

Interim report for state-owned  
companies January – June 2002  
Issued by the Swedish  
Government Offices



State-owned companies encompass companies operating under market conditions as well as companies with special societal interests. The boundaries between the two categories are not always clear.

Companies operating under market conditions are characterised by one or both of the following criteria:

- They operate in a fully competitive market.
- The owner, the state, makes market requirements for earnings and return based on the risk profile.

Evaluation and monitoring are based on these criteria and in some cases on specifically expressed ownership requirements.

Companies with special societal interests are characterised by one or more of the following:

- The owner, the state, controls the business activities in a tangible, direct way.
- They operate on a market with special conditions.
- Some of the companies operate wholly or partly without competition, others are fully exposed to competition.

Special objectives are set and the required returns deviate from what is usual for businesses operating wholly under market conditions. Evaluation and monitoring are partly based on qualitative parameters derived from socio-economic or sector policy objectives and efficiency or earnings requirements. Requirements for cost efficiency, etc. may be high despite the importance of other objectives. The degree of societal interest and the owner's control differ greatly between the various companies in this group.

Due to these differences between companies operating under market conditions and companies with special societal interests, the two categories are reported separately by sector in this report. This enables comparisons to be made between companies that operate under market conditions. In addition, a fairer evaluation of companies with special societal interests can be made, taking into account how various societal interests are safeguarded.

- ▶▶ Pre-tax earnings for January – June 2002 up 17 per cent to SEK 12.5 bn (10.7).
  
- ▶▶ Turnover up 13 per cent to SEK 167.3 bn (147.8).
  
- ▶▶ Substantial improvement in cash flow.
  
- ▶▶ Decline in investment.
  
- ▶▶ Poor performance of market portfolio due to drop in value of Telia shares.

Second-quarter earnings for state-owned companies<sup>1)</sup> were on par with those for the corresponding period last year. Earnings before tax came to SEK 5.0 bn (5.2). First-half earnings amounted to SEK 12.5 bn (10.7), which was 17 per cent up on the same period last year.

Turnover rose by 5 per cent to SEK 81.4 bn (77.8) in the second quarter. Turnover for January – June 2002 increased by 13 per cent to SEK 167.3 bn (147.8).

First-half cash flow from operating activities rose by 115 per cent to SEK 31.2 bn (14.5). Investment continued to decline in the second quarter, amounting to SEK 12.1 bn (51.5). Investment for January – June 2002 totalled SEK 39.3 bn (71.8).

Stockholmsbörsen performed very weakly in the second quarter and Affärsvärlden's General Index (AFGX) fell by 21 per cent. The government's market portfolio performed worse than the index and the market value fell by just over 26 per cent in the second quarter. This development is largely attributable to Telia, whose shares dropped 30 per cent in value.

#### STATE-OWNED COMPANIES, JANUARY – JUNE 2002

Table 1 Survey	State-owned companies, total			Companies operating under market conditions			Companies with special societal interests		
	Jan–June 2002	Jan–June 2001	Change	Jan–June 2002	Jan–June 2001	Change	Jan–June 2002	Jan–June 2001	Change
Net turnover	167,342	147,825	13%	120,411	103,570	16%	46,931	44,256	6%
Profit before tax and minority share	12,545	10,683	17%	9,965	8,340	19%	2,580	2,343	10%
Gross investment	39,339	71,762	–45%	36,051	67,502	–47%	3,288	4,260	–23%
Cash flow from operating activities	31,243	14,548	115%	24,608	9,558	157%	6,635	4,990	33%
	30 June 2002	31 Dec 2002		30 June 2002	31 Dec 2001		30 June 2002	31 Dec 2001	
Shareholders' equity	208,559	207,212	1%	179,652	176,975	2%	28,907	30,238	–4%
Total assets	966,323	976,195	–1%	862,050	867,338	–1%	104,273	108,857	–4%
Employees	203,347	195,336	4%	146,050	138,289	6%	57,297	57,047	0%

The figures for turnover, cash flow and gross investment do not include associated companies.

The government's share of pre-tax earnings includes earnings from associated companies.

For associated companies, shareholders' equity is calculated as the government's proportion of shareholders' equity.

Turnover for finance companies is reported in accordance with the Act on Annual Accounts in Credit Institutions and Securities Companies (SFS 1995:1559).

<sup>1)</sup> See accounting principles on page 11.

## Companies operating under market conditions

### EARNINGS AND TURNOVER

**Basic industry** Companies in this sector reported an improvement in turnover to SEK 7,002 m (6,766) for the period January – June 2002. Profit before tax increased from SEK 142 m to SEK 691 m. The improvement in earnings is largely attributable to AssiDomän being consolidated in Sveaskog from January 2002. Return on equity was 2 per cent.

