

R E P O R T F O R T H E P E R I O D

January - June 2000

F R O M T H E S W E D I S H
G O V E R N M E N T O F F I C E S

Government-owned Companies

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REGERINGSKANSLIET

Ministry of Industry, Employment
and Communications, Sweden

Report for the period January – June 2000 from the Swedish Government Offices

The Government is Sweden's biggest owner of enterprises in terms of employee numbers; Sweden's Government-owned companies have a total headcount of over 200,000. These corporations harbour substantial values and include some of Sweden's biggest companies. Accordingly, the Government has an important responsibility to be an active and professional corporate owner, providing clear objectives and guidelines regarding the progress of its corporations. The over-arching goal is to create value and – where relevant – serve specific societal interests.

As a step in the process of increasing the transparency of Government-owned companies, the Swedish Government Offices are publishing this second Quarterly Report, presenting the companies. The quantitative information provided relates to the period January to June. The Report includes a review of significant events during the second quarter and after the end of the quarter.

This Report for the January-June period encompasses 42 of a total of 63 Government-owned companies. The enterprises included in this Report represent 97 per cent of total employee headcount and 98 per cent of sales in the 59 companies in which the Government's holding exceeds 20 per cent.

An eventful second quarter

Sales for comparable companies were up by 6 per cent, or SEK 8 bn, on the corresponding period of the previous year, amounting to a total of SEK 140.8 bn. Earnings before tax increased by 39 per cent or SEK 4.4 bn, reaching a total of SEK 15.8 bn. The improvement was attributable to sharply improved earnings in the commodities sector (forest products and iron ore), as well as the aviation industry and Posten AB (Sweden Post).

Substantial extraordinary revenues for Telia and SJ (Swedish Rail) in the first quarter also had a positive impact. Adjusted for these extraordinary items, half-year earnings rose by 4 per cent or SEK 0.4 bn, totalling SEK 12.2 bn. Accordingly, earnings growth in forest products and aviation offset lower result for Vattenfall AB and Lernia AB.

The second quarter was an eventful period for Sweden's Government-owned companies. The two events to attract the greatest media attention were the stock market flotation of Telia AB and the completion of the Öresund road/rail link between Denmark and Sweden.

The flotation of the Telia stock on OM Stockholm Exchange created a genuine share for the stakeholder society—nearly one in every eight Swedes holds Telia stock. The Öresund Link was inaugurated after the end of the period, on 1 July. The Government's decision to assign the Swedish National Grid to provide broadband for all Sweden's municipalities will play a key role in Sweden's continued long-term evolution as an IT society.

The period was also characterised by a high acquisi-

tion activity. Government-owned companies invested a net total of SEK 23 bn in corporate acquisitions, which are largely attributable to Telia and Vattenfall.

The following is a list of corporate governance activities undertaken by the Swedish Government Offices in the second quarter:

- Work associated with Annual General Meetings and the appointment of new Boards was completed during the period. The proportion of women amounts to 32 per cent, up four percentage points on the previous year. The Boards have an average of seven regular members.
- The Ministry of Finance's Corporate Unit presented the owners' assignments and guidelines in terms of dividend policies, financial and other objectives. Boards of the companies under management were reduced and renewed through the appointment of an average of 20 per cent of new members.
- According to external commentators, Government-owned companies comprise approximately 25 per cent of Sweden's domestic business sector. If these companies take the initiative to market, sell and buy services and products via the Internet, this not only increases efficiency and adds value but also contributes to allowing the Swedish business sector to develop into one of the world's most advanced and

dynamic business environments. Against this background, the Minister of Industry, Employment and Communications invited some of the larger corporations to an informal workshop in early September, with the purpose of discussing the potential for value creation through network economy initiatives. The Ministry of Industry, Employment and Communications will be arranging further seminars for Government-owned companies during the autumn.

- The presentation of **Government-owned companies for 2000** was published in August and was presented to Parliament on 4 August (reference 1999/2000:120 Government-owned Companies 2000). The report includes a presentation of the Government's ownership policy and is available at www.naring.regeringen.se/fragor/statliga_foretag in both Swedish and English or can be ordered via e-mail stina.johannesson@industry.ministry.se, tel. +46 (0)8 405 29 63, or fax +46 (0)8 405 12 98.

