Atle KF INVEST AB LänsTrafiken

NEWS RELEASE

SL Buss and Näckrosbuss merge and form a Swedish-owned market-leading bus company with ambitions to grow

- **Atle, KF Invest, Storstockholms Lokaltrafik as well as Länstrafiken Sörmland and Länstrafiken Örebro have agreed to merge SL Buss and Näckrosbuss into a new Group. The new company will be private and will be run on purely commercial terms.**

- **Annual sales of the two companies taken together amounted to SEK 2.1 billion in 1997 and the number of employees is approximately 5,500. The companies operate 2,000 buses with a market share in Sweden of more than 20 per cent.**

- **The agreed transaction is expected to be completed during January 1999. The new company will be given a new name, an externally-recruited President, a new Board of Directors and a joint head office in new premises in Stockholm.**

- **The intention of the parties is to develop a company which can be introduced on the stockmarket within a few years.**

The new Group, which will be named later, has operations with an emphasis on Stockholm and Central Sweden. The company will work for an expansion primarily on the Swedish market via organic growth, acquisition and development of new services and products.

The owners in the new Group will be Storstockholms Lokaltrafik (40 per cent), Atle (25 per cent), KF Invest (25 per cent), Länstrafiken Sörmland (5 per cent) and Länstrafiken Örebro (5 per cent). These will continue to run the operations on a purely commercial basis with the intention of introducing the company on the stockmarket within a few years.

The background to the transaction is the deregulation and structural change which is taking place in Europe. Benefits of large-scale operations, skill development and method development are already a criterion for being able to meet the competition from the new constellations of international bus companies which are being created.
.

Market under change
At the present time, the Swedish bus market is dominated by two foreign-owned companies. The largest is the former SJ-owned Swebus which is now owned by the listed British company, Stagecoach. Swebus has a market share of more than 30 per cent.

The second largest company on the Swedish market is Linjebuss. Some time ago, the company was bought out from the Swedish stockmarket by the French transport company, CGEA. Linjebuss has a market share of nearly 20 per cent.

SL and Näckrosbuss are currently the third and fourth largest players, respectively, on the Swedish market. By merging the companies, Sweden's second largest bus company will be formed with an estimated market share of more than 20 per cent.

The merger of Näckrosbuss and SL Buss will provide significant coordination benefits and cost savings within, among other things, purchasing and administration, and more-efficient utilisation of the vehicle fleet. The owners' ambition with the new bus company is to continue to take an active part in the restructuring which is taking place on the public transport markets in Sweden and in the other North European countries.

For the individual bus driver the merger will not involve any immediate change. The terms and conditions of the bus drivers follow from the assignments which the respective bus company has. However, the combined strength of the new company will increase the opportunities for extended training/development of drivers and other staff, quality-improving work, environmental investments and work relating to safety.

The deal will be finally negotiated during December with the intention that final agreements will be signed during January 1999. The transaction is subject to approval by the competition authority concerned, due diligence and resolutions by the respective Board of Directors.

Stig Karlsson, Managing Director of Atle Tjänste & Handel:
"In connection with Atle's entry as owner in Näckrosbuss we adopted a strategy to meet the structural change which is underway in the sector. The restructuring work has been carried out in two stages in which we first implemented radical efficiency work over a number of years and now in a second stage are carrying out a structural deal which will create a strong player on the Swedish market.

Kjell Nilsson, Managing Director of Storstockholms Lokaltrafik:
"Through organising SL in companies and by being subjected to competition, SL during the 90s has been able to squeeze costs without any deterioration in the quality we offer our customers. A third large bloc, which the new company will be, will ensure continued real competition on the bus traffic market.
.

Within the new company, SL Buss will get an improved market position and long-term opportunities to develop. It means, among other things, that work opportunities for the staff are secured. The transaction also means that resources will be freed for continued quality development of the SL traffic which will benefit both our customers and the community.”

Tore Larsson, Managing Director of Länstrafiken Sörmland and Länstrafiken Örebro: “As early as in 1989, Länstrafiken Örebro carried out the first step aimed at meeting future competition. We did this by creating T-Buss AB which later became part of Näckrosbuss. In recent years, Näckrosbuss has become a well-functioning and competitive company which, however, has proved to be too small to be able to cope with international competition in the long term. The solution which is now presented means that a third alternative is created which will guarantee that the market will function in the long term.”

Jan Ohlsson, Managing Director of KF Invest:
“The public transport market in Europe is undergoing major structural changes. This opens new business opportunities in which we intend to take part as an active and constructive owner. With SL Buss and Näckrosbuss as the base, criteria are provided for a strong player on the North European public transport market.”

Stockholm, 2 December 1998

Atle AB (publ), KF Invest AB, AB Storstockholms Lokaltrafik. Länstrafiken Sörmland AB, Länstrafiken Örebro AB

For further information: A press conference will be held today at 3 pm in World Trade Center, Klarabergsviadukten 70, Conference Section, Section D in the Paris Room.

