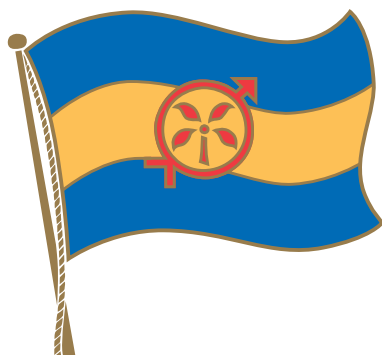


Investment AB Kinnervik



Annual Report 2004

Annual General Meeting 2005

Date and venue

The Annual General Meeting will be held on Thursday, 12 May 2005, at 9:30 a.m. at the Skandia Cinema, Drottninggatan 82, Stockholm. The doors will open at 8:30 a.m. and registration will be conducted until 9:30 a.m., when the doors will be closed.

Who is entitled to participate?

Shareholders who intend to participate in the Annual General Meeting shall

- be entered in the register of shareholders maintained by VPC AB (Swedish Securities Depository & Clearing Organization) on Monday, 2 May 2005
- notify the company of their intention to participate not later than Friday, 6 May 2005, at 3:00 p.m.

How to be entered in the register of shareholders

Shares can be registered in the register of shareholders maintained by VPC AB in the name of the owner or the nominee. Shareholders whose shares are registered in the names of nominees must temporarily reregister the shares in their own name to be entitled to participate in the Meeting. Shareholders requiring such reregistration must inform the nominee of this in sufficient time prior to 2 May 2005.

How to notify intention to participate

Shareholders can notify the company of their intention to participate by using one of the following alternatives:

- the company's website, www.kinnevik.se
- by telephone, +46 (0)433-74756
- by writing to the company at: Investment AB Kinnevik, Box 2094, SE-103 13 Stockholm, Sweden

Notification should include the following information:

- Name
- Personal identification number/corporate registration number
- Address and telephone number
- Shareholding
- Representatives, if applicable

If participation is based on written power of attorney, this should be submitted in conjunction with notification of participation in the Annual General Meeting.

Notification must be submitted to the company not later than Friday, 6 May 2005.

Nomination Group for Annual General Meeting

In the autumn, a Nomination Group was formed, comprising Cristina Stenbeck, Thomas Halvorsen, Fourth AP-Fund; Wilhelm Klingspor; Björn Lind, SEB Funds and SEB Trygg Liv and Tomas Nicolin, Alecta.

The Nomination Group will prepare a proposal for the Board which will be presented to the Annual General Meeting 2005 for approval.

Shareholders who wish to submit proposals for representatives on Kinnevik's Board of Directors should contact:

E-mail: agm@kinnevik.se

Letter: Annual General Meeting, Investment AB Kinnevik, Box 2094, SE-103 13 Stockholm, Sweden

Financial information

Interim Report Q1, 26 April 2005

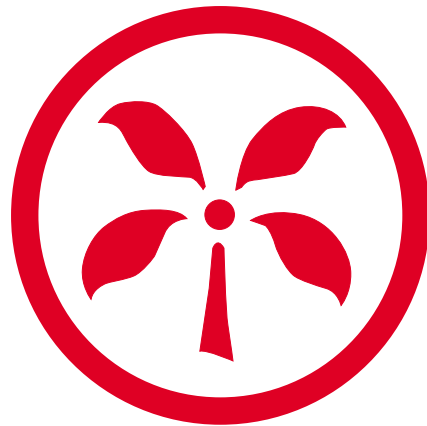
Interim Report Q2, 26 July 2005

Interim Report Q3, 25 October 2005

Year-end Report 2005, February 2006.

Annual Report for 2005, March 2006.

Annual General Meeting, May 2006



"Nearly seventy years of entrepreneurial tradition
under the same group of principal owners"

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Five-year Summary

Summary of Income Statement

(SEK million)	2004 ¹⁾	2003	2002	2001	2000
Net sales	7,541	5,660	6,110	6,120	7,019
Operating income	1,309	716	1,325	318	8,669
of which Income from corporate development ..	465	193	735	– 4	8,471
Share in earnings of associated companies	341	2,675	– 4,297	– 487	534
Result after net financial items	1,342	3,325	– 3,946	– 462	8,865
Result for the year	713	3,731	– 4,109	– 570	8,777

Summary of cash-flow statement

(SEK million)					
Cash flow from operations	1,103	806	791	568	763
Cash flow from investing activities	1,625	– 483	323	– 1,203	– 1,227
Cash flow from financing activities	– 2,660	– 483	– 1,052	443	447
Cash flow for the year	68	– 160	62	– 192	– 17

Key ratios

Operating margin	17.4%	12.7%	21.7%	5.2%	123.5%
Profit margin	17.8%	58.7%	– 64.6%	– 7.5%	126.3%
Capital employed	24,708	19,700	17,039	23,715	24,334
Return on capital employed	7.3%	20.5%	– 17.2%	– 0.1%	48.0%
Return on shareholders' equity	5.5%	37.8%	– 37.5%	– 4.0%	85.8%
Equity/assets ratio I	50%	54%	43%	54%	58%
Equity/assets ratio II	58%	65%	43%	55%	60%
Net debt, SEK million	7,168 ⁵⁾	6,803	6,820	7,553	5,855
Debt/equity ratio, multiple	0.7	0.7	1.1	0.7	0.6
Risk capital ratio	52.7%	57.7%	48.6%	56.9%	59.1%

Data per share ²⁾

Average number of shares (000s)	263,982	220,285	220,285	220,285	220,285
Earnings per share, SEK	2.70	16.94	– 18.65	– 2.59	39.84
Shareholders' equity per share, SEK	54.78	52.27	37.32	62.18	66.78
Market price B share at 31 December, SEK	70.75	67.43	24.86	47.43	51.71
Dividend per share, SEK	0.25 ⁴⁾	1.57	1.14	0.57	3.86 ³⁾
Direct yield	0.4%	2.3%	4.6%	1.2%	7.5%
P/E ratio	26.2	4.0	– 1.3	– 18.3	1.3

¹⁾ Merged Group pro forma, see Note 1.

²⁾ All information adjusted for the exchange ratio at merger with old Invik in July 2004, in which one old Kinnevik share entitled to 3.5 shares in Investment AB Kinnevik.

³⁾ Including distribution of Transcom WorldWide S.A.

⁴⁾ Proposed cash dividend, excluding distribution in kind of shares in Invik & Co. AB.

⁵⁾ Excluding Invik.

For definitions of key ratios, see page 87.

Board of Directors



The Board of Directors, President and Company Secretary of Investment AB Kinnevik.
Left to right: Thorbjörn Hallström, Hans Wahlbom, Erik Mitteregger, Edvard von Horn,
Cristina Stenbeck, Stig Nordin, Pehr G Gyllenhammar, Wilhelm Klingspor, Vigo Carlund,
Jan-Henrik Sandberg, Anders Fällman and Bo Gidlund.

Pehr G Gyllenhammar *Chairman*

Director, born 1935. Chairman of Kinnevik since 2004. Chairman of Aviva plc, European Financial Services Round Table (EFR) and Reuters Founders Share Company Ltd. Vice Chairman of Rothschild Europe.
Shareholding: 3,000 Series A shares and 12,000 Series B shares

Cristina Stenbeck *Vice Chairman*

Miss, born 1977. Member of the Board and Vice Chairman of Kinnevik since 2003. Chairman of Emesco AB. Member of the Boards of Metro International S.A., Millicom International Cellular S.A., Modern Times Group MTG AB, Tele2 AB and Transcom WorldWide S.A.
Shareholding: -

Thorbjörn Hallström *Employee representative / Board member*

Project engineer, born 1950. Employee representative of Kinnevik since 1996.
Shareholding: 35 Series B shares

Edvard von Horn *Board member*

B.A., born 1943. Member of the Board of Kinnevik since 1992.
Shareholding: 176,793 Series A shares and 39,221 Series B shares

Wilhem Klingspor *Board member*

Forest Engineer, born 1962. Member of the Board of Kinnevik since 1991.
Shareholding: 935,848 Series A shares and 775,071 Series B shares

Erik Mitteregger *Board member*

Graduate in business administration, born 1960. Member of the Board of Kinnevik since 2004. Member of the Board of Aspiro AB, Firefly AB and SignOn i Stockholm AB.
Shareholding: 35,000 Series A shares

Stig Nordin *Board member*

Director, born 1943. Member of the Board of Kinnevik since 1992. Chairman of Setra Group AB.
Shareholding: 39,668 Series B shares

Jan-Henrik Sandberg *Employee representative / Board member*

Boiler plant operator, born 1959. Employee representative of Kinnevik since 2002.
Shareholding: 10 Series B shares

Bo Gidlund *Employee representative / Deputy*

Born 1958. Employee representative of Kinnevik since 2004.
Shareholding: -

Hans Wahlbom *Employee representative / Deputy*

Born 1950. Employee representative of Kinnevik since 1996.
Shareholding: 57 Series A shares and 101 Series B shares

Vigo Carlund

President and CEO of Investment AB Kinnevik
(not a Member of the Board)
Born 1946. Employed since 1968.
Other assignments for listed companies: Chairman of Metro and Transcom. Member of the Boards of Tele2 and Millicom.
Shareholding: 419,560 Series B shares

Anders Fällman

Executive Vice President Investment AB Kinnevik
(Company Secretary, not a Member of the Board)
LL.M., born 1962. Employed since 2000.
Other assignments for listed companies: Member of the Board of Cherryföretagen.
Shareholding: 200,000 Series B shares

Honorary Member

Agriculturalist Bo von Horn

Auditors

Ernst & Young AB, Erik Åström *Auditor*

Born 1957. Authorized Public Accountant Ernst & Young AB.

Pål Wingren *Auditor*

Born 1949. Authorized Public Accountant PricewaterhouseCoopers AB.

Magnus Svensson Henryson *Deputy Auditor*

Born 1969. Authorized Public Accountant PricewaterhouseCoopers AB.

Senior Executives



Left to right,
front row
second row
back row

Anders Fällman, Vigo Carlund, Per Lindberg
Peter Buckley, Henrik Persson, Sture Gustavsson, Lars Nordstrand
Pierre Arens, Clas Österlin, Per Molin, Mikael Larsson

Vigo Carlund

President and CEO Investment AB Kinnevik

Born 1946

Employed since 1968

Other assignments for listed companies: Chairman of Metro and Transcom. Member of the Boards of Tele2 and Millicom.

Shareholding: 419,560 Series B shares

Anders Fällman

Executive Vice President Investment AB Kinnevik and President Invik & Co.

Born 1962

LL.M.

Employed since 2000

Other assignments for listed companies: Member of the Board of Cherryföretagen

Shareholding: 200,000 Series B shares

Per Lindberg

Executive Vice President Investment AB Kinnevik and President Korsnäs

Born 1959

PhD.

Employed since 2001

Other assignments for listed companies: Member of the Board of AcandoFrontec AB

Shareholding: 50 Series B shares

Peter Buckley

President Korsnäs Packaging

Born 1965

Graduate in Business Administration

Employed since 2001

Shareholding: 1,225 Series B shares

Sture Gustavsson

President Mellersta Sveriges Lantbruk

Born 1959

Agriculturalist

Employed since 1994

Shareholding: -

Lars Nordstrand

President Modern Insurances

Born 1951

Graduate in Business Administration

Employed since 1997

Shareholding: -

Pierre Arens

President Banque Invik

Born 1961

M.A.

Employed since 2004

Shareholding: -

Claes Österlin

President Fischer Partners

Born 1965

Graduate in Business Administration

Employed since 1984

Shareholding: 35.031 Series A shares and 15.000 Series B shares

Per Molin

President Invik Asset Management

Born 1959

Graduate in Business Administration

Employed since 2004

Shareholding: -

Henrik Persson

Director Corporate Communications/

Analyst Portfolio Review

Born 1974

Graduate in Business Administration

Employed since 2004

Shareholding: -

Mikael Larsson

Chief Financial Officer

Born 1968

Graduate in Business Administration

Employed since 2001

Shareholding: 1,750 Series B shares

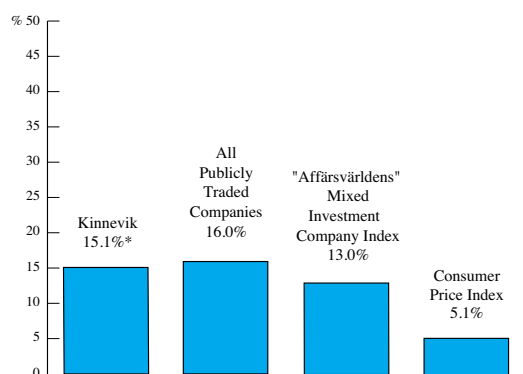
Kinnevik Share

The Kinnevik share

Following the merger with former Invik, the total number of shares outstanding amounts to 263,981,939, of which 50,197,052 are Series A shares and 213,784,887 are Series B shares. In addition to these, Kinnevik owns 3,914,300 of its own Series A shares. The share's par value is SEK 0.10. A Series A share carries entitlement to ten votes and a Series B share one vote.

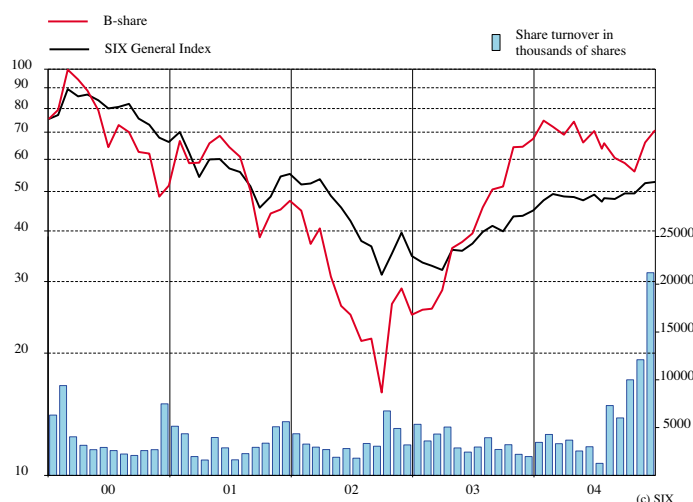
Kinnevik's Series A and B shares have been listed on the Stockholm Stock Exchange since 12 November 1992. Following the merger in July 2004, the share is listed on the O-List of the Stockholm Stock Exchange and is included in the Attract 40 segment. The shares are traded under the symbols KINV A and KINV B. A round lot comprises 100 shares.

Effective Annual Average Rate of Return on Share Ownership 1976-2004



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

Kinnevik's share price during 2000-2004



Share-price trend and trading

The above charts present the Kinnevik share's price trend during the past 28 and five years, respectively. The historical share price has been adjusted to account for the merger with Invik & Co. AB on 28 July 2004. For each Series A share in old Kinnevik, 3.5 new Series A shares were received in old Invik (name changed to Investment AB Kinnevik), and for each Series B share in old Kinnevik, 3.5 new Series B shares were received in old Invik. Furthermore, the historical price trend has been adjusted downward for the distribution of warrants in Société Européenne de Communication S.A. (SEC) and the distribution of all shares in Transcom WorldWide S.A. (Transcom). On 31 May 2000, Kinnevik distributed warrants to its shareholders entitling them to acquire 1.6% of the shares in SEC for SEK 11.70 per share. On 4 September 2001, all shares in Transcom were distributed to Kinnevik's shareholders.

During the year, an average of 534,001 Series B shares was traded per trading day, corresponding to SEK 91 million.

Kinnevik options

The Kinnevik option was listed on OM in October 1993. In 2004, an average of 183 options contracts was traded per day, corresponding to 18,364 shares.

Ownership Structure

Kinnevik's 20 largest shareholders in terms of capital and votes in Kinnevik according to VPC at 30 December 2004.

Shareholder	Series A shares	Series B shares	Percentage of capital	Percentage of votes
Emesco Group	22,681,467	0	8.6%	31.7%
The estate of Jan H Stenbeck	9,754,000	0	3.7%	13.6%
Klingspor family	5,672,496	2,161,586	3.0%	8.2%
Robur	2	25,510,371	9.7%	3.6%
von Horn family	2,449,208	290,603	1.0%	3.5%
SEB *	7,500	23,659,072	9.0%	3.3%
Sapere Aude Trust	2,245,630	0	0.9%	3.1%
Nordea *	1,271,295	7,879,936	3.5%	2.9%
Korsnäs social fund	1,324,466	32,920	0.5%	1.9%
Alecta	0	12,738,000	4.8%	1.8%
Pictet & CIE *	1,102,380	592,380	0.6%	1.6%
Fourth AP Fund	0	11,361,000	4.3%	1.6%
Hugo Stenbeck's Trust	839,555	170,000	0.4%	1.2%
Handelsbanken *	216,000	5,034,020	2.0%	1.0%
Skandia *	242,107	4,237,482	1.7%	0.9%
S I F	0	5,079,890	1.9%	0.7%
Third AP Fund	0	4,767,000	1.8%	0.7%
Royal Trust Corporation of Canada	0	3,597,150	1.4%	0.5%
Catella	0	3,579,011	1.4%	0.5%
Second AP Fund	0	2,774,362	1.1%	0.4%
Other	<u>2,390,946</u>	<u>100,320,104</u>	<u>38.9%</u>	<u>17.4%</u>
Total	50,197,052	213,784,887	100.0%	100.0%

* For own and others account.

Number of shareholders at 31 December 2004 was 35,303 (24,639).

In addition, Investment AB Kinnevik owns 3,914,300 of the company's own Series A shares.

Size of shareholding	Number of shareholders	Percent	Number of shares	Percent
100,001 -	207	0.59%	208,772 404	77.93%
50,001 - 100,000	122	0.35%	8,613,213	3.22%
10,001 - 50,000	857	2.43%	17,647,483	6.59%
5,001 - 10,000	1,128	3.20%	8,075,106	3.01%
1,001 - 5,000	7,537	21.35%	17,044,499	6.36%
1 - 1,000	<u>25,451</u>	<u>72.09%</u>	<u>7,747,534</u>	<u>2.89%</u>
Total	35,303	100.00%	267,896,239	100.00%

Board of Directors' Report

Historical background

The predecessor of Investment AB Kinnevik was founded on 18 December 1936, by a group of friends, and the business has been carried on by their descendants, now in the third generation. Thus the company embodies nearly seventy 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. As a result, investments have mainly been made in periods of unclear outlook, or in companies with uncertain prospects.

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 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 cooperation with Investment AB Beijer, acquired major holdings of shares in Sandvik AB, Kinnevik sold its Sandvik shares in the autumn of 1983. In 1984, agreements were finally reached to restructure the Swedish specialty steel industry. The stainless-steel production assets of Fagersta AB were sold to other manufacturers. Fagersta AB was then merged into a single entity with its major shareholder, Investment AB Kinnevik.

Kloster Speedsteel AB, Kinnevik's last major investment in specialty steel manufacturing, was sold in 1991.

In 1992, Kinnevik made a tender offer to acquire the outstanding minority shares 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.

Following the major plant investments at the end of the 1980s, Korsnäs was again on the threshold of a period of anticipated profits exceeding current investment requirements. The merger of Korsnäs and Kinnevik created the opportunity to invest Korsnäs' surplus in other more rapidly expanding areas of operation.

Since the prices of established companies appeared high during the past 25 years, Kinnevik chose not to invest in these, but to 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 its subsidiary companies, have invested in operating cellular mobile telephone systems since 1981; establishing and operating DBS satellite operations since 1985; operating credit card telephone and credit card transaction systems since 1986; providing cable-TV services since 1987; newspaper publishing since 1987; commercial TV broadcasting since 1987; independent TV production since 1988; in distribution of pay-TV since 1989; television homeshopping since 1989; radio broadcasting since 1991; digital mobile telecommunications since 1992; teletext services since 1993; international telecommunications since 1993; national telecommunications since 1994; the Metro daily newspaper and debt-recovery services since 1995. Internet and IT-related companies, as well as customer service operations, were started in 1996. Although errors have certainly been committed, these ventures now appear to be successful overall.

During the build-up phase, it was advantageous for the new operations to be included in Kinnevik, which had a conglomerate-like organization. This enables the operations to benefit from collective financial assets and management resources.

When the companies had achieved a certain maturity, it was desirable to highlight the financial values and enable a higher degree of independence, which is why Kinnevik has successively spun off a number of subgroups to shareholders over the past decade. The shares in Tele2 AB (formerly NetCom AB) (Tele2) were spun off to shareholders at the 1996 Annual General Meeting and Tele2's shares were then listed on the O-List of the Stockholm Stock Exchange and on the NASDAQ in the US. At the Annual general Meeting in 1997, the spin-off of shares in Modern Times Group MTG AB (MTG) to shareholders was approved and shortly afterwards MTG's shares were listed on the O-List of the Stockholm Stock Exchange. At the Annual General Meeting in 2001, a decision was approved to spin off the shares in Transcom WorldWide S.A. (Transcom) to shareholders, after which Transcom's shares were listed on the O-List of the Stockholm Stock Exchange.

Invik was formed in 1985 following a division of Kinnevik's then operations within long-term industrial management and corporate development, and within asset and financial operations. The latter operations were placed in Kinnevik's wholly owned subsidiary Invik, after which shareholders in Kinnevik received an offer to subscribe for shares in Invik. Through Invik's shareholding in Kinnevik and Invik's other shareholdings, Invik received shares in

Millicom International Cellular S.A. ("Millicom"), Tele2, MTG, Metro International S.A. ("Metro") and Transcom as dividends during the period 1990 through 2001. Invik's subsidiaries in banking, insurance, asset management and securities trading have been developed and expanded during the years since formation in 1985.

As of 31 December 2004, the total value of the spun-off shares in Tele2, MTG, Metro (spun-off from MTG in 2000) and Transcom amounted to SEK 61,090 million.

Strategy

The aim of Investment AB Kinnevik is to generate value for its shareholders, primarily by value growth. The business comprises the long-term development of operating companies and administering a share portfolio of long-term investments in a small number of listed companies. Kinnevik seeks to play an active role on the boards of its companies, together with other large, long-term shareholders. The basis for this work is the awareness that every company has strived, and should continually strive, to strengthen its unique position. The guiding principle is the long-term increase in value added in the operations.

Kinnevik was formed in 1936 by the three families von Horn, Klingspor and Stenbeck, who remain significant owners of the company. Ever since the formation, Kinnevik's values have built on simple, but distinct principles: confidence, reliability, openness and helpfulness. Kinnevik's successful long-term efforts have not permitted shortcuts. Returns on Kinnevik's investments have often occurred long after the investments were made.

Kinnevik's roots are in Sweden's basic industries: agriculture, forestry and steel. Returns from these operations have been successfully invested in new companies with rapid growth. During the past 25 years, hundreds of companies have been developed through investments by Kinnevik. These companies include the leading alternative telecom operator, Tele2, the leading mobile company in developing countries, Millicom, and the free-newspaper company, Metro, with its operations in 17 countries on four continents.

Kinnevik's operations have been built around an indepth understanding of the link between industrial development and international trade. After the spin off of subgroups Tele2, MTG, Metro and Transcom to Kinnevik's shareholders during the past decade, Kinnevik remains an active shareholder in these companies through membership on their Boards of Directors. For the portfolio companies, the value of a long-term and financially strong owner is substantial since it provides a long-term approach to investments and strategy.

Organization

After distributions in kind, divestments and the merger implemented with old Invik in 2004, Kinnevik's business activities are organized in eight areas of operation.

Korsnäs Holding with subsidiaries and associated companies in the areas of operation:

- Korsnäs Industrial for production of liquid packaging board, WTL, sack and kraft paper, as well as fluff pulp at Korsnäsverken in Gävle.
- Korsnäs Forestry for forest management and supplies of raw materials.
- Korsnäs Packaging for production of paper sacks and paper bags, with 11 wholly or part-owned production plants in Europe.

Invik & Co. and subsidiaries conduct operations in the financial sector in the areas of operation:

- Banque Invik for banking at its head office in Luxembourg and the branch in Stockholm.
- Modern Insurances for direct insurance operations in Sweden within nonlife and life insurance, and reinsurance operations in Luxembourg.
- Invik Asset Management with discretionary management and fund operations through the subsidiary Aktie-Ansvar.
- Fischer Partners for stockbrokerage and trading.

Mellersta Sveriges Lantbruk (MSLA) manages agricultural activities in Sweden and Poland.

Additionally, Kinnevik has a considerable share portfolio in a small number of listed companies, including Tele2, Millicom, MTG, Metro and Transcom. Kinnevik participates actively in the companies' development through board representation. The shareholdings provide Kinnevik with the financial substance required for business development or, alternatively, for the acquisition of positions in other listed companies.

Corporate Governance

Board of Directors

The Annual General Meeting elects the members of the Board of Directors. According to the Articles of Association the number of Board members can vary between three and nine and not more than three deputy Board members. In addition, the union organizations have the right to appoint two Board members and two deputy Board members.

The term of office of the Board members begins at the close of the AGM and expires at the close of the next AGM following their election. The Articles of

Association contains no restrictions regarding the electability of a Board member.

At the Extraordinary General Meeting held on 26 August 2004, the company's shareholders elected Pehr G Gyllenhammar, Edvard von Horn and Stig Nordin as new Board Members. The Board thereafter consists of Pehr G Gyllenhammar, Cristina Stenbeck, Edvard von Horn, Wilhelm Klingspor, Erik Mitteregger and Stig Nordin. At the statutory Board meeting held after the General Meeting, Pehr G Gyllenhammar was appointed Chairman and Cristina Stenbeck Vice Chairman. The union organizations appointed Thorbjörn Hallström and Jan-Henrik Sandberg as Board Members and Bo Gidlund and Hans Wahlbom as deputy Board members.

Prior to the merger on 28 July, Industrieförvaltnings AB Kinnevik ("old Kinnevik") and Invik & Co. AB ("old Invik") each had Boards that were elected at the companies' Annual General Meetings on 13 May 2004.

More than half of the Board Members are independent in the manner stipulated in the Exchange Rules issued by the Stockholm Stock Exchange: Pehr G Gyllenhammar, Edvard von Horn, Wilhelm Klingspor and Erik Mitteregger. No member of the Board is employed by the company with the exception of the representatives of the union organizations.

Kinnevik's Board of Directors is responsible for the overall management of the Group and for organizing its administration in accordance with the Swedish Companies Act. Each year, the Board adopts guidelines for the duties of the Board and delegation of duties between the Board and CEO. The guidelines state the items specifically reserved for decision by the Board, which include the approval of the Group's strategy and business plans, acquisitions and disposals outside delegated limits, significant financial decisions and approval of key business policies. The guidelines also require that a Board meeting be held at least once a quarter and a yearly strategy Board meeting be held, that the CEO release interim reports after obtaining the approval of the Chairman and Vice Chairman and that the Board publish the year-end release and the Annual Report. The guidelines also state that the Board members are to receive written documentation at least one week before each meeting, that all Group companies are to have at least two joint signatories. The Board appoints the President and the Vice Presidents in Kinnevik and approves the nominations of the Presidents and Vice Presidents in Invik & Co. AB, Korsnäs AB and Korsnäs Packaging AB. The guidelines also include a description of all other matters that are to be decided at Board meetings and an instruction for the President and Vice Presidents. The Board has esta-

blished two committees of the Board, the Audit Committee and the Remuneration Committee. These committees are preparatory bodies for the Board and do not reduce the Board's overall and unanimous responsibility for the handling of the company and the decisions made. All Board members have access to the same information to enable them to jointly assume responsibility.

The Board has a formal performance review process to assess how well the Board, its committees and processes are performing and how they might be improved. The review also assesses the performance of each Board member and the contribution they make.

The Board has appointed Anders Fällman as Company Secretary. The Company Secretary is responsible for ensuring that Board procedures are followed and all directors have access to his advice and services.

In 2004, Investment AB Kinnevik's Board held five meetings at which all members were present. The Board of old Invik held four meetings and old Kinnevik's Board held eight meetings.

Remuneration Committee

The Board appoints the members and Chairman of the Remuneration Committee. The Remuneration Committee's assignment comprises issues of salaries, pension terms and conditions, bonus systems and other terms and conditions of employment for the President and Vice President of the Parent Company and the President of the Group's business areas.

For the business area Presidents, the Remuneration Committee will make decisions on the above matters and these shall be presented to the Board at its next Board meeting. Concerning the President and Vice Presidents, the Remuneration Committee prepares the aforementioned matters for approval and provide the Board with documentation for a decision, including a decision proposal.

The Remuneration Committee shall meet not less than once a year, and as required, and minutes of these meetings shall be taken. Pehr G Gyllenhammar, Cristina Stenbeck, Wilhelm Klingspor and Erik Mitteregger were appointed members of the Remuneration Committee at the Board meeting in Kinnevik on 13 December 2004. Wilhelm Klingspor is Chairman of the Committee. The Remuneration Committee held one meeting in 2004, at which all members were present.

Audit Committee

The Board appoints the members and Chairman of the Audit Committee. The Audit Committee's assignment is to maintain and enhance the efficiency of con-

tact with the Group's auditors and to conduct inspections of the procedures applied for accounting and financial reporting, as well as the internal audits within the Group. The Audit Committee's work focuses on the quality and accuracy of the Group's financial accounting and the accompanying reporting, as well as work on internal financial controls within the company. In addition, the Audit Committee evaluates the auditors' work, qualifications and independence. The Audit Committee monitors the development of the accounting principles and requirements, discusses other significant issues connected with the company's financial reporting and reports its observations to the Board.

