

Interim report for state-owned companies January–June 2007



The Swedish state is an important company owner in Sweden. The Swedish Government Offices administer 55 companies, of which 42 are wholly owned and 13 partly owned. Four companies are listed on the stock exchange. These companies represent substantial values and are large employers. Furthermore, they are ultimately the property of all Swedish taxpayers. The state therefore has a great responsibility to be an active and professional owner. The Government's overall objective is for the companies to create value and, in appropriate cases, to ensure that societal interests are fulfilled.

The Government Offices interim reports for state-owned companies aim at contributing to transparency and the evaluation of state-owned companies. The Government also publishes an annual report for state-owned companies with a view to providing an integrated and clear picture of its administration of the state-owned companies and to make it possible to evaluate the development of this administration during the year.

Interim report for state-owned companies January–June 2007

The period January–June 2007

- Turnover increased by 10 per cent to SEK 177.2 (161.3) billion.
- Profit before tax was SEK 36.3 (36.4) billion.
- Net profit increased by 8 per cent to SEK 30.3 (27.9) billion.
- Gross investments increased by 7 per cent to SEK 16.3 (15.2) billion.
- On 3 May, the state sold around 359 million shares in TeliaSonera for around SEK 18 billion.
- On 20 June, the Swedish parliament, the Riksdag, adopted the Government Bill Sale of Certain State-owned Companies.
- The value of the state's listed portfolio has decreased since the turn of the year by 14 per cent from SEK 173.9 billion to SEK 149.3 billion, mainly due to sale of shares.
- The consolidated accounts have been affected by changed accounting principles and sale of shares in TeliaSonera.

The second quarter of 2007

- Turnover increased by 9 per cent to SEK 85.0 (78.0) billion.
- Profit before tax increased by 2 per cent to SEK 15.8 (15.4) billion.
- Net profit increased by 20 per cent to SEK 14.9 (12.4) billion.
- Gross investments increased by 19 per cent to SEK 9.1 (7.7) billion.

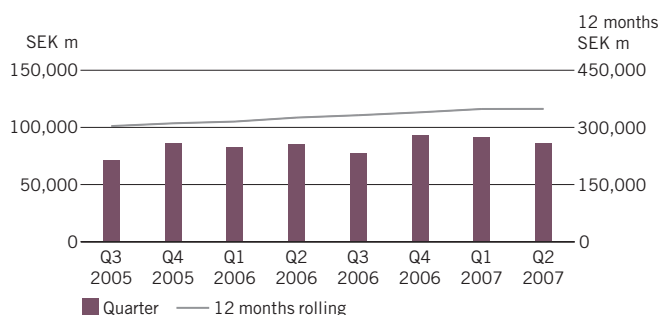
STATE-OWNED COMPANIES, TOTAL

SEK million	Apr–June 2007	Apr–June 2006	Change %	Jan–June 2007	Jan–June 2006	Change %	Jan–Dec 2006
Net turnover	84,993	78,009	9	177,176	161,255	10	338,819
Changes in value	2,059	1,555	32	3,116	2,048	52	6,882
Operating profit	16,283	16,183	1	37,678	37,693	0	70,248
Profit before tax	15,751	15,399	2	36,298	36,359	0	67,055
Profit from wound-up operations	29	1,029	97	150	1,160	-87	1,134
Net profit	14,944	12,454	20	30,286	27,925	8	55,274
– Attributable to shareholders in parent company	14,633	12,220	20	29,589	27,203	9	54,068
– Attributable to minority interests	311	234	33	697	722	-3	1,206
Gross investments	9,141	7,698	19	16,346	15,240	7	35,083
Cash flow from operating activities	8,629	13,144	-34	9,068	29,744	-70	42,804

SEK million	Jan–June 2007	Jan–June 2006	Jan–Dec 2006
Equity attributable to shareholders in parent company	296,887	274,914	304,267
Equity attributable to minority interests	12,577	10,978	12,193
Total shareholders' equity	309,465	285,892	316,460
Total assets	1,149,225	1,091,797	1,109,487
Average no. of employees	130,329	127,425	127,362
Average no. of employees, including associated companies	183,263	187,402	182,263

%	2006
Return on equity	18.7
Equity attributable to minority interests	24.3

TURNOVER



TURNOVER

Turnover for state-owned companies increased by 10 per cent from SEK 161.3 billion to SEK 177.2 billion during the first half of the year. Vattenfall accounted for 34 per cent of the increase in turnover and 42 per cent of the total turnover for the state-owned companies. Posten, SEK and Apoteket contributed with large increases in turnover in absolute terms. SJ and SBAB accounted for large percentage increases in turnover during the first half of the year.

The second quarter

Turnover for the second quarter rose by 9 per cent, from SEK 78,009 to SEK 84,993 million.

Vattenfall accounted for 24 per cent of the increase in turnover and 38 per cent of the total turnover of the state-owned companies. Posten, LKAB and SEK reported large absolute increases in turnover compared with the second quarter of last year.

PROFITS

The total profit before tax was SEK 36.3 (36.4) billion for the first half year of 2006. Vasakronan, Svenska Spel, Posten, LKAB and Sveaskog accounted for large increases in profit in absolute terms. Vattenfall reported a SEK 1,766 million lower profit before tax compared with the same period last year. Profit before tax for Vattenfall amounted to SEK 15,719 (17,485) million. Sale of shares in TeliaSonera had a negative effect on the overall result. Systembolaget more than halved its contribution to overall profit before tax. Akademiska Hus, Vin & Sprit, SVEDAB, SOS Alarm Sverige, Samhall and Lernia reported a substantial deterioration in earnings compared with the first six months last year.