To contact us before the press conference, please telephone Johan Hähnel, Head of information of Atle, tel +46 70-638 26 04, Eva Rådmark Herrder, Storstockholms Lokaltrafik, tel +46 70-786 15 35, Maria Törn, Länstrafiken Sörmland and Länstrafiken Örebro, tel +46 70-671 96 61

APPENDIX

Atle AB

Atle is an investment company which invests in and develops small and medium-size companies which are generally unlisted. Atle’s core expertise is business development which includes the ability to find interesting companies, create acquisition situations and through active and responsible ownership to develop and after a period of time to find new suitable habitats for owned companies.

Normally, acquisitions are made in some form of decisive development phase in connection with the company wishing to expand, a structural transaction would be optimal for its continued development, etc.

As the acquired companies are generally not listed and the Group always takes an active part in their development, Atle is different from traditional investment companies. In connection with Atle entering as an owner, plans are made for when Atle’s work will be completed and the Group will sell its holding in the company. This normally takes place within three to seven years.

Atle, which was introduced on the stockmarket in 1993, has current sales of approximately SEK 9 billion and more than 8,000 employees. Since the stockmarket introduction, the number of shareholders has increased to more than 12,000.

Operations are carried out in the six business sectors: Atle Karolin Verkstadsindustri, Atle Tjänste & Handel, Atle Miljöteknik, Atle Informationsteknologi, Atle Mergers & Acquisitions and Atle Development.

Atle Tjänste & Handel

Atle Tjänste & Handel is a business sector for Atle’s investments in service and trading companies. The Business Sector strives for investments in companies with good growth opportunities or restructuring potential. In each company, the business concept is based on a unique concept or a significant market share. Atle owns 55.3 per cent in Näckrosbuss.

AB Storstockholms Lokaltrafik

AB Storstockholms Lokaltrafik, SL, is owned by Stockholm County Council. SL plans, procures and markets all local land transport within the county. More than 600,000 people make more then 2 million journeys with SL on an ordinary weekday. This means that more than half of Sweden’s local transport is located within Stockholm County. Travel with SL has increased since 1993.

During the 90s, a restructuring of SL has taken place which primarily has meant that all bus and trackbound traffic is procured in competition. 37 per cent of the bus transport which is subjected to competition remains to be procured. Rail services on Roslagsbanan and commuter services are currently carried out by external contractors: Linjebuss, Swebus and SJ, respectively.

SL has seven subsidiaries: SL Bansystem AB, SL Fastigheter AB, SL Buss AB, AL Tunnelbanan AB, SL Flygbussarna AB, SL Specialbuss AB and SL Finans AB. SL’s sales are nearly SEK 6 billion. The number of employees is more than 6,000.

Länstrafiken Sörmland AB and Länstrafiken Örebro AB

Länstrafiken Örebro AB (LT-Ö) and Länstrafiken Sörmland AB (LT-S) are owned by the counties' municipalities and county councils. The head office is located in Örebro and a county office in Nyköping. Länstrafiken plans and procures the scheduled public services within Örebro and Sörmland counties. All traffic is then carried out by contractors.

Länstrafiken Örebro also assists the county's municipalities and county council with the call-controlled, community-financed traffic: mobility service, patient transport and school transport via the central booking office of the subsidiary, Transam. In Örebro County, Länstrafiken is responsible for air traffic and runs the operations at Örebro-Bofors Airport via the subsidiary, Örebro läns Flygplats. Operations comprise scheduled traffic, charter services and freight services.

Sales of Länstrafiken Örebro are SEK 350M and sales of Länstrafiken Sörmland SEK 250M. The total number of employees is 28.

KF Invest AB

KF Invest is the investment company of the KF Group and is charged with creating growth in value via active management of assets outside KF's core operation. The overall target for KF Invest is growth in the asset portfolio of at least 15 per cent per annum.

The foundation of KF Invest's strategy is to build up a portfolio of shares in associated companies with favourable prospects for future growth in value. The majority of these will be listed in the long term in order to attain daily valuation as well as high liquidity in the assets.

The market value of KF Invest's asset portfolio amounts to approximately SEK 4 billion.

Näckrosbuss AB

Näckrosbuss carries out public bus transport and other operations linked to bus traffic. The company, which has its head office in Nyköping, carries out operations with approximately 800 busses, mainly in Södermanland, Örebro and Östergötland counties. Näckrosbuss also has agreements for ??chartered?? traffic in Stockholm. Today, Atle owns 55.3 per cent of the shares in Näckrosbuss, Länstrafiken Sörmland and Länstrafiken Örebro 18.9 per cent each and Linköping and Norrköping municipalities 3.4 per cent each. In 1997, the company reported sales of SEK 691M, profit of SEK 15M and had 1,800 employees.

SL Buss AB

SL Buss AB is a wholly-owned subsidiary of Storstockholms Lokaltrafik. Via procurement, SL Buss is responsible for running 63 per cent of the bus traffic in Stockholm which is subject to competition. Other contractors on the bus side are Swebus and Linjebuss. SL Buss also runs the bus traffic in inner Stockholm which is not yet procured. SL Buss carries out its traffic tasks with approximately 1,200 buses. In 1997, SL Buss reported sales of approximately SEK 1,400M, profit of SEK 56M and has slightly less than 3,600 employees. The head office is located in Stockholm.