The Audit Committee shall meet four times per year and, as far as possible, the meetings shall follow the schedule for Kinnevik's publication of financial reports. The Committee shall also meet as the need arises. Minutes are taken at the Audit Committee's meetings and are reported to the Board at its next meeting. Wilhelm Klingspor, Stig Nordin, Edvard von Horn and Erik Mitteregger were appointed members of the Audit Committee at the Board meeting in Kinnevik on 4 November 2004. The Chairman of the Committee is Erik Mitteregger. The Audit Committee held one meeting in 2004, which was attended by all members. The external auditors reported the results of their audit to the Audit Committee and the Board verbally and in writing.

Management in 2004

Return

Since 1976, the Kinnevik share has generated an average real return of 15.1% annually as a result of rising share prices and dividends, including the value of subscription offers. During the past five years, the Kinnevik share provided an average real return of 3.3% annually. At year-end, Kinnevik's class A shares were listed at SEK 70.00 and class B shares at SEK 70.75. Consequently, the share price has recovered to the same level as that prior to the start of the sharp downturn in telecom and media sectors five years ago. The calculation of the real return is based on the assumption that shareholders retained their allotment of shares in Tele2, MTG, Metro and Transcom.

At the Annual General Meeting on 13 May the shareholders approved the Board's proposal to pay a dividend of SEK 5.50 per share (prior to the exchange of one share for 3.5 shares in conjunction with the merger) to Kinnevik's shareholders. The market value of Kinnevik's holding of listed securities declined by 19.8% during the year (excluding investments and divestments, but including old Invik's holdings

at the time of the merger) and amounted to SEK 21,898 million on 31 December. The market value of the stock portfolio was SEK 5,581 million higher than the book value on the same date.

Significant events during the year

On 16 February it was announced that the Boards of Invik & Co. AB ("old Invik") and Industriförvaltnings AB Kinnevik ("old Kinnevik") had prepared a joint merger plan for the companies. The merger was implemented through old Kinnevik being absorbed into old Invik by way of a legal statutory merger, in which old Kinnevik shares were exchanged for new shares in old Invik. For each Series A share in old Kinnevik, 3.5 new Series A shares were received in old Invik, and for each Series B share in old Kinnevik, 3.5 new Series B shares were received in old Invik. The Boards regarded the exchange ratio as fair. The exchange ratio was primarily based on the companies' share prices during the period prior to announcement of the merger and on the Boards' assessment of the value of the companies' assets. The companies each acquired fairness opinions regarding the exchange ratio. Old Invik assigned Handelsbanken Capital Markets, while old Kinnevik assigned Deloitte and Morgan Stanley. At Extraordinary General Meetings of old Kinnevik and old Invik on 16 April motions were passed to approve the merger of the companies. On 28 July the merger was completed and at the Extraordinary Meeting on 26 August it was decided that the company's name be changed from Invik & Co. AB to Investment AB Kinnevik ("Kinnevik"). In September, the name of the subgroup Modern Finance Group, comprising Banque Invik, Modern Insurances, Modern Privat Kapitalförvaltning (later changed to Invik Asset Management) and Fischer Partners, was changed to Invik & Co. AB ("Invik").

On 18 March, it was announced that Kinnevik's subsidiary Korsnäs AB had finalized the sale of its Swedish forestland, as announced in December 2003. The majority of shares in Bergvik Skog AB were sold to institutional investors. Korsnäs owns 5.0% and Stora Enso owns 43.3% of the shares in Bergvik Skog. Korsnäs' Swedish forestland was transferred to Bergvik Skog, which has signed a long-term contract to supply approximately 1.0 million cubic meters of sawn timber, in the form of felling rights per year, at market prices to Korsnäs. Korsnäs received SEK 3,050 million in the transaction, which resulted in a decline in interest-bearing net liabilities of SEK 2,874 million after SEK 176 million was invested in shares in Bergvik Skog. This transaction generated a capital gain of SEK 461 million, which was reported under

Income from corporate development in the Kinnevik Group. In 2003, the now sold forestland made a contribution of about SEK 140 million to operating income.

In March, Kinnevik requested conversion of its entire holding of convertible debentures in Millicom, upon which Kinnevik received 4,913,488 newly issued shares in Millicom.

On 21 June, Kinnevik acquired a further 1,550,000 shares in Millicom for SEK 252 million.

On 30 November, it was announced that Kinnevik was participating in the new share issue conducted by Millicom, whereby an additional 4,050,000 shares were acquired for SEK 635 million and convertible notes for USD 35 million (SEK 235 million). The notes have a maturity of five years, with an interest rate of 4%, and have a conversion price 50% above the year-end price (USD 34.86 per share). Payment for the shares was made in December, while payment for the convertible notes was made in January 2005. Accordingly, the convertible notes are not reported in the consolidated balance sheet at 31 December 2004. Following the transaction, Kinnevik holds 35.7% of the capital and votes in Millicom. Assuming that Kinnevik and other holders of convertible notes con-

vert their holdings to shares, Kinnevik will own 34.7% of the capital and voting rights in Millicom.

Consolidated earnings

The merger is reported in accordance with the rules governing reverse acquisitions, which means that old Kinnevik is deemed to have acquired old Invik. Old Invik's result is included in the consolidated income statement as of the third quarter of 2004. The pro forma data for the current year include old Invik from 1 January 2004. The comparative data for the preceding year pertains to old Kinnevik unless otherwise stated.

Net sales for 2004, amounted to SEK 6,649 million compared with SEK 5,660 million in the preceding year, of which Invik accounted for SEK 943 (–) million. Pro forma net sales amounted to SEK 7,541 million.

Operating profit, excluding income from corporate development, amounted to SEK 782 (523) million, of which Invik accounted for SEK 86 (–) million. Pro forma operating profit, excluding income from corporate development, totaled SEK 844 million. Income from corporate development amounted to SEK 461 (193) million, consisting in 2004 of capital gains from

BOOK VALUE OF LISTED AND UNLISTED HOLDINGS AND MARKET VALUE OF LISTED HOLDINGS

	A shares	B shares	Equity interest (%)	Voting interest (%)	Book value 31 Dec. 2004 (SEK m)	Market value 31 Dec. 2004 (SEK m)	Surplus/ Deficit to book value
Listed holdings							
Tele2	11,276,743	30,550,432	28.3	49.9	12,565	10,917	– 1,648
Millicom International Cellular	35,142,535		35.7	35.7	1,517	5,219	3,702
Metro International	96,354,191	115,329,193	40.3	36.6	846	3,218	2,372
Modern Times Group MTG	9,710,886	224,125	15.0	47.2	1,068	1,798	730
Transcom WorldWide	11,940,243	2,974,779	20.7	33.1	258	532	274
Cherryföretagen	1,402,500	7,378,249	28.1	26.2	32	183	151
Viking Telecom	7,037,952		29.3	29.3	18	18	0
AcandoFrontec		2,127,580	3.8	2.7	13	13	0
Total listed holdings*					<u>16,317</u>	<u>21,898</u>	<u>5,581</u>
Unlisted holdings							
Korsnäs Holding			100	100	4,456		
Invik (former Modern Finance Group)			100	100	902		
Mellersta Sveriges Lantbruk			100	100	210		
Other assets and liabilities					– 256		
Total unlisted holdings					<u>5,312</u>		
Interest bearing net debt (excluding Invik)					<u>– 7,168</u>		
Total shareholders' equity					<u>14,461</u>		

* Kinnevik owns 3,914,300 of its own Series A shares, corresponding to 1.5% of the capital and 5.2% of the votes, which is reported at SEK 0 in the balance sheet.

the sale of Korsnäs' forestland to Bergvik Skog and, for 2003, of the capital gain from the sale of Credit International Services ("CIS") debt collection operations and Cargo Pak, an operating sector in Korsnäs Packaging.

Earnings from participations in associated companies, excluding reversal of write-downs in the comparative figures for 2003, totaled a net SEK 233 (97) million, of which Tele2 amounted to SEK 224 (149) million, Millicom to SEK 37 (loss of 6) million, Metro to a loss of SEK 138 (loss of 39) million, MTG to SEK 67 (–) million and Transcom to SEK 18 (–) million.

Income from other securities totaled SEK 5 (277) million, which in 2004 pertained to dividends (write-downs and reversals of write-downs in 2003).

Other financial income and expenses amounted net to an expense of SEK 308 (expense of 405) million, of which net interest expenses were SEK 230 (expense of 369) million and exchange rate differences were a loss of SEK 17 (loss of 25) million. Profit after financial items totaled SEK 1,203 (3,325) million

Financial position and investments

The Group's liquidity reserve excluding funds in Invik (former Modern Finance Group), comprising cash, bank, short-term investments and unutilized credit facilities, totaled SEK 1,203 (1,147) million at 31 December.

The Group's interest-bearing net debt, excluding funds in Invik, totaled SEK 7,168 (6,803) million at 31 December.

The average interest cost for the year amounted to 3.4% (4.7%) (calculated as interest expense in relation to average interest-bearing liabilities excluding pension liabilities).

The Group's cash flow from operations, excluding Invik, totaled SEK 1,133 (806) million for the year. The increase is primarily attributable to a reduction in interest payments.

Proceeds of SEK 3,050 (282) million were received from the divestment of subsidiaries. The figure for 2004 relates to proceeds from the sale of forest companies to Bergvik Skog, and for 2003 to payment from the sale of the CIS debt collection business and of Cargo Pak, as well as the sale of operations in Korsnäs Packaging US (Inc).

Investments in and sales of securities are shown in the tables below.

Investments in securities

	Proceeds (SEK Number million)	
1 Jan. - 31 Dec. 2004		
Viking Telecom ¹⁾	2,380,952	10
Millicom	1,550,000	252
Metro A ²⁾	2,220,629	–
Transcom A	605,000	17
Millicom, new issue	4,050,000	<u>635</u>
		<u>914</u>
1 Jan. - 31 Dec. 2003		
Tele2	44,129	10
Transcom ³⁾	4,449,649	–
Radio P4 ²⁾	4,018,620	–
Metro ⁴⁾	179,119,903	39
Transcom ¹⁾	1,000,000	19
Millicom, notes		<u>512</u>
		<u>580</u>

Sales of securities

	Proceeds (SEK Number million)		Capital gain/ loss
1 Jan. - 31 Dec. 2004			
Radio P4	1,902,000	20	13
AcandoFrontec	3,808,000	25	1
Radio P4 ²⁾	2,124,820	–	16
Transcom B	605,000	<u>18</u>	<u>0</u>
		<u>63</u>	<u>30</u>
1 Jan. - 31 Dec. 2003			
Tele2 ²⁾	447,642	–	– 84
Marcstone Ltd	–	119	– 5
MTG	1,193,956	83	0
Metro	1,193,956	–	0
Millicom, notes ⁵⁾	–	–	57
Tele2	527,050	<u>236</u>	<u>94</u>
		<u>438</u>	<u>62</u>

¹⁾ Private placement.

²⁾ Non-cash transaction.

³⁾ Comprised 75% of the sales price for CIS debt collection business, SEK 135 million.

⁴⁾ Conversion of loan receivables and rights issue.

⁵⁾ Conversion to new notes.

Investments in intangible and tangible fixed assets amounted to SEK 512 (254) million.

The Group's equity/assets ratio, excluding Invik, was 58% (54%) at year-end. Adjusted for the surplus to book value of the holdings in listed securities, the equity/assets ratio was 66% (65%).

The Group's borrowing is primarily arranged in SEK. Foreign subsidiaries are, however, largely financed in local currencies.

On an annual basis, the net effect of the Group's in- and outflows in foreign currencies is a net inflow of

about SEK 1,000 million, which mainly comprises sales in Euro. For further information on the Group's interest and currency risks, see Note 37.

Business in operative subsidiaries

A cold but stable winter, followed by a damp and cool spring and summer, provided favorable cultivation conditions in Sweden and Poland. This resulted in good harvests and generally high quality. However, large inventories throughout Europe put pressure on prices during the latter part of the year.

The general economic upswing that characterized 2004 only had a marginal impact on Korsnäs' markets. The market for Korsnäs' products was dominated by weak demand in Europe during the year. However, Korsnäs' strong position in the market offset the weak market climate, as a result of which demand for Korsnäs' products was generally stable. The total supply volumes for paper, pulp and containerboard products grew by slightly more than 1% compared with 2003, meaning that total sales reached record levels during the year. Production volumes within Korsnäsverken totaled 703,000 tons for the year, up 3% on 2003. During the year, an investment of SEK 650 million in Paper Machine 4 ("PM4") was approved, which includes the installation of a coater on the machine. The rebuild of PM4, which will be implemented at the beginning of 2005, involves a continued focus on highly-processed products. Demand for softwood timber remained strong during the year throughout the supply region, which resulted in rising prices. Pulpwood prices continued to rise during the year, particularly in the Baltic States, due to high demand and low supply.

The market for Korsnäs Packaging remained weak in 2004, with no indication of improved demand in the Western European markets. In Eastern Europe, Korsnäs Packaging's operations are well positioned and, accordingly, these have expanded as the market has grown. There has been pressure on selling prices in all markets due to strong competition. Price pressure in the market was partially offset by lower raw materials costs compared with 2003.

Korsnäs Holdings' operating profit amounted to SEK 735 (527) million. Comparative data for 2003 include the write-down of SEK 331 million in fixed assets in Korsnäs Packaging and repayment to the company of property tax from earlier years in an amount of SEK 51 million.

Within Banque Invik, revenues from currency trading increased somewhat compared with 2003 as a result of higher customer activity. Credit-card operations have developed steadily during the year. Costs were reduced and the average transaction volume

per card is substantially above average for VISA and Mastercard in Europe.

Modern Insurances Nonlife reported strong growth and a highly positive earnings trend for insurance operations in 2004. The premium volume rose by 46% compared with 2003. The claims ratio in direct-insurance operations amounted to 65.6% (60.9%) and the combined ratio was 87.6% (86.6%). Product development was assigned priority and a number of new products and concepts were launched in all business areas during the year. Modern Insurances Life's sale of unit-linked insurance, which amounted to SEK 420 (155) million, exceeded expectations.

Within Invik Asset Management, fund management, in particular, had a positive net inflow of managed assets during the year.

In 2004, Fischer Partners was the third-largest stock exchange member in Stockholm and the fourth-largest in Helsinki.

In 2004, Invik's operating profit improved to SEK 179 (130) million, of which SEK 86 (–) million is included in the consolidated operating profit for the year.

Research and development

Korsnäs has a deliberate policy of focusing on products with high added value and these continue to generate results. Korsnäs' new hot-calendered products offer customers an uncoated alternative to coated paperboard, with excellent printability and cost-efficient conversion. Another example is Korsnäs' unique paperboard for complete conversion of food-stuffs, developed in cooperation with a major customer. In 2004, Korsnäs launched new coated grades in White Top Liner, and, in 2005, will also launch grades in the area of Folding Carton. The Group's research and development expenses amounted to SEK 35 (35) million, of which SEK 34 (34) million pertained to Korsnäs Industrial and SEK 1 (1) million to Korsnäs Packaging.

Environment

The Kinnevik Group is engaged in operations within Korsnäs AB requiring a permit pursuant to the Environmental Code, based on decisions made in 1996. The company's activities requiring permits and/or notification largely have an effect on the external environment through Korsnäs Industrial. This business area produces pulp, paper and paperboard, which mainly affect the external environment through emissions to air and water, and in the form of noise.

The decision by the Environmental Court in 2002, and that of the Supreme Environmental Court in 2003

regarding points appealed by the company, approved the company's structure for landfill. The measures are being implemented at a total cost of SEK 25-30 million in stages in the period 2003-2008. In accordance with the Supreme Environmental Court's decision, the company submitted its response to matters regarding emissions to water and emissions of nitrogen oxides from soda recovery boilers before 31 December 2004. In it, the company proposes a full-scale trial of flocculation/evaporation of waste water in 2005/2006.

In November 2004, the company received permission from the Environmental Court for production of 715,000 tons of unbleached pulp in 2004.

During the year, the company was also granted emission rights from the National Swedish Environmental Protection Board for the emission of fossil carbon dioxide. A permit for carbon-dioxide emissions from the Korsnäsverken facility has also been approved by the County Executive Board in Gävleborg.

Parent Company

The comparative prior year figures refer to the old Kinnevik.

The Parent Company's net sales amounted to SEK 12 (15) million.

Income from participation in Group companies totaled SEK 3,000 (2,899) million, and consisted of dividends and write-downs. Interest in earnings of associated companies and income from other securities, SEK 28 (119) million, consisted of dividends, write-downs and reversals of write downs. Income from the sale of securities amounted to SEK 8 (loss of 95) million.

Other financial income and expense amounted to a net expense of SEK 76 (expense of 77) million.

The Parent Company's profit after financial items was SEK 3,072 (2,816) million.

Fixed capital expenditure amounted to SEK 283 (201) million of which SEK 281 (201) million related to investments in financial fixed assets.

The Parent Company's liquidity, including short-term investments and unutilized credit facilities totaled SEK 864 (874) million at year-end.

The Parent Company's interest-bearing external liabilities amounted to SEK 3,885 (2,556) million.

Future development

The Group's future development is dependent on the trend for wholly and part-owned investments. Future development within wholly owned operations is reported in the presentation of the Group's operative companies. The listed associated companies publish their own annual reports.

Proposed treatment of unappropriated earnings

The Group's unrestricted equity amounts to SEK 7,377 million. The following amounts are at the disposal of the Parent Company's Annual General Meeting:

	(SEK 000s)
Unrestricted equity	12,349,672
Of which available for distribution (maximum consolidated unrestricted equity)	7,377,000

The Board and the President propose that the unappropriated earnings at the disposal of the Annual General Meeting be disposed of as follows:

Cash dividend of SEK 0.25 per share, amounting to	(SEK 000s) 65,995
Carried forward	12,283,677
Total	<u>12,349,672</u>

In addition to the cash dividend, the Board proposes that the Annual General Meeting on 12 May 2005, approve the distribution of all shares in the subsidiary Invik & Co. AB ("Invik"). It is intended that the distribution of Invik be completed during the second half of 2005. Kinnevik has decided to hold SEK 235 million of convertible debentures, which could be converted into a combination of Invik class A and class B shares that at full conversion would provide Kinnevik with an ownership representing 14.6% of the capital. Depending on the combination of class A and class B shares, Kinnevik would hold about 25% of the votes.

In 2004, Invik's business areas reported pro forma pretax profit of SEK 179 million, corresponding to an increase of 38% compared with the preceding year. Revenues pro forma amounted to SEK 1,834 million, up 56% from the preceding year. Operating expenses pro forma amounted to SEK 1,655 million, and taxes attributable to operations totaled SEK 61 million. Invik's investments in tangible fixed assets totaled SEK 14 million in 2004.

Kinnevik's book value of Invik's assets and liabilities amounted to SEK 902 million at 31 December 2004. The terms and conditions of the dividend will be set in such a manner that unrestricted shareholders' equity in Investment AB Kinnevik will decrease by a maximum of SEK 1,500 million.

For further information about the effect of the distribution of all shares in Invik on the Kinnevik Group's balance sheet, refer to Note 39 in this Annual Report.

Consolidated Statement of Income

for the period 1 January – 31 December (SEK million)

	2004 ¹⁾	2004 ²⁾ Pro forma	2003 ³⁾
Net sales, Note 2.....	6,649	7,541	5,660
Cost of goods and services sold.....	<u>– 5,305</u>	<u>– 5,951</u>	<u>– 4,357</u>
Gross result.....	<u>1,344</u>	<u>1,590</u>	<u>1,303</u>
Selling expenses.....	– 165	– 198	– 115
Administrative expenses.....	– 492	– 691	– 382
Research and development costs.....	– 35	– 35	– 35
Income from corporate development, Notes 3, 4....	461	465	193
Other operating income, Note 5.....	187	250	181
Other operating expenses, Note 5.....	<u>– 57</u>	<u>– 72</u>	<u>– 429</u>
Operating income, Notes 2, 6, 29, 34, 35, 36.....	<u>1,243</u>	<u>1,309</u>	<u>716</u>
Share in earnings of associated companies, Note 8.	233	341	2,675
Income from other securities, Note 8.....	5	3	277
Gain/loss on sales of securities, Notes 3, 4.....	30	30	62
Interest income and similar, Note 9.....	20	17	77
Interest expense and similar, Note 10.....	<u>– 328</u>	<u>– 358</u>	<u>– 482</u>
Result after net financial items.....	<u>1,203</u>	<u>1,342</u>	<u>3,325</u>
Tax on result for the year, Note 11.....	– 541	– 629	403
Minority interest in earnings.....	<u>0</u>	<u>0</u>	<u>3</u>
Result for the year.....	<u><u>662</u></u>	<u><u>713</u></u>	<u><u>3,731</u></u>
Earnings per share before/after dilution, SEK.....	2.73	2.70	16.94
Proposed dividend per share, SEK ⁴⁾	0.25		
Number of shares outstanding before/after dilution	242,133,655	263,981,939	220,285,370

¹⁾ Old Kinnevik, 1 January - 30 June, merged Group 1 July - 31 December.

²⁾ Merged Group, see Note 1.

³⁾ Old Kinnevik.

⁴⁾ Proposed cash dividend exclusive of dividend in kind in form of the shares in Invik & Co. AB.

Consolidated Statement of Cash Flow

for the period 1 January – 31 December (SEK million)

	2004	2003
Operations		
Net result for the year (excl. Invik)	628	3,731
Adjustment for items not included in cash flow, etc.		
Depreciation (excl. Invik)	422	465
Write-down of tangible and intangible assets. ...	0	331
Share in earnings of associated companies	– 233	– 2,675
Income from other securities	5	– 277
Change in deferred tax liability	457	– 401
Income from corporate development, Note 4. ...	– 461	– 193
Sales of securities, Note 4	– 30	– 62
Other, net	38	– 130
Cash flow from operations before changes in working capital	<u>826</u>	<u>789</u>
Cash flow from changes in working capital		
Change in short-term investments	– 7	144
Change in inventory	– 216	– 43
Change in accounts receivable	15	127
Change in other current assets	37	– 135
Change in accounts payable	356	38
Change in other operating liabilities	<u>122</u>	<u>– 114</u>
	1,133	806
Cash flow from (to) Invik	– 30	–
Cash flow from operations	<u>1,103</u>	<u>806</u>
Investing activities		
Acquisition of shares in subsidiaries, Note 12 ...	–	– 236
Sale of subsidiaries, Note 12	3,050	282
Investments in intangible fixed assets	–	– 11
Investments in tangible fixed assets	– 512	– 243
Sales of tangible fixed assets	51	30
Investments in financial fixed assets	– 1,037	– 769
Sales of financial fixed assets	73	464
Cash flow from investing activities	<u>1,625</u>	<u>– 483</u>
Financing activities		
Increase in long-term liabilities	353	5,551
Amortisation of loans	– 2,667	– 5,782
Dividends paid	– 346	– 252
Cash flow from financing activities	<u>– 2,660</u>	<u>– 483</u>
Cash flow for the year, Note 12	68	– 160
Cash and cash equivalents at beginning of year ..	215	379
Exchange rate differences in cash and cash equivalents	– 2	– 4
Cash and cash equivalents at end of year (excl. Invik)	281	215

Consolidated Balance Sheet

December 31 (SEK million)

ASSETS	2004	2003
Fixed assets		
Intangible assets, Note 13		
Goodwill	<u>42</u>	<u>21</u>
Tangible assets, Note 13		
Buildings, land and land improvements	820	884
Forest and agricultural property	137	2,669
Machinery	2,811	3,044
Equipment, tools and fittings	129	120
Construction in progress and advances relating to property, plant and equipment	<u>420</u>	<u>99</u>
	<u>4,317</u>	<u>6,816</u>
Financial assets		
Shares and participations in associated companies, Note 14	16,452	10,581
Receivables from associated companies, Note 36	13	145
Shares and participations in other companies, Note 14	224	825
Deferred tax receivable, Note 11	42	–
Other long-term interest-bearing receivables, Note 36	60	819
Other long-term non-interest-bearing receivables, Note 15	<u>569</u>	<u>55</u>
	<u>17,360</u>	<u>12,425</u>
Total fixed assets	<u>21,719</u>	<u>19,262</u>
Current assets		
Inventories etc, Note 16		
Raw materials and consumables	328	336
Felling rights	36	27
Work in progress	59	62
Finished products and goods for resale	628	521
Securities	11	–
Work on contract	2	1
Advance payment to suppliers	<u>119</u>	<u>28</u>
	<u>1,183</u>	<u>975</u>
Current receivables, Note 36		
Interest-bearing, Note 17	1,298	–
Non-interest-bearing		
Accounts receivables, Note 18	623	548
Other receivables, Note 19	256	276
Prepaid expenses and accrued income, Note 20 .	<u>290</u>	<u>92</u>
	<u>1,169</u>	<u>916</u>
	<u>2,467</u>	<u>916</u>
Short-term investments, Note 21		
Lending within banking operations	1,720	–
Investment assets	<u>848</u>	<u>12</u>
	<u>2,568</u>	<u>12</u>
Cash and cash equivalents	<u>1,170</u>	<u>215</u>
Total current assets	<u>7,388</u>	<u>2,118</u>
TOTAL ASSETS	<u>29,107</u>	<u>21,380</u>

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	2004	2003
Shareholders' equity, Note 22		
Restricted equity		
Share capital	27	629
Restricted reserves	<u>7,057</u>	<u>3,534</u>
	7,084	4,163
Unrestricted equity		
Unrestricted reserves	6,715	3,621
Net result	<u>662</u>	<u>3,731</u>
	7,377	7,352
Total shareholders' equity	<u>14,461</u>	<u>11,515</u>
Provisions		
Pensions, Note 23	672	614
Deferred tax liability, Note 11	882	818
Other provisions, Note 24	<u>129</u>	<u>191</u>
Total provisions	1,683	1,623
Long-term liabilities		
Interest-bearing, Note 25		
Liabilities to financial institutions, Notes 25, 30 ..	6,499	7,299
Other liabilities, Note 26	<u>341</u>	<u>5</u>
	6,840	7,304
Non-interest-bearing, Note 27	<u>548</u>	<u>4</u>
Total long-term liabilities	7,388	7,308
Current liabilities		
Interest-bearing		
Overdraft facilities, Note 25	0	76
Other liabilities to financial institutions, Note 25 ..	122	–
Other liabilities, Note 26	<u>2,484</u>	<u>–</u>
	2,606	76
Non-interest-bearing, Note 36		
Advances from customers	11	2
Accounts payable	820	441
Tax liabilities	54	8
Liabilities to associated companies	2	3
Other liabilities, Note 27	1,606	57
Accrued expenses and prepaid income, Note 28 ..	<u>476</u>	<u>347</u>
	2,969	858
Total current liabilities	<u>5,575</u>	<u>934</u>
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	<u>29,107</u>	<u>21,380</u>
Pledged assets, Note 30	<u>10,072</u>	<u>9,812</u>
Contingent liabilities, Note 31	<u>71</u>	<u>51</u>
Off-balance sheet items in securities operations, Note 32	<u>1,818</u>	<u>–</u>

Movements in Shareholders' equity of the Group

	Share capital	Restricted reserves ^{1), 2)}	Unrestricted reserves ³⁾	Total
Opening balance, 1 January 2003	629	3,522	4,070	8,221
Translation differences ⁴⁾	–	– 163	– 22	– 185
Cash dividend ⁵⁾	–	–	– 252	– 252
Subtotal items reported directly against shareholders' equity	–	– 163	– 274	– 437
Net result 2003	–	–	3,731	3,731
Transfer between restricted and unrestricted reserves	–	175	– 175	–
Earlier reported amount at 31 December 2003	629	3,534	7,352	11,515
Change of accounting principle ⁷⁾	–	– 88	–	– 88
Opening balance, 1 January 2004	629	3,446	7,352	11,427
Transfer due to reverse acquisition	– 621	621	–	–
Contribution for merger/new share issue	19	4,676	–	4,695
Elimination of cross-ownership on merger	–	– 1,675	–	– 1,675
Step-up acquisition of shares in MTG and Transcom ⁸⁾	–	–	– 135	– 135
Translation differences ⁴⁾	–	–	– 167	– 167
Cash dividend ⁶⁾	–	–	– 346	– 346
Subtotal items reported directly against shareholders' equity	– 602	3,622	– 648	2,372
Net result 2004	–	–	662	662
Transfer between restricted and unrestricted reserves ⁹⁾	–	– 11	11	–
Closing balance, 31 December 2004	27	7,057	7,377	14,461

¹⁾ An equity method reserve, which is the positive differences between the value at Group level and the book value in the accounts of individual companies of shares in associated companies, did not occur.

²⁾ The restricted equity balance as of 31 December 2002, 2003 and 2004 include SEK 467, 304 and 304 million respectively, of cumulative translation differences.

³⁾ The unrestricted equity balance as of 31 December 2002, 2003 and 2004 include a negative SEK 101, 123 and 290 million respectively, of cumulative translation differences.

