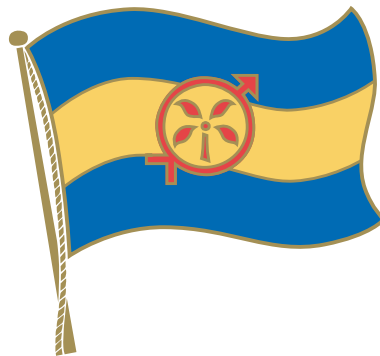


Industrieförvaltnings AB
Kinnevik



Annual Report 2000

Financial information

Interim Report 2001 1st quarter, April 26, 2001.

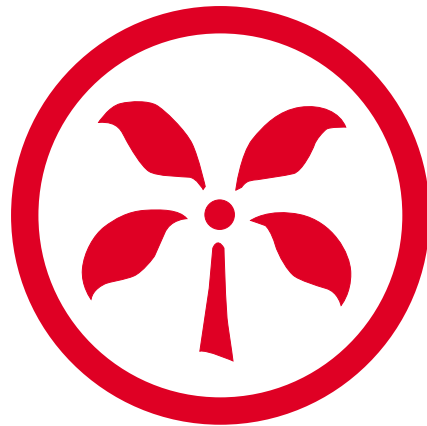
Half-yearly report 2001, August 7, 2001.

Interim report 2001 3rd quarter, October 25, 2001.

The Year-end Report for fiscal 2001, February 2002.

The Annual Report for fiscal 2001, April 2002.

Annual General Meeting, May 2002.



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

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Board of Directors and Auditors



Members, President 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 20, 2001.

Board of Directors

Honorary Members

Carl-Gustaf Klingspor
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 47 for further information about Kinnevik's Board of Directors.

Management



- Left to right,
front row: Peter Buckley, President of Korsnäs Packaging Group, Paris;
Vigo Carlund, President of Industriförvaltnings AB Kinnevik,
Stockholm; Raju Tonapi, Regional Manager of Transcom World-
Wide South Region, Milano.
- Second row: Sture Gustavsson, President of Mellersta Sveriges Lantbruks AB,
Vadstena; Kevin McCauly, Regional Manager of Transcom World-
Wide West Region, Luxembourg; Fredrik Danielsen, Regional
Manager of Transcom WorldWide North Region, Karlskoga.
- Back row: Per Lindberg, President of Korsnäs AB, Gävle; Anders Norrman,
President of CIS Credit International Services AB, Karlskoga.
- Travelling: Steve Eveland, Regional Manager of Transcom WorldWide East
Region, Luxembourg; Mitch Gershman, President of Worldwide
Loyalty B.V., Amsterdam; Zijah Lenjani, President of Birraria
Hugo's N.P, Kosovo.

Financial Highlights 1996–2000

Consolidated Statements of Income ¹

(MSEK)	1996	1997	1998	1999	2000
Net sales	5,620	5,044	5,558	6,227	7,019
Income from corporate development	334	129	759	96	8,471
Income from sales of securities	214	265	277	6	– 81
Operating income	1,057	729	1,352	450	8,588
Participations in affiliated companies	– 25	– 265	– 487	387	534
Income after financial revenue and expenses exclusive of interest on convertibles	817	261	580	587	8,865

Key ratios

Return on capital employed (%)	11.3	5.5	7.7	6.8	48.3
Return on stockholders' equity (%)	14.6	4.0	8.9	9.0	85.8
Interest coverage ratio (times)	2.3	1.6	2.4	2.7	20.7
Profit margin (%)	15.5	5.2	10.4	9.4	126.3
Equity / assets ratio (%)	43.5	40.5	39.0	36.5	56.7
Debt / equity ratio (times)	1.0	1.2	1.2	1.5	0.6
Risk capital ratio (%)	45.5	42.8	41.7	39.1	58.3

Per share data ²

Earnings per share after full tax (SEK)	13.36	3.60	8.13	8.23	139.45
Stockholders' equity per share	115	88	92	91	234
Market price at December 31 (SEK), excluding distributed companies	187.50	131.50	190.00	264.00	181.00
Dividend (SEK)	77.00 *	41.50 **	6.35 ***	4.76 **	1.00 ****
Direct return (%)	41	32	3	2	1

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

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

*** Including distribution of warrants in Invik & Co. AB (Invik).

**** Proposed cash dividend, exclusive of value of Transcom WorldWide S.A. (Transcom).

¹⁾ Figures for 1996-1999 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
1996 has been charged with group contributions / stockholders'
contributions to MTG.

Deferred tax

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

Stockholders' equity per share

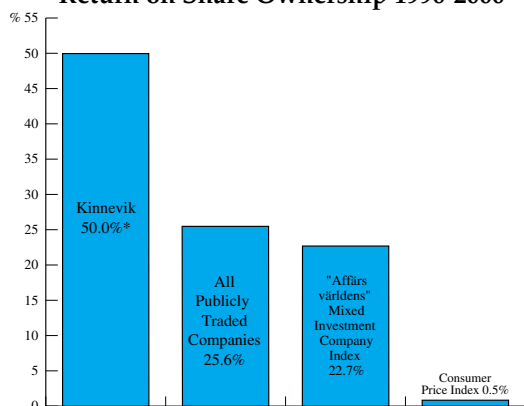
Equity + convertible debenture loans / number of shares after full
conversion.

Direct return

Dividend / market price on December 31.

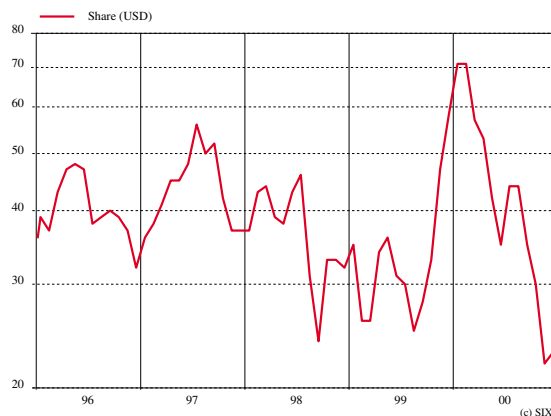
Figures

Effective Annual Average Rate of Return on Share Ownership 1996-2000



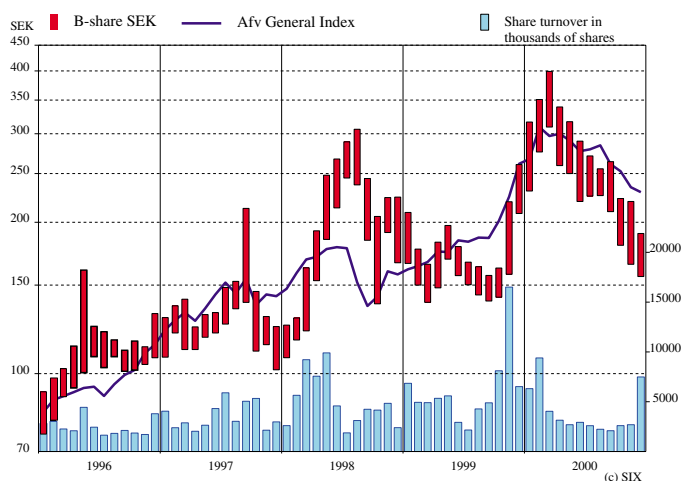
* Including the value of dividends of Tele2, MTG, SEC, Invik and Metro and the value of share subscription offers.

MIC's share price during 1996-2000



Kinnevik's holding in MIC amounts to 34% of capital. The market value on December 31, 2000, was MSEK 3,364.

Shares, Convertible debentures and Options



Tele2's share price during 1996-2000



Kinnevik's holding in Tele2 amounts to 16% of capital. The market value on December 31, 2000, was MSEK 8,743.

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 Tele2 AB (formerly NetCom AB) (Tele2), Modern Times Group MTG AB (MTG), Société Européenne de Communication S.A. (SEC) and Invik & Co. AB. On May 14, 1996, all shares in Tele2 were distributed to Kinnevik's shareholders. On September 15, 1997 all 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. On May 31, 2000, Kinnevik distributed warrants to its shareholders entitling them to acquire 1.6% of the shares in SEC for SEK 11.70 per share. During the year, Tele 2 acquired 99.7% of the shares in SEC.

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 2000, an average of 439 options contracts was traded each day, which corresponds to 43,900 shares. As of October 1999, options with long durations, known as warrants, were listed. In 2000, a total of 17,870,500 warrants were traded.

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 29, 2000.

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
Emesco AB	2,432,405	0	3.9	12.2
Jan H Stenbeck	1,539,000	0	2.4	7.7
Klingspor Family	1,141,982	198,176	2.1	5.8
Confidentia Förvaltnings AB	904,500	0	1.4	4.5
Korsnäs Trust	599,314	45,605	1.0	3.0
Svenska Handelsbanken Fonder	191,800	3,408,785	5.7	2.7
von Horn Family	436,800	52,261	0.8	2.2
Franklin Mutual Series Funds	0	4,327,619	6.9	2.2
Folksam incl. AMF-Sjukförsäkringar	0	3,491,704	5.5	1.8
S-E-Banken / Trygg-Hansa Fonder	0	3,133,015	5.0	1.6
Gamla Livförsäkringsaktiebolaget	200,000	592,993	1.3	1.3
Banco Fonder	0	2,269,652	3.6	1.1
Skandia	103,000	1,166,820	2.0	1.1
Hugo Stenbeck's Trust	199,530	0	0.3	1.0
Kungliga Skogs- & Lantbruksakademin	172,000	0	0.3	0.9
Alecta Pensionsförsäkring	2,312	1,559,128	2.5	0.8
WASA Försäkringar	0	1,036,093	1.6	0.5
Catella	0	805,000	1.3	0.4
Chase Manhattan Bank	0	741,135	1.2	0.4
Others	<u>1,034,711</u>	<u>22,650,014</u>	<u>37.7</u>	<u>16.6</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 21 years, as the prices of established companies appeared to be high, Kinnevik, instead of investing in these, has set up companies around new products or services, largely in information distribution in the broadest sense of the term, from telecommunications to television. Kinnevik or these subsidiary companies, have invested in operating cellular mobile telephone systems since 1981, in establishing DBS satellite operations since 1985, in operating credit card telephone and credit card transaction systems since 1986, in providing SMA-TV services since 1987, in publishing since 1987, in satellite TV broadcasting since 1987, in independent TV production since 1988, in distribution of pay-TV since 1989, in television homeshopping since

1989, in radio broadcasting since 1991, in digital mobile telecommunications since 1992, in text TV since 1993, in international telecommunications since 1993 and in national telecommunications since 1994. Metro, a daily newspaper, was started in 1995. Internet companies and companies related in other ways to IT as well as customer service operations were started in 1996. Even though errors surely have been committed, these ventures now appear to be successful overall.

In 1992 Kinnevik made a tender offer to acquire the minority shares outstanding in Korsnäs AB, a company in which Kinnevik has been a shareholder since 1936 and which has developed, in terms of value, into one of the largest assets in Kinnevik. 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 Tele2 AB (formerly NetCom AB) (Tele2) 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, Transcom WorldWide S.A. (Transcom) (50.1%) (100% as of January 8, 2001), one of the leading customer service companies in Europe, Millicom International Cellular S.A. (MIC) (34%), one of the world's leading operators of mobile telecommunication systems, Tele2 (16%), which in 2000 acquired all the shares in Société Européenne de Communication S.A. (SEC), a fast-growing telecom operator on the Continent. The Tele2 business has thus become pan-European and embraces mobile telephony and fixed telephony in 20 European countries.

On December 31, 2000, the sum of the value of the spun-off shares in Tele2, MTG and Metro was MSEK 77,034, or SEK 1,244 per share, on the number of Kinnevik shares currently in issue.