Raw steel output in the 64 countries that report to IISI (International Iron and Steel Institute) totalled 430 Mt for the first half of the year. This is 3.9 per cent higher than in the corresponding period last year.

In the first six months of this year, output of pig iron, which is one processing step from iron ore, was 5.4 per cent lower in the EU than the corresponding period the previous year. However, output of pig iron was 0.7 per cent higher in Sweden and as much as 7.7 per cent higher in Finland than in the first half of 2001, a development which benefited LKAB.

There are signs that a recovery of the steel industry within the EU is imminent. Several steel producers report an increase in demand and companies are forecasting a further increase in the second half of the year. The market outlook is slightly less difficult to assess now that price levels have been agreed and the consequences of the penal duty imposed on steel by the USA can more easily be surveyed.

LKAB increased its second-quarter earnings before tax to SEK 102 m (38). The company's second-quarter turnover was more or less unchanged compared with the corresponding period last year. Half-year profit before tax amounted to SEK 182 m (62).

NORSCAN's stock levels fell steadily in the first six months of the year to 1.3 million tonnes. This contributed to pulp prices (NBSK) rising to a level of USD 480 per tonne in the spring. The price increase is also a result of the weaker dollar and the continued uncertain economic outlook as a con-

sequence of the instability in the USA, Europe and Japan. Analyses of the forest industry indicate that the downturn in the sector has bottomed out. The current price development is typical of a traditional recovery in the forest sector, with price hikes implemented for products that are typically more sensitive in the early stages of a business cycle while products affected in the later stages are still experiencing price difficulties. Several forecasts predict that pulp prices will end the year on a level around USD 540 per tonne.

The pulp and paper industry has been affected by the economic developments to a lesser extent than many other industries, and demand for pulpwood has remained stable. A more balanced market for sawn goods has had a positive impact on demand for timber. The market situation for paperboard has also been favourable.

Sveaskog made a second-quarter profit of SEK 275 m (27) before tax. Turnover for the second quarter increased to SEK 2,293 m (1,927). All business areas improved their earnings. Profit from property disposals also increased. Profit before tax amounted to SEK 506 m (70) for January – June 2002.

**Industrial goods and services** Companies in this sector reported an increase in turnover but slight lower pre-tax earnings. First-half turnover amounted to SEK 1,098 m (1,084) and profit before tax came to SEK 17 m (29). Return on shareholders' equity was 3 per cent.

Lernia increased both its turnover and profits in the second quarter. The company made a profit of SEK 7 m (1) before tax. Lernia significantly improved its earnings during the course of 2001 and this positive trend continued during the first six months of 2002.

**Transport** Companies in this sector reported an increase in turnover to SEK 19,084 m (18,762) for January – June 2002.

Table 2 Turnover by sector, SEK m

Sector	No. of companies	Turnover Apr–June 02	Turnover Apr–June 01	Change	Turnover Jan–June 02	Turnover Jan–June 01	Change
Basic industry	3	3,741	3,403	10%	7,002	6,766	3%
Industrial goods and services	4	563	529	6%	1,098	1,084	1%
Transport	5	9,564	9,283	3%	19,084	18,762	2%
Non-durable goods	1	2,462	1,733	42%	4,399	3,124	41%
Finance	4	3,203	3,986	-20%	6,456	8,083	-20%
Real estate	6	2,091	1,968	6%	4,164	6,084	-32%
Telecom	2	14,465	14,326	1%	28,463	28,041	2%
Energy	1	21,300	20,067	6%	49,745	31,626	57%
<b>Total</b>	<b>26</b>	<b>57,389</b>	<b>55,295</b>	<b>4%</b>	<b>120,411</b>	<b>103,570</b>	<b>16%</b>

The turnover figures do not include associated companies.

Turnover for finance companies is reported in accordance with the Act on Annual Accounts in Credit Institutions and Securities Companies (SFS 1995:1559).

Pre-tax earnings rose from SEK –1,368 m to SEK 40 m. The improved financial result is due mainly to Posten (the Swedish Post Office) increasing its profits and Swedcarriers reducing its loss. Return on shareholders' equity was negative.

European airlines were affected by capacity reductions in the first half of 2002 as a result of the events the previous autumn. International traffic by European airlines declined by 7.7 per cent and capacity by 10.4 per cent in the first half of 2002. During the same period, the SAS Group reduced its capacity by 9.4 per cent but increased its traffic by 26.8 per cent. The increase can mainly be explained by the acquisitions of Braathens and Spanair. First-half turnover increased to SEK 31,643 m (25,948), again mainly as a result of the above-mentioned acquisitions. The SAS Group's pre-tax earnings for the period amounted to SEK –407 m (220). Second-quarter earnings developed according to plan and were considerably better than in the previous quarter. The improvement is partly due to the extensive operational restructuring process and partly to the profit reported by the acquired units, Braathens and Spanair.