⁴⁾ The translation losses of SEK 185 million in 2003 and SEK 167 million in 2004, are largely attributed to translation of subsidiaries and associated companies reporting in EUR and USD. Foreign investment holding subsidiaries are reported as integrated foreign business units because they are entirely financed by the parent company and for the most part own shares in listed Swedish companies.

⁵⁾ The Annual General Meeting held on 16 May 2003, resolved in favor of paying a cash dividend of SEK 4.00 per share, a total of SEK 252 million.

⁶⁾ The Annual General Meeting held on 13 May 2004, resolved in favor of paying a cash dividend of SEK 5.50 per share, a total of SEK 346 million.

⁷⁾ Change of accounting principle pertains to adaptation to the Swedish Financial Accounting Standards Council's RR29 recommendation, Employee Benefits, resulting in a decline of SEK 88 million in opening shareholders' equity on 1 January 2004.

⁸⁾ The step-up acquisition of shares in MTG and Transcom relates to the effect on the asset value that would have been stated if the holding had been consolidated under the equity interest method as of the date of each acquisition. The amount has been charged directly to equity in accordance with the Swedish Financial Accounting Standards Council's recommendation RR13.

⁹⁾ Revaluation reserve in Korsnäs AB has, as a result of sale of forestland in 2004, decreased from SEK 1,557 million to SEK 0 as at 31 December 2004.

Parent Company Statement of Income

for the period 1 January – 31 December (SEK million)

	2004	2003
Net sales, Notes 2, 36	12	15
Administrative expenses.	– 55	– 41
Income from corporate development, Notes 3, 4 ...	1	– 7
Other operating income, Note 5	<u>2</u>	<u>3</u>
Operating income, Notes 6, 34, 35, 36	– 40	– 30
Earnings from participations in Group companies, Note 7	3,000	2,899
Share in earnings of associated companies, Note 8 .	25	38
Income from other securities, Note 8	3	81
Gain/loss on sale of securities, Note 3, 4	8	– 95
Interest income and similar, Notes 9, 36	307	329
Interest expense and similar, Note 10	– 231	– 406
Result after net financial items	3,072	2,816
Tax on result for the year	– 181	0
Result for the year	<u>2,891</u>	<u>2,816</u>

Parent Company Statement of Cash Flow

for the period 1 January – 31 December (SEK million)

	2004	2003
Operations		
Net profit for the year	2,891	2,816
Adjustment for items not included in cash flow, etc.		
Depreciation, Note 6	1	1
Anticipated dividend	– 7,000	– 3,000
Write-downs	4,000	166
Share in earnings of associated companies	– 15	– 38
Income from other securities	– 3	– 81
Income from corporate development, Note 4	– 1	7
Sales of securities, Note Not 4	– 8	95
Other, net	<u>184</u>	<u>36</u>
Cash flow from operations before changes in working capital	<u>49</u>	<u>2</u>
Cash flow from changes in working capital		
Change in short-term investments	– 9	44
Change in intra-Group balances	308	1,256
Change in other current assets	30	– 11
Change in accounts payable	1	0
Change in other operating liabilities	<u>23</u>	<u>– 10</u>
Cash flow from operations	<u>402</u>	<u>1,281</u>
Investing activities		
Investments in tangible fixed assets	– 2	0
Investments in financial fixed assets	– 281	– 201
Sales of financial fixed assets	<u>473</u>	<u>202</u>
Cash flow from investing activities	<u>190</u>	<u>1</u>
Financing activities		
Increase in long-term liabilities	200	2,839
Amortization of loans	– 430	– 3,857
Dividends paid	<u>– 346</u>	<u>– 252</u>
Cash flow from financing activities	<u>– 576</u>	<u>– 1,270</u>
Cash flow for the year, Note 12	16	12
Cash and cash equivalents at beginning of year . .	14	2
Cash and cash equivalents at end of year	30	14

Parent Company Balance Sheet

31 December (SEK million)

ASSETS	2004	2003
Fixed assets		
Tangible fixed assets, Note 13		
Equipment.	<u>2</u>	<u>1</u>
Financial fixed assets		
Shares and participations in Group companies, Note 14	9,481	12,527
Receivables from Group companies.	6,321	5
Shares and participations in associated companies, Note 14.	5,609	1,119
Receivables from associated companies, Note 36 .	10	239
Shares and participations in other companies, Note 14	28	352
Other long-term interest-bearing receivables, Note 36	<u>43</u>	<u>307</u>
	<u>21,492</u>	<u>14,549</u>
Total fixed assets	<u>21,494</u>	<u>14,550</u>
Current assets		
Current receivables, Note 36		
Non-interest-bearing		
Accounts receivable, Note 18	3	0
Receivables from Group companies.	2,081	6,679
Other receivables, Note 19	8	37
Prepaid expenses and accrued income, Note 20 .	<u>10</u>	<u>15</u>
	<u>2,102</u>	<u>6,731</u>
Short-term investments, Note 21	<u>17</u>	<u>0</u>
Cash and cash equivalents	<u>30</u>	<u>14</u>
Total current assets	<u>2,149</u>	<u>6,745</u>
TOTAL ASSETS	<u>23,643</u>	<u>21,295</u>

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	2004	2003
Shareholders' equity, Note 22		
Restricted equity		
Share capital	27	629
Premium reserve	3,880	357
Revaluation reserve	190	190
Legal reserve	<u>2,987</u>	<u>2,987</u>
	<u>7,084</u>	<u>4,163</u>
Unrestricted equity		
Retained earnings	9,459	7,026
Net result	<u>2,891</u>	<u>2,816</u>
	<u>12,350</u>	<u>9,842</u>
Total shareholders' equity	<u>19,434</u>	<u>14,005</u>
Provisions		
Pensions, Note 23	31	32
Deferred tax liability, Note 11	151	40
Other provisions, Note 24	<u>59</u>	<u>–</u>
	<u>241</u>	<u>72</u>
Long-term liabilities		
Interest-bearing, Note 25		
Liabilities to financial institutions, Note 25, 30 . .	3,885	2,556
Liabilities to Group companies	<u>26</u>	<u>230</u>
Total long-term liabilities	<u>3,911</u>	<u>2,786</u>
Current liabilities		
Interest-bearing		
Liabilities to Group companies	<u>–</u>	<u>3,778</u>
	<u>–</u>	<u>3,778</u>
Non-interest-bearing, Note 36		
Accounts payable	3	1
Liabilities to Group companies	1	638
Other liabilities, Note 27	29	5
Accrued expenses and prepaid income, Note 28 .	<u>24</u>	<u>10</u>
	<u>57</u>	<u>654</u>
Total current liabilities	<u>57</u>	<u>4,432</u>
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	<u><u>23,643</u></u>	<u><u>21,295</u></u>
Pledged assets, Note 30	<u><u>13,249</u></u>	<u><u>13,264</u></u>
Contingent liabilities, Note 31	<u><u>94</u></u>	<u><u>94</u></u>

Movements in Shareholders' equity of the Parent Company

	Share capital	Premium reserve	Revaluation reserve	Legal reserve	Unrestricted equity	Total
Opening balance, 1 January 2004	629	357	190	2,987	6,661	10,824
Dividend ¹⁾	–	–	–	–	– 252	– 252
Group contribution, net	–	–	–	–	617	617
Subtotal items reported directly against shareholders' equity	–	–	–	–	365	365
Net result 2003	–	–	–	–	2,816	2,816
Closing balance, 31 December 2003	629	357	190	2,987	9,842	14,005
Transfer due to reverse acquisition	– 621	621	–	–	–	–
Contribution at merger/new share issue	19	4,676	–	–	–	4,695
Elimination of cross-ownership at merger	–	– 1,774	–	–	–	– 1,774
Dividend ²⁾	–	–	–	–	– 346	– 346
Group contribution, net	–	–	–	–	– 37	– 37
Subtotal items reported directly against shareholders' equity	– 602	3,523	–	–	– 383	2,538
Net result 2004	–	–	–	–	2,891	2,891
Closing balance, 31 December 2004	27	3,880	190	2,987	12,350	19,434

¹⁾ The Annual General Meeting held on 16 May 2003, resolved in favor of paying a cash dividend of SEK 4.00 per share, a total of SEK 252 million.

²⁾ The Annual General Meeting held on 13 May 2004, resolved in favor of paying a cash dividend of SEK 5.50 per share, a total of SEK 346 million.

Note 1

The consolidated financial statements of Investment AB Kinnevik (publ) for 2004 have been approved for publication in accordance with a Board decision of 17 February 2005. The balance sheets and the income statements for the Group and the Parent Company require the approval of the Annual General Meeting. The Group's principal business is described under Note 2.

The Parent Company Investment AB Kinnevik (publ), with corporate registration number 556047-9742, has its head office at Skeppsbron 18, Box 2094, SE-103 13 Stockholm.

Accounting and valuation principles through 31 December 2004

The annual report has been prepared in accordance with the Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council and those of the Emerging Issues Task Force, pursuant to which the accounting and valuation principles listed below are applied.

The principles are unchanged from the preceding year, apart from recommendation RR29 relating to employee benefits, see below.

Accounting for the merger between old Kinnevik and old Invik

The merger of old Kinnevik and old Invik has been accounted for using the purchase method of accounting. Old Kinnevik has been identified as the acquiring company, in view of the fact that old Kinnevik's shareholders exercise controlling influence over the merged company. Consequently, the principles of accounting for a reverse acquisition have been applied. This means that Kinnevik has been regarded as acquiring Invik, even though the latter company formally was the transferee company and remains in existence after the merger.

The acquisition price has been determined on a valuation of the newly issued shares that were offered to old Kinnevik shareholders on the basis of a set exchange ratio where 1 share in old Kinnevik entitled the holder to receive 3.5 new shares in old Invik. On the basis of a reverse acquisition this is equivalent to 0.29 old Kinnevik shares for each old Invik share. As a result of the reverse acquisition, the compensation has been determined on the basis of the listed price of the old Kinnevik share, which has resulted in an acquisition price of SEK 4,725 million. The acquisition balance sheet prepared at 1 July 2004 has been adjusted for cross-ownership and internal balances between the companies, which has reduced assets by SEK 1,897 million, liabilities by SEK 222 million and equity by SEK 1,675 million. In the consolidated income statement, old Invik's revenues and expenses have been included as of 1 July 2004.

During the fourth quarter, a more detailed study of Invik's identifiable assets and liabilities was conducted, whereby the previously prepared acquisition analysis was adjusted in respect of the circumstances prevailing on the acquisition date. The reported values for assets and liabilities have been adjusted as follows:

- technical liabilities in insurance have been increased by SEK 295 million to reflect assumed reinsurance in run-off,
- other provisions have been increased by SEK 45 million in respect of a tax dispute and rental commitments,

- deferred tax liability has been reduced by SEK 101 million for the above adjustments, and
- goodwill of SEK 1,245 million has been allocated to market-listed holdings.

Pro forma accounting

The pro forma income statement for the full year has been prepared as if the merger had been conducted on 1 January 2004. Pro forma accounting is based on the previously prepared balance sheets and income statements for each company. Adjustments in the acquisition analysis for reinsurance accepted, tax disputes and rental commitments have not been included in the pro forma consolidated accounting, since they pertain to previous fiscal years. It has been assumed that old Invik and old Kinnevik already on 1 January 2004 had reclassified a sufficient number of A shares in Tele2 to result in a combined ownership that did not exceed 50% of the voting rights, and thus Tele2 has not been accounted for as a subsidiary in the pro forma income statement. The value adjustment of the book value of publicly listed shares of SEK 1,245 million means that interest in earnings in the pro forma consolidated income statement for the first half of the year has been charged with a quarterly amortization cost for goodwill in the amount of SEK 27 million, based on an amortization period of ten years. Additional shares in earnings of associated companies of SEK 14 million and shares of associated companies' tax costs of SEK 10 million relating to the first half of the year have also been included in the pro forma income statement. Earnings from participation in associated companies have been reduced by SEK 98 million and tax expenses by SEK 35 million in the pro forma income statement, as a result of the elimination of old Invik's share in old Kinnevik's earnings for the first half of the year.

Consolidated financial statements

The consolidated financial statements include the Parent Company and all companies in which the Parent Company controls more than 50% of the votes or in any other way exercises a controlling influence.

The consolidated accounts were prepared using the purchase method, as specified in the Swedish Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council. This means the book value of the Parent Company's shares in each subsidiary is offset against that subsidiary's acquisition value, that is, the subsidiary's shareholders' equity (including the equity component of untaxed reserves) at the time of acquisition based on a fair market value of that subsidiary's net assets. In this way the Group's shareholders' equity includes only that part of each subsidiary's equity generated after acquisition. The difference between the acquisition value of shares in a subsidiary and the fair value of assets and liabilities of that subsidiary at the time of acquisition, not resulting from differences between fair market value and book value of the net assets, is reported as goodwill. Goodwill is amortized on a straight-line basis over periods ranging from five to ten years. In cases in which the amortization period exceeds five years, each individual case is clarified.

Subsidiary holding companies abroad that are entirely financed by the Parent Company are classified as businesses integrated with the Parent Company. Other foreign subsidiaries are classified as autonomous subsidiary companies.

The current method is used for translating the income statements and balance sheets of autonomous business units abroad. The accounts of businesses that are integrated with the Parent Company are translated using the monetary method. The current method means that all assets, provisions and liabilities are translated at closing date rates and all income statement items are translated at average rates. Translation differences arising are charged directly to shareholders' equity.

The monetary method essentially involves the translation of monetary assets and liabilities at closing date rates, while non-monetary items and matching items in the income statement are translated at investment date rates or rates in effect at the time the business abroad is reclassified from autonomous to integrated.

Minority interest includes the share of net profit/loss and shareholders' equity attributable to minority shareholders. In the event of negative shareholders' equity, a receivable from the minority is reported to the extent that minority owners are required and able to contribute their share of the deficit.

Accounting for associated companies

Companies in which the Group controls at least 20% and no more than 50% of the voting rights or has significant influence in some other manner are regarded as associated companies.

Associated companies are reported in line with the equity method. The Group's share of earnings in associated companies' profit or loss after financial items is reported under Interest in earnings of associated companies. The Group's share of associated companies' tax expense is reported among the Group's tax expenses.

The difference between the acquisition price of the shares and the market value of the acquired net assets of the associated company is stated as goodwill. Goodwill is amortized over five or ten years and is charged to the interest in the associated company.

Excess values on consolidation in respect of non-Swedish associated companies are stated as assets denominated in foreign currencies. These values are translated into Swedish kronor using the same principles applied to the associated companies' income statements and balance sheets.

The accounts of associated companies are adjusted to comply with Kinnevik's accounting and valuation principles before the Group's interest in earnings is calculated.

Adjustments for intra-group profits (losses) arising out of transactions with associated companies are made in connection with the calculation of the Group's consolidated interest in earnings and capital. Elimination of such intra-groups profits (losses) occurs in pace with their realization through the sale of the particular assets to external parties and/or by reduction of the Kinnevik Group's ownership interest in the associated company.

When the Group's equity portion in an associated company decreases because of an issue of new shares, the profit or loss is reported in the consolidated income statements under Interest in earnings of associated companies.

Short-term investments

Short-term investments are valued at the lower of acquisition value and fair value. Short-term investments in insurance operations are valued at their fair value.

Receivables

Receivables are reported at amounts deemed recoverable.

Receivables and liabilities denominated in foreign currencies

Group receivables and liabilities denominated in foreign currencies are translated into Swedish kronor using the closing date exchange rate. Realized and unrealized exchange gains/losses on receivables and liabilities of an operating nature are reported in the operating income, while exchange rate differences on financial receivables and liabilities in foreign currency are reported among financial items.

Long-term monetary balances between the Parent Company and subsidiary companies may be deemed to represent an extension or a contraction of the Parent Company's net investment in the subsidiary. Foreign currency differences arising on such balances are therefore charged directly to shareholders' equity as a translation difference.

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 net sales value. Timber from Group-owned forests is valued at felling costs plus transportation cost.

Chemicals and supplies are valued at the lower of acquisition cost and net sales value. Obsolescence is provided for at a standard rate of 3% except for those cases where net sales value is not used.

Felling rights, representing the cost to acquire the right to fell timber on land the Group does not own, are valued at acquisition cost and are expended when the corresponding wood 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 acquisition cost and net sales value. Goods for resale and securities are valued at the lower of acquisition cost and net sales value.

Intangible and tangible fixed assets

Intangible and tangible fixed assets are reported at their acquisition cost after deductions for accumulated depreciation and amortization according to plan. Depreciation and amortization are calculated on a straight-line schedule based on the acquisition value of the asset and its estimated useful life.

Forest and agricultural properties are recorded at acquisition cost. Silviculture costs covering restoration, saplings and planting are charged to costs of goods and services as timber is harvested. Silviculture operations are statutory.

For purposes of calculating depreciation, fixed assets are classified on the basis of their estimated useful economic lives according to the following categories:

	Parent Company	Group
Goodwill.....		5 – 10 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 – 25 years

Financial fixed assets

Financial fixed assets are valued at acquisition value with the exception of shares in associated companies consolidated using the equity method, refer to Accounting for associated companies.

Impairment of fixed assets

In accordance with prevailing accounting standards, the book value of shareholdings shall be appraised when the listed values have fallen significantly or if there is some other indication of depreciation in value. The appraisal shall be based partly on the actual listed value of the shares and partly on expectations regarding future developments in order to determine whether the book values should be adjusted.

The book values of other fixed assets are assessed in order to determine any write-down requirement. The write-down is carried out in those cases where a decrease in value is deemed to exist with due consideration given to future cash flows that the asset is expected to generate.

If a previous write-down can no longer be justified the write-down is reversed.

Dividends

The book value of shares distributed is recorded as dividends. Cash dividends to shareholders are recorded in the accounting period the dividend is approved.

Accounting for leases

Leases are classified in consolidated accounts as financial leases or operational leases. A financial lease is when the financial risks and benefits associated with the ownership of an item is essentially transferred from the lessee to the lessor, regardless of whether or not the lessee retains the legal right of ownership of the asset. For financial leases, the leasing asset is reported as a fixed asset and the obligation for future payments as a liability in the balance sheet. An operating lease is a lease that does not fulfil the conditions for financial leases. For operating leases, the rental expense is reported in the lessee's accounts distributed equally over the period during which the asset is used, even if payments are made according to some other schedule.

Revenue recognition

Revenue from the sale of products net of allowance for returns and discounts is recognized when products are delivered and substantial risks and benefits associated with ownership of the goods are transferred to the buyer.

Revenue from the sale of services is recognized at the time the service is rendered to the customers, after deductions for discounts.

Interest income is reported for the period to which it applies and with the application of the effective rate of interest. Dividends are reported as income when entitlement to receive a dividend is assessed as certain.

Research and Development

Research and Development expenses are charged to the income statement during the year they arise.

Marketing costs

Advertising and other marketing activities are expensed as they arise.

Income from corporate development

Income from corporate development includes capital

gains/losses on the sale of shares in subsidiaries and associated companies and similar transactions.

Other operating revenues and expenses

Revenues secondary to the core business of a company and foreign exchange gains relating to operating receivables and liabilities are reported as Other operating revenues.

Expenses secondary to the core business of a company, amortization of goodwill and foreign exchange losses relating to operating receivables and liabilities are reported as Other operating expenses.

Borrowing costs

Borrowing costs are charged to earnings for the period in which they are incurred.

Support from public authorities

Financial contributions from governments, public authorities and similar local, national or international bodies are reported when there is reasonable assurance that the terms and conditions associated with the contribution are commercially fulfilled and the contribution will be received. Contributions are accrued systematically in the same manner and over the same periods as the costs which the contributions are designed to offset. Contributions received as compensation for costs already charged to earnings in previous periods, and are provided without being linked to future costs, are reported in the income statement in the period during which the receivable from the contributing body arises. The contributions are reported in the income statement as a reduction of the corresponding costs.

Provisions

Provisions are reported when the Group has a legal or informal obligation resulting from events that have occurred, there is a higher probability than not that an outflow of resources is required to settle the commitment, and it has been possible to calculate the amount in a reliable manner.

Pensions and other commitments covering benefits after the termination of employment

Recommendation RR 29, Employee benefits, is applied as of 1 January 2004. The recommendation has involved a change in accounting principle for pension commitments. According to RR29, pension commitments should be reported as a liability in the balance sheet. The liability should be calculated on the basis of the actuarial assumptions and take into account such features as the estimated future pay adjustments. Application of the new accounting principle has resulted in an increase of reported pension liability and deferred tax liability as of 1 January 2004 by a total of SEK 88 million. As of 1 January 2004, the effect is reported directly against shareholders' equity.

The Group's pension commitments primarily consist of defined benefit pension plans issued by a number of employers and by other defined benefit plans, of which one is funded.

The Group has two defined benefit plans covering a number of employees, of which the dominant plan is insured with Alecta (ITP plan). The Group's other plan is insured with Försäkringsbranschens Pensionskassa (FPK). There is a lack of sufficient information to permit the reporting of the Group's proportional share of the defined benefit commitment and of the management assets and costs associated with the plans. Consequently, the plans are

reported as if they were defined contribution plans, which means that the expenses incurred are reported as a cost.

In addition, the Group has three defined benefit pension plans covering employees in Sweden, Germany and the UK. The cost of providing benefits in accordance with these plans are determined separately for each plan via the Projected Unit Credit Method (PUCM method) on the basis of actuarial assumptions specific for each individual plan.

Actuarial gains and losses are not reported as long as the accumulated gains or losses are less than 10% of the highest of the commitment's present value and fair value of any assets under management. If the accumulated gain or loss exceeds the highest of the aforementioned limit values, the excess gain/loss is reported over the remaining average outstanding employment period for employees covered by the plan.

Tax

The Parent Company and the Group apply the Swedish Financial Accounting Standards Council's recommendation RR9 Income taxes. The total tax on the year's income consists of current and deferred tax. Taxes are stated in the income statement except when the underlying transaction is charged directly against equity, in which case the related tax effect is also stated in equity. Current tax expense is the tax that is to be paid or received for the year in question, plus correction of tax expense for earlier periods. Deferred tax is calculated on the basis of the temporary differences between the book values of assets and liabilities and their value for tax purposes. The amounts are calculated on the basis of how these differences can be expected to be evened out and using the tax rates and rules in effect or announced as of the closing date. Temporary differences are not recorded in the case of differences attributable to interests in subsidiary companies that are not expected to be taxable in the foreseeable future. In the consolidated financial statements, untaxed reserves are divided into deferred tax liability and restricted equity. The deferred tax asset component of deductible temporary differences and tax loss carryforwards is only recorded in so far as it is likely that these will result in a lower tax payment in the future.

Adjustment to International Financial Reporting Standards IFRS 2005

As of 2005, Kinnevik, like other listed companies in the EU, will apply International Financial Reporting Standards, refer to Note 38.

Note 2

Group overview

Kinnevik is a diversified company whose business consists of the long-term development of operative companies. Kinnevik also has significant holdings in a small number of listed companies, including Tele2 AB ("Tele2"), Modern Times Group MTG AB ("MTG"), Metro International S.A. ("Metro"), Millicom International Cellular S.A. ("Millicom") and Transcom WorldWide S.A. ("Transcom").

The Kinnevik Group is organised into the following eight primary segments:

Korsnäs Holding AB, together with its subsidiaries and associated companies in three areas of business: packaging materials ("Korsnäs Industrial"), supply of wood and fibre

("Korsnäs Forestry") and packaging ("Korsnäs Packaging").

1. Korsnäs' Industrials' activities center on the Korsnäsverken complex in Gävle, which has an annual capacity of 700,000 tons of pulp. The total output of sulphate pulp is processed within the complex into paperboard, sack and kraft paper, and fluff pulp. Paperboard is the largest product area in terms of volume, where liquid packaging board is used for packaging of beverages, and white top liner is used as the outer layer in corrugated board packaging.
 2. Korsnäs Forestry supplies Korsnäs Industrial's pulp and paper mill with wood harvested in its own forests, from purchased felling rights, and wood purchased from outside suppliers, as well as pursuing forestry in line with external wood delivery agreements. During the first quarter of 2004, the ownership of Korsnäs forestland in Sweden was restructured through the forest holdings of Korsnäs and Stora Enso being transferred to a new company, Bergvik Skog AB, in which Korsnäs holds 5% of the shares. Korsnäs has signed long-term supply contracts with Bergvik Skog covering the delivery of about 1.0 million cubic meters of felled wood annually at market prices in the form of felling rights. About 30% of Korsnäs fibre requirements are satisfied by felling rights acquired from Bergvik Skog. Korsnäs has maintained approximately 15,000 hectares of special land and rights.
 3. Korsnäs Packaging is the second largest producer of paper sacks and paper bags in Europe with 11 wholly or part-owned production units and annual production capacity of more than 900 million sacks and bags.
- Invik & Co. AB and subsidiaries conduct operations in the financial sector in Sweden and Luxembourg in banking, insurance, stockbrokerage and asset management.
4. Banque Invik, based in Luxembourg, conducts banking operations at its head office in Luxembourg and at its Swedish branch in Stockholm in the form of advanced consulting for asset management, financial advisory services for companies, credit-card issuing, fund management and administrative services.
 5. Modern Insurances' operations consist of direct insurance operations in Sweden (life and non-life) and reinsurance operations in the Luxembourg-based company, Modern Re S.A. Non-life insurance operations focus on special niches such as leisure craft insurance and vehicle insurance for motor cycle and car enthusiasts. In corporate insurance the fastest growth is in product and group policies. Life insurance operations commenced in 2002 and expanded sharply in 2004, notably in unit-linked insurance.
 6. Invik Asset Management (former Modern Privat Kapitalförvaltning) conducts discretionary asset management and fund operations in Aktie-Ansvar with total assets under management of some SEK 9,200 million.
 7. Fischer Partners pursues stock brokerage and trading and is a member of the exchanges in Stockholm, Helsinki, Oslo, Copenhagen, Tallinn, Riga and the Eurex German derivatives exchange. Fischer Partners is the leading player in electronic customer trading and in 2004 was the third- and fourth- largest member of the exchanges in Stockholm and Helsinki, respectively.

8. Mellersta Sveriges Lantbruks AB ("MSLA") together with its subsidiaries is engaged in farming in Sweden and Poland. MSLA owns the Ullevi estate, near Vadstena in Sweden, and the Barciany and Podlawki estates in north-east Poland. The total acreage amounts to 665 hectares in Sweden and 6,708 hectares in Poland.

2003 saw the divestment of CIS Credit International Services AB and subsidiaries ("CIS") for services in debt collection, administration and payroll management in Sweden, Norway, Denmark and Germany. On 14 March 2004, Kinnevik signed an agreement with Transcom covering the sale of CIS' debt collection services to Transcom. CIS' remaining operations in accounting, administration and payroll, which had not attained satisfactory profitability, were discontinued in the first half of 2003.

Net sales by business segment

	2004	2004 Pro forma	2003
Continuing operations			
Korsnäs Industrial.....			
External.....	3,668	3,668	3,638
Internal.....	139	139	178
Total Korsnäs Industrial.....	3,807	3,807	3,816
Korsnäs Forestry			
External.....	744	744	529
Internal.....	1,010	1,010	912
Total Korsnäs Forestry.....	1,754	1,754	1,441
Korsnäs Packaging			
External.....	1,252	1,252	1,386
Internal.....	–	–	–
Total Korsnäs Packaging.....	1,252	1,252	1,386
Banque Invik			
External.....	101	228	–
Internal.....	5	7	–
Total Banque Invik.....	106	235	–
Modern Insurances			
External.....	698	1,299	–
Internal.....	0	0	–
Total Modern Insurances.....	698	1,299	–
Invik Asset Management			
External.....	38	72	–
Internal.....	0	0	–
Total Invik Asset Management....	38	72	–
Fischer Partners			
External.....	92	228	–
Internal.....	0	3	–
Total Fischer Partners.....	92	231	–
Mellersta Sveriges Lantbruks AB			
External.....	32	32	44
Internal.....	–	–	–
Total Mellersta Sveriges Lantbruks AB.....	32	32	44

Other subsidiaries

External.....	–	–	17
Internal.....	–	–	16
Total Other subsidiaries.....	–	–	33

Parent Company, holding companies and eliminations.....	–1,130	–1,141	–1,106
Subtotal continuing operations.....	6,649	7,541	5,614

Discontinuing operations

CIS Credit International Services AB			
External.....	–	–	46
Internal.....	–	–	0
Total CIS Credit International Services AB.....	–	–	46
Subtotal discontinuing operations	–	–	46
	6,649	7,541	5,660

Net sales comprises total sales proceeds net of sales discounts, VAT and other taxes directly connected to sales.

Of total net sales of SEK 6,649 (5,660) million, SEK 5,696 (5,597) million is attributable to sale of goods and SEK 953 (63) million to sale of services.

Sales to one single customer represented 35% and 28%, respectively, of total net sales for the years 2003 and 2004.

External net sales cover sales to all parties other than the Parent Company and its subsidiaries. For information on sales to related parties, refer to Note 36. Internal sales prices are set in the same manner as external sales, that is, on commercial terms.

Intra-Group net sales in the Parent Company totaled SEK 12 (12) million.