Operations in 2000

Once again the crops got off to a poor start. A warm but dry spring stimulated the crops to form ears and germinate far too soon. This state of affairs resulted in a contraction of the crop from the very beginning. In addition, the swing to damper weather in the summer and autumn did little to help harvesting. A decision by the EU to adapt prices to global market levels caused depressed prices during the year. The crayfish ponds at Svedberga provided a good catch, amounting to 1,500 crayfish.

Demand for paper from Korsnäs remained strong on all

markets during the year. Price increases and a strong dollar had a positive effect on Korsnäs in 2000. During the year, funds were set aside for severance pay and retirements in connection with the extensive restructuring programme at Korsnäs.

In March, Kinnevik-owned Transcom AB merged with Transcom WorldWide S.A. Following the merger, Kinnevik had a 50.1% interest in the company. Transcom has 23 call centres in 14 countries. During 2000, the number of employees rose from some 3,000 to some 5,500. Kinnevik acquired the remaining 49.9% of shares in Transcom on January 8, 2001, since when the company has been a wholly owned subsidiary of Kinnevik.

The market value of Kinnevik's holding of MIC shares amounted, at December 31, 2000, to MSEK 3,364. On February 19, 2001, the market value was MSEK 3,893. MIC currently has equity holdings in 34 companies in 21 countries, together representing a market with 570 million inhabitants. In 2000, the total subscriber base of these companies increased by 55% to 3,147,187. In 2000, net acquisitions of subscribers amounted to 812,408, an increase of 63%. The subscriber base of Tele2, in which MIC has a minority interest, is not included in the above figures.

The market value of Kinnevik's holding in Tele2 shares amounted on December 31, 2000, to MSEK 8,743. On February 19, 2001, the market value of the holding was MSEK 8,571.

On July 24, 2000 Tele2 made a bid for the outstanding shares in SEC, offering one share in Tele2 for every 11.5 shares in SEC. At the expiry of the subscription period, Tele2 owned 99.7% of the shares in SEC. Kinnevik's capital gain amounted to MSEK 7,627.

Tele2 was formed in 1993 and is a leading, alternative pan-European telecom provider, whose business is mobile GSM services, public telecom and data communication services, as well as Internet, under the brandnames of Tele2, Tango, Comviq and Q-GSM, with more than 9 million customers in 20 countries.

A brief look back and future prospects

In 2000 the American economy had another brilliant year, with rapid growth, a record level of employment, and low inflation. However, there was a stark contrast between the first and the second halves of the year. During the first half of the year, real GDP rose at an annual rate of 5 % in relation to the second half of 1999 with the expansion driven by consumption, investments and export. In the second half of the year there was an unexpectedly abrupt slowdown in demand under the pressure of a tighter monetary policy, which culminated in a 50 point rise in the prime rate to 6.5% on May 16.

American stock exchanges registered new highs to begin with, with Dow Industrials reaching 11,722 on January 14 and S&P Composite hitting 1,527.46 on March 24, after which they fell back. The technology, media and telecom heavy Nasdaq Composite reached an all-time high of 5,048.62 on March 10 but then more than halved by the end of the year, the steepest downturn since the start in 1971.

Current growth forecasts in the USA for the year indicate a further weakening. The growth rate is expected to moderate to around 2.5% for the year as a whole, half the rate in 2000. In addition, this is by no means uniformly

distributed. The effect on traditional manufacturing industry is expected to be worse. The question is whether the Fed has underestimated the total shortfall in demand at all stages due to the larger American budget surplus. The Fed is more than ready to ease monetary policy as a means of combating the slowdown. A first, surprising, step was already taken on January 3 – in between the regular monetary policy meetings in December and January – when the Fed decided to lower the prime rate by 50 points and the Federal Funds rate by 25 points. Shortly after, the Federal Funds rate was cut by a further 25 points. A second step was made on January 31 when the Fed lowered the prime rate and the Federal Funds rate by 50 points to 5.50% and 5% respectively. Tax cuts are high on the new President's list of priorities and are expected to stimulate demand, especially in the long term.

2000 was another good year for Britain with a total production increase of just over 3%, on the back of strong private and public consumption. Like the USA, the British economy has experienced a period of uninterrupted expansion since the recession in 1991. At 3.8%, visible unemployment was, as in the USA, the lowest among the G7 countries, and inflation remained mild. The prospects for this year appear bright with only a moderate slowdown and there is ample room for manoeuvre on both the financial and monetary policy fronts to offset slower growth.

Following a lean 1999, the euro-zone experienced a much awaited economic recovery in 2000. Total production (GDP) rose by 3% for the area as a whole, but as in the USA, the rate of production increase slackened markedly in the second half of the year. The slowdown in 2001 is, however, expected to be relatively short and mild, mainly due to lower oil prices and an easier fiscal policy. Tax cuts have already been made, or have been announced, in most euro-zone countries. An easier monetary policy may also be expected once inflation has fallen below the 2 per cent target. The introduction of common notes and coins at the end of 2001 is expected to act as a catalyst for further integration across broad sectors of the single market.

2000 was a favourable year for the economies around the perimeter of the euro-zone – the Nordic countries, Central Europe, the Baltic States and Russia. Far-reaching integration with the giant in the south-west can be expected to bring greater political and economic stability.

Expectations of sustainable economic recovery in Japan during 2000 were not realised. Following a relatively strong first quarter, the recovery once again faded away. The crisis in the financial system was deepened by a sharp increase in the number of bankruptcies and falling share prices. The Nikkei 225 fell 36% between its peak in March and the year-end, which further undermined the balance sheets of banks and insurance companies. Expectations for the current year are unusually subdued.

The threat to the continued favourable development of the global economy comes from the massive debt that has been built up, especially in countries such as the USA and Japan, Latin America, Asia and the Middle East. Asset portfolios across broad swathes of the financial system may prove to be more vulnerable and difficult to handle than foreseen in a prolonged, and deeper recession, which could trigger panicky reactions that would have a domino effect.

Directors' Annual Report

Return and asset value

Since 1976 Kinnevik's shares have generated an average effective yield of 25% per year as a result of rising prices and dividends, including the value of warrants offers and subscription offers. During the past five years, Kinnevik's shares have generated an effective yield of 50% per year. The effective yield in 2000 was -30%.

During the year, warrants to acquire shares in SEC were distributed to Kinnevik's shareholders, which absorbed 8,915,303 shares in SEC, of which 2,149,206 were Series "A" shares and 6,766,097 were Series "B" shares. At the year-end, the listed price of Kinnevik's Series "A" shares was SEK 175 and of its Series "B" shares SEK 181.

Consolidated result

Net turnover for 2000 amounted to MSEK 7,019, which may be compared with MSEK 6,227 for the previous year for comparable units. Other operating revenue amounted to MSEK 248 (235).

Income from corporate development and net capital gains on sales of securities amounted to MSEK 8,390 (102), largely attributable to the sale of shares in SEC in exchange for new shares in Tele2 (MSEK 7,627) and the sale of the business of TV1000 Sverige AB (MSEK 762).

Operating income amounted to MSEK 8,588 (450). This includes the refund of MSEK 68 from the SPP insurance company. Korsnäs is carrying out an exceptional and extensive programme of restructuring. In 2000, costs of MSEK 105 were taken against income to cover severance pay. The Board has also decided to set aside funds of MSEK 297 for individual severance pay. A total cost of MSEK 383 for severance pay was charged against income in 2000. Moreover, costs of MSEK 443 were charged against income for warrant undertakings in relation to MTG Intressenter AB.

Kinnevik's interest in the earnings of affiliated companies amounted to MSEK 534 (387), of which the interest in MIC's income was MSEK 1,044 and the interest in SEC's loss was MSEK 504. MIC's result includes capital gains of MUSD 663 (146).

Financial revenue and expense amounted to a net expense of MSEK 257 (expense 250).

Income after financial net amounted to MSEK 8,865 (587).

Net income for the year amounted to MSEK 8,777 (518).

The comparative figures for 1999 are post forma and relate to the Kinnevik Group including the companies currently belonging to it.

Organisation

During the past 21 years, total investments in new businesses have amounted to some MSEK 14,500.

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, thus enabling 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.
- Tele2 AB (Tele2) 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 Tele 2 to Kinnevik's shareholders. Tele2 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 businesses. 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 January 2000, Kinnevik sold its holding in Net Entertainment NE AB to Cherryföretagen AB (Cherry) in return for shares in Cherry. In June Kinnevik invested MSEK 41 in shares in Cherry. Kinnevik's interest in Cherry is now 29%.

Goodguy Svenska AB carried out a MSEK 100 share issue in February 2000, of which Kinnevik acquired MSEK 30. Kinnevik's interest is now 47%.

On March 15, Kinnevik's Series "A" and Series "B" shares obtained listing on Nasdaq in New York, under KVIKA and KIVKB.

In March, Kinnevik-owned Transcom AB merged with Transcom WorldWide S.A. Following the merger, Kinnevik owned 50.1% of the new company.

On April 1, Kinnevik sold the business of TV1000 to Modern Times Group MTG AB for a capital gain of MSEK 762.

On May 26, Kinnevik's Annual General Meeting resolved in favour of paying a cash dividend of SEK 1 per share and of distributing warrants to buy shares in SEC.

During the first half of the year, all the shares in MTV Production AB were sold for a capital gain of MSEK 34.

In June, Korsnäs signed a letter of intent to acquire UPM-Kymmene's seven sack factories in Europe. The transaction was completed in November.

On July 24, Tele 2 made an offer for all the outstanding shares in SEC, and offered one share in Tele2 for every 11.5 shares in SEC. At the close of the subscription period, Tele2's holding in SEC amounted to 99.7%. The Kinnevik Group's net income from the transaction amounted to MSEK 7,627. The sale does not give rise to any tax liability.

In August, MTG distributed all its shares in Metro International S.A. (Metro) to its shareholders, making Kinnevik one of the largest shareholders in Metro.

In December, Kinnevik invested MUS\$ 20 in the Marcstone Overseas Euro Ltd hedge fund.

A minority shareholder in Korsnäs AB has not accepted the arbitration decision of March 25, 1999, and has taken the case to court.

Financial position

The value of the Group's holding of listed securities amounted to MSEK 14,570 as of December 31. On February 19, 2001, the value amounted to MSEK 15,097, to give a premium over the book value of the Group's listed portfolio of MSEK 2,555 on that date.

The Group's liquid funds, including short-term investments and undrawn credit facilities, amounted to MSEK 3,968 (5,761) at December 31, 2000.

The Group's closing net interest-bearing liabilities amounted to MSEK 5,855 (6,244).

The average interest cost for the year was some 5.3% (4.3%) (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 614 (867).

The closing equity/assets ratio was 57% (35%). After taking into account the premium over the book value of listed securities, the equity/assets ratio was 60% (73%).

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

On January 8, 2001, Kinnevik acquired the remaining 49.9% of shares in Transcom, since when it has been a wholly owned subsidiary of Kinnevik.

Research and development

The Group's research and development expense amounted to MSEK 42(40), most of which is attributable to Korsnäs AB.

Parent company

The parent company reports net income from corporate development and net capital gains on sales of securities of MSEK 2,806 (67). This mainly consists of income statement items from intra-group profits on the sale of subsidiaries.

Net income from interests in Group companies amounted to MSEK 783 (1,963), of which dividends accounted for MSEK 803, and write-downs in the value of shares in subsidiaries for a cost of MSEK 20.

Other financial revenue and expenses resulted in net income of MSEK 319 (expense 61).

The parent company's income before tax amounted to MSEK 3,911 (1,892).

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 mainly affects the environment 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 oxides into air, and the storage of waste in landfills on the company's industrial site.

