

INTERIM REPORT FOR THE PERIOD

January – September 2000

FROM THE SWEDISH
GOVERNMENT OFFICES

Government-owned companies

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REGERINGSKANSLIET

**Ministry of Industry, Employment
and Communications, Sweden**

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

The Government is the largest owner of enterprises in Sweden. More than 200,000 people are employed in Government-owned enterprises. The sector harbours substantial values and includes some of Sweden's largest companies. Accordingly, the Government has an important responsibility to be an active and professional owner. The overall objective is for the companies to create value and, where relevant, to serve specific social interests.

This is the third quarterly report on Government-owned companies to be published by the Swedish Government Offices. The purpose of the reports is to increase the transparency of Government-owned companies.

This nine-month interim report encompasses 43 of a total of 63 Government-owned enterprises. The companies included in this nine-month report account for 97 per cent of the total number of employees and 98 per cent of turnover in the 58 companies in which the Government's holding exceeds 20 per cent.

Positive trend in the third quarter

Turnover increased by 6 per cent to SEK 214 billion (202) during the first nine months of the year. Earnings before appropriations and tax increased by 56 per cent to SEK 25 billion (16). The rise in turnover is mainly attributable to increased sales in Luossavaara-Kiirunavaara AB (LKAB), Vattenfall and V&S Vin&Sprit, all three of which are exposed to competition. The Swedish National Pharmacy Corporation and Systembolaget monopolies both report a 7 per cent sales increase. A large part of the improvement in earnings is attributable to AssiDomän (which is 33.5 per cent Government-owned), LKAB, Sweden Post, Swedish Rail (SJ), Vattenfall and Telia.

Positive events include the favourable development in Government holdings in listed companies during the period and after the close of the period. In the case of AssiDomän, the improved earnings derive from the fact that the drastic action programme initiated 18 months ago is now beginning to show results. For SAS, the improved result partly stems from the unanimity among the communicators ministers in Denmark, Norway and Sweden to continue to work towards changing the current structure of the company from three national companies with three separate shares into a single company with a single SAS share. However, despite sharp upswings in most of its listed holdings, the Government's market portfolio has fallen in value due to the fall in the price of the Telia share.

A further positive sign is the real estate company Vasakronan AB, which has been awarded the prestigious first prize for "Best Annual Report of 1999". The jury's motivation was that "Vasakronan has presented an excellent Annual Report for 1999 with strong content. The report is by far the best within its sector."

The single most important business event took place after the close of the quarter when Vattenfall become the majority shareholder in Hamburgische Electricitäts-Werke AG

(HEW). In doing so, Vattenfall has taken a significant step towards its goal of becoming a leading European energy company. HEW has a turnover of more than SEK 20.5 billion and employs almost 7,000 people, making the company the fifth largest power group in Germany. Following the deal, Vattenfall will become almost as large in Germany as it is in the Nordic countries.

Among the negative events, it can be mentioned that the Swedish Motor Vehicle Inspection Company may be forced to announce raised fees for vehicle testing from 1 January 2001 due to its weak result.

During the third quarter, the Ministry of Industry, Employment and Communications has devoted considerable attention to strategic IT issues. There are advanced plans to use new information technology to a greater extent in the internal processes of the larger enterprises. To increase awareness of the importance of using the new information technology, Björn Rosengren, the Swedish Minister for Industry, Employment and Communications, invited the CEOs and Chairmen of the largest Government-owned companies to a seminar on IT. The Division for State Enterprises within the Ministry of Industry, Employment and Communications has also been invited to be a guest speaker at an international IT seminar.

During the third quarter, the Ministry of Finance has held meetings to discuss strategy issues with all companies with ownership administered by the Ministry of Finance.

Work is constantly being undertaken within the Government Offices to improve the reporting procedures regarding Government-owned companies and the administration of government holdings. In the future, reporting will distinguish more clearly between companies whose main focus is profit maximisation and enterprises intended to fulfill specific social interests. There is also an intention to find a tool for report-

ing on the IT maturity of the largest Government-owned profit-centred companies. The Ministry of Industry, Employment and Communications is continuing to improve its information to the general public via its web site (which is now also in English) and to the boards of Government-owned companies via newsletters, seminars, etc.

The Division for State Enterprises at the Ministry of Industry, Employment and Communications has been invited as guest speaker at an OECD seminar on the administration of Government-owned companies. The ownership policy of the Swedish Government has attracted a lot of international interest.

