as Tommy Körberg, Helene Sjöholm, and Anders and Karin Glenmark.

And it was there that the biggest reunion of all the millennium parties around the world took place this historic night: The Swedish rock group Europe retook the stage and performed its notably fitting 1980s hit "The Final Countdown".

King Carl XVI Gustaf, with his family, came out onto the Logårds steps of the castle and toasted in the new millennium.

Then one million Celebrants saw the biggest, most magnificent and powerful fireworks display ever seen in Stockholm or this part of the world.

On TV3, those who wanted to could continue to follow New Year's celebrations in time zone after time zone, in a marathon 26-hour broadcast.

The millennium celebration turned out to be the popular festival it was intended to be, but with many more participants than anyone dared to expect.

And none of this would have been possible without the 2,000 millennium hosts and other volunteers who helped with everything – from security to fire safety, acting and even selling champagne.

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Board of Directors and Auditors



Members and Secretary of the Board of Directors of Industriförvaltnings AB Kinnevik at the Board Meeting held at the Company's offices in Stockholm on February 23, 2000.

Board of Directors

Honorary Members

Carl-Gustaf Klingspor

Sten Sjöholm †

Bo von Horn

Directors

Jan Hugo Stenbeck, Chairman Stig Nordin

Bruce Grant Ulf Spång

Edvard von Horn Dag Tigerschiöld

Thorbjörn Hallström* Ulf Westin*

Wilhelm Klingspor

Deputy Members

Kenneth Portin* Hans Wahlbom*

Auditors

Auditors

Lars Träff Anders Wiger Hans Karlsson

Authorized Public Accountants

Deputy Auditors

Erik Åström Ingemar Rindstig Carl Lindgren

Authorized Public Accountants

* Representatives nominated by union organizations.

See page 49 for further information about Kinnevik's Board of Directors.

Management



- Left to right,
front row: Vigo Carlund, President of Industriförvaltnings AB Kinnevik, Stockholm.
- Second row: Ingemar Pettersson, President of Svenska JCB AB, Huddinge; Sture Gustavsson, President of Mellersta Sveriges Lantbruks AB, Vadstena; Göran Broodh, President of Goodguy Svenska AB, Nacka.
- Back row: Christer Simrén, President of Korsnäs AB, Gävle; Peter Wall, President of Collect Sweden AB, Stockholm; Fredrik Danielsen, President of Transcom AB, Karlskoga; Anders Norrman, President of CIS Credit International Services AB, Karlskoga.
- Travelling: Kevin Cash, President of World Wide Loyalty B.V., Amsterdam.

Financial Highlights 1995–1999

Consolidated Statements of Income ¹

(MSEK)	1995	1996	1997	1998	1999
Net sales	5,729.5	6,133.4	6,251.9	6,682.8	6,876.6
Income from corporate development	318.5	333.9	128.8	758.6	134.2
Income from sales of securities	– 17.9	214.4	264.9	277.4	69.0
Operating income	1,079.5	868.3	780.3	1,302.7	517.3
Participations in affiliated companies	110.7	– 25.0	– 264.7	– 487.1	370.2
Income after financial revenue and expenses exclusive of interest on convertibles	1,119.7	638.6	279.8	532.2	634.8

Key ratios

Return on capital employed (%)	10.8	9.3	5.3	7.1	7.0
Return on stockholders' equity (%)	7.1	neg	3.0	8.1	9.8
Interest coverage ratio (times)	5.7	2.0	1.6	2.4	2.8
Profit margin (%)	19.5	10.4	4.5	8.0	9.2
Equity / assets ratio (%)	50.1	39.6	38.6	37.4	35.1
Debt / equity ratio (times)	0.9	1.0	1.2	1.3	1.3
Risk capital ratio (%)	52.0	41.4	40.8	39.9	37.6

Per share data ²

Earnings per share after full tax (SEK)	6.27	– 8.53	2.74	7.37	8.94
Stockholders' equity per share	122	115	88	92	91
Market price at December 31 (SEK), excluding distributed companies	207.50	187.50	131.50	190.00	264.00
Dividend (SEK)	5.00 *	5.00 **	5.00 ***	1.00 ****	1.00
Direct return (%)	2	3	4	1	0

* Excluding distribution of shares in NetCom AB (NetCom).

** Excluding distribution of shares in Modern Times Group MTG AB (MTG).

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

**** Excluding distribution of warrants in Invik & Co. AB.

¹⁾ Figures for 1995-1998 relate to the Group post forma excluding distributed and sold companies.

²⁾ Earnings per share relate to the profit/loss post forma excluding distributed and sold companies.

Definitions etc

Capital employed

Total capital – interest-free liabilities – deferred tax liabilities.

Return on capital employed

Income after financial revenue and expense + interest
expense / average capital employed.

Return on stockholders' equity

Net income + interest on convertible debenture loan reduced by
the tax effect / average equity after full conversion.

Interest coverage ratio

Income after financial revenue and expense + interest
expense / interest expense.

Profit margin

Income after net financial items / operating revenue.

Equity/assets ratio

Equity + minority interests in equity + convertible debenture
loans / total assets.

Debt/equity ratio

Interest-bearing liabilities / equity + minority interests in equity +
convertible debenture loans.

Risk capital ratio

Equity + minority interests in equity + deferred tax liabilities +
convertible debenture loans / total assets.

Earnings per share after full tax

Net income + interest on convertible debenture loans reduced by
28% tax / number of shares after full conversion. Net income for
1994-1996 has been charged with group contributions / stockholders'
contributions to NetCom and MTG respectively.

Deferred tax

A rate of 28% was used to estimate deferred tax attributable to
allocations and untaxed reserves.

Stockholders' equity per share

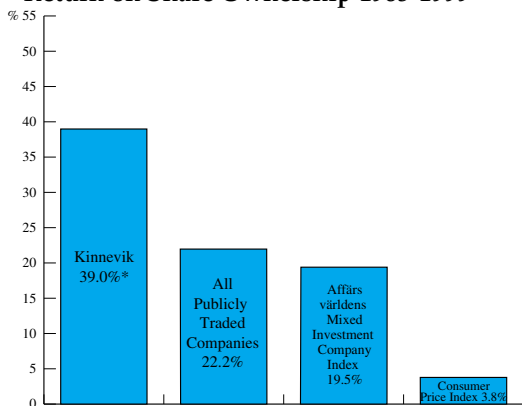
Equity + convertible debenture loans / number of shares after full
conversion.

Direct return

Dividend / market price on December 31.

Figures

Effective Annual Average Rate of Return on Share Ownership 1985-1999



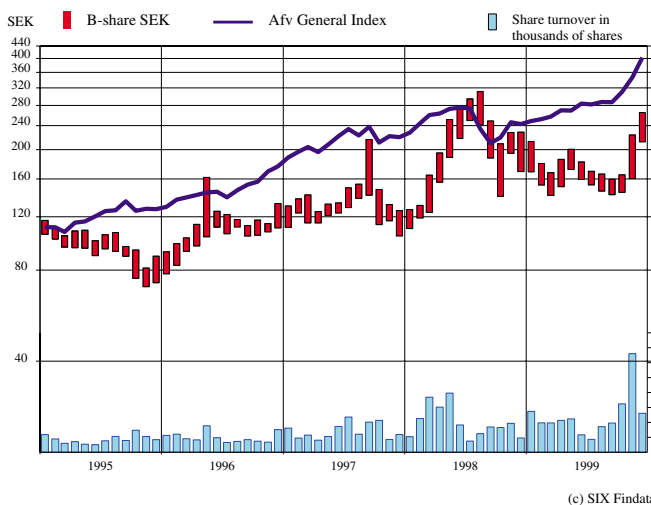
* Including the value of dividends of NetCom, MTG and SEC and the value of share subscription offers.

MICs share price during 1999

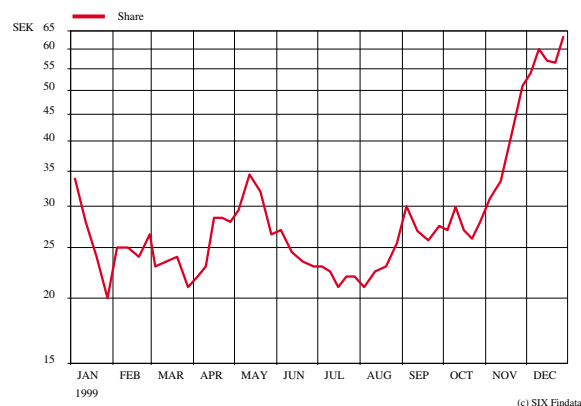


Kinnevik's holding in MIC amounts to 34%; the market value on December 31, 1999, was MSEK 8,712.

Shares, Convertible debentures and Options



SECs share price during 1999



Kinnevik's holding in SEC amounts to 41%; the market value on December 31, 1999, was MSEK 13,610.

Kinnevik shares

The above curve shows changes in Kinnevik's share price during the past five years. The share price has been corrected for the distribution of shares in NetCom AB (NetCom), Modern Times Group MTG AB (MTG), Société Européenne de Communication S.A. (SEC) and Invik & Co. AB. On May 14, 1996, all the shares in MTG were distributed to Kinnevik's shareholders. On June 4, 1998, warrants were distributed to shareholders entitling them to acquire a total of 20% of the shares in SEC for SEK 1.50 each. 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.

Convertible loan

Kinnevik's convertible loan was redeemed on February 28, 1998.

Kinnevik options

Options in Kinnevik were first listed on OM in October 1993. In 1999, an average of 767 options contracts was traded each day, which corresponds to 76,700 shares. As of October 1999, options with long durations, known as warrants, were listed. Since October 1999, an average of 950,000 option contracts has been traded each day, which corresponds to 190,000 shares.

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 30, 1999.

Shareholder	"A" shares	"B" shares	Per cent of capital	Per cent of votes
Invik & Co AB	6,166,387	2,336,936	13.5	32.2
Afti AB	2,421,493	0	3.8	12.2
Jan H Stenbeck	1,549,912	0	2.5	7.8
Familjen Klingspor	1,142,982	203,976	2.1	5.8
Confidentia Förvaltnings AB	904,500	0	1.4	4.5
Svenska Handelsbanken	252,026	3,623,028	6.2	3.1
Korsnäs Stiftelser	599,352	45,789	1.0	3.0
Familjen von Horn	495,800	64,541	0.9	2.5
S-E-Banken / Trygg-Hansa	10,000	4,911,872	7.8	2.5
Franklin Mutual Series Funds	0	3,887,752	6.2	2.0
Folksam incl. AMF-Sjukförsäkringar	0	3,187,609	5.1	1.6
Skandia	103,000	1,741,420	2.9	1.4
Gamla Livförsäkringsaktiebolaget	200,000	667,700	1.4	1.3
SPP	2,700	2,138,341	3.4	1.1
Hugo Stenbecks Trust	199,530	0	0.3	1.0
Fonden Zenit	0	1,800,000	2.9	0.9
Kungliga Skogs- & Lantbruksakademin	172,000	0	0.3	0.9
Rolf Hasselström	77,523	0	0.1	0.4
Chase Manhattan Bank	0	775,012	1.2	0.4
Alfred Berg	0	483,465	0.8	0.2
Others	<u>826,536</u>	<u>21,947,495</u>	<u>36.2</u>	<u>15.2</u>
	15,123,741	47,814,936	100.0	100.0

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. Kinnevik seeks, as often as possible, to play an active role on the boards of its subsidiaries and affiliated 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 more than sixty 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, such 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 20 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. These companies are active 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. This bid was successful.

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 two fast growing areas of business.

On February 8, 1996, Kinnevik's Board announced its intention of successively distributing these sub-groups to Kinnevik's own shareholders. The shares in NetCom AB (NetCom) were distributed at the Annual General Meeting in 1996, and then listed on the "O" list of the Stockholm Stock Exchange. These shares have also been listed on the Nasdaq list in the USA since January 1997.

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

Following these two fissions, Industriförvaltnings AB Kinnevik's most important assets are the following: some 96% of the shares in Korsnäs AB. Millicom International Cellular S.A. (MIC) (34%), one of the world's leading operators of mobile telecommunications systems; and Société Européenne de Communication S.A. (SEC) (41%), a fast-growing telecom operator on the continent. SEC is listed on the "O" list of the Stockholm Stock Exchange, on Nasdaq in New York, the Frankfurt Stock Exchange and the Luxembourg Stock Exchange.

On December 31, 1999, the sum of the value of the spun-off shares in NetCom and MTG, plus the premium over the book value of the shares subscribed to in SEC, was MSEK 90,913, or SEK 1,444 per share, on the number of Kinnevik shares currently in issue.

Operations in 1999

Arable farming in 1999 was largely influenced by the rainy autumn and winter of 1998. The clay soil on the estates was, prior to the spring sowing, badly compacted and with a high mud content. In other words, the conditions for the year's

crops were poor. In certain fields, the harvest was well below normal. A dry and warm August meant relatively low harvesting costs. The crayfish farm on the Svedberga estate did well and produced a total catch of 1,200.

Korsnäs's result was weak owing to low prices and excessive costs. However, sales volumes were maintained at a normal level.

The customer service company Transcom set up new units in Norrköping, Sweden, and Helsinki, Finland, during the year, and its net turnover increased by 59%.

The market value of Kinnevik's holding of MIC shares amounted, at December 31, 1999, to MSEK 8,712. On February 21, 2000, the market value was MSEK 10,881.

MIC currently has equity holdings in 30 companies in 19 countries, together representing a market with 465 million inhabitants. In 1999, the total number of subscriptions in these companies increased by 53% to 2,110,548. Net acquisition of subscribers amounted to 730,362. In proportional terms, the subscriber base increased by 60% to 1,321,327. The subscriber stock of NetCom, in which MIC has a minority interest, is not included in the above figures.

The market value of Kinnevik's holding of SEC shares amounted on December 31, 1999, to MSEK 13,610. On February 21, 2000, the market value of the holding was MSEK 15,487.

During the fourth quarter, Kinnevik sold some 5.4 million shares in SEC for a capital gain of MSEK 112. Kinnevik has converted all its convertible loan stock in SEC. SEC has acquired 24.8% of the shares in NetCom ASA, a Norwegian mobile telecom operator, from NetCom AB. The acquisition was financed by means of a share issue by SEC. Consequently, Kinnevik's interest was reduced to 41%, a transaction on which Kinnevik made a capital gain of MSEK 1,298.