Board procedures

Kinnevik's Board held six minuted meetings in 2000.

Future developments

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

Proposed treatment of unappropriated earnings

The Group's non-restricted equity amounts to MSEK 10,742.

At the disposal of the parent company's Annual General Meeting are	(SEK thousand)
Non-restricted equity	5,760,677

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
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In addition to the cash dividend, it is proposed that the Annual General Meeting resolve in favour of distributing the shares in Transcom WorldWide S.A. The terms for the distribution shall be determined in such a way that that Industriförvaltnings AB Kinnevik's non-restricted equity be reduced by no more than SEK 5,600,000,000.

Consolidated Statement of Income

for the period January 1 – December 31 (MSEK)

	1999	1999 * post forma	2000
Net sales, Note 2.....	6,877	6,227	7,019
Cost of sales.....	<u>- 5,702</u>	<u>- 5,067</u>	<u>- 5,687</u>
Gross result.....	<u>1,175</u>	<u>1,160</u>	<u>1,332</u>
Selling expenses.....	- 374	- 244	- 261
Administration expenses.....	- 550	- 624	- 656
Research and development expenses.....	- 40	- 40	- 42
Income from corporate development, Note 3.....	134	96	8,471
Income from sales of securities, Note 3.....	69	6	- 81
Other operating income, Note 4.....	246	235	248
Other operating expenses.....	<u>- 143</u>	<u>- 139</u>	<u>- 423</u>
Operating income, Notes 2, 5, 25, 29, 31.....	517	450	8,588
Result from participation in affiliated companies, Note 7.....	370	387	534
Interest income and similar, Note 8.....	98	80	605
Interest expense and similar, Note 9.....	<u>- 350</u>	<u>- 330</u>	<u>- 862</u>
Income after financial items, Note 2.....	635	587	8,865
Current taxes.....	- 81	- 78	- 90
Deferred taxes, Note 20.....	8	8	4
Minority share in earnings.....	<u>1</u>	<u>1</u>	<u>- 2</u>
Net result for the year.....	<u>563</u>	<u>518</u>	<u>8,777</u>

* The comparative figures for 2000 are post forma and exclude SMA Maskin and Fagersta Australia and the business of TV1000 Sverige which have been divested but include Transcom Europe S.A. which was acquired in 2000.

Consolidated Statement of Cashflows

for the period January 1 – December 31 (MSEK)

	1999	2000
Operations		
Net income.....	563	8,777
Adjustment for items not included in cash flow, etc.		
Depreciation	522	517
Interest in earnings of affiliated companies.....	– 370	– 534
Minority interests	– 1	2
Change in deferred tax liability.....	– 8	70
Income from corporate development	– 134	– 8,471
Sales of securities.....	– 69	81
Other, net.....	88	330
Cash flow from operations before changes in working capital	<u>591</u>	<u>772</u>
Cash flow from changes in working capital		
Change in short-term investments.....	– 162	– 135
Change in inventories	149	– 111
Change in accounts receivable.....	– 409	– 222
Change in other current assets	133	271
Change in accounts payable.....	91	125
Change in other operating liabilities	– 295	63
Cash flow from operations	<u>98</u>	<u>763</u>
Capital expenditure		
Sales of subsidiaries	70	–
Investments in intangible fixed assets	– 73	– 12
Investments in tangible fixed assets.....	– 793	– 602
Sales of tangible fixed assets	102	34
Investments in financial fixed assets	– 658	– 782
Sales of financial fixed assets	143	135
Cash flow from capital expenditure.....	<u>– 1,209</u>	<u>– 1,227</u>
Financing		
Increase in long-term liabilities.....	4,014	2,285
Amortisation of loans.....	– 2,659	– 1,775
Dividends paid.....	– 63	– 63
Cash flow from financing	<u>1,292</u>	<u>447</u>
Cash flow for the year, Notes 10, 11, 12.....	181	– 17
Opening liquid funds	336	507
Translation differences in liquid funds	– 10	6
Closing liquid funds	507	496

Consolidated Balance Sheet

December 31 (MSEK)

ASSETS	1999	2000
Fixed assets		
Intangible assets, Note 13		
Capitalized development costs	94	68
Patents and trade marks	8	6
Beneficial rights	1	1
Goodwill	<u>270</u>	<u>149</u>
	373	224
Property, plant and equipment, Note 14		
Land and buildings	900	1,056
Forest and agricultural property	3,062	3,087
Machinery	3,141	3,590
Equipment, tools and fittings	288	349
Leasing objects	0	–
Construction in progress and advances relating to property, plant and equipment	<u>660</u>	<u>172</u>
	8,051	8,254
Financial assets, Note 15		
Stocks and participations in affiliated companies	2,529	1,593
Receivables from affiliated companies	279	232
Stocks and participations in other companies . . .	143	10,076
Other long-term receivables	<u>158</u>	<u>684</u>
	3,109	12,585
Total fixed assets	<u>11,533</u>	<u>21,063</u>
Current assets		
Inventories etc		
Raw materials and consumables	331	389
Felling rights	30	34
Work in progress	138	99
Finished products and goods for resale	565	628
Work on contract	1	1
Advance payment to suppliers	<u>170</u>	<u>7</u>
	1,235	1,158
Current receivables		
Accounts receivable	1,381	1,485
Other receivables	465	278
Prepaid expenses and accrued income, Note 16	<u>187</u>	<u>135</u>
	2,033	1,898
Short-term investments, Note 17	<u>1,116</u>	<u>1,550</u>
Liquid funds	<u>507</u>	<u>496</u>
Total current assets	<u>4,891</u>	<u>5,102</u>
TOTAL ASSETS	<u>16,424</u>	<u>26,165</u>

STOCKHOLDERS' EQUITY AND LIABILITIES	1999	2000
Stockholders' equity, Note 18		
Restricted equity		
Stock capital	629	629
Restricted reserves	<u>3,909</u>	<u>3,339</u>
	4,538	3,968
Unrestricted equity		
Unrestricted reserves	642	1,965
Net result	<u>563</u>	<u>8,777</u>
	<u>1,205</u>	<u>10,742</u>
Total stockholders' equity	<u>5,743</u>	<u>14,710</u>
Minority interest in equity	<u>17</u>	<u>134</u>
Provisions		
Provisions for pensions, Note 19	626	630
Deferred tax liabilities, Note 20	415	413
Other provisions, Note 21	<u>393</u>	<u>730</u>
Total provisions	<u>1,434</u>	<u>1,773</u>
Long-term liabilities, Note 22		
Interest-bearing		
Checking account credit facilities, Note 23	136	124
Other liabilities to credit institutions, Note 26 ...	7,180	7,750
Other liabilities	<u>213</u>	<u>42</u>
	7,529	7,916
Non-interest-bearing	<u>1</u>	<u>30</u>
Total long-term liabilities	<u>7,530</u>	<u>7,946</u>
Short-term liabilities		
Interest-bearing		
Liabilities to credit institutions	131	190
Liabilities to affiliated companies	<u>19</u>	<u>24</u>
	150	214
Non-interest-bearing		
Advance payments from customers	7	13
Accounts payable	495	469
Income tax liabilities	26	37
Other liabilities	480	268
Accrued expenses and prepaid income, Note 24	<u>542</u>	<u>601</u>
	<u>1,550</u>	<u>1,388</u>
Total short-term liabilities	<u>1,700</u>	<u>1,602</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	<u>16,424</u>	<u>26,165</u>
Pledged assets, Note 26	<u>9,517</u>	<u>18,548</u>
Contingent liabilities, Note 27	<u>801</u>	<u>218</u>

Parent Company Statement of Income

for the period January 1 – December 31 (MSEK)

	1999	2000
Net sales, Note 2	20	19
Administration expenses	– 97	– 67
Income from corporate development, Note 3	– 3	2,861
Income from sales of securities, Note 3	70	– 55
Other operating income, Note 4.....	<u>–</u>	<u>51</u>
Operating income, Notes 5, 25, 29, 31	– 10	2,809
Result from participation in Group companies, Note 6.....	1,963	783
Interest income and similar, Note 8	400	951
Interest expense and similar, Note 9.....	<u>– 461</u>	<u>– 632</u>
Income after financial items	1,892	3,911
Current taxes.....	<u>– 9</u>	<u>–</u>
Net result for the year	<u>1,883</u>	<u>3,911</u>

Parent Company Statement of Cashflows

for the period January 1 – December 31 (MSEK)

	1999	2000
Operations		
Net income.....	1,883	3,911
Adjustment for items not included in cash flow, etc.		
Depreciation	1	1
Anticipated dividend.....	– 2,000	– 1,307
Income from corporate development	3	– 2,861
Sales of securities.....	– 70	55
Other, net.....	<u>85</u>	<u>30</u>
Cash flow from operations before changes in working capital.....	<u>– 98</u>	<u>– 171</u>
Cash flow from changes in working capital		
Change in short-term investments.....	– 97	– 87
Change in inter-company transactions.....	– 1,077	416
Change in other current assets	– 56	310
Change in accounts payable.....	1	1
Change in other operating liabilities	<u>288</u>	<u>17</u>
Cash flow from operations	<u>– 1,039</u>	<u>486</u>
Capital expenditure		
Sales of subsidiaries	142	–
Investments in tangible fixed assets.....	0	– 1
Investments in financial fixed assets	– 182	– 1,031
Sales of financial fixed assets	<u>9</u>	<u>104</u>
Cash flow from capital expenditure.....	<u>– 31</u>	<u>– 928</u>
Financing		
Increase in long-term liabilities.....	3,450	1,585
Amortisation of loans.....	– 2,317	– 1,080
Dividends paid.....	<u>– 63</u>	<u>– 63</u>
Cash flow from financing	<u>1,070</u>	<u>442</u>
Cash flow for the year, Notes 10, 11, 12.....	0	0
Opening liquid funds	0	0
Translation differences in liquid funds	–	–
Closing liquid funds	0	0

Parent Company Balance Sheet

December 31 (MSEK)

ASSETS	1999	2000
Fixed assets		
Property, plant and equipment, Note 14		
Equipment.	2	1
Financial assets, Note 15		
Stocks and participations in Group companies . .	9,917	13,311
Receivables from Group companies.	4,980	5,417
Stocks and participations in affiliated companies	56	83
Receivables from affiliated companies.	225	234
Stocks and participations in other companies . .	127	871
Other long-term receivables.	138	477
	<u>15,443</u>	<u>20,393</u>
Total fixed assets	<u>15,445</u>	<u>20,394</u>
Current assets		
Current receivables		
Receivables from Group companies.	3,131	1,714
Other receivables	329	65
Prepaid expenses and accrued income, Note 16 . .	5	3
	<u>3,465</u>	<u>1,782</u>
Short-term investments, Note 17	<u>964</u>	<u>994</u>
Liquid funds.	<u>0</u>	<u>0</u>
Total current assets	<u>4,429</u>	<u>2,776</u>
TOTAL ASSETS	<u>19,874</u>	<u>23,170</u>

STOCKHOLDERS' EQUITY AND LIABILITIES	1999	2000
Stockholders' equity, Note 18		
Restricted equity		
Stock capital	629	629
Premium reserve	357	357
Revaluation reserve	190	190
Legal reserve	<u>2,987</u>	<u>2,987</u>
	<u>4,163</u>	<u>4,163</u>
Unrestricted equity		
Retained earnings	657	1,850
Net result	<u>1,883</u>	<u>3,911</u>
	<u>2,540</u>	<u>5,761</u>
Total stockholders' equity	<u>6,703</u>	<u>9,924</u>
Provisions		
Provisions for pensions, Note 19	<u>34</u>	<u>34</u>
Long-term liabilities, Note 22		
Interest-bearing		
Checking account credit facilities, Note 23	50	108
Liabilities to credit institutions, Note 26	3,180	4,045
Liabilities to Group companies	1,929	2,844
Other liabilities	<u>209</u>	<u>0</u>
Total long-term liabilities	5,368	6,997
Short-term liabilities		
Interest-bearing		
Liabilities to Group companies	<u>4,637</u>	<u>4,901</u>
Non-interest-bearing		
Accounts payable	4	5
Liabilities to Group companies	3,032	1,196
Other liabilities	56	58
Accrued expenses and prepaid income, Note 24	<u>40</u>	<u>55</u>
	<u>3,132</u>	<u>1,314</u>
Total short-term liabilities	<u>7,769</u>	<u>6,215</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	<u>19,874</u>	<u>23,170</u>
Pledged assets, Note 26	<u>6,703</u>	<u>11,816</u>
Contingent liabilities, Note 27	<u>977</u>	<u>441</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.