The second quarter

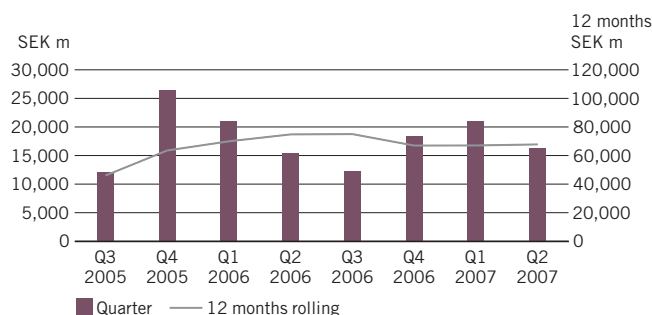
Turnover improved in the second quarter by 9 per cent, from SEK 78,009 million to SEK 84,993 million. Vasakronan, LKAB, Svenska Spel and Posten contributed large increases in profit in absolute figures. The sale of shares in TeliaSonera had a negative effect on the overall result for the second quarter. Vattenfall, Akademiska Hus and Vin & Sprit reported a considerable deterioration in profit compared with the second quarter last year.

The sale of shares in TeliaSonera and changed accounting principles in certain companies have affected the consolidated turnover and result for state-owned companies.

GROSS INVESTMENTS

Gross investments increased by 7 per cent during the first half of the year from SEK 15.2 billion to SEK 16.3 billion. It was primarily Vattenfall and LKAB that contributed to the increased investment level. Akademiska Hus, Vasakronan, Vasallen, and

PROFIT BEFORE TAX



Apoteket also contributed with increased investments compared with the same period last year. Posten, Vin & Sprit and Systembolaget reported considerably lower investments than in the same period last year, which is mainly explained by their having reported large investments last year, including several major acquisitions.

The second quarter

Investments rose by 19 per cent from SEK 7,698 million to SEK 9,141 million in the second quarter. It was primarily Vattenfall and LKAB that contributed to the increased level of investment. Posten reported considerably lower investments compared with the second quarter last year due to the acquisition of Strålfors that was included then.

CASH FLOW

The cash flow from operating activities amounted to SEK 9,068 (29,744) million during the first half of the year. Excluding companies in the financial sector (SBAB, SEK and Venantius), the cash flow from operating activities totalled SEK 32,195 (29,498) million.

Apoteket, LKAB, Vasakronan and SJ have sharply improved their cash flows compared with the same period last year. Excluding companies in the financial sector, Akademiska Hus, Samhall and Vin & Sprit reported a deterioration in cash flows compared with last year.

The second quarter

Cash flow from operating activities was SEK 8,629 (13,144) million in the second quarter. Excluding companies in the financial sector, the cash flow from operating activities was SEK 17,399 (16,999) million. Apoteket, SJ, Specialfastigheter and Sveaskog have sharply improved their cash flows, compared with the second quarter last year. Vattenfall, Vin & Sprit, Green Cargo, Swedfund, Samhall and Vasallen reported a deterioration in cash flows compared with the second quarter last year.

DEVELOPMENT OF VALUE OF THE STATE'S LISTED PORTFOLIO

The market value of the state's listed portfolio decreased during the report period by 14 per cent from SEK 173.9 billion to 149.3 billion compared with the market value at the end of 2006. This fall in value is mainly explained by the state's sale of shares in TeliaSonera. Excluding the state's shareholding in TeliaSonera, the market value of the state's listed portfolio, compared with the market value at the end of 2006, has increased by 9 per cent from SEK 59.5 billion to SEK 64.6 billion. OMX Stockholmsbörsen's all share-index rose during the same period by 9.5 per cent.

OTHER IMPORTANT EVENTS**Sale of shares in TeliaSonera**

On 3 May 2007, the state sold the equivalent of 8 per cent of its shares in TeliaSonera. This sale took place through what is commonly known as an accelerated book-building-process. The investment banks Deutsche Bank AG and UBS Investment Bank led the transaction. After the sale, the state's ownership share in TeliaSonera decreased from 45.3 to 37.3 per cent. The price was set at SEK 50 per share. 359,236,578 shares were sold to some 200 institutional investors of which 70 per cent were foreign institutions. The sale of shares has affected the consolidated result and the turnover of state-owned companies.

Decision on the Government Bill Sale of Certain**State-owned Companies**

On 20 June, the Riksdag adopted the Government Bill Sale of Certain State-owned Companies (Government Bill 2006/07:57, bet. 2006/07:NU16, rskr. 2006/07:222.). The Government was then authorised to initiate the sales process and reduce ownership of six companies: Civitas Holding AB which owns Vasakronan, Nordea Bank, OMX, SBAB, TeliaSonera and V&S Vin & Sprit. In the case of Nordea, OMX and TeliaSonera, authorisation had previously been given to reduce state ownership.

EARNINGS FOR THE LARGEST COMPANIES

Vattenfall's turnover increased by 8 per cent to SEK 73,721 (68,384) million. Profit before tax decreased by 10 per cent to SEK 15,719 (17,485) million. This deterioration in earnings for the report period is mainly explained by lower earnings in electricity distribution and reduced sale of heating. This reduction mainly derives from business activities in the Nordic countries although activities in Germany and Poland have also reported deteriorations. Net financial items improved to SEK -949 (-1 038) million. Earnings for Vattenfall have varied sharply during the year. The largest part of the annual earnings is normally earned during the first and fourth quarter when the demand for electricity is highest.

During the second quarter, turnover amounted to SEK 32,077 (30,371) million. Profit before tax was to SEK 5,015 (5,275) million.

TeliaSonera's net turnover increased by over 4 per cent to SEK 46,625 (44,716) million during the first half of the year. The net effect of acquisitions and divestments affected sales positively by 2.6 per cent, while exchange rate changes produced a negative effect of 3.4 per cent. The increase in turnover is mainly explained by the increase in sales in mobile operations reinforced by the acquisition of Debitel in Denmark earlier

and the positive development of Yoigo in Spain. The sale of broadband services showed an increase driven by, among other things, the increase in subscriptions and the acquisition of NextGenTel in Norway in 2006. The decrease in fixed telephony in Sweden slackened off. Operations in Eurasia continued to show strong growth with an increase in net turnover of 23 per cent in various local currencies.

Profit before tax was SEK 11,577 (11,602) million. The compilation of results for the accumulated result includes the state's share of TeliaSonera's net profit at SEK 4,318 (5,256) million. The EBITDA margin improved to 32.4 (35.2) per cent.