Third quarter 2000

The companies featured in the nine-month interim report account for 97 per cent of the total number of employees and 98 per cent of total turnover. The report only encompasses enterprises in which the Government's holding exceeds 20 per cent. However, listed holdings below 20 per cent are also reported. A few companies have not submitted results, since they are in the process of being wound up. The Swedish Maritime Association and the Swedish Civil Aviation Administration have not been included since these bodies report on a four-monthly basis.

No nine-month 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⁾
- Kasernen Fastighets AB
- 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 (9.4%)²⁾
- Sakab (1 share)²⁾
- Sveriges Geologiska AB³⁾
- SIS Eco-Labeling AB (10%)²⁾
- The Swedish National Maritime Administration¹⁾

- SKD företagen (100%)³⁾
- Statens Premiefond
- Svedab
- The Swedish Environmental Management Council AB (90%)
- 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

The year 2000 is the first year that the Swedish Government Offices has compiled quarterly reports, thus comparative figures are not available for some companies. In such cases the figures for 1999 has been evenly allocated to the four periods.

For certain sectors, the reported key figures are not entirely relevant. For property companies, rental income has been classified as turnover, while for financial companies, turnover has been defined as the aggregate net total of net interest income, commission and other income. For operations receiving grants or Government subsidies, such amounts have been included as turnover (e.g. additional cost remuneration to Samhall and grants to the Royal Dramatic Theatre.)

Prices at the consumer level increased by 0.8 per cent between the first nine months of 1999 and 2000, while wages rose by 4.5 per cent.

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

Sector	No. of companies	Turnover, Q1-Q3 2000	Change in turnover, % Q1-Q3 2000/1999	Earnings before allocations and tax		Net margin, 1-3 kv 2000
				Q1-Q3 2000	Q1-Q3 1999	
Energy	2	23,963	11%	7,525	3,564	31%
Mining and Manufacturing	5	26,908	10%	4,048	1,601	15%
Services	10	10,975	7%	-202	-138	-2%
Trade, leisure, tourism	6	43,826	6%	3,166	3,677	7%
Telecom	3	40,598	6%	4,233	3,731	10%
Transport	6	61,204	3%	3,881	1,172	6%
Banking	5	1,615	0%	1,170	1,293	72%
Real estate	3	5,283	8%	1,336	1,209	25%
Total	40	214,372	6%	25,157	16,110	12%

The increase in turnover during the nine-month period is mainly attributable to the competitive industries within the energy and industrial sectors.

Within the energy sector, Vattenfall increased its turnover by 11 per cent to SEK 22.1 billion (20.0). Most of this increase in sales is attributable to the acquisition of Elektrociepownie

Warszawskie SA, although the acquisition of Uppsala Energi has also contributed to the increase since 1 September. Earnings before allocations and tax increased to SEK 5.2 billion (3.1). The result includes SEK 456 million in the form of compensation from SPP, and SEK 2.6 billion in compensation relating to the nuclear powerplant Barsebäck. The operating mar-

gin for Vattenfall was 29 per cent, or 17 per cent if the compensation for Barsebäck is disregarded. In a comparison with relevant competitors, Sydkraft has an operating margin of 20 per cent and the energy division of the German energy group E.ON has an operating margin of approximately 18 per cent¹⁾

The Swedish National Grid has commenced rollout of the national broadband network and around 40 per cent of the Swedish municipalities will be connected by the end of 2000.

Within the manufacturing sector, V&S Vin&Sprit increased its sales by 39 per cent to SEK 4 billion (2.9), mainly as a result of the acquisition of De Danske Spritfabrikker. The company made a pretax profit of SEK 11 billion (862 million).

The iron ore company LKAB reported a 26 per cent rise in turnover to SEK 3.6 billion (2.8). The result increased to SEK 501 million (loss of SEK 189 million). In the case of LKAB, the increase in sales and profit is partly due to an improved market situation with higher sales volumes and higher prices. The profit margin amounted to 15 per cent. The world's largest mining company, Rio Tinto, with an open cut mine, has a net margin of 28 per cent in the iron ore division.

Consolidation of the iron ore market has continued. The three largest producers of iron ore account for around one third of global production. This can be compared with LKAB, which represents 2 per cent of the world's total production of iron ore. For LKAB, the final quarter is expected to follow the same trend as the third quarter in terms of increase in volume and profit.

The listed forest products company AssiDomän reported a rise in profit before tax to SEK 2.4 billion (799 million). The Government has a 35.5 per cent stake in the company.