Operating income by business segment

	2004	2004 Pro forma	2003
Continuing operations			
Korsnäs Industrial.....	635	635	793
Korsnäs Forestry.....	79	79	142
Korsnäs Packaging.....	21	21	– 408
Banque Invik.....	16	34	–
Modern Insurances.....	39	67	–
Invik Asset Management.....	6	13	–
Fischer Partners.....	25	65	–
Mellersta Sveriges Lantbruks AB..	7	7	4
Other subsidiaries.....	–	–	– 11
Parent Company, holding companies and eliminations.....	415	388	30
Subtotal continuing operations.....	1,243	1,309	550
Discontinuing operations			
CIS Credit International Services AB.....			
	–	–	8
Gain on discontinuance of CIS....	–	–	158
Subtotal discontinuing operations..	–	–	166
	1,243	1,309	716
Assets by business segment			
Operating assets			
Korsnäs Industrial.....	2004		2003
	4,659		4,456
Korsnäs Forestry.....	450		2,887

Korsnäs Packaging	936	1,094
Banque Invik	2,473	—
Modern Insurances	2,455	—
Invik Asset Management	253	—
Fischer Partners	994	—
Mellersta Sveriges Lantbruks AB..	212	174
Other subsidiaries	—	50
Parent Company, holding companies and eliminations	<u>— 394</u>	<u>67</u>
	12,038	8,728

Other assets exc. Invik

Financial fixed assets	16,768	12,425
Short-term investments and cash	<u>301</u>	<u>227</u>
Total assets	29,107	21,380

Operating assets for Invik and its business segments pertain to all assets. For other business segments, these entail intangible and tangible fixed assets, inventories and non-interest-bearing receivables.

Liabilities and provisions by business segment

Operating liabilities and provisions	2004	2003
Korsnäs Industrial	784	534
Korsnäs Forestry	232	188
Korsnäs Packaging	298	358
Banque Invik	2,274	—
Modern Insurances	1,951	—
Invik Asset Management	211	—
Fischer Partners	837	—
Mellersta Sveriges Lantbruks AB..	3	3
Other subsidiaries	—	3
Parent Company, holding companies and eliminations	<u>11</u>	<u>— 33</u>
	6,601	1,053

Other liabilities exc. Invik

Provisions for pensions	669	614
Provisions for deferred tax	877	818
Interest-bearing liabilities	<u>6,499</u>	<u>7,380</u>
Total liabilities and provisions	14,646	9,865

Operating liabilities and provisions for Invik and its business segments pertain to all provisions and liabilities. For other business segments, these involve other provisions and non-interest-bearing liabilities.

Depreciation by business segment

	2004	2004 Pro forma	2003
Continuing operations			
Korsnäs Industrial	— 334	— 334	— 336
Korsnäs Forestry	— 15	— 15	— 19
Korsnäs Packaging	— 61	— 61	— 97
Banque Invik	— 2	— 3	—
Modern Insurances	— 7	— 15	—
Invik Asset Management	— 2	— 3	—
Fischer Partners	— 1	— 2	—
Mellersta Sveriges Lantbruks AB..	— 6	— 6	— 4
Other subsidiaries	—	—	— 4

Parent Company and holding companies	— 6	— 8	— 4
Subtotal continuing operations	— 434	— 447	— 464

Discontinuing operations

CIS Credit International Services AB	—	—	1
Subtotal discontinuing operations	<u>—</u>	<u>—</u>	<u>1</u>
	— 434	— 447	— 465

Investments by business segment

	2004	2003
Korsnäs Industrial	438	124
Korsnäs Forestry	6	20
Korsnäs Packaging	60	94
Banque Invik	2	—
Modern Insurances	2	—
Invik Asset Management	0	—
Fischer Partners	1	—
Mellersta Sveriges Lantbruks AB..	5	12
Other subsidiaries	—	4
Parent Company and holding companies	<u>3</u>	<u>0</u>
	517	254

Net sales distributed by geographic market

The geographic distribution of net sales is based upon the geographic location of the buyer.

	2004	2004 Pro forma	2003
Sweden	1,818	2,503	1,000
Other Nordic countries	358	367	375
Rest of Europe	3,363	3,542	3,185
North and South America	49	68	73
Asia	919	919	886
Oceania	1	1	0
Africa	<u>141</u>	<u>141</u>	<u>141</u>
	6,649	7,541	5,660

Distribution of operating income by geographic market

	2004	2004 Pro forma	2003
Sweden	1,185	1,228	993
Other Nordic countries	25	25	— 81
Rest of Europe	31	54	— 164
North America	<u>2</u>	<u>2</u>	<u>— 32</u>
	1,243	1,309	716

Distribution of assets by geographic market

Operating assets	2004	2003
Sweden	8,098	7,352
Other Nordic countries	266	276
Rest of Europe	3,674	1,098
North America	0	2
Other assets, exc. Invik		
Financial fixed assets	16,768	12,425
Short-term investments and liquid funds	<u>301</u>	<u>227</u>
	29,107	21,380

Note 3

Significant acquisitions and divestments

2004

On 16 February it was announced that the Boards of Invik & Co. AB ("old Invik") and Industriförvaltnings AB Kinnevik ("old Kinnevik") had drawn up a joint merger plan for the companies. The merger was conducted through old Kinnevik being absorbed into old Invik by a legal merger of limited liability companies in which old Kinnevik shares were exchanged for new shares in old Invik. For each Series A share in old Kinnevik, 3.5 new Series A shares were received in old Invik, and for each Series B share in old Kinnevik, 3.5 new Series B shares were received in old Invik. On 28 July the merger was completed and at the extraordinary meeting of shareholders on 26 August it was decided that the company's name be changed from Invik & Co. AB to Investment AB Kinnevik.

On 18 March the sale was completed of Korsnäs' Swedish forestland, as announced in December 2003, to the newly established company Bergvik Skog AB. The majority of the shares in Bergvik Skog were sold to institutional investors. Korsnäs and Stora Enso hold 5.0% and 43.3%, respectively of the shares in Bergvik Skog. Korsnäs received SEK 3,050 million from the sale of its forest company and paid SEK 176 million for 5% of the shares in Bergvik Skog. The transaction resulted in a capital gain of SEK 461 million, which is reported under Income from corporate development in the Kinnevik Group. In 2003, the divested forestland contributed an operating income of about SEK 140 million.

On 21 June Kinnevik acquired 1,550,000 shares in Millicom for SEK 252 million.

On 30 November it was announced that Kinnevik was participating in the new share issue being conducted by Millicom, whereby an additional 4,050,000 shares were acquired for SEK 635 million and convertible notes for USD 35 million (SEK 235 million). Payment for the shares was made in December while payment for the convertible notes was made in January 2005.

2003

On 14 March, Kinnevik entered into an agreement with Transcom on the sale of Credit International Services' ("CIS") debt collection business to Transcom. Of the purchase price of SEK 180 million, 75% was paid in cash and 25% in newly issued shares in Transcom. The capital gain on the sale, which amounted to SEK 158 million, is stated under Income from corporate development in Kinnevik's consolidated accounts.

On 20 March, Kinnevik settled the dispute with the Alecta occupational pension company over Kinnevik's bid for Korsnäs AB from 1992. As of the same date, Kinnevik made a cash payment to Alecta of SEK 300 million, including interest, for the remaining 4% of the shares in Korsnäs AB. The transaction involved a surplus value of SEK 29 million in Kinnevik's consolidated accounts, which was allocated to forest property.

During the April-December 2003 period Kinnevik sold 1,074,692 Tele2 B shares for an average price of SEK 234 per share, totaling SEK 251 million.

On 10 June, Kinnevik entered into an agreement with Metro to convert its long-term interest-bearing loan to Metro into Metro shares. The receivable amounted on 31 May 2003 to SEK 609 million including accrued interest, which on 26 August was converted to 47.1 million new Metro A shares and 115.2 million new Metro B shares. This represents a conversion price of SEK 3.75 per share.

On 15 December, Kinnevik bought 10,863,000 Millicom 2% Senior Convertible PIK notes for USD 68,007,453. The convertible notes are equivalent to 1,010,512 shares in Millicom after conversion, which was completed in March 2004 (4,042,048 after share split executed in 2004).

In addition to the above acquisitions and divestments, a number of minor acquisition and divestments were conducted during 2003 and 2004, which were not of material significance for the Group.

Note 4

Income from corporate development

Income from corporate development includes capital gains/losses on the sale of shares in subsidiaries and associated companies and similar transactions.

	Parent Company		Group	
	2004	2003	2004	2003
			Proforma	
Cargo Pak.....	—	—	—	42
CIS Credit International Services AB	—	—	—	158
Korsnäs Kraft AB.....	—	— 3	—	— 3
Korsnäs forestland (Marma companies and Nässja Plant)	—	—	461	465
Liquidation of subsidiaries.....	1	— 4	—	—
Söderhamn Invest	—	—	—	2
Trumf Holding AS.....	—	—	—	— 6
	<u>1</u>	<u>— 7</u>	<u>461</u>	<u>465</u>
				<u>193</u>

Gain/loss on sales of securities

	Parent Company		Group	
	2004	2003	2004	2003
	Pro forma		2004	2003
AcandoFrontec AB	–	–	1	1
Cherryföretagen AB	8	–	–	–
Invik & Co. AB	–	2	–	–
Marcstone Overseas Euro Ltd	–	– 5	–	– 5
Millicom International Cellular S.A. bond	–	–	–	57
Modern Times Group MTG AB	–	– 8	–	0
Radio P4 Hele Norge ASA	–	–	29	29
Tele2 AB	–	– 84	–	–
	<u>8</u>	<u>– 95</u>	<u>30</u>	<u>62</u>

During 2003 Kinnevik sold 13.5% Senior Subordinated Discount Notes due 2006 in Millicom in exchange for 2% Senior Convertible PIK Notes and 11% Senior Notes due 2006 in Millicom. This transaction resulted in a capital gain of SEK 57 million in the Group.

During 2003 Kinnevik sold 1,074,692 Tele2 B shares externally for SEK 251 million. The sales gave rise to a capital gain of SEK 10 million in the Group.

During 2004 Kinnevik sold all 4,026,820 shares in Radio P4 Hele Norge . The sale gave rise to a capital gain of SEK 29 million.

Note 5**Other operating income**

	Parent Company		Group	
	2004	2003	2004	2003
	Proforma		2004	2003
Exchange gains on operating receivables/liabilities ...	–	–	18	19
Capital gains on disposal of tangible fixed assets	–	–	19	19
Net result of financial transactions	–	–	21	50
Unit-linked insurance.....	–	–	16	21
Freighting of external goods	–	–	29	29
Other	<u>2</u>	<u>3</u>	<u>84</u>	<u>112</u>
	<u>2</u>	<u>3</u>	<u>187</u>	<u>250</u>

Other operating expenses

	Group	
	2004	2003
	Pro forma	
Exchange losses on operating receivables/liabilities...	– 26	– 26
Capital losses on disposal of tangible fixed assets	– 3	– 3
Write-downs of fixed assets	–	–
Customer losses and credit-card fraud.....	– 8	– 16
Goodwill	– 10	– 17
Other	<u>– 10</u>	<u>– 10</u>
	<u>– 57</u>	<u>– 72</u>

Note 6**Depreciation according to plan**

Operating profit includes depreciation and amortization as follows:

	Parent Company				Group
	2004	2003	2004	2004	2003
			Pro forma		
Goodwill	–	–	– 10	– 17	– 16
Other intangible fixed assets	–	–	0	– 1	–
Buildings, land and land improvements	–	–	– 53	– 54	– 54
Equipment and other technical plant	–	–	– 330	– 330	– 352
Equipment, tools and fittings	<u>– 1</u>	<u>– 1</u>	<u>– 41</u>	<u>– 45</u>	<u>– 43</u>
	<u>– 1</u>	<u>– 1</u>	<u>– 434</u>	<u>– 447</u>	<u>– 465</u>
	Parent Company				Group
	2004	2003	2004	2004	2003
			Pro forma		
Depreciation and amortization are split per cost category as follows:					
Cost of goods and services sold	–	–	– 394	– 398	– 421
Selling expenses	–	–	– 4	– 4	0
Administrative expenses	– 1	– 1	– 22	– 24	– 24
Research and development costs	–	–	– 4	– 4	– 4
Other operating expenses	<u>–</u>	<u>–</u>	<u>– 10</u>	<u>– 17</u>	<u>– 16</u>
	<u>– 1</u>	<u>– 1</u>	<u>– 434</u>	<u>– 447</u>	<u>– 465</u>

Note 7**Income from interests in Group companies**

Dividend from

	Parent Company	
	2004	2003
Frevik AB	–	65
Kinnevik International AB	7,000	3,000
Write-down of shares in		
Frevik AB	–	– 43
SMA Holding AB	–	– 118
Kinnevik International AB	– 4,000	–
Other	<u>–</u>	<u>– 5</u>
	<u>3,000</u>	<u>2,899</u>

Note 8**Interest in earnings of associated companies (ownership % at 31 December 2004)**

	Parent Company				Group
	2004	2003	2004	2004	2003
			Pro forma		
Cherryföretagen AB (28%)	–	23	– 3	– 3	8
Karskär Energi AB (41%)	–	–	27	27	6
Metro International S.A. (40%)	–	15	– 138	– 146	88
Millicom International Cellular S.A. (36%)	–	–	37	34	– 6
Modern Times Group MTG AB (15%)	–	–	67	87	–
NC Intressenter AB (0%)	15	–	1	1	–
Sacchificio Tordera SpA (50%)	–	–	7	7	4
SCD Invest AB (91%)	–	–	– 2	– 2	– 13
Tele2 AB (28%)	10	–	224	308	2,588
Transcom WorldWide S.A.(21%)	–	–	18	33	–
Valvosacco SpA (20%)	–	–	3	3	0
Viking Telecom AB (29%)	<u>–</u>	<u>–</u>	<u>– 8</u>	<u>– 8</u>	<u>0</u>
	<u>25</u>	<u>38</u>	<u>233</u>	<u>341</u>	<u>2,675</u>

Interest in earnings of associated companies in the Parent Company pertain to dividends and capital gains in 2004. In 2003 it involved reversals of write-downs.

Of interest in earnings of associated companies in the Group, in 2003 SEK 2.578 million pertained to reversals of write-downs of which Cherryföretagen SEK 12 million, Metro SEK 128 million and Tele2 SEK 2,438 million.

	Parent Company		Group	
	2004	2003	2004	2003
Income from other securities			Pro forma	
Invik & Co. AB	–	–	2	7
Modern Times Group MTG AB	–	101	–	289
Modern Holdings Inc.	–	– 20	–	– 20
MTG Intressenter AB	3	–	3	–
Other	–	–	–	1
	<u>3</u>	<u>81</u>	<u>5</u>	<u>277</u>

Note 9	Parent Company		Group	
Interest income and similar	2004	2003	2004	2003
			Pro forma	
Dividends from other shares	–	0	–	1
Interest income from third-parties	12	45	20	76
Interest income from subsidiaries	295	259	–	–
Exchange-rate differences	0	25	–	0
	<u>307</u>	<u>329</u>	<u>20</u>	<u>77</u>

Note 10	Parent Company		Group	
Interest expense and similar items	2004	2003	2004	2003
			Pro forma	
Interest expense to third-parties	– 110	– 146	– 230	– 422
Interest expense PRI	0	0	– 20	– 23
Interest expense to subsidiaries	– 104	– 260	–	–
Exchange-rate differences	– 11	0	– 17	– 25
Other financial items	– 6	0	– 61	– 12
	<u>– 231</u>	<u>– 406</u>	<u>– 328</u>	<u>– 482</u>

Note 11

Taxes

Distribution of income after financial items	2004	2004	Group
		proforma	2003
Sweden	1,157	1,281	3,573
Outside Sweden	46	61	– 248
	<u>1,203</u>	<u>1,342</u>	<u>3,325</u>
Distribution of current tax expense			
Sweden	0	0	0
Outside Sweden	– 30	– 35	2
Distribution of deferred tax expense			
Sweden	– 419	– 539	361
Outside Sweden	– 92	– 55	40
Total tax charge for the year	<u>– 541</u>	<u>– 629</u>	<u>403</u>

Of deferred tax expense outside Sweden, SEK –30 (–10) million refers to Kinnevik's share of the associated company Millicom's tax expense. Of deferred tax expense in Sweden, SEK –167 (224) million refers to Kinnevik's share of the associated company Tele2's tax expense (2003 tax income).

Current tax expense

	2004	2004 Pro forma	Group 2003
Tax expense for the period	- 8	- 13	0
Adjustment of current tax expense for previous years	- 22	- 22	2
	- 30	- 35	2

Deferred tax expense

Deferred tax related to temporary differences	3	3	340
Deferred tax income relating to capitalization of tax loss carryforwards	88	88	12
Deferred tax expense on utilization of tax loss carryforwards	- 265	- 270	- 174
Tax on interest in earnings of associated companies	- 239	- 317	223
Provision for any additional tax arising from tax disputes	- 98	- 98	-
	- 511	- 594	401
Total tax charge for the year	- 541	- 629	403

Out of this year's total tax charge SEK 0 (18) million refers to capital gain on divestment of subsidiaries.

In addition to the reported deferred tax expense in the income statement, SEK 11 (0) million is reported directly against shareholders' equity.

Reconciliation of effective tax rate

	2004	%	2003	Group %
Profit before tax	1,203		3,325	
Income tax at statutory rate of parent company, 28%	- 337	- 28%	- 931	- 28%
Foreign tax rate differential	- 1	0%	15	0%
Amortization and write-down of goodwill on consolidation	- 3	0%	- 29	- 1%
Non-deductible losses	- 10	- 1%	- 27	- 1%
Difference in result from interest in associated companies ..	- 174	- 14%	1,108	33%
Difference in result from corporate development and result from sales of securities	122	10%	43	1%
Tax attributable to previous years	- 24	- 2%	0	0%
Adjustment of opening deferred tax liability due to new rules for taxation of share disposals	0	0%	297	9%
Capitalization of tax loss carryforwards from earlier years ..	0	0%	121	4%
Provision for potential tax payments due to tax disputes ..	- 98	- 8%	- 185	- 6%
Other	- 16	- 1%	- 9	- 0%
Effective tax/tax rate	- 541	- 45%	403	12%

Deferred tax assets

	2004	Group 2003
Other provisions	0	1
Tax loss carryforwards	217	163
	217	164

Provisions for deferred tax

Tangible fixed assets	- 739	- 756
Inventories	0	- 1
Pensions	- 7	0
Reserves in insurance and securities operations	- 65	-
Provision for any additional tax arising from tax disputes	- 246	- 225
	- 1,057	- 982
Net provision for deferred tax	- 840	- 818

Deferred tax liability of SEK 739 (756) million for tangible fixed assets is attributable to untaxed reserves in the form of accumulated depreciation in excess of plan.

Deferred tax is not stated for associated companies and subsidiaries, as any dividend paid by these companies will not give rise to a tax liability, and no divestments that could give rise to capital gains taxation are planned for the foreseeable future.

Distribution of deferred tax assets

	2004	Group 2003
Sweden	140	110
Outside Sweden	77	54
	<u>217</u>	<u>164</u>

Distribution of provisions for deferred tax

Sweden	- 1,046	- 970
Outside Sweden	- 11	- 12
	<u>- 1,057</u>	<u>- 982</u>
Net	<u>- 840</u>	<u>- 818</u>

Of net deferred tax receivable/provision of SEK -840 million, the following have been reported as a receivable or provision in the consolidated balance sheet:

Receivable deferred tax for Denmark, Netherlands, Germany and Czech Rep	42
Provisions for deferred tax for Sweden and Luxembourg	- 882
Net	<u>- 840</u>

Tax loss carryforwards

The Group's tax loss carryforwards in Sweden were SEK 456 million at 31 December 2004 (excluding tax loss carryforwards in associated companies described under Tax disputes below). A deferred tax receivable of SEK 128 million were reported in the Group's balance sheet as regards these tax loss carryforwards, which are matched by future years' profits in Sweden. In addition, there are tax loss carryforwards in foreign companies primarily in Denmark, UK, Luxembourg and Germany, which, as of 31 December 2004, amount to SEK 363 million and have the following maturity years:

2005	4
2006	6
2007	5
2008	2
2009 and later	43
No maturity date	<u>303</u>
	<u>363</u>

A deferred tax receivable of SEK 89 million is reported in the consolidated balance sheet pertaining to tax loss carryforwards in non-Swedish companies, which is matched by future years expected profits, primarily in Denmark, Luxembourg and Germany.

Tax disputes

As a result of the completion of a tax audit for the fiscal years 1994-1998, the Swedish National Tax Board has contested certain tax positions taken by the Parent Company. The County Court's decision was handed down in 2002, and was largely in favor of the Tax Board. The Company has appealed the County Court's decision to the Administrative Court of Appeal. Following a tax audit in 2004, the Tax Board has also appealed taxation for the fiscal years 2001 and 2002. Should the court decide against the company, the company could become liable to pay a further maximum SEK 371 million in the form of additional income tax and employer's contributions, including charges and interest.

Within Korsnäs, there are a number of ongoing disputes with the tax authority in respect of the 1991-1998 fiscal years. Most of the disputes are currently awaiting settlement in the Administrative Court of Appeal. Should the court decide against the company, the company could become liable to pay an additional SEK 104 million in the form of additional tax, including charges and interest.

In addition to the above disputes, the Tax Authority has challenged the claim for tax loss carryforwards in certain associated companies of Kinnevik (SCD Invest AB and subsidiaries). The tax loss carryforwards in SCD Invest and subsidiaries amounted to SEK 1,266 million as of 31 December 2004, and, as the company sees it, can be utilized against the company's future profits. The Tax Authority has questioned Kinnevik's potential to use these tax loss carryforwards and has appealed taxation for fiscal year 1998. During 2003, the County Court passed a decision in the matter, which was entirely in favor of SCD Invest and its subsidiaries. No deferred tax receivables have been reported in the Group for these tax loss carryforwards.

The Company's opinion is that most of the cases described above will be settled in favor of Kinnevik. As of 31 December 2004, the company had provisions of SEK 293 million for additional income tax and employer's contributions, including charges and interest.

Note 12

Supplemental cash flow information

For purposes of the Parent Company and the consolidated cash-flow statements, the Group include only cash and bank balances in cash and cash equivalents. The book value of these items corresponds to fair value. Cash and cash equivalents as shown in both the cash flow statement and the balance sheet include funds that are blocked.

Interest, dividends and tax paid	Parent Company		2004	Group 2003
	2004	2003		
Interest received	12	45	23	77
Interest paid	– 107	– 144	– 232	– 411
Dividends received	10	0	12	1
Tax received (paid)	0	0	– 70	30

Acquired companies	2004	Group 2003
Tangible fixed assets	– 6	– 29
Financial fixed assets	– 4,567	–
Working capital	– 21	–
Provision	– 3	– 207
Long-term liabilities	1,778	–
Shareholders' equity	2,819	–
Purchase price, gross	–	– 236
Less: Cash and cash equivalents of companies acquired. . .	–	–
Purchase price, net	–	– 236

Acquired companies in 2003 pertain to 4% of the shares in Korsnäs AB. Acquired companies in 2004 pertain to old Invik.

Divested companies	2004	Group 2003
Tangible fixed assets	2,583	51
Intangible fixed assets	–	17
Financial fixed assets	–	– 45
Working capital	467	257
Provisions	–	2
Cash and cash equivalents	–	0
Shareholders' equity	–	0
Purchase price, gross	3,050	282
Less: Cash and cash equivalents of companies acquired. . .	0	0
Purchase price, net	3,050	282

Divested companies in 2004 pertain to Marma Skog Holding AB and Nässja Plant AB, which were sold to Bergvik Skog AB on 18 March.

Divested companies in 2003 pertain to Credit International Services' debt collection operations, Cargo Pak (division of Korsnäs Packaging) and operations in Korsnäs Packaging Inc.

Note 13**Intangible and tangible fixed assets**

Group	Goodwill	Land and buildings	Forest and agricultural properties	Machinery	Equipment, tools and fittings	Construction in progress, advances
Opening acquisition values.....	212	1,834	2,669	7,399	511	104
Merger with old Invik	31	4	–	2	16	–
Investments for the year.....	–	6	1	19	11	480
Sale/scraping for the year.....	–	– 89	– 2,545	– 133	– 44	– 1
Reclassification for the year	–	11	–	119	28	– 158
Translation difference	–	– 4	12	–7	– 3	–
Closing acquisition values	<u>243</u>	<u>1,762</u>	<u>137</u>	<u>7,399</u>	<u>519</u>	<u>425</u>
Opening accumulated depreciation...	– 191	– 950	–	– 4,355	– 391	–5
Sale/scraping for the year	–	26	–	118	39	–
Depreciation for the year	– 10	– 53	–	– 330	– 41	–
Reclassification for the year	–	33	–	– 32	– 1	–
Translation differences	–	2	–	11	4	–
Closing accumulated depreciation....	<u>– 201</u>	<u>– 942</u>	<u>–</u>	<u>– 4,588</u>	<u>– 390</u>	<u>– 5</u>
Closing residual value according to plan	<u>42</u>	<u>820</u>	<u>137</u>	<u>2,811</u>	<u>129</u>	<u>420</u>
Tax assessment value, buildings.....		1,880				
Tax assessment value, land.....		61	62			
Parent Company	Equipment					
Opening acquisition values	9					
Investments for the year	2					
Sale/scraping for the year	<u>– 1</u>					
Closing acquisition values	<u>10</u>					
Opening accumulated depreciation...	– 8					
Sale/scraping for the year	1					
Depreciation for the year.....	<u>– 1</u>					
Closing accumulated depreciation....	<u>– 8</u>					
Closing residual value according to plan	<u>2</u>					

Opening acquisition values for forests and agricultural property include SEK 1,973 million attributable to a revaluation made by Korsnäs AB in 1994.