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.

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.

Short-term investments

Short-term investments are not valued using the lowest value principle. They are valued as a group, which means that the book value of any individual shares does not need to be written down so long as the total value of the share portfolio is booked at a value that is not in excess of its listed value.

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 capital gains/losses on receivables and liabilities of an operational character are stated in operating income, while currency fluctuations on loans and investments in foreign currencies are stated as financial items.

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 from such balances are therefore taken direct to receivables or liabilities respectively.

All foreign subsidiaries are classified as independent.

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 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 goods 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.

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.

Forests and agricultural real estate are stated at acquisition value. Expense on forestry, which includes restoration, sowing of seeds and planting out is stated among costs of sold goods and services in connection with the harvesting of forests. Forestry is statutory.

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 available 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 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**

	1999 post forma	2000
Net sales by business area		
Mellersta Sveriges Lantbruks AB	12	14
Korsnäs Holding AB	4,984	5,209
Transcom WorldWide S.A.	938	1,498
Worldwide Loyalty B.V.....	31	85
CIS Credit International Services AB.....	69	106
Other subsidiaries.....	188	127
Parent Company, Holding companies and eliminations ..	5	20
Total	<u>6,227</u>	<u>7,019</u>
Operating income by business area		
Mellersta Sveriges Lantbruks AB	2	8
Korsnäs Holding AB	489	241
Transcom WorldWide S.A.	– 11	17
Worldwide Loyalty B.V.....	0	– 7
CIS Credit International Services AB.....	7	– 6
Other subsidiaries*.....	– 20	716
Parent Company, Holding companies and eliminations ..	– 17	7,619
Total	<u>450</u>	<u>8,588</u>
Income after financial items by business area		
Mellersta Sveriges Lantbruks AB	2	7
Korsnäs Holding AB	435	167
Transcom WorldWide S.A.	– 27	10
Worldwide Loyalty B.V.....	0	– 8
CIS Credit International Services AB.....	5	– 8
Other subsidiaries*.....	– 14	418
Affiliated companies**	379	545
Parent Company, Holding companies and eliminations ..	– 193	7,734
Total	<u>587</u>	<u>8,865</u>
Distribution of net sales by geographic market***		
Sweden.....	1,848	1,988
Other Nordic countries.....	587	663
Rest of Europe	3,271	3,742
North- and South America	70	81
Asia	354	442
Oceania.....	7	5
Africa	90	98
	<u>6,227</u>	<u>7,019</u>

* Capital gains of MSEK 762 for the sale on the divestment of TV1000 Sverige AB is included.

** Excluding affiliated companies within Korsnäs Holding AB.

*** Breakdown is based on domicile of purchaser.

Industriförvaltnings AB Kinnevik's net intra-Group turnover amounted to MSEK 15 (13).

Note 3**Income from corporate development**

	Parent Company			Group
	1999	2000	1999	2000
CIS Credit International Services AB.....	1	–	–	–
Collect Sweden AB.....	10	–	–	–
Danu Industries Ltd.....	–	– 10	–	– 4
Fagersta Australia Pty Ltd.....	–	–	2	–
Goodguy Svenska AB.....	0	–	–	–
Investment AB Kinnevik.....	–	2,851	–	–
Korsnäs Kraft AB.....	– 23	–	– 23	–
Moderna Tider Holding AB.....	2	–	2	–
MTV Produktion AB.....	–	–	–	34
Multinational Automated Clearing House S.A.....	–	–	–	28
Net Entertainment NE AB.....	–	18	–	17
SMA Maskin AB.....	–	–	10	8
Société Européenne de Communication S.A.....	4	2	112	7,627
Strix Vakt AB.....	–	–	3	–
Transcom AB.....	3	–	–	–
TV1000 Sverige AB (sale of business).....	–	–	–	762
Real estate.....	–	–	28	–
Other.....	–	–	–	– 1
	<u>– 3</u>	<u>2,861</u>	<u>134</u>	<u>8,471</u>

Income from sales of securities

	Parent Company			Group
	1999	2000	1999	2000
Modern Times Group Intressenter AB.....	2	–	1	–
Modern Times Group MTG AB.....	–	– 87	–	– 113
Tele2 AB.....	–	32	–	32
Option premium TV1000 Sverige AB.....	<u>68</u>	<u>0</u>	<u>68</u>	<u>0</u>
	<u>70</u>	<u>55</u>	<u>69</u>	<u>81</u>

Note 4**Refund from SPP**

The Group has been informed by SPP that SPP's surplus funds will be repaid. Nominally, the refund amounts to MSEK 68 (of which MSEK 51 is to the parent company). As the refund may be used immediately, it has not be discounted to present value.

Note 5**Depreciation according to plan**

	Parent Company			Group
	1999	2000	1999	2000
Capitalized development costs.....	–	–	– 17	– 18
Beneficial rights.....	–	–	0	– 1
Goodwill.....	–	–	– 42	– 26
Land and buildings.....	–	–	– 52	– 52
Agricultural property.....	–	–	0	0
Machinery.....	–	–	– 311	– 318
Equipment, tools and fittings.....	– 1	– 1	– 96	– 102
Leasing objects.....	–	–	– 4	0
	<u>– 1</u>	<u>– 1</u>	<u>– 522</u>	<u>– 517</u>

Note 6 Result from participation in Group companies	Parent Company	
	1999	2000
Dividend from		
Invik Intressenter AB	–	10
Kinnevik International AB	2,000	329
Korsnäs Holding AB	–	213
SMA Holding AB	–	237
Stenblocket i Trelleborg AB	1	–
Svenska JCB AB	–	5
Vilandevik AB	–	9
The write-down corresponds largely to shareholder contributions paid to subsidiary companies during the year	– 38	– 20
	<u>1,963</u>	<u>783</u>

Note 7 Result from participation in affiliated companies (ownership % at December 31, 2000)	Group	
	1999	2000
Cherryföretagen AB (29%)	– 2	– 9
Danu Industries Ltd (0%)	– 4	– 1
Eco-Sack Europe BV (50%)	– 1	–
Fagersta Australia Pty Ltd (35%)	1	5
Goodguy Svenska AB (47%)	–	– 8
Karskär Energi AB (41%)	– 27 *	– 19 *
Millicom International Cellular S.A. (34%)	– 48	1,044
Modern Cartoons USA Ltd (23%)	– 1	1
MTV Produktion AB (0%)	1	11
Net Entertainment NE AB (0%)	– 1	–
SCD Invest AB (50%)	– 7	– 11
Société Européenne de Communication S.A. (0%)	453	– 504
Tordera SpA (50%)	3	4
Trumf Holding AS (33%)	–	1
Valvosacco SpA (20%)	1	4
Viking Telecom AB (24%)	2	16
	<u>370</u>	<u>534</u>

* The item includes depreciation/write-downs of MSEK 31 in the value of premiums over book values.

Note 8 Interest income and similar	Parent Company		Group	
	1999	2000	1999	2000
Dividends	5	515	8	517
Interest income from third-parties	15	52	90	88
Interest income from subsidiaries	378	382	–	–
Exchange rate differences	–	0	–	–
Other financial items	2	2	–	–
	<u>400</u>	<u>951</u>	<u>98</u>	<u>605</u>

Dividends includes MSEK 504, representing the distribution of shares in Metro.

Note 9 Interest expense and similar	Parent Company		Group	
	1999	2000	1999	2000
Interest expense to third-parties	– 138	– 212	– 264	– 430
Interest expense PRI	– 1	–	– 18	– 20
Interest expense to subsidiaries	– 309	– 319	–	–
Exchange rate differences	– 13	– 101	– 12	– 76
Other financial items	–	–	– 56	– 336
	<u>– 461</u>	<u>– 632</u>	<u>– 350</u>	<u>– 862</u>

Other financial items includes a MSEK 333 write-down in the value of shares in Metro; the write-down was made to meet undertakings in relation to MTG Intressenter AB.

Note 10 Interest, dividends and tax paid	Parent Company		1999	Group 2000
	1999	2000		
Interest received.....	195	68	114	92
Interest paid	- 222	- 256	- 383	- 437
Dividends received.....	5	11	9	11
Tax paid	0	0	24	20

Note 11

Transactions not affecting cash flow

As a result of the merger of Transcom AB and Transcom Europe S.A., Kinnevik became the owner of 50.1% of the shares in the newly formed Transcom WorldWide S.A. These was no capital gain. The business of TV1000 was sold in exchange for new shares in MTG and a capital gain of MSEK 762. Kinnevik sold all its shares in SEC in exchange for shares in Tele2 and a capital gain of MSEK 7,627. Shares for MSEK 504 in Metro were received by way of a distribution.

Note 12

Acquisitions and divestments of subsidiaries

	1999	2000
Divested companies		
Tangible fixed assets.....	39	-
Intangible fixed assets	4	-
Financial fixed assets	1	-
Working capital	84	-
Long-term liabilities	- 74	-
Liquid funds	8	-
Equity	16	-
Gross proceeds of asset sales	78	-
Less: Liquid funds of divested companies.....	- 8	-
Net proceeds of asset sales	70	-

Note 13

Intangible fixed assets

Group	Capitalized development costs	Patents and trade marks	Beneficial rights	Goodwill
Opening acquisition values	299	8	2	364
Changes in the Group's composition structure.....	- 22	- 4	0	- 105
Capital expenditure.....	8	2	0	2
Sale/scrapping	2	1	0	8
Closing acquisition values	287	7	2	269
Opening accumulated depreciation....	- 205	-	- 1	- 94
Changes in the Group's composition structure.....	4	-	0	0
Depreciation	- 17	- 1	0	- 26
Translation differences.....	- 1	-	0	0
Closing accumulated depreciation....	- 219	- 1	- 1	- 120
Closing net book value.....	68	6	1	149

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.

