

Industriförvaltnings AB Kinnevik

*Skeppsbron 18
Box 2094, S-103 13 Stockholm
—
Phone + 46-8-562 000 00*



*(Publ) Registration No. 556001-9035
Registered office Fagersta
—
Fax + 46-8-20 37 74*

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Sales revenue amounted to MSEK 6,966 (7,163). The comparative figures for 1996 relate to the Kinnevik Group on a post forma basis, i.e. excluding Modern Times Group MTG AB.

Operating income amounted to MSEK 706 (900), whereof income from corporate development and capital gains on sales of securities amounted to MSEK 394 (548).

Income after net financial items amounted to MSEK 165 (624), excluding interest on convertible loan stock.

Net income amounted to MSEK 130 (loss 474).

Earnings per share after full tax and full conversion amounted to SEK 2.12 (loss 8.53).

During the past 15 years, Kinnevik's shares have generated an average effective yield of 34 per cent per year, as a result of capital growth and dividends, and including the value of offers to subscribe to shares. The effective yield for 1997 was 11 per cent.

The Board proposes that an unchanged cash dividend of SEK 5 per share be paid.

Operations

Consolidated result

On September 15, 1997 all shares in Modern Times Group MTG AB were distributed to the shareholders of Industriförvaltnings AB Kinnevik. The comparative figures for 1996 relate to the Kinnevik Group on a post forma basis, i.e. excluding MTG.

Net sales in 1997 amounted to MSEK 6,966 compared with MSEK 7,163 in the previous year for comparable units. Other operating revenue amounted to MSEK 201 (236).

Income from corporate development and capital gains on sales of securities amounted to MSEK 394 and is attributable mainly to the sale of convertibles in NetCom Systems AB, of SMA Group Holding Inc's shares in its subsidiary companies SMA Equipment and SMA Stith, and of an option to buy shares in TV1000.

Operating income amounted to MSEK 706 (900).

The interest in the earnings of associated companies was a deficit of MSEK 274 (deficit 25), of which Millicom International Cellular S.A. accounts for a deficit of MSEK 253.

Net financial revenue and expense, excluding interest on convertible loan stock, amounted to net expense of MSEK 267 (expense 251).

Income after net financial items, excluding interest on convertible loan stock, amounted to MSEK 165 (624).

Net income amounted to MSEK 130 (loss MSEK 474).

Business areas

Korsnäs Holding

Korsnäs Holding owns the Group's shares in Korsnäs AB. Korsnäs AB's net sales amounted to MSEK 4,979 compared with MSEK 4,748 in the previous year. Operating income before transfer to employees' profit-sharing plan amounted to MSEK 752 (714). The profit margin was approximately 15 per cent (15), which is above the average for the industry. The improvement in the result was mainly due to higher deliveries and production, in addition to which were lower raw material costs, cost reduction programs, and measures to improve efficiency. Despite positive currency movements, prices fell on average, which had an adverse effect on the result. The cost of personnel reductions in the form of contractual retirement benefits and severance pay in connection with the current restructuring process, which amounted to MSEK 33, was charged against the result.

	Net sales (MSEK)		Operating Income (MSEK)	
	1997	1996	1997	1996
Forest	1,457	1,400	213	113
Timber	315	263	3	-27
Industries	3,475	3,526	530	578
Packaging	1,188	957	74	58
Eliminations.....	<u>-1,456</u>	<u>-1,398</u>	<u>-50</u>	<u>-2</u>
	4,979	4,748	770 *	720 *
Profit sharing for employees			<u>-35</u>	<u>-8</u>
Operating income			735	712
Net financial items.....			<u>67</u>	<u>50</u>
Earnings after financial items			802	762

* Including participations in affiliated companies allocated by product area.

The equity ratio was 62% (62%). Profit sharing for employees were 35 MSEK (8 MSEK). This means that the preliminary value per employee is 10,900 SEK (3,325 SEK) for one full share.

Investment AB Kinnevik

Investment AB Kinnevik continues Kinnevik's tradition of developing new business activities. The Company's holdings include a substantial minority interest in Millicom International Cellular S.A., the market value of which was MSEK 4,851 at December 31, 1997. At March 17, 1998, the market value of this holding was MSEK 5,810.

Tele2 Europe continues its expansion on the more and more deregulated telecom market within the European union. The company recently received a reservation for a prefix in France and is at present involved in the final discussion with the French permission authority about equality with France Télécom concerning both international and national telephony in France.

Tele2 Europe already operates in Holland and in Germany. The first commercial launch was on October 31, 1997 in Holland, where the number of customers are about 50,000 today. The services are at the moment established in Germany, where the number of customers are about 13,000 today.

Investment AB Kinnevik's operating income amounted to MSEK 39 (loss 33), of which income from corporate development and capital gains on sales of securities accounted for MSEK 133 (1). Net sales amounted to MSEK 1,550 compared with MSEK 1,973 in the previous year.

Other subsidiaries

Other subsidiaries include the farming activities conducted through Mellersta Sveriges Lantbruks AB, MSLA, together with companies which were retained within Kinnevik in connection with the restructuring of MTG, including TV1000, AirTime and Play-TV.

Net sales for these companies amounted to MSEK 478 (478) and their aggregate operating result was a loss of MSEK 151 (loss 200). The comparative figures for the previous year include damages of MSEK 75 received by AirTime from TV4.

Return and net asset value

During the past 15 years, Kinnevik's shares have generated an average effective yield of 34 per cent per year, as a result of capital growth and dividends, and including the value of offers to subscribe to shares. The effective yield for 1997 was 11 per cent.