Train travel rose by 4 per cent in the first half of 2002 compared with the same period last year. This improvement is primarily attributable to a rise in long-distance travel. Passenger volumes on the X2000 high-speed trains improved significantly, rising by 10 per cent compared with the same period last year. SJ's turnover for the period fell by SEK 16 m to SEK 2,817 m (2,833). Earnings before tax amounted to SEK –78 m (–4). The decline in SJ's profitability is due primarily to increased costs for personnel, train maintenance and alternative modes of transport. An extensive programme of measures is being implemented throughout the organisation in order to reverse the poor earnings trend. Measures carried out in the first six months of the year improved the result by SEK 116 m.

Green Cargo's operations continue to be affected by the prevailing climate in the form of lower volumes and revenue than last year. Despite some recovery during the latter part of the period compared with 2001 as well as satisfactory activity among Green Cargo's customers, the company has not yet perceived any clear indication of

either a general recovery or a further worsening. Pre-tax earnings for the first six months of the year amounted to SEK –125 m (18). The drop in earnings is mainly due to a general reduction in business volumes and the sluggish costs involved in railway production.

The reduction in letter volumes observed in 2001 has continued in the first half of 2002. The decline, a result of increased use of electronic substitutes and the general economic climate, is expected to continue for the rest of the year. Posten's pre-tax earnings for January – June 2002 amounted to SEK 621 m (–291), an improvement made possible by the reversal of provisions (SEK 916 m) to safeguard against future losses in the over-the-counter network. Turnover increased by SEK 887 m to SEK 11,689 m during the period. The increase in turnover is primarily attributable to corporate acquisitions at the end of last year, price effects and the application of a new accounting principle.

**Non-durable goods** V&S Vin och Sprit's second-quarter earnings before tax rose to SEK 636 m (494) and the company's turnover climbed to SEK 2,462 m (1,733). Pre-tax profit for January – June came to SEK 1,119 m (803).

**Finance Companies** in this sector reported a reduction in turnover and pre-tax earnings for the first half of 2002 compared with the corresponding period last year. Return on shareholders' equity was 2 per cent.

SBAB, however, reported a 31 per cent improvement in pre-tax profits, from SEK 225 m for the first six months of 2001 to SEK 335 m for the first half of this year. This improvement is a result of increased lending volumes (including securitisations), better adjusted pricing in relation to lending risk and a shifted focus of the loan portfolio towards private markets with higher margins, resulting in higher net interest income.

**Real estate Companies** in this sector reported a reduction in turnover of SEK 4,164 m (6,084) for the first six months of 2002. Profit before tax fell from SEK 2,213 m to SEK 883 m. Return on shareholders' equity was 3 per cent.

**Table 3 Earnings before tax and net margin by sector, SEK m**

Sector	No. of companies	Earnings before tax, Apr–June 02	Earnings before tax, Apr–June 01	Earnings before tax, Jan–June 02	Earnings before tax, Jan–June 01	Net margin, Jan–June 02
Basic industry	3	391	88	691	142	10%
Industrial goods and services	4	1	11	17	29	2%
Transport	6	348	–761	40	–1,368	1%
Non-durable goods	1	636	494	1,119	803	25%
Finance	4	354	367	734	745	11%
Real estate	6	464	1,759	883	2,213	21%
Telecom	2	–82	896	467	1,420	2%
Energy	1	1,570	1,542	6,014	4,356	12%
<b>Total</b>	<b>27</b>	<b>3,682</b>	<b>4,396</b>	<b>9,965</b>	<b>8,340</b>	<b>8%</b>

The government's share of pre-tax earnings includes earnings from associated companies. Associated companies have not been included in the calculation of net margin.

The supply of vacant premises on the commercial market for rental property is continuing to increase. A clear trend is for firms to upgrade and relocate to newer, more practical premises. The highest rents for offices in Stockholm have fallen to SEK 4,500–5,000/m<sup>2</sup>. Rent levels in Gothenburg and Malmö are relatively stable. In Gothenburg, the highest rents are at the SEK 2,300–2,400/m<sup>2</sup> level, and in Malmö, SEK 1,900–2,000/m<sup>2</sup>. The most fervent activity on the property market has been from international investors. The largest transactions were NCC's sale of property to Whitehall Funds/Goldman Sachs and ABB's sale of property to London & Regional Properties.

Vasakronan reported pre-tax earnings of SEK 179 m (1,446) for the second quarter of 2002. Second-quarter pre-tax profit excluding property sales and payment of interest expenses came to SEK 182 m (168). Rental income for the second quarter of 2002 was SEK 724 m (699). The rent increase for renegotiated and newly signed leases was 43 per cent (60). The financial vacancy rate increased to 6 per cent (4).

Telecom Companies in this sector reported an increase in first-half turnover to SEK 28,463 m (28,041). Profit before tax was reduced from SEK 1,420 m to SEK 467 m. Return on shareholders' equity was 0 per cent.