Note 14**Financial assets (SEK 000s)**

	Reg. no	Registered office	Number of shares	Capital/voting (%)	Book value
Shares and participations in subsidiaries					
Americas Cup Café AB.....	556569-7686	Stockholm	1,000	100	100
Assuransinvest AIA AB	556051-6238	Stockholm	295,384	100	92,792
Bryggvik by the Sea AB	556024-5341	Fagersta	20,000	100	2,424
Gamla Stans Bryggeri AB.....	556503-2884	Stockholm	1,000	100	–
Gefle Borg Bryggeri AB.....	556489-9689	Gävle	1,736,000	99	–
Frevik AB.....	556281-6040	Stockholm	1,000	100	1,136
Fällvik AB	556476-4958	Stockholm	1,000	100	100
Invik & Co. AB.....	556594-1787	Stockholm	1,000	100	853,720
Atlantica AB	556593-7439	Stockholm	1,000	100	–
Banque Invik S.A.		Luxembourg	360,000	100	–
Inlux Norge AS		Norway	–	100	–
Modern Funds Management Cy S.A...		Luxembourg	–	100	–
Modern Processing S.A.		Luxembourg	–	100	–
Modern Treuhand B.V.		Netherlands	–	100	–

Modern Treuhand S.A.		Luxembourg	–	99.9	–
Fischer Partners Holding AB.	556563-3715	Stockholm	480,000	100	–
Fischer Partners Fondkommission AB.	556242-7277	Stockholm	42,000	100	–
Invik Kapitalförvaltning Holding AB .	556544-8023	Stockholm	2,000,000	100	–
Aktie-Ansvar AB.	556098-2232	Stockholm	10,000	100	–
Invik Kapitalförvaltning AB	556544-8015	Stockholm	50,000	100	–
OP Financial Services AB	556550-4296	Stockholm	4,000	100	–
Invik Trading AB.	556264-5274	Stockholm	1,000	100	–
MF Bilsport & MC Specialförsäkring AB	556563-2774	Stockholm	1,000	100	–
Moderna Fonder AB.	556569-7702	Stockholm	1,000	100	–
Moderna Försäkringar AB.	557200-4330	Gothenburg	2,514,285	100	–
Moderna Försäkringar Liv AB	516401-6718	Stockholm	13,000	100	–
Moderna Försäkringar Sak AB.	516406-0070	Stockholm	30,000	100	–
Modern Re S.A.		Luxembourg	50,000	100	–
Atlantica Yacht Insurance Sarl		Luxembourg	–	100	–
netviq AB	556266-5801	Stockholm	1,000	100	–
Invik International S.A.		Luxembourg	500,000	100	44,871
Kinnevik International AB.	556033-4640	Stockholm	40,000	100	8,484,048
Bison Air AB	556461-1670	Stockholm	–	100	–
CIS Credit International Services AB ..	556353-2778	Karlskoga	–	100	–
CIS International Services AG.		Switzerland	–	100	–
Collect Sweden AB	556061-4124	Stockholm	–	100	–
Förvaltnings AB Eris & Co.	556035-7179	Stockholm	–	100	–
Goodguy AB	556579-7692	Stockholm	–	100	–
Mellersta Sveriges Lantbruks AB.	556031-9013	Vadstena	–	100	–
AB Agrovik	556278-5880	Vadstena	–	100	–
Plonvik Sp.zo.o.		Poland	–	100	–
Rolnyvik Sp.zo.o.		Poland	–	100	–
Millcellvik AB.	556604-8285	Stockholm	–	100	–
Korsnäs Holding AB	556170-7703	Fagersta	–	100	–
Korsnäs AB	556023-8338	Gävle	–	100	–
AB Stjernerunds Bruk	556028-6881	Gävle	–	100	–
Trävaru AB Dalerne	556044-3920	Gävle	–	100	–
Combi Shipping AB	556153-9932	Gävle	–	100	–
Diacell AB	556155-2786	Gävle	–	100	–
Korsnäs Advanced Systems AB.	556560-8527	Gävle	–	100	–
Korsnäs France S.A.		France	–	100	–
Korsnäs GmbH.		Germany	–	100	–
Korsnäs Italia S.r.l.		Italy	–	100	–
Korsnäs Latvia Sia.		Latvia	–	100	–
Sia Freja.		Latvia	–	100	–
Korsnäs Luxembourg Holding AB	556581-8126	Gävle	–	100	–
Korsnäs Packaging d.o.o.		Serbia	–	100	–
Korsnäs Packaging Holding AB.	556051-3789	Gävle	–	100	–
Korsnäs Sales Ltd		UK	–	100	–
Korsnäs Sågverks AB.	556024-8477	Gävle	–	100	–
Latsin Sia		Latvia	–	100	–
Marma Skog 31 AB	556580-2203	Gävle	–	100	–
Korsnäs Packaging AB	556286-4099	Gävle	–	100	–
Crown Sacks & Systems (Holding) Ltd.		UK	–	100	–
Crown Sacks & Systems (Ain) Ltd		UK	–	100	–
Crown Sacks & Systems (Sus) Ltd.		UK	–	100	–
Korsnäs Paper Sacks Ltd.		UK	–	100	–
Korsnäs d.o.o.		Croatia	–	100	–
Korsnäs d.o.o.		Serbia-Montenegro	–	100	–
Korsnäs Edam BV		Netherlands	–	100	–
Korsnäs Finland OY		Finland	–	100	–
Korsnäs Oriana.		Ukraine	–	75	–

Korsnäs Packaging France S.A.		France	–	100	–
Korsnäs Packaging Inc.		USA	–	100	–
Korsnäs Packaging Nordic A/S.		Denmark	–	100	–
Korsnäs Packaging SAU.		Spain	–	100	–
Korsnäs Packaging Sp. z.o.o.		Poland	–	100	–
Korsnäs Packaging SRL.		Rumania	–	100	–
Korsnäs Packaging SRO.		Czech Rep.	–	100	–
Korsnäs Strömsnäs AB.	556094-7631	Gävle	–	100	–
Korsnäs Wilhelmstal GmbH					
Papiersackfabriken.		Germany	–	100	–
Icoma FBS Packtechnik GmbH.		Germany	–	100	–
Korsnäs Packaging d.o.o.		Croatia	–	87	–
Industriförvaltnings AB Kinnevik.	556094-7623	Stockholm	–	100	–
Kinnevik BV.		Netherlands	–	100	–
Lizoma BV.		Netherlands	–	100	–
N.P. Birraria Hugo's.		Kosovo	–	100	–
Worldwide Loyalty BV.		Netherlands	–	100	–
Collect Denmark A/S.		Denmark	–	100	–
Collect Deutschland GmbH.		Germany	–	100	–
Collect Italy spa.		Italy	–	100	–
Collect Netherland BV.		Netherlands	–	100	–
Loyalty Corporation UK Ltd.		UK	–	100	–
Latellana AG.		Switzerland	–	100	–
Sillender Oü.		Estonia	–	100	–
Svenska JCB AB.	556306-0960	Järfälla	–	100	–
Vilandevik AB.	556207-5506	Stockholm	–	100	–
Svenska Traktor AB.	556051-6352	Järfälla	–	100	–
Kinnevik Radio AB.	556237-4594	Sollentuna	7,500	100	1,207
Kinnevik S.A.		Luxembourg	–	100	–
Krogvik AB.	556248-7966	Stockholm	10,000	100	100
Ludvika Personalservice KB.	916582-0268	Ludvika	–	100	100
Vilandeproduktionsvik AB.	556081-0037	Stockholm	3,000	100	300
					<u>9,480,898</u>

**Reconciliation of the book value
of shares in subsidiaries (SEK million)**

Opening balance, 1 January 2004.	12,527
Merger with old Invik.	991
Shareholder contribution.	3
Write-downs (due to dividend received).	<u>– 4,040</u>
Closing balance, 31 December 2004.	<u>9,481</u>

Shares in associated companies	Reg. no	Registered office	Number of shares	Capital/ voting (%)	Book value	Market value
Parent Company						
Metro International S.A.		Luxembourg	182,367,081	35/25	824,369	2,771,980
Modern Cartoons Ltd.		USA	2,544,000	23	0	
Modern Times Group MTG AB.	556309-9158	Stockholm	9,935,011	15/47	1,116,053	1,798,237
Tele2 AB.	556410-8917	Stockholm	15,123,160	10/24	3,476,079	3,947,145
Transcom WorldWide S.A.		Luxembourg	8,503,323	12/20	192,962	303,569
Shared Services S.A.		Luxembourg	200	29	20	
					<u>5,609,483</u>	

Shares and participations in associated companies	Reg. no	Registered office	Number of shares	Capital/voting (%)	Book value	Market value
Group						
Cherryföretagen AB.....	556090-4251	Solna	8,780,749	28/26	32,000	182,640
Industriskog AB	556193-9470	Falun	25,000	33	125	
Karskär Energi AB	556018-9481	Gävle	12,331	41	77,629	
Metro International S.A.....		Luxembourg	211,683,384	40/37	845,583	3,217,587
Millicom International Cellular S.A.		Luxembourg	35,142,535	36	1,516,708	5,218,666
Modernac S.A.		Luxembourg	6,370	49	6,182	
Modern Cartoons Ltd		USA	2,544,000	23	0	
Modern Times Group MTG AB	556309-9158	Stockholm	9,935,011	15/47	1,067,682	1,798,237
Sacchificio Tordera SpA		Italy	100,000	50	41,809	
SCD Invest AB	556353-6753	Stockholm	10,584,250	91/50	0	
Sia Latgran		Latvia	432	40	5,094	
Tele2 AB.....	556410-8917	Stockholm	41,827,175	28/50	12,564,891	10,916,893
Transcom WorldWide S.A.		Luxembourg	14,915,022	21/33	258,431	532,466
Trätåg AB.....	556116-2719	Falun	250	50	3	
Shared Services S.A.....		Luxembourg	200	29	20	
Valvosacco SpA.....		Italy	33,800	20	17,131	
Viking Telecom AB	556330-3055	Gothenburg	7,037,952	29	18,393	18,510
					16,451,681	

Reconciliation of the book value of shares and participations in associated companies (SEK million)

	Parent Company	Group
Opening balance 1 January 2004	1,119	10,581
Merger with old Invik.....	3,935	4,232
Capital expenditure in associated companies	281	1,409
Transferred from other shares	324	634
Divestments	- 50	-
Netted against receivables.....	-	2
Interest in earnings of associated companies	-	233
Dividends, associated companies	-	- 99
Step-up acquisition of MTG and Transcom	-	- 135
Interest in tax expense of associated companies	-	- 239
Translation differences	-	- 166
Closing balance 31 December 2004.....	<u>5,609</u>	<u>16,452</u>

Shares in other companies	Reg. no	Registered office	Number of shares	Capital/voting (%)	Book value
Parent Company					
Modern Holdings Inc.....		USA	2,646,103	18	26,400
MTG Intressenter AB.....	556519-8529	Stockholm	3,075	12	665
Radio Components Sweden AB.....	556573-3846	Stockholm	2,346,337	19	0
Tenant-owner apartments					639
					27,704

Shares and participations in other companies Group	Reg. no.	Registered office	Number of shares	Capital/ votes (%)	Book value	Market value
AcandoFrontec AB	556272-5092	Stockholm	2,127,580	3/4	13,414	12,978
Bergvik Skog AB	556610-2959	Falun	353	5	176,500	
Gävle Sjöfarts AB	556010-6774	Gävle	1,080	10	361	
Karskär Bygg AB	556629-8740	Gävle	200	8	20	
Modern Holdings Inc.		USA	2,646,103	18	26,400	
MTG Intressenter AB	556519-8529	Stockholm	3,075	12	665	
Radio Components Sweden AB	556573-3846	Stockholm	2,346,337	19	0	
Other					6,378	
					<u>223,738</u>	

**Reconciliation of book value of shares
in other companies (SEK million)**

	Parent Company	Group
Opening balance 1 January 2004	352	825
Merger with old Invik	7	– 97
Investments in new shares	0	177
Divestments	0	– 40
Transferred to shares in associated companies	– 324	– 634
Write-downs	– 7	– 7
Closing balance 31 December 2004	<u>28</u>	<u>224</u>

Note 15

Other long-term, non interest-bearing receivables

	2004	Group 2003
Investment assets Unit Link.	490	–
Other non-interest-bearing receivables	<u>79</u>	<u>55</u>
	<u>569</u>	<u>55</u>

Note 16

Inventories etc

	2004	Group 2003
Raw materials and consumables	334	342
Felling rights	36	27
Work in progress	57	64
Finished products and goods for resale	644	535
Securities	11	–
Work on contract	5	1
Advance payment to suppliers	<u>119</u>	<u>28</u>
	1,206	997
Less: Provision for obsolescence	<u>– 23</u>	<u>– 22</u>
	<u>1,183</u>	<u>975</u>

Note 17

Short-term interest-bearing receivables

	2004	Group 2003
Interbank market	251	–
Lending market	<u>1,047</u>	<u>–</u>
	<u>1,298</u>	<u>–</u>

Note 18 Accounts receivable	Parent Company		2004	Group 2003
	2004	2003		
Gross accounts receivable.....	3	0	640	564
Less: reserve for doubtful accounts.....	–	–	– 17	– 16
Total accounts receivable	<u>3</u>	<u>0</u>	<u>623</u>	<u>548</u>
Changes in reserve for doubtful receivables are as follows:				
Opening balance	–	–	– 16	– 15
Provision for doubtful receivables.....	–	–	– 7	– 3
Recovery of previously written-down receivables	–	–	6	2
Closing balance	<u>–</u>	<u>–</u>	<u>– 17</u>	<u>– 16</u>

Note 19 Other short-term receivables	Parent Company		2004	Group 2003
	2004	2003		
Receivables in insurance companies.....	–	–	62	–
Fund payment receivables	–	–	14	–
Tax receivables	1	1	30	20
Other short-term receivables.....	<u>7</u>	<u>36</u>	<u>150</u>	<u>256</u>
	<u>8</u>	<u>37</u>	<u>256</u>	<u>276</u>

Note 20 Prepaid expenses and accrued income	Parent Company		2004	Group 2003
	2004	2003		
Accrued sales revenue	–	–	64	9
Accrued interest income.....	–	0	1	4
Prepaid rents	1	–	4	1
Prepaid insurance premiums	1	1	21	2
Prepaid commission	–	–	23	–
Credit-card expenses	–	–	76	–
Other.....	<u>8</u>	<u>14</u>	<u>101</u>	<u>76</u>
	<u>10</u>	<u>15</u>	<u>290</u>	<u>92</u>

Note 21 Short-term investments	Parent Company		2004	Group 2003
	2004	2003		
Interbank market	–	–	998	–
Lending market.....	–	–	725	–
Fixed income securities	–	–	678	–
Shares, funds and convertible notes.....	<u>17</u>	<u>0</u>	<u>167</u>	<u>12</u>
	<u>17</u>	<u>0</u>	<u>2,568</u>	<u>12</u>

Note 22 **Shareholders' equity**

Shareholders' equity comprises restricted and unrestricted equity. Changes in shareholders' equity from the preceding year's balance sheet are presented in "Movements in Shareholders' equity of the Group" (page 22) and "Movements in Shareholders' equity of the Parent Company" (page 27). The preceding year's balance sheet relates to old Kinnevik, in view of the rules governing the reporting of reverse acquisitions.

Restricted equity

Investment AB Kinnevik's share capital as of 31 December 2004 was distributed among 267.9 million shares with a par value of SEK 0.10 per share. At 31 December 2003, old Invik's share capital was distributed among 7,760,000 shares with a par value of SEK 1 per share. During 2004, the following changes occurred in the Group's share capital:

	Class A shares	Class B shares	Total
31 December 2003.....	3,408,699	4,351,301	7,760,000
Share split 10:1, completed 28 April.....	34,086,990	43,513,010	77,600,000
Reclassification of A shares to B shares	– 5,312,726	5,312,726	0
Merger payment to old Kinnevik's shareholders ...	<u>25,337,088</u>	<u>164,959,151</u>	<u>190,296,239</u>
31 December 2004.....	<u>54,111,352</u>	<u>213,784,887</u>	<u>267,896,239</u>

Distribution by Class of shares was as follows:

	31 December 2004		31 December 2003	
	Number of shares	Par value (SEK 000s)	Number of shares	Par value (SEK 000s)
A shares	54,111,352	5,411	3,408,699	3,409
B shares	<u>213,784,887</u>	<u>21,378</u>	<u>4,351,301</u>	<u>4,351</u>
	<u>267,896,239</u>	<u>26,790</u>	<u>7,760,000</u>	<u>7,760</u>

One A share entitles to 10 votes and one B share to 1 vote.

During the period 2000-2003, there were no changes in old Kinnevik's share capital. All shares provide equal rights to participation in Kinnevik's assets and earnings. Kinnevik holds 3,914,300 of its own class A shares, which are reported at SEK 0 in the consolidated balance sheet. To the knowledge of the Board, there are no share agreements or share associations in Kinnevik.

There are no convertibles or warrants in issue. The Board has no authorization to repurchase or issue shares, options or similar.

There are outstanding subscription rights in the subsidiary, Fischer Partners Fondkommission AB, refer to Note 34.

Restricted equity is not available for shareholder dividend. A transfer to legal reserve is to be made annually at a rate of 10% of the result for the year which is not used to cover loss carried forward until the legal reserve and the share premium reserve amount to 20% of the share capital. Under the terms of the Companies Act, restricted equity is not available for shareholder dividend, but may, in certain circumstances, be reduced to cover losses or distributed.

Restricted equity also includes the equity share of untaxed reserves, equity reserve for shares in associated companies, which, on the application of the equity accounting method, are stated at a higher value than that used for the acquisition value method, revaluation reserve and certain translation differences.

Unrestricted equity

Unrestricted equity is available for shareholder dividend. The Companies Act provides that any income earned after allocation to restricted equity as above or allocation under the terms of the Company's articles of association, may be distributed to the shareholders on the proposal of the Board and subsequent to the decision of the AGM. The rules of the Companies Act state that the dividend may not exceed unrestricted equity in the Parent Company or consolidated balance sheet. Moreover, dividends may not be of such a size that it contravenes sound business practice, taking into account the need to strengthen the balance sheet, liquidity and the position in general.

Note 23

Provisions for pensions

The following tables present an overview of the items included in net cost for the compensation reported in the consolidated income statement for the Groups' three defined benefit pension plans covering one employer. They also show some information regarding the result of endowment insurance and the amounts reported in the consolidated balance sheet for each pension plan.

Net cost of defined benefit pension plans

	Sweden	Germany	UK	Total
Earned during the year	6	0	6	12
Interest component in the increase during the year of the present value of the pensions commitment.....	25	6	20	51
Anticipated return on assets under management	<u>-</u>	<u>-</u>	<u>- 19</u>	<u>- 19</u>
Reported pension cost, net	<u>31</u>	<u>6</u>	<u>7</u>	<u>44</u>

Reported provision, December 31, 2004

	Sweden	Germany	UK	Total
Commitments	476	109	360	945
Assets under management.....	-	-	- 268	- 268
Unreported actuarial net gains	-	-	3	3
Unreported actuarial net losses	<u>- 2</u>	<u>- 6</u>	<u>-</u>	<u>- 8</u>
Reported provision	<u>474</u>	<u>103</u>	<u>95</u>	<u>672</u>

The following changes occurred in 2004 in reported provisions

	Sweden	Germany	UK	Total
Reported provisions, 1 January	521	93	0	614
Effect of change in accounting principle	- 48	13	114	79
Benefits paid	- 30	- 8	- 24	- 62
Increase	31	6	7	44
Translation differences	-	- 1	- 2	- 3
Reported provisions, 31 December 2004	<u>474</u>	<u>103</u>	<u>95</u>	<u>672</u>

The primary assumptions used in setting the pension undertaking are presented (%)

	Sweden	Germany	UK
Discount factor	5.25	5.75	5.50
Future pay increases	3.00	*	3.25
Future pension increases	2.00	1.25	2.75

* No new earning.

Fees paid during the year for pension insurance policies covered by Alecta (reported as a defined contribution plan) amount to SEK 5 (6) million. Alecta's surplus may be distributed to policyholders and/or the insured. At year-end 2004, Alecta's surplus in form of collective solvency ratio was 128% (120%).

Fees for the year for pension insurance covered by Försäkringsbranschens Pensionskassa (reported as a defined contribution plan) amounted to SEK 5 (4) million. Försäkringsbranschens Pensionskassa's surplus may be distributed to the policyholders and/or the insured. At year-end 2004, Försäkringsbranschens Pensionskassa's surplus in the form of the collective solvency ratio was 99%.

Note 24

Other provisions

	Parent Company			Group
	2004	2003	2004	2003
Compulsory redemption of shares	-	-	4	4
Silviculture liability	-	-	0	55
Severance pay	-	-	42	89
Dispute, employer's fees	47	-	47	0
Other	12	-	36	43
	<u>59</u>	<u>-</u>	<u>129</u>	<u>191</u>

Movements in other provisions

Opening balance 1 January 2004	-	191
Release of silviculture liability	-	- 55
Severance pay completed	-	- 47
Release of other provisions	-	- 25
Reclassification from deferred tax liability	25	26
Provision for rental commitments and tax disputes, Invik in the acquisition balance sheet	34	37
Other new provisions	-	2
Closing balance 31 December 2004	<u>59</u>	<u>129</u>

The provisions to cover the silviculture liability in 2003 pertain primarily to future expenses for the restoration and replanting of felled forestland in line with Swedish legislation.

Provisions for severance pay of SEK 42 (89) million relate to severance pay in connection with restructuring at Korsnäs. Refer to Note 11 for information regarding disputes involving employer's contribution expenses.

Note 25

Liabilities to credit institutions

On 31 December 2004, long-term liabilities to credit institutions mature in the following years:

	Parent Company	Group
2006	0	2,508
2007	1,100	1,100
2008	1,500	1,500
2009 or later	1,285	1,391
	<u>3,885</u>	<u>6,499</u>

In addition to utilized credits, at 31 December 2004, the Group (excl Invik), had SEK 902 (920) million in undrawn credit facilities, of which SEK 264 (156) million pertain to overdraft facilities.

The corresponding amount for the Parent Company on the same date was SEK 816 (860) million, of which SEK 131 (100) million related to overdraft facilities.

The Group's total overdraft facilities (excl Invik) were SEK 264 (231) million, of which SEK 131 (100) million related to the Parent Company.

In addition to the credit limits noted above, at 31 December 2004 there were total credit limits of SEK 350 million in Invik's securities trading business, of which SEK 122 million had been drawn (reported under current liabilities to credit institutions), and overdraft facilities of SEK 38 million.

Note 26

Other interest-bearing liabilities

Long-term

Borrowing by banking operations 341

Other long-term interest-bearing liabilities —

2004 Group
2003

— 5

341 5

Short-term

Borrowing from the public 2,467

Other current liabilities 17

—

—

2,484 —

2,825 5

Note 27

Other non-interest-bearing liabilities

Long-term

Underwriting reserves —

Other long-term liabilities —

Parent Company
2004 2003 2004 Group
2003

— — 544 —

— — 4 4

— — 548 4

Short-term

Liabilities to insurance companies —

Advances to insured —

Fund payment liabilities —

Underwriting reserves —

Other current liabilities 29

— — 84 —

— — 9 —

— — 90 —

— — 1,178 —

29 5 245 57

29 5 1,606 57

29 5 2,154 61

Note 28

Accrued expenses and prepaid income

Accrued expense for purchase of goods —

Accrued personnel expenses 7

Accrued interest expenses 9

Accrued energy costs —

Accrued freight costs —

Accrued organization expenses 4

Prepaid commission income —

Other prepaid income —

Other 4

Parent Company
2004 2003 2004 Group
2003

— — 38 91

7 2 211 130

9 6 18 19

— — 27 23

— — 12 2

4 1 5 2

— — 4 —

— — 2 —

4 1 159 80

24 10 476 347

Note 29**Leasing agreements**

Group companies have concluded a number of agreements covering the rental of premises and other fixed assets. During 2004, SEK 94 (97) million was paid in accordance with operational leasing agreements. The amount includes Korsnäs' leasing of RoRo vessels in the amount of SEK 71 (70) million.

Future minimum payments for agreements concluded for leased assets as of 31 December 2004:

	Premises and other fixed assets	RoRo vessels
2005	29	70
2006	23	70
2007	18	–
2008	12	–
2009	8	–
2010	2	–
2011 and later	–	–
	<u>92</u>	<u>140</u>

As of 31 December 2004, the Group had no financial leasing agreements .

Note 30**Pledged assets****For own liabilities****For liabilities to credit institutions**

	Parent Company 2004	2003	2004	Group 2003
Real estate mortgages	–	–	2,024	4,574
Shares in subsidiaries	8,484	12,524	¹⁾	¹⁾
Shares in associated companies and other companies	4,765	740	5,905	4,638
Chattel mortgages	–	–	600	600
Own holdings of securities	–	–	185	–
Re-pledged customer securities	–	–	137	–
Cash and cash equivalents and short-term investments	0	0	25	0

For own contingent liabilities**For agreements on securities clearing**

Undertakings related to derivatives trading (solely for customers' account)	–	–	152	–
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For other undertakings**For borrowed securities**

Lending to credit institutions	–	–	517	–
Re-pledged customer securities	–	–	527	–
	<u>13,249</u>	<u>13,264</u>	<u>10,072</u>	<u>9,812</u>

¹⁾ Shares in Kinnevik International AB, Korsnäs Holding AB, Korsnäs AB, Moderna Försäkringar Sak AB and Modern Re S.A. have been pledged for loans of SEK 1,900 million.

Note 31**Contingent liabilities**

	Parent Company 2004	2003	2004	Group 2003
Sureties and guarantees	7	8	61	41
Sureties and guarantees for subsidiaries	87	86	–	–
Guarantee commitments, FPG	0	0	10	10
	<u>94</u>	<u>94</u>	<u>71</u>	<u>51</u>

Disputes

See Note 11 Taxes.

Note 32**Off-balance sheet items****For securities operations**

Undrawn portion of credit card limit	1,514	–
Borrowed securities	159	–
Client funds	<u>145</u>	<u>–</u>
	<u>1,818</u>	<u>–</u>

2004

Group
2003**Note 33****Average number of employees**

	men	2004 women	men Pro forma	2004 women Pro forma	men	2003 women
Parent Company						
Stockholm	3	5			3	3
Group						
Sweden	1,075	172	1,140	205	1,108	180
Germany	190	55	190	55	203	66
Latvia	186	24	186	24	179	27
Denmark	139	56	139	56	139	66
Poland	107	35	107	35	112	38
Netherlands	96	6	96	6	97	7
Spain	79	10	79	10	90	12
UK	55	17	55	17	77	24
Czech Rep.	75	20	75	20	70	14
Serbia-Montenegro	60	20	60	20	52	25
USA	–	–	–	–	43	10
Ukraine	24	7	24	7	38	2
Rumania	36	8	36	8	31	7
Finland	3	4	3	4	4	5
France	8	1	8	1	9	1
Croatia	3	1	3	1	2	2
Norway	–	–	–	–	3	5
Luxembourg	<u>18</u>	<u>7</u>	<u>36</u>	<u>13</u>	<u>–</u>	<u>–</u>
	<u>2,154</u>	<u>443</u>	<u>2,237</u>	<u>482</u>	<u>2,257</u>	<u>491</u>
Total number of employees		<u>2,597</u>		<u>2,719</u>		<u>2,748</u>

Distribution of women and men on the Board and in the management group

	men	2004 women	men	2003 women
Parent Company				
Board members				
Elected by AGM.	5	1	5	1
Employee representatives, ordinary	2	–	2	–
Employee representatives, deputies	2	–	2	–
President	1	–	1	–
Vice President	2	–	–	–
Other senior executives	<u>2</u>	<u>–</u>	<u>1</u>	<u>–</u>
	<u>14</u>	<u>1</u>	<u>11</u>	<u>1</u>

	men	2004 women	men	2003 women
Group*				
Board members				
Elected by the AGM	75	9	20	5
Employee representatives, ordinary	4	–	4	–
Employee representatives, deputies	4	–	5	–
President	1	–	1	–
Vice President	2	–	–	–
Other senior executives	8	–	4	–
	<u>94</u>	<u>9</u>	<u>34</u>	<u>5</u>

*As regards the distribution of women and men in the Board and the management group, the Group has been defined as the following companies: Investment AB Kinnevik, Korsnäs AB, Korsnäs Packaging AB, Invik & Co. AB, Banque Invik S.A., Moderna Försäkringar AB, Moderna Försäkringar Sak AB, Moderna Försäkringar Liv AB, Invik Kapitalförvaltning AB, Aktie-Ansvar AB, Fischer Partners Fondkommission AB and Mellersta Sveriges Lantbruks AB.

Note 34

Salaries, other remuneration and social security expenses (SEK 000s)

	2004	2004	2003
	Board, President and Vice Presidents	Other employees	Board, President and Vice Presidents Pro forma
	Other employees	Other employees Pro forma	Board and President
Parent Company			
Salaries and other remuneration	16,681	4,078	11,381
Social security expenses	8,785	1,787	5,594
Of which, pension expense *	2,925	466	2,999
Group			
Companies in Sweden	36,888	597,002	51,425
Companies abroad	28,843	295,995	34,811
Total salaries and other remuneration	<u>65,731</u>	<u>892,997</u>	<u>86,236</u>
Social security expenses	35,418	325,046	41,264
Of which, pension expense *	13,945	152,140	15,329
			639,876
			301,099
			940,975
			354,894
			158,618
			16,868
			28,559
			45,427
			21,483
			8,719
			544,686
			303,576
			848,262
			340,378
			169,618

* Relates to present and former Board members, Presidents and Vice Presidents.

Pension obligations and similar benefits for former Board members, presidents and vice presidents of the Parent Company amount to SEK 14,009,000 (13,847,000), while the same items for the Group total SEK 75,652,000 (71,814,000). These amounts are included among liabilities in the balance sheets of the Parent Company and the Group.

Principles

The total fee to ordinary members of the Board is decided by the Annual General Meeting, while the allotment of fees is decided by the Board. Travel expenses are settled against invoice.

Following consultation with the nomination group, the Board appoints members and Chairman in the Remuneration Committee. The tasks of the Remuneration Committee cover issues involving pay, pension terms and conditions, bonus systems and other employment terms and conditions for the President and Vice Presidents in the Parent Company and for the presidents of the Group's business segments.

As far as business segment presidents are concerned, the Remuneration Committee decides regarding the aforementioned matters, following which such decisions are presented to the Board at the next Board meeting. Concerning the President and Vice Presidents, the Remuneration Committee prepares the aforementioned matters for approval, and provide the Board with documentation for a decision, including a decision proposal.

Pehr G Gyllenhammar, Cristina Stenbeck, Wilhelm Klingspor and Erik Mitteregger have been appointed members of the Remuneration Committee. The Committee Chairman is Wilhelm Klingspor.

Remuneration to the President, Vice Presidents and other senior executives consists of basic salary, variable salary/bonus, and benefits in the form of a company car and pension. Variable salary/bonus within Kinnevik and Korsnäs may not exceed 50% of their basic salary, and are calculated according to a combination of results achieved, overhead control and productivity. Within Invik, senior executives have individually tailored incentive programs in which a variable portion proceeds on the basis of various criteria in which the earnings for the subsidiary are the most significant.

By other senior executives is meant the eight individuals, and any representatives, who are presented together with the President and Vice Presidents on page 6.

Board fees

In accordance with the decision of the Annual General Meeting on 13 May and the extraordinary meeting of shareholders on 26 August concerning fees to the Boards of Industriförvaltnings AB Kinnevik (up until the merger on 28 July) and Investment AB Kinnevik, a fee of SEK 3,052,000 (1,875,000) was paid to the Board in 2004, of which, pursuant to a Board decision, SEK 1,425,000 (–) was paid to the current Chairman and SEK 302,000 (250,000) to the Deputy Chairman. Over and above this total fees of SEK 0 (–) were paid to the Chairman and of SEK 275,000 (250,000) to the Deputy Chairman for Board positions with subsidiaries. In 2003, the Board's then Chairman received SEK 300,000 from the Parent Company and SEK 300,000 for Board positions with subsidiaries. Other Board members in the Parent Company's Board received fees amounting in total to SEK 750,000 (250,000) for Board positions with subsidiaries.