SEC's principal asset is Tele2 Europe, whose business includes national and international fixed telecom services. The business was started at the end of October 1997 in Holland. In 1998 and 1999, operations were started in Germany, Switzerland, Austria, France, Italy and Luxembourg. The company also has a licence for Ireland. As of December 31, 1999, the number of subscribers was 3,008,537 (792,494), an increase of 280%. Of these, 2,931,173 were fixed telephony subscribers. SEC also owns Transcom Europe, the customer relations services company; Transcom International; Tango, a mobile telecom company in Luxembourg, and 3C Communications.

A brief look back and future prospects

In 1999 the American economy had another brilliant year. During the ninth year of uninterrupted growth, real GDP rose by 4%, while inflation remained low. At the consumer stage, prices rose by just over 2%. Consumer confidence and business confidence were high throughout the year, which caused demand to rise even faster than production and the current trade deficit rose to unprecedented levels. The American stock exchange also registered new highs. The Dow-Jones broke through the 11,000 level and closed the decade up by 318%.

The continued very strong momentum should also sustain growth during the current year, to the benefit of Latin America in particular. The signals emitted by the American central bank

indicate further rises in its prime rate in order to moderate demand and to raise the discounting factor for future profits.

The Japanese economy only made a slow recovery in 1999. Massive government packages to stimulate demand, recovery in neighbouring trading partners such as South Korea, Taiwan, Singapore and Thailand, as well as destocking, resulted in higher industrial production. Real GDP rose by a modest 0.8%, according to preliminary estimates. Persistently high unemployment and falling wages lowered consumer confidence and consumer spending. Among the positive aspects of the future outlook are the current reconstruction of the financial system and the restructuring of Japanese industry, with a growing element of foreign owners bringing in new capital.

In the case of the key EU country, Germany, not even moderate growth expectations were fulfilled in 1999. Provisional estimates indicate an increase of just under 1.5% in real GDP, driven mainly by rising exports. Other demand components were weak. For the current year, the higher order intake in German industry indicates a faster growth rate. Germany's competitive position has been strengthened by the current restructuring process and the depreciation of the euro against the US dollar and the Yen. However, a persistent element of uncertainty pervades the political scene. A coalition with little experience of government and a CDU paralysed by scandals could mean that the political deadlock will continue for some time.

France experienced a recovery in the spring of 1999, driven by higher private consumption and rising capital expenditure. Falling unemployment and virtually unchanged prices at the consumer stage helped to improve consumer confidence. Expectations for the current year indicate real GDP growth of just over 3%, continued favourable price trends, and falling unemployment.

All in all, the economic outlook for Continental Europe and the Nordic countries looks bright with healthy growth, stable prices, public finances in better shape than for a very long time and falling unemployment.

However, the most interesting signals in the economic policy field are coming from Great Britain. There, the Labour Party is breaking away from its former fixation with intervention and re-distribution in a way that contrasts sharply with its sister parties on the Continent and in the Nordic countries. Its ambition of realising the ideas of the Thatcher government is a good omen, and this is probably one of the main factors behind the current strength of sterling.

The generally bright expectations for the global economy are also due to the emergence of new companies, products and services generated by technical and scientific advances across a broad spectrum and by stiffer competition under the impetus of privatisation, deregulation and trade liberalisation.

The threat to this encouraging scenario comes mainly from the high level of private debt in the USA, in both the corporate and the consumer sectors, coupled with exaggerated profit expectations and equity prices on most global stock markets, which could trigger off panicky reactions and disappointment under pressure from rising inflation and interest rates.

Directors' Annual Report

Return and asset value

Over the past 15 years Kinnevik's shares have generated an average effective yield of 39% per year as a result of rising prices and dividends, including the value of warrant offers and subscription offers. The effective yield in 1999 was 43%.

During the year, warrants to acquire shares in Invik & Co. AB were distributed to Kinnevik's shareholders, which absorbed 629,387 shares in Invik & Co. AB, of which 151,238 were Series "A" shares and 478,149 were Series "B" shares. At the year-end, the listed price of Kinnevik's shares was SEK 264.

Consolidated result

Net turnover for 1999 amounted to MSEK 6,877, which may be compared with MSEK 6,683 for the previous year for comparable units. Other operating revenue amounted to MSEK 246 (263).

Income from corporate development and net capital gains on sales of securities amounted to MSEK 203 (1,036), largely attributable to the sale of shares in Société Européenne de Communication S.A. (SEC) and the option premium in respect of TV1000.

Operating income amounted to MSEK 517 (1,303).

Kinnevik's net interest in the earnings of affiliated companies amounted to MSEK 370 (loss 487), of which the interest in Millicom International Cellular S.A.'s (MIC) loss was MSEK 48 and the interest in SEC's income was MSEK 453. MIC's result includes capital gains of MUS\$ 146 (204). Kinnevik's interest in the earnings of SEC includes capital gains of MSEK 1,298 arising from the issue of shares in SEC to NetCom AB, whereby Kinnevik's interest was reduced to 41%.

Financial revenue and expense amounted to a net expense of MSEK 253 (expense 283).

Income after financial net, excluding interest on convertible loan stock, amounted to MSEK 635 (532).

Net income for the year amounted to MSEK 563 (464).

The comparative figures for 1998 are post forma and relate to the Kinnevik Group including the companies currently belonging to the Group.

Organisation

During the past twenty years, total investments in new businesses have amounted to some MSEK 13,900.

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

When the companies reach a certain degree of maturity it becomes desirable to expose their economic values and give them a higher degree of autonomy. This has been done by restructuring the Kinnevik Group into clearly demarcated sub-groups for each business area.

The Kinnevik Group was reorganised as of December 31, 1994 into four sub-groups, each having its own parent company:

- Korsnäs Holding AB for the businesses in packaging and packaging materials.
- Modern Times Group MTG AB (MTG) for TV & Media and other related activities in Scandinavia and nearby countries. On May 23, 1997, Kinnevik's Annual General Meeting resolved in favour of distributing the shares in MTG to shareholders. The shares in MTG were listed on Nasdaq and Stockholm Börsinformation (SBI) on September 18, 1997.
- NetCom AB (NetCom) is engaged in telecommunications in

Scandinavia and nearby countries. On May 3, 1996, Kinnevik's Annual General Meeting resolved in favour of distributing the shares in NetCom to Kinnevik's shareholders. NetCom has been listed in the "O" list of the Stockholm Stock Exchange since May 14, 1996, and on Nasdaq since January 1997.

- Investment AB Kinnevik, which is responsible for Other operations.

Investment AB Kinnevik will continue Kinnevik's tradition of developing new business. Moreover, assets that were part of the three principal business areas, but which will acquire greater transparency within an investment company, and probably therefore have a greater impact on the valuation of the shares, such as large minority holdings or development projects, are owned by the investment company. Holdings of major interests, such as those in MIC and SEC, will also give the investment company the financial strength that is a prerequisite for corporate development, in as 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.

Important events during the year

In March, Kinnevik and MIC each subscribed MDEM 100 to a convertible loan issued by SEC.

On April 8, Kinnevik acquired shares and options in Cherryföretagen AB, after which Kinnevik's interest in the company was 12%. After exercising its options, Kinnevik's interest will be 25%. Cherry is listed on the SBI list in Sweden.

In April, Kinnevik acquired further shares in Viking Telecom AB for MSEK 26, after which Kinnevik's interest in the company was 30%.

On May 21, Kinnevik's Annual General Meeting resolved in favour of distributing warrants to subscribe to shares in Invik & Co. AB.

In June, all Kinnevik's shares in Moderna Tider Holding AB were sold to MTG for a capital gain of MSEK 2.

In the third quarter, Kinnevik sold its subsidiary SMA Maskin AB to Machinum Oy, along with the properties from which SMA conducts its business. The sales generated a capital gain of MSEK 38 and contributed MSEK 260 to the Kinnevik Group's liquid reserves.

In October, Kinnevik sold 35% of the shares in Fagersta Australia Pty Ltd for a capital gain of MSEK 2. Following the divestment, Kinnevik retains an interest of 35%.

During the fourth quarter, Kinnevik sold some 5.4 million shares in SEC for a capital gain of MSEK 112. On November 22, Kinnevik and MIC converted all their holdings of SEC's convertible loan stock. On November 25, SEC acquired 24.8% of the shares in NetCom ASA from NetCom AB, which was financed by means of an issue of new shares in SEC. In connection with this transaction, Kinnevik's interest was reduced to 41%. Kinnevik made a capital gain of MSEK 1,298.

During the year, Kinnevik invested MSEK 16 in a share issue by Acando AB, an Internet consulting company. Kinnevik's interest, after deduction of issued call options, is 15%.

At the end of December, Korsnäs divided its forest holdings by forming a separate company, which now owns approximately half of the Group's forest assets. These are located to the north and west of Gävle. The forests retained by Korsnäs AB are mainly those in Uppland and Gästrikland, i.e. those that are close to Korsnäs's mills.

On September 7, 1999, Korsnäs Holding AB, a wholly

owned subsidiary of Industriförvaltnings AB Kinnevik, acquired 2,526,078 shares in Korsnäs AB, pursuant to the arbitration decision of March 25, 1999, on the dispute between the company and its minority shareholders. Thereafter, Korsnäs Holding AB owns 96% of the capital and 98% of the votes, corresponding to 43,943,540 Series "A" shares and 7,543,681 Series "B" shares in Korsnäs AB. The arbitration decision has not been accepted by two minority shareholders, who have referred the case to the courts.

Financial position

The Group's liquid funds, including short-term investments and undrawn credit facilities, amounted to MSEK 5,761 (3,803) at December 31, 1999.

The Group's closing net interest-bearing liabilities amounted to MSEK 6,244 (5,095).

The average interest cost for the year was some 4.3% (5.4%) (defined as interest expense in relation to average interest-bearing liabilities, excluding pension liabilities).

During the year, the Group's capital expenditure (excluding purchases of shares) amounted to MSEK 867 (900).

The closing equity/assets ratio was 35% (37%). After taking into account premiums over the book value of listed securities, the equity/assets ratio was 73% (60%).

No claims of substantial importance are outstanding against the parent company or any other company within the Kinnevik Group.

The Group's borrowing is largely arranged in Swedish kronor. Foreign subsidiary companies, however, arrange their financing in local currencies.

On an annual basis, the Group's in-flows and out-flows in foreign currencies amounted to a net in-flow equivalent to some MSEK 1,500.

Events after the end of the financial year

In January 2000, Kinnevik sold its holding in Net Entertainment NE AB to Cherryföretagen AB (Cherry) in return for shares in Cherry. Following the exercise of options, Kinnevik's interest in Cherry is 29%.

Goodguy Svenska AB issued new shares for MSEK 100 in February 2000, of which Kinnevik acquired MSEK 30. Kinnevik's interest is now 47%.

Research and development

The Group's research and development expense amounted to MSEK 40 (110), most of which is attributable to Korsnäs AB. The difference in relation to the previous year is mainly attributable to the SEC companies that belonged to Kinnevik until the end of May 1998.

Parent company

The parent company reports net income from corporate development and net capital gains on sales of securities of MSEK 67 (279).

Net income from interests in Group companies amounted to MSEK 1,963 (655). Dividends from Investment AB Kinnevik amounted to MSEK 2,000, dividends from other subsidiaries amounted to MSEK 1, and write-downs in the value of shares in subsidiaries cost MSEK 38.

Other financial revenue and expenses resulted in a net expense of MSEK 61 (expense 9).

The parent company's income before tax amounted to MSEK 1,892 (822).

Environment

Under the Code of Environmental Statutes, a permit is required for operations carried out by Korsnäs AB. It is mainly within Korsnäs Industrial that the company's activities requiring a permit or subject to registration have an impact on the external environment. Korsnäs produces pulp, paper and paperboard. This affects the environment mainly in the form of emissions into air and water and of noise. Investigations are currently being made with regard to certain aspects of the licence. They relate to emissions into water and emissions of nitrogen dioxides into air, and the storage of waste in landfills on the company's industrial site.

Tax

After completion of a tax audit, the tax authority has contested the parent company's tax assessment for the 1994-1998 period. The company has therefore made a provision of MSEK 29 in its financial statements for 1999 for additional tax (including tax surcharges, etc), that may arise out of the claim, which is believed likely to involve a slight risk of a higher assessment. On the other hand, no provisions have been made for any tax that may arise out of the claim of some MSEK 675 after deduction of tax loss carried forward. The company's opinion is that most of the disputed issues will be settled in the favour of the company. The company will appeal to the county administrative court against the tax authority's decision on the review. Should the court decide against the company, the company will become liable to pay a further MSEK 268 in the form of additional tax, including charges and interest.

SPP

The Kinnevik Group has been informed by SPP that the Group's share of SPP's surplus funds amounts to some MSEK 80. The Kinnevik Group considers that these funds will become available in the near future to finance some of the approved contractual pension plans that have not yet been taken into the accounts.

Board procedures

Kinnevik's Board held five minuted meetings in 1999.

Future developments

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

Proposed treatment of unappropriated earnings

At the disposal of the parent company's Annual General Meeting are	(SEK thousand)
Non-restricted equity	2,540,302

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 1 per share, amounting to	62,939
To be carried forward	<u>2,477,363</u>
	<u>2,540,302</u>

Consolidated Statement of Income

for the period January 1 – December 31 (MSEK)

	1998	1998 * post forma	1999
Net sales, Note 2.....	6,887.9	6,682.8	6,876.6
Cost of sales.....	<u>- 5,739.4</u>	<u>- 5,555.3</u>	<u>- 5,701.7</u>
Gross result.....	<u>1,148.5</u>	<u>1,127.5</u>	<u>1,174.9</u>
Selling expenses.....	- 441.3	- 343.7	- 373.7
Administration expenses.....	- 659.0	- 528.6	- 550.0
Research and development expenses.....	- 110.3	- 76.0	- 40.2
Income from corporate development, Note 3.....	758.6	758.6	134.2
Income from sales of securities, Note 3.....	277.4	277.4	69.0
Other operating income.....	265.8	263.0	245.8
Transfer to Korsnäs' employees' profit-sharing foundation.....	- 16.1	- 16.1	-
Other operating expenses.....	<u>- 160.4</u>	<u>- 159.4</u>	<u>- 142.7</u>
Operating income, Note 2, 4.....	1,063.2	1,302.7	517.3
Result from participation in affiliated companies, Note 6.....	- 230.1	- 487.1	370.2
Interest income and similar, Note 7.....	101.7	98.8	98.0
Interest expense and similar, Note 8.....	<u>- 402.6</u>	<u>- 382.2</u>	<u>- 350.7</u>
Income after financial items, excluding interest on convertibles, Note 2.....	532.2	532.2	634.8
Interest on convertibles.....	<u>0.1</u>	<u>0.1</u>	<u>-</u>
Income before tax.....	532.3	532.3	634.8
Current taxes.....	- 57.6	- 57.6	- 81.0
Deferred taxes, Note 19.....	- 25.6	- 25.6	8.2
Minority share in earnings.....	<u>14.8</u>	<u>14.8</u>	<u>0.6</u>
Net result for the year.....	<u><u>463.9</u></u>	<u><u>463.9</u></u>	<u><u>562.6</u></u>

* Subsidiaries contributed when SEC was formed are accounted as affiliated companies.