Telia's pre-tax earnings came to SEK –78 m (909) for the first quarter and SEK 457 m (1,411) for January – June 2002. The financial result was affected by rationalisation measures involving costs of SEK 482 m. The gross margin for comparable units increased to 25 per cent (21). Telia's net turnover was up 1 per cent in the second quarter to SEK 14,346 m. Turnover and earnings were both affected by the divestment of business areas in a step towards streamlining the Group. Telia reported a positive underlying earnings trend. Second-quarter turnover increased by 6 per cent in the business areas that Telia has defined as its core operations. The earnings trend in the company's international carrier operations is unsatisfactory despite an increased inflow of orders. Telia is currently undertaking a major review of its carrier

operations in order to determine the best way to achieve a positive cash flow as fast as possible.

The Swedish Space Corporation reports a weak improvement in pre-tax earnings to SEK 10 m (9) for the first half of 2002.

Energy Vattenfall reported an increase in first-half turnover to SEK 49,745 m (31,626). Profit before tax came to SEK 6,014 m (4,356). Return on shareholders' equity was 9 per cent.

Vattenfall's second-quarter profit before tax was up 2 per cent on the corresponding period last year, from SEK 1,542 m to SEK 1,570 m. Turnover increased by 6 per cent in the second quarter to SEK 21,300 m (20,067).

Electricity prices on the Nordic Power Exchange were around 20 per cent lower in the first half of 2002 than in the corresponding period last year. The lower electricity prices are due to the mild weather, higher than average precipitation and thereby more water in the reservoirs. Calculated as an average for the first six months of the year, the spot price (Sweden) was 17.8 öre per kWh, compared to last year's average 22.1 öre per kWh.

Electricity prices on the German market were at the same level or slightly higher in the first half of 2002 compared with last year. The average spot price on EEX (European Energy Exchange) in the first half of 2002 was EUR 22.1 per MWh, compared with last year's average of EUR 22.0 per MWh. Heating prices have risen in Sweden, while in Germany they have remained more or less unchanged.

## INVESTMENT

Gross investment by companies operating under market conditions fell heavily in the second quarter of 2002 compared with the corresponding period last year, from SEK 49,270 m to SEK 10,287 m. Investment for the period January – June 2002 totalled SEK 36.1 bn (67.5).

The decline is partly explained by the high investment figure for Vattenfall for the first six months of 2001, SEK 28,626 m compared with SEK 5,020 m this year. Vasakronan and Telia also reduced their investment in the second

Table 4 Gross investment and investment ratio, SEK m

Sector	No. of companies	Investment		Investment ratio		Investment		Investment ratio	
		Jan–June 02	Jan–June 01	Jan–June 02	Jan–June 01	Apr–June 02	Apr–June 01	Apr–June 02	Apr–June 01
Basic industry	3	460	511	7%	8%	286	268	8%	8%
Industrial goods and services	4	8	25	1%	2%	10	39	2%	7%
Transport	5	1,384	8,764	7%	47%	718	668	8%	7%
Non-durable goods	1	829	8,267	19%	265%	694	8,191	28%	473%
Finance	4	10	10	0%	0%	6	6	0%	0%
Real estate	6	1,721	6,580	41%	108%	910	5,515	44%	280%
Telecom	2	4,699	9,626	17%	34%	2,643	5,957	18%	42%
Energy	1	26,940	33,719	54%	107%	5,020	28,626	24%	143%
<b>Total</b>	<b>26</b>	<b>36,051</b>	<b>67,502</b>	<b>30%</b>	<b>65%</b>	<b>10,287</b>	<b>49,270</b>	<b>18%</b>	<b>89%</b>

The figures do not include investment by associated companies.

Turnover for finance companies is reported in accordance with the Act on Annual Accounts in Credit Institutions and Securities Companies (SFS 1995:1559).

quarter of 2002 compared with the corresponding period last year. Gross investment by Vasakronan came to SEK 191 m in the second quarter of 2002, compared with SEK 4,809 m last year. Telia more than halved its gross investment in the second quarter of 2002, to SEK 2,637 m.

### CASH FLOW

Cash flow from operating activities improved significantly in the first half of 2002 compared with the corresponding period last year, from SEK 9,558 m to SEK 24,608 m. The improvement is partly attributable to SBAB, which improved its cash flow from SEK –4,803 m to SEK 6,215 m. Posten improved its cash flow from operating activities by SEK 1,097 m to SEK 830 m. Telia's cash flow was up 67 per cent to SEK 4,701 m and Vattenfall's was up 48 per cent to SEK 10,324 m.