- The Swedish Government Offices' administration is being progressively enhanced. The Ministry of Finance is in the process of developing evaluation models for those companies whose assignments include a significant degree of societal interest. The Ministry of Industry, Employment and Communications is currently undertaking a project including a review of Government-owned companies' dividend policies and financial targets. The Ministry of Industry, Employment and Communications' organisational resources for the stock market flotation of Telia AB have been wound up according to plan.
- The Swedish Government's ownership policy have also attracted international attention. For example, the OECD has shown an interest in the Swedish Government's ownership policy and is arranging a seminar on the corporate governance of Government assets in September, where Sweden will participate.

Second quarter 2000

The companies included in this Quarterly Report represent 97 per cent of the total number of employees and 98 per cent of revenues. The report includes only those companies where the Government's holding amounts to at least 20 per cent. Around ten companies have been exempt from reporting as they are in liquidation. The Swedish National Maritime Association and the Swedish Board of Civil Aviation have not been included because these bodies report on a four-monthly basis.

No quarterly information has been provided for the following companies (Government ownership holding in brackets):

- A-Banan projekt AB (100%)
- Bostadsgaranti, AB (50%)
- Dom Shvetsii, A/O (36%)
- Grängesbergs Gruvor AB (100%)³⁾
- Kurortsverksamhet, AB (100%)³⁾
- The Swedish Board of Civil Aviation¹⁾
- Nordic Baltic Holding AB (18,1%)²⁾
- Norrland Center AB (33,3%)
- OM Group AB (9,42%)²⁾
- Sakab (1 share)²⁾
- SIS Eco-Labeling AB (10%)²⁾
- The Swedish National Maritime Administration¹⁾
- SKD företagen (100%)³⁾

- The Swedish Environmental Management Council AB (90%)
- Sveriges Geologiska AB (undergoing liquidation) (100%)³⁾
- Voksenåsen A/S (100%)
- Zenit Shipping AB (100%)³⁾

¹⁾ Reports on four-monthly basis

²⁾ Government ownership holding below 20 per cent

³⁾ In the process of being wound up

Because this is the first year in which the Swedish Government Offices is collating quarterly reports, comparative figures for the first half-year 1999 are not available for some companies. In such cases, the full-year figures for 1999 have been apportioned.

For certain sectors, some parameters are not representative; for real estate corporations, rental revenue has been classified as sales, while for financial companies, sales have been defined as the aggregate net total of net interest income, commission and other revenue. For operations receiving grants, such amounts have been included under sales (e.g. additional cost remuneration to Samhall and grants to the Royal Dramatic Theatre).

Prices at the consumer level increased by 1.2 per cent between the first half-year 1999 and 2000, while wages rose by 2.5-3.5 per cent.

Table 1 Government-owned companies by sector, January - June 2000, SEK m

Sector	No. of companies	Sales, H1 2000	Change in sales, % H1 2000/1999	Earnings before allocations and tax		Net margin, H1 2000
				H1 2000	H1 1999	
Utilities	2	16,735	7%	2,899	3,286	17%
Industry, commodities	5	18,783	14%	2,348	1,097	13%
Services	10	2,456	2%	-113	-102	-5%
Trading, leisure, tourism	6	29,430	7%	2,059	2,472	7%
Telecom	3	26,899	2%	3,886	2,360	14%
Transport	7	41,886	3%	3,328	646	8%
Banking	5	1,156	-1%	595	869	52%
Real estate	3	3,486	9%	813	770	23%
Total	41¹⁾	140,831	6%	15,815	11,398	11%

The figures were influenced by non-recurring compensation to Swedish Rail of SEK 1,900 m in the first quarter and by capital gains amounting to SEK 1,689 m in Telia.

¹⁾ Excluding Statum Holding.

The commodities industry exhibited the highest sales growth, with AssiDomän's and LKAB's markets recovering with both higher prices and rising volumes. Sales were up by 14 per cent, or SEK 2.6 bn, to SEK 18.8 bn. Earnings before tax more than doubled to SEK 2.3 bn. Net margins also improved in the second quarter, climbing from 11 per cent in the first quarter to 15 per cent in the second.

