

## ADMINISTRATION

Kinnevik's Board has proposed to the Annual General Meeting scheduled for May 18 that all the shares in Transcom WorldWide S.A. (Transcom) shall be distributed to shareholders. With the purpose of clarifying such a distribution, Transcom has therefore been presented separately in this interim report. The shares in Transcom are taken up in the balance sheet of March 31 as an external shareholding. Consequently, the Transcom income statement and balance sheet are not included in the Kinnevik consolidated figures for the first quarter of 2001. The Board has also proposed that a cash dividend of SEK 1 per share be paid.

Since 1976 Kinnevik's shares have generated an average effective yield of 24% per year as a result of rising prices and dividends, including the value of warrant offers and subscription offers. During the past five years, Kinnevik's shares have generated an average effective yield of 44% per year.

The value of the Group's holdings of listed securities amounted to MSEK 12,514 at March 31, 2001. On April 25, 2001 the value was MSEK 15,393, which means that the premium over the book value of the Group's listed portfolio amounted to MSEK 3,420 on that date.

Net turnover for the first three months of 2001 amounted to MSEK 1,599 (1,376). The Korsnäs Holding group's net turnover amounted to MSEK 1,532 (1,298). The net turnover of Other subsidiaries amounted to MSEK 68 (79).

Operating income amounted to MSEK 188 (872). This figure includes income from corporate development and net capital gains on sales of securities amounting to MSEK 0 (752). After adjustment for non-recurring items, operating income increased from MSEK 120 to MSEK 188, or by 57%.

Kinnevik's interest in the earnings of affiliated companies amounted to a net loss of MSEK 609 (loss 308), of which Millicom International Cellular S.A. (MIC) accounted for MSEK 602. MIC's loss after financial net amounted to MUSD 192, of which MUSD 203 consisted of write-downs in the value of shares in Tele2 AB (Tele2). The market value of MIC's shares in Tele2 has increased by MUSD 125 since March 31, 2001, which corresponds to an increase of MSEK 408 in the value of Kinnevik's interest in MIC.

Financial revenue and expense amounted to a net expense of MSEK 75 (expense 56).

Income after financial revenue and expense was a loss of MSEK 496 (income 508).

The net result for the period was a loss of MSEK 558 (income 497).

The loss per share for the period amounted to SEK 8.87 (earnings of 7.90).

The comparative figures for the first three months of 2001 are pro forma and relate to the Kinnevik Group and the companies now belonging to the Group.

## MELLERSTA SVERIGES LANTBRUKS AB

As a result of the harsh winter the crops sown in the autumn have been damaged, although it now appears that they will survive.

The ecologically cultivated crops are developing well. This year, 33% of the acreage will be farmed in accordance with ecological principles.

During the first quarter our Polish affiliated company Rolnyvik acquired three agricultural estates near to each other in north-eastern Poland from the Polish government. The estates cover a total of 4,676 hectares with 750 dairy cattle and 900 young animals.

Net turnover for the period amounted to MSEK 7 (5). The operating income amounted to MSEK 0 (loss 1). The results of the Polish estates are not included as they were taken over after the close of the first quarter.

## KORSNÄS HOLDING AB

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

Demand for Korsnäs' products remained firm throughout the first quarter. Parallel to this, attractive prices and favourable currency movements also contributed to a stable first quarter.

The Korsnäs Group's net turnover for the first three months of the year amounted to MSEK 1,532 (1,298) and operating income was MSEK 230 (155). The profit margin was 15% (12). Income after financial net amounted to MSEK 270 (168).

## Korsnäs Forestry

During the first quarter of 2001, the wood market was characterised by falling pulpwood and saw timber prices. Raw material stocks in Sweden are normal for the season. Korsnäs' wood stocks are below the planned level for softwood pulpwood, while birchwood stocks are above the planned level. During the quarter Korsnäs concentrated on drawing on its felling rights rather than harvesting its own forests in order to compensate for an earlier delay in drawing on felling rights. At the same time, the rate of harvesting has fallen behind the planned rate, which had a negative effect on income for the quarter. Imports from Russia and the Baltic region have functioned well, but were affected by the difficult harvesting conditions in the past six months. The weakening market has affected Korsnäs' sales of saw timber to external sawmills and it is difficult to place further volumes of timber.