### SIGNIFICANT EVENTS

On 10 July 2002, the European Commission approved Telia's merger with Sonera on the basis that the two companies have made certain commitments. Telia has agreed to dispose of its mobile operations, shops and wireless LAN operations in Finland as well as the ComHem cable TV business in Sweden. Furthermore, the merged company has pledged to make its regulated, wholesale products for fixed and mobile networks more widely available to other telecom operators in Sweden and Finland on non-discriminating terms. The same applies to international GSM roaming in Sweden and Finland. 'Non-discriminating terms' in this case means under the same terms and conditions that are applied internally in the merged company, Scanova.

On 18 April 2002, Telia sold its 40-per cent participating interest in Comsource UnLtd to KPN, the Dutch telecom operator that already owned the other 60 per cent.

On 1 July 2002, Telia sold its outstanding 9-per cent shareholding in the Orbiant Group to Flextronics for SEK 106 m.

In the second quarter, Vattenfall signed an agreement with the City of Hamburg to acquire its 25.1 per cent

participating interest in Hamburgische Electricitäts-Werke AG (HEW). The City of Hamburg gives its consent to restructuring measures in connection with the creation of Vattenfall Europé AG, on the condition that certain business activities remain in Hamburg.

Vattenfall increased its participating interest in the Polish power company, Elektrociepłownia Warszawskie (EW), from 55 to 68.9 per cent by acquiring shares from the employees. Vattenfall sold its shareholding (corresponding to 5.8 per cent of the votes) in the Norwegian power company Hafslund ASA to Sydkraft. In Denmark, Vattenfall sold its 11.5 per cent participating interest in NESA to DONG, generating a capital gain of SEK 431 m.

In May, Vasakronan acquired land for SEK 15 m at Infra-City on the outskirts of Stockholm from Sollentuna Municipality.

The Riksdag has raised the central government grant for Posten's over-the-counter service to SEK 400 m. The European Commission has stated that this government grant is compatible with the EU's rules on government subsidies.

In June, Sveaskog entered into an agreement with Kinnevik on the acquisition of approximately 200,000 hectares of productive forest land in addition to Korsnäs' sawmill operations. The agreement was approved by the Swedish Competition Authority and the transaction was executed on 27 August.

On 1 July 2002, Vasallen acquired an additional two former defence installations from the National Fortifications Administration pursuant to the defence resolution passed by the Riksdag in November 1999. Vasallen will develop the properties on commercial terms in two new subsidiaries.

V&S Vin & Sprit. Absolut Vodka was recently ranked the world's strongest brand by Forbes, the American business publication.

**Table 5 Cash flow, shareholders' equity and total assets, SEK m**

Sector	No. of companies	Cash flow from operating activities		Shareholders Equity		Total assets		Equity/assets ratio 30 June 02	Return on equity 1 Jan–30 June 02
		Jan–June 02	Jan–June 01	30 June 02	31 Dec 01	30 June 02	31 Dec 01		
Basic industry	3	1,088	358	21,008	20,736	38,145	43,589	55%	2%
Industrial goods and services	4	–15	–6	499	484	998	968	41%	3%
Transport	6	974	–970	9,887	10,115	39,672	42,286	25%	neg.
Non-durable goods	1	886	482	5,273	3,705	15,570	15,040	34%	N/A
Finance	4	4,919	–5,435	21,868	21,900	296,489	315,000	7%	2%
Real estate	6	1,699	5,348	19,536	19,910	62,800	62,394	31%	3%
Telecom	2	4,733	2,798	60,389	60,546	120,127	129,018	50%	0%
Energy	1	10,324	6,983	41,192	39,578	288,249	259,043	22%	9%
<b>Total</b>	<b>27</b>	<b>24,608</b>	<b>9,558</b>	<b>179,652</b>	<b>176,975</b>	<b>862,050</b>	<b>867,338</b>		

Associated companies have not been included in the figures for cash flow.

For associated companies, shareholders' equity and total assets are included in the government's proportion of shareholders' equity.

## Companies with special societal interests

### EARNINGS AND TURNOVER

First-half pre-tax earnings for companies with special societal interests totalled SEK 2,580 m (2,343). The improvement is attributable to higher earnings for LfV (Swedish Civil Aviation Administration), Svensk Bilprovning, Apoteket, Svenska Spel and Venantius. Turnover increased to SEK 24,019 m in the second quarter of 2002, compared with SEK 22,521 m in the second quarter of 2001.

**Industrial goods and services** Companies in this sector report slightly better pre-tax earnings for the first half of 2002 compared with the corresponding period last year. Earnings before tax amounted to SEK -76 m (-126). Samhall's pre-tax earnings were up SEK 95 m on last year, to SEK -3 m.

**Transport** The weak performance of the Swedish airline market continued in the first six months of the year. The total number of passengers arriving and departing on scheduled and charter flights fell by 12 per cent to 13.9 million. The total number of landings dropped by 10 per cent to 163,000.