In the energy sector, sales were up by 7 per cent to SEK 16.7 bn, largely attributable to Vattenfall's acquisition of a 55 per cent holding in Electrocieplownie Warszawskie SA. However, earnings before tax declined by close to SEK 400 m, largely because of falling electricity prices, which eroded Vattenfall's operating margin in the electricity product area by 5 per cent to 22.6 per cent. Vattenfall forecasts sustained low margins from electricity sales.

The service providers posted sales growth of 2 per cent to SEK 2.5 bn, while the sector as a whole presented a loss of SEK 113 m, with the deficit attributable to Lernia AB, Samhall AB and The Swedish Motor Vehicle Inspection Company AB, the latter forecasting a full-year 2000 loss of SEK 90 m. The company posted a loss of SEK 12 m in the first half-year. With regard to Lernia AB, personnel hire subsidiary Lernia Personaluthyrning noted substantial success on its market, with this venture now outgrowing the sector average, at retained healthy profitability. SOS Alarm Sverige AB's half-year figures were satisfactory, although revenue was slightly below budget, primarily due to the hesitant performance in the consulting services area.

Government-owned companies within the areas of trading, leisure and tourism also exhibited sales growth of 7 per cent to SEK 2 bn to SEK 29.4 bn. However, ear-

nings deteriorated by SEK 400 m to just over SEK 2 bn. The earnings decline is largely attributable to the influence of decisions relating to margin adjustments on the Swedish National Pharmacy Corporation.

The telecom sector which is dominated by Telia AB, experienced sales growth of 3 per cent to SEK 26.9 bn in the first half-year. Excluding extraordinary revenue in Telia during the first half-year, the telecom sector's earnings declined by 7 per cent or SEK 174 m to a total of SEK 2.2 bn.

The transportation sector saw sales growth of more than SEK 1 bn. The sector is dominated by SAS, Sweden Posten and Swedish Rail, with Swedish Rail reducing the half-year figures with a 3 per cent sales drop as a result of competing companies taking over traffic between certain destinations. Sweden Post and SAS improved their earnings, while Swedish Rail presented unchanged earnings adjusted for extraordinary revenue. Comments on SAS's earnings performance follow table 5 below. Sweden Post's earnings growth from SEK 30 m in the first half-year 1999 to SEK 500 m in the second half of 2000 was due to positive revenue growth, primarily in the parcels business and the Swedish postal giro system. Swedish Rail earnings amounted to SEK 63 m excluding extraordinary revenue against SEK 45 m for the corresponding period of 1999. For full-year 2000, Swedish Rail is expected to post a minor deficit, excluding items affecting comparability. The second-half year will be weighed down by increased track fees totalling SEK 60 m net and SEK 100 m in expenses for the incorporation project.

The real estate and banking sector posted rising sales growth with retained healthy profitability.

Table 2 Cash flow and total assets, Government-owned companies by sector, January - June 2000, SEK m

Sector	No. of companies	Cash flow H1 2000	Cash flow H1 1999	Equity 30 June 2000	Total assets, 30 June 2000
Utilities	2	4,814	2,566	40,483	107,354
Industry, commodities	5	1,408	1,147	24,995	50,309
Services	10	95	40	6,750	11,616
Trading, leisure, tourism	6	4,268	4,263	5,101	14,749
Telecom	3	5,003	4,587	48,100	110,408
Transport	7	8,543	772	23,657	168,954
Banking	5	97	105	13,781	340,854
Real estate	3	1,079	974	17,416	49,967
Total	41 ¹⁾	25,308	14,454	180,282	854,211

The energy sector's cash flow improved significantly, largely due to Vattenfall's consolidation of Electrocieplownie Warszawskie SA.

¹⁾ Excluding Stattum Holding.

The transportation sector has transformed a negative cash flow into a positive, largely because of Sweden Post's cash flow from ongoing operations of SEK 8,057 m, mainly derived from higher postal giro deposits. Excluding the postal giro's operations, Sweden Post's cash flow from ongoing operations was SEK -564 m. SAS's cash

flow rose by approximately SEK 500 m to SEK 1.1 bn. Svenska Spel has a positive cash flow of SEK 3.7 bn. However, Swedish Rail posted a negative cash flow of SEK 282 m.