The transition from harvesting with employed personnel and company machinery to the outsourcing of contract-harvesting services is now in its final stages. A project has begun to bring the organisation into line with new working practices, based entirely on tenders for harvesting contracts and many other forestry operations. The focus lies on supplying the mills with wood on a long-term basis at competitive prices, which involves overhauling the entire organisation from forest personnel to head office.

Net turnover for the quarter amounted to MSEK 435 (381) and operating income was MSEK 64 (71).

## Korsnäs Industrial

During the quarter, the market was characterised by strong demand for paperboard products and fluff pulp, whereas demand for sack paper declined. Overall, deliveries are some 2% higher than in the corresponding period last year. Price levels have improved, and the successive price increases during the second half of 2000 are holding firm, which, combined with the weakness of the Swedish krona, means that the average price for products from Korsnäsverken is some 8% higher than in the corresponding period last year. Total revenue is thus some 10% higher than in the first quarter of last year.

When it comes to costs, the effects of the staff review continue to show through in the form of lower payroll expense. Measures intended to reduce costs are continuing. During the quarter decisions were made to successively cease production of unprofitable product lines, and to adapt personnel and capacity levels in the individual product areas. Korsnäs Industrial has also benefited from falling commodity prices, but at the same time high energy prices during the period have had a significant, adverse effect on income. The restructuring programme, the aim of which is to increase efficiency and competence within the organisation, is proceeding according to plan. An extensive training programme for all employees is in progress. On February 1, 2001 Per Lindberg was appointed president. Mr Lindberg comes from Applied Value Corporation, Chicago, USA, a consulting company that is associated with Kinnevik. In his role as senior consultant, Mr Lindberg has been active within Korsnäs for the past two years.

At Korsnäsverken, production for the period amounted to a total of 164,000 tonnes, an increase of 3% on the same period last year. Production of three-ply board, which began in 1999 following the rebuilding of PM5, is running extremely well with steadily increasing capacity and at a quality that more than satisfies our customers' expectations. Production on the other machines is running according to plan.

The improved price level, combined with cost-reducing measures, has given rise to a significant improvement in the business result at Korsnäsverken.

Korsnäs Packaging's net turnover increased by 37% in relation to the first three months of last year, mainly due to the acquisition of UPM Kymmene's sack business. The process of integration is continuing in line with plan and the acquired units report improved revenue for the period. On February 5, 2001, Peter Buckley took over as president of Korsnäs Packaging with responsibility for all converting factories. Mr Buckley has long experience in the industry from Jefferson Smurfit, where he held a number of managerial positions, most recently as president of the sack division.

Despite the results of the packaging division have begun to recover, their level is still unsatisfactory. Sack production in Scandinavia and Germany has undergone a process of consolidation, whereby five manufacturing units have been reduced to two, one in Denmark and one in Germany, which has affected productivity adversely. The market was also weak during the period, particularly in Germany. However, lower production costs as a result of extensive restructuring are creating a strong platform for the future.

The market for redwood products has been under intense pressure for some considerable time. Despite this, products from the Korsnäs sawmill have enjoyed firm demand. The market for sawn timber is expected to continue to strengthen slowly, especially within the segment for customized products.

Production is 15% below the previous year's level. Running-in costs at the new sorting unit are the main factor behind the decline in production. The plant has now been run in, which we expect will permit higher production for the rest of the year.

Deliveries are 7% down on last year at an average price that is 6% higher.

Korsnäs Industrial's net turnover for the first quarter amounted to MSEK 1,377 (1,173) and operating income was MSEK 166 (84).