During the second quarter, net turnover increased by 5 per cent to SEK 23,901 (22,737) million. Profit before tax was SEK 5,645 (6,060) million.

SAS's turnover increased by over 3 per cent to SEK 30,133 (29,131) million. Profit before tax was SEK 323 (-909) million. Earnings have been negatively affected by SEK 300 million due to strikes. The state's share of SAS's result was SEK 67 (-159) million. The number of passengers increased during the first half of the year by 5.8 per cent to SEK 20.1 (19.0) million.

Traffic development (RPK, Revenue Passenger Kilometres) increased by 3.3 per cent compared with the same period last year. The Group's yield amounted to 1.15 (1.14). The Group's costs for aviation fuel amounted to SEK 4,911 (4,890) million compared with the same period last year. Adjusted for the positive currency effect due to a weaker US dollar, fuel costs increased by SEK 428 million due to higher price and increased volume. In addition, operating costs increased due to an increased number of passengers, increased capacity and higher costs for technical maintenance in SAS Individually Branded Airlines. The Group has previously launched a cost savings programme consisting of savings of SEK 2.8 billion, which is expected to have an effect on earnings in 2008 and 2009. At the end of the second quarter, 14 per cent of the cost savings had been implemented.

During the second quarter, turnover increased to SEK 16,294 (16,155) million and profit before tax was SEK 800 (442) million.

Apoteket's net turnover amounted to SEK 19,804 (18,698) million. Income from sales of pharmaceutical products, primarily prescribed medicines, increased by 3.7 per cent to SEK 13,215 million. The contract-based sales, i.e. sales to county council, municipal and private health care increased by 12.1 per cent to SEK 3,345 million. Sale of self-care products rose by 12.7 per cent to SEK 2,956 (2,622) million. Profit before tax was SEK 335 (182) million.

During the second quarter, net turnover amounted to SEK 9,988 (9,451) million. Profit before tax was SEK 167 (149) million.

SUMMARY OF THE TEN LARGEST COMPANIES

Company ¹⁾	Net turnover, SEK million			Operating profit, SEK million			Net profit, SEK million			Return on equity, % ²⁾		
	Jan-June 2006	Jan-June 2007	Whole year 2006	Jan-June 2006	Jan-June 2007	Whole year 2006	Jan-June 2006	Jan-June 2007	Whole year 2006	Jan-June 2006	Jan-June 2007	Whole year 2006
Vattenfall	68,384	73,721	135,802	18,523	16,668	27,049	11,378	13,487	19,858	20.2	19.8	18.7
TeliaSonera (37.3%) ³⁾	44,716	46,625	91,060	11,620	11,857	25,489	9,000	8,876	19,283	13.0	16.1	13.2
SAS (21.4%)	29,131	30,133	60,613	-462	605	1,224	-511	560	4,740	1	3	37.8
Apoteket	18,698	19,804	37,269	160	330	600	131	241	447	9.8	15.8	15.8
Posten	13,126	15,062	27,823	1,070	1,388	1,442	864	1,045	1,013	40	19	19
Svenska Spel	9,784	10,455	20,281	2,135	2,567	4,763	2,141	2,702	4,807	100	111.6	102.5
Systembolaget	8,949	9,480	19,026	268	94	559	211	122	419	20.8	17.1	20.6
LKAB	7,428	8,334	14,615	3,047	3,282	6,256	2,219	2,436	4,597	30.3	25.5	27.1
V&S Vin & Sprit	4,842	4,683	10,345	1,085	878	2,275	626	580	1,577	24.7	22.4	22.3
Svensk Exportkredit	3,699	5,142	8,028	249	293	501	177	211	356	9.0	9.9	9.1

1) The table shows the 10 largest companies measured by net turnover

2) Rolling 12-months

3) Ownership share in TeliaSonera was 2006 (45.3%)

Important events during the second quarter of 2007 until 14 September for the largest companies

- **V&S Vin & Sprit** entered the Chinese spirits market. Together with one of the three foremost Chinese manufacturers of the spirits beverage baijiu, JianNanChun (JNC), which is second largest in the country in terms of volume of output, the V&S Group has created a joint company which is to produce a product portfolio with premium-quality baijiu brands. The new company is 51 per cent owned by the V&S Group and 49 per cent by JNC.
- **LKAB's** board decided in August to invest in four new main-line locomotives and 222 ore trucks in ongoing programmes to make the logistics operation more efficient.
- **Vattenfall** is investing a total of SEK 13 million in a project within Uppsala University's basic research to develop wave power. The project intends to study and evaluate energy production from wave power in a pilot facility in Skagerak, around 2 km west of Lysekil.
- **Vattenfall** and Volvo have signed a cooperation agreement on sustainable energy deliveries. The agreement includes, among other things, delivery of environmental product declared hydroelectricity, trade with emission rights and an offer of energy efficiency improvements to all of Volvo's facilities in Sweden.
- **SAS Group** sold its remaining ownership share (6.7 per cent) in Rezidor to Carlson Companies. The price was SEK 57.7 per share or a total of SEK 584 million. After the transaction, Carlson's ownership share is 41.7 per cent in Rezidor and SAS AB's ownership share 0 per cent.
- **Posten** is expanding in Norway. Posten is expanding its business in Norway through its subsidiary Posten Logistik. Around 700 collection points where Norwegian consumers can collect parcels ordered are being established under the brand name of MyPack. Through the new collection network, Posten Logistik provides companies with a new robust alternative in the Norwegian market.
- **TeliaSonera** completed its purchase of MCT in July for SEK 2.0 billion. MCT is a company based in the United States with majority control in three Eurasian GSM operators in Uzbekistan and Tadjikistan and a small minority share in the leading GSM operator in Afghanistan.
- **TeliaSonera** offered free wireless broadband last summer when telephone kiosks became internet surfing kiosks. Over 700 new surf zones were created with fast wireless connection. First to be upgraded were the kiosks in Stockholm, Göteborg and Malmö.
- **Svenska Spel** launched the new gaming responsibility tool "Spelkoll". In connection with this, Svenska Spel is introducing compulsory age control of slot machine games and expanded controls of compliance with age control in stores.
- **Systembolaget** is selling all store properties – around 100 after a decision by the board. The sale will not affect the store activity in the properties. The sale of the property holding starts at the end of September. The advisor/broker in the sale is Newsec. The value is considered to amount to around SEK 1 billion.
- **Apoteket** carried out a nationwide sales campaign this year, in stores, on the web and on TV. The intention was to increase knowledge about safe sunbathing.
- **Apoteket** introduced a new service on 3 September which means that customers throughout Sweden who use foodstuffs for special nutritional purposes can receive home delivery within five working days of order. The service is an additional step to make Apoteket more accessible for customers.