Within the services sector, a 14 per cent reduction in Lernia's turnover during January to September 2000 to SEK 1.3 billion (1.5) can be noted. The result deteriorated to a loss of almost SEK 200 million (11) as a result of lower volumes requiring labour market training. During the nine-month period, volumes fell by 40 per cent compared with the same period last year. To counteract the continued decline in demand for labour market training, Lernia is focusing on providing municipalities with adult education services. Lernia is also working to strengthen its position within e-learning. The subsidiary Lernia Personaluthyrning (temporary staffing) continued to show a positive trend in both income and profit.

Within the trade sector, the Swedish National Pharmacy Corporation and Systembolaget monopolies increased their

sales by 7 per cent to SEK 20.1 billion (19.3) and SEK 12.5 billion (11.7) respectively. Swedish National Pharmacy Corporation reports a breakeven result (479) and Systembolaget's pretax profit fell to SEK 315 billion (398).

Within the telecom sector, Telia increased its pretax profit to SEK 4.1 billion (3.5) during the nine-month period.

In the transport sector, Sweden Post notes a sales increase of 4 per cent to SEK 17.9 billion (17.3). Pretax profit has risen to SEK 730 million (230). Within the Sweden Post Group, Posten Logistik (logistics) and Posten Utrikes (international) report an increase in earnings, while Posten Brev (letters) has been unable to compensate for the increases in costs. Posten Logistik reports an operating loss of SEK 24 million. Operating margins for Sweden Post are considerably lower than for major international players, such as the Dutch company TNT, whose logistics operations show good profitability. The German postal service Deutsche Post has just recently been listed on the stock exchange, thus paving the way for increased benchmarking between logistics companies. For Sweden Post, the Government as owner has clearly stated the implications of the requirement to provide a basic over-the-counter service. For further details, see section entitled "Significant events in unlisted companies".

SJ's (Swedish Rail) turnover has fallen by 11 per cent to SEK 9.8 billion (11.0) as a result of the divestment of ferries, Trafikrestauranger (rolling restaurants) and hotel operations. Adjusted for these divestments, income rose by 1 per cent to SEK 9.8 billion. Pretax profit rose to SEK 2.1 billion (SEK 333 million). Excluding items affecting comparability, profit amounts to SEK 63 million, which is SEK 153 million less than for the corresponding period last year. This decline in profit is partly due to loss of contracted traffic and increased track fees.

SJ Resor (travelling) showed an earnings increase of SEK 40 million to SEK 3.6 billion. Earnings after internal rate of return amounted to SEK 46 million (19). SJ Cargo Group increased its income by 4 per cent as a result of a 6 per cent rise in volumes. After internal rate of return, the loss amounted to SEK 60 million (loss of SEK 76 million). SJ's financial statements and accounting are difficult to interpret, although hopefully the company's transparency will improve after the conversion into separate companies. Nonetheless, SJ's results are currently unsatisfactory.

¹⁾ The margin for E.ON is based on the half-year result.

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

Sector	No. of companies	Cash flow Q1-Q3 2000	Cash flow Q1-Q3 1999	Equity 30 Sep 2000	Total assets, 30 Sep 2000
Energy	2	4,516	4,533	41,117	122,535
Mining and Manufacturing	5	4,102	2,877	26,638	46,653
Services	10	91	110	6,682	11,276
Trade leisure, tourism	6	3,401	-285	8,359	17,773
Telecom	3	7,401	7,889	50,122	121,192
Transport	6	6,185	2,192	23,981	154,673
Banking	5	-207	-392	12,501	361,916
Real estate	3	877	2,236	18,314	51,494
Total	40	26,367	19,160	187,714	887,513

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

Sector	No. of companies	Net investments, SEK m			Investment ratio (% of turnover)		
		Q1-Q3 2000	Q1-Q3 1999	1999	Q1-Q3 2000	Q1-Q3 1999	1999
Energy	2	20,683	7,283	9,287	86%	34%	31%
Mining and Manufacturing	5	2,664	2,033	3,357	10%	8%	10%
Services	10	487	340	717	5%	3%	5%
Trade, leisure, tourism	6	444	276	644	1%	1%	1%
Telecom	3	37,704	7,441	12,518	93%	19%	23%
Transport	6	8,384	4,683	-77	14%	8%	0%
Banking ¹⁾	5	700	0	0	73%	0%	0%
Real estate	3	3,090	4,130	5,684	58%	85%	86%
Total	40	74,156	26,186	32,130	35%	13%	12%

¹⁾ Acquisition of Venantius by Haninge Bostäder

Within the energy sector, Vattenfall's cash flow before net investments amounts to SEK 3.9 billion, which is essentially no change from the corresponding nine-month period in 1999. However, investments totalling slightly less than SEK 20 billion (6.3) have been made during the period. The level of investment has soared due to the acquisitions in Germany and Poland.