Note 14**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	1,607	3,063	6,391	687	1	660
Changes in the Group's composition structure.....	34	10	207	5	–	6
Capital expenditure.....	23	15	144	120	–	300
Sale/scrapping.....	2	– 1	– 212	– 63	–	– 1
Reclassification.....	152	–	622	33	–	– 799
Translation differences.....	<u>8</u>	<u>–</u>	<u>31</u>	<u>13</u>	<u>–</u>	<u>6</u>
Closing acquisition values	<u>1,826</u>	<u>3,087</u>	<u>7,183</u>	<u>795</u>	<u>1</u>	<u>172</u>
Opening accumulated depreciation...	– 707	0	– 3,250	– 399	– 1	–
Changes in the Group's composition structure.....	– 11	–	– 134	– 3	–	–
Sale/scrapping.....	3	–	124	50	–	–
Reclassification.....	–	–	3	14	–	–
Depreciation	– 52	–	– 317	– 102	–	–
Translation differences.....	<u>– 3</u>	<u>–</u>	<u>– 19</u>	<u>– 6</u>	<u>–</u>	<u>–</u>
Closing accumulated depreciation....	<u>– 770</u>	<u>0</u>	<u>– 3,593</u>	<u>– 446</u>	<u>– 1</u>	<u>–</u>
Closing net book value.....	<u>1,056</u>	<u>3,087</u>	<u>3,590</u>	<u>349</u>	<u>0</u>	<u>172</u>
Tax assessment values	2,870	3,731				
Parent Company	Equipment					
Opening acquisition values	8					
Capital expenditure.....	0					
Sale/scrapping.....	<u>0</u>					
Closing acquisition values	<u>8</u>					
Opening accumulated depreciation...	– 6					
Sale/scrapping.....	–					
Depreciation	<u>– 1</u>					
Closing accumulated depreciation....	<u>– 7</u>					
Closing net book value.....	<u>1</u>					

Opening and closing acquisition values for forest and agricultural property include MSEK 2,000 revaluation made in 1994 by Korsnäs AB.

Note 15**Financial assets (TSEK)**

	Reg. no	Registered office	Number of shares	Capital/ voting (%)	Book value
Stocks and participations in Group companies					
AB World Desk	556359-1113	Stockholm	1,500	75	2,050
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
Invik Intressenter AB.....	556301-1872	Stockholm	1,000	100	26,344

Kinnevik International AB	556033-4640	Stockholm	40,000	100	6,033,725
Investment AB Kinnevik	556094-7623	Stockholm	–	100	–
Biovik AB	556281-6149	Stockholm	–	100	–
Baltic Oil AB	556098-5771	Stockholm	–	75	–
KB Baltic Oil AB	916504-1709	Stockholm	–	100	–
Kinnevik BV		The Netherlands	–	100	–
Lizoma BV		The Netherlands	–	100	–
N.P Birraria Hugo's		Kosovo	–	100	–
Worldwide Loyalty BV		The Netherlands	–	100	–
Collect 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 Loyalty 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	–
Worldwide Loyalty N.V.		The Netherlands Antilles	–	100	–
Kinnevik S.A.		Luxembourg	–	100	–
Guyvik AB	556579-7692	Stockholm	–	100	–
CIS Holding AB	556045-6666	Järfälla	–	100	–
CIS Credit International Services AB ..	556353-2778	Karlskoga	–	100	–
CIS Danmark A/S		Denmark	–	100	–
INKS AB	556585-9963	Karlskoga	–	100	–
CIS International GmbH		Germany	–	100	–
CIS International Services AG		Switzerland	–	100	–
CIS Luxembourg S.A.		Luxembourg	–	100	–
CIS Norge AS		Norway	–	100	–
SKA Systemering AB	556324-8334	Karlskoga	–	100	–
Transcom WorldWide S.A.		Luxembourg	–	50	–
Transcom Europe Holding BV		The Netherlands	–	100	–
Transcom AB	556201-3234	Karlskoga	–	100	–
Transcom Norge AS		Norway	–	100	–
Transcom AS		Norway	–	100	–
Transcom A/S Danmark		Denmark	–	100	–
Transcom OY		Finland	–	100	–
Transcom WorldWide S.p.a.		Italy	–	100	–
Transcom WorldWide S.A.		France	–	100	–
Transcom WorldWide GmbH		Germany	–	100	–
Transcom WorldWide GmbH		Austria	–	100	–
Transcom WorldWide BV		The Netherlands	–	100	–
Transcom WorldWide AG		Switzerland	–	100	–
Transcom WorldWide S.A.		Spain	–	100	–
Fagersta Ltd		Great Britain	–	100	–
Fagersta Steels Ltd		Great Britain	–	100	–
Latellana AG		Switzerland	–	100	–
Sillender Oü		Estonia	–	100	–
Kinnevik Radio AB	556237-4594	Sollentuna	7,500	100	1,207
Korsnäs Holding AB *	556170-7703	Fagersta	1,000	100	5,893,643
Korsnäs AB	556023-8338	Gävle	–	96/98	–
AB Stjernsunds Bruk	556028-6881	Gävle	–	100	–
Trävaru AB Dalarne	556044-3920	Gävle	–	100	–
Combi Shipping AB	556153-9932	Gävle	–	100	–
Diacell AB	556155-2786	Gävle	–	100	–
Korsnäs France S.A.		France	–	100	–
Korsnäs GmbH		Germany	–	100	–
Korsnäs Italia S.r.l.		Italy	–	100	–

* Korsnäs Holding AB includes another 74 companies named Fastighetsaktiebolaget Marma Skog 1 through Fastighetsaktiebolaget Marma Skog 74.

Korsnäs Latvia Sia.		Latvia	–	100	–	
Sia Freja.		Latvia	–	100	–	
Korsnäs Luxembourg Holding AB	556581-8126	Gävle	–	100	–	
Korsnäs Packaging SA.		Luxembourg	–	100	–	
Korsnäs Packaging Holding AB.	556051-3789	Gävle	–	100	–	
Korsnäs Advanced Systems AB.	556560-8527	Gävle	–	100	–	
Korsnäs Packaging AB.	556286-4099	Gävle	–	100	–	
Bates Korsnäs A/S.		Denmark	–	100	–	
Crown Sacks & Systems (Holding) Ltd		Great Britain	–	100	–	
Korsnäs Paper Sacks Ltd.		Great Britain	–	100	–	
Korsnäs Czech SRO.		Czech Republic	–	100	–	
Korsnäs Edam BV.		The Netherlands	–	100	–	
Korsnäs Espana SA.		Spain	–	100	–	
Korsnäs Finland OY.		Finland	–	100	–	
Korsnäs North America Inc.		USA	–	100	–	
Korsnäs Romania SRL.		Italy	–	100	–	
Korsnäs Strömsnäs AB.	556094-7631	Gävle	–	100	–	
Korsnäs Wilhelmstal GmbH						
Papiersackfabriken.		Germany	–	100	–	
Icoma FBS Packtechnik GmbH.		Germany	–	100	–	
Korsnäs Croatia d.d.		Croatia	–	100	–	
Korsnäs Reinsurance S.A.		Luxembourg	–	100	–	
Korsnäs Sales Ltd.		Great Britain	–	100	–	
Korsnäs Sägverks AB.	556024-8477	Gävle	–	100	–	
Korsnäs Yugoslavia d.o.o.		Serbia	–	71	–	
Latsin Sia.		Latvia	–	48	–	
Marma Skog S.A.		Luxembourg	–	100	–	
Ludvika Personalservice KB.	916582-0268	Ludvika	–	100	100	
Mellersta Sveriges Lantbruks AB.	556031-9013	Vadstena	5,000	100	29,654	
Svedberga Lantbruks AB.	556042-5398	Vadstena	–	100	–	
AB Agrovik.	556278-5880	Vadstena	–	100	–	
Russelbacka Egendom AB.	556266-5793	Vadstena	–	100	–	
Rolnyvik Sp.zo.o.		Poland	–	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	
Gunnarsvik AB formerly TV1000 Sverige AB	556364-5372	Stockholm	183,948	100	1,134,497	
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	–	
					13,310,589	
Stocks and participations in affiliated companies (Parent Company)	Reg. no	Registered office	Number of shares	Capital/ voting (%)	Book value	Market value
Cherryföretagen AB.	556090-4251	Solna	1,173,333	2/6	26,400	19,360
Gamla Stans Millennium Evenemang KB ..	969653-5997	Stockholm	–	25	1,000	
Modern Cartoons Ltd.		USA	2,544,000	23	19,402	
SCD Invest AB.	556353-6753	Stockholm	5,821,335	50	35,897	
					82,699	

Stocks and participations in other companies (Parent Company)	Reg. no	Registered office	Number of shares	Capital/ voting (%)	Book value	Market value
XSource Corporation Inc.....		USA	1,999,555	13	207,996	
Marcstone Overseas Euro Ltd.....		Ireland	-	-	190,534	190,534
MTG Intressenter AB.....	556519-8529	Stockholm	2,950	12	7,664	
Tele2 AB.....	556410-8917	Gävle	3,354,211	2/1	464,553	1,309,651
Bostadsrätter.....					639	
					871,386	
Stocks and participations in affiliated companies (in the Group)	Reg. no	Registered office	Number of shares	Capital/ voting (%)	Book value	Market value
Aktietrend AB	556579-6066	Stockholm	7,245	50	0	
Charter Reassurance Ltd		Great Britain	6,140,225	-	0	
Cherryföretagen AB.....	556090-4251	Solna	5,853,833	29/26	81,808	96,588
Eco-Sack Europe BV.....		The Netherlands	-	50	5,389	
Fagersta Australia Pty Ltd.....		Australia	52,500	35	5,101	
Förvaltnings AB Gävle						
Stuveriintressenter	556178-9040	Gävle	260	26	34	
Gamla Stans Millennium Evenemang KB	969653-5997	Stockholm	-	25	1,000	
Goodguy Svenska AB	556072-2190	Stockholm	86,798	47	28,254	
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	86,197	
Millicom International Cellular S.A.		Luxembourg	16,383,224	34	1,213,075	3,363,923
Modern Cartoons Ltd		USA	2,544,000	23	7,301	
SCD Invest AB	556353-6753	Stockholm	5,821,335	50	0	
Smurfit-Korsnäs Paper Sacks (Polska) Ltd		Poland	-	50	12,386	
Söderhamn Invest AB	556295-1755	Söderhamn	500	33	0	
Tordera SpA.....		Italy	100,000	50	39,517	
Trumf Holding AS		Norway	5,333	33	7,403	
Trätåg AB.....	556116-2719	Falun	500	50	3	
Valvosacco SpA.....		Italy	33,800	20	23,808	
Viking Telecom AB	556330-3055	Göteborg	4,657,000	24	78,210	151,353
					1,592,854	
Reconciliation of book value of stocks and participations in affiliated companies (in the Group)						
Opening balance January 1, 2000.....	2,529					
Investments in new affiliated companies ..	75					
Disposals of affiliated companies	- 51					
Transferred to other shares	- 1,246					
Transfer from Group companies	36					
Participations according to Note 7	534					
Interest in tax expense of affiliated companies.....	- 73					
Lump-sum write-down	- 212					
Dividend.....	- 53					
Netted off against receivables.....	10					
Translation differences	44					
Closing balance December 31, 2000	<u>1,593</u>					
Stocks and participations in affiliated companies (in the Group)	Reg. no	Registered office	Number of shares	Capital/ voting (%)	Book value	Market value
Acando AB	556563-0554	Stockholm	153,039	25	33,202	
XSource Corporation Inc.....		USA	1,999,555	13	207,996	
Marcstone Overseas Euro Ltd.....		Ireland	-	-	190,534	190,534
MTG Intressenter AB.....	556519-8529	Stockholm	2,950	12	7,664	
Tele2 AB.....	556410-8917	Gävle	22,966,558	16/19	9,633,091	8,742,936
P4 Radio Hele Norge asa		Norway	8,200		267	483
Other.....					2,806	
					10,075,560	

Note 16 Prepaid expenses and accrued income	Parent Company		1999	Group 2000
	1999	2000		
Accrued sales revenue	–	–	78	39
Accrued interest income	4	2	14	15
Accrued insurance compensation	–	–	33	7
Prepaid rents	–	–	2	4
Prepaid insurance premiums	1	1	2	0
Other	0	0	58	70
	<u>5</u>	<u>3</u>	<u>187</u>	<u>135</u>