Remuneration for the President, Vice Presidents and other senior executives *

	2004			2003		
	President	Vice Presidents	Other senior executives	President	Vice Presidents	Other senior executives
Salaries	7,303	5,663	10,066	7,275	–	9,035
Variable remuneration/bonus	2,100	2,670	7,330	2,450	–	2,108
Benefits	62	137	188	56	–	147
Pension expenses	1,423	1,024	1,969	1,595	–	805

	2004		
	President	Vice Presidents	Other senior executives
	Pro forma	Pro forma	Pro forma
Salaries	7,303	9,216	12,078
Variable remuneration/bonus	2,100	2,670	11,800
Benefits	62	202	230
Pension expenses	1,423	1,632	2,424

* Senior executives are presented on page 6.

The President of the Parent Company received salary and benefits of SEK 7,365,000 (7,056,000) as well as a bonus of SEK 2,100,000 (2,450,000). Fees totaling SEK 0 (275,000) were paid for Board positions in subsidiaries. Pension premium payments of 20% of fixed salary were paid. The retirement age for the President is 65, but he is entitled to step down no earlier than June 2006 and receives 60% of the fixed salary up to the age of 65. In the event of notice being served by the company, he is entitled to salary during a notice period of 24 months. Severance compensation is netted off against salary received from any new employment during the period of notice.

For the Vice Presidents and other senior executives, there are the customary pension commitments within the framework of the public pension plan in a maximum of 20% of fixed salary, with entitlement to retirement at the age of 65. Pension premiums are paid to insurance companies.

In the event of notice being served by the Company, Vice Presidents are entitled to salary over a notice period of a minimum of 12 and maximum of 24 months. For other senior executives, in the event of notice being served by the company, there is entitlement to salary during a notice period of a minimum of six and a maximum of 12 months. Severance pay is netted off against salary received from any new employment during the period of notice.

For the President of Korsnäs Packaging, there is an incentive program based on the targets attained during the period 2003–2006. As of 31 December 2004, this commitment is estimated to amount to SEK 4,100,000.

The President of Fischer Partners has option rights through 31 December 2005 to subscribe for 2,471 new shares in Fischer Partners Fondkommission AB, corresponding to 5.6 % of the capital, taking into consideration the new shares, at a subscription price of SEK 1,362 per share. During the period, there is also the right to request a sale of the options to Investment AB Kinnevik at a price set in relation to the share of equity share.

Note 35 Auditors' fees

	2004	Parent Company 2003	2004	2004 Pro forma	Group 2003
To Ernst & Young					
Audit assignments	0.8	0.7	4.0	4.0	5.0
Other assignments	1.4	0.3	3.5	4.0	0.5
To PricewaterhouseCoopers					
Audit assignments	0.1	–	2.4	4.5	–
Other assignments	3.2	–	4.8	5.6	–
To KPMG					
Audit assignments	0.0	0.1	0.0	0.0	0.1
Other assignments	–	–	–	–	–
To others					
Audit assignments	–	–	0.4	0.5	–

Other assignments PricewaterhouseCoopers primarily involve tax advice.

Note 36 Related-party transactions

During 2003 and 2004, Kinnevik engaged in transactions with the following related companies:

Related companies	Relationship
Invik & Co. AB ("old Invik")	Up until completion of the merger with old Kinnevik on 28 July 2004, old Invik had shares in old Kinnevik, providing considerable influence over old Kinnevik.
Tele2 AB ("Tele2")	Associated company of Kinnevik, refer to Note 14.
Modern Times Group MTG AB ("MTG")	Associated company of Kinnevik, refer to Note 14.
Metro International S.A. ("Metro")	Associated company of Kinnevik, refer to Note 14.
Transcom WorldWide S.A. ("Transcom")	Associated company of Kinnevik, refer to Note 14.
Millicom International Cellular S.A. ("Millicom")	Associated company of Kinnevik, refer to Note 14.
Cherryföretagen AB ("Cherry")	Associated company of Kinnevik, refer to Note 14.
Audit Value Inc. ("Audit Value")	Parties related to Kinnevik own shares in Audit Value, providing considerable influence over Audit Value.
Great Universal Inc. ("Great Universal")	Parties related to Kinnevik own shares in Great Universal, providing considerable influence over Great Universal.
Modern Holdings Inc ("Modern Holdings")	Along with related companies, Kinnevik owns shares in Modern Holdings, providing considerable influence over Modern Holdings.
NC Intressenter AB ("NC Intressenter")	Associated company of Kinnevik until September 2004.
SCD Invest AB ("SCD Invest")	Associated company of Kinnevik, refer to Note 14.
Shared Value Ltd. ("Shared Value")	Parties related to Kinnevik own shares in Shared Value, providing considerable influence over Shared Value.
Search Value Partners Ltd. ("Search Value")	Parties related Kinnevik own shares in Search Value, providing considerable influence over Search Value.
Viking Telecom AB ("Viking Telecom")	Associated company of Kinnevik, refer to Note 14.

All transactions with related parties have taken place at arm's length basis, i.e. on market conditions. In connection with acquisitions and divestments, independent valuations were used as a basis for negotiations on the final price. In all agreements relating to goods and services prices are compared with up-to-date prices from independent suppliers in the market to ensure that all agreements are entered into on market conditions.

Information concerning related parties is also presented in Note 34.

Commercial agreements with related parties

- Invik (until the merger in July 2004), MTG, Metro, Tele2 and Transcom rent office premises in Stockholm from Kinnevik.
- Prior to March 2003, Kinnevik sold debt collection and related services to old Invik, Tele2, MTG, Metro, Transcom and Inluxe through its subsidiary CIS Credit International Services AB.
- Kinnevik buys financing and other administrative services from Invik.
- Kinnevik buys telephony services from Tele2 in a number of countries in which the companies are engaged in business.
- Kinnevik buys CRM services from Transcom.
- Kinnevik buys internal audit services from Audit Value and recruitment services from Search Value. In 2003, Kinnevik purchased consulting services from Applied Value and up to October 2004 information services from Shared Value.

Acquisitions and divestments from/to related parties

The following acquisitions and divestments from/to related parties took place in 2003 and 2004:

- On 14 March 2003, Kinnevik reached an agreement with Transcom concerning the sale of the debt collection business conducted by Credit International Services AB ("CIS") to Transcom for SEK 180 million of which 75% was paid in cash and 25% in the form of newly issued shares in Transcom. Kinnevik received 2,270,647 Series A shares and 2,179,002 Series B shares in Transcom. The number of shares was determined on the basis of the average price of Transcom's Series A and Series B shares between 10 March and 21 March 2003. The debt collection business was valued prior to the sale by two leading, independent consulting companies, whose valuation was submitted to the independent members of Kinnevik's Board.
- On 5 July 2004, Kinnevik sold 2,124,820 shares in P4 Radio Hele Norge to MTG and simultaneously acquired 2,220,629 A shares in Metro from MTG in a non-cash transaction.

Financial loan transactions with related parties

- In November 1995, Modern Holdings issued a USD 4.1 million convertible loan to Kinnevik and in November 2000, Kinnevik extended an additional USD 1.7 million to Modern Holdings. During 2004, both loans were renegotiated, whereby part-payment was received and the interest rate reduced on the remaining loan, which extends to 2008, and is amortized at a rate of USD 119,000 per quarter. The new loan carries an interest rate of 4% and interest is paid quarterly. At 31 December 2004, the loan receivable totaled SEK 12.6 million.
- In November 1995, Kinnevik provided a loan of USD 1.3 million to Great Universal. An interest rate of 5% was applied to this loan. In February 2004, the loan was repaid in its entirety, including accumulated interest.
- In November 1995, the company now called Great Universal issued a USD 4.3 million convertible loan to Kinnevik with a redemption date of 28 December 2005. The loan carries interest at 5%. Interest is paid annually in December. As of 31 December 2004, the loan receivable amounted to SEK 28.3 million.
- With the object of capitalizing Transcom before distributing it to Kinnevik's shareholders in 2001, Kinnevik issued a convertible loan to Transcom on 15 May 2001. The loan was for a nominal amount of EUR 27.5 million, and the conversion price was EUR 3.53 per share. The loan extended to 15 May 2004, but was repaid in its entirety in February 2004.
- A loan of SEK 100 million was granted to Invik in June 2003 and in May 2004 an additional SEK 200 million was extended as a loan to Invik. The loan carried interest at a rate of Stibor and a margin of + 2.5%. A special schedule for the loan was drawn up in accordance with the provisions in the Swedish Companies Act governing loans to shareholders. The loan was amortized during June 2004 and the remaining amount of SEK 222 million was eliminated when the merger of the two companies was completed on 28 July 2004.
- In February 2000, Kinnevik lent SEK 380 million to Metro and in January 2003 a further SEK 150 million. As of 31 May 2003, the total outstanding receivable, including accrued interest, amounted to SEK 609 million. On 10 June Kinnevik reached an agreement with Metro to convert Kinnevik's outstanding receivable from Metro into shares in Metro. On 26 August the receivable was converted into 47.1 million new Series A shares and 115.2 million new Series B shares in Metro. This corresponded to a conversion price of SEK 3.75 per share. The loan extended without interest between 31 May and 26 August.
- Between 10 June and 26 August 2003, when Metro carried out its rights issue (see under Guarantees to related parties below), Kinnevik provided bridge finance for Metro on the same terms as in Kinnevik's already outstanding loan to the company. A total of SEK 69 million was paid to Metro in the form of bridge finance, which was repaid out of the proceeds of Metro's rights issue.
- On 15 December 2003, Kinnevik acquired 10,863,000 of Millicom's 2% Senior Convertible PIK Notes for USD 68,007,453. After conversion these notes correspond to 1,010,512 shares in Millicom. Overall, Kinnevik owned on 31 December 2003 13,205,000 of Millicom's senior convertible PIK notes, which corresponded to 1,228,372 shares upon conversion (4,913,488 after share split). The notes were carried at SEK 512 million among long-term interest-bearing receivables in the consolidated balance sheet at 31 December 2003. In March 2004, all notes were converted to shares in Millicom.
- During the period 1 October to 11 November 2004, Kinnevik extended SEK 150 million as a loan to Tele2. The loan carried an interest rate of 3-month Stibor + a margin of 1.0%.
- On 30 November 2004, Kinnevik announced that it was participating in the new share issue conducted by Millicom, whereby an additional 4,050,000 shares were acquired for SEK 635 million as well as convertible notes for USD 35 million (SEK

235 million). Payment for the shares was made in December 2004, while payment for the convertible notes was made in January 2005.

Guarantees to related parties

- Between 10 June and 26 August 2003, Kinnevik guaranteed a rights issue by Metro for a total of SEK 252 million. Holders of Metro's Swedish depositary receipts received a subscription right for each Series A and Series B share. Each subscription right carried entitlement to subscribe for one new Series A share at a subscription price of SEK 2.30 per share. Subscription was conducted during the period 28 July – 8 August. The rights issue was fully subscribed, whereby Kinnevik subscribed only for its share based on its ownership before the conversion of outstanding loans, see below under Other transactions with related parties. In return for the guarantee issued, Kinnevik received SEK 3.2 million in payment from Metro, corresponding to 1.5% of the issue amount (excluding that portion of the issue limited to Kinnevik).

Other transactions with related parties

- On 3 May 1996, when MTG was still a subsidiary of Kinnevik, Kinnevik's Annual General Meeting resolved in favor of an option program for senior management personnel at MTG. The options were issued by Kinnevik to special beneficiaries' company, MTG Intressenter AB, which is owned by senior management at MTG and 12% by Kinnevik. In 2003, the remaining 40% of Kinnevik's total original commitment were exercised, which corresponded to 1,193,956 Series B shares in MTG, 358,187 Series A shares in Metro and 835,769 Series B shares in Metro. In August 2003, MTG Intressenter called for redemption of the remaining options at a price of SEK 69.70 per MTG share (including one Metro share for each MTG share requested).
- In July 2003, Kinnevik took up its share of Metro's rights issue on the basis of its interest prior to the conversion of outstanding loans (see under Financial loan transactions with related parties) and received 16,834,010 Series A shares at a price of SEK 2.30 per share on 26 August.
- On 5 September 2003, Kinnevik subscribed to 1,000,000 newly issued Series A shares in Transcom at a price of SEK 18.80 per share. The background to this transaction was that the number of Series B shares, before the share issue, exceeded the number of Series A shares, which is not permitted by Luxembourg law
- On 16 February 2004 it was announced that the Board of old Invik and old Kinnevik had drawn up a joint merger plan for the companies. The merger was conducted by means of a legal merger of limited liability companies, in which old Kinnevik shares were exchanged for new shares in old Invik. For each Series A share in old Kinnevik provided 3.5 new Series A shares in old Invik and each Series B share in old Kinnevik provided 3.5 new Series B shares in old Invik. On 28 July, the merger was completed and the extraordinary meeting of shareholders on 26 August resolved to change the name of the company from Invik & Co. AB to Investment AB Kinnevik.
- In May 2004, Kinnevik subscribed for 2,380,952 newly issued shares in Viking Telecom shares for a total of SEK 10 million, corresponding to an issue price of SEK 4.20 per share.

The following is a summary of Kinnevik's revenue, expense, receivables and liabilities to and from related parties. Deposits and lending in Banque Invik's banking business are not stated separately for related parties.

Net sales	Parent Company		2004	Group 2003
	2004	2003		
Invik	–	0.5	–	4.3
Metro	0.1	3.9	4.8	4.0
Millicom	–	–	3.0	–
MTG	–	0.1	3.0	15.4
Shared value	–	–	0.1	–
Tele2	–	–	6.3	35.0
Transcom	–	0.0	1.5	1.8
	<u>0.1</u>	<u>4.5</u>	<u>18.7</u>	<u>60.5</u>

Operating costs	Parent Company		2004	Group 2003
	2004	2003		
Applied Value	–	–	–	– 3.8
Audit Value	–	–	– 0.6	–
Invik	–	– 2.7	–	– 6.0
Metro	–	– 0.1	–	– 0.1
Millicom	–	– 0.1	–	– 0.5
MTG	–	–	– 0.1	– 0.1
Search Value	– 0.6	–	– 1.6	– 0.0
Shared Value	– 2.9	– 0.9	– 2.9	– 1.2
Tele2	– 0.2	–	– 10.2	– 8.4
Transcom	–	–	– 0.5	– 4.5
	<u>– 3.7</u>	<u>– 3.8</u>	<u>– 15.9</u>	<u>– 24.6</u>

	Parent Company			Group
	2004	2003	2004	2003
Interest income				
Great Universal	1.7	–	1.7	–
Invik	–	3.3	–	3.3
Metro	–	17.5	–	17.5
Millicom	–	–	–	17.6
Modern Holdings	0.4	–	0.4	–
SCD Invest	0.9	12.0	0.9	12.0
Tele2.....	0.5	–	0.5	–
Transcom	0.0	9.8	0.0	9.8
	<u>3.5</u>	<u>42.6</u>	<u>3.5</u>	<u>60.2</u>
	Parent Company			Group
	2004	2003	2004	2003
Interest expense				
NC Intressenter	– 0.1	–	– 0.1	–
	<u>– 0.1</u>	<u>–</u>	<u>– 0.1</u>	<u>–</u>
	Parent Company			Group
	2004	2003	2004	2003
Financial receivables from associated companies				
SCD Invest	10	238	–	137
Other associated companies.....	–	–	13	8
	<u>10</u>	<u>238</u>	<u>13</u>	<u>145</u>
	Parent Company			Group
	2004	2003	2004	2003
Other long-term interest-bearing receivables				
Great Universal	28	42	28	42
Invik	–	78	–	78
Millicom	–	–	–	512
Modern Holdings	13	50	13	50
Transcom	–	136	–	136
	<u>41</u>	<u>306</u>	<u>41</u>	<u>818</u>
	Parent Company			Group
	2004	2003	2004	2003
Accounts receivable and other current receivables				
Great Universal	0	–	0	–
Metro	1	–	1	0
MTG	–	–	1	1
Tele2.....	–	1	3	1
	<u>1</u>	<u>1</u>	<u>5</u>	<u>2</u>
	Parent Company			Group
	2004	2003	2004	2003
Accounts payable and other non-interest-bearing liabilities				
Tele2	–	–	2	0
	<u>–</u>	<u>–</u>	<u>2</u>	<u>0</u>

Note 37**Financial instruments**

Kinnevik is exposed to market risks, mainly owing to currency and interest rate fluctuations. The Group's policy on currency risks is wherever possible to match income and expense in each currency, and to finance the capital employed in the same currency. As of 31 December 2004, the company had outstanding forward contracts for purchases totaling USD 30 million, pertaining to the decision in December 2004 to invest in convertible notes in Millicom, which were subscribed for before year-end but were not paid for until 7 January 2005. Within Banque Invik there was outstanding forward contracts, but with no exposure in other currencies than SEK. Otherwise the company had no outstanding forward contracts or other derivatives. The book value of financial assets is estimated to correspond to their actual value, except in the case of listed holdings (refer to Note 14). In the case of financial instruments, the fair value is based on the listed market price on the closing date. The fair value of other financial instruments is set using methods in each individual case that are deemed to prove the best estimate of fair value. In the case of assets and liabilities with a maturity of less than one year, the par value adjusted for interest and premiums is deemed to provide a good approximation of fair value.

The Group's income is primarily denominated in SEK, EUR and other currencies in each country in which sales are conducted (refer to Note 2). Operating expenses arise primarily in SEK and EUR, in which most of the flows in Swedish operations are denominated in SEK. On an annual basis, the Group incoming and outgoing flows in foreign currency amount to a net inflow of some SEK 1,000 million, primarily denominated in EUR.

Most of the Group's assets are denominated in SEK, except for Banque Invik and Korsnäs Packaging's subsidiaries, which have production facilities in nine European countries (reported mostly in EUR). The Group's borrowing is largely arranged in SEK, except in the case of Korsnäs Packaging's foreign subsidiaries, Banque Invik and the Finnish operations of Fischer Partners, which are financed in EUR.

Kinnevik's main interest risk is due to fluctuations in Stibor. As of 31 December 2004, all of Kinnevik's liabilities to credit institutions, which amounted to SEK 6,621 million, were exposed to interest rate risks, of which SEK 6,246 million to changes in Stibor. The Group has no borrowing with commitments at fixed rates of interest longer than six months. Kinnevik's policy is to have short commitments at fixed rates of interest, as the company's view is that this results in lower interest expense in the long run.

Operating subsidiaries within Invik are subject to regulations and policies that govern financial risk. The subsidiaries have a compliance function responsible for the control of operations.

The company's finance department maintains overall control of financial risks in the Invik Group. By means of continual reporting and reconciliation, it is ensured that the companies observe the set instructions and mandates. Reports are submitted to the company's management and Board ahead of Board meetings.

Note 38**Information concerning the effects of transition to IFRS**

The transition to IFRS as of 1 January 2005 is reported in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards," whereby the comparison year 2004 is restated.

Acquisitions prior to 1 January 2004 are not restated.

The accounting areas in which differences between Swedish standards and IFRS exist and which are deemed to have a significant effect on Kinnevik's accounting for 2004 are presented below:

1. In line with IFRS 3, which Kinnevik also applies in the comparison year, amortization of goodwill will cease.
2. In line with IFRS 4, most of Modern Insurance's unit-linked products will be reported as financial instruments, whereby net sales and operating expenses will be reduced, with no effect on operating profit. DAC (Deferred Acquisition Cost) are continued to be amortized over five years.
3. In line with IAS 39, which Kinnevik also applies in the comparison year, listed holdings will be valued at their fair value. In accordance with IAS 28 Point 1, Kinnevik will also report listed associated companies at their fair value. The equity method is applied solely for unlisted associated companies.
4. In line with IAS 41, forest assets will be reported at their fair value. Following the sale of most of the Group's forest assets in 2004, the effect is marginal.

Financial statements according to IFRS will be prepared in accordance with the standards applying as of 31 December 2005. IFRS standards are regularly reviewed and must be approved by the EU. Accordingly, information regarding the effects of the transition to IFRS is preliminary and may be altered.

	According to financial statements 31 Dec. 2004	Effect of IFRS 3 Business- combi- nations ¹⁾	Effect of IFRS 4 Insurances ²⁾	Effect of IAS 28, 39 Financial assets ³⁾	Effect of IAS 41 Agri- culture ⁴⁾	According to IFRS 31 Dec. 2004
Condensed consolidated income statement						
Net sales	6,649	–	– 213	–	–	6,436
Cost of goods and services sold	– 5,305	–	219	–	–	– 5,086
Gross result	1,344	–	6	–	–	1,350
Selling, administration and research and development costs	– 692	–	12	–	–	– 680
Income from corporate development	461	–	–	–	– 461	0
Other operating income	187	826	– 18	–	4	999
Other operating expenses	– 57	4	–	–	–	– 53
Share in earnings of associated companies	–	–	–	35	–	35
Operating profit	1,243	830	–	35	– 457	1,651
Share in earnings of associated companies	233	–	–	– 233	–	–
Income from other securities	5	–	–	– 2	–	3
Gain/loss on sales of securities	30	–	–	– 30	–	–
Dividends from listed shareholdings	–	–	–	92	–	92
Change in value of listed holdings	–	–	–	– 2,537	–	– 2,537
Net financial items	– 308	–	–	–	–	– 308
Result after net financial items	1,203	830	–	– 2,675	– 457	– 1,099
Tax on result for the year	– 541	–	–	224	– 1	– 318
Result for the year	662	830	–	– 2,451	– 458	– 1,417
	According to financial statements 31 Dec. 2004	Effect of IFRS 3 Business- combi- nations ¹⁾	Effect of IFRS 4 Insurances ²⁾	Effect of IAS 28, 39 Financial assets ³⁾	Effect of IAS 41 Agri- culture ⁴⁾	In line with IFRS 31 Dec. 2004
Condensed consolidated balance sheet						
Fixed assets						
Intangible assets	42	59	–	–	–	101
Tangible assets	4,317	–	–	–	11	4,328
Shares and participations in associated and other companies	16,676	679	–	4,902	–	22,257
Other fixed assets	684	–	–	–	–	684
	21,719	738	–	4,902	11	27,370
Current assets	7,388	–	–	35	–	7,423
TOTAL ASSETS	29,107	738	–	4,937	11	34,793
Shareholders' equity	14,461	738	–	4,902	8	20,109
Provisions	1,683	–	–	–	3	1,686
Long-term liabilities	7,388	–	–	–	–	7,388
Current liabilities	5,575	–	–	35	–	5,610
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	29,107	738	–	4,937	11	34,793

¹⁾ Application of IAS 28 Point 1 and IFRS 3 mean that old Invik's holdings in listed associated companies are reported at their fair value on the acquisition date. Also, intangible assets in Invik identified in connection with the acquisition are reported. Since the purchase price for Invik is less than the fair value of the net assets, SEK 826 million is reported as Other operating income.

²⁾ The reporting of Moderna Försäkringar's unit-linked products as financial instruments means that net sales and expenses are reduced.

³⁾ IAS 28 Point 1 and IAS 39 mean that listed holdings in associated companies and other companies are reported at their fair value, with value change reported in the consolidated income statement, as opposed to the present accounting practice, that is, in accordance with the equity method and at acquisition cost.

⁴⁾ IAS 41 entails that forest assets are reported at their fair value, with value change reported in the consolidated income statement, and forestland at the deemed cost. Accordingly, no capital gain arises on the sale to Bergvik Skog during 2004.

Note 39

Breakdown of the consolidated balance sheet (SEK million)

	Kinnevik Group exc. Invik	Invik	Kinnevik Group total
31 December 2004			
Fixed assets			
Intangible fixed assets			
Goodwill	16	26	42
Tangible fixed assets			
Buildings, land and land improvements	820	0	820
Forest and agricultural property	137	–	137
Machinery	2,811	–	2,811
Equipment, tools and fittings	106	23	129
Construction in progress and advances relating to property, plant and equipment	420	–	420
	4,294	23	4,317
Financial fixed assets			
Shares and participations in associated companies	16,446	6	16,452
Receivables from associated companies	13	–	13
Shares and participations in other companies	223	1	224
Deferred tax receivable	42	–	42
Other long-term interest-bearing receivables	44	16	60
Other long-term non-interest-bearing receivables	32	537	569
	16,800	560	17,360
Total fixed assets	<u>21,110</u>	<u>609</u>	<u>21,719</u>
Current assets			
Inventories, etc.			
Raw materials and consumables	328	–	328
Felling rights	36	–	36
Work in progress	59	–	59
Finished products and goods for resale	628	–	628
Securities	–	11	11
Work on contract	2	–	2
Advance payment to suppliers	119	–	119
	1,172	11	1,183
Current receivables			
Interest-bearing			
External interest-bearing receivables	–	1,298	1,298
Invik's interest-bearing receivables on the Parent Company	–	358	–
	–	1,656	1,298
Non-interest-bearing			
Accounts receivable	529	94	623
Other receivables	128	128	256
Prepaid expenses and accrued income	159	131	290
	816	353	1,169
	816	2,009	2,467
Short-term investments			
Lending within banking operations	–	1,720	1,720
Investment assets	20	828	848
	20	2,548	2,568
Cash and cash equivalents	281	889	1,170
Total current assets	<u>2,289</u>	<u>5,457</u>	<u>7,388</u>
TOTAL ASSETS	<u>23,399</u>	<u>6,066</u>	<u>29,107</u>

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	Kinnevik Group exc. Invik	Invik	Kinnevik Group total
Shareholders' equity			
Restricted equity			
Share capital	27	0	27
Restricted reserves	<u>7,057</u>	<u>–</u>	<u>7,057</u>
	7,084	0	7,084
Unrestricted equity			
Unrestricted reserves	5,847	868	6,715
Net result	<u>628</u>	<u>34</u>	<u>662</u>
	6,475	902	7,377
Total shareholders' equity	<u>13,559</u>	<u>902</u>	<u>14,461</u>
Provisions			
Provisions for pensions	669	3	672
Provisions for deferred tax liability	877	5	882
Other provisions	<u>123</u>	<u>6</u>	<u>129</u>
Total provisions	1,669	14	1,683
Long-term liabilities			
Interest-bearing			
Other liabilities to financial institutions	6,499	0	6,499
Other liabilities	<u>–</u>	<u>341</u>	<u>341</u>
	6,499	341	6,840
Non-interest-bearing	<u>4</u>	<u>544</u>	<u>548</u>
Total long-term liabilities	6,503	885	7,388
Current liabilities			
Interest-bearing			
Liabilities to financial institutions	–	122	122
Parent Company's interest-bearing liabilities to Invik	358	–	–
Other liabilities	<u>–</u>	<u>2,484</u>	<u>2,484</u>
	358	2,606	2,606
Non-interest-bearing			
Advances from customers	2	9	11
Accounts payable	800	20	820
Tax liabilities	25	29	54
Liabilities to associated companies	2	0	2
Other liabilities	113	1,493	1,606
Accrued expenses and prepaid income	<u>368</u>	<u>108</u>	<u>476</u>
	1,310	1,659	2,969
Total current liabilities	<u>1,668</u>	<u>4,265</u>	<u>5,575</u>
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	<u>23,399</u>	<u>6,066</u>	<u>29,107</u>

Note 40**2003 data for old Invik**

The extraordinary meetings of shareholders in old Kinnevik and old Invik on 16 April 2004 resolved to merge the companies. The merger is reported as if old Kinnevik (Corp. Reg. no.: 556001-9035) acquired old Invik (Corp. Reg. no.: 556047-9742) although old Invik is the company that formally remains following the completion of the merger. This Annual Report presents the old Kinnevik's historic data as comparative date. The balance sheets and income statements for the Parent Company and Group, as well as the cash flow statement and reconciliation of shareholders' equity for 2003 is presented below.