Consolidated Statement of Cashflows

for the period January 1 – December 31 (MSEK)

	1998	1999
Operations		
Net income/loss for the year	463.9	562.6
Adjustment for items not included in cash flow, etc.		
Depreciation	562.2	522.2
Interest in earnings of affiliated companies.....	230.1	– 370.2
Minority interests	– 14.8	– 0.6
Change in deferred tax liability.....	25.6	– 8.1
Income from corporate development	– 758.6	– 134.2
Sales of securities.....	– 277.4	– 69.0
Other, net	0.0	87.9
Cash flow from operations before changes in working capital	<u>231.0</u>	<u>590.6</u>
Cash flow from changes in working capital		
Change in short-term investments.....	755.4	– 162.3
Change in inventories	– 190.6	149.0
Change in accounts receivable.....	10.4	– 409.2
Change in other current assets	– 212.6	133.6
Change in accounts payable.....	– 15.7	91.2
Change in other operating liabilities	229.3	– 294.5
Cash flow from operations	<u>807.2</u>	<u>98.4</u>
Capital expenditure		
Sales of subsidiaries	–	70.0
Investments in intangible fixed assets	– 68.6	– 73.4
Investments in tangible fixed assets.....	– 861.2	– 793.3
Sales of tangible fixed assets	21.6	101.7
Investments in financial fixed assets	– 781.9	– 658.1
Sales of financial fixed assets	291.4	143.8
Liquid funds of companies injected into SEC....	– 180.0	0.0
Cash flow from capital expenditure.....	<u>– 1,578.7</u>	<u>– 1,209.3</u>
Financing		
Increase in long-term liabilities.....	2,347.0	4,014.0
Amortisation of loans.....	– 1,421.7	– 2,659.6
Dividends paid.....	– 314.7	– 62.9
Cash flow from financing	<u>610.6</u>	<u>1,291.5</u>
Cash flow for the year, Notes 9, 10, 11.....	– 160.9	180.6
Opening liquid funds	491.0	336.0
Translation differences in liquid funds	5.9	– 9.6
Closing liquid funds	336.0	507.0

Consolidated Balance Sheet

December 31 (MSEK)

ASSETS	1998	1999
Fixed assets		
Intangible assets, Note 12		
Capitalized development costs	50.6	94.1
Patents and trade marks	–	8.0
Beneficial rights	1.3	1.4
Goodwill	321.7	270.1
	<u>373.6</u>	<u>373.6</u>
Property, plant and equipment, Note 13		
Land and buildings	954.2	900.0
Forest and agricultural property	3,040.1	3,062.4
Machinery	3,290.9	3,141.2
Equipment, tools and fittings	202.3	288.2
Leasing objects	33.8	0.1
Construction in progress and advances relating to property, plant and equipment	<u>347.6</u>	<u>659.5</u>
	7,868.9	8,051.4
Financial assets, Note 14		
Stocks and participations in affiliated companies	1,092.7	2,529.0
Receivables from affiliated companies	905.2	278.5
Stocks and participations in other companies. . .	211.4	142.6
Other long-term receivables	<u>141.8</u>	<u>158.2</u>
	2,351.1	3,108.3
Total fixed assets	<u>10,593.6</u>	<u>11,533.3</u>
Current assets		
Inventories etc		
Raw materials and consumables	391.8	330.7
Felling rights	43.8	30.5
Work in progress	93.4	138.2
Finished products and goods for resale	852.5	564.6
Work on contract	2.4	1.0
Advance payment to suppliers	<u>169.1</u>	<u>169.7</u>
	1,553.0	1,234.7
Current receivables		
Accounts receivable	1,104.2	1,380.9
Other receivables	511.3	465.6
Prepaid expenses and accrued income, Note 15	<u>232.6</u>	<u>186.6</u>
	1,848.1	2,033.1
Short-term investments, Note 16	<u>1,288.8</u>	<u>1,116.0</u>
Liquid funds	<u>336.0</u>	<u>507.0</u>
Total current assets	<u>5,025.9</u>	<u>4,890.8</u>
TOTAL ASSETS	<u>15,619.5</u>	<u>16,424.1</u>

STOCKHOLDERS' EQUITY AND LIABILITIES	1998	1999
Stockholders' equity, Note 17		
Restricted equity		
Stock capital	629.4	629.4
Restricted reserves.....	3,879.0	3,909.2
	<u>4,508.4</u>	<u>4,538.6</u>
Unrestricted equity		
Unrestricted reserves	838.8	641.6
Net result	463.9	562.6
	<u>1,302.7</u>	<u>1,204.2</u>
Total stockholders' equity	5,811.1	5,742.8
Minority interest in equity	23.8	17.4
Provisions		
Provisions for pensions, Note 18.....	687.5	625.4
Deferred tax liabilities, Note 19	401.1	415.4
Other provisions, Note 20	798.5	393.3
Total provisions.....	1,887.1	1,434.1
Long-term liabilities, Note 21		
Interest-bearing		
Checking account credit facilities, Note 22	40.2	136.3
Other liabilities to credit institutions	5,955.5	7,179.9
Other liabilities.....	173.6	212.7
	<u>6,169.3</u>	<u>7,528.9</u>
Non-interest-bearing.....	0.9	1.5
Total long-term liabilities	6,170.2	7,530.4
Short-term liabilities		
Interest-bearing		
Liabilities to credit institutions	173.2	131.4
Liabilities to affiliated companies.....	9.0	18.6
	<u>182.2</u>	<u>150.0</u>
Non-interest-bearing		
Advance payments from customers	11.4	7.3
Accounts payable.....	447.2	494.6
Liabilities to affiliated companies.....	7.2	—
Income tax liabilities.....	22.4	25.6
Other liabilities.....	453.0	480.1
Accrued expenses and prepaid income, Note 23	603.9	541.8
	<u>1,545.1</u>	<u>1,549.4</u>
Total short-term liabilities.....	1,727.3	1,699.4
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES.....	15,619.5	16,424.1
Pledged assets, Note 25.....	8,203.6	9,517.0
Contingent liabilities, Note 26.....	898.2	800.8

Parent Company Statement of Income

for the period January 1 – December 31 (MSEK)

	1998	1999
Net sales	17.4	20.4
Administration expenses	– 120.3	– 96.9
Income from corporate development, Note 3	8.1	– 2.6
Income from sales of securities, Note 3	<u>270.9</u>	<u>69.6</u>
Operating income, Note 4	176.1	– 9.5
Result from participation in Group companies, Note 5	655.2	1,962.8
Interest income and similar, Note 7	435.4	400.3
Interest expense and similar, Note 8	<u>– 444.8</u>	<u>– 461.7</u>
Income after financial items, excluding interest on convertibles	821.9	1,891.9
Interest on convertibles	<u>0.1</u>	<u>–</u>
Income before tax	822.0	1,891.9
Current taxes	<u>–</u>	<u>– 9.0</u>
Net result for the year	<u>822.0</u>	<u>1,882.9</u>

Parent Company Statement of Cashflows

for the period January 1 – December 31 (MSEK)

	1998	1999
Operations		
Net income/loss for the year	822.0	1,882.9
Adjustment for items not included in cash flow, etc.		
Depreciation	1.4	0.8
Interest in earnings of affiliated companies.....	– 830.0	– 2,000.0
Income from corporate development	– 8.1	2.6
Sales of securities.....	– 270.9	– 69.6
Other, net.....	306.6	85.4
Cash flow from operations before changes in working capital	21.0	– 97.9
Cash flow from changes in working capital		
Change in short-term investments.....	115.9	– 97.5
Changes in inter-company transactions	– 191.1	– 1,077.4
Change in other current assets	– 126.8	– 56.0
Change in accounts payable.....	– 4.5	0.6
Change in other operating liabilities	– 31.6	288.6
Cash flow from operations	– 217.1	– 1,039.6
Capital expenditure		
Sales of subsidiaries	18.2	142.2
Investments in tangible fixed assets.....	– 1.0	– 0.2
Investments in financial fixed assets	– 356.3	– 181.7
Sales of financial fixed assets	237.1	8.6
Cash flow from capital expenditure.....	– 102.0	– 31.1
Financing		
Increase in long-term liabilities	1,851.4	3,450.2
Amortisation of loans.....	– 1,278.1	– 2,317.0
Dividends paid.....	– 314.7	– 62.9
Cash flow from financing	258.6	1,070.3
Cash flow for the year, Notes 9, 10, 11.....	– 60.5	– 0.4
Opening liquid funds	61.2	0.7
Translation differences in liquid funds	–	–
Closing liquid funds	0.7	0.3

Parent Company Balance Sheet

December 31 (MSEK)

ASSETS	1998	1999
Fixed assets		
Property, plant and equipment, Note 13		
Equipment.	2.7	1.5
Financial assets, Note 14		
Stocks and participations in Group companies . .	6,678.4	9,917.1
Receivables from Group companies.	1,702.1	4,980.5
Stocks and participations in affiliated companies	57.6	55.7
Receivables from affiliated companies.	213.7	225.5
Stocks and participations in other companies . .	139.9	126.8
Other long-term receivables.	18.4	137.7
	<u>8,810.1</u>	<u>15,443.3</u>
Total fixed assets	<u>8,812.8</u>	<u>15,444.8</u>
Current assets		
Current receivables		
Receivables from Group companies.	3,083.2	3,130.9
Other receivables	260.1	329.2
Prepaid expenses and accrued income, Note 15 . .	18.6	5.4
	<u>3,361.9</u>	<u>3,465.5</u>
Short-term investments, Note 16	<u>1,198.0</u>	<u>963.6</u>
Liquid funds	<u>0.7</u>	<u>0.3</u>
Total current assets	<u>4,560.6</u>	<u>4,429.4</u>
TOTAL ASSETS	<u><u>13,373.4</u></u>	<u><u>19,874.2</u></u>

STOCKHOLDERS' EQUITY AND LIABILITIES	1998	1999
Stockholders' equity, Note 17		
Restricted equity		
Stock capital	629.4	629.4
Premium reserve	356.7	356.7
Revaluation reserve	190.4	190.4
Legal reserve	2,986.7	2,986.7
	<u>4,163.2</u>	<u>4,163.2</u>
Unrestricted equity		
Retained earnings	– 89.4	657.4
Net result	822.0	1,882.9
	<u>732.6</u>	<u>2,540.3</u>
Total stockholders' equity	<u>4,895.8</u>	<u>6,703.5</u>
Provisions		
Provisions for pensions, Note 18	34.8	33.9
	<u>34.8</u>	<u>33.9</u>
Long-term liabilities, Note 21		
Interest-bearing		
Checking account credit facilities, Not 22	–	49.4
Liabilities to credit institutions	2,520.3	3,180.3
Liabilities to Group companies	1,336.5	1,929.3
Other liabilities	156.3	209.0
	<u>4,013.1</u>	<u>5,368.0</u>
Total long-term liabilities	<u>4,013.1</u>	<u>5,368.0</u>
Short-term liabilities		
Interest-bearing		
Liabilities to Group companies	4,274.8	4,636.9
	<u>4,274.8</u>	<u>4,636.9</u>
Non-interest-bearing		
Accounts payable	3.8	4.4
Liabilities to Group companies	49.2	3,031.5
Other liabilities	75.1	56.3
Accrued expenses and prepaid income, Note 23	26.8	39.7
	<u>154.9</u>	<u>3,131.9</u>
Total short-term liabilities	<u>4,429.7</u>	<u>7,768.8</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	<u>13,373.4</u>	<u>19,874.2</u>
Pledged assets, Note 25	<u>7,347.0</u>	<u>6,702.6</u>
Contingent liabilities, Note 26	<u>1,739.8</u>	<u>977.1</u>

Note 1

Accounting and valuation principles

The annual report is made up 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 stated below have been applied.

The cash flow analysis is stated in accordance with the Swedish Financial Accounting Standards Council's recommendation RR7. Long-term monetary balances between the parent company and subsidiaries may be regarded as representing an expansion or reduction in the parent company's net investment in the subsidiary. Currency differences arising on such balances are therefore added to the receivable or liability respectively in accordance with the Swedish Financial Accounting Standards Council's recommendation RR8.

Principles of consolidation

The consolidated financial statements relate to the parent company and all companies in which the parent company controls more than 50% of the votes.

The consolidated financial statements are made up using the purchase method in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations, whereby the value in the parent company's books of shares in subsidiary companies is netted off against the acquisition value of the subsidiary companies, in other words, the equity (including the capital interest in untaxed reserves) of each subsidiary after a market valuation at the time of acquisition. As a consequence, the consolidated equity only includes the proportion of each subsidiary company's equity generated after the acquisition date. The difference between the acquisition value of shares in subsidiary companies and their stated equity at the acquisition date that is not due to differences between the market value and book value of net assets is stated as goodwill. Goodwill is written off linearly over a period of 5-20 years. Goodwill arising from the acquisition of Bates Korsnäs A/S in 1997 is written off at a rate of 5% per year as the acquisition is in line with Korsnäs's long-term integration policy and Bates has a strong, well-established brand name and a dominating position on the market.

Closing date exchange rates are used for translating the balance sheet items of foreign subsidiary companies, while average exchange rates are used for translating their income statements. Translation differences thus arising are taken direct to equity in the balance sheet.

Minority interests in net income and equity are stated under Minority interests. In the event of negative equity, the claim on the minority is stated in so far as the minority is expected to contribute its share of the deficit.

Accounting treatment of affiliated companies

By affiliated company is meant a company in which the Group's equity interest amounts to a minimum of 20% and

a maximum of 50%, and where the interest at this level is expected to be long term.

Affiliated companies are consolidated using the equity interest method. The Group's interest in the earnings after financial net of affiliated companies is stated in the income statement under Interest in earnings of affiliated companies. The interest in the tax costs of affiliated companies is stated in the Group's tax costs.

Excess value upon consolidation is allotted to the fixed assets of the affiliated company in question or to goodwill. Goodwill is written off over 5 or 10 years, and other fixed assets are depreciated in accordance with the depreciation plan for the respective class of asset.

In the case of foreign affiliated companies, the excess value arising upon consolidation is stated among foreign currency assets. These values are translated in accordance with the same principles as for the income statements and balance sheets of affiliated companies.

The accounts of affiliated companies are harmonised with Kinnevik's accounting and valuation principles before the Group's interest in their earnings is calculated.