Note 17 Short-term investments	Number of shares	Book value	Market value
Short-term investments (Parent Company)			
Invik & Co. AB	17,013	9	13
Modern Times Group MTG AB	4,667,773	473	1,113
Metro International S.A.	4,667,773	504	331
Other		8	8
		<u>994</u>	<u>1,465</u>
Short-term investments (in the Group)			
Invik & Co. AB	391,430	106	288
Modern Times Group MTG AB	6,151,695	890	1,479
Metro International S.A.	6,151,690	539	448
Other		15	15
		<u>1,550</u>	<u>2,230</u>

Note 18
Stockholders' equity

Industriförvaltnings AB Kinnevik's stock capital at December 31, 2000, consisted of 62.9 million shares each having a nominal value of SEK 10. The breakdown by class of share at December 31, 2000, was as follows:

	Number of shares	Total nominal amount
A shares	15,123,741	151
B shares	47,814,936	478
	<u>62,938,677</u>	<u>629</u>

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

	Stock capital	Premium reserve	Revaluation reserve	Legal Reserve	Unre- stricted equity	Total
Parent Company						
Opening balance, January 1, 2000	629	357	190	2,987	2,540	6,703
Net result for the year	–	–	–	–	3,911	3,911
Dividend	–	–	–	–	– 341	– 341
Group contributions, net	–	–	–	–	– 349	– 349
Closing balance, December 31, 2000	<u>629</u>	<u>357</u>	<u>190</u>	<u>2,987</u>	<u>5,761</u>	<u>9,924</u>

Group	Stock capital	Restricted reserves	Unrestricted reserves	Total
Opening balance, January 1, 2000	629	3,909	1,205	5,743
Translation differences	–	–	415	415
Net result for the year	–	–	8,777	8,777
Dividend	–	–	– 13	– 13
Lump-sum write-down in MIC	–	–	– 212	– 212
Transfer between restricted and unrestricted reserves	–	– 570	570	0
Closing balance, December 31, 2000	<u>629</u>	<u>3,339</u>	<u>10,742</u>	<u>14,710</u>

The year's change in currency differences is mainly due to net investments in subsidiary and affiliated companies expressed in US dollars and Dutch guilders. The Group's restricted reserves include a capital interest reserve of MSEK 456, this being the positive difference between the value upon consolidation and the value in the books of the companies in question of shares in affiliated companies.

The Annual General Meeting held on May 26, 2000 resolved in favour of a cash dividend of SEK 1.00 per shares, totalling MSEK 63, and the distribution of warrants to buy shares in SEC. Shareholders in Kinnevik received a warrant to acquire one share in SEC for every seven shares owned in Kinnevik at a price of SEK 11.70.

The value in the parent company's books of the shares in SEC amounted to MSEK 373 on the distribution date, and is stated as dividend. The book value upon consolidation of the SEC shares is stated in the consolidated financial statement as dividend.

Note 19	Parent Company		Group	
Provisions for pensions	1999	2000	1999	2000
Provision for pensions	<u>34</u>	<u>34</u>	<u>626</u>	<u>630</u>
Whereof through FPG/PRI	<u>22</u>	<u>21</u>	<u>474</u>	<u>470</u>

Note 20	Group	
Deferred taxes	1999	2000
Change of deferred tax liability		
Change in untaxed reserves	11	4
Change in value of unutilized tax loss carryforwards	<u>– 3</u>	<u>0</u>
	<u>8</u>	<u>4</u>
Deferred tax liability		
Deferred tax liability for untaxed reserves, 28%	797	785
Deferred tax receivable for the value of unutilized tax loss carryforwards	<u>– 382</u>	<u>– 372</u>
	<u>415</u>	<u>413</u>

The revaluation of Korsnäs's 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 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 has appealed 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 276 in the form of additional tax, including charges and interest.

Note 21	Group	
Other provisions	1999	2000
Compulsory acquisition proceedings	277	286
Forest restoration	93	89
Pension provision and severance pay	–	278
Restructuring reserves in acquired companies	–	30
Other	<u>23</u>	<u>47</u>
	<u>393</u>	<u>730</u>

Note 22		Parent Company	Group
Long-term liabilities		2000	2000
Maturities 2002-2005.....		3,969	5,762
Maturities 2006 or later		184	2,184
		<u>4,153</u>	<u>7,946</u>

Note 23

Checking account credit facilities

Credit limits on checking account credit facilities in the Group amounted as per December 31, 2000 to MSEK 695 (MSEK 898), whereof unutilized limits amounted to MSEK 571 (MSEK 762).

Note 24		Parent Company		Group
Accrued expenses and prepaid income		1999	2000	1999
				2000
Accrued expense for purchase of goods.....	—	—	31	64
Accrued personnel expenses.....	2	5	154	263
Accrued interest expenses.....	33	39	78	94
Accrued discounts	—	—	17	0
Accrued energy costs.....	—	—	16	21
Accrued freight costs.....	—	—	—	16
Accrued royalties	—	—	4	0
Accrued authority fees	—	—	8	3
Accrued organization expenses.....	5	10	5	39
Prepaid income	—	—	125	0
Other.....	—	1	104	101
	<u>40</u>	<u>55</u>	<u>542</u>	<u>601</u>

Note 25

Leasing agreements

Companies in the Group have entered into a number of agreements on the leasing/rental of premises and other fixed assets. In 2000, MSEK 106 (161) were paid out under the terms of operational leasing agreements. This figure includes MSEK 66 (54) 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 26		Parent Company		Group
Pledged assets		1999	2000	1999
				2000
Liquid funds.....	—	—	21	35
Receivables	3,141	3,141	—	—
Shares in subsidiaries	3,562	8,014	4,486	12,942
Other shares	—	661	537	789
Real estate mortgages	—	—	3,669	3,719
Chattel mortgages	—	—	804	1,063
	<u>6,703</u>	<u>11,816</u>	<u>9,517</u>	<u>18,548</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 27				
Contingent liabilities	Parent Company		Group	
	1999	2000	1999	2000
Sureties and guarantees*	283	152	798	217
Sureties and guarantees for subsidiaries	694	289	–	–
Pension commitments	0	0	1	1
Other contingent liabilities	–	–	2	0
	<u>977</u>	<u>441</u>	<u>801</u>	<u>218</u>
* Thereof guarantees for the benefit of former subsidiaries as follows:				
Tele2 AB	107	133	122	133
Modern Times Group MTG AB	14	19	15	19
	<u>121</u>	<u>152</u>	<u>137</u>	<u>152</u>

The guarantees for the benefit of Tele2 and MTG will be phased out gradually.

Note 28

Average number of employees

	1999		2000	
	men	women	men	women
Parent Company				
Stockholm	5	2	4	3
Group				
Sweden	2,455	1,321	2,285	1,555
Germany	323	133	448	355
Denmark	294	261	354	260
Italy	–	–	226	337
France	2	3	206	307
The Netherlands	–	–	185	256
Latvia	282	23	299	33
Norway	42	88	117	166
Great Britain	162	68	158	56
Luxembourg	–	–	54	82
Serbia	79	43	77	42
Switzerland	–	–	34	53
Austria	–	–	31	47
Croatia	33	20	46	18
Spain	–	–	36	17
Finland	2	7	18	30
Czech republic	–	–	9	2
Other countries	29	7	3	5
	<u>3,703</u>	<u>1,974</u>	<u>4,586</u>	<u>3,621</u>
Total number of employees		<u>5,677</u>		<u>8,207</u>

Note 29**Wages, salaries and other remuneration**

	Board of Directors and senior management	1999 Other employees	Board of Directors and senior management	2000 Other employees
Parent Company				
Salaries and other remuneration	<u>14</u>	<u>7</u>	<u>9</u>	<u>5</u>
Social expenses.....	<u>5</u>	<u>2</u>	<u>5</u>	<u>2</u>
Pension expenses*.....	<u>3</u>	<u>0</u>	<u>3</u>	<u>1</u>
Pension commitments*.....	<u>14</u>	<u>–</u>	<u>14</u>	<u>–</u>
Group				
Companies in Sweden.....	12	969	30	1,049
Companies abroad	<u>12</u>	<u>391</u>	<u>4</u>	<u>869</u>
Total salaries and other remuneration	<u>24</u>	<u>1,360</u>	<u>34</u>	<u>1,918</u>
Social expenses.....	<u>13</u>	<u>345</u>	<u>19</u>	<u>728</u>
Pension expenses*	<u>17</u>	<u>118</u>	<u>14</u>	<u>242</u>
Pension commitments*.....	<u>77</u>	<u>–</u>	<u>59</u>	<u>47</u>

No bonuses were paid to the parent company's Board or its President. Elsewhere in the Group bonuses of MSEK 0.3 (0.3) were paid. A fee of SEK 1,800,000 was paid to the board in 2000 pursuant to a decision by the Annual General Meeting, of which SEK 300,000 was 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 275,000 as a member of the Boards of subsidiaries. Other members of the Board received total fees of SEK 2,125,000 as members of subsidiary company Boards.

A salary of SEK 3,938,000 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 3 was paid into a bonus program for 15 senior executives 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 30**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 31**Auditors' fees**

	Parent Company			Group
	1999	2000	1999	2000
To Ernst & Young				
Audit assignments	1	1	4	4
Other contracts	3	1	3	2
To KPMG				
Audit assignments	0	0	1	0
Other contracts	–	–	24	1

Other contracts in 1999 mainly relate to the implementation of the SAP IT system within Korsnäs (KPMG).

Stockholm, April 3, 2001

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 April 4, 2001

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 2000. 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, April 4, 2001

Lars Träff

Authorized Public Accountant

Anders Wiger

Authorized Public Accountant

Hans Karlsson

Authorized Public Accountant

Mellersta Sveriges Lantbruks AB

MSEK	1999	2000
Income statement		
Net sales	12	14
Operating income	2	8
Earnings after financial items	2	7
Capital expenditures in property, plant and equipment	2	1
Number of employees	10	10

Farming was Kinnevik's original business. Mellersta Sveriges Lantbruks AB, MSLA, 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 on arable farming. Their activities are highly specialised and mechanised. All cultivation takes environmental considerations into account. During the year, the acreage cultivated on ecological principles totalled 430 hectares.

Once again the crops got off to a poor start. A warm but dry spring stimulated the crops to form

ears and germinate far too soon. This state of affairs resulted in a contraction of the crop from the very beginning. In addition, the swing to damper weather in the summer and autumn did little to help harvesting, and the harvest was slightly poorer than normal.

Prices were depressed during the year and a low initial value resulted in further reductions during the autumn. The reason behind this was the EU's decision to adjust price levels to the global market.

The ecological cultivation was also successful this year. The 430 hectares cultivated in accordance with KRAV's regulations produced the best results in a comparison with conventional cultivation. The harvest amounted to 65% of a conventional harvest, but prices up to 90% higher than for conventionally cultivated crops were not unusual.

The crayfish ponds at Svedberga provided a good catch, amounting to 1,500 crayfish.

The farms are now certificated in accordance with the ISO 9002 and ISO 14001 quality and environmental management systems.

The net turnover amounted to MSEK 14 (12). Operating income amounted to MSEK 8 (2), MSEK 6 of which is the repayment of surplus funds from SPP.



The Östgöta plain in November.

Korsnäs Holding AB

MSEK	1999	2000
Income statement		
Net sales	4,984	5,209
Operating income	489	241
Earnings after financial items	435	167
thereof participations in affiliated companies	- 24	- 11
Capital expenditures in property, plant and equipment	656	467
Number of employees	3,700	3,560

Korsnäs Holding AB is the parent company of Korsnäs AB, which together with its subsidiaries comprises 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 3,850 employees, some 1,950 of whom 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 518,000 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. More than 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 2000

Korsnäs Forestry

During the autumn, pulpwood prices were raised following a period of unchanged prices, while the price of saw timber continued to fall as a result of the continued weak financial situation of the sawmills, combined with ample supplies of saw timber. However, Korsnäs's sales of saw timber to external sawmills remained high.