	Parent Company	Group
	2003	2003
Net sales	1.4	1,186.0
Cost of goods and services sold	<u>–</u>	<u>– 841.0</u>
Gross result	1.4	345.0
Selling expenses	–	– 60.3
Administrative expenses	– 49.5	– 331.3
Other operating income	–	129.4
Other operating expenses	–	– 15.3
Income from shares and other securities	–	48.3
Share in earnings of associated companies before tax	<u>–</u>	<u>591.4</u>
Operating income	– 48.1	707.2
Income from financial items		
Income from shares in Group companies	31.1	–
Income from shares and participations	174.5	–
Dividends from associated companies	34.3	–
Interest income and similar items	11.1	2.0
Interest expense and similar items	<u>– 118.9</u>	<u>– 107.2</u>
Result after net financial items	84.0	602.0
Tax on result for the year	42.4	149.0
Minority interest in earnings	<u>–</u>	<u>0.0</u>
RESULT FOR THE YEAR	<u>126.4</u>	<u>751.0</u>
Earnings per share, before/after dilution, SEK	–	96.78
Number of shares before/after dilution	–	7,760,000

CONSOLIDATED CASH FLOW STATEMENT

	Parent Company	Group
	2003	2003
Operations		
Operating profit.....	– 48.1	707.2
Adjustments		
Depreciation, write-downs and retirement	0.9	29.4
Gain/loss on sales of securities	–	– 48.3
Dividends from associated companies	34.3	–
Share in earnings of associated companies before tax ...	–	– 557.0
Exchange rate differences.....	–	– 0.4
Interest and similar items.....	– 78.9	– 74.5
Income tax paid	–	– 13.9
Minority interest in earnings for the year.....	–	0.0
Cash flow from operations before changes in working capital	<u>– 91.8</u>	<u>42.5</u>
Cash flow from changes in working capital		
Change in inter-company balances.....	– 43.9	–
Change in goods and securities inventories.....	–	– 14.1
Change in current receivables.....	29.7	– 58.0
Change in short-term investment assets	–	– 383.7
Change in current liabilities.....	<u>– 10.5</u>	<u>385.3</u>
Cash flow from operations	<u><u>– 116.5</u></u>	<u><u>– 28.0</u></u>
Investing activities		
Investments in intangible and tangible fixed assets	– 2.2	– 18.2
Investments in financial fixed assets	– 127.0	– 16.9
Sales of financial fixed assets.....	295.1	251.6
Cash flow from investing activities	<u><u>165.9</u></u>	<u><u>216.5</u></u>
Financing activities		
Change in minority interests.....	–	0.0
Change in long-term liabilities.....	– 164.5	195.7
Dividends.....	<u>– 23.3</u>	<u>– 23.3</u>
Cash flow from financing activities	<u><u>– 187.8</u></u>	<u><u>172.4</u></u>
Change in cash and cash equivalents.....	– 138.4	360.9
Exchange rate difference, cash and cash equivalents	–	0.0
Cash and cash equivalents at beginning of year.....	172.6	395.3
Cash and cash equivalents at end of year.....	34.2	756.2

CONSOLIDATED BALANCE SHEET

	Parent Company	Group
	2003	2003
Assets		
Fixed assets		
Intangible assets		
Goodwill	–	38.6
Other intangible assets	–	1.6
Total intangible assets	–	40.2
Tangible assets		
Buildings	3.9	4.3
Machinery	–	–
Equipment, tools and fittings	2.7	21.1
Total tangible assets	6.6	25.4
Financial assets		
Shares in subsidiaries	991.5	–
Shares in associated companies	2,376.8	4,440.0
Other long-term securities	222.6	75.3
Investment assets	–	115.3
Deferred tax receivables	3.4	–
Total financial assets	3,594.3	4,630.6
Total fixed assets	3,600.9	4,696.2
Current assets		
Goods and securities inventory	–	15.0
Current receivables		
Accounts receivable	1.5	91.0
Receivables from Group companies	177.1	–
Other receivables	8.9	234.8
Prepaid expenses and accrued income	2.4	166.6
Total current receivables	189.9	492.4
Current assets		
Lending in banking operations	–	2,992.4
Investment assets	–	1,557.0
Total current assets	–	4,549.4
Cash and cash equivalents	34.2	756.2
Total current assets	224.1	5,813.0
TOTAL ASSETS	3,825.0	10,509.2

	Parent Company	Group
Shareholder's equity, provisions and liabilities	2003	2003
Shareholders' equity		
Restricted equity		
Share capital	7.8	7.8
Restricted reserves	<u>1,049.4</u>	<u>2,783.5</u>
Total restricted equity	<u>1,057.2</u>	<u>2,791.3</u>
Unrestricted equity		
Unrestricted reserves	723.1	47.4
Net result	<u>126.4</u>	<u>751.0</u>
Total unrestricted equity	<u>849.5</u>	<u>798.4</u>
Total shareholders' equity	<u>1,906.7</u>	<u>3,589.7</u>
Provisions		
Pensions	–	2.5
Deferred tax liabilities	<u>–</u>	<u>39.6</u>
Total provisions	–	42.1
Liabilities		
Long-term liabilities		
Liabilities to financial institutions	<u>1,406.3</u>	<u>1,406.3</u>
Total long-term liabilities	<u>1,406.3</u>	<u>1,406.3</u>
Current liabilities		
Overdraft facilities	58.0	44.7
Other liabilities to financial institutions	0.0	214.3
Accounts payable	2.1	13.7
Borrowing in banking operations	–	3,875.1
Underwriting reserves	–	681.5
Liabilities to Group companies	333.7	–
Liabilities to associated companies	107.5	108.0
Other liabilities	4.2	436.8
Accrued expenses and prepaid income	<u>6.5</u>	<u>97.0</u>
Total current liabilities	<u>512.0</u>	<u>5,471.1</u>
Total liabilities	<u>1,918.3</u>	<u>6,877.4</u>
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	<u>3,825.0</u>	<u>10,509.2</u>
Pledged assets	<u>1,947.7</u>	<u>4,047.1</u>
Contingent liabilities	<u>37.0</u>	<u>24.0</u>
Off-balance sheet commitments	<u>–</u>	<u>2,182.2</u>

CONSOLIDATED EQUITY
at 31 December (SEK million)

	Share capital	Restricted reserves	Unrestricted shareholders' equity	Total shareholders' equity
Opening balance, shareholders' equity in accordance with approved Balance Sheet	7.8	1,153.7	672.5	1,834.0
Effect of change in principle	—	1,327.7	— 205.8	1,121.9
Adjusted opening shareholders' equity, 1 Jan. 2003	7.8	2,481.4	466.7	2,955.9
Dividend	—	—	— 23.3	— 23.3
Transfer between restricted and unrestricted equity	—	391.3	— 391.3	—
Translation differences	—	— 89.2	— 4.7	— 93.9
Net profit for the year	—	—	751.0	751.0
Closing balance, shareholders' equity, 31 December 2003.	7.8	2,783.5	798.4	3,589.7

Cumulated translation differences reported directly against shareholders' equity were negative in an amount of SEK –298.9 million at 31 December 2003.

SHAREHOLDERS' EQUITY PARENT COMPANY
at 31 December (SEK million)

	Share capital	Restricted reserves	Unrestricted shareholders' equity	Total shareholders' equity
Opening balance, 1 Jan. 2003	7.8	1,049.4	831.6	1,888.8
Dividend	—	—	— 23.3	— 23.3
Group contributions	—	—	289.7	289.7
Tax attributable to Group contributions	—	—	— 80.9	— 80.9
Shareholders' contributions	—	—	— 294.0	— 294.0
Net profit for the year	—	—	126.4	126.4
Shareholders' equity, 31 December 2003	7.8	1,049.4	849.5	1,906.7

Stockholm 17 February 2005

Pehr G Gyllenhammar
Chairman

Cristina Stenbeck
Vice Chairman

Thorbjörn Hallström

Edvard von Horn

Wilhelm Klingspor

Erik Mitteregger

Stig Nordin

Jan-Henrik Sandberg

Vigo Carlund
Chief Executive Officer and President

Our Audit Report was issued on 17 February 2005

PricewaterhouseCoopers AB

Ernst & Young AB

Pål Wingren
Authorized Public Accountant

Erik Åström
Authorized Public Accountant

Auditors' Report

To the General Meeting of the shareholders of Investment AB Kinnevik
(Reg. no 556047-9742)

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Investment AB Kinnevik for the year 2004. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conduct 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 accounts and the consolidated accounts 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 used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we 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, in any other way, acted in contravention of the Companies Act, the Annual Account Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Account Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with Generally Accepted Accounting Principles in Sweden. The statutory administration report is consistent with the other parts of the Annual Accounts and the consolidated accounts.

We recommend to the General Meeting of the shareholders that the income statement and the balance sheet of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm 17 February 2005

PricewaterhouseCoopers AB

Ernst & Young AB

Pål Wingren

Authorized Public Accountant

Erik Åström

Authorized Public Accountant

Korsnäs Holding AB

SEK million	2004	2003	2002
Key ratios			
Net sales	5,664	5,553	5,809
Operating income	735	527	622
Investments in fixed assets	504	238	451
Depreciation	- 410	- 452	- 467
Operational capital employed	5,317	7,773	8,311
Return on operational capital employed	13.8%	6.8%	7.5%
Number of employees	2,288	2,369	2,676

Korsnäs Holding AB is the parent company of Korsnäs and Korsnäs Packaging. Korsnäs and its subsidiaries are engaged in business in packaging materials (Korsnäs Industrial) and acquisition of timber and fiber (Korsnäs Forestry).

Historical background

Korsnäs was formed in 1855 when the company's name was Korsnäs Sågverks AB. Today, the company is one of the leading producers of high-quality paperboard and paper products for the packaging industry. Korsnäs has 2,288 employees, 1,120 of whom work in Sweden.

The business began in 1855 and the sawmill commenced operations in 1858 at Korsnäs, a small village in Dalarna. The business was relocated to Gävle in 1899. Pulp production started at Korsnäsverken in Gävle in 1910, and the company installed its first paper machine in 1925. The production of pulp and paper has successively evolved into Korsnäs' main

line of business. The company now has four market pulp machines in production. Korsnäs exited the sawmill industry in 2002, when it sold the Kastet sawmill.

Korsnäs' industrial activities are concentrated at the Korsnäsverken complex in Gävle, which has an annual capacity of 700,000 tons of pulp. The total output of sulfate pulp is processed within the complex into paperboard, sack and kraft paper, and fluff pulp.

Korsnäs has long had a strategy of concentrating on highly processed goods with a high added value. Paperboard has evolved into the largest product area in terms of volume, where liquid packaging board is used for packaging of beverages, and white top liner (WTL) 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 one third of the sack paper produced is converted into sacks, paper bags and other types of packaging at the company's wholly or part-owned sack factories in Europe.

In 2002 and 2004, Korsnäs divested its Swedish forestland in two transactions. In 2002, slightly more than a third of the forestland was sold to Sveaskog for about SEK 2,000 million. During the first quarter of 2004, ownership of the remaining forestland was restructured, with Korsnäs' and Stora Enso's Swedish forestland being transferred to Bergvik Skog, a newly formed company in which Korsnäs owns 5% of the shares. Korsnäs received SEK 3,050 million as a result of the transaction. Following these divestments, Korsnäs' Swedish forestry ownership comprises approximately 15,000 hectares of special land and rights.



Korsnäsverken.

Korsnäs Industrial

SEK million	2004	2003	2002*
Key ratios			
Net sales	3,807	3,816	3,968
Operating income	635	793 **	468
Investments in fixed assets	438	124	229
Depreciation	- 334	- 336	- 344
Operational capital employed	3,899	4,006	4,299
Return on operational capital employed	16.3%	19.8%	10.9%
Number of employees	1,009	1,020	1,140

* The comparable figures for 2002 include the Kastet sawmill which was divested in August 2002. The sawmill's sales amounted to SEK 184 million and its operating loss was SEK 13 million in 2002.

** Includes return of property tax pertaining to earlier years totalling SEK 51 million.

The general economic upswing that characterized 2004 only had a marginal impact on Korsnäs' markets. The market for Korsnäs' products was dominated by weak demand in Europe during the year. Combined with the fall in the USD rate, competition for European volumes has grown, resulting in a relatively weak price trend. However, Korsnäs' strong position in the market offset the weak market climate, as a result of which demand for Korsnäs' products was generally stable. The total supply volumes for paper, pulp and containerboard products grew by slightly more than 1% compared with 2003, meaning that total sales reached record levels during the year.

Korsnäs mainly produces containerboard and paper products for packaging, liquid packaging board, White Top Liner (WTL) and sack and kraft paper, with the principle market in Europe. Fluff pulp is also produced at Korsnäsverken.

Nowadays, customers are increasingly demanding various types of product and delivery-service solutions, and Korsnäs aims to offer this at a low total cost to the customer. Korsnäs' long-term strategy, to focus on growth markets and offer a diversity of niche products that meet high demands for strength, print properties and capacity for converting, was successful during the year. This means that the goal-oriented focus on highly processed products will continue. Volumes of liquid packaging board and WTL have increased, while supplies of sack and kraft paper and fluff pulp have declined.

The focus in recent years on production bottle-

necks continues to generate results. Production on existing machines grew considerably in 2004, compared with 2003. Production results within Korsnäsverken totaled 703,000 tons for the year, up 3% on 2003. As a result, production has been at record levels and a number of production records were achieved. During the year, an investment of SEK 650 million in Paper Machine 4 (PM4) was approved, which includes the installation of a coater on the machine. The rebuild of PM4, which will be implemented at the beginning of 2005, involves a continued focus on highly-processed products. At the same time, Korsnäs will discontinue production of sack paper on PM4 and increase the machine's capacity. The high level of production in 2004 resulted in a planned increase in inventory prior to the rebuild.

In addition to timber, the largest purchases comprise energy and chemicals. The prices of these components increased substantially during the year, with the effect that variable costs increased, placing pressure on margins.

Liquid packaging board

Liquid packaging board is used to manufacture packaging for milk products and chilled beverages, a market whose strong development continues. It is mainly the coated grades that are growing as a result of the end customers' more rigorous demands for packaging that will take high quality print. The global market for Liquid Packaging Board is growing at a rate of about 4% a year. Korsnäs' deliveries of liquid packaging board rose by 4% in 2004, thereby defending its market position. Stora Enso and Assi Domän Frövi (Sveaskog) are Korsnäs' principal competitors in the area of liquid packaging board. For many years, Korsnäs has been engaged in successful joint-production development with its customers and intends to continue with this work. An example of this is Korsnäs' development of base board for Tetra Pak's Tetra Recart product, board-based packaging for foods traditionally packaged in glass jars or cans. During the year, new supply and joint product development agreements were signed in the liquid packaging board segment.

Tetra Pak is Korsnäs' largest liquid packaging board customer, accounting for roughly one-third of total sales.

White Top Liner

WTL is used as the outer layer in corrugated board packaging. The market for WTL in Europe grew at a somewhat slower rate in 2004 than the long-term

growth rate of 3-4%. Korsnäs' total supplies increased by 7% in 2004 in relation to 2003, with volumes increasing in markets outside Europe and market share in Europe being retained. Prices remained stable during the year. The principal markets in Europe are Germany, France and Italy. Korsnäs' new coated grade (Korsnäs Design) and hot-calendered grade (Korsnäs Select) were received favorably by customers during the year. There are many suppliers on the market, with M-Real being the main competitor.

Sack and kraft paper

Sack and kraft paper are used for sacks, paper-bags and food packaging. Despite a slight upswing being noted, the market situation for sack and kraft paper has been generally weak, with slack demand and falling prices. The demand for sack paper has been declining for several years in Europe, whereas it has been growing in other parts of the world. In Europe there is considerable capacity for the production of sack paper, and some of the output is exported to other markets, mainly in the Middle East, Asia and Latin America. Frantschach and Smurfit are among the largest integrated producers with their own converting units, while Billerud and UPM Kymmene have considerable capacity but no converting facilities. The latter are also major suppliers of kraft paper. Korsnäs' position in the market is characterized mainly by products with high strength that are readily converted, which offers customer such benefits as lower costs in connection with paper consumption and at the converting stage. One effect of the previously mentioned strategy of concentrating on growth markets is that, in recent years, Korsnäs has reduced its share of the market for sack and kraft paper in favor of other products. In 2004, Korsnäs decided to further adjust its sack and kraft paper capacity by remodeling PM4.

Fluff pulp

Fluff pulp is used for hygiene products such as diapers, feminine hygiene products and napkins. In total, the market for fluff pulp is expanding by around 2% annually and prices normally move in line with the general trend in pulp prices. The price of fluff pulp fell gradually over the year, largely due to the depreciation of USD. The largest suppliers in this market are North American companies, principally Weyerheuser and Georgia Pacific. Korsnäs' volumes fell slightly in 2004 compared with 2003, and its main focus is on raising the proportion of deliveries in Airlaid and on establishing new products on the market.

Korsnäs Forestry

SEK million	2004	2003	2002
Key ratios			
Net sales	1,754	1,441	1,480
Operating income	79	142	194
Investments in fixed assets	6	20	44
Depreciation	- 15	- 19	- 18
Operational capital employed	737	2,763	2,933
Return on operational capital employed	10.7%	5.1%	6.6%
Number of employees	263	273	282

Following the forestry transaction with Bergvik Skog in 2004, the forestry organization within Korsnäs retains responsibility for the purchase of timber and fiber for Korsnäs' pulp and paper mill and for providing forestry services in accordance with the contract with Bergvik Skog. Korsnäs Forestry's external customers are mainly sawmills and spruce fiber consumers in central Sweden.

In 2004, the timber market was characterized by stable demand for sawlogs. Despite profitability problems among sawmills, there were no reductions in timber prices during the year because availability of sawlogs was extremely limited. Demand for softwood timber remained strong during the year throughout the supply region, which resulted in rising prices. Pulpwood prices continued to rise during the year, particularly in the Baltic States, due to high demand and low supply.

The program to reduce the amount of capital tied up in inventories continued during the year, enabling stocks of softwood and hardwood pulpwood to be reduced by a further 20%. Consequently, inventories have been reduced by a total of some 50% since 2001.

Korsnäs has a stable supply situation, with well-functioning cooperation with many Swedish timber suppliers, primarily Bergvik Skog, and well-functioning imports from Russia, the Baltic states and Åland. The volumes harvested by the Latvian company increased to the planned 614,000 cubic meters.

Environment

Korsnäs Industrial and Forestry are ISO 14001-certified and the forestry operations are also certified in accordance with the Swedish FSC standard. In addition, the paper mill is hygiene-certified in accordance with ADAS.

Employees and restructuring

Korsnäs' development of working practices is designed to create a modern and cost-efficient organization. Within these efficiency enhancement efforts, reduction of the total number of employees within Korsnäsverken continued. In most cases, employment was discontinued through individual agreements. In these cases, Korsnäs has also offered active support aimed at finding work outside the company. In a dispute with the Swedish Paper Industry Workers' Union regarding the layoff of six employees, the company and the union reached agreement as the result of mediation, with two persons being reemployed and four persons leaving the company.

A profit-sharing plan has been in operation since 1993, in which the amount transferred to the profit-sharing trust is based on the income in excess of a

certain level. The result for the year was high enough for a sum of SEK 8 million to be allocated to the profit-sharing program.

Research and development

Korsnäs' conscious strategy involving highly processed products continues to generate results. Korsnäs' new hot-calendered products offer an uncoated alternative to coated paperboard, which provides very good printability and cost-effective converting. Another example is Korsnäs' unique paperboard for the full preservation of foods, which was developed jointly with a major customer. In 2004, Korsnäs launched new coated WTL grades and will launch new grades in the folding carton area in 2005. Korsnäs Industrial's research and development costs amounted to SEK 34 (34) million.



Rolls of paper are being shipped on board at Granudden, Gävle.

Korsnäs Packaging AB

SEK million	2004	2003	2002
Key ratios			
Net sales	1,252	1,386	1,567
Operating income	21	– 408 *	– 40
Investments in fixed assets	60	94	179
Depreciation	– 61	– 97	– 105
Operational capital employed	679	1,048	1,079
Return on operational capital employed	3.1%	neg.	neg.
Number of employees	958	1,020	1,181

* Including write-down of fixed assets by SEK 331 million.

Korsnäs Packaging is the second largest producer of paper sacks and paper bags in Europe with 11 wholly or part owned production units and an annual capacity of more than 900 million sacks and bags. Korsnäs Packaging has 15% of the European market for industrial paper sacks with most of its customers in the cement, agriculture and chemical industries. The principal competitors on this market are Frantschach and Smurfit.

The market for Korsnäs Packaging remained weak in 2004, with no indication of improved demand in the Western European markets. As a result, Korsnäs Packaging's Western European facilities continued to focus on increased productivity and cost reductions in production. In Eastern Europe, Korsnäs Packaging's operations are well positioned and, accordingly, these have expanded as the market has grown. There has been pressure on selling prices in all markets due to strong competition. Price pressure in the market was partially offset by lower raw materials costs compared with 2003. Volumes sold grew by 4% compared with 2003, excluding operations in the US, which were divested in the fourth quarter of 2003. The increase is attributable to Eastern and Southern Europe. During the year, Korsnäs Packaging strengthened its sales organization in the

expansive eastern European market and also increased production capacity through investments in its Eastern European facilities.

The restructuring activities in recent years, and divestment of the loss-making operations in the US, led to improved operating income. The facility in Zaragoza was closed in the second quarter, after which operations in Spain have been concentrated to the larger and more modern facility in Almeria. In the third quarter, investment was approved for a new converting line at the existing plant in Achern. This investment will considerably reduce production costs in Germany, while the relocation of existing converting lines from Achern to Eastern Europe will provide the conditions for increased growth in this expansive region. The cost of layoffs in Germany and other restructuring costs, combined with higher raw materials costs, resulted in a slight decline in profitability in the second half of the year, compared with the first half. In the fourth quarter, the company's properties in Zaragoza and Zagreb were sold.

Restructuring activities during the current year involved personnel reductions of 4%, giving a total reduction of 40% in the past three years.

With the aim of focusing on more highly processed products and strengthening Korsnäs Packaging's position in the food and feed industry, investments were made to fulfill the hygiene requirements and increase production capacity for highly processed paper sacks in the German plant. In the third quarter, a Lean Six Sigma program was launched, aimed at further enhancing customer satisfaction and reducing cost levels.

Korsnäs Packaging's strategy is to be the most efficient European supplier of high-quality, integrated solutions for packaging and packaging systems. A network of strategically located production facilities, combined with an efficient and customer-oriented support organization, puts the company in a strong position to benefit from a potential upswing in the economy in Western Europe and continued growth in Eastern Europe.

Invik & Co. AB

Invik is included in Kinnevik's consolidated accounts from 1 July 2004.

SEK million	2004	2003	2002
Key ratios			
Net sales	1,834	1,173	989
Operating income	179	130	- 147
Investments in fixed assets	14	16	46
Depreciation	- 23	- 27	- 34
Operational capital employed	886	666	597
Return on operational capital employed	20.2%	19.5%	neg.
Number of employees	256	217	197

Invik & Co (formerly Modern Finance Group) is a highly diversified financial Group, comprising a group of companies that focus on insurance, asset management and securities trading. The common feature of the companies in the Group is that they endeavor to capture increased market share in selected growth segments, generating the conditions for rapid growth with sustained profitability. Invik's diversification means that the Group works with a lower operational risk than other finance groups that

focus on a single segment. In 2003-2004, Invik nearly doubled its sales to SEK 1,800 million, while income after net financial items was reversed from a loss in 2002 to a profit of SEK 179 million in the most recent fiscal year.

For the past three years, the Invik companies have been successful and strengthened their market shares in several segments:

- Fischer Partners increased its market share from 3% in 2002 to 7.6% and was ranked third in size on the Stockholm Stock Exchange and fourth on the Helsinki Stock Exchange in 2004.
- Modern Insurances has become market leader in boat and motorcycle insurance. In total, Modern Insurances had 1.4 million nonlife and life insurance customers at the end of 2004.
- During the fourth quarter of 2004, Modern Insurances Life ranked fifth for new sales of unit-linked insurance. For example, the company's sales were higher than those of AMF Pension, Folksam, Nordea, Robur, SHB and SPP.
- Invik Asset Management and Aktie-Ansvar increased the assets managed for their customers by 97% during the period 2002-2004. At 31 December 2004, managed assets amounted to SEK 4,800 million in asset management and SEK 4,400 million in fund management.



Modern Insurances is a niche group, specialising in insurances for individuals and smaller companies with a low risk profile.

Modern Insurances

SEK million	2004	2003	2002
Key ratios			
Net sales	1,299	708	491
Operating income	67	33	- 3
Operational capital employed	505	413	387
Return on operational capital employed	13.3%	8.0%	neg.
Number of employees	112	95	70

The insurance business comprises direct insurance operations (Nonlife and Life) in Sweden and reinsurance operations through Luxembourg-based Modern Re S.A.

Direct insurance operations (Nonlife)

SEK million	2004	2003	2002
Key ratios			
Premium revenue, gross	767	532	433
Underwriting result ¹⁾	71	44	21
Combined ratio, gross ²⁾	88%	87%	82%
Expense ratio, gross ³⁾	19%	22%	21%
Claims ratio, gross ⁴⁾	69%	65%	61%
Solvency margin ⁵⁾	117%	106%	104%

¹⁾ Premium revenue+capital return-net damage cost-operating cost.

²⁾ (Claims cost+operating cost) divided by premiums earned.

³⁾ Operating expense divided by premiums earned.

⁴⁾ Claims cost divided by premiums earned.

⁵⁾ (Shareholders' equity+untaxed reserves+surplus profits in assets) divided by net premiums income.

Modern Insurances Nonlife reported strong growth and a highly positive earnings trend for insurance operations in 2004. The premium volume rose by 46%, compared with 2003, and amounted to SEK 977 (669) million. The claims ratio in direct-insurance operations amounted to 65.6% (60.9%) and the combined ratio was 87.6% (86.6%). Operating income amounted to SEK 73 (38) million. The number of non-life insurance customers increased by more than 500,000 during the year and now totals slightly more than SEK 1.4 million.

Product development was assigned priority and a number of new products and concepts were laun-

ched in all business areas during the year. Agreements were signed with several large organizations, such as the National Association of House Owners, the Swedish Policemen's Union and several member associations of SACO (Swedish Confederation of Professional Associations). Modern Insurances' position was further strengthened in the area of product and group insurance.

Atlantica Yacht Insurance – Atlantica's new international boat insurance concept, based in Luxembourg, was established in the autumn and will be launched in February 2005.

Life-insurance operations

The Life operations' sales of unit-linked insurance, amounting to SEK 420 (155) million, exceeded expectations. During the fourth quarter of 2004 the company attained a market share of 6.1% of total new sales of unit-linked insurance and a market share of a full 13.3% for lump-sum payment occupational pension premiums invested in unit-linked insurance.

During the autumn, a unique endowment insurance product was launched, with a deposit facility at Avanza. The product permits saving and trading in shares and funds, complete with all the benefits accompanying endowment insurance. At the end of the year, "Modern Duo" was launched. This is an endowment insurance that combines favorable tax rules from both endowment and pension insurance. The products have generated a strong response from the market and are an expression of an innovative approach in unit-linked insurance operations.

Group life insurance operations continued to expand, reporting more than 6,000 new customers and continuing low claims costs during the period. During the final quarter, volume rose sharply in Norwegian operations as a result of new customers selecting Modern Insurances as their insurer for integrated personal insurance.

Unit-linked insurance operations are charged during the startup phase with high costs for marketing and distribution and, accordingly, the operations are expected to continue reporting a negative result during the establishment phase. Combined, life insurance operations reported an operating loss of SEK 11 (loss of 6) million.

Other areas of the insurance operations reported income after net financial items of SEK 13 (9) million.

Modern Insurances' income after net financial items amounted to SEK 67 (33) million for the year, including amortization of goodwill totaling SEK 8 (8) million.

Banque Invik S.A.

SEK million	2004	2003	2002
Key ratios			
Net sales	235	248	296
Operating income	34	63 ¹⁾	23 ¹⁾
Operational capital employed	195	163	141
Return on operational capital employed	17.4%	38.6%	16.3%
Total assets	2,453	3,426	2,846
Capital adequacy ratio ²⁾	22%	21%	19%
Liquidity ratio ³⁾	68%	54%	47%
Number of employees	58	34	37

¹⁾ Including items affecting comparability of SEK +15 million in 2003 and SEK -14 million in 2002.

²⁾ Relationship between size of the capital base and risk weighted assets.

³⁾ Cash and cash equivalents divided by current liabilities.

Banque Invik S.A., based in Luxembourg, has conducted banking operations since 1989. Business is conducted at the head office in Luxembourg and at the branch in Stockholm that was established in 1996.

The business concept is to be a private bank using the continental European traditions as a model for such institutions.

Private banking operations

Private banking operations are conducted at the head office in Luxembourg. The operations have a growing international customer base, comprising both private and corporate customers, who are offered personal service and advice regarding asset management.

Currency and securities trading are undertaken on behalf of customers without Banque Invik assuming its own positions. Banque Invik applies a highly cautious credit policy and all lending is fully guaranteed by cash, securities and/or guarantees. Banque Invik's private banking operations market a selection of funds managed by external fund managers. In January 2005, Banque Invik and Invik Asset Management jointly formed the subsidiary Banque Invik Asset Management S.A.

Revenues from currency trading increased somewhat compared with 2003 as a result of higher customer activity. Since Banque Invik primarily has depositors, the interest-rate situation led to a decline in interest margins during the year.

Credit card activities

Credit card issue is a combination of financing and payment clearing. Banque Invik is a member of the VISA and MasterCard/Eurocard organizations in Europe. Banque Invik's card issue is primarily aimed

at high net worth individuals, both the bank's private banking customers and other banks' customers. The credit cards are issued in several different currencies and cardholders are located throughout the world.

Operations have developed steadily during the year. Costs were reduced and the average transaction volume per card is substantially above average for VISA and Mastercard in Europe. Cash card activities and payment-clearing activities also increased considerably.

In 2004, the income from credit-card operations was charged with high costs for card fraud, particularly in the second quarter. Measures taken to prevent fraud produced results during the second half of the year.

Financial advisory services

Financial advisory services are provided to companies without utilizing Banque Invik's balance sheet. Operations are conducted from the head office in Luxembourg and at the branch in Stockholm. With committed and experienced personnel and low administrative costs, these services can be offered at competitive terms and conditions.

Fund operations

Through its subsidiary The Modern Funds SICAV, a Luxembourg-registered umbrella fund, Banque Invik manages a number of index-based funds, which are marketed in Sweden under the name Moderna Fonder.

Moderna Fonder has been primarily successful in attracting investors through the Swedish PPM pensions system. Volumes increased steadily during the year. Two share-index funds – Sweden Top 30 and Europe Top 100 – and three fixed-income funds – Sverige Ränta, Sverige Obligation and Europa Ränta – are offered to investors.