Internal profits arising on transactions with affiliated companies are adjusted in connection with the calculation of the Group's interest in their earnings and capital. Such internal profits are reversed when they are realised in the form of external sales and/or a reduction in the Kinnevik Group's interest in the equity of the affiliated company.

In connection with the reduction in the Group's interest in affiliated companies as the result of a share issue, the income or loss respectively is stated in the consolidated income statement under Interest in earnings of affiliated companies, by analogy with the principles recommended by the Swedish Financial Accounting Standards Council for the accounting treatment of share issues by subsidiary companies.

Receivables and liabilities in foreign currencies of Swedish and foreign Group companies

Receivables and liabilities of Group companies denominated in foreign currencies are translated into Swedish kronor at closing date rates. Realised and unrealised currency gains/losses are stated in the income statement.

Long-term monetary balances between the parent company and subsidiary companies may be deemed to represent an expansion or reduction in the parent company's net investment in the subsidiary. Foreign currency differences arising on such balances are therefore taken direct to receivables or liabilities respectively.

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 cost plus transport cost.

Chemicals and supplies are valued at the lower of acquisition

sition cost and replacement cost.

Obsolescence is provided for at a standard rate of 3% in those cases where replacement value or net sales value is not used.

Felling rights are valued at acquisition cost and recognised in the income statement when the wood in question is used in production or sold.

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

Finished good are valued at the lower of production cost and net sales value. Traded merchandise is valued at the lower of acquisition cost and net sales value.

The Group's inventories include the library of programme rights owned by TV1000 Sverige AB, a subsidiary.

Fixed assets

Fixed assets are stated after deduction of accumulated depreciation according to plan. Depreciation according to plan is based on the acquisition value of the assets and their estimated economic life.

Fixed assets are classified for purposes of depreciation on the basis of estimated economic life into the following groups:

	Parent company	Group
Capitalised development costs ...		3-5 years
Beneficial rights.....		10-25 years
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	3-23 years
Leasing products		3-5 years

Capitalised development costs relate to the cost of start-up projects and activities. Development and establishment costs are capitalised during the build-up phase of a development project. Start-up costs until commercial introduction of the project, and some of the costs during the first financial year are capitalised and depreciated over a maximum period of five years.

The book values of fixed assets are regularly reviewed to establish the need to write-down their values. Values are written down in the case of a lasting decline in value, taking into account the future cash flow that the asset is expected to generate.

Leasing

Financial leasing agreements are characterised by the financial risks and benefits associated with ownership of a product being in all essentials transferred from the lessor to the lessee, regardless of whether the legal ownership right remains with the lessor or passes to the lessee. Assets avail-

able under the terms of financial leasing agreements are stated as fixed assets, and undertakings to make payments in the future as liabilities in the balance sheet. Other leasing agreements are classified as operational. Leasing charges resulting from operational leasing agreements are taken up as costs linearly during the leasing period, even though the payment plan may have a different structure.

Revenue recognition

Revenue from sales of goods is recognised upon delivery, with deductions for returns and discounts.

Revenue from pay-TV subscriptions is allocated across the subscription period.

Revenue from service activities is recognised when the services are performed for the customer.

Income from corporate development

Income from corporate development includes capital gains/losses on sales of shares in subsidiary companies and affiliated companies and similar items.

Other operating revenue and expense

Revenue from secondary activities within the company's business, as well as capital gains on operating receivables and liabilities are stated in the accounts in the same way as other operating revenue.

Expenses associated with secondary activities within the company's business, as well as capital losses on operating receivables and liabilities are stated in the accounts in the same way as other operating expenses.

Tax

Each Group company's income for the year is subject to tax on the taxable income for the year ("paid tax") plus an estimated tax on the year's allocations ("change in deferred tax liability"). Tax liabilities include Swedish and foreign corporate taxes. Deferred tax liabilities include the tax liability component of untaxed reserves.

Deferred tax liabilities in respect of the Group's accumulated tax losses are taken into account and stated net against deferred tax liabilities to the extent they are expected to be utilised in the near future.

Note 2**Review of the Group**

	1998 post forma	1999
Net sales by business area		
Mellersta Sveriges Lantbruks AB	14,9	12,0
Korsnäs Holding AB	5.025,7	4.984,1
Transcom AB	341,8	544,5
Collect Sweden AB.....	22,2	30,9
CIS Credit International Services AB.....	36,7	68,9
Other subsidiaries.....	1.260,9	1.232,2
Parent Company, Holding companies and eliminations ..	– 19,4	4,0
Total	<u>6.682,8</u>	<u>6.876,6</u>
Operating income by business area		
Mellersta Sveriges Lantbruks AB	2,3	2,0
Korsnäs Holding AB	611,0	489,1
Transcom AB	20,6	18,3
Collect Sweden AB.....	0,2	– 0,4
CIS Credit International Services AB.....	4,0	6,6
Other subsidiaries.....	– 86,2	18,2
Parent Company, Holding companies and eliminations ..	766,9	– 16,5
Total	<u>1.318,8</u>	<u>517,3</u>
Less: Transfer to Korsnäs' employees' profit-sharing foundation.....	– 16,1	–
Net	<u>1.302,7</u>	<u>517,3</u>
Income after financial items by business area		
Mellersta Sveriges Lantbruks AB	1,6	1,7
Korsnäs Holding AB	491,3	435,1
Transcom AB	15,2	10,2
Collect Sweden AB.....	0,2	– 0,4
CIS Credit International Services AB.....	3,4	5,4
Other subsidiaries.....	– 84,0	13,2
Affiliated companies*	– 469,2	394,5
Parent Company, Holding companies and eliminations ..	589,8	– 224,9
Total	<u>548,3</u>	<u>634,8</u>
Less: Transfer to Korsnäs' employees' profit-sharing foundation.....	– 16,1	–
Net	<u>532,2</u>	<u>634,8</u>
Distribution of net sales by geographic market**		
Sweden.....	2.315,3	2.357,4
Other Nordic countries.....	817,3	979,4
Rest of Europe	2.860,9	2.877,0
North- and South America	74,9	69,6
Asia	351,3	354,3
Oceania.....	189,7	149,2
Africa	73,4	89,7
	<u>6.682,8</u>	<u>6.876,6</u>

* Excluding affiliated companies within Korsnäs Holding AB.

** Breakdown is based on domicile of purchaser.

Note 3				
Income from corporate development	Parent Company		1998	Group
	1998	1999		1999
CIS Credit International Services AB.....	–	0.7	–	–
Collect Sweden AB.....	–	9.8	–	–
Goodguy AB.....	–	0.0	–	–
Moderna Tider AB.....	–	3.0	–	1.7
Multinational Automated Clearing House S.A.....	–	–	7.7	–
NetSys Technology Group AB.....	8.1	–	14.1	–
Société Européenne de Communication S.A.....	–	4.4	723.1	111.9
Transcom AB.....	–	2.6	–	–
Korsnäs Kraft AB.....	–	– 23.1	–	– 23.2
Fastigheter.....	–	–	13.7	28.4
SMA Maskin AB.....	–	–	–	9.9
Strix Vakt AB.....	–	–	–	3.5
Fagersta Australia Pty Ltd.....	–	–	–	2.0
	<u>8.1</u>	<u>– 2.6</u>	<u>758.6</u>	<u>134.2</u>
Income from sales of securities	Parent Company		1998	Group
	1998	1999		1999
Option premium TV1000 Sverige AB.....	91.3	68.5	91.3	68.5
Convertible debenture loan 93/97/98.....	– 5.1	–	– 5.1	–
Invik & Co. AB.....	39.1	–	39.1	–
Modern Times Group Intressenter AB.....	–	1.1	–	1.1
NetCom AB, convertible debenture loan.....	147.9	–	147.9	–
Other.....	– 2.3	–	4.2	– 0.6
	<u>270.9</u>	<u>69.6</u>	<u>277.4</u>	<u>69.0</u>
Note 4				
Depreciation according to plan	Parent Company		1998	Group
	1998	1999		1999
Capitalized development costs.....	–	–	– 35.1	– 16.9
Beneficial rights.....	–	–	– 0.2	– 0.3
Goodwill.....	–	–	– 52.0	– 42.1
Land and buildings.....	–	–	– 54.0	– 51.5
Agricultural property.....	–	–	– 0.2	– 0.2
Machinery.....	–	–	– 294.3	– 311.5
Equipment, tools and fittings.....	– 1.3	– 0.8	– 120.7	– 96.0
Leasing objects.....	–	–	– 5.7	– 3.7
	<u>– 1.3</u>	<u>– 0.8</u>	<u>– 562.2</u>	<u>– 522.2</u>

Note 5 Result from participation in Group companies	Parent Company	
	1998	1999
Dividend from		
Indokinesiska Kompaniet AB	–	0.1
Investment AB Kinnevik	775.0	2,000.0
SMA Holding AB	55.0	–
Stenblocket i Trelleborg AB	–	0.5
Vilovik AB	–	0.2
The write-down corresponds largely to shareholder contributions paid to subsidiary companies during the year	<u>– 174.8</u>	<u>– 38.6</u>
	<u>655.2</u>	<u>1,962.8</u>

Note 6 Result from participation in affiliated companies (ownership % at December 31, 1999)	Group	
	1998	1999
Cherryföretagen AB (12%)	–	– 1.5
Danu Industries Ltd (50%)	– 1.7	– 3.4
Eco-Sack Europe BV (50%)	–	– 1.0
Fagersta Australia Pty Ltd (35%)	–	0.7
Gamla Stans Millennium Evenemang KB (25%)	– 0.6	–
Karskär Energi AB (41%)	– 24.8 *	– 27.2 *
Millicom International Cellular S.A. (34%)	196.5	– 48.0
Modern Cartoons USA Ltd (22%)	– 7.2	– 1.0
MTV Produktion AB (38%)	1.0	0.8
Net Entertainment NE AB (38%)	–	– 1.3
SCD Invest AB (50%)	– 15.1	– 7.0
Société Européenne de Communication S.A. (41%)	– 384.2	453.0
Tordera SpA (50%)	3.9	3.3
Valvosacco SpA (20%)	2.9	0.7
Viking Telecom AB (20%)	– 0.8	2.1
World Desk AB (50%)	–	0.0
	<u>– 230.1</u>	<u>370.2</u>

* The item includes depreciation / write-downs of MSEK 31.2 in the value of premiums over book values.

Note 7 Interest income and similar	Parent Company		Group
	1998	1999	
Dividends	0.1	4.7	8.5
Interest income from third-parties	37.1	15.5	89.5
Interest income from subsidiaries	340.1	378.1	–
Exchange rate differences	58.1	–	–
Other financial items	–	2.0	–
	<u>435.4</u>	<u>400.3</u>	<u>98.0</u>

Note 8 Interest expense and similar	Parent Company		Group
	1998	1999	
Interest expense to third-parties	– 127.4	– 138.1	– 264.2
Interest expense PRI	– 0.8	– 0.8	– 17.3
Interest expense to subsidiaries	– 315.6	– 309.7	–
Exchange rate differences	–	– 13.1	– 12.2
Other financial items	– 1.0	–	– 57.0
	<u>– 444.8</u>	<u>– 461.7</u>	<u>– 350.7</u>

Note 9 Interest, dividends and tax paid	Parent Company		1998	Group 1999
	1998	1999		
Interest received.....	290.2	195.1	113.5	111.4
Interest paid	– 166.7	– 222.0	– 417.0	– 382.6
Dividends received.....	0.1	4.7	2.1	8.5
Tax paid	– 0.5	0.3	– 8.3	23.9

Note 10

Transactions not affecting cash flow

In 1998, Kinnevik merged its telecom operations in Europe with MIC into a joint company, SEC, and distributed shares in SEC for a total of MSEK 300.4. The formation of SEC, and the distribution of shares gave rise to a total capital gain of MSEK 723.1. In 1999, shares in Invik & Co were distributed for a total of MSEK 335.1.

Note 11

Acquisitions and divestments of subsidiaries

	1998	1999
Divested companies		
Tangible fixed assets.....	–	39.2
Intangible fixed assets	–	3.8
Financial fixed assets	–	1.4
Working capital	–	83.9
Long-term liabilities	–	– 73.9
Liquid funds	–	8.3
Equity	–	15.6
Gross proceeds of asset sales	–	78.3
Liquid: Liquid funds of divested companies	–	– 8.3
Net proceeds of asset sales	–	70.0

Note 12

Intangible fixed assets

Group	Capitalized development costs	Patents and trade marks	Beneficial rights	Goodwill
Opening acquisition values	244.6	–	1.9	375.5
Changes in the Groups composition structure.....	– 9.0	8.0	0.4	– 15.0
Capital expenditure.....	65.9	–	–	7.5
Sale/scrapping	– 2.8	–	0.1	– 4.0
Closing acquisition values	<u>298.7</u>	<u>8.0</u>	<u>2.4</u>	<u>364.0</u>
Opening accumulated depreciation....	– 194.0	–	– 0.6	– 53.8
Changes in the Groups composition structure.....	6.1	–	– 0.1	2.0
Depreciation	– 16.9	–	– 0.3	– 42.1
Translation differences.....	0.2	–	0.0	0.0
Closing accumulated depreciation.....	<u>– 204.6</u>	<u>–</u>	<u>– 1.0</u>	<u>– 93.9</u>
Closing net book value.....	<u>94.1</u>	<u>8.0</u>	<u>1.4</u>	<u>270.1</u>

Note 13**Property plant and equipment**

Group	Land and buildings	Forest and agricultural properties	Machinery	Equipment, tools and fittings	Leasing objects	Construction in progress
Opening acquisition values	1,635.4	3,040.3	6,361.3	534.4	46.6	347.6
Changes in the Groups composition structure.....	– 5.4	–	10.0	– 66.5	– 46.1	– 0.1
Capital expenditure.....	9.5	38.9	51.3	162.1	–	531.6
Sale/scrapping.....	– 38.6	– 16.5	– 82.4	– 19.9	–	–
Reclassification.....	22.2	–	106.5	85.7	–	– 214.4
Translation differences.....	– 16.5	–	– 56.0	– 8.8	–	– 5.1
Closing acquisition values	<u>1,606.6</u>	<u>3,062.7</u>	<u>6,390.7</u>	<u>687.0</u>	<u>0.5</u>	<u>659.6</u>
Opening accumulated depreciation...	– 681.2	– 0.2	– 3,070.4	– 332.1	– 12.8	–
Changes in the Groups composition structure.....	0.6	0.1	– 2.4	50.4	16.1	–
Sale/scrapping.....	22.4	–	57.6	12.0	–	–
Reclassification.....	– 4.7	–	43.6	– 38.9	–	–
Depreciation	– 51.5	– 0.2	– 311.5	– 96.0	– 3.7	–
Translation differences.....	7.8	–	33.6	5.8	–	–
Closing accumulated depreciation....	<u>– 706.6</u>	<u>– 0.3</u>	<u>– 3,249.5</u>	<u>– 398.8</u>	<u>– 0.4</u>	<u>–</u>
Closing net book value.....	<u>900.0</u>	<u>3,062.4</u>	<u>3,141.2</u>	<u>288.2</u>	<u>0.1</u>	<u>659.6</u>
Tax assessment values	2,947.1	3,727.9				
Parent Company	Equipment					
Opening acquisition values	9.2					
Capital expenditure.....	0.2					
Sale/scrapping.....	– 1.5					
Closing acquisition values	<u>7.9</u>					
Opening accumulated depreciation...	– 6.5					
Sale/scrapping.....	0.9					
Depreciation	– 0.8					
Closing accumulated depreciation....	<u>– 6.4</u>					
Closing net book value.....	<u>1.5</u>					

Opening and closing acquisition values for forest and agricultural property include MSEK 2,000.0 revaluation made in 1994 by Korsnäs AB.