#### **WORLDWIDE LOYALTY B.V.**

The business of Worldwide Loyalty BV is to provide loyalty programs for its customers through the "Collect" bonus club. The company commenced operations in Sweden in April 1998 in order to improve customer loyalty to companies associated with Kinnevik. In the fall of 1998 a bonus program under the "Collect" brand name was launched on behalf of Comviq, Kabelvision, Tele2 and Viasat. In 1999 and 2000, Sydkraft, an electricity and power supplier, Big Travel, a chain of travel agents, the fund management company Moderna Fonder and car hire Hertz also became affiliated. The business is conducted mainly in Sweden and Denmark, as well as Norway through Trumf, an affiliated company. Trumf's largest customers are Norska Shell, the convenience goods company Norgesgruppen, and the Sparebanken Nor savings bank. Last year Tele2 and Viasat also affiliated to Trumf. Trumf was re-launched under its new name of Collect Trumf in the spring of 2000.

In 2001 the business will focus mainly on Scandinavia.

"Collect" has 1,608,000 members, of whom 782,000 are in Sweden, 54,000 in Denmark and 772,000 in Norway.

Net turnover for the first three months of the year amounted to MSEK 15 (12) and the operating loss was MSEK 17 (loss of 5). Non-recurring items and winding-up costs of MSEK 12 have been charged against income. Trumf had a turnover of MSEK 47 for the first three months of the year.

#### **CIS CREDIT INTERNATIONAL SERVICES AB**

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

As well as access to effective and flexible business systems with modern web interfaces, CIS' customers have access to specialists who handle the administration efficiently. This enables customers to offer higher quality at lower cost, as well as the opportunity to sharpen the focus on their core business.

CIS is active in six European countries. At March 31, 2001, CIS had 236 employees, an increase of 17% on the same period the previous year.

Net turnover amounted to MSEK 31 (28) and the operating loss was MSEK 4 (income 2). The deterioration in the result is mainly attributable to the expansion by the outsourcing business area and to development costs for personnel administration systems.

#### **AFFILIATED COMPANIES**

##### **MILLICOM INTERNATIONAL**

##### **CELLULAR S.A (MIC) 34%**

The market value of Kinnevik's holding in MIC was MSEK 3,153 as of March 31, 2001. On April 25, 2001 the market value was MSEK 4.150. 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.

The number of subscribers to MIC on March 31, 2001 was 3,422,623, which represents an increase of 55% during the past 12-month period. On a pro rata basis in relation to MIC's equity holdings, the number of subscribers was 2,340,304, an increase of 63%. The subscriber base of Tele2, in which MIC has a minority interest, is not included in the above figures.

MIC is currently a major shareholder in 34 companies in 21 countries that together represent a market of 570 million people.

Net turnover amounted to MUSD 170 (126). The company's loss after financial net amounted to MUSD 192 (loss 5). Write-downs of MUSD 203 in the value of listed shares to market value have been charged against income.

## OTHER AFFILIATED COMPANIES

### AND OTHER INVESTMENTS

Other affiliated companies include Viking Telecom AB (24%), Cherryföretagen AB (29%) and Goodguy Svenska AB (47%). The net loss of Other Associated Companies amounted to MSEK 10 (income 13).

Other investments consist mainly of 16% of the shares in Tele2 AB, 9% of the shares in Modern Times Group and 8% of the shares in Metro International S.A.

## TRANSCOM WORLDWIDE S.A.

As noted above, the subsidiary Transcom WorldWide S.A. is stated separately in view of the plans to distribute its shares to Kinnevik's own shareholders.

## FINANCIAL POSITION

The Group's liquid funds, including the market value of short-term investments and undrawn credit facilities, amounted to MSEK 4,116 (7,376) at March 31, 2001.

The Group's net interest-bearing debt amounted to MSEK 5,667 (5,464).

The average cost of interest for the period was 4.9% (4.7%), (calculated as interest expense in relation to average interest-bearing debt excluding pension liabilities).