In the mining and manufacturing sector, LKAB's cash flow has improved to SEK 763 million (463), while net investments have declined to SEK 630 million (714). The improved cash flow is due to the stronger market situation characterised by increases in both prices and volumes. V&S Vin&Sprit has improved its cash flow by SEK 1.2 billion (924 million), while net investments have risen to SEK 922 million (342).

Within the service sectors, it can be noted that Lernia has a negative cash flow of SEK 49 million (7). Net investments have declined very slightly to SEK 38 million (41). The Swedish Motor Vehicle Inspection Company monopoly (vehicle testing) showed a positive cash flow of SEK 26 million (negative cash flow of SEK 25 million), despite an unsatisfactory result of SEK 4 million (1) for the period. Net investments for

The Swedish Motor Vehicle Inspection Company amounted to SEK 64 million (29).

Within the trade sector, the Swedish National Pharmacy Corporation monopoly reported a positive cash flow of SEK 75 million (53). Net investments have risen only slightly to SEK 175 million (146). Systembolaget, which also operates as a monopoly, continues to have a negative cash flow of SEK 551 million (351). At the same time, net investments have risen to SEK 179 million (122).

Within the telecom industry, it can be noted that Telia's cash flow has declined to SEK 7.4 billion (7.9). Net investments have risen to SEK 37.4 billion (7.2) as a result of the acquisition of the Norwegian company NetCom ASA.

Within the transport sector, Sweden Post shows an improved cash flow of SEK 5.3 billion (534 million), which is mainly attributable to an increase in postgiro deposits. Net investments have risen only slightly to SEK 771 million (742). SJ has a negative cash flow of SEK 840 million (500). Investments have risen to SEK 422 million (-300). The negative net investments in the same period last year are due to divestments.

Listed holdings, July – September 2000 and onwards

The Government owns shares in six listed companies. Its holdings in Nordic Baltic Holding AB and OM Gruppen AB are less than 20 per cent, and consequently these companies have been excluded from the tables detailing turnover, earnings, cash flow and investments. In addition, the Government has an indirect ownership stake in Eniro AB through Telia AB.

Government holdings of listed shares, with the exception of Telia, have developed strongly during the quarter. The market value rose from SEK 46 billion to SEK 50 billion, of which SEK 650 million derives from the purchase of additional

shares in OM Gruppen. During the same period, the general index fell by 6 per cent.

Overall, the value of the portfolio of listed Government-owned companies fell from SEK 222 billion to SEK 184 billion during the quarter, as a result of the fall in the price of the Telia share.

Between 29 September and 27 November, share prices on the Stockholm Stock Exchange have fallen by a further 7 per cent, while the value of the Government's corporate portfolio has risen by 5 per cent to approximately SEK 188 billion.

Table 4 Quoted Government-owned companies as of 30 September and 30 December 1999 and 29 September and 27 November 2000

Company	Government holding as of 27 Nov 2000	27 Nov 2000	29 Sep 2000	30 June 2000	30 Dec 1999	30 Sep 1999
AssiDomän	35.5	7,645	6,343	5,272	5,818	6,133
Celtica	38.5	63	65	56	52	55
Nordic Baltic Holding	18.1	38,754	37,399	36,044	27,101	24,933
OM Gruppen	9.5 ¹⁾	2,234	3,268	2,527	1,218	590
SAS Sverige	50.0 (21.4 ²⁾)	3,173	2,503	2,309	2,679	2,714
Totalt exkl Telia Celsius ³⁾		51,869	49,578	46,208	36,868	34,425
Telia	70.6	136,629	134,511	175,817	1,232	889
Total including Telia and Celsius		188,498	184,089	222,025	38,100	35,314
Eniro	34.6 ⁴⁾	4,739				

¹⁾ Following purchase of shares during July/August 2000. ²⁾ Percentage of the SAS Group. ³⁾ Sold in Q1 2000

⁴⁾ Telia owns 49.1 per cent.

The increase in value in AssiDomän is attributable to the extensive restructuring programme which is now beginning to show results. The SAS share has also shown a positive trend since the three Nordic Governments which own the SAS Group began to discuss the possibility of restructuring SAS into a single company with just one class share.

Telia has fared relatively better than the other listed former European national telephone monopolies. The Telia share has fallen by 27 per cent, while Handelsbanken European PTO weighted Index has fallen by 28 per cent during the

period of 13 June 2000 – 24 November 2000. Among the companies included in the index, British Telecom is down 32 per cent, Deutsche Telekom is down 40 per cent, France Telecom has fallen by 31 per cent and Tele Danmark is down 41 per cent.

