

SkiStar AB (publ)

Year-end report

1 September 2002 – 31 August 2003

- ❄ Sales increased to MSEK 959 (886), income before tax increased to MSEK 176 (139) and income after tax increased to MSEK 122 (97). Capital gains in the amount of MSEK 27 (12) are included in income. Net earnings per share improved to SEK 12.64 (10.10).
- ❄ The operating margin rose to 22% (21) and return on equity increased to 17% (15).
- ❄ An increased dividend of SEK 8.00 (6.00) per share is proposed.
- ❄ The acquisition of an additional 30% of Hemsedal Booking AS has been completed, after which SkiStar's ownership in the company is 65% and just over 3,500 beds were added to SkiStar's cabin bookings.
- ❄ The current booking situation prior to the winter season 2003/04 shows a 4 % improvement in volume as compared to the same point in time in the previous year.



Year-end Report

1 September 2002– 31 August 2003

This is SkiStar

SkiStar is listed on the Stockholm Stock Exchange's Attract40 list. The Group owns and operates ski facilities in alpine destinations in Sälen, Åre and Vemdalen in Sweden and in Hemsedal in Norway. The company's market share of ski-pass sales is 51% in Sweden, 13% in Norway and 33% in the whole of Scandinavia. The core business is alpine skiing, with the focus on the guests' skiing experience. Other operations include an accommodation agency, ski school and ski hire facilities.

The company's vision is for SkiStar to create memorable alpine experience for its clients as the leading operator of European alpine destinations. SkiStar shall take a leading position within the conceptualisation, integration and development of these types of services.

Sales and income

The Group's sales during the financial year amounted to MSEK 959 (886) and profit before tax amounted to MSEK 176 (139). Net earnings per share improved to SEK 12.64 (10.10). Capital gains, primarily from the sale of tenant-owner's rights in Åre and development land in Åre and Sälen, are included in income in the amount of MSEK 27 (12). During the financial year, operating costs were charged with costs of MSEK 11 for additional property maintenance and MSEK 8 for increased electricity costs, due to higher electricity prices. The second quarter (December–February) showed increased sales and profits whereas the other three quarters did not display the same trend. The entire amount of the company's earnings was made during the second and third quarter. A favourable start to the season and a growing interest in alpine skiing contributed to the increase in sales and profit during the second quarter. However, the early spring combined with a late Easter contributed to lower sales than usual in April, which had a negative effect on sales and income levels in the third quarter. During the fourth quarter (June –

August) sales reduced in the amount of MSEK 4 to MSEK 14 and income before tax increased to MSEK -92 (-96). Land in Sälen was sold with a capital gain of MSEK 7 during the fourth quarter.

Market developments

According to the industry association SLAO (Swedish Ski Lift Organisation), sales of ski passes in Sweden during the 2002/03 season increased by 13 % to MSEK 875 compared with the previous season. At the same time, sales of lift passes in Norway increased by 12% to MNOK 672, according to the Norwegian Ski Lift Association. The average price increase was 5% in Sweden and 4% in Norway.

Operations

All of SkiStar's destinations were able to begin to offer skiing as early as November. Sälen and Vemdalen were open as early as the end of October. The Group's ski pass sales increased by MSEK 56 (11%) to MSEK 548, a volume increase of 4%. The market share of ski pass sales in Sweden reduced by one percentage point to 51%, whereas the market share in Norway remained unchanged at 13%. The occupancy rate in the Group's own cabins and apartments, and for those for whom they act as an agent, for the 2002/03 season (Christmas week -1 May) improved to 90% (86). At the same time, the number of own cabins or apartments for rental increased by 7% before the start of the winter season. A number of structural measures were carried out according to the Group's strategy, including the leasing of all restaurants in Hemsedal and two restaurants in Åre. SkiStar signed an agreement to act as an agent for Tandådalsens Fjällhotell in Sälen for 1,200 beds. SkiStar achieved an operating margin of 22% (21) and a return on equity of 17% (15) during the financial year 2002/03.

Area of operations

In Sälen sales increased by MSEK 64 to MSEK 498 and income before depreciation improved by MSEK 16 to MSEK 182. Capital gains, primarily from the sale of development land to a joint venture, which began the construction of holiday apartments in Lindvallen with initially approximately 500 bed, are included in income in the amount of MSEK 12. Income from Sälen was charged during the financial years with costs of MSEK 8 for additional property maintenance, and with MSEK 6 for electricity, due to a higher price levels. Sales of lift passes increased by 14% to MSEK 245.