Lernia AB and aerospace player Swedish Space Corporation also posted negative cash flows.

Table 3 Net investment including Corporate acquisitions and divestments by Government-owned companies by sector, January – June 2000, SEK m

Sector	No. of companies	Net investments, SEK m			Investment ratio (of sales, %)		
		H1 2000	H1 1999	1999	H1 2000	H1 1999	1999
Utilities	2	13,411	2,500	9,287	80%	16%	31%
Industry, commodities	5	1,303	1,310	3,357	7%	8%	10%
Services	10	364	216	662	15%	9%	14%
Trading, leisure, tourism	6	268	331	644	1%	1%	1%
Telecom	3	20,833	5,236	12,546	77%	20%	23%
Transport	7	4,579	3,977	3,060	11%	10%	4%
Banking ¹⁾	5	-1	12	179	0%	1%	8%
Real estate	3	2,141	2,459	5,666	61%	77%	86%
Total	41 ¹⁾	42,898	16,042	35,401	30%	12%	13%

¹⁾ Excluding Stattum Holding.

Investments, including corporate acquisitions and divestments, rose sharply by SEK 27 bn, from SEK 16 to SEK 43 bn between the first half-years of 1999 and 2000. Excluding corporate acquisitions and divestments, the increase amounts to SEK 4 bn, from SEK 12.5 to 16.6 bn. Accordingly, the first half-year 2000 was an extremely expansive period in the Government company sphere with net investments totalling SEK 23 bn, which were largely attributable to Vattenfall AB and Telia. Vattenfall's corporate acquisitions largely relate to the first quarter of the year.

Energy sector investments have increased as a result of Vattenfall's acquisitions totalling SEK 11.5 bn, which

included the acquisition of a 55 per cent stake in Electrocieplownie Warszawskie SA and 25.1 per cent of Hamburgische Electricitäts-Werke (HEW).

Telecom advanced sharply compared to the first half-year 1999, largely due to goodwill of more than SEK 11 bn coincident with Telia's acquisition of NetCom ASA.

The transportation sector's investments were dominated by increased investment activity by SAS, totalling SEK 0.7 bn, this upturn attributable to investments in aircraft and other aviation materiel. In the real estate sector, Akademiska Hus AB maintained a high investment level of over SEK 1 bn.

Table 4 Quoted Government-owned companies as of 30 June and 30 December 1999 and 30 June and 14 September 2000

Company	Government holding as of 14 Sept. 2000	14 Sept. 2000	30 June 2000	31 March 2000	30 Dec. 1999	30 June 1999
AssiDomän	35.5	6,217	5,272	6,007	5,818	5,377
Celtica	38.5	66	56	60	52	48
Nordic Baltic Holding	18.1 ¹⁾	34,689	36,044	24,933	27,101	26,938
OM Group	9.42	3,793	2,527	2,309	1,218	616
SAS Sverige	50.0 ²⁾	2,556	2,309	2,556	2,679	2,573
Celsius ³⁾				1,232	749	
Summa		47,321	46,208	35,864	36,868	35,552
Telia ⁴⁾	70.6	144,043	175,817			
Totalt inklusive Telia		191,364	222,025	35,864	36,868	35,552

¹⁾ 25.9 per cent before April 2000. ²⁾ 21.4 per cent of SAS Group. ³⁾ Divested in March 2000. ⁴⁾ Quoted on 13 June 2000

The Government owns shares in six quoted corporations, with ownership stakes in Nordic Baltic Holding AB and OM Group AB dropping below 20 per cent, implying that these corporations have been excluded from the tables detailing sales, earnings and investments.

The flotation of Telia, where 29.4 per cent of the shares were sold off, led to a five-fold increase in the portfolio of listed Government-owned companies, making the Government the biggest shareholder on OM Stockholm Exchange, with just under 5 per cent of aggregate market capitalisation. The value of the portfolio of listed Government-owned companies amounted to SEK 222 bn at the end of the first half-year, including Telia. As of 14 september, the value of the portfolio had declined to SEK 191 bn.