Posten's turnover increased during the first half of the year by 15 per cent to SEK 15,062 (13,126) million. This increase in turnover is explained by a continued strong level of economic activity combined with intensive marketing efforts which have led to increased turnover in distribution of direct advertising. Profit before tax increased by 31 per cent to SEK 1,481 (1,133) million during the period. The improvement in earnings is explained by improved income and rationalisation of production. Posten's new operational structure, which was introduced on 1 January 2007, has reduced costs by SEK 150 million primarily in administration. Posten reported lower investments compared with the same period last year. This reduction is explained by the acquisition of Strålfors being included in reported investments last year.

During the second quarter, turnover amounted to SEK 7,358 (6,567) million. Profit before tax increased compared with the second quarter last year to 31 per cent to SEK 588 (449) million.

Svenska Spel's gross gaming income increased by 7 per cent to SEK 10,350 (9,691) million. Net gaming income, i.e. gross gaming income reduced by the winners' share, increased by 10 per cent to SEK 4,689 (4,250) million. Operating income

increased by 20 per cent to SEK 2,567 (2,135) million. Earnings increased by 26 per cent compared with the same period last year to SEK 2,702 (2,141) million. Division Direkt which mainly consists of the Internet & telephone and Casino business areas accounted for the largest increase. This increase is mainly explained by the continued growth of Poker which was launched in March 2006, but also sport and number games have reported strong growth.

During the second quarter, gross gaming income amounted to SEK 5,084 (4,843) million and earnings amounted to SEK 1,260 (1,033) million.

The proposed appropriation of profits for 2006 was adopted at Svenska Spel's annual general meeting on 25 April. Of the company's profits of SEK 4,807 (4,569) million, SEK 3,437 (3,417) million goes to the state and SEK 1,370 (1,151) million to organisations.

Systembolaget's turnover amounted to SEK 9,480 (8,949) million, which is an increase of 6 per cent. During the first half year, 194.3 (181.7) million litres of beverages were sold, which is an increase of almost 7 per cent. Profit before tax decreased to SEK 124 (291) million. This deterioration in earnings is mainly explained by capital gains from property sales corresponding



Photo: Per G. Norén

to SEK 69 million being included in the corresponding period last year.

Age control measures the proportion of occasions on which an ID has been requested of customers aged under 25 as a percentage of the number of control purchases carried out by persons aged from 20 to 25. During the first six months, age control amounted to 85 per cent, which is lower than the corresponding period last year. This decrease is explained by the introduction of a new measurement method with harder quality requirements for implementation of control purchases, which has led to a deterioration in comparability with previous values.

During the second quarter, turnover amounted to SEK 5,233 (4,936) million. Profit before tax was SEK 115 (169) million.

LKAB's net turnover increased by 12 per cent to SEK 8,334 (7,428) million. LKAB's total production of iron ore products amounted to 11.9 (11.5) Mt during the first half of the year. Total deliveries amounted to 12.3 (11.7) Mt. The level of production during the second quarter was negatively affected by the strike among employees in production during May. Profit before tax increased to SEK 3,471 (3,130) million. The improvement in earnings is mainly due to increased deliveries and price increases.

During the second quarter, turnover increased to SEK 4,335 (3,597) million. Profit before tax was SEK 1,155 (704) million.

V&S Vin & Sprit's turnover decreased by 3 per cent from SEK 4,842 million to 4,683 million. The aggregate sales volume increased by 2 per cent to 12.1 (11.9) million 9-litre boxes. Operating profit decreased by 19 per cent from SEK 1,085 million to SEK 875 million. Adjusted for changes in exchange rates, mainly the lower US dollar, capital gains and divestments, operating profit increased by 4 per cent during the period. The business area V&S Absolut Spirits shows continued sound organic growth. The level of investment decreased compared with the same period last year; this reduction is explained by the acquisition of Cruzan Rum being included in investments last year. Profit before tax was SEK 580 (626) million.

During the second quarter, turnover amounted to SEK 2,460 (2,604) million. Profit before tax decreased compared with the second quarter of last year to SEK 381 (598) million.

Svensk Exportkredit's (SEK) net interest income amounted to SEK 394.1 (394.1) million. The average volume of debt-financed assets increased by 14 per cent to SEK 222 (195) million. The average margin on these assets decreased by 13 per cent to 0.27

State-owned companies can be divided into two groups:

- **Companies operating under market conditions.** They operate in fully competitive markets with free entry and full competition. The owner, the state, makes market requirements for earnings and return based on the respective company's risk profile, and assessment takes place on the basis of these requirements. In certain cases, special explicit owner requirements are also made.
- **Companies with special societal interests.** They operate mainly on markets with special conditions. Some of these companies operate wholly or partly without competition while others are fully competitive. Special targets are set for these companies, and the required return can accordingly differ from what is normal in

competitive activities. Assessment and follow-up are based partly on qualitative parameters derived from socio-economic and sector policy goals and efficiency/performance requirements. The demands for, for instance, cost effectiveness can be at a high level even though other goals are very important. The degree of societal interest and control by the owner differ greatly between the companies in this group.

- More information about the follow-up and evaluation of state-owned companies can be found in the Annual Report for State-owned Companies for 2006.