Note 14**Financial assets (TSEK)**

	Org nr	Registered office	Number of shares	Capital/ voting (%)	Book value
Stocks and participations in Group companies					
AirTime (AT) AB.....	556281-6040	Stockholm	550	55	23,957
Zales (TRT) AB.....	556211-0444	Stockholm	–	100	–
AirTime Sport & Entertainment AB ...	556298-4426	Stockholm	–	100	–
Asia Gold AB	556480-8730	Stockholm	900	90	360
Baltic Oil AB.....	556098-5771	Stockholm	1,000	100	25
Bison Air AB.....	556461-1670	Stockholm	1,000	100	484
Eldrimner AB.....	556024-4955	Stockholm	1,000	100	3
Transvik System AB.....	556298-4418	Stockholm	–	100	–
Transvik Holding Ltd		Great Britain	–	100	–
Förvaltnings AB Eris & Co	556035-7179	Stockholm	1,020,000	100	158,750
Gamla Stans Millennium Evenemang AB	556052-9942	Stockholm	5,000	100	600
Indokinesiska Kompaniet AB	556081-0037	Stockholm	3,000	100	300
Investment AB Kinnevik to be					
Kinnevik International AB.....	556033-4640	Stockholm	40,000	100	33,725

Fagersta Ltd.		Great Britain	–	100	–
Fagersta Steels Ltd.		Great Britain	–	100	–
Latellana AG.		Switzerland	–	100	–
Invik Intressenter AB.	556301-1872	Stockholm	1,000	100	26,344
Kinnevik International AB to be					
Investment AB Kinnevik.	556094-7623	Stockholm	1,000	100	3,022,870
Biovik AB.	556281-6149	Stockholm	–	100	–
KB Baltic Oil AB.	916504-1709	Stockholm	–	100	–
Kinnevik BV.		The Netherlands	–	100	–
World Wide Loyalty BV.		The Netherlands	–	100	–
Collect Sweden AB.	556061-4124	Stockholm	–	100	–
Loyalty Management Sweden AB.	556253-8602	Stockholm	–	100	–
Collect France SAS.		France	–	100	–
Collect Denmark A/S.		Denmark	–	100	–
Collect Italy spa.		Italy	–	100	–
Collect Switzerland AG.		Switzerland	–	100	–
Collect Netherlands BV.		The Netherlands	–	100	–
Collect Germany GmbH.		Germany	–	100	–
Loyalty Corporation UK.		Great Britain	–	100	–
Collect Austria GmbH.		Austria	–	100	–
World Wide Loyalty Antilles NV.		The Netherlands Antilles	–	100	–
Kinnevik S.A.		Luxembourg	–	100	–
AB Grundstenen 86098 to be Guyvik AB	556579-7692	Stockholm	–	100	–
Goodguy Svenska AB.	556072-2190	Stockholm	–	67	–
AB Sveatrade to be CIS Holding.	556045-6666	Järfälla	–	100	–
CIS Credit International Services AB. .	556353-2778	Karlskoga	–	100	–
CIS Norge AS.		Norway	–	100	–
CIS Danmark A/S.		Denmark	–	100	–
CIS International GmbH.		Germany	–	100	–
CIS Luxembourg S.A.		Luxembourg	–	100	–
SKA Systemering AB.	556324-8334	Karlskoga	–	100	–
Transcom Europe Holding BV.		The Netherlands	–	100	–
Transcom AB.	556201-3234	Karlskoga	–	100	–
Transcom Norge AS.		Norway	–	100	–
Transcom A/S Danmark.		Denmark	–	100	–
Transcom OY.		Finland	–	100	–
Korsnäs Holding AB.	556170-7703	Fagersta	1,000	100	5,479,643
Korsnäs AB.	556023-8338	Gävle	–	96/98	–
Diacell AB.	556155-2786	Gävle	–	100	–
Korsnäs GmbH.		Germany	–	100	–
Korsnäs France SA.		France	–	100	–
Korsnäs Italia Srl.		Italy	–	100	–
Korsnäs Latvia Sia.		Latvia	–	100	–
Sia Freja.		Latvia	–	100	–
AB Stjernerunds Bruk.	556028-6881	Gävle	–	100	–
Trävaru AB Dalarne.	556044-3920	Gävle	–	100	–
Byggnadsmark AB to be Korsnäs					
Packaging Holding AB.	556051-3789	Gävle	–	100	–
Bates Korsnäs A/S.		Denmark	–	100	–
Crown Sacks & Systems Holdings Ltd		Great Britain	–	100	–
Icoma FBS Packtechnik GmbH.		Germany	–	100	–
Korsnäs Advanced Systems AB.	556560-8527	Gävle	–	78	–
Korsnäs Croatia dd.		Croatia	–	68	–
Korsnäs Packaging AB.	556286-4099	Gävle	–	100	–
Korsnäs Packaging S.A.		Luxembourg	–	100	–
Korsnäs Paper Sacks Ltd.		Great Britain	–	100	–
Korsnäs Strömsnäs AB.	556094-7631	Gävle	–	100	–
Korsnäs Wilhelmstal GmbH					
Papiersackfabriken.		Germany	–	100	–
Korsnäs Re S.A.		Luxembourg	–	100	–
Korsnäs Sales Ltd.		Great Britain	–	100	–
Korsnäs Sägverks AB.	556024-8477	Gävle	–	100	–
Korsnäs Yugoslavia d.o.a.		Serbia	–	71	–

Latsin Sia		Latvia	–	52	–	
Marma Skog S.A.....		Luxembourg	–	100	–	
San Sac AB.....	556082-9359	Linköping	–	100	–	
Ludvika Personalservice KB.....	916582-0268	Ludvika	–	100	100	
Mellersta Sveriges Lantbruks AB	556031-9013	Vadstena	5,000	100	29,660	
Svedberga Lantbruks AB	556042-5398	Vadstena	–	100	–	
AB Agrovik	556278-5880	Vadstena	–	100	–	
Russelbacka Egendom AB	556266-5793	Vadstena	–	100	–	
Modern Cartoons Holding AB	556463-2296	Stockholm	2,000	100	0	
Modern Cartoons Europe AB	556513-5513	Stockholm	–	100	–	
SMA Holding AB	556491-9487	Sollentuna	1,000	100	92	
Svenska Motor AB SMA	556207-5506	Stockholm	–	100	–	
Svenska Traktor AB	556051-6352	Järfälla	–	100	–	
Stenblocket AB.....	556031-4998	Stockholm	–	100	–	
Stenblocket i Järfälla AB	556034-7832	Stockholm	–	100	–	
SMA Group Holding Inc		USA	–	100	–	
Stenblocket i Fagersta AB.....	556004-6723	Stockholm	250	100	4,000	
Stenblocket i Trelleborg AB.....	556098-5888	Stockholm	1,000	100	110	
Strix Vakt AB.....	556476-4958	Stockholm	1,000	100	100	
Svenska JCB AB.....	556306-0960	Järfälla	5,000	100	488	
TV1000 Sverige AB.....	556364-5372	Stockholm	183,948	100	1,134,222	
TV1000 Danmark A/S.....		Denmark	–	100	–	
TV1000 Finland Oy		Finland	–	100	–	
TV1000 London Ltd		Great Britain	–	100	–	
TV1000 Norge A/S.....		Norway	–	100	–	
Vilandevik AB	556359-1105	Stockholm	1,000	100	100	
Carlovik AB.....	556253-9394	Stockholm	–	100	–	
South East Asian Sea Rover AB	556488-7007	Stockholm	–	100	–	
Vilandeproduktionsvik 1 AB.....	556304-7066	Stockholm	–	100	–	
Vilovik AB to be Kinnevik Radio AB....	556237-4594	Sollentuna	7,500	100	1,207	
					9,917,140	
Stocks and participations in affiliated companies (Parent company)	Org nr	Registered office	Number of shares	Capital/voting (%)	Book value	Market value
AB World Desk	556359-1113	Stockholm	500	50	50	
Gamla Stans Millennium Evenemang KB	969653-5997	Stockholm	–	25	0	
Modern Cartoons Ltd		USA	2,544,000	23	19,402	
Net Entertainment AB.....	556532-6443	Stockholm	375	38	38	
SCD Invest AB	556353-6753	Stockholm	5,821,335	50	35,897	
Société Européenne de Communication S.A.		Luxembourg	48,434	0	287	2,809
					55,674	
Stocks and participations in other companies (Parent company)	Org nr	Registered office	Number of shares	Capital/voting (%)	Book value	
XSource Corporation		USA	695,054	18	123,751	
MTG Intressenter AB.....	556519-8529	Stockholm	3,075	12	2,420	
Apartments					639	
					126,810	
Stocks and participations in affiliated companies (in the Group)	Org nr	Registered office	Number of shares	Capital/voting (%)	Book value	Market value
Charter Reassurance Ltd		Great Britain	6,140,225	–	0	
Cherryföretagen AB.....	556090-4251	Stockholm	2,280,500	12	24,616	52,452
Combi Shipping AB.....	556153-9932	Gävle	500	50	50	
Danu Industries Ltd.....		Ireland	–	50	0	
Eco-Sack Europe BV.....		The Netherlands	–	50	5,389	
Fagersta Australia Pty Ltd.....		Australia	52,500	35	3,495	
Förvaltnings AB Gävle						
Stuveriintressenter	556178-9040	Gävle	260	26	34	

Gamla Stans Millennium Evenemang KB	969653-5997	Stockholm	–	25	0	
Gävle Sjöfarts AB	556010-6774	Gävle	2,597	24	868	
Industriskog AB	556193-9470	Falun	25,000	33	2,500	
Karskär Energi AB	556018-9481	Gävle	12,331	41	109,621	
Millicom International Cellular S.A.		Luxembourg	16,383,224	34	368,794	8,711,728
Modern Cartoons Ltd		USA	2,544,000	23	6,265	
MTV Produktion AB	556333-4662	Göteborg	2,110,900	38/43	38,136	61,216
Net Entertainment NE AB	556532-6442	Stockholm	375	38	0	
Repasack GmbH		Germany	–	21	3,739	
SCD Invest AB	556353-6753	Stockholm	5,821,335	50	0	
Smurfit-Korsnäs Paper Sacks (Polska) Ltd		Poland	–	50	6,004	
Société Européenne de Communication S.A.		Luxembourg	234,505,740	41/45	1,834,263	13,610,212
Söderhamn Invest AB	556295-1755	Söderhamn	500	33	0	
Tordera SpA		Italy	100,000	50	35,699	
Trumf Holding A/S		Norway	3,334	25	7,399	
Trätåg AB	556116-2719	Falun	500	50	2	
Valvosacco SpA		Italy	33,800	20	20,448	
Viking Telecom AB	556330-3055	Göteborg	2,794	30	61,688	
AB World Desk	556359-1113	Stockholm	500	50	0	
					<u>2,529,010</u>	

Reconciliation of book value of stocks and participations
in affiliated companies (in the Group)

Opening balance January 1, 1999	1,092.7
Investments in new affiliated companies	52.6
Transfer from Group companies	3.2
Conversion of convertible loan stock	1,152.2
Transferred from other shares	6.7
Transfer to Group companies	– 0.2
Participations according to Note 6	370.2
Interest in tax expense of affiliated companies	– 67.9
Translation differences	– 80.5
Closing balance December 31, 1999	<u>2,529.0</u>

Stocks and participations in other companies (in the Group)	Org nr	Registered office	Number of shares	Capital/ voting (%)	Book value	Market value
Acando AB	556563-0554	Stockholm	153,039	25	15,140	
XSource Corporation		USA	695,054	18	123,751	
Modern Times Group Intressenter AB	556519-8529	Stockholm	3,075	12	2,420	
P4 Radio Hele Norge asa		Norway	8,200	0	267	376
Apartments					639	
Other					363	
					<u>142,580</u>	

The market value of the shares in MIC is stated without any provision for the options issued in relation to Modern Times Group MTG AB, which had a closing value equivalent to MSEK 724.

Note 15

Prepaid expenses and accrued income

	Parent Company			Group
	1998	1999	1998	1999
Accrued sales revenue	–	–	52.6	78.0
Accrued interest income	16.8	4.4	17.2	14.3
Accrued exchange rate gains	–	–	3.3	–
Accrued insurance compensation	–	–	42.5	32.6
Accrued allowance from affiliated companies	–	–	3.4	–
Accrued allowance from foundations	–	–	18.7	–
Prepaid rents	–	–	3.8	2.2
Prepaid transponder costs	–	–	6.3	0.4
Prepaid insurance premiums	1.3	0.7	24.8	1.5
Other	0.5	0.3	60.0	57.6
	<u>18.6</u>	<u>5.4</u>	<u>232.6</u>	<u>186.6</u>

Note 16		Number	Book	Market
Short-term investments		of shares	value	value
Short-term investments (parent company)				
Invik & Co. AB	16,071	9.2	15.8	
Modern Times Group MTG AB *	5,088,235	514.8	2,137.1	
NetCom AB	3,350,000	431.9	2,002.8	
Other		7.8	7.8	
		<u>963.6</u>	<u>4,163.5</u>	
Short-term investments (in the group)				
Invik & Co. AB	390,488	105.6	379.2	
Modern Times Group MTG AB *	5,088,235	514.8	2,137.1	
NetCom AB	3,350,000	431.9	2,002.8	
Other		63.7	63.7	
		<u>1,116.0</u>	<u>4,582.8</u>	

* As of December 31, 1999, Industriförvaltnings AB Kinnevik had a convertible loan corresponding to 4,988,235 Series "A" shares in MTG and 100,000 Series "A" shares in MTG. The market value is stated without any deduction for the options issued in relation to MTG Intressenter AB and which had a closing value equivalent to MSEK 837 at the year-end.