Excluding Telia the portfolio was worth SEK 46.2 bn on 30 June, implying an increase of 30 per cent or SEK 10.4 bn in the quarter; these gains due to a resolute

advance by Nordic Baltic Holding. OM Group also traced positive share price performance during the quarter, while AssiDomän and SAS Sweden's share prices slightly underperformed Affärsvärdens Generalindex (AFGX), which lost 7 per cent over the quarter.

Subsequently, in the period until 14 september, the Government portfolio excluding Telia and the new purchases of shares in the OM Group, rose 1 per cent, or SEK 0.4 bn, simultaneous with the AFGX rising by 3 per cent. The Nordic Baltic Holding share made a limited correction, while other shares gained 10 – 20 per cent.

In the second quarter, the Government received SEK 1,374 m in dividends from quoted corporations. This corresponds to a dividend yield of 3.7 per cent calculated on year-end share prices. In the corresponding period of the previous year, the figure was SEK 1,311 m, implying a dividend yield of 3.3 per cent.

Table 5 Share price performance for quoted companies in which the Government has a holding, June 1999 – 14 September 2000

Company	Closing price, SEK					Change			
	14/9 -00	30/6 -00	31/3 -00	30/12 -99	30/6 -00	12 months 30/6 -99 - 30/6 -00	6 months 30/12 -99 - 30/6 -00	3 months 31/3 -00 - 30/6 -01	To date 00 30/12 -99 - 14/9 -00
AssiDomän	148	125.5	143	138.5	128	-2	-9	-12	7
Celtica	62	52.5	56	48.5	45	17	8	-6	28
Nordic Baltic Holding	64	66.5	46	50	49.7	34	33	45	28
OM Group	480.5	394	360	190	96	310	107	9	153
SAS Sverige	72.5	65.5	72.5	76	73	-10	-14	-10	-5
Celsius				176	107				
Telia	68	83							
Share price performance of the Government's corporate portfolio excl. Telia and Celsius	134	133	103	102	100	33	30	29	31
Affärsvärdens Generalindex (AFGX), Dec 1979=100	6,018	5,828	6,246	5,500	3,873	50	6	-7	9

The stock market flotation of Telia was effected on 13 June and encompassed 882,921,739 shares of the 3,001,200,000 total.

More than one million private individuals became owners of Telia alongside a large number of Swedish and international institutional investors. The sell-off of Telia's shares raised a total of SEK 75 bn of which, SEK 12.2 bn for the company in the form of a share new issue. The Government holding amounts to 70.6 per cent after the sell-off.

The Telia share was floated at SEK 85. In the period until 14 September, the share price had declined to SEK 68 or 20 per cent. This performance is similar to that for the two other listed Swedish telecom operators: Europolitan and NetCom AB. A weighted index of Europe's former nationalised PTOs declined by 18 per cent in the same period.

- KPN-44%
- Deutsche Telekom-34%
- TeleDanmark.....-22%
- Telia-20%
- France Telecom-18%
- British Telecom.....-14%
- Europeiskt snitt-18%

AssiDomän's sales in the first half-year rose by over 8 per cent to SEK 13.4 bn, while operating earnings almost doubled, reaching SEK 1.5 bn. The earnings growth was due to the solid market position and to internal profitability gains. The market situation for the majority of *AssiDomän*'s products remains favourable. After the end of the quarter, *AssiDomän* resolved to propose a share redemption of approximately SEK 4.5 bn. The relevant Extra General Meeting is scheduled for 9 October.

Nordic Baltic Holding completed the merger with UniDanmark in April, leaving the Swedish Government's holding at 18.1 per cent. The new constellation is the Nordic region's leading financial group with assets of €186 bn (SEK 1,566 bn). The Bank's offer to Norway's Christiania Bank/Kreditkassen of NOK 44 per

share has been extended, although the Norwegian Government has again announced a postponement of its decision. *Nordic Baltic Holding* returned revenue growth of 20 per cent to €3,032 m (2,521) in the first half-year, corresponding to SEK 25.4 (22.6) bn compared to the pro forma figures for the corresponding period in 1999. Operating earnings after goodwill amortisation were €1,359 (1,054) m.