The Government has indirect holdings in Eniro and Celtica via Telia and Vasallen respectively. The holding in Eniro is included in Telia's market value and is reported in the tables under the total. Telia owns 49.1 per cent of Eniro and the Government therefore indirectly owns 34.6 per cent.

Table 5 Share price performance for quoted companies in which the Government has a holding, June 1999 – 27 November 2000

Company	Closing price, SEK					Change		
	27/11 -00	29/9 -00	30/6 -00	30/12 -99	30/9 -99	12 months 30/9 -99	9 months 30/12 -99	To date 00 30/12 -99
AssiDomän	182.00	151.00	125.50	138.50	146.00	3	9	31
Celtica	59.00	61.00	52.50	48.50	51.00	20	26	22
Nordic Baltic Holding	71.50	69.00	66.50	50.00	46.00	50	38	43
OM Gruppen	283.00	414.00	394.00	190.00	92.00	350	118	49
SAS Sverige	90.00	71.00	65.50	76.00	77.00	-8	-7	18
Telia	64.50	63.50	83.00					
Eniro	98.50							
Celsius				176.00	127.00			
Share price performance of the Government's corporate portfolio excl. Telia and Celsius	153	146	138	106	100	46	37	44
Affärsvärdens Generalindex (AFGX), dec 1979=100	5,090	5,490	5,828	5,500	3,916	40	0	-7

AssiDomän: The extraordinary general meeting of AssiDomän resolved to introduce a share redemption programme. The Government has decided to accept AssiDomän's offer to the shareholders to redeem one in five shares at a price of SEK 190 per share. The Swedish Government has thus submitted one fifth of the shares in its total holding in AssiDomän for redemption. It is estimated that the final redemption of shares in return for cash (approximately SEK 1.6 billion for the Government) will take place in

March/April 2001. The Swedish Government is the principal shareholder in AssiDomän, with 35.5 per cent of votes and capital. The percentage of the Government's holding will remain unchanged after the share redemption. The share redemption programme was decided after the sack operations, the Dynäs and Sepap paper mills and the Barrier Coating business area were sold to the German company Frantschach. The purchase sum amounted to SEK 4.5 billion and virtually the entire amount is now being transferred to the shareholders.

The board of AssiDomän has recently also taken a decision on a future division of operations into forestry-based activities and industry-based activities. Proposals regarding this shall be presented no later than the date of the next Annual General Meeting in 2001. At the same time, AssiDomän's management is looking into the possibility of finding new constellations for the company's sawmills.

AssiDomän AB intends to form a new company, Billerud, by merging Gruvön, a company owned by StoraEnso, with Karlsborg and Skärblacka. The new company will thus be owned jointly by AssiDomän (50 per cent) and StoraEnso (50 per cent). It is planned that the companies will be formally merged on 1 January 2001. AssiDomän's EBIT margin (earnings before interest and tax) is 13.5 per cent, which corresponds to the average among the company's Nordic competitors. The sector average is 13.6 per cent, with Rottneros having the highest margin at 23.3 per cent and SCA having the lowest at 7.6 per cent.

Nordbanken Holding AB: It is proposed that Nordbanken Holding AB should change its name to Nordea. This is expected to take place after an extraordinary general meeting held on 30 November. Norska Bankinvesteringfonden is selling its shares in Christiania Bank og Kreditkasse to Nordic Baltic Holding for NOK 49 per share. Shareholders representing 99 per cent of the shares have accepted this offer. Following the incorporation of Christiania Bank og Kreditkasse, Nordic Baltic Holding will have accomplished its vision of bringing together leading banks in the four Nordic countries. Emphasis will be placed on providing synergies and client value. Nordic Baltic Holding is the leading financial institution in the Nordic and Baltic region, with large growth potential within both banking and insurance.

OM Gruppen: With a 9.5 per cent shareholding, the Government is a major shareholder of OM, alongside other shareholders such as Investor. In connection with the bid for the London Stock Exchange (LSE), the Government backed OM with regard to financing a possible purchase of LSE. Following an initiative by the Standing Committee on Finance, the Swedish Parliament resolved to raise the maximum loan limit by approximately SEK 200 million. If the deal had been successful, the Government would have had to contribute a maximum of approximately SEK 565 million, provided that all shareholders in LSE had chosen to accept OM's cash alternative (payment both in OM shares and in cash). However, only around 7 per cent of LSE's shareholders chose to accept OM's bid, and consequently, the bid was unsuccessful.

SAS: The ministers of communications in Denmark, Norway and Sweden are in agreement to continue with the efforts to change the current structure of SAS from three national companies with three separate shares into a single company with a single SAS share. The work is to progress swiftly, although no deadlines have yet been set.