(0.31) per cent per year. The lower average margins are explained by lower margins in the credit portfolio which are due to older credits with higher margins falling due for payment. During 2007, SEK has changed over to reporting its result in compliance with IFRS and its capital adequacy in accordance with Basel II. Profit before tax increased by 18 per cent to SEK 293 (249) million.

During the second quarter, net interest income was SEK 193 (199) million and profit before tax SEK 132 (124) million.

EARNINGS FOR OTHER LARGE COMPANIES

Sveaskogs turnover was SEK 3,748 (3,191) million. This increase is due to higher timber prices and increased supply volumes. During the period, operating profit improved sharply from SEK 686 million to SEK 980 million. Profit before tax increased to SEK 859 million from SEK 541 million. Sales of forest properties produced a contribution to earnings of SEK 188 (187) million.

During the second quarter, net turnover amounted to SEK 1,968 (1,647) million. Profit before tax was SEK 367 (311) million.

Green Cargo's net turnover amounted to SEK 3,037 (2,932) million. Profit before tax was SEK 120 (126) million. The deterioration in earnings is partly explained by increased personnel costs in the second quarter and negative effects in the first quarter of storms in Sweden and a major train derailment in Germany. The punctuality of goods trucks was 95 per cent, measured as a rolling 12-month value, which is at the level required by the market.

During the second quarter, turnover increased to SEK 1,520 (1,468) million. Profit before tax was SEK 81 (71) million.

SJ's net turnover for the first two quarters of the year amounted to SEK 4,056 (3,086) million. The increased income is mainly due to a continued increase in travel. The airline strike during the period had some impact. The increase in travel takes place mainly on longer routes and X2000 traffic has therefore been increased by more carriages, faster connections and an increase in summer traffic. Profit before tax was SEK 343 (244) million. The improvement in earnings is explained by increased income which has been counteracted by higher costs, including higher operating and personnel costs. The investment in service and quality on board trains has increased personnel costs.

During the second quarter, net turnover amounted to SEK 2,067 (1,575) million. Profit before tax was SEK 219 (134) million.

Akademiska Hus rental income amounted to SEK 2,285 (2,262) million. The vacancy ratio amounted to 3.5 (4.1) per cent. Profit

before tax was SEK 1,217 (1,419) million. The yield on properties calculated on a full-year basis is estimated at 5.9 (6.0) per cent. The market value for Akademiska Hus's management properties amounted at the end of the period to SEK 48,377 (45,574) million. The deterioration in earnings compared with the same period last year is mainly explained by deterioration in net financial items due to higher interest rates since the turn of the year and an increased proportion of refurbishment projects.

During the second quarter, rental income amounted to SEK 1,138 (1,122) million and profit before tax to SEK 579 (802) million.

Vasakronan's rental income amounted to SEK 1,432 (1,337) million. The rental level of renegotiated and new leases increased by 5 (4) per cent. The vacancy ratio continued to decrease to 5 (7) per cent of the rental income due to large new lettings. Profit after net financial items (before realised and unrealised change in value) increased to SEK 777 (677) million. Profit before tax including realised and unrealised change in value amounted to SEK 3,243 (2,260) million. The market value of Vasakronan's property portfolio was SEK 41,243 (35,826) million. Realised change in value was SEK 6 (63) million. Unrealised change in value amounted to SEK 2,422 (1,520) million, which corresponds to 6.4 per cent of the market value as at 31 December 2006.

During the second quarter, rental income amounted to SEK 717 (673) million. Profit before tax including realised and unrealised changes in value amounted to SEK 2,380 (1,537) million.

Teracom's turnover increased by 12 per cent to SEK 1,629 (1,457) million. This positive development is mainly due to a continued increase in sales in the radio TV and pay TV segment. During the first half of the year, the number of digital TV subscriptions increased by 14 per cent to 678,000 subscriptions compared with 594,000 subscriptions the same period last year. Profit before tax was SEK 274 (207) million.

During the second quarter, turnover amounted to SEK 830 (748) million. Profit before tax was SEK 136 (100) million.

Lernia's net turnover increased by 13 per cent to SEK 1,173 (1,041) million. The increase in turnover is explained by a continued demand for manning services from the corporate market. Manning activities increased by 51 per cent to SEK 568 (376) million. Profit before tax was SEK 44 (81) million. The deterioration in earnings despite the increase in turnover is explained by deterioration in profitability in the educational business, Lernia Utbildning, which is due to a slackening market for labour market training.

During the second quarter, turnover rose 6 per cent to SEK

596 (564) million. Profit before tax was SEK 6 (40) million.

SBAB's net interest income decreased from SEK 628 million to SEK 612 million during the first half of the year. The residential mortgage market is characterised by very tough competition and a trend towards lower margins. At the same time, net interest income has been positively affected by higher interest rates. Operating income amounted to SEK 685 (689) million. The loan portfolio totalled SEK 169.7 (170.0) billion. During the first six months of the year, new lending to the private market amounted to SEK 10,673 (15,314) million. New lending in the corporate market increased from SEK 3,122 million to SEK 5,294 million.

SBAB's market share for the residential mortgage market has decreased to 8.8 (9.5) per cent while the market share for the corporate market has increased slightly to 13.9 (13.8) per cent.

Operating profit was SEK 418 (376) million. Net interest income amounted to SEK 612 (628) million. The deterioration in income is explained by lower net commission and higher expenses.

During the second quarter, net interest income increased from SEK 308 million to SEK 298 million and operating profit was SEK 203 (120) million.

Specialfastigheter's rental income increased from SEK 543 million to SEK 557 million. The increase relates to rent received for completed projects in the subsidiaries *Kriminalvårdsfastigheter* and *Polisfastigheter*. However, the rent has decreased slightly due to divestments made during 2006. Profit before tax was SEK 289 (238) million. The improvement in earnings is mainly explained by lower unrealised reductions in value for management properties during the period.