OM Group's revenue increased by 52 per cent to SEK 1,409 (928) m. Earnings net of financial items rose to SEK 473 (268) m, including an item affecting comparability of SEK 100 m in repaid VAT for 1995-99). *Jiway*, OM's cross-border equity trading joint venture with Morgan Stanley Dean Witter, was presented at the end of May and comes on stream in November 2000. OM has an ownership holding in *Jiway* of 60 per cent. At the end of August, OM presented a bid for the London Stock Exchange. In June to August 2000, the Government acquired further shares in the OM Group, its holdings thereby increasing from 7.7 to 9.42 per cent. This acquisition constitutes the consummation of the intentions expressed in the 1997 Spring budget.

SAS's sales rose by 5 per cent to SEK 22.1 bn; operating earnings before depreciation were up by 25 per cent to SEK 1.2 bn; first-half net earnings before tax were SEK 753 m. Higher fuel costs had an adverse earnings impact of SEK 712 m compared to the corresponding period in the previous year. Despite a severe increase in fuel prices, the company retains its full-year forecast of net earnings before tax of approximately SEK 1 bn.

Telia's sales in the first half-year increased by 3 per cent to SEK 26.0 bn, while operating earnings before depreciation and extraordinary revenue declined by 16 per cent to SEK 6.1 bn. The primary cause of the earnings downturn related to increased costs of customer acquisitions within mobile telephony. However, forward-looking areas are in solid growth, particularly mobile telephony, where *Telia* has won market shares in the second quarter this year in particular. Demand for broadband was extremely brisk; *Telia* signed agreements with landlords for broadband connections to 557,000 Swedish households.

Significant events in April - June 2000

Stock market flotation of Telia AB

Telia AB was floated on OM Stockholm Exchange on 13 June. The Government's sell-off of 29.4 per cent of the shares created Sweden's most commonly held share – 945,000 Swedes held shares in the company at the end of the first half-year. Coincident with the launch, Telia completed a new issue that raised SEK 12.2 bn after issue expenses.

Öresund Link inaugurated

The Öresund Link opened for traffic on 1 July. The traffic forecast for the period July – December is 13,700 vehicles every 24 hours. On the basis of the experience of the Stora Bält Bridge in Denmark, "novelty" traffic is estimated at approximately 6,000 vehicles every 24 hours. However, the first few months' traffic suggests that the calculations are over-estimating the "novelty" effect because the actual figures for July fell slightly short of expectations. The original forecast of 13,700 vehicles every 24 hours remains unchanged for the second half-year.

Postgirot Bank AB up for sale

On 30 June, Sweden Post signed a letter of intent regarding the sale of Postgirot Bank AB to Svenska Girot AB. The purchase price will amount to SEK 4 bn. Sweden Post will allocate these funds to areas including the build-up of a new service network with high accessibility and to developing its messaging and logistics businesses. The transaction requires the approval of the Swedish Competition Authority and the Swedish Financial Supervisory Authority. Notification from these two bodies is expected by no later than December.

National grid agency Swedish National Grid builds out broadband to all Sweden's municipalities

The Government has assigned Swedish National Grid to build out a high-bandwidth backbone network interlinking all Sweden's municipalities. The objective is that all major municipal towns will be connected to a high-bandwidth nationwide network by December 2002. The build-out is to be effected by means of installing optical fibre cable in the national grid. The project is to be undertaken on market terms, and to be internally financed by Swedish National Grid. The investment is expected to cost a total of SEK 2.5 bn.

Swedish Export Credit Corporation — new ownership structure

An agreement relating to the new ownership structure of Swedish Export Credit Corporation was reached on 29 June. Sweden's banks, which previously owned 50 per cent alongside the Government, which previously also owned 50 per cent, have sold their shares to ABB.

At the same time, the Swedish Government increased its holding to 65 per cent after a bonus issue. In its role as new owner, ABB will support the ongoing expansion of Swedish Export Credit's product offering by providing access to new markets and through its long-standing relationships with borrowers around the world. Swedish Export Credit's public role and risk profile will remain unchanged.

Company acquisitions and divestments

Lernia AB entered as part-owner of Att Veta AB – an e-learning company initiated jointly with Förenade Kommunföretag AB, Metall, Skandia, SKAF and SKTF. The company will become operational in the autumn.