The most trafficked international route was Stockholm-Copenhagen, with 602,000 passengers, many of whom then fly on from Copenhagen to other international destinations. The most trafficked domestic route was the competitive Stockholm-Gothenburg route, with 604,000 passengers.

Infrastructure revenue increased by SEK 10 m to SEK 1,712 m in the first half of 2002. Commercial operations made up 32 per cent of LfV's operations during the period and revenue from commercial operations therefore had a large impact on LfV's financial result. LfV reported pre-tax profit of SEK 144 m (93) for the

second quarter of 2002 and SEK 111 m (305) for January – June. The result was also affected by positive non-recurring items of over SEK 50 m.

Shipping volumes fell in 2001 as a result of the economic downturn. Shipping revenue declined by around SEK 31 m compared with 2000. The Swedish Maritime Administration reported pre-tax earnings of SEK -16 m (-39) for the second quarter of 2002. A recovery in shipping volumes has been observed since the end of June 2002.

**Durable goods and services** Companies in this sector reported an increase in pre-tax earnings and turnover compared with the first half of 2001. Svensk Bilprovning's first-half pre-tax earnings were up SEK 55 m to SEK 4 m (-51). Turnover increased to SEK 700 m (620).

**Non-durable goods** Apoteket's pre-tax earnings for the first six months of 2002 totalled SEK 8 m (-96). Turnover increased during the same period to SEK 16,012 m (14,961). Systembolaget's first-half turnover rose to SEK 8,898 m (8,411). The company reported a profit before tax of SEK 96 m (150). The change in the company's financial result compared with last year is mainly attributable to altered procedures for cost accrual.

Svenska Spel's second-quarter profits were up almost 12 per cent on last year. Profit before tax totalled SEK 931 m (834). Turnover increased by SEK 650 m to SEK 4,271 m. All of the company's business areas increased their turnover. Turnover from the Jack Vegas and Miss Vegas slot machines rose by 37.4 per cent in the first half of 2002 compared with the corresponding period last year, making the slot machines Sweden's biggest source of gaming income.

The surplus from the slot machines is donated to clubs and associations for young people.

Table 6 Turnover and earnings before tax by sector, SEK m

Sector	No. of companies	Turnover Apr–June 02	Turnover Apr–June 01	Turnover Jan–June 02	Turnover Jan–June 01	Earnings before tax Apr–June 02	Earnings before tax Apr–June 01	Earnings before tax Jan–June 02	Earnings before tax Jan–June 01
Industrial goods and services	5	2,714	2,789	5,378	5,578	-68	-85	-76	-126
Transport	3	1,772	1,653	3,447	3,411	128	54	171	339
Durable goods and services	4	566	512	1,078	984	11	-42	-3	-56
Non-durable goods	3	17,271	15,902	33,684	31,005	1,032	835	2,132	1,873
Finance	3	315	357	626	690	181	46	396	249
Transport-property	3	263	226	463	390	-60	-66	-222	-226
Telecom	1	430	410	831	800	-59	-44	-124	-89
Energy	1	688	672	1,425	1,398	107	113	305	379
<b>Total</b>	<b>23</b>	<b>24,019</b>	<b>22,521</b>	<b>46,931</b>	<b>44,256</b>	<b>1,272</b>	<b>811</b>	<b>2,580</b>	<b>2,343</b>



Finance Venantius increased its pre-tax profit by SEK 135 m to SEK 175 m in the second quarter compared with the corresponding period last year. Second-quarter turnover fell to SEK 277 m (349). First-half earnings before tax totalled SEK 393 m (232).

Telecom Teracom reported pre-tax earnings of SEK -124 m (-89) for January – June 2002. Boxer, a subsidiary selling subscriptions for terrestrial digital TV, made a negative contribution to earnings. However, losses slowed during the period. In the first half of 2002, the Group's turnover increased by around 4 per cent to SEK 831 m compared with the same period last year. The boost in revenue is due to higher revenue from digital TV and continued strong performance within datacommunications and telecommunications. The initial effects of Teracom's action programme are likely to be observed in the financial results by the end of 2002, although the full impact of the programme will not be felt until 2004. Taking into account the effects of planned disposals in 2002, Teracom is expected to post a pre-tax profit of SEK 100 m for the full year.

Energy Svenska Kraftnät's first-half profit before tax amounted to SEK 305 m (379). The national grid has demonstrated good reliability and has withstood the thunder storms that affected many parts of the country. Only 21 MWh – corresponding to the normal electricity consumption of a single family home – was unable to be delivered due to faults in the national grid.

#### CASH FLOW

Cash flow from operating activities was up 33 per cent to SEK 6,635 m (4,990) in the first half of 2002 compared with the corresponding period last year. The improved cash flow was mainly attributable to higher cash flows for Apoteket and LFW. Apoteket's cash flow from operating activities for the first half of the year was SEK 477 m (-641), a year-on-year increase of SEK 1,118 m. LFW also posted a year-on-year improvement in first-half cash flow from operating activities, to SEK 444 m (-36).