SAS, Amadeus and NetCom AB are jointly starting a new electronic trading site for business and private travel. The site, named Nordic Travel Hub, will be opened during the first or second quarter next year. Nordic Travel Hub is owned jointly by SAS, Amadeus and NetCom. The Nordic market for electronic travel services is expected to show very rapid growth, and Nordic Travel Hub's goal is to become a leading player within a few years. In collaboration with twelve other airlines, SAS has established Aeroxchange, the aviation sector's largest Internet-based B2B market place.

Shares in European airlines have performed below index during the last quarter. During this period, the SAS share has fared considerably better than its European competitors. Previously, the SAS share was traded at a discount compared with its European competitors. This discount has been reduced in recent months and the share is currently traded on a level with other European competitors.

Telia's net turnover during the first three quarters increased by 6 per cent, while the increase in the third quarter amounted to 15 per cent. The consolidation of NetCom ASA represented half of the growth in sales during the third quarter. Earnings before depreciation fell by 13 per cent, while the decline during the third quarter amounted to 8 per cent. This decline is mainly attributable to increased costs in Telia's growth areas. Such costs include costs of acquiring new mobile customers, extensive investments in the international carrier network and costs related to the development of broadband and portals.

During the first nine months of the year, investments amounted to approximately SEK 37 billion, of which SEK 23 billion is attributable to the purchase of NetCom ASA. Excluding NetCom, investments amount to approximately SEK 14 billion, which can be compared to SEK 7 billion during the same period last year.

On 2 October, Telia announced that it will be investing in outsourcing administrative services in a new company, to be jointly owned by Telia, Skandia, If and WM-data. Telia will own one third of the shares in the new company. Operations in Telia's support company, In Good Company AB, will be transferred to the new company, together with the 600 employees.

As a step in the ongoing streamlining process, the subsidiary Eniro AB was listed on the OM Stockholm Exchange at the beginning of October. Eniro encompasses Telia's 'Yellow Pages' operations, both in directory form and the online version. The introductory price was SEK 84 per share, generating sales revenues of SEK 6 billion for Telia. After the listing, Telia now owns 49.1 per cent of the shares. Telia has applied for a UMTS licence for Sweden.

Significant events in unlisted companies, July – September 2000 and onwards

ALMI Företagspartner AB: A Government inquiry has set out a proposal to merge ALMI Företagspartner AB with parts of NUTEK to form a special authority for enterprise development. According to the enquiry, the new authority will be responsible for providing businesses with financing, information, advice, networks and meeting places, as well as focusing on regional business development. The Government will now consider the proposal on the basis of the extensive decision data compiled by the inquiry.

Göta kanalbolag has summarised summer 2000 by stating that the number of boats that passed through the canal was around the same as last year, i.e. approximately 4,000 pleasure craft. In view of the rainy summer, Göta kanalbolaget is pleased with the outcome. As a result of the combined efforts of municipalities, county councils, county administrative boards and the business sector, the inflow of passengers and visitors to the Göta Canal area has increased considerably. Consequently, several new youth hostels will open next year, thus increasing the number of beds available for tourists.

LKAB introduced an incentive scheme for all employees from 1 July 2000. For the first quarter 2000, the scheme generated SEK 2,573 per employee, largely thanks to the reduction in real costs per tonne of finished product. The world's most powerful locomotive with 68 cars is currently being test-run on the Ofoten Railway between Luleå and Narvik. Each car can be loaded with 100 tonnes of iron ore, compared with the current cars which have a maximum capacity of 80 tonnes. The investment in new locomotives and cars for the iron-ore railway amounts to approximately SEK 1.5 billion and is estimated to be completed in 2005. Restoration following the fire in May at the pelletising plant in Svappavaara was completed in record time.

Posten AB: The owner has explicitly stated the implications of the requirements for basic over-the-counter service and the extent to which Sweden Post will provide such service after 1 April 2001. Sweden Post is now working extensively on designing a solution for how this can be done.

Sweden Post has initiated a joint venture for PKI (Public Key Infrastructure) for secure e-commerce. The aim is for Sweden Post to be able to offer a system for secure e-transactions by the time the Digital Signatures Act enters into force in January. The sale of Postgirot to Svenska Girot is cur-

rently being investigated by the Swedish Competition Authority.

Sweden Post has been awarded the Ruter Dam Foundation's honorary prize for 2000. Ruter Dam is a management development programme for female managers. Sweden Post has invested in Ruter Dam since the start and 35 per cent of senior managers at Sweden Post are currently women. The ambition is to quickly reach the goal of 40 per cent. This has already been achieved in the Group management, where 40 per cent are women.