In addition to the index-linked Modern Funds, Banque Invik also manages the Luxembourg-registered Our Fund. Our Fund invests exclusively in the listed companies Kinnevik, Tele2, Millicom, MTG, Metro and Transcom.

Trust services

Under the name Modern Treuhand, the bank offers services in company formation, administration and accounting, primarily for holding companies. Operations are conducted in Luxembourg and the Netherlands, and from the branch in Stockholm. Both revenues and the number of managed companies have grown rapidly during the year. Operations in the Netherlands, which were established in 2003, have performed favorably and Modern Treuhand's cooperation with external partners has been extended with the addition of an external partner in Malta.

Fischer Partners Fondkommission AB

SEK million	2004	2003	2002
Key ratios			
Net sales	231	183	149
Operating profit	65	24	- 68
Operational capital employed	146	77	64
Return on operational capital employed	44.5%	31.2%	neg.
Capital cover ratio ¹⁾	33%	20%	18%
Number of employees	60	63	57

¹⁾ Relationship between the size of the capital base and risk involvement as a proportion of the legal capital cover requirement.

Fischer Partners is one of the Nordic region's largest brokerage houses and a member of the stock exchanges in Stockholm, Helsinki, Oslo, Copenhagen, Tallinn, Riga and the German derivatives exchange Eurex. Fischer Partners' customers are primarily

foreign and Swedish institutions as well as active private individuals. In total, 2004 was a strong year for the stock market, with an upswing of 18% in the Stockholm Stock Exchange's SAX index. Stock-market activity was high during the first quarter, after which it declined for the remainder of the year. In the spring, prices were pushed upwards by the listed companies' rapidly increasing profits, a result of higher demand, combined with the efficiency measures of recent years having effect. The rapidly rising oil price, as well as signs of a weaker US economy and concern about the US's growing budget deficit, contributed to inhibiting stock-market performance in the latter part of the year.

In 2004, Fischer Partners was the third-largest stock exchange member in Stockholm and the fourth-largest in Helsinki. Following a strong start in 2004, revenues leveled off from May, but strengthened again during the final four months of the year. Commission revenues were 47% higher than in 2003.



Broker room at the Stockholm office.

Invik Kapitalförvaltning Holding AB

SEK million	2004	2003	2002
Key ratios			
Net sales	72	54	68
Operating income	13	10	- 100
Operational capital employed	41	13	5
Return on operational capital employed	31.7%	79.4%	neg.
Capital cover ratio ¹⁾	12.7%	10.4%	9.7%
Number of employees	26	25	28
Performance of managed assets			
Asset management	4,785	4,541	3,207
Aktie-Ansvar Sverige	684	659	529
Ansvar Avkastningsfond	1,495	1,065	609
Aktie-Ansvar Europa	82	53	43
Fondselect	76	49	39
Graal	2,065	966	232
Total fund management	4,402	2,792	1,452

¹⁾ Relationship between the size of the capital base and risk involvement as a proportion of the legal capital cover requirement.

Invik Kapitalförvaltning Holding AB (formerly Modern Privat Kapitalförvaltning MPK Holding AB),

a wholly owned subsidiary of Invik & Co. AB, is the parent company in the Group that provides asset management, fund operations and financial advisory services. Invik Asset Management has approximately 7,400 customers for asset and fund management.

Invik Kapitalförvaltning AB offers asset management based on qualified fundamental analysis. Customers include private individuals, companies, foundations and church communities.

Aktie-Ansvar AB conducts fund operations within Aktie-Ansvar Sverige, Ansvar Avkastningsfond, Aktie-Ansvar Europa, FondSelect and the hedge fund Graal. The fund company has approximately 5,600 customers and manages about SEK 4,400 (2,800) million. In January 2003, the Graal hedge fund was named best hedge fond of 2003 by Swedish business magazine Privata Affärer.

The trend for both asset management and fund management was positive in 2004. Fund management, in particular, had a positive net inflow. In autumn 2004, Invik Asset Management opened an office in Gothenburg and, in January 2005, in cooperation with Banque Invik in Luxembourg, an asset management operation was formed. This is Banque Invik Asset Management S.A and its target group comprises Scandinavians resident outside the Scandinavian countries.



Invik Asset Management provides asset management, fund operations and financial advisory services.

Mellersta Sveriges Lantbruks AB

SEK million	2004	2003	2002
Key ratios			
Net sales	32	44	7
Operating income	7	4	-1
Investments in fixed assets	5	12	0
Depreciation	-6	-4	-1
Operational capital employed	186	179	108
Return on operational capital employed	3.8%	2.2%	neg.
Number of employees	141	145	3

Farming was Kinnevik's original business. Mellersta Sveriges Lantbruks AB today owns the Ullevi estate outside Vadstena, and the Barciany and Podlawki estates in Poland.

The total acreage is 7,373 hectares, of which 665 hectares are in Sweden. The business concentrates on crop and dairy farming, and all work is conducted in compliance with ecological principles. The Swedish farms are certificated in accordance with the ISO 14001 environmental management standard and the

entire acreage is cultivated in accordance with ecological principles. In Poland, milk production is conducted using 705 dairy cows and 561 young stock.

A cold but stable winter, followed by a damp and cool spring and summer, provided favorable cultivation conditions in Sweden and Poland. This resulted in good harvests and generally high quality. However, large inventories throughout Europe put pressure on prices during the latter part of the year.

The price trend for ecologically cultivated volumes in Sweden also declined. A broad offering as a result of a strong harvest, combined with slackened demand would appear to be the reason.

Poland's entry into the EU, when Polish agriculture acceded to the European Common Agricultural Policy, also had a dampening impact on the price trend in Poland, in particular that of cereals. This was partially offset by the introduction of the EU's acreage subsidies. However, the prices of sugar beet and milk were affected positively by EU membership.

As a result of price pressure in the market, a large portion of the 2004 harvest is being stored in preparation for an anticipated rise in prices in the first half of 2005.



Polish dairy cattles waiting for breakfast.



Tele2's share price during 2000-2004.

Tele2 (28.3% of capital, 49.9% of votes)

The market value of Kinnevik's holding of Tele2 shares amounted to SEK 10,917 million on 31 December 2004. On 16 February 2005, the market value was SEK 10,687 million. Tele2's shares are listed on the Stockholm Stock Exchange's Attract 40 list, and on Nasdaq in New York.

Tele2, which was founded in 1993, is the leading alternative European telecom operator. The company's strategy is to always offer the market's best prices. Based on unique values, Tele2 provides cheap and simple telecom for all Europeans. The company has nearly 28 million subscribers in 24 countries. Tele2 offers products and services in the areas of fixed and mobile telephony, internet, data network services, cable TV and content services. Its main competitors are the former government telecom monopolies.

Tele2's efforts to offer cheap and simple telecom for all Europeans are based on:

- Flexibility – Tele2 clearly understands their customers' needs and make fast turnarounds.
- Openness – Fellowship, straight answers, and a simple organization permeate Tele2's operations.
- Cost consciousness – Tele2 cut corners, pinch pennies, invest as late as possible, and question all expenses.

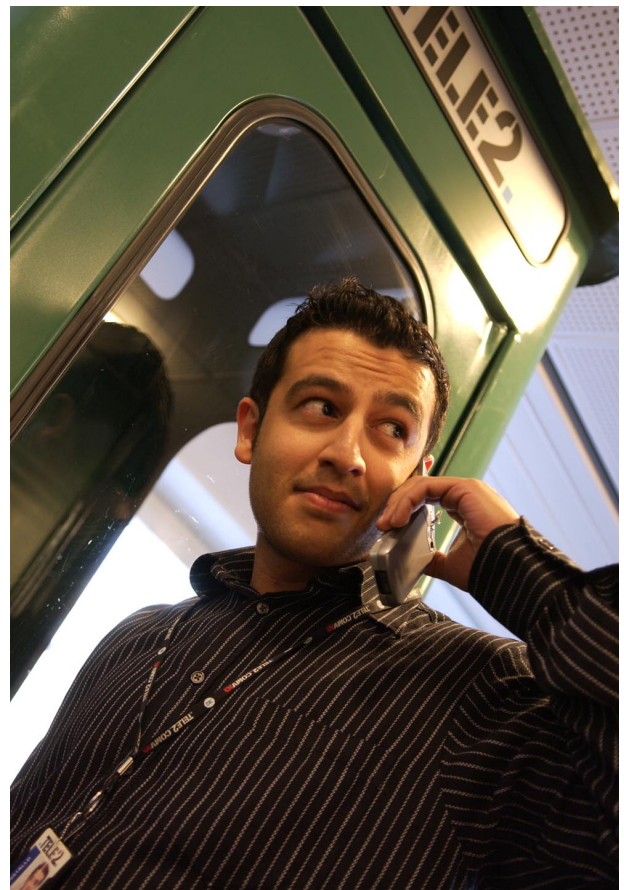
Tele2 has successfully challenged the former European telecom monopolies by offering subscribers telecom services at the market's best prices. Tele2's strategy has been to create a strong brand, to offer simple, straightforward products and to invest

in high quality customer services rather than network investments.

Extensive flexibility and cost consciousness have transformed Tele2 from a regional Scandinavian telecom company to the fastest growing and most cost-effective telecom operator in Europe.

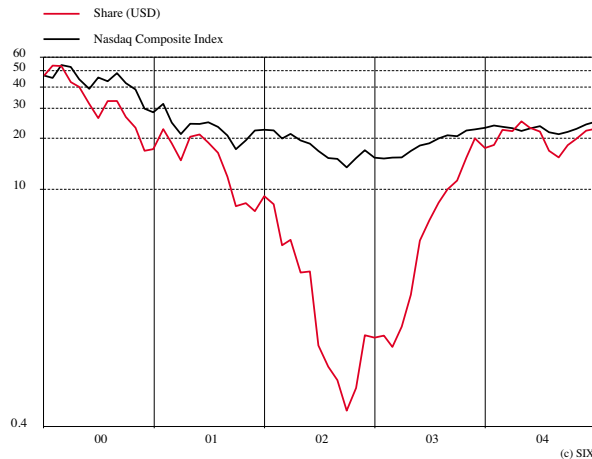
In 2004, Tele2 continued its expansion in Russia and has now 13 GSM networks on this rapidly growing market. At the end of the year, another license was acquired in Voronezh, Russia. The company began offering fixed-network services in Ireland and strengthened its position in Austria through the acquisition of the telecom operator UTA. At the end of the year, a GSM license in Croatia was acquired.

Net sales for the full year amounted to SEK 43,033 (36,911) million and income after net financial items was SEK 2,681 (1,267) million.



Tele2, the leading alternative European telecom operator.

Millicom International Cellular S.A.



Millicom's share price during 2000-2004.

Millicom (35.7% of capital and votes)

The market value of Kinnevik's holding of shares in Millicom amounted to SEK 5,219 million on 31 December 2004. On 16 February 2005, the market value was SEK 5,412 million. Millicom's shares are listed on Nasdaq in New York, the Attract 40 List of the Stockholm Stock Exchange and on the Luxembourg Stock Exchange.

Millicom is a leading international mobile telephone operator that focuses on emerging markets in Asia, Latin America and Africa. Economic developments in these markets are creating a demand for improved communication services. Millicom's aim is to become established on new markets at an early

stage through license agreements, preferably in partnership with local operators. The company's strategy is to be the price leader in all markets by offering its customers pre-paid mobile telephony services at the lowest possible prices and a majority of customers have pre-paid subscriptions.

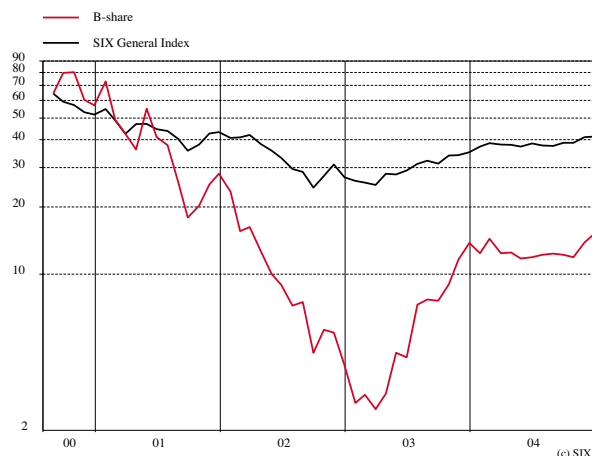
Millicom currently has equity interests in 17 mobile telecom companies in 16 countries which together represent a market of 399 million inhabitants. On 31 December 2004, the total number of subscribers in these companies was 7.7 (5.7) million, which is an increase by 36% over the preceding 12-month period. On a pro rata basis in relation to Millicom's equity interests, the subscriber base was 5.3 (4.0) million, which is an increase of 32%. The roll-out of GSM networks in Latin America, tariff reductions in Vietnam and the allocation of GSM networks in Pakistan were some of the reasons for the strong growth. Millicom intends to build out GSM networks in all countries in which it is active as a means of utilizing potential product and procurement synergies. As a result of the low cost and the greater breadth of functions provided by GSM technology, Millicom has the capacity to grow significantly in terms of subscriber numbers in 2005. During 2004, Millicom acquired an option to buy 47% of a GSM operator in Iran. The company also secured a GSM license in Chad. At the end of 2004, a new issue of shares and convertible debentures was announced to finance the company's strong growth and continued investments in networks.

The net sales for the financial year were USD 921 (647) million and the result after net financial items was USD 144 (246) million.



MobiFone, retailer of mobile subscriptions in Vietnam.

Metro International S.A.



Metro's share price during 2000-2004.

Metro (40.3% of capital, 36.6% of votes)

The market value of Kinnevik's holding of shares in Metro amounted to SEK 3,218 million on 31 December 2004. On 16 February 2004, the market value was SEK 3,429 million. Metro's shares are listed on Stockholmsbörsen's O list.

Metro is the world's largest daily newspaper and is published in 45 editions in 17 countries in Europe, North and South America and Asia. There are also two franchise papers in South Korea. The newspapers are distributed free of charge, with income being

generated almost exclusively from sales of advertising space. During the year, advertising by strong international brands grew considerably and Metro received several awards. Metro's advertising campaign for British Airways received the campaign of the year title at Media & marketing Europe awards. Metro Helsinki was named Most Creative Media of 2004 by the Finnish Association of Marketing Communication Agencies for its contribution to the development of successful marketing campaigns through its creative and innovative format.

Metro attracts a readership of 15.2 million a day and 33.5 million per week (TNS Gallup poll, November 2004).

During the year, Metro launched editions in two more cities in Spain, four in France, national editions in Denmark, Poland and Sweden, as well as editions in New York, Rotterdam and Lisbon. The Valencia and Alicante editions will have sales cooperation with a local media company and Lisbon was launched with a local media company as a minority owner. A weekend edition was launched in Thessaloniki, in Greece, in October. Metro Hus & Hem Malmö was launched in February.

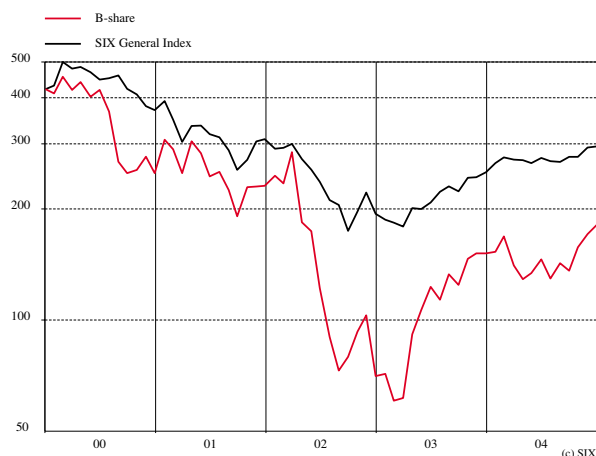
During the year, Metro's layout was revamped to further improve the reading experience and strengthen Metro's brand.

Net sales for the full year amounted to USD 302 (204) million and the loss after net financial items was USD 13 (loss of 13) million.



Metro is published in 45 editions in 17 countries and reaches more than 15 million readers a day.

Modern Times Group MTG AB



MTG's share price during 2000-2004.

MTG (15.0% of capital, 47.2% of votes)

The market value of Kinnevik's shares in MTG amounted to SEK 1,694 million on 31 December 2004. On 16 February 2004, the market value was SEK 2,027 million. MTG's Series A and Series B shares are listed on Stockholm Stock Exchange's Attract 40 list.

MTG is an international media company with most of its business in Scandinavia, the Baltic states and Russia. MTG's subsidiaries are active in more than 30 countries. MTG is the largest commercial and pay TV

operator in the Nordic and Baltic countries, the largest shareholder in Russia's fourth-largest TV network and the largest commercial radio broadcaster in the Nordic countries.

During the year, MTG acquired further shares in CTC Media Inc. (formerly Storyfirst Communications Inc.), which owns the Russian commercial TV channel CTC. Following the acquisition, MTG owns approximately 40% of the capital in CTC Media Inc.

During the year, MTG launched four new themed film channels, two new sports channels and a new documentary channel.

The company's position in radio was further strengthened during the year through cooperation with the French radio network NRJ's Swedish radio stations and the acquisition of more shares in Norway's leading radio station, P4 Radio Hele Norge.

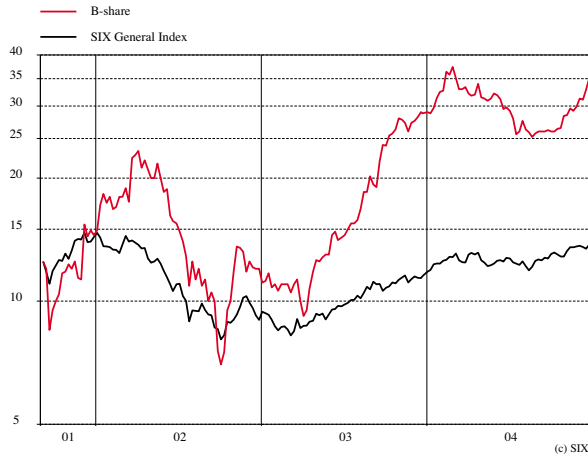
MTG broadcasts a total of 50 proprietary and third-party channels in a total of 15 countries and has a daily audience of more than 50 million people. The Group also includes several TV and film production companies and one of Europe's largest home-shopping channels. During the year, SDI Media, the global subtitling and dubbing operation, was divested for USD 60 million.

Net sales for the full year amounted to SEK 6,836 (6,311) million and result after net financial items was SEK 920 (375) million.



During the year, MTG launched four new film channels and two new sports channels.

Transcom WorldWide I.A.



Transcom's share price during 2001-2004.

Transcom (20.7% of capital, 33.1% of votes)

The market value of Kinnevik's shares in Transcom amounted to SEK 532 million on 31 December 2004. On 16 February 2005, the market value was SEK 597

million. Transcom's shares are listed on Stockholm Stock Exchange's O-List.

Transcom is a fast-growing company in outsourcing. It has operations at 42 call centers in 23 countries and more than 9,900 employees. Transcom provides solutions in Customer Relationship Management (CRM) for companies in such sectors as telecommunications and e-commerce, travel and tourism, retailing, financial services and staple industries.

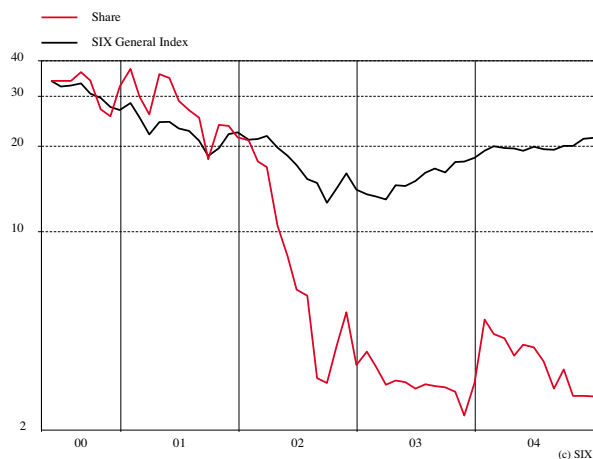
During the year, Transcom opened new call centers in France, Belgium, Spain and Hungary and several important customers chose Transcom as their supplier. For example, Spain's third largest mobile operator, Amena, renewed its agreement with Transcom for a further four years. During the year, the outstanding 25% of Gestel was acquired from Spanish Banco Santander Central Hispano. Transcom also opened a new call center for international sales and marketing in Seville during the year.

Net sales for the full year amounted to EUR 370 (286) million and result after net financial items was EUR 19 (14) million.



Transcom is a fast-growing company in outsourcing with operations at 42 call centers in 23 countries.

Viking Telecom AB/Cherryföretagen AB



Viking Telecom's share price during 2000-2004.

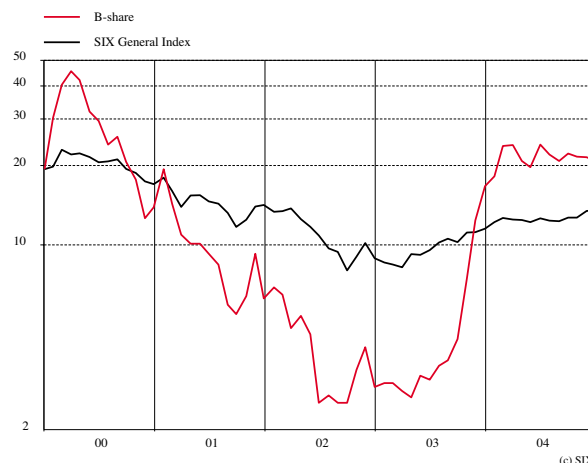
Viking Telecom (29.3% of capital and votes)

The market value of Kinnevik's shares in Viking Telecom amounted to SEK 18 million on 31 December 2004. On 16 February 2005, the value was SEK 17 million. Viking Telecom's shares are listed on the O-List of the Stockholm Stock Exchange.

Viking Telecom develops and markets access products for existing and planned communication networks in the Telecom and Automatic Meter Reading (AMR) business areas.

During the year, Viking Telecoms operations were restructured to focus on automatic reading of electricity meters. At the same time, the company's operations within Microwave were sold to the Latvian company SAF Tehnika.

Net sales for the year amounted to SEK 26 (80) million and the loss after net financial items was SEK 33 (loss of 78) million.



Cherry's share price during 2000-2004.

Cherry (28.1% of capital, 26.2% of votes)

The market value of Kinnevik's shares in Cherry amounted to SEK 183 million on 31 December 2004. On 16 February 2005, the market value was SEK 240 million. Cherry's shares are listed on the O-List of the Stockholm Stock Exchange.

Cherry's operations focus on online and casino gaming and gaming machines. The main gaming activities are provided in restaurants in Sweden, on board ferries and passenger vessels in North European traffic, and online gaming in the global market. In all, Cherry has approximately 800 employees.

Cherry is also established in Norway, Denmark and Chile. In addition, there is considerable focus on online gaming.

Cherry operates in a government-regulated gaming market. However, Cherry's ambition is to be able to provide attractive and exciting alternatives to government gaming through hard work, rapid flexibility and the "Cherry spirit."

Cherry has also invested in the internet-based betting site Betsson.com.

Glossary

ADAS	British institution that awards hygiene certificates to manufacturers and companies.
Airlaid	Product – dry-formed paper made of fluff pulp – for manufacture of such products as tablecloths and napkins with a "linen look" or for converting into the core of hygiene products.
FSC standard	The Forest Stewardship Council is an independent, international organization for the certification of forests.
Hot-calendered products	Hot-calendering a product involves pressing it between hot rolls, in contrast with normal calendering, which uses unheated rolls. Running the product through heated rolls gives it a superior surface finish. Korsnäs AB uses a patented method known as Long Nip Hot Calendering (LNHC).
White Top Liner	Paperboard that is brown on the reverse and white on the front that has high printability and is used as the outer layer for corrugated board packaging.

Definitions of financial key ratios

Operating margin

Operating income divided by net sales.

Profit margin

Income after financial items divided by net sales.

Capital employed

Total assets less non-interest-bearing liabilities less deferred tax payable.

Return on capital employed

Income after financial items plus interest expense divided by average capital employed.

Return on shareholders' equity

Net profit divided by average shareholders' equity.

Equity/assets ratio I

Shareholders' equity, including minority holding as a percentage of total assets.

Equity/assets ratio II

Shareholders' equity adjusted for hidden reserves in the share portfolio as a percentage of total assets, plus hidden reserve in the share portfolio.

Net debt

Interest-bearing liabilities including provisions for pensions less total interest-bearing receivables, short-term investments and cash and cash equivalents.

Debt/equity ratio

Interest-bearing liabilities and interest-bearing provisions divided by shareholders' equity.

Risk capital ratio

Shareholders' equity plus minority interest in shareholders' equity plus deferred tax liability divided by total assets.

Average number of shares

Balanced average of number of shares outstanding during the year, adjusted for share issues, splits and buybacks.

Earnings per share

Income for the year divided by average number of shares.

Shareholders' equity per share

Shareholders' equity divided by number of shares.

Market price

Market price at 31 December adjusted for share issues and splits.

Dividend per share

Proposed dividend per share adjusted for share issues and splits.

Direct return

Dividend divided by market price at 31 December.

P/E ratio

Market price at 31 December divided by earnings per share.

Operational capital employed

For Invik and its areas of operations, this refers to average net assets (assets after deductions for provisions and liabilities). For other areas of operation, this refers to the average of intangible and tangible fixed assets, inventory and current non-interest-bearing receivables after deductions for other provisions and non-interest-bearing liabilities.

Return on operational capital employed

Operating income divided by operational capital employed.

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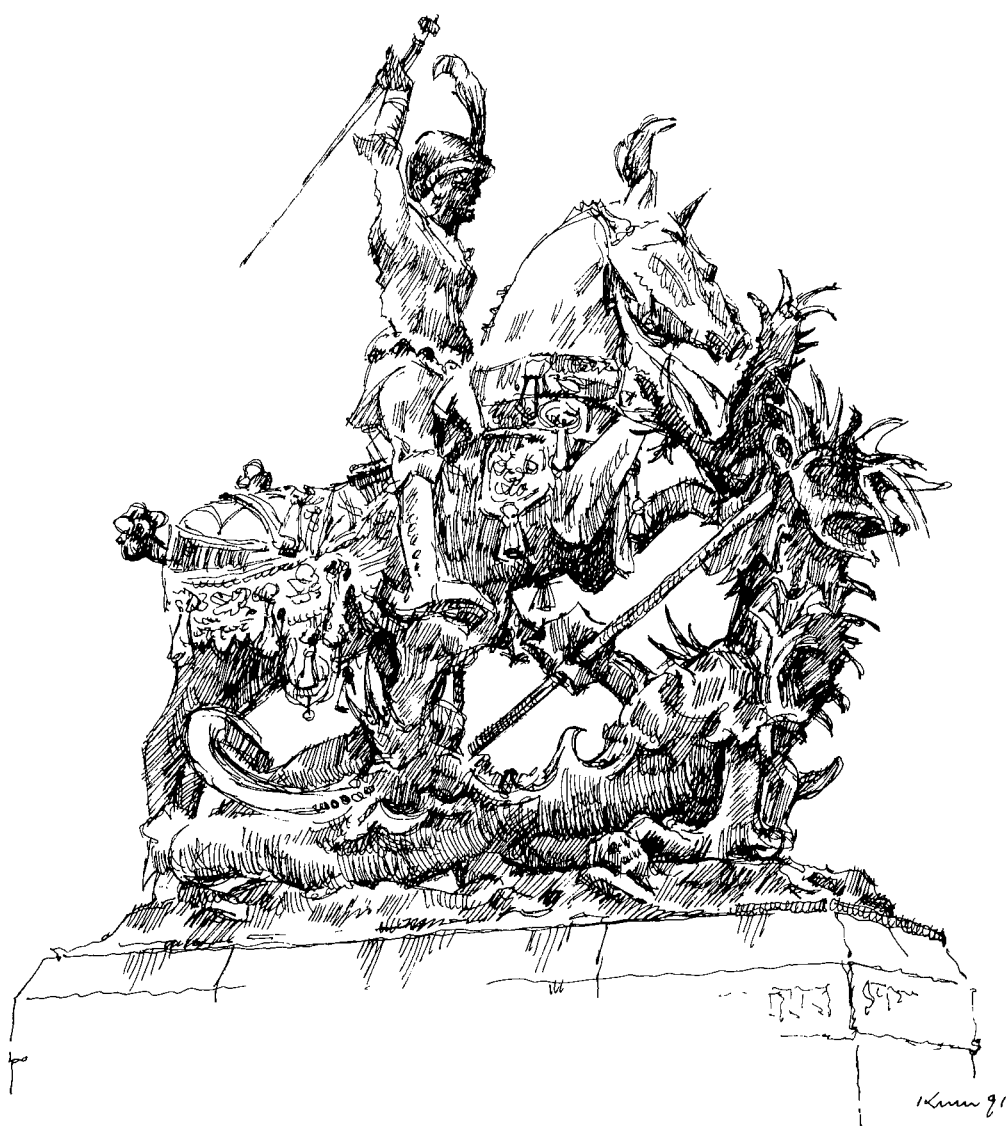
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