#### INVESTMENT

Gross investment declined from SEK 4,260 m to SEK 3,288 m in the first six months of 2002, primarily due to a SEK 890 reduction in investment by LFW compared with the first half of 2001. Teracom and Samhall also reduced their investment.

#### SIGNIFICANT EVENTS

Svenska Kraftnät and the other four Nordic system operators decided on 1 July to expand ownership of the newly established Pool Spot AS. Henceforth, all of the Nordic system operators and Nord Pool ASA – the Nordic power exchange – will be part-owners of the new company.

Svensk Bilprovning has wound up the operations of Bilprovningen International AB. Furthermore, the shares in MTC AB have been sold to the Austrian company, AVL List GmbH.

Svenska Spel. Sweden's third international casino was opened in Gothenburg on 30 August 2002.

Table 7 Investment, investment ratio and cash flow, SEK m

Sector	No. of companies	Investment Jan–June		Investment ratio Jan–June		Investment Apr–June		Investment ratio Apr–June		Cash flow from operating activities Jan–June	
		2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Industrial goods and services	5	81	137	2%	2%	48	60	2%	2%	51	-61
Transport	3	912	1,798	26%	53%	462	824	26%	50%	509	28
Durable goods and services	4	92	27	9%	3%	78	16	14%	3%	18	32
Non-durable goods	3	351	307	1%	1%	176	114	1%	1%	4,308	3,190
Finance	3	78	79	12%	11%	1	2	0%	1%	1,176	1,174
Transport-real estate	3	1,436	1,261	310%	323%	867	714	330%	316%	-50	40
Telecom	1	81	466	10%	58%	46	378	11%	92%	7	-13
Energy	1	257	185	18%	13%	87	135	13%	20%	617	600
<b>Total</b>	<b>23</b>	<b>3,288</b>	<b>4,260</b>	<b>7%</b>	<b>10%</b>	<b>1,765</b>	<b>2,243</b>			<b>6,635</b>	<b>4,990</b>

### THE GOVERNMENT'S MARKET PORTFOLIO

Stockholmsbörsen started the year on a weak note and Affärsvärlden's General Index (AFGX) fell by 3 per cent in the first quarter. The decline accelerated in the second quarter and AFGX fell by 21 per cent. The downturn initially involved companies in the ICT sector; for example, Ericsson shares dropped 75 per cent in the first half of 2002.

The government's market portfolio performed worse than the index, the value falling by just over 26 per cent in the second quarter. On 28 June 2002, the government's market portfolio was worth just over SEK 84 bn, making the Swedish government the biggest shareholder on Stockholmsbörsen.

The poor performance of the government's market portfolio is mainly attributable to Telia's share price, which dropped more than 30 per cent in the second quarter. Handelsbanken's weighted index for eleven former European telecom monopolies fell by 33 per cent during the same period.

AFGX fell by 35 per cent between 1 January and 6 September 2002. The market value of the government's market portfolio fell by 37 per cent during the same period.

### EXECUTIVE AND BOARD APPOINTMENTS

Lernia AB Tomas Eneroth succeeds Bo Dockered as the new chairman of the board. Sven-Runo Bergkvist and Annika Lundius were appointed to the board as new members.

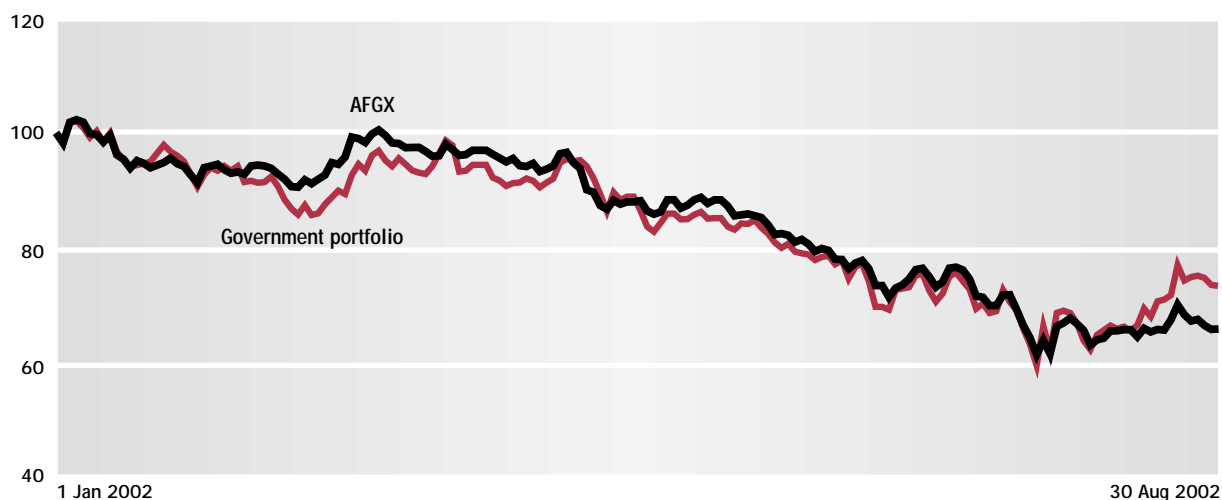
AB Bostadsgaranti Nils Dexe was appointed the new chairman. He succeeds Stig Brink.