The Swedish National Housing Finance Corporation (SBAB) is offering everyone who transfers their first mortgage loan from another mortgage institution to SBAB and who applies for the loan over the Internet at www.sbab.se from 6 November a 1 per cent discount during the first three months of the loan. This will apply to the first 2,000 loans taken out after this date. In February/March, SBAB carried out a 'sale' campaign, whereby lenders who transferred their loans to SBAB during a certain period were given a 1.4 per cent discount on the interest during three months. The campaign proved very popular and traffic to SBAB's website more than doubled. Many home owners discovered the convenience of managing their mortgages over the Internet.

SJ (Swedish Rail) is collaborating with an Estonian business group to submit a tender for goods traffic on the Estonian Railway. A consortium has been set up between SJ, the French company Connex and the Dutch railway operator Connexion to submit a tender for a Dutch intercity route Amsterdam-Brussels-Paris-London. SJ Resor's sales and distribution system, Petra, will be extended and opened up to all travel companies in the Scandinavian market. The incorporation process is progressing according to plan. SJ's X200 intercity train celebrated its tenth anniversary on 4 September. Since the start, more than 25 million X2000 journeys have been made.

The Swedish Maritime Administration has been commissioned by Lithuania to help bring safety at sea up to EU standards.

Sveaskog AB has acquired 1,500 hectares of productive land in the south of Sweden from companies including AssiDomän AB.

Svedab (Swedish - Danish Bridge Connection): In the budget bill, the government proposed that a shareholders' contribution of SEK 310 million be paid to Svedab from the Swedish National Road Administration and the Swedish National Rail Administration. The shareholders' contribution will be paid in 2001 and concerns the 2000 financial year.

The Öresund Link was inaugurated on 1 July and passed the million-car mark on Monday 18 September. During the first 100 days since the inauguration, an average of 11,500 vehicles have used the link per day. However, traffic has declined significantly after the summer months. In July, an average of 8,000 vehicles per day crossed the link, but this figure fell to 7,000 in September.

The Swedish Motor Vehicle Inspection Company may be forced to raise its fees for vehicle testing from 1 January 2001 as a result of the company's weak earnings.

AB Svensk Exportkredit has signed an advisory agreement with the European Bank for Reconstruction and Development (EBRD).

The Swedish National Grid har beslutat om oförändrad tariff på 1,4 öre per kwh för 2001.

The Swedish Space Corporation: Airborne Systems has performed more favourably than expected and is showing a strong result. On 2 November, the company declared its intent to transfer operations in the Satellus subsidiary to the National Land Survey from 1 January 2001.

AB Svenska Spel, reports that net profit generated from the Jack Vegas and Miss Vegas slot machines during the first nine months of the year amounts to SEK 152 million, thereby surpassing the surplus achieved for the whole of 1999. According to a Government decision, the surplus from the slot machines will be donated to various organisations for young people via the National Board for Youth Affairs and the Swedish Sports Confederation. Måtips (football pools) and Keno (lottery) have strengthened their positions compared with last year.

Swedfund AB has invested SEK 100 million in AIG African Infrastructure Fund with total managed assets of USD 450 million.

Teracom AB has applied for a Swedish UMTS licence in the Tenora Networks AB consortium, together with Ratos and Nomura International plc.

Vasakronan AB has been awarded the prestigious first prize for "Best Annual Report of 1999". The jury's motivation was that "Vasakronan has presented an excellent Annual Report for 1999 with strong content. The report is by far the best within its sector."

Vasallen AB owns and manages the F18 area in Tullinge. In a statement, the Swedish Prime Minister Göran Persson said that 3,000 homes will be built in the area.

Company acquisitions and divestments

Grängesbergs Gruvor AB has been sold to Ludvika municipality for a sum of SEK 1. The Government took over possession of all shares in SSAB gruvor AB in 1987, in connection with which the company was renamed Grängesbergs Gruvor AB. Mining operations were shut down ten years ago and, in recent years, operations have mainly comprised restoring the mine area. Ludvika municipality has had an option to buy the company no later than 31 December 2000. The municipality has now exercised this option and the shares will be transferred subject to the approval of the Government.

LKAB: Kimit AB and Orica Europé Ltd have signed an agreement to establish a joint company that will sell, manufacture and deliver explosives and explosives technology in the Nordic market. Kiruna Grus och Stenfördling AB, a subsidiary to LKAB, has acquired Mekan Industri in Kiruna.