Note 17

Stockholders' equity

Industriförvaltnings AB Kinnevik's stock capital at December 31, 1999, consisted of 62.9 million shares each having a nominal value of SEK 10. The breakdown by class of share at December 31, 1999, was as follows:

	Number of shares	Total nominal amount
A shares	15,123,741	151.2
B shares	47,814,936	478.2
	<u>62,938,677</u>	<u>629.4</u>

A shares carry ten (10) votes and B shares one (1) vote.

	Stock capital	Premium reserve	Revaluation reserve	Legal Reserve	Unrestricted equity	Total
Parent Company						
Opening balance, January 1, 1999	629.4	356.7	190.4	2,986.7	732.6	4,895.8
Net result for the year	–	–	–	–	1,882.9	1,882.9
Dividend	–	–	–	–	– 409.1	– 409.1
Group contributions, net	–	–	–	–	333.9	333.9
Closing balance, December 31, 1999	<u>629.4</u>	<u>356.7</u>	<u>190.4</u>	<u>2,986.7</u>	<u>2,540.3</u>	<u>6,703.5</u>
	Stock capital	Restricted reserves	Unrestricted reserves	Total		
Group						
Opening balance, January 1, 1999	629.4	3,879.0	1,302.7	5,811.1		
Translation differences	–	–	– 232.8	– 232.8		
Net result for the year	–	–	562.6	562.6		
Dividend	–	–	– 398.1	– 398.1		
Transfer between restricted and unrestricted reserves	–	30.2	– 30.2	–		
Closing balance, December 31, 1999	<u>629.4</u>	<u>3,909.2</u>	<u>1,204.2</u>	<u>5,742.8</u>		

The Group's restricted reserves include an equity interest reserve of MSEK 17.2, i.e. the positive difference between value upon consolidation and the value in the books of the respective company of shares in affiliated companies.

At the Annual General Meeting held on May 21, 1999, it was decided to pay a cash dividend of SEK 1.00 per share, or MSEK 62.9 in total, and to distribute warrants in Invik & Co AB. One share in Invik would be received for every 100 shares in Kinnevik.

The book value of the parent company holding of Invik shares amounted, on the dividend date, to MSEK 346.2. This is stated as stock dividend. In the consolidated accounts, the book value upon consolidation of the Invik shares is stated as dividend.

Note 18				
		Parent Company		Group
Provisions for pensions	1998	1999	1998	1999
Provision for pensions	<u>34.8</u>	<u>33.9</u>	<u>687.5</u>	<u>625.4</u>
Whereof through FPG/PRI	<u>22.0</u>	<u>21.6</u>	<u>527.9</u>	<u>473.5</u>

Note 19			Group
Deferred taxes		1998	1999
Change of deferred tax liability			
Change in untaxed reserves		88.6	11.5
Change in value of unutilized tax loss carryforwards		<u>- 114.2</u>	<u>- 3.3</u>
		<u>- 25.6</u>	<u>8.2</u>
Deferred tax liability			
Deferred tax liability for untaxed reserves, 28%		786.3	797.3
Deferred tax receivable for the value of unutilized tax loss carryforwards		<u>- 385.2</u>	<u>- 381.9</u>
		<u>401.1</u>	<u>415.4</u>

The revaluation of Korsnäs' forest assets is stated without taking deferred taxes into account.

After completion of a tax audit, the tax authority has contested the parent company's tax assessment for the 1994-1998 period. The company has therefore made a provision of MSEK 29 in its financial statements for 1999 for additional tax (including tax surcharges, etc), that may arise out of the claim, which is believed likely to involve a slight risk of a higher assessment. On the other hand, no provisions have been made for any tax that may arise out of the claim of some MSEK 675 after deduction of tax loss carried forward. The company's opinion is that most of the disputed issues will be settled in the favour of the company. The company will appeal to the county administrative court against the tax authority's decision on the review. Should the court decide against the company, the company will become liable to pay a further MSEK 268 in the form of additional tax, including charges and interest.

Note 20			Group
Other provisions		1998	1999
Compulsory acquisition proceedings		698.7	277.5
Forest restoration		91.9	92.6
Other		<u>7.9</u>	<u>23.2</u>
		<u>798.5</u>	<u>393.3</u>

Note 21			Group
Long term debt		Parent Company 1999	1999
Maturities 2001-2004		2,897.9	6,715.8
Maturities 2005 or later		<u>540.8</u>	<u>814.6</u>
		<u>3,438.7</u>	<u>7,530.4</u>

Note 22**Checking account credit facilities**

Credit limits on checking account credit facilities in the Group amounted as per December 31, 1999 to MSEK 898.4 (MSEK 300.0), whereof unutilized limits amounted to MSEK 762.1 (MSEK 259.8).

Note 23**Accrued expenses and prepaid income**

	Parent Company			Group
	1998	1999	1998	1999
Accrued expense for purchase of goods	–	–	61.1	30.7
Accrued personnel expenses	4.6	1.6	228.1	153.7
Accrued interest expenses	14.8	32.8	45.8	77.7
Accrued discounts	–	–	21.7	16.9
Accrued energy costs	–	–	29.6	16.0
Accrued royalties	–	–	5.4	3.7
Accrued authority fees	–	–	8.0	8.3
Accrued organization expenses	7.1	5.3	10.9	5.3
Prepaid income	–	–	97.8	125.4
Other	0.3	–	95.5	104.1
	<u>26.8</u>	<u>39.7</u>	<u>603.9</u>	<u>541.8</u>

Note 24**Leasing agreements**

Companies in the Group have entered into a number of agreements on the leasing/rental of premises and other fixed assets. In 1999, MSEK 160.8 were paid out under the terms of operational leasing agreements. This figure includes MSEK 72.9 in respect of TV1000's rented capacity on transponders for satellite TV broadcasting and MSEK 53.6 on account of RoRo vessels chartered by Korsnäs.

The annual cost of rented/leased assets is estimated to continue at broadly the same level during the next few years.

Note 25**Pledged assets**

	Parent Company			Group
	1998	1999	1998	1999
Liquid funds	6.8	–	28.2	21.2
Receivables	3,141.0	3,141.0	–	–
Shares	4,199.2	3,561.6	64.6	536.6
Real estate mortgages	–	–	3,788.6	3,668.7
Other assets				
corresponding value in books of Parent Company or				
subsidiary in respect of shares in subsidiary	–	–	3,503.2	4,486.5
Chattel mortgages	–	–	819.0	804.0
	<u>7,347.0</u>	<u>6,702.6</u>	<u>8,203.6</u>	<u>9,517.0</u>

All pledged assets of the Parent Company and the Group refer to pledges for the Group's own long-term liabilities to credit institutions.

Note 26 Contingent liabilities	Parent Company		Group	
	1998	1999	1998	1999
Sureties and guarantees*	578.3	282.7	818.3	797.9
Sureties and guarantees for subsidiaries	1,161.1	694.0	–	–
Pension commitments	0.4	0.4	73.4	0.7
Other contingent liabilities	–	–	6.5	2.2
	<u>1,739.8</u>	<u>977.1</u>	<u>898.2</u>	<u>800.8</u>
* Thereof guarantees for the benefit of former subsidiaries as follows:				
NetCom AB.	2.7	–	2.7	–
Modern Times Group MTG AB.	460.4	14.5	460.5	14.5
Société Européenne de Communication S.A.	115.2	106.7	275.2	122.6
	<u>578.3</u>	<u>121.2</u>	<u>738.4</u>	<u>137.1</u>

The guarantees for the benefit of MTG and SEC will be phased out gradually.

Note 27

Average number of employees

	1998		1999	
	men	women	men	women
Parent Company				
Stockholm	6	3	5	2
Group				
Sweden	2,543	1,121	2,455	1,321
Denmark	235	253	294	261
Germany	336	125	323	133
Latvia	320	41	282	23
Great Britain	166	80	162	68
Serbia	70	38	79	43
Norway	43	56	42	88
Croatia	33	31	33	20
Australia	39	9	29	7
France	2	3	2	3
Finland	3	1	2	7
Poland	2	1	–	–
	<u>3,792</u>	<u>1,759</u>	<u>3,703</u>	<u>1,974</u>
Total number of employees		<u>5,551</u>		<u>5,677</u>

Note 28**Wages, salaries and other remuneration**

	Board of Directors and senior management	1998 Other employees	Board of Directors and senior management	1999 Other employees
Parent Company				
Salaries and other remuneration	13.1	8.8	13.6	6.7
Social expenses.....	4.6	2.9	4.5	2.2
Pension expenses*.....	3.2	0.5	2.9	0.4
Pension commitments*.....	12.6	–	13.8	–
Group				
Companies in Sweden.....	25.4	988.9	11.9	969.1
Companies abroad	13.5	355.1	12.4	391.4
Total salaries and other remuneration	38.9	1,344.0	24.3	1,360.5
Social expenses.....	13.6	369.8	12.5	344.6
Pension expenses*	15.3	108.9	16.5	117.7
Pension commitments*	74.0	–	76.5	–

No bonuses were paid to the parent company's board, its president or vice-presidents. Elsewhere in the Group bonuses of MSEK 0.3 (0.3) were paid. A fee of SEK 1,620,000 was paid to the board in 1999 pursuant to a decision by the Annual General Meeting, of which SEK 270,000 were paid to the chairman pursuant to a decision by the board. The chairman and companies owned by him received consulting fees of USD 200,000 during the year pursuant to a decision by the board. Over and above this, the chairman received fees of SEK 225,000 as a member of the boards of subsidiaries. Other members of the board received total fees of SEK 1,790,000 as members of subsidiary company boards.

The President does not draw a fee for service on the Board of Industriförvaltnings AB Kinnevik. A salary of SEK 4,910,000 was paid to the former President. Total fees of SEK 70,000 were paid for duties of the boards of subsidiaries. A salary of SEK 5,129,000 has been paid to the President. Normal pension premiums were paid with the framework of a pension plan, over and above which there are no pension commitments.

Pension commitments have been entered into on behalf of other members of the company's top management within the framework of a general pension plan.

A sum of MSEK 6 was paid into a bonus program for 17 senior executive of the Kinnevik Group.

Pursuant to a decision by Industriförvaltnings AB Kinnevik's Annual General Meeting on May 3, 1996, an option program has been set up for senior executives of Modern Times Group MTG AB, whereby these individuals have acquired options on shares in MTG via a company formed for that purpose.

* Relates to present and former Board members and presidents and vice presidents.

Note 29**Agreements on severance pay**

In the event of their contracts being terminated by the company, the president and other members of the management group are entitled to salary during periods of notice between six months and twentyfour months.

Note 30**Auditors' fees**

	1998	Parent Company 1999	1998	Group 1999
To Ernst & Young				
Audit assignments	0.3	1.3	3.3	4.3
Other contracts	0.2	2.8	1.0	2.9
To KPMG				
Audit assignments	0.1	0.1	0.1	1.1
Other contracts	–	–	18.1	24.2

The audit contract for 1999 includes an examination of the registration document (20F) held by the US Securities & Exchange Commission.

Other tasks mainly relate to the implementation of the SAP IT system within Korsnäs (KPMG) and consultations in connection with the setting up of 20F (Ernst & Young).

Gävle, February 22, 2000

Jan Hugo Stenbeck

Bruce Grant

Edvard von Horn

Thorbjörn Hallström

Wilhelm Klingspor

Stig Nordin

Ulf Spång

Dag Tigerschiöld

Ulf Westin

Our Audit Report concerning these financial statements was issued on February 23, 2000

Lars Träff
Authorized Public Accountant

Anders Wiger
Authorized Public Accountant

Hans Karlsson
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 report, the consolidated financial statements, the accounting records and the administration of the Board of Directors and the President of Industriförvaltnings AB Kinnevik for 1999. The Board and the President have responsibility for the accounting records and the administration of the company. Our responsibility is to express an opinion on the annual report, the consolidated financial statements and the administration on the basis of our audit.

We conducted 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 report and consolidated financial statements 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 and their application by the Board and the President, as well as evaluating the overall presentation of information in the annual report and consolidated financial statements. As a basis for our opinion concerning discharge from liability, we have 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 acted in any other way in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the annual report and the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, and, thereby, give a true and fair view of the financial position of the company and the group and of the results of operations in accordance with Generally Accepted Accounting Principles in Sweden.

We recommend to the General Meeting that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the Directors' Annual Report, and that the members of the Board and the President be discharged from liability for the financial year.

Stockholm, February 23, 2000

Lars Träff

Authorized Public Accountant

Anders Wiger

Authorized Public Accountant

Hans Karlsson

Authorized Public Accountant

Mellersta Sveriges Lantbruks AB

MSEK	1998	1999
Income statement		
Net sales	15	12
Operating income	2	2
Earnings after financial items	2	2
Capital expenditures in property, plant and equipment	2	2
Number of employees	11	10

Farming was Kinnevik's original business. Mellersta Sveriges Lantbruks AB now owns three estates through subsidiaries, namely Ullevi outside Vadstena, Russelbacka south of Lidköping, and Svedberga north of Helsingborg, which cultivate a total acreage of 1,485 hectares. These estates concentrate exclusively on arable farming. Their activities are highly specialised and mechanised. All cultivation takes environmental considerations into account. In 1999, the acreage cultivated on ecological principles amounted to 170 hectares.

Crop cultivation in 1999 was badly hit by the wet autumn and winter of 1998. By the time of the spring sowing, the clay soils on the farms had become heavily compacted with a high mud content - not the ideal conditions for a good harvest. On some fields,

the harvest was well below the normal. An increasingly rainy summer in southern Sweden caused some quality problems with the harvest at Svedberga. Otherwise, the harvest was successful. Dry and warm weather conditions at harvest time meant relatively low harvesting costs.

Crop prices were depressed during the year and the price level was only satisfactory for products of the very highest quality. High stocks in Europe at the beginning of the year had the effect of containing price increases, an effect that persisted throughout the year.

The ecological cultivation was also successful this year. The 170 hectares cultivated in accordance with KRAV's regulations produced the best results in a comparison with conventional cultivation. Price premiums of up to 70% above the prices of conventionally cultivated crops were by no means unusual.

The crayfish farm on the Svedberga estate functioned well, and yielded a total catch of 1,200 crayfish.

During the year the farms applied for certification in accordance with the ISO 9002 and ISO 14001 quality and environmental management systems, which resulted in two ISO 9002 certificates and two ISO 14001 certificates being obtained.