Posten AB transferred its international parcel operations to Pan Nordic Logistics AB (PNL), jointly owned by the Danish, Norwegian and Swedish post offices, as of 1 May. As planned, the Danish and Norwegian post offices also transferred their international parcel activities to PNL during the summer.

SAS initiated the airline industry's biggest Internet-based B2B market place, Aeroxchange, in collaboration with twelve other airlines after the end of the quarter. British Midland and Mexicana joined the Star Alliance. SAS International Hotel (SIH) divested the Radisson SAS Scandinavia Hotel in Oslo.

Swedish Rail sold the real estate Royal Viking Hotel in Stockholm to Nordisk Renting AB, also in Stockholm (after the end of the quarter). At the same time, Swedish Rail also sold all its shares in operational corporation Royal Viking Hotel AB to Nordisk Renting. In August, Swedish Rail divested its holding in Scandlines AB to Stena Line AB for SEK 560 m. The divestments are a step in Swedish Rail efforts to focus on core operations. Towards the end of May, Parliament resolved to approve the government's proposal to change its form of incorporation from a government enterprise to a limited company.

Swedish Space Corporation and Europe's leading satellite operator, SES-Astra in Luxembourg, signed an agreement to operate Nordiska Satellit AB (NSAB) through equal 50 per cent holdings on 14 July. This increased Swedish Space Corporation's ownership from 37.5 per cent to 50 per cent via the acquisition of 12.5 per cent from TeleDanmark AS. SES-Astra acquired 37.5 per cent from Teracom AB and 12.5 per cent from TeleDanmark AS. The two owners' collaboration agreement stipulates that Swedish Space Corporation assume responsibility for satellite control in Kiruna in the north of Sweden. NSAB is set to continue its expansion.

sion, with the intention of focusing on new product areas and additional satellites.

Telia AB acquired 51 per cent of Norwegian mobile operator NetCom ASA at the end of June, becoming the Nordic region's biggest mobile operator with over 4 million mobile customers. After the end of the period, Telia gained control over 99 per cent of the shares in NetCom ASA.

Teracom AB has applied for a 3G license in a consortium including Ratos AB and Nomura. Teracom AB divested its 37.5 per cent stake in Nordiska Satellit AB to SES-Astra (see also Swedish Space Corporation above).

Other significant events

Akademiska Hus AB completed the first bond issue under its EMTN (Euro Medium Term Notes) programme amounting to 150 m Swiss Francs during the spring.

AssiDomän AB gained approval from the EU Commission regarding the sale of its sacking operations, the Sepap and Dynäs mills, plus Barrier Coating to Frantschach AG. The transaction was concluded in August and the Board intends to transfer the majority of the proceeds to the shareholders.

Stattum Holding paid out dividends of SEK 11.4 bn to the government in June. The earnings are largely derived from the divestment of shares in Pharmacia & Upjohn Inc. in January 1999.

AB Göta kanalbolag initiated a three-year collaboration with all municipalities, county councils and county administrative boards bordering the Göta Canal ahead of the 2000 season. The collaboration implies joint marketing initiatives including tourism packages directed at various target groups, resulting in an increased number of visitors to the region bordering the Göta Canal. The objective is to attain 3 million visitors by the end of the three-year period, making the Canal Sweden's most popular tourist attraction.

IRECO Research and Competence Holding AB signed an agreement with representatives of Swedish industry relating to a partnership in a further two industrial research institutes.

LKAB decided to introduce an incentive programme targeted at all employees from 1 July 2000.

On 21 May, a severe fire broke out at the Svappavaara sinter pellet facility, causing extensive damage and resulting in a production shutdown until late June. The company has insurance cover for the damage, and half-year earnings will not be charged with any expenses associated with the fire. On 3 May, all operations at LKAB's port at Narvik were halted as a result of strike action in Norway. Although the strike lasted for six days, the delays have not disrupted production at LKAB's customers and have not reduced output at LKAB's mines.

The Swedish National Housing Finance Corporation's "Discount Mortgages for Internet Applicants" campaign was concluded successfully and was well received on the market. More than one in two customers, 60 per cent, applied for The Swedish National Housing Finance Corporation mortgages. The campaign is expected to have generated some SEK 3.5 bn of inflows from the private market so far this year, a very substantial increase. One further effect is that the share of the corporation's mortgage applicants using the Internet has doubled, and now exceeds 50 per cent.