The Group's fixed capital expenditure (excluding investments in financial fixed assets) during the period amounted to MSEK 82 (205).

The equity ratio was 54% (36%) at March 31, 2001. After taking into account the premium over the book value of listed securities, the equity ratio was 54% (75%).

The net effect of the Group's in- and outflows in foreign currencies amounts, on an annual basis, to a net inflow of approximately MSEK 1,500.

## NEXT FINANCIAL REPORT

The interim report for January-June 2001 will be published on August 7, 2001.

Stockholm, April 26, 2001.

President

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

	2000	2000	2000	2001
(MSEK)	Full year	Jan. 1-Mar. 31	Jan. 1-Mar. 31 pro forma*	Jan. 1-Mar. 31
Net turnover	7,019	1,677	1,376	1,599
Cost of sales	- 5,687	- 1,348	- 1,110	- 1,286
<b>Gross result</b>	1,332	329	266	313
Expenses for selling, administration, research and development	- 959	- 205	- 152	- 170
Income from corporate development	8,471	767	767	0
Income from sales of securities	- 81	- 15	- 15	0
Other operating income	249	33	33	61
Other operating expenses	- 423	- 27	- 27	- 16
<b>Operating income</b>	8,589	882	872	188
Participations in affiliated companies	534	- 308	- 308	- 609
Net financial items	- 257	- 60	- 56	- 75
<b>Income after net financial items</b>	8,866	514	508	- 496
Taxes	- 86	- 10	- 10	- 64
Minority share in income	- 2	- 1	- 1	2
<b>Net result for the period</b>	8,778	503	497	- 558
Earnings per share, SEK	139.45	7.99	7.90	- 8.87
Earnings per share after dilution, SEK	139.45	7.99	7.90	- 8.87
Total number of shares	62,938,677	62,938,677	62,938,677	62,938,677
Total number of shares after dilution	62,938,677	62,938,677	62,938,677	62,938,677

## REVIEW OF THE GROUP (MSEK)

	2000	2000	2001
	Jan. 1-Mar. 31	Jan. 1-Mar. 31	Jan. 1-Mar. 31

**Breakdown of net turnover by business area**

		<b>pro forma*</b>	
Mellersta Sveriges Lantbruks AB	5	5	7
Korsnäs Holding AB	1,298	1,298	1,532
Transcom WorldWide S.A.	301	–	–
Worldwide Loyalty B.V.	12	12	15
CIS Credit International Services AB	28	28	31
Other subsidiaries	34	34	15
Parent company, Holding companies and eliminations	– 1	– 1	– 1
<b>Total</b>	<b>1,677</b>	<b>1,376</b>	<b>1,599</b>

**Breakdown of operating income/loss by business area**

Mellersta Sveriges Lantbruks AB	– 1	– 1	0
Korsnäs Holding AB	154	154	224
Transcom WorldWide S.A.	10	–	–
Worldwide Loyalty B.V.	– 5	– 5	– 17
CIS Credit International Services AB	2	2	– 4
Other subsidiaries	739 **	739 **	– 12
Parent company, Holding companies and eliminations	– 17	– 17	– 3
<b>Total</b>	<b>882</b>	<b>872</b>	<b>188</b>

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

Mellersta Sveriges Lantbruks AB	– 1	– 1	– 1
Korsnäs Holding AB	110	110	223
Transcom WorldWide S.A.	6	–	–
Worldwide Loyalty B.V.	– 5	– 5	– 18
CIS Credit International Services AB	2	2	– 5
Other subsidiaries	740 **	740 **	– 11
Affiliated companies	– 301	– 301	– 612
Parent company, Holding companies and eliminations	– 37	– 37	– 72
<b>Total</b>	<b>514</b>	<b>508</b>	<b>– 496</b>

\* The comparative figures for the first quarter of 2000 are pro forma and exclude Transcom WorldWide S.A.