Posten AB: Through the subsidiary Hultberg Inrikes Transporter AB (HIT AB), Sweden Post has acquired a majority shareholding in the Danish transport company G-Distribution ApS. The deal enables Sweden Post to offer comprehensive systems for rapid and continuous client-specific deliveries to fixed addresses throughout Scandinavia. The acquisition complements Sweden Post's partnerships with other Scandinavian mail companies through the joint subsidiary Pan Nordic Logistics (PNL). PNL focuses on standard cross-border transports comprising large volumes.

Samhall Vasa has signed an agreement with PAX Electro Products AB to sell Electrotherm in Karlskoga. The sale is a step in Samhall's investment in packaging for telecom products.

SJ (Swedish Rail) has sold the Royal Viking Hotel in Stockholm to Nordisk Renting AB. In connection with the sale, SJ sold all shares in the operating company Royal Viking Hotel AB to Nordisk Renting at a capital gain of SEK 201 million. In August, the shares in Scandlines AB were sold to Stena Line AB for SEK 560 million following a decision issued by the arbitration board. The capital loss from the sale amounted to SEK 15 million. The sales are a step in SJ's drive to focus on core operations. SJ Cargo is negotiating a possible sale of SJ Express in the new year. Operations have run at a loss in recent years. SJ Express delivers smaller cargo consignments mainly by rail. The winding up of operations is a step in SJ Cargo's efforts to focus on core operations.

The Swedish Space Corporation and Europe's leading satellite operator, SES-Astra in Luxembourg, signed an agreement on 14 July to jointly operate Nordiska Satellit AB (NSAB). As a result of the agreement, the Swedish Space Corporation's shareholding will increase from 37.5 per cent to 50 per cent through 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. Under the partnership agreement between the two owners, the Swedish Space Corporation will be responsible for satellite control in Kiruna. NSAB will continue its expansion and intends to invest in new product areas and additional satellites.

Vattenfall AB will become the majority shareholder in Electricitäts-Werke AG (HEW) through the acquisition of shares from Sydkraft and E.ON Energy. The acquisition is an important step towards realising Vattenfall's vision of becoming a leading European power company. Vattenfall will pay SEK 4.2 billion in cash to Sydkraft and the German energy group E.ON, in addition to transferring shares and participating interests in companies in Sweden, Norway, Lithuania and the Czech Republic to both companies. The agreement will give Vattenfall an additional 37.2 per cent of votes and share capital in HEW, on top of its existing participating interest of 26.2 per cent. Furthermore, Vattenfall has signed an agreement to acquire 7.8 per cent of HEW's shares on the market. Vattenfall will thus own 71.2 per cent of the company.

HEW has a turnover of SEK 20.5 billion and has almost 7,000 employees, making it the fifth largest power group in Germany. The final agreement is estimated to be ready in Jan-

uary 2001, after which Vattenfall will be nearly as big in Germany as it is in the Nordic countries. HEW has also signed an agreement with E.ON, entailing that HEW will become a majority shareholder in the Berlin power company BEWAG. The agreement is currently blocked due to litigation. Vattenfall and HEW have jointly formed Nordic Powerhouse, an energy trading company.

From 1 August, Barsebäck Kraft AB will be a wholly owned subsidiary of Ringhals AB. The Ringhals-Barsebäck group of companies is 74.2 per cent owned by Vattenfall and 25.8 per cent owned by Sydkraft. Vattenfall and Skellefteå Kraft have reached an agreement on altered ownership structures in a number of hydro power stations along the Skellefte, Ume and Indals Rivers. In July, Vattenfall acquired the Finnish company Hämeenlinnan Energia with 25,000 customers, and in September, it acquired Uppsala Energi with a total of 88,000 customers.

Appointments/resignations of Chief Executive Officers and Chairmen after 30 June 2000

The SAS Group has appointed Jørgen Lindegaard to replace Jan Stenberg as the new President and CEO. He will take up his position in June 2000.

Specialfastigheter Sverige AB Curt Bylund has been appointed the new CEO.

Sveriges Rese- och Turistråd AB : Karl-Erik Strand has been

appointed the new CEO from 1 August.

Telia AB:s : Jan-Åke Kark, CEO, has resigned. He is temporarily replaced by Marianne Nivert.

Vattenfall AB: Lars G Josefsson was appointed CEO in August. He joins Vattenfall from Celcius AB, where he was also CEO.

Forthcoming Reports

Fourth quarter interim report 2000: 26 March 2001

Annual report: April 2001

First quarter interim report 2001: 30 May 2001

Second quarter interim report 2001: 10 September 2001

Third quarter interim report 2001: 28 November 2001

Fourth quarter interim report 2001: 18 March 2002

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