In Åre sale remained unchanged at MSEK 261 compared with the previous year and income before depreciation increased in the amount of MSEK 1 to MSEK 70. Income has been charged with costs of MSEK 3 for additional property maintenance. Income includes capital gains of MSEK 6 (8) from the sale of 31 tenant-owner's right and MSEK 8 from the sale of development land (-). The completed sale of 31 tenant-owner's rights for the current year and 59 for the previous year has led to a reduction of MSEK 8 in income from accommodation compared with the previous year. The land sold has been acquired by the Finnish group, Holiday Club, which has begun contracting a hotel with 200 rooms and 800 beds and a "Multihall" leisure complex, including a swimming pool and conference facilities. Ski lift pass sales in Åre increased during the period by 6% to MSEK 148.

Sales in Vemdalen increased by MSEK 5 to MSEK 68 and income before depreciation improved by MSEK 6 to MSEK 21. Sales of lift passes increased by 10% to MSEK 52.

In Hemsedal sales increased by MSEK 5 to MSEK 132 and income before depreciation improved by MSEK 6 to MSEK 53. Sales of lift passes increased by 12% to MNOK 84/MSEK 103. The change in the exchange rate between SEK/NOK, compared with

the same period last year, has only had a marginal effect on the Group's income.

Cash flow

The cash flow from current operations before changes in working capital for the period amounted to MSEK 279 (MSEK 238) and after changes in working capital to MSEK 263 (MSEK 217). The cash flow for the period after investing and financing activities amounted to MSEK -21 (63).

Investments

Investments for the period, including sales of tenant-owner's rights in Åre and cabins in Hemsedal of MSEK 53, amounted to net MSEK 94 (134). Of this amount, MSEK 40 refers to investments in conjunction with the winter season 2003/04. On 1 April 2003, SkiStar acquired 90% of the shares in Spray AB. Additional shares were subsequently acquired and the remaining shares were purchased on a compulsory redemption basis. Spray AB has as per 20 August, on the basis of a merger, been absorbed in the wholly-owned subsidiary, Sälen Högfjällshotell AB. The total purchase price, including expenses associated with the purchase, amounted to MSEK 81 and the company's equity amounted to MSEK 33. Spray is considered to have a tax loss in excess of MSEK 700. Other investments during the financial year comprised two new lifts in Åre and new cabins with 100 tourist beds in Hemsedal.

Liquidity and financing

The Group's liquid funds amounted to MSEK 114 (MSEK 135), including non-utilised bank overdraft facilities. Interest-bearing net debt has decreased during the period by MSEK 90 to MSEK 708. The average interest expense (net financial income/average interest-bearing net debt), excluding capital gains of MSEK 4 on a promissory note, amounted to 5.4% (6.1%). As per 1 July 2003 a convertible loan of a total amount of MSEK 25.0 was

issued, of which MSEK 13.8 has been subscribed by SkiStar personnel working for the company on a full-year basis. The outstanding portion of the convertible loan has been invested in a subsidiary until further notice. The subscribed convertible loans may during a period of five years been converted to a total of 86,978 B shares at a price of SEK 159, implying a dilution of existing shares of 0.9%.

The SkiStar share has been listed on Stockholm Stock Exchange's Attract40 list which includes the O List's most trade shares. The number of shareholders as per 31 August 2003 amounted to 4,233, resulting in an increase of 575 (16%) since 31 August 2002.

Personnel

The average number of employees 843 individuals, which is an increase of 30 employees compared with the previous year. The increase in the number of guests during the winter season has resulted in the recruitment of new employees.

Parent Company

The parent company's sales during the financial year amounted to MSEK 24 (25) and refer to invoices to subsidiaries. Income after net financial income amounted to MSEK -15 (-15).

Prior to 2003/04

Structural measures

In Hemsedal SkiStar acquired an additional 30% of the shares in Hemsedal Booking AS, with the total ownership amounting to 65%. In addition, SkiStar has signed to an option to acquire the outstanding shares in five year's time. An additional 3,500 beds were added to SkiStar's cabin bookings in conjunction with the acquisition. In accordance with the Group's strategy, SkiStar has also acquired a ski hire facility operation in Hemsedal.

The food sale outlets and the remaining restaurants in Åre have been sold for the forthcoming season.

SkiStar's sales system, Ski*Online, has also been put into operation in Vemdalen and Hemsedal prior to the season 2003/04. It is now possible to make bookings for all destinations online. During August and September 2003 the share of bookings via the Internet was 27% for accommodation, 74% for ski hire and 49% for ski schools.