The net turnover amounted to MSEK 12 (15). Operating income amounted to MSEK 2 (2).



Harvesting sugar beet in October 1999 on the Svedberga estate, just outside Helsingborg.

Korsnäs Holding AB

MSEK	1998	1999
Income statement		
Net sales	5,026	4,984
Operating income	611	489
Earnings after financial items	491	435
thereof participations in affiliated companies	- 18	- 24
Capital expenditures in property, plant and equipment	704	656
Number of employees	3,866	3,700

Korsnäs Holding AB is the parent company of Korsnäs AB, which together with its subsidiaries comprise the Korsnäs Group.

Historical background

Korsnäs AB was founded in 1855 when the company's name was Korsnäs Sågverks AB. The company is now one of the leading producers of high quality paperboard and paper products for the packaging industry. Korsnäs has some 3,700 employees, of whom 2,200 work in Sweden.

The original business was that of sawmilling at Korsnäs, a village in Dalecarlia. In 1899, it was transferred to Gävle, where sawn timber production is now mainly concentrated on high quality products for the joinery and furniture industries. The sawmill has an annual capacity of 160,000 m³ of redwood products.

Korsnäs is one of Sweden's major, private forest owners. The total acreage is 665,000 hectares, of which 519,000 hectares are productive forest land. Korsnäs has a high degree of self sufficiency and half of the raw materials used by the mills are harvested in the company's own forests.

Korsnäs's industrial activities are concentrated at

the Korsnäsverken complex in Gävle, which has an annual capacity of 660,000 tonnes of pulp. The total output of sulphate pulp is processed within the complex into paperboard, sack and kraft paper, and fluff pulp.

Paperboard has evolved into the largest product area in terms of volume, where beverage 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. Approximately half 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. The packaging division also develops and markets machinery for the packaging industry as well as complete systems for refuse treatment.

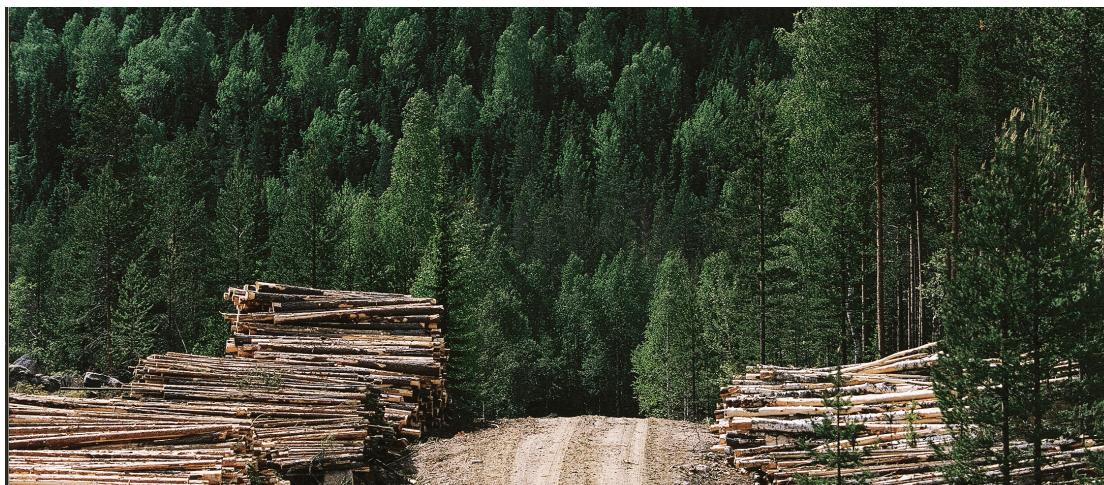
Korsnäs has long had a strategy of concentrating on highly processed goods with a high added value.

Markets and events in 1999

Korsnäs Forestry

The Swedish wood market remained stable last year in terms of both volumes and price. Prices of Swedish pulpwood were largely unchanged while the price of saw timber fell slightly. The gradually increasing need for birch wood was met by stepping up imports.

A decision was made at the end of 1999 to spin off some of Korsnäs's forest holdings, which involved the formation of a separate company, Marma Skog. The object was to bring out the values that the company's forest holdings represent. The new company owns a total of 385,000 hectares of forest, of which 300,000 are productive forest lands. The company's holdings are located within the Dala and Ljusdal management regions.



Korsnäs is one of Sweden's major, private forest owners.

The Forestry division's net turnover amounted to MSEK 1,414 (1,504). Operating income amounted to MSEK 298 (228), including capital gains of MSEK 53 (13) on the divestment of forestry properties and severance costs of MSEK 5 (4).

Korsnäs Industrial

The comparatively weak market conditions at the end of 1998 persisted for some time into 1999. The strengthening of the krona just after the new year, coupled with stiff price competition, resulted in generally lower prices. During the second half of the year it became possible to gradually raise the prices of paper, white-top kraft board, and fluff pulp.

As far as paper is concerned, the excess capacity on the market meant that the prices of paper products fell during the first half-year. During the early summer, however, the market turned back up and order books have been running at a healthy level ever since. Given the new market situation, prices were raised in the autumn.

Demand for beverage board was lower at the beginning of the year, while the second half of the year saw firmer demand. As a result, a new record for deliveries was achieved in 1999. It was possible to gradually increase the price of fluff pulp during the year. Further price increases are expected in 2000.

Conditions on the market for white-top kraft board varied widely during the year. Initially, consumption of corrugated cardboard in Europe was low. During the early summer the market changed direction quite abruptly. Demand for corrugated cardboard picked up and the market for white-top kraft board stabilised. Price increases were implemented in August and October.

The various production units at Korsnäsverken operated at full capacity during the year. The output of unbleached pulp amounted to 648,000 tonnes. Production of paper, paperboard and fluff pulp for external sale remained at the same level as in 1998. The rebuilt and enlarged PM5 paper machine was trimmed during the year, enabling it to reach a steadily higher rate of production. The production of paper was the same level as in the previous year.

In the packaging sector, demand in Western Europe was lower in 1999 than in 1998. The entire financial year was characterised by intensely competitive pricing. Korsnäs Packaging's sales declined by 4% in terms of volume. An extensive restructuring programme continued throughout the year in Germany, where two factories, the Monheim and Freden units, were closed and production transferred to the enlarged unit at Achern. The extensive restructuring programmes carried out in Germany,

Scandinavia and England involved costs of some MSEK 24, all of which were taken against the year's result. The cost reductions will show through to the full during the second half of 2000. In England, the work force was trimmed by 17% (38 employees) in 1999, due to increased automation. The war-stricken Balkan region, where Korsnäs Packaging has two factories, made positive progress during the second half of 1999.

The market for sawn redwood products was unstable and hesitant during the year. The market outlook for redwood products is expected to improve during 2000. Korsnäs's total deliveries of sawn timber products amounted to 148,000 m³ (156,000). In 1999, the output of sawn redwood products amounted to 141,000 m³ (154,000).

The net turnover of Korsnäs's industrial operations amounted to MSEK 4,592 (4,647) and operating income amounted to MSEK 217 (402). Korsnäs's result was weak as a result of low prices and high costs. Measures have been taken to reduce costs within the areas of personnel, logistics and suppliers. However, it was possible to maintain sales volumes at a normal level.

Korsnäs and the environment

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

Employees and competence development

An extensive review of Korsnäs's salaried employees organisation was carried out during 1999. Furthermore, a review has been started to develop the company's labour organisation for its blue-collar employees. Broad-ranging measures have been taken to develop a structured competence development model. The development model will enable the company to quality assure its competence development activities.

A profit-sharing plan was introduced in 1993. It involves a share of the profit being paid on the proportion of the group's income in excess of a defined return on operative capital. The amount transferred to the profit-sharing foundation for 1999 was MSEK 0 (16).

Result

The Korsnäs group's net turnover for 1999 amounted to MSEK 4,984 (5,026). Korsnäs's operating income after depreciation, but before transfers to the profit-sharing plan, amounted to MSEK 503 (630).

MSEK	1998	1999
Income statement		
Net sales	342	545
Operating income	21	18
Earnings after financial items	15	10
Capital expenditures in property, plant and equipment	47	54
Number of employees	1,149	1,565

Transcom's business comprises the construction, maintenance and development of individually designed customer relations packages for consumer-intensive companies. In this field, Transcom is the leading supplier in Scandinavia.

Since the formation of the company in 1995, the business has expanded dramatically in terms of scope, quality and volume. Transcom now offers tailored solutions to meet companies' specific needs for service and customer relations programmes.

Transcom has clients in many different industries, such as telecommunications, media, travel, entertainment, banking, insurance and the electricity and power sectors.

During the year, Transcom established new units in Norrköping, Sweden, and Helsinki, Finland. Transcom is already established in Karlskoga, Kungsör and Strömsnäsbruk in Sweden, in Copenhagen, Denmark and in Fredrikstad in Norway.

Transaction volumes increased sharply during the year. The number of incoming calls rose by about 4.2 million to some 12.1 million. Outgoing telephony has been built up from a relatively small volume to some 1.3 million customer contacts and is still expanding strongly. Furthermore, the number of debitable administrative items has increased by some 5 million to around 8 million.

At the end of 1999, Transcom had 2,006 employees, of whom 1,280 were in Sweden, 260 in Norway, 295 in Denmark and 12 in Finland.

The market for outsourced customer relations services is expected to continue growing by 35-40% per year. The force driving this development is the steps being taken by more and more consumer-intensive companies to actively increase the added value of their products and services in the form of improved and more accessible customer service. In response to this tendency, outsourcing is becoming increasingly common. Transcom was one of the first companies to move into this growth market and is well positioned to respond to this growth, a fact that is clearly reflected in the 1999 figures.

Transcom continued its rapid growth during the year, while also devoting considerable resources to training its employees and improving the efficiency of its existing operations.

Net turnover for the year amounted to MSEK 545 (342), an increase of 59%, and operating income amounted to MSEK 18 (21).



Transcom in Karlskoga, Sweden.

Collect Sweden AB

MSEK	1998	1999
Income statement		
Net sales	22	31
Operating income	0	0
Earnings after financial items	0	0
Capital expenditures in property, plant and equipment	6	0
Number of employees	2	4

The business of Collect Sweden AB (formerly Loyalty Management Sweden AB) is to supply loyalty packages to its customers. The company commenced operations in April 1998 and in autumn 1998 launched a bonus programme under the "Collect" brand name on behalf of Comviq, Kabelvision, Tele2 and Viasat. "Collect" is one of Sweden's largest and foremost loyalty programmes. In 1999, the electricity and power supplier, Sydkraft, and the Big Travel chain of travel agents also affiliated to "Collect". During the year the company more than doubled the number of customers and can today offer 450,000 members the opportunity to utilise their bonus via Internet or the Collect Catalogue. The annual rate of customer turnover within the framework of the "Collect" database

increased by 213% in 1999.

The past year also saw the start of the expansion of "Collect" in Europe. By the end of the year, the bonus programme had been launched in Germany, Holland, Switzerland and Austria. "Collect" will also be launched in France, Italy and Denmark in the near future. The business is conducted through separate companies in each country. The parent company, World Wide Loyalty BV, has its registered office in the Netherlands. In connection with the European launch, "Collect" signed an agreement with Tele2 Europe whereby "Collect" will become the bonus programme for its subscribers.

In Norway, "Collect" is a partner with the Trumf bonus programme, which is owned by Trumf Holding A/S. In November, World Wide Loyalty BV acquired 25% of the shares in Trumf Holding A/S. Trumf's business includes providing bonuses for Shell's customers and for Norgesgruppen's convenience goods customers. During the year, Trumf entered into co-operation agreements with Viasat and Tele2. At the end of the year, Trumf had 595,000 members.

During the year, "Collect" developed a database system to manage the bonus programme.

Net turnover in 1999 amounted to MSEK 31 (22). The operating result for the year was MSEK 0 (0).



The "Collect" programme currently has 450,000 members in Sweden.

CIS Credit International Services AB

MSEK	1998	1999
Income statement		
Net sales	37	69
Operating income	4	7
Earnings after financial items	3	5
Capital expenditures in property, plant and equipment	3	19
Number of employees	66	124

CIS was founded in 1995. The company provides financial management, collection and credit services. The business is mainly conducted in Sweden, but the international side is expanding strongly. CIS is currently established in six European countries.

Through CIS's three operational segments – Outsourcing, Consulting and Systems Development – the company provides all the functions of a professional financial systems department, as well as services that naturally complement this area, such as collection, credit appraisal and legal affairs. CIS's services are mainly intended for small and medium-sized companies.

Turnover rose sharply in 1999. This positive trend

is the result of a higher volume of business from existing customers, new customers, the establishment of new units in Germany and Switzerland and the acquisition of SKA Systemering AB, a leading IT company for the development of PA systems. In line with customer demand for efficient solutions, new systems and services have been added on to the Outsourcing segment. At the same time, concerted efforts are being focused on building up the Consulting and Systems Development segments. On the consultancy side, CIS possesses cutting-edge competence for the construction and operation of Shared Service Centres.

The positive trend in turnover is expected to continue as a result of intensified canvassing of the European market, coupled with the further development and launching of new services.

Various automatic functions are about to be introduced in order to meet market demand. CIS has also begun the installation of a new invoicing system to meet market and customer demand for rational invoicing.

As of December 31, CIS had 185 employees, an increase of 123% on the previous year.

Net turnover amounted to MSEK 69 (37), an increase of 88%. Operating income was MSEK 7 (4).



CIS has operations in six European countries.

Other subsidiary companies

MSEK	1998	1999
Income statement		
Net sales	1.261	1.232
Operating income	- 86	18
Earnings after financial items	- 84	13
Capital expenditures in property, plant and equipment	107	136
Number of employees	448	267

TV1000 Sverige AB (100%)

Modern Times Group MTG AB (MTG) has responsibility for the operative management of TV1000. An option agreement exists between Kinnevik and MTG entitling MTG to acquire Kinnevik's shares in TV1000 at their market value. Kinnevik covers the losses in TV1000 up to MSEK 30 for 1999, and over and above this sum MTG has full liability. As of 2000, MTG has liability for TV1000's entire result.

The TV1000 Group distributes two premium pay-TV channels – TV1000 and TV1000 Cinema – in Sweden, Norway, Denmark and Finland.

The number of TV1000 subscribers increased by 18% during the year, to reach 384,077 by December 31, 1999, compared with 325,934 the previous year.

TV1000 has signed long-term programme agreements with Walt Disney, SF, 20th Century Fox, Sony Pictures Entertainment, and other companies, which ensure a quality range of programmes via its channels.

The company's turnover for the year amounted to MSEK 645 (449) and it reported an operating loss of MSEK 77 (loss 150).