Swedish Rail introduced traffic to Copenhagen as a result of the opening of the Öresund Link. At the beginning of May, SJ Resor (Travel) reinstated passenger traffic on the Gothenburg-Malmö route, following the bankruptcy of Sydvästen AB earlier in May.

SOS Alarm Sverige AB has launched a major forward-looking program, Nova 2005, with implications including the company changing its technology platform and focusing on specialist skills development. Demands for a minimum required rate of return and a dividend policy were presented at the SOS Alarm Sverige AB's Annual General Meeting. The minimum return is to average 8 per cent of total shareholders' equity over rolling five-year periods. SOS Alarm Sverige AB is to adopt a minimum dividend payout ratio of 5 per cent of total shareholders' equity. The AGM resolved to distribute SEK 6.9 m to shareholders.

Svenska Spel, AB: the lottery legislation inquiry and the new gambling and lottery inquiry presented their final conclusions "From Tombola to the Internet" (ref. SOU 2000:50) and "Club Activities on the Gambling and Lottery Market" (ref. SOU 2000:9). Both reports are currently under consideration. Greyhound racing, a new form of gambling in Sweden began, generating revenues approaching SEK 100 m between its April start and the end of the first half-year.

Vattenfall has broken into the German and Polish markets via the acquisitions of 25.1 per cent of Hamburgische Electricitäts-Werke AG (HEW), with sales of approximately SEK 20 bn, and 55 per cent of the shares in Elektrocieplownia Warszawa, the City of Warsaw's combined heating and power provider. Vattenfall is also focusing on broadband networks via investments running into several billion kronor in the build-out of a nationwide backbone network at regional level.

V&S Vin & Sprit's US distributor of ABSOLUT VODKA, The Seagram Company Ltd., announced its intention in June to establish a new global media and communications company together with media players Vivendi and Canal+. In connection with the deal, Seagram announced that its wine and spirits operations no longer can be considered as a strategic asset in the new company.

Appointments/resignations of Chief Executive Officers and Chairmen after 31 March 2000

A-Banan projekt AB: Sven Bärström was appointed Chairman, succeeding Ingemar Skogö.

Civitas AB och Vasakronan AB: Egon Jacobsson was appointed Chairman, succeeding Rune Brandinger.

Vasallen AB: Pär Nuder was appointed Chairman, succeeding Håkan Bryngelson.

Kasernen Fastighets AB: Christer Alvemur was appointed Chairman, succeeding Bengt A W Johansson.

Nordic Baltic Holding AB: Vesa Vainio replaced Jacob Palmstierna as Chairman in April.

Swedish Rail: Kjell Nilsson was appointed new CEO of SJ Resor. He joined SJ from SL, the Stockholm regional transport authority. Jan Sundling was appointed new CEO of SJ Cargo Group AB, joining SJ from Pan Nordic Logistics AB.

The Swedish Motor Vehicle Inspection Company: Olof Johansson was appointed Chairman in May 2000 succeeding Stig Malm; Hans Tivéus is temporary CEO from 25 April, succeeding Per Egon Johansson.

Svedab: Mats Wemming replaced Karl-Otto Sicking as CEO.

Swedish Travel and Tourism Council: Karl-Erik Strand replaced Anders Wallgren as CEO on 1 August.

Vattenfall AB: Gerhard Larsson replaced Jörgen Andersson as Chairman in May. Bertil Tiusanen was temporary CEO in the period April-July. Lars G. Josefsson was appointed CEO in August; Mr. Josefsson joined Vattenfall from Celsius AB where he presided over the divestment of the company to Saab when he was CEO.

V&S Vin&Sprit AB: Peter Lagerblad was appointed CEO in April. Egon Jacobsson will remain as Deputy Chairman for one year.

Forthcoming Reports

The Third-quarter Report will be published on 30 November with the Financial Statement scheduled for publication in March 2001.

The First-quarter 2000 report is available at www.naring.regeringen.se/fragor/statliga_foretag.

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