Important events in other companies during the second quarter of 2007 and until 14 September 2007

- **Green Cargo** and **Posten** have together developed a new transport system for faster and more environmentally friendly transport. This solution includes new flexible trucks which can easily be switched between road and rail transport. This creates the prerequisites for Posten to send more consignments by train instead of by plane.
- **Green Cargo** and **Åhléns** have signed an agreement, which means that Åhléns changes over from lorry transport to an arrangement which combines lorry and rail and lorry transport in distribution of hanging clothes. This agreement means a halving of the impact on the climate of transport to and from Åhléns department stores and stores in Sweden.
- **Green Cargo** will receive SEK 39 million to reduce its impact on the climate from the Swedish Environmental Protection Agency within the framework of the climate investment programme, called Klimp, which is a state support to municipalities and other actors which carry out long-term investments to reduce emissions of greenhouse gases.
- **Green Cargo** has concluded an agreement on its largest investment to date. The train manufacturer Bombardier will modernise 104 locomotives for an order value of SEK 1.1 billion, with an option for total modernisation of a further 76 locomotives.
- **The Swedish Space Corporation** has concluded an agreement with the power company E-on for a satellite-based communication service to link their head office with a large number of facilities in Sweden.
- **The Swedish Space Corporation** has been given the main responsibility by ESA for the new European satellite project Proba 3. This commission is based on the expertise obtained by the Space Corporation through the Prisma project.
- **Akademiska Hus** has, during the second quarter, cut the first sod for Pedagogikum in Uppsala which is planned to be completed by the end of 2009 for an estimated cost of SEK 560 million.
- **Lernia** concluded a framework agreement with, among others, Vattenfall and Alfa Laval for leasing technical white-collar staff and skilled craft workers.
- **SJ** launched in May a new customer programme SJ Prio. The customer programme provides points for every journey and other purchases which can be used to purchase new journeys or other service. To simplify travel, SJ introduced ticket-less travel on all train departures in May. The booking confirmation is sent by SMS or e-mail.
- **SJ** takes over train services to Northern Norrland from 14 June 2008. The traffic undertaking covers the route Göteborg/Stockholm – Umeå – Luleå – Kiruna – Riksgränsen – Narvik. The agreement runs for five years with possible extension and is worth over SEK 2 billion.
- **Sveaskog** has inaugurated two ecoparks during the period, Ejheden in Dalarna and Dubblabergen in Norrbotten. The ecoparks are large landscapes with high nature values which Sveaskog conserves and develops.
- Within **Sveaskog's** land sale programme, 56 transactions were carried out during the second quarter. 10 transactions were made with the Swedish Environmental Protection Agency for land for creating nature reserves and replacement land. Sveaskog also carried out 42 other land transactions. The total purchase price was SEK 152 million.
- **Teracom** has carried out a transition to digital TV in Norrbotten, Västernorrland and Jämtland.
- **Teracom** has been entrusted with the continued and extended commission as supplier to Nokia Siemens Networks for maintenance and expansion of parts of the 3GIS infrastructure network for 3G mobile telephony.
- **Bilprovningen** has achieved top results in the customer satisfaction survey which was carried out in the second quarter among private and corporate customers. 93 per cent of private customers and 81 per cent of corporate customers were satisfied with everything from booking and registration of arrival to the reception by and ability to explain of inspection staff. Furthermore, the NKI value (Satisfied Customer Index) rose to 4.19 for corporate customers and 4.26 for private individuals.

Decisions and initiatives from the Government and the Riksdag.

- The Riksdag decided in June to grant **Samhall** additional funds of SEK 104 million for the current year in a supplementary budget. This means that the equivalent of 450 people with disabilities can be offered work during autumn 2007.
- In connection with the Riksdag in June adopting the Government's Spring Fiscal Policy Bill (Government Bill 2006/07:100, bet. 2006/07:FiU21, rskr. 2006/07:222), the Government was authorised to divest the whole or parts of the shareholding in **Arbetslivsresurs**, and to extend the previous authorisation to provide SEK million to handle various forms of risk in connection with the creation and start phase of the company. The remaining SEK 30 million was provided in the budget at the end of June.
- The Government received the report of the **National Post and Telecom Agency** with proposals on regulation of the functional separation between telecom operators with a dominant position in the access network (copper network). This work aims at creating clear rules of play for all players in the market. All are to receive equal treatment when they want to have access to the access network (copper network).
- **Svenska Spel** received a two-year extension of the licences that terminated at the turn of the year 2006/2007.
- On 20 June, the Government commissioned a special investigator to propose a long-term **Swedish regulation of gaming**. The new regulation shall safeguard and strengthen the social protection aspects and counteract addition to gambling, fraud and criminality. This investigation is expected to conclude its work on 15 December 2008.
- The Riksdag made a decision on 14 June that **Posten's** commission to provide payment mediation via Svenska Kassaservice would cease on 1 January 2009.
- **The decision on the bill Sale of Certain State-owned Companies**. The Riksdag decided on 20 June to adopt the Government Bill Sale of Certain State-owned Companies (Government Bill 2006/07:57, bet. 2006/07:NU16, rskr. 2006/07:222). The Government was thereby authorised to initiate the process of selling and reducing ownership in six companies: Civitas Holding AB which owns Vasakronan, Nordea Bank, OMX, SBAB, TeliaSonera and V&S Vin & Sprit. As regards Nordea, OMX and TeliaSonera, authorisation had already been granted previously to reduce state ownership.

During the second quarter, rental income amounted to SEK 278 (269) million and profit before tax to SEK 156 (–87) million.

Samhall's turnover including additional cost compensation amounted to SEK 3,886 (3,698) million. Additional cost compensation for the period amounted to SEK (2,209) 2,152 million. Profit before tax was SEK 31 (58) million, which is a decrease of 46 per cent. Earnings have been affected by capital gains for divestment of fixed assets of SEK 28 (52) million. The number of transitions for employees with disabilities to employment with another employer amounted to 525 (544) persons, which, in rolling 12-month values corresponds to 5.2 (5.2) per cent. The target set by the Government is 5 per cent. The number of hours worked amounted to 12.9 (12.5) million. According to the agreement, the number of hours worked for the whole year of 2007 amounts to at least 24 million. Recruitment from prioritised groups (the mentally ill, those with intellectual impairments and persons with multiple disabilities) was 27 (32) per cent.