\*\* Capital gains of MSEK 751 for the sale on the divestment of TV1000 Sverige AB is included.

# CONSOLIDATED BALANCE SHEET (MSEK)

	Dec. 31, 2000	Mar. 31, 2000	Mar. 31, 2001
Fixed assets			
Capitalized development costs	75	88	69
Goodwill	149	164	145
Machinery, equipment, property etc	8,254	8,094	8,403
Other stocks and participations	11,668	2,152	12,907
Long-term receivables	917	901	1,022
	21,063	11,399	22,546
Current assets			
Inventories	1,158	1,009	1,139
Short-term receivables	1,898	2,144	1,566
Cash, bank and short-term investments	2,046	2,405	2,129
	5,102	5,558	4,834
Total assets	26,165	16,957	27,380
Equity			
Restricted equity	3,968	4,531	4,517
Unrestricted equity	10,742	1,416	10,153
	14,710	5,947	14,670
Minority interests in equity	134	133	1
Provisions			
Provisions for pensions	630	627	634
Deferred tax liabilities	413	411	773
Other provisions	730	395	720
	1,773	1,433	2,127
Long-term liabilities			
<b>Non-interest bearing liabilities</b>	<b>30</b>	<b>2</b>	<b>37</b>
Interest-bearing liabilities	7,916	7,918	7,941
	7,946	7,920	7,978
Short-term liabilities			
Non-interest bearing liabilities	1,388	1,336	2,368
Interest-bearing liabilities	214	188	236
	1,602	1,524	2,604
Total stockholders' equity and liabilities	26,165	16,957	27,380

**CONSOLIDATED STATEMENT OF CASHFLOWS (MSEK)**

	<b>2000</b>	<b>2000</b>	<b>2001</b>
	<b>Full year</b>	<b>Jan. 1-Mar. 31</b>	<b>Jan. 1-Mar. 31</b>
Cashflow from			
operations	763	289	243
investing activities	- 1,227	- 738	- 221
financing activities	447	420	50
Cash flow for the period	- 17	- 29	72
Opening liquid funds	507	507	496
Translation differences in liquid funds	6	- 6	11
Closing liquid funds	496	472	579

**SHAREHOLDERS' EQUITY (MSEK)**

	<b>2000</b>	<b>2000</b>	<b>2001</b>
	<b>Full year</b>	<b>Jan. 1-Mar. 31</b>	<b>Jan. 1-Mar. 31</b>
<b>Group</b>			
Opening balance	5,743	5,743	14,710
Translation differences	415	- 87	544
Net income for the period	8,777	503	- 558
Dividend	- 13	-	-
De-consolidation of Transcom WorldWide S.A.	-	-	132
Lump-sum writedown in MIC	- 212	- 212	- 158
Closing balance	14,710	5,947	14,670

The Swedish Financial Accounting Standards Council's Recommendation RR9 Income Tax and Recommendation RR 20 Interim Reports have been applied. In other respects, the consolidated accounts are made up in accordance with previously applied principles.

## **TRANSCOM WORLDWIDE S.A.**

Transcom was originally set up to provide customer service for Comviq's mobile telephony customers. The company has evolved from its original role of handling Tele2's and SEC's requirements to a point where its business is increasingly based on external customers throughout Europe. The industry first saw the light of day in the USA, and it was only in the 1990s that it became established to any significant extent in Europe.

Transcom's growth rate during the first quarter was exceptional and should not be interpreted as a trend for the year as a whole, even though the company will probably outperform the market, which is estimated to be growing at an annual rate of some 25-30 per cent. Transcom's growth has been entirely organic, and no acquisitions have been made, although this does not exclude the possibility of strategic acquisitions at some time in the future. During the quarter a new call center was brought into operation in Casablanca, Morocco. This together with the increase of employees in the new call centers in Leon, Spain and Groningen, the Netherlands is the main reason for the substantial increase of 700 employees during the quarter to reach some 6,200 as of March 31, 2001.