The extensive rain during the autumn created problems for timber transportation from the forests to the mills, which was reflected in a reduction in the inflow of timber and higher maintenance costs for the company's own road system. However, Korsnäs's stocks and harvesting capacity mean that the supply



Korsnäsverken, one of the leading producers of paperboard and paper products.

of raw materials is assured.

The Forestry division's net turnover amounted to MSEK 1,432 (1,414). Operating income amounted to MSEK 199 (298), including capital gains of MSEK 4 (53) on the divestment of real estate. Non-recurring costs of MSEK 55 for severance pay and retirements were charged against income.

Korsnäs Industrial

The improved market conditions during the later part of 1999 strengthened further in the first half of 2000. Demand for most products exceeded supply for most of the year until the autumn, which resulted in price increases. The high dollar exchange rate in relation to European currencies during the year also helped to stabilise our principal markets.

During the year, paper was in firm demand on all markets. Demand from the paper sack industry in Europe and from non-European markets increased in relation to 1999. There was a favourable trend in delivery volumes, bringing them to above the level of 1999.

The market for beverage board was strong throughout the year. Total deliveries increased and Korsnäs strengthened its market position during the year. Both production and deliveries of fluff pulp were higher than expected. Prices gradually rose to a satisfactory level.

Demand for white-top kraft board was healthy during the year. In the first half of the year there was a shortage of raw materials for the corrugated cardboard industry, while later in the year, supply and demand moved into better balance. Korsnäs succeeded in selling available volumes without difficulty. Price increases were implemented in March and May.

The market situation during the year permitted capacity to be utilised to the full. The output of unbleached and bleached pulp increased from the previous year to 660,000 tonnes, of which 353,000 tonnes were bleached pulp. Production of paperboard increased by some 25% in relation to 1999. Paper production was some 4% higher than in 1999.

In the packaging division, demand in Western Europe in 2000 was higher than in 1999. The stronger market, in combination with higher prices for raw materials, resulted in price increases during the autumn. Volumes (excluding new factories) increased by 2.5% in relation to 1999.

Walki Sacks' seven factories were acquired from UPM Kymmene in 2000. During the autumn, work began on the construction of a new sack factory in Chicago, USA. The process of integration has run smoothly and is expected to be fully completed at the beginning of 2001. In Scandinavia, it was not possible to phase out sack production at Strömsnäsbruk at the planned rate owing to the strong demand for sack. The process will, however, be completed during the first quarter of 2001.

The market for sawn redwood products remained unstable and the price structure varied. However, the sawmill's products were in firm demand. During the year, the sawmill received certification in accordance with the ISO 14001 and ISO 9002 quality and environmental management systems, and the business was certificated by an independent body in accordance with FSC's Chain of Custody. Korsnäs's total deliveries of sawn timber products amounted to 153,000 m³ (148,000). The output of sawn redwood products amounted to 149,000 m³ (141,000).

The net turnover of Korsnäs's industrial operations amounted to MSEK 4,799 (4,592) and operating income amounted to MSEK 146 (217). Costs of MSEK 266 for the extensive restructuring programme within Korsnäs were charged against Korsnäs Industrial in 2000. The significant contribution to the improvement in income was mainly attributable to higher price levels on average and lower personnel and maintenance costs.

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

The review of working practices and the organisation continued during the year, with the object of creating an organisation that is both developing and cost-effective. A reduction of some 235 full-time positions in the total manning level, of which around 100 were in the forestry division, was made possible in connection with the review. In most cases, employment ceased as the result of individual agreement.

During the year a structured, individual competence development model began to be applied. The model will allow each employee to take greater responsibility for ensuring his or her own competence development.

A profit-sharing plan has been in operation since 1993, whereby the amount transferred to the profit-sharing foundation is based on the share of the income in excess of a certain level linked to interest rates during the period. The profit this year was not high enough for any transfer to the plan to be made.

Results

The Korsnäs group's net turnover for 2000 amounted to MSEK 5,209 (4,984). Korsnäs' operating income after depreciation amounted to MSEK 262 (503). Costs of MSEK 383 for the extensive restructuring programme within Korsnäs are included in this figure.

Transcom WorldWide S.A.

MSEK	1999	2000
Income statement		
Net sales	938	1,498
Operating income	- 11	17
Earnings after financial items	- 27	10
Capital expenditures in property, plant and equipment	54	98
Number of employees	1,565	4,314

During the first quarter of 2000, Kinnevik-owned Transcom AB, with units in Sweden, Norway, Denmark and Finland, merged with Transcom Europe S.A., with units in Germany, Holland, France, Switzerland, Austria, Italy and Luxembourg. Transcom Europe S.A. was formerly part of the SEC Group. The merged company was renamed Transcom WorldWide S.A. (Transcom). Following the merger, Kinnevik's interest in the new grouping corresponded to 50.1% of the shares and votes. The merger is turning out to be successful, with higher turnover than expected. Despite its rapid growth, the new company earned a profit.

Transcom's business comprises the design, maintenance and development of individually designed customer relations packages for consumer-intensive companies. The trend in the sector is to outsource increasingly advanced services to customer service companies such as Transcom. This applies in particular to customer counselling in IT, data and financial services. Transcom is one of the leading suppliers in Europe and can offer customers a pan-European solution with coverage in 14 countries. Since the formation of the company in the middle of the nineties, the business has expanded strongly 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 energy.

The number of customers has risen markedly during the year. One related company accounts for 80% of Transcom's turnover. Although this customer is expected to show rapid growth in the coming years, our assessment is that the company will account for a significantly smaller share of Transcom's turnover in the next two years.

As of December 31, 2000, Transcom had some 5,500 employees, an increase of some 2,500 during the year. By the end of the year Transcom had 23 call centres in 14 countries.

The market for outsourced customer relations services is expected to continue growing by more than 30% this year. Since Transcom enjoys very good growth from related companies as well as other clients, our goal is to grow faster than the market as a whole in the coming year. So far, Transcom's growth has all been organic. The forces driving this development are the measures being taken by growing numbers of consumer-intensive companies to actively increase the added value of their products and services in the form of improved and more accessible customer service. During 2000, Transcom continued its strong growth. In January, a new call centre was opened in Rostock, Germany. In May, a new call centre was inaugurated in Halden, Norway, at the same time as the major extension to the facility in Strömsnäsbruk was completed. New call centres were opened in L'Aquila in Italy in September, and in Groningen, Holland and Leon in Spain in October. In December a call centre was established in Tallinn, Estonia.

On January 8, 2001, Kinnevik acquired the remaining 49.9% of the shares in Transcom since when Transcom has been a wholly owned subsidiary of Kinnevik.

Net turnover for the year amounted to MSEK 1,498 (938), an increase of 60%, and operating income amounted to MSEK 17 (loss 11). The comparative figures for 1999 are pro forma and relate not only to the Nordic companies but also to the other European companies.



Transcom WorldWide is continuing to expand and is now established in 14 countries.

Worldwide Loyalty B.V.

MSEK	1999	2000
Income statement		
Net sales	31	85
Operating income	0	- 7
Earnings after financial items	0	- 8
Capital expenditures in property, plant and equipment	0	1
Number of employees	4	17

The business of Worldwide Loyalty B.V. is to provide loyalty packages for its customers through the "Collect" bonus club. 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.

In 1999, the electricity and power supplier, Sydkraft, and the Big Travel chain of travel agents

also affiliated to "Collect". Mutual fund manager Moderna Fonder and Hertz car hire affiliated in 2000.

In November 1999, 25% of the shares in the loyalty company Trumf Holding A/S were acquired. Trumf's largest customers are Norska Shell and the convenience goods company Norgesgruppen. During the first quarter of 2000, Tele2 and Viasat affiliated to Trumf, and in the spring of 2000 Trumf was re-launched as Collect Trumf. In December 2000 further shares were acquired in Trumf AS, following which Worldwide Loyalty has a 33% interest in the company.

Collect has some 1,670,000 members in Scandinavia, some 740,000 of whom are in Sweden and some 930,000 in Norway. Swedish members' turnover in 2000 increased by 68% in comparison with 1999.

Net turnover in 2000 amounted to MSEK 85 (31). The operating result for the year was a loss of MSEK 7 (0).



More companies affiliate to the "Collect" bonus club.

CIS Credit International Services AB

MSEK	1999	2000
Income statement		
Net sales	69	106
Operating income	7	- 6
Earnings after financial items	5	- 8
Capital expenditures in property, plant and equipment	19	16
Number of employees	124	195

CIS was founded in 1995. The company offers all the services that a financial department normally provides. At the same time, CIS offers a complete range of services within complementary fields, such as credit information, customer support, debt collection, salaries and accounting.

As well as access to effective and flexible business systems with modern web interfaces, CIS's customers have access to specialists who handle their administration efficiently. This means higher quality and better service at a lower price to the customer, and the opportunity to focus more on the core business.

Investments in IT and applications have been made

in order to meet market demand and reach even larger customers. During the year, investments were also made to improve the capacity and security of the system. A scanning and work-flow-system with electronic storage of supplier invoices was also implemented. The projects in these areas made a significant contribution to the streamlining of CIS's processes.

During the year entirely new services were developed in the field of Payroll and Human Resources that also provide individual time and activity reports via the Internet. A unit has been established in Göteborg to monitor debt collection cases.

The result was affected by the measures taken, but a good return is expected as a result of improved competitiveness and more cost-effective processes.

Measures to raise quality have been carried out, above all within financial systems outsourcing in which common working methods and systems are used.

CIS is now established in six European countries.

As of December 31, CIS had 234 employees, an increase of 26% on the previous year.

Net turnover amounted to MSEK 106 (69), an increase of 54%. The operating result was of loss of MSEK 6 (income 7).



CIS offers its customers all the services that a financial department normally provides.

Other subsidiary companies

MSEK	1999	2000
Income statement		
Net sales	188	127
Operating income	-20	716
Earnings after financial items	-14	418
Capital expenditures in property, plant and equipment	16	5
Number of employees	109	102

Other subsidiaries include the operative subsidiary AirTime (AT) AB. During the first quarter of 2000, Kinnevik sold the business of TV1000 Sverige AB to MTG in exchange for shares in MTG.

AirTime (55%)

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

AirTime's sales improved considerably in 2000 in relation to the previous year thanks to further sales growth and cost reductions.

A major setback affected the company at the end of September when its largest customer TV3 cancelled a sales contract as of December 31, on account of campaigns in the media by AirTime's minority shareholder TV4 AB against AirTime, Modern Times Group MTG AB, TV3, Kinnevik and their predecessors.

The net turnover of Other Subsidiary Companies amounted to MSEK 127 (188). Operating income amounted to MSEK 716 (loss 20). The greater part of the income consisted of capital gains on the sale of the business conducted by TV1000.

Affiliated companies and other investments

The principal affiliated companies are Millicom International Cellular S.A. (MIC) (34% interest), a 24% holding in Viking Telecom AB (Viking Telecom), 29% of Cherryföretagen AB (Cherry) and 47% of the shares in Goodguy Svenska AB (Goodguy).

Other investments mainly consist of Tele2, MTG and Metro.