During the second quarter, turnover amounted to SEK 2,004 (1,893) million. Profit before tax was SEK 16 (17) million.

Svensk Bilprovning's turnover amounted to SEK 798 (783) million. Profit before tax was SEK 65 (25) million. The improvement in earnings is mainly explained by lower operating expenses and increased production volume. The total production volume increased by 1.7 per cent to 2,921,071 (2,871,504) inspections. The large increase in volume took place in the product group Re-inspections which increased by 3.4 per cent.

During the second quarter, turnover amounted to SEK 419 (418) million. Profit before tax was SEK 40 (19) million.

SVEDAB's turnover amounted to SEK 402 (367) million, which is an increase of around 10 per cent. During the first half of the year, income from road traffic increased by 15 per cent to SEK 264 million. On average, 17,000 vehicles crossed the Öresund

Bridge every day (24-hour period), an increase of around 19 per cent. The number of train passengers increased by 26 per cent. Road traffic charges account for 66 per cent of the income. Income from train traffic is controlled by a fixed price agreement between the Swedish National Rail Administration and the Öresundsbro Consortium. The number of train passengers does not affect the group's income, although road traffic is affected by the number of passengers.

During the second quarter, turnover amounted to SEK 223 (198) million. Profit before tax was SEK 291 (170) million.

SOS Alarm's turnover amounted to SEK 359 (341) million, which is an increase of around 5 per cent. This increase is explained by volume increase and index adjustment. Profit before tax was SEK 4.8 (16.7) million. The deterioration in earnings is mainly explained by last year's effect of the contract signed in June 2006 for the 112 emergency service where compensation was regulated retroactively from the turn of the year. The costs of new undertakings in the agreement were, however, incurred only during the second half of the year.

During the second quarter, turnover amounted to SEK 179 (179) million. The loss before tax was SEK –4.8 (13.3) million.

SP Sveriges Tekniska Forskningsinstitut's turnover amounted to SEK 384 (361) million, which is an increase of 6 per cent. Profit before tax was SEK –2.5 (–0.6) million. This deterioration in earnings derives both from the parent company and the subsidiary SIK. In the case of the parent company, this is explained by start-up costs for new competence centres and EU projects and costs for the change of name and new graphic profile and in the case of SIK by weak demand combined with lack of co-financing.

During the second quarter, turnover increased to SEK 203 (200) million. Profit before tax was SEK 0.4 (6.8) million.

State ownership of listed companies

On 3 May, the state sold the equivalent of 8 per cent of its shares in TeliaSonera. After the sale, the state's ownership share of TeliaSonera has decreased from 45.3 till 37.3 per cent. 359,236,578 shares were sold to some 200 institutional investors of which 70 per cent were foreign institutions. The price was set at SEK 50 per share.

The market value of the state's listed portfolio decreased by 14 per cent from SEK 173.9 billion to SEK 149.3 billion compared with the market value at the end of 2006. The reduction in value is mainly explained by the state's sale of shares in TeliaSonera. Excluding the state's listed holding in TeliaSonera, the market value of the state's listed shareholding, compared with

the market value at the end of 2006, increased by 9 per cent from SEK 59.5 billion to SEK 64.6 billion. OMX Stockholm-börsen's all share-index rose during the same period by 9.5 per cent.

From the turn of the year until 14 September, the market value of the state's listed portfolio decreased by 9 per cent, from SEK 173.9 billion to SEK 158.7 billion. Excluding the state's holding in TeliaSonera, the market value of the state's listed portfolio has increased by 8 per cent compared with the market value at the end of 2006 from SEK 59.5 billion to SEK 64.6 billion. OMX Stockholm-börsen's all share-index rose during the same period by 1.7 per cent.

MARKET VALUE OF THE STATE PORTFOLIO IN LISTED COMPANIES, SEK million

Company	Ownership share, %	No. of shares	Market value on 14.09.2007	% since year-end	Market value on 30.06.2007	% since year-end	Market value on 31.12.2006
Nordea Bank AB	19.9	515,601,104	58,521	8	57,490	6	54,396
OMX AB	6.60	7,993,466	1,962	95	1,639	63	1,007
SAS AB	21.4	35,250,000	4,080	-1	5,587	36	4,107
TeliaSonera AB ¹⁾	37.3	1,674,310,553	94,180	-18	84,553	-26	114,387
Total			158,743	-9	149,268	-14	173,897

1) On 3 May 2007, the Swedish state sold over 359 million shares, equivalent to 8 per cent of the state's holding.

After the transaction, the holding amounts to over 1,674 million shares, corresponding to 37.3 per cent of the ownership in TeliaSonera AB.

NORDEA, price development in SEK



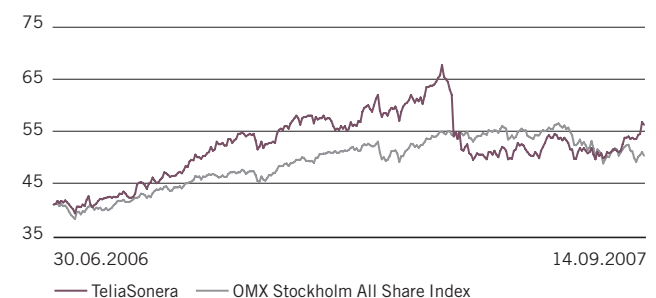
OMX, price development in SEK



SAS, price development in SEK



TELIASONERA, price development in SEK



Changes in executive managements and board

CHANGES IN EXECUTIVE MANAGEMENT AND BOARDS FROM 20 MAY

CHIEF EXECUTIVE OFFICERS

Company	Taking up appointment	Leaving
Green Cargo	Sören Belin took up appointment on 1 July 2007	Jan Sundling
Göta Kanalbolaget		Claes-Göran Österlund
IRECO Holding	Peter Holmstedt took up appointment on 1 September 2007	Håkan Widmark
Innovationsbron	Peter Strömbäck took up appointment on 1 September 2007	Peter Holmstedt
Lernia	Johan Lagerhäll appointed as CEO in 2007	Ingemar Alserud
SP	Maria Khorsand took up appointment on 1 October 2007	Claes Bankvall
TeliaSonera	Lars Nyberg took up appointment on 3 September 2007	Anders Igel