New call centers are in the start-up phase in Borås (Sweden), Vordingborg (Denmark), which is about 100 km south of Copenhagen, Halle (eastern Germany), and Tulle in the south of France. They will all become operational during the second quarter. As of March 31, 2001, Transcom had 24 call centers in 14 countries.

The turnover for the quarter amounted to MEUR 59.1 (35.4), an increase of 67 per cent. Operating income before goodwill amortization amounted to MEUR 2.5 (1.2), up by 108 per cent. The improvement in the operating margin was partly due to a reduction in overflow (externally purchased capacity that generates low margins). As Transcom's in-house capacity has now been expanded significantly the intention is to keep overflow at a low level in percentage terms. Moreover, efficiency has been improved.

During the past year the company's sales organisation almost doubled in size, with much of the expansion on the Continent where the company previously had no capacity available. The reinforcement of the sales organisation is expected to produce results during the second half of the year in the form of new client acquisitions. The selling-in process in this industry is time consuming; on the other hand, once acquired customers hardly ever change supplier.

Transcom's telemarketing capacity has been augmented as this market is experiencing very steady growth. As Transcom now has a complete European organisation its strategy is to represent major corporations in telecommunications, media, banking and finance, insurance, energy, vehicles, and travel. Over and above these, certain central and local government sectors are also of great interest. This represents sectors with large customer bases and preferably with cross-border requirements.

# TRANSCOM CONSOLIDATED INCOME STATEMENT (MEUR)

	2000 Full year pro forma*	2000 Jan. 1-Mar. 31 pro forma*	2001 Jan. 1-Mar. 31
Net turnover	177.4	35.4	59.1
Cost of sales	- 144.5	- 28.0	- 47.0
<b>Gross result</b>	<b>32.9</b>	<b>7.4</b>	<b>12.1</b>
Expenses for selling, administration, research and development	- 30.9	- 6.2	- 9.6
Goodwill amortization	- 3.3	- 0,8	- 0,8
<b>Operating income</b>	<b>- 1.3</b>	<b>0.4</b>	<b>1.7</b>
Net financial items	- 0.7	- 0.5	- 0.2
<b>Income after net financial items</b>	<b>- 2.0</b>	<b>- 0.1</b>	<b>1.5</b>
Taxes	- 1.1	0.0	- 0.5
<b>Net result for the period</b>	<b>- 3.1</b>	<b>- 0.1</b>	<b>1.0</b>

\* In the pro forma, goodwill amortization is included as from January 1, 2000.

# TRANSCOM CONSOLIDATED BALANCE SHEET (MEUR)

	Dec. 31, 2000	Mar. 31, 2001
<b>Fixed assets</b>		
<b>Goodwill</b>	<b>46.8</b>	<b>46.0</b>
<b>Other fixed assets</b>	<b>21.0</b>	<b>23.6</b>
	<b>67.8</b>	<b>69.6</b>
<b>Current assets</b>		
<b>Short-term receivables</b>	<b>45.8</b>	<b>47.0</b>
<b>Cash and bank</b>	<b>4.6</b>	<b>8.0</b>
	<b>50.4</b>	<b>55.0</b>
<b>Total assets</b>	<b>118.2</b>	<b>124.6</b>
<b>Equity</b>	<b>74.5</b>	<b>75.4</b>
<b>Long-term liabilities</b>		
<b>Non-interest bearing liabilities</b>	<b>0.0</b>	<b>1.8</b>
<b>Interest-bearing liabilities</b>	<b>10.8</b>	<b>12.1</b>
	<b>10.8</b>	<b>13.9</b>
<b>Short-term liabilities</b>		
<b>Non-interest bearing liabilities</b>	<b>32.9</b>	<b>35.3</b>
<b>Total stockholders' equity and liabilities</b>	<b>118.2</b>	<b>124.6</b>

The income statement and balance sheet are made up in accordance with IAS. Transcom uses Euro as its reporting currency.