MIC, Millicom International Cellular (34%)

The market value of Kinnevik's holding in MIC was MSEK 3,364 on December 31, 2000. On February 19, 2001 the market value was MSEK 3,389. 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. MACH, 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 eco-

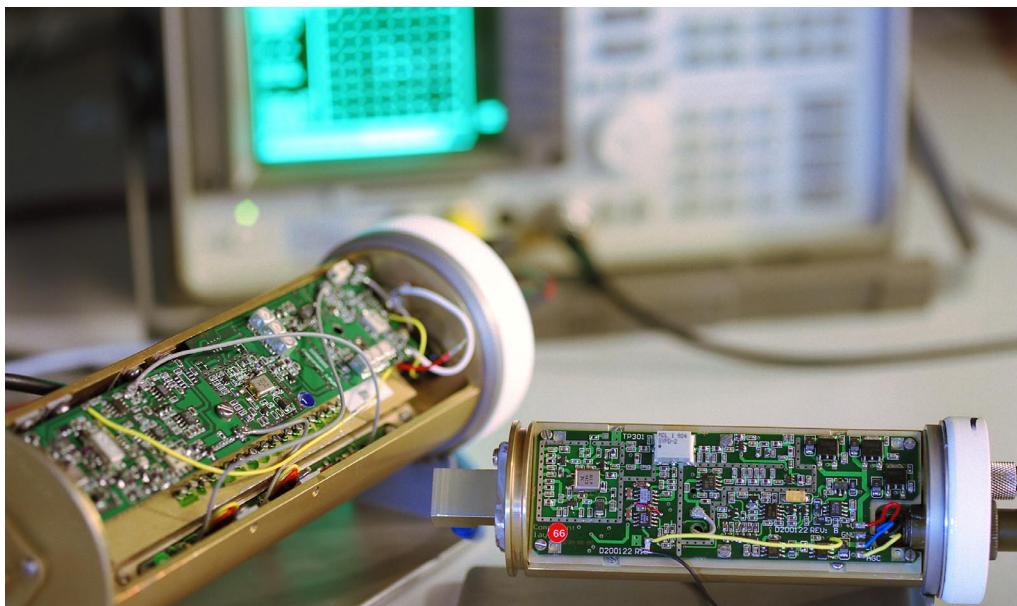
nomies, where the provision of land-based telecom facilities is inadequate. Economic growth and other reforms in these countries are generating a growing need for rapid expansion in communication facilities.

In June, MIC signed a letter of intent with the Laotian government to provide mobile telecom services in the country as of October 2001 when the current licensee's contract expires. In July, MIC obtained a licence to engage in business in Sierra Leone.

MIC sold all its shares in SEC in exchange for shares in Tele2 in September for a capital gain of MUS\$ 610. In November, MIC obtained a licence as the second international gateway in Cambodia. MIC acquired a licence in Indonesia in January 2001.

MIC currently has equity interests in 34 companies in 21 countries together representing markets with 570 million inhabitants. In 2000, the total subscriber base of these companies increased by 55% to 3,147,182. The net increase in the number of subscribers in 2000 was 812,408. In proportional terms, the subscriber base grew by 63% to 2,110,857. The subscriber base of Tele2, in which MIC has a minority interest, is not included in the above figures.

Net turnover amounted to MUS\$ 571 (552). Operating income amounted to MUS\$ 567 (143), including non-recurring income of MUS\$ 663 (146).



Viking Telecom develops its own proprietary communication equipment.

The company's income after financial net was MUS\$ 376 (loss 5).

Viking Telecom (24%)

Viking Telecom was floated on the Stockholm Stock Exchange's "O" list in May.

During the year, the company obtained its first order series for TerraLink, a two-way microwave link for broadband access in cable TV networks. Deliveries of telecom products with integrated TDU from already announced orders of more than MSEK 400 began during the third quarter of the year.

Viking Telecom's net turnover in 2000 amounted to MSEK 392 (184) and income after financial items was MSEK 9 (10).

Cherry (29%)

Cherry is engaged in the provision of gambling facilities. The company also develops technology to offer games, competitions and lotteries via the Internet.

In 2000, Kinnevik increased its equity interest in Cherry from 12% to 29% by exercising options and by selling Net Entertainment to Cherry in exchange for newly issued shares in Cherry.

Cherry's net turnover amounted to MSEK 375 (345) while income after financial items amounted to MSEK 4 (13). Operating income includes the repayment of MSEK 3 from SPP's surplus funds.

Goodguy (47%)

In February, Goodguy Svenska AB carried out an MSEK 100 share issue in which Kinnevik contributed MSEK 30, as a result of which Kinnevik's interest was reduced from 67% to 47%.

Goodguy.se is an Internet based service within private insurance, electricity and telephony.

Tele2 (16%)

The market value of Kinnevik's holding in Tele2 amounted to MSEK 8,792 on December 31, 2000. On February 19, 2001 the market value was MSEK 8,571. Tele2 is listed on the Stockholm Stock Exchange and on the Nasdaq in New York.

Tele2 was formed in 1993 and is a leading alternative, pan-European telecom provider that is active within mobile GSM services, public telecommunication, computers and Internet under the brand names Tele2, Tango, Comviq and Q-GSM. Tele2 has more than nine million customers in 20 countries. Tele2 also runs Datametrix, which specialises in system integration, Optimal Telecom, 3C Communications, which sells telephony and Internet services via telephone kiosks and Internet terminals, Transac, which provides computerised processing of card transac-

tions and invoices, C3, which markets prepaid telephone cards for fixed telephony, and IntelliNet, a fixed telephony service with "the guaranteed lowest price". The group also markets cable TV services in Sweden, Estonia and Lithuania under the brand names Kabelvision, Tele2 and C-Gates. It also includes Everyday.com, an internet portal provided on a joint venture basis with MTG.

Tele2 acquired 99.7% of shares in SEC during the year.

Net turnover for the entire year amounted to MSEK 12,470 (8,175) and income after financial items was MSEK 186 (4,186), including non-recurring items of MSEK 0 (3,228).

MTG (9%)

The market value of Kinnevik's holding in MTG amounted to MSEK 1,479 on December 31, 2000. On February 19, 2001 the market value was MSEK 1,665. MTG is listed on the Stockholm Stock Exchange's "O" list and on Nasdaq in New York.

MTG consists of seven business areas: Viasat Broadcasting (free TV and pay TV, including 18 TV channels in 8 countries), Radio (7 networks in 5 countries), New Media (Everyday as the interactive TV portal and Internet portal, text TV), Publishing (daily financial newspaper, other financial information, magazines and books), Modern Interactive (traditional home shopping, e-commerce and logistics), SDI Media (subtitling and dubbing) and Modern Studios (content production and film rights library).

Net turnover in 2000 amounted MSEK 5,431 (4,491) and income after financial items was MSEK 407 (178).

Metro (8%)

The market value of Kinnevik's holding in Metro amounted to MSEK 448 on December 31, 2000. On February 19, 2001 the market value was MSEK 458. Metro is listed on the Stockholm Stock Exchange and on Nasdaq in New York.

Metro publishes and distributes daily newspapers free of charge, with 17 newspapers in 13 countries.

Net turnover amounted MUS\$ 92 (62) in 2000 and the result after financial net was a loss of MUS\$ 69 (loss 15).

Acronym and explanations

ADAS	British institution that awards good hygiene certificates to manufacturers and companies.
Callcenter	Customer service that handles customer contacts mainly via telephone, fax, e-mail, Internet services and letters.
DTH market	“Direct To Home” – the satellite dish market.
Fed	“The Federal Reserve” – the American central bank.
FSC standard	“Forest Stewardship Council” is an international and independent organisation for certification of forests.
Gateway	A network point that provides an opening to other networks and makes communication between different types of computer equipment possible.
GSM	Global System for Mobile telecommunication – digital mobile telephone network.
Outsourcing	To contract out part of a company’s business.
Portal	Web site on the Internet presenting an extensive range of services, often used as a front page and search engine.
TDU	Telephone accessory which automatically routes the subscriber’s telecom traffic to a pre-selected available 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.
Webb Interface	Access to systems via the Internet.

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 Inc. Chairman of the Board in Applied Value Corporation and Shared Value Ltd. Member of the Board in Korsnäs AB, Metro International S.A. and Transcom WorldWide S.A.
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.	Member of the Board in Tele2 AB, Modern Times Group MTG AB, Millicom International Cellular S.A. and Korsnäs AB.
Ulf Spång Born 1948	Member of the Board since 1998.	Executive vice President and CFO in Försäkringsaktiebolaget Skandia. 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 LGP Telecom Holding 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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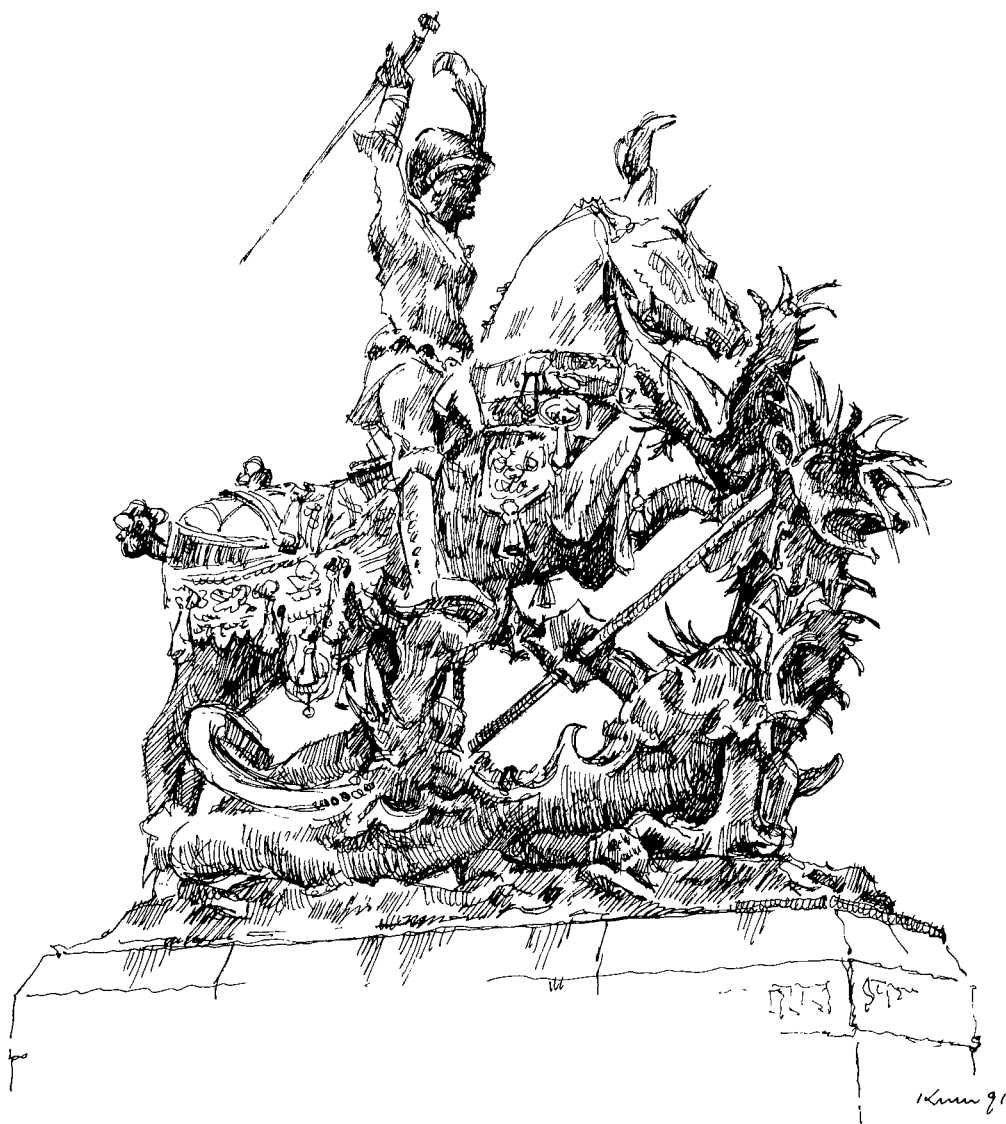
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