BOARD MEMBERS

Company	Taking up appointment	Leaving
V&S Vin & Sprit	Patrik Jönsson	

Accounting principles

47 of 55 state-owned companies are included in the report. Companies where the state holding is less than 20 per cent, companies in the process of being wound up or which are defined as 10/24 companies* are not included in the report (OMX AB, Nordea Bank AB, Innovationsbron AB, SIS Miljö-märkning AB, A/O Dom Shvetsii, Zenit Shipping AB, Svenska Miljöstylningsrådet and Norrland Center). Furthermore, Civitas Holding AB has not been included, although its subsidiary Vasakronan AB has been included. Associated companies, with an ownership share exceeding 20 per cent, have been included according to the share of the result.

For property companies, rental income has been treated as turnover. For financial companies, turnover has been defined as the total of net interest income, commission and other net income. For activities with appropriations or other funds from the state, this is included as turnover. This applies, for instance, to Samhall's compensation for additional costs and appropriations for Kungliga Operan and Kungliga Dramatiska Teatern AB. Svenska Spel is exempt from tax.

Some of the companies in the consolidated accounts have adjusted their historical comparative figures for various reasons. In the cases where the changes have had a significant effect, the comparative figures in the consolidated accounts have also been adjusted. Some of the companies have reported in compliance with IFRS. These companies have also to some extent adjusted last year's figures.

TRANSITION TO IFRS

According to the Government's guidelines on financial reporting in state-owned companies, the financial reporting of state-

owned companies should take place on the basis of demands made on listed companies. From 2005, all listed companies in the European Union (EU) must prepare their consolidated accounts in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In accordance with the IFRS's transitional rules, IFRS will be applied from 1 January 2005 with a retroactive recalculation from the beginning of 2004. The general rule is that recalculation of the financial reporting for the time period after the date of the transition is to be treated as if the IFRS had been applied historically.

Among the biggest changes in the transition to IFRS reporting is reporting of investment properties, where the change in market value is to be adjusted every year. Other major changes are the reporting of financial instruments and deferred tax.

There are exemptions from the general rule, which have been applied in certain cases by some companies included in the interim report. In the annual report for the respective company in 2005, reconciliation has been made between the affected companies' balance sheets and income statements according to the company's previous accounting principles. To see the impact of IFRS on a particular company, the Government Offices refer to the respective company's annual report.

*) Definition 10/24 companies. Commercially active unlisted company in which:
a) the number of employee amounts to at most ten during the past two financial years and
b) the net value of the assets according to the adopted balance sheet for the last financial year is at most SEK 24 million.

Definitions

Equity/assets ratio – Shareholders' equity including minority share in relation to total assets.

Return on equity – Net profit attributable to shareholders in the parent company in relation to average shareholders' equity attributable to shareholders in the parent company.

Financial information

- **Interim Report January–September 2007** will be published on 28 November 2007
- **Year-end Report for January–December 2007** in March 2008

Report dates

	Interim Report January–September 2007	Year-end Report January–December 2007
A-Banan projekt AB	–	–
Akademiska hus AB	23.10.2007	31.01.2008
ALMI Företagspartner	30.11.2007	10.02.2008
Apoteket AB	07.11.2007	31.01.2008
Arbetslivsresurs AR AB	25.10.2007	31.01.2008
Bostadsgaranti, AB	–	–
Botniabanan	–	–
Dom Shvetsii, A/O	–	–
Green Cargo AB	15.11.2007	February 2008
Göta kanalbolag AB	10.10.2007	–
Imego AB	–	–
Innovationsbron AB	27.10.2007	–
IRECO Holding AB	–	–
Kasernen Fastighets AB	–	–
Kungliga Dramatiska Teatern AB	–	–
Kungliga Operan AB	27.10.2007	21.02.2008
Lernia AB	26.10.2007	30.01.2008
LKAB	25.10.2007	21.02.2008
Nordea Bank AB	25.10.2007	–
Norrland Center AB	–	–
OMX AB	24.10.2007	–
Posten AB	26.10.2007	February 2008
Samhall AB	23.10.2007	31.01.2008
SAS AB	08.11.2007	06.02.2008
SBAB	29.10.2007	–
SIS Miljömärkning AB	–	–
SJ AB	06.11.2007	January 2008
SOS Alarm Sverige AB	29.10.2007	31.01.2008
SP Tekniska Forskningsinstitut AB	25.10.2007	25.01.2008
Specialfastigheter Sverige AB	26.10.2007	January 2008
Statens Bostadsomvandling AB	21.11.2007	31.01.2008
Stattum, Förvaltningsaktiebolaget	–	–
Sveaskog AB	30.10.2007	31.01.2008
SVEDAB	21.11.2007	31.01.2008
Swedcarrier AB	06.11.2007	–
Swedesurvey AB	–	–
Swedfund International AB	26.10.2007	31.01.2008
AB Svensk Bilprovning	25.10.2007	30.01.2008
Svensk Exportkredit AB	30.11.2007	–
Svenska miljöstyrningsrådet AB	–	–
Swedish Space Corporation	12.11.2007	15.02.2008
Swedish Ships Mortgage Bank	–	–
Svenska Spel AB	23.10.2007	08.02.2008
SweRoad AB	25.10.2007	–
Systembolaget AB	26.10.2007	31.01.2008
TeliaSonera AB	26.10.2007	08.02.2008
Teracom AB	14.11.2007	31.01.2008
V&S Vin & Sprit AB	31.10.2007	31.01.2008
Vasakronan AB	25.10.2007	31.01.2008
Vasallen AB	31.10.2007	31.01.2008
Vattenfall AB	31.10.2007	07.02.2008
Venantius AB	02.11.2007	26.02.2008
VisitSweden AB	–	–
Voksenåsen AS	27.10.2007	15.02.2008

This interim report and previous interim
and annual reports are available on:
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