AirTime (AT) AB (55%)

AirTime is primarily engaged in the sale of advertising time on TV and radio.

During 1999, sales continued to grow steadily and AirTime increased its share of both the radio and TV advertising markets. This, in combination with further cost reductions and efficiency improvements enabled the company to improve its result in relation to previous years.

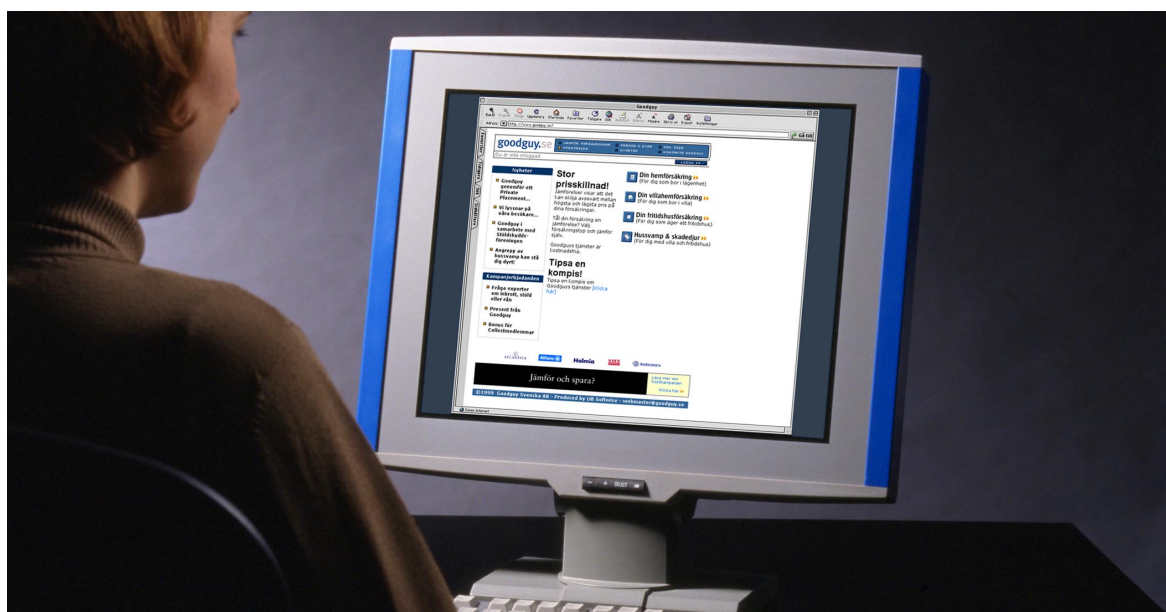
Net turnover for the year amounted to MSEK 85 (70). The operating loss was MSEK 13 (loss 16).

Goodguy Svenska AB (67%)

Goodguy.se is an Internet-based service within the field of private insurance. During 1999, the company signed agreements with insurance providers within the fields of home and leisure home insurance. The goal is to offer comparisons of prices and conditions for all types of private insurance.

During 2000, Goodguy will carry out an expansion plan that includes broadening the product range and establishment in the Nordic market. The concept will be complemented with comparisons in telephony, electricity and consumer credit. This new strategy will turn Goodguy into a portal in the field of consumer services. The expansion programme will require substantial investments in marketing, which will be financed by means of a MSEK 100 private placement of shares in February 2000, MSEK 30 of which will be subscribed to by Kinnevik. Following the issue, Kinnevik's interest will be 47%.

The company's operating income for 1999 amounted to MSEK 0.



www.goodguy.se offers comparisons of prices and other conditions in the field of private insurance.

Affiliated companies

The principal affiliated companies are Millicom International Cellular S.A. (MIC), Société Européenne de Communication S.A. (SEC), MTV Produktion AB (MTV), Viking Telecom AB (Viking Telecom), and Cherryföretagen AB (Cherry). Kinnevik's equity holdings in these companies are 34, 41, 38, 30, and 12% respectively.

MIC, Millicom International Cellular (34%)

The market value of Kinnevik's holding in MIC was MSEK 8,712 on December 31, 1999. On February 21, the market value was MSEK 10,881. MIC is listed on Nasdaq in New York and the Luxembourg Stock Exchange.

MIC is one of the world's leading providers of mobile telecom services with operations in Asia, Latin America, Russia and Africa. GSM Clearing, the leading GSM clearing company in the world, is also a member of the MIC group.

MIC acquires licences entitling it to provide mobile telecom services in a particular country at national,

regional or local level. It then sets up and operates the mobile telecommunication network in that territory.

MIC conducts most of its business in growth economies, where the provision of land-based telecom facilities is inadequate. Economic growth and other reforms in these countries are generating a growing need for rapid expansion in communication facilities.

In April 1999, SENTEL (GSM 900 licence), a company in which MIC has a 75% interest, commenced operations in Senegal. In October, MIC reduced its holding in NetCom from 6.64% to 5.77% for a capital gain of MUSD 34.8. Also in October, MIC raised its interest in Comcel in Guatemala from 47% to 55%. During the year, MIC installed wireless broadband lines in England.

MIC currently has equity interests in 30 companies in 19 countries together representing a market with 465 million inhabitants. In 1999, the total number of subscribers these companies had rose by 53% to 2,110,548. The number of new subscribers amounted to



Millicom International Cellular S.A.

730,362 net in 1999. In proportional terms, the subscriber base grew by 60% to 1,321,327. The subscriber base of NetCom, in which MIC has a minority interest, is not included in the above figures. The number of wireless broadband lines was 701 at December 31, 1999. This was an increase of 53% compared to the previous quarter.

Net turnover amounted to MUSD 552 (459). Operating income amounted to MUSD 143 (211), including non-recurring income of MUSD 146 (204). The company's result after financial net was a loss of MUSD 5 (income of 75).

SEC, Société Européenne de Communication (41%)

The market value of Kinnevik's holding in SEC was MSEK 13,610 at December 31st 1999. On February 21, 2000, the market value of the holding was MSEK 15,487. SEC is listed on SBI in Stockholm, Nasdaq in New York, the Frankfurt Stock Exchange, and the Luxembourg Stock Exchange.

SEC's principal asset is Tele2 Europe, whose business includes national and international fixed telecom services, and which commenced operations in Holland at the end of October 1997, and in Germany, Switzerland, Austria, France, Italy and Luxembourg during 1998 and 1999. The company also has a licence in Ireland. The number of subscribers by December 31, 1999, amounted to 3,008,537 (792,494), an increase of 280%, of whom 2,931,173 were subscribers to fixed telephony services.

SEC also owns Transcom Europe, a supplier of customer relations services; Transcom International; Tango, a mobile telecommunications company in Luxembourg; and 3C Communications.

By December 31, 1999, Tango had 77,364 subscribers (36,506), an increase of 112%.

Net turnover amounted to MDEM 607 (117), the operating result was a loss of MDEM 390 (loss 150) and the result after financial net was a loss of MDEM 446 (loss 158).

MTV (38%)

MTV's result showed a further improvement during the year. The international ventures are now beginning to generate revenue and the company has signed agreements outside Scandinavia with several TV channels, with the sale of "White Lies" to Poland attracting most attention.

MTV has, in a short time, become one of the largest events companies in Scandinavia.

MTV's turnover in 1999 amounted to MSEK 267 (273) and its operating income was MSEK 13 (6).

Viking Telecom (30%)

During the year an agreement was reached with Saitel in Italy to supply routers. Discussions concerning the sale of private routers are currently being held with several companies on the Continent.

During the year, a MSEK 30 share issue was placed with funds managed by SEB. The issue proceeds will be used to broaden the range of products.

Viking Telecom's net turnover in 1999 amounted to MSEK 183 (98) and its operating income was MSEK 8 (11).

Cherry (12%)

Cherry is mainly engaged in the provision of gambling facilities in restaurants, on ferries, on board cruise ships, and through part-owned casinos in Macedonia and Chile. It also runs bingo activities in Sweden.

Kinnevik has an option to acquire further shares in Cherry. In January 2000, Kinnevik sold its holding in Net Entertainment NE AB to Cherry in return for shares in Cherry. Following the exercise of options, Kinnevik's interest in Cherry is 29%.

Cherry's net turnover in 1999 amounted to MSEK 345 (327) and its operating income in 1999 was MSEK 13 (5).

Acronym and explanations

ADAS	British institution that awards good hygiene certificates to manufacturers and companies.
DTH market	“Direct To Home” – the satellite dish market.
FSC standard	“Forest Stewardship Council” is an international and independent organisation for certification of forests.
Portal	Web site on the Internet presenting an extensive range of services, often used as a front page and search engine.
Router	Telephone accessory that automatically routes the subscriber’s calls via the cheapest available telecom operator.
SMA-TV	Small Master Antenna TV - local cable TV network.
SPP	One of the largest life and pension and insurance companies in the Nordic region.

Kinnevik's Board of Directors

Name	Assignments within Kinnevik	Other assignments
Jan Hugo Stenbeck, Chairman Born 1942	Chairman of the Board since 1993. Member of the Board since 1978.	Miscellaneous board assignments.
Bruce Grant Born 1959	Member of the Board since 1999.	President of XSource Corporation, USA. Chairman of the Board in Applied Value Corporation, USA. Member of the Board in Korsnäs AB, Société Européenne de Communication S.A. and Great Universal, USA.
Edvard von Horn Born 1943	Member of the Board since 1992.	Member of the Board in Korsnäs AB.
Thorbjörn Hallström Born 1950	Member of the Board since 1996. Employee representative.	Deputy member of the Board in Korsnäs AB. Employee representative.
Wilhelm Klingspor Born 1962	Member of the Board since 1999 Deputy member of the Board since 1997.	Member of the Board in Korsnäs AB and Invik & Co. AB.
Stig Nordin Born 1943	Member of the Board since 1992.	President of Invik & Co. AB. Member of the Board in NetCom AB, Modern Times Group MTG AB, Millicom International Cellular S.A. and Korsnäs AB.
Ulf Spång Born 1948	Member of the Board since 1998.	Vice President and CFO in Försäkringsaktiebolaget Skandia. President of Skandia kapitalförvaltning. Member of the Board in Korsnäs AB, John Mattson Fastighets AB, Posten AB and Hogia AB.
Dag Tigerschiöld Born 1942	Member of the Board since 1998. Deputy member of the Board since 1993.	Chairman of the Board in Arkivator AB, Mydata automation AB and Vellinge Electronics AB. Member of the Board in Korsnäs AB, Axis Communications AB, Skanditek Industriförvaltning AB and Investment AB Öresund.
Ulf Westin Born 1949	Member of the Board since 1999. Employee representative.	Deputy member of the Board in Korsnäs AB. Employee representative.
Kenneth Portin Born 1957	Deputy member of the Board since 1999. Employee representative.	Member of the Board in Korsnäs AB. Employee representative.
Hans Wahlbom Born 1950	Deputy member of the Board since 1996. Employee representative.	Member of the Board in Korsnäs AB. Employee representative.

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TV1000 Sverige AB

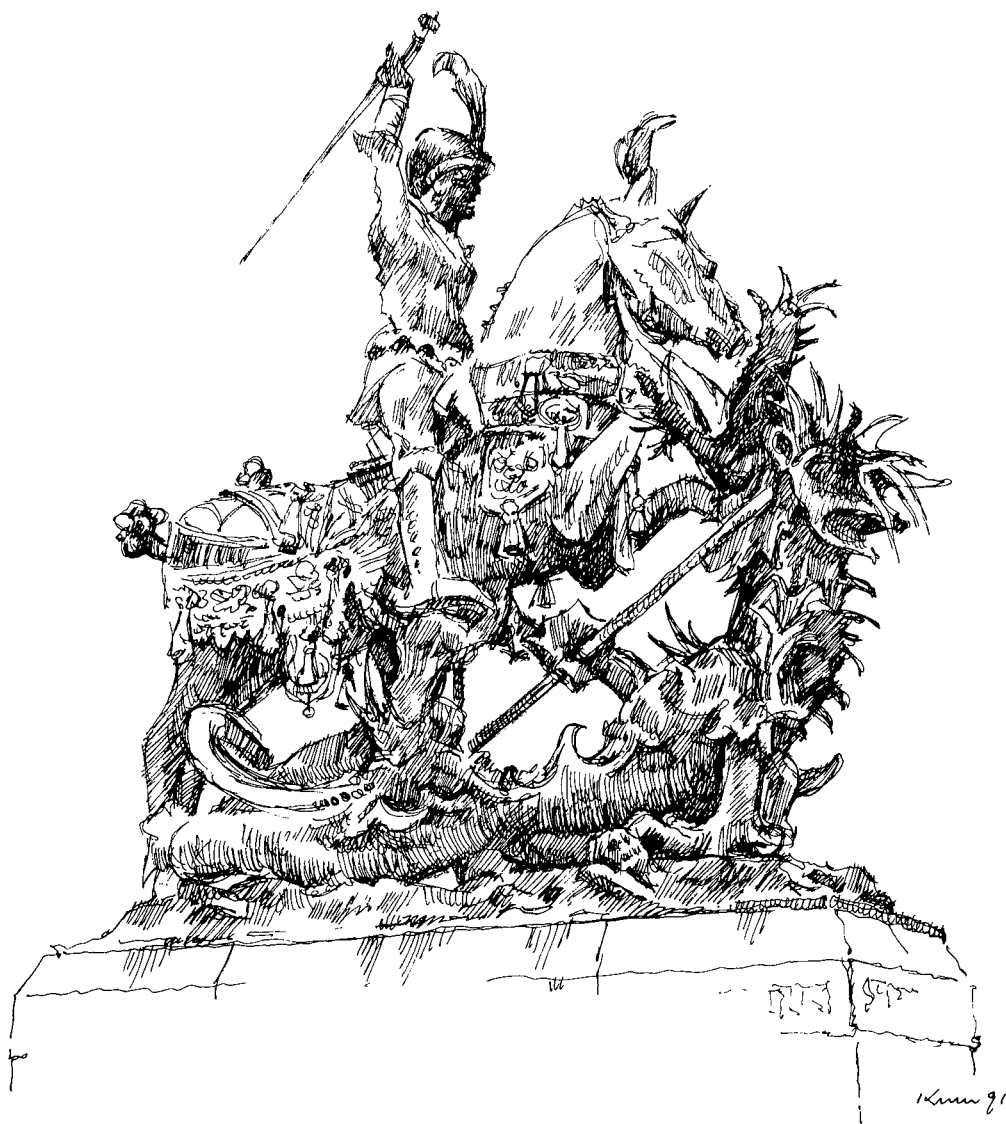
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