SweRoad AB Susanne Lindh was appointed to the board. She succeeds Britt-Marie Utterström.

LFV Göte Bernhardsson was appointed the new chairman. He succeeds Ulf Adelson.

Nordea Lars G Nordström was appointed the new CEO. He succeeds Thorleif Krarup.

Diagram 1 Performance of the government's market portfolio compared with AFGX



Source: Carnegie

Table 8 Market value of the government portfolio, 2000–2002, SEK m

Company	Government holding								
	6 Sep 02	6 Sep 02	28 June 02	28 Mar 02	28 Dec 01	28 Sep 01	29 June 01	30 Mar 01	29 Dec 00
Celtica AB	38.5%	84	89	90	80	75	80	80	62
Nordea AB	18.2%	22,981	27,101	31,979	30,082	28,185	33,605	34,147	38,754
OM AB	9.5%	320	552	1,011	1,103	604	1,103	1,479	1,862
SAS	21.4%	2,291	2,238	2,697	2,397	1,939	3,578	3,349	3,173
Telia AB	70.6%	57,403	54,226	77,950	98,920	97,861	116,501	121,796	102,733
<b>Total</b>		<b>83,079</b>	<b>84,206</b>	<b>113,727</b>	<b>132,582</b>	<b>128,664</b>	<b>154,867</b>	<b>160,851</b>	<b>146,584</b>
<b>Total exc. Telia</b>		<b>25,676</b>	<b>29,980</b>	<b>35,777</b>	<b>33,662</b>	<b>30,803</b>	<b>38,366</b>	<b>39,055</b>	<b>43,852</b>

#### FINANCIAL CALENDAR

- » The interim report for Q3 2002 will be published on 25 November 2002.
- » The year-end report for 2002 will be published in March 2003.
- » The annual report for 2002 will be published in May 2003.

#### ACCOUNTING PRINCIPLES

The report encompasses 50 of a total of 53 state-owned companies, excluding liquidation companies and companies in which the government's participating interest does not exceed 20 per cent (OM Gruppen AB, Nordea AB, Sydkraft SAKAB and SIS Miljömärkning AB). The holding company Civitas Holding AB has not been included, although the report does encompass its subsidiary, Vasakronan AB. Associated companies in which the government's holding exceeds 20 per cent have been included according to the participating interest in terms of earnings.

The following companies have not submitted figures and are therefore not included in the report: Norrland Center AB, Swedish Environment Management Council and Voksenåsen A/S.

In the case of real estate companies, rental income has been viewed as turnover. For finance companies, turnover has been defined as the sum of net interest income, commission and other net income.

For companies that receive government grants, this grant is included in the turnover. For example, this applies to the compensation paid to Samhall to cover additional costs and to the government grants paid to the Royal Swedish Opera and the Royal Dramatic Theatre of Sweden. Svenska Spel is exempt from tax.

#### Definitions

Pre-tax earnings	stated exclusive of minority share.
Net margin	shows the proportion of turnover after costs (before tax) have been covered – pre-tax earnings and minority share as a percentage of turnover.
Investment ratio	gross investment as a percentage of turnover.
Equity/assets ratio	shareholders' equity including minority share as a percentage of total assets.
NBSK	Northern Bleached Softwood Kraft – price of market pulp.
NORSCAN stocks	Nordic and North American pulp producers' stocks of chemical pulp.
Return on shareholders' equity	net earnings as a percentage of average shareholders' equity.

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The state is the largest owner of companies in Sweden. Around 200,000 people work in state-owned companies. The sector harbours substantial wealth and includes some of Sweden's largest companies. Accordingly, the state has an important responsibility to be an active and professional owner. The overall objective for the government is for the companies to generate wealth and, where relevant, to serve specific societal interests. The quarterly interim reports are an instrument for increasing the transparency of state-owned companies.

Previous interim reports and annual reports are available in Swedish on:  
[www.naring.regeringen.se/fragor/statliga\\_foretag](http://www.naring.regeringen.se/fragor/statliga_foretag)

Also available in English on:  
[www.naring.regeringen.se/inenglish/areas\\_of/state\\_owned/index.htm](http://www.naring.regeringen.se/inenglish/areas_of/state_owned/index.htm)



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