During the year, all the shares in Modern Times Group MTG AB were distributed to Kinnevik's shareholders. At that time MTG's shares were listed at SEK 61 on SBI. By the end of the year, the price of the shares in the present Kinnevik Group were listed at SEK 131.50.

Financial position

The Group's closing liquid funds, including non-utilized credit facilities and holdings of the company's own convertible loan stock, amounted to MSEK 3,103 (2,070).

The Group's closing interest-bearing loans, excluding convertible loan stock of MSEK 358 (389), amounted to MSEK 4,522 (3,948).

The average interest cost for the year was 6.3 per cent (7.2) (calculated as interest costs in relation to average interest-bearing liabilities excluding pension liabilities and interest on convertible loan stock).

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

The net effect of the Group's inward and outward foreign currency flows is a net inflow of foreign currency of around MSEK 1,200 on an annual basis.

Parent company

The parent company reports net income from corporate development and net capital gains on sales of securities of MSEK 266 (214).

Dividend income of MSEK 3 (922) received during the year consisted of dividend from AirTime (AT) AB (in the previous year dividends of MSEK 22 were received from TV4 and of MSEK 900 from Investment AB Kinnevik).

The net effect of other financial revenue and expense, excluding interest on convertible loan stock, was a cost of MSEK 68 (income MSEK 29).

Conversions of 1993/97/98 convertible loan stock during the year increased the share capital by MSEK 1 and the equity by MSEK 34 respectively.

The parent company's income before allocations and tax amounted to MSEK 156 (1,170).

Dividend

The Board proposes that the Annual General Meeting resolve in favour of payment of a cash dividend of SEK 5 per share.

Annual General Meeting

The Annual General Meeting will be held at 11.00 a.m. on May 15, 1998 at Gamla Stans Bryggeri, Tullhus 2, Skeppsbron, Stockholm.

Annual report

The Annual Report for 1997 is expected to be published in the middle of April, 1998 when it will be available to the public from the Company's head office.

Stockholm, March 18, 1998

INDUSTRIFÖRVALTNINGS AB KINNEVIK

Board

SUMMARY OF THE GROUP IN FIGURES

(MSEK)	1996	1996	1997
Consolidated income statement		post forma *	
Net sales	9,744	7,163	6,966
Income from corporate development and sales of securities	580	548	394
Operating income	594	900	706
Interest in earnings of associates	-18	-25	-274
Net financial items	-417	-251	-267
Income after net financial items	159	624	165
Interest on convertible loan	87	87	-5
Current taxes	-126	-94	-70
Deferred taxes	276	129	14
Minority share in earnings	-23	-13	26
Net result	374	-474 **	130
Balance sheet			
Fixed assets	10,631	10,428	9,867
Current assets	8,117	7,518	5,072
Total assets	18,748	17,946	14,939
Equity	6,520	6,520	5,165
Minority interest	84	77	45
Provisions	1,662	1,700	1,740
Liabilities	10,482	9,649	7,989
Total equity and liabilities	18,748	17,946	14,939
Key ratios			
Liquid funds, including undrawn credit facilities and holding of company's own convertibles	2,895	2,070	3,103
Fixed capital expenditure	642	425	812
Equity ratio, incl. convertibles	37	39	37
Earnings per share after full tax and full conversion, SEK	4.38	- 8.53 **	2.12

* The comparative figures for 1996 are made up on a post forma basis and relate to the Group, excluding Modern Times Group MTG AB.

** Net income has been arrived at after charging Group contributions/shareholders' contribution to Modern Times Group MTG AB.

Breakdown of turnover by business area (MSEK)	1996 *	1997 *
Korsnäs Holding AB	4,748	4,979
Investment AB Kinnevik	1,973	1,550
Other subsidiaries	478	478
Industriförvaltnings AB Kinnevik and eliminations	–36	–41
Total	7,163	6,966

Breakdown of operating income by business area (MSEK)		
Korsnäs Holding AB ¹	703	743
Investment AB Kinnevik ²	–33	39
Other subsidiaries	–200	–151
Industriförvaltnings AB Kinnevik and eliminations ²	438	110
Total	908	741

Breakdown of income/loss after net financial items by business area (MSEK)		
Korsnäs Holding AB ¹	575	654
Investment AB Kinnevik ²	–212	–330
Other subsidiaries	–181	–180
Industriförvaltnings AB Kinnevik and eliminations ^{2,3}	450	56
Total	632	200

The 1996 figures relate to the Group on a post forma basis, excluding Modern Times Group MTG AB.

* The total figures for each sub-group relate to the operative structure, which is not entirely the same as the legal structure.

¹⁾ Excluding transfer of MSEK 35 (8) to employee's profit-sharing plan.

²⁾ Including income from corporate development and sales of securities.

³⁾ Excluding interest cost of MSEK 5 (87) on convertible loan stock.

NET ASSET VALUE

The Kinnevik share seems to have been valued during the years on the basis of its net asset value. This has been logical as the focus of the company's operations has been to create net asset value growth. The level of operating income has been disregarded as it often did not follow the development of the company. The perception has been that it is difficult to analyze Kinnevik and therefore the Annual Reports have included the company's prudent estimate of net asset value. At times this has been a difficult decision for certain members of the Board as they have had the opinion that this is a task for financial analysts and that the estimates have been too prudent. The company's net asset value consists mainly of the following assets: the industry operation in Korsnäs and shares in telecommunications companies. These include the holding in Millicom International Cellular SA and Kinnevik's shares in telecommunications and related activities outside Scandinavia. These may be merged with MIC's European activities into a jointly owned company, Société Européenne de Communication (SEC). The allotment of ownership depends on an independent valuation and following negotiations. The Board therefore concludes that its estimate of net asset value is no longer needed.