As from 1 September 2003 all operations in Sweden will be conducted in one legal entity, SkiStar AB, with the aim of facilitating co-ordination and reducing costs. Furthermore, the organisation for marketing and advertising was centralised in order to attain higher levels of effective utilisation of marketing resources.

The electricity price paid by SkiStar during the winter season 2003/04 was secured in spring 2003 at a favourable level for the Group - a level which is significantly below the electricity prices paid by the Group in the financial year 2002/03.

Investments

On-going investments planned for the winter season 2003/04 include a new high speed 8 seat lift in Hundfjället in Sälen, strengthening snow production capacity in Åre and Sälen, expanding the skiing area by extending a lift and the construction of a new rest shelter in Vemdalen and the construction of new cabins with a total of 96 beds in Hemsedal. In addition, SkiStar is to become a partner in ÅreCentrum AB, a company that has initiated the construction of 400 apartments and business premises in Åre, with the completion of 200 apartments for the 2004/05 season and additional 200 apartments for the 2005/06 season. ÅreCentrum AB issued new shares in the amount of 30 MSEK, of which SkiStar paid MSEK 14. The Group's total investments during the financial year 2003/04 are estimated to amount to approximately MSEK 145, an amount that falls below that of the Group's cash flow.

On-going external projects

In Sälen a joint venture is building holiday apartments in Lindvallen, containing 82 apartments with 492 beds. An external investor in Vemdalen is building cabins with 128 tourist beds. The Finnish group, Holiday Club, is building a hotel in Åre with 200 rooms and 800 beds, and a "Multihall" leisure complex, including a swimming pool and conference facilities. Construction of the hotel will be completed for the 2004/05 winter season.

Bookings situation

The situation regarding bookings for the 2003/04 winter season is a 4% improvement in volume than at the same point in time in the previous year. The number of own cabins or apartments for rental has increased by 2%, excluding the addition of Hemsedal Booking.

Proposed appropriation of profits

The Board of Directors and Managing Director propose that dividends be allocated at SEK 8.00 (6.00) per share. The total proposed dividends

amount to MSEK 77 (58), which is equivalent to 63% (59) of income after tax. The date of 12 December 2003 has been proposed as record day for distribution. The dividends will be paid through the Swedish Central Securities Depository & Clearing Organisation (VPC) as per 17 December 2003.

General meeting of shareholders

The Annual General Meeting of shareholders is to be held on Tuesday, 9 December 2003, at 3 pm, at Berns Salonger, Berzelii Park, Stockholm. The annual report will be distributed to shareholders at the end of November and will also be available from the company's offices in Sälen and on the company's website, www.skistar.com.

Financial information

Interim reports and the year-end report during the financial year 2003/04 will be published as follows:

- Three-month report
1 September – 30 November
2003, 19 December 2003,

- Half-yearly report
1 September 2003 – 28 February
2004, 19 March 2004,
- Nine-month report
1 September 2003 – 31 May
2004, 19 June 2004,
- Year-end report
1 September 2003 – 31 August
2004, 30 September 2004.

Accounting principles

The year-end report has been prepared in accordance with recommendation RR20 Interim reports, issued by the Swedish Financial Accounting Standards Council. The Group's accounting principles remain unchanged compared with the previous year. The method applied for allocating periods of depreciation for the current year was adjusted during the year to take place according to the straight-line method. Figures for the previous year have been adjusted in order to be able to compare quarters.

CHANGE IN EQUITY,TSEK

	I September -31 August	
	2002/03	2001/02
Opening equity	682,216	614,406
Dividends	- 57,839	- 33,739
Translation differences	- 11,100	4,184
Income for the period	121,813	97,365
Closing equity	735 ,090	682,216

A dividend of SEK 6:00 (SEK 3:50) per share was paid and the number of shares was 9,639,823.

CONSOLIDATED CASH FLOW IN SUMMARY,TSEK

	I September – 31 August		
	2002/03	2001/02	2000/01
Current operating activities			
Income before depreciation	326,474	296,953	230,753
Financial items, net	- 36,858	- 47,803	- 47,622
Tax paid	- 10,235	- 11,131	- 14,664
Change in working capital	- 16,172	- 21,140	- 7,403
Cash flow from current operations	263,209	216,879	161,064
Cash flow from investing activities	- 94,128	- 134,069	- 157,265
Cash flow from financing activities	- 190,259	- 19,483	8,084
Cash flow for the year	- 21,178	63,327	11,883
Liquid funds at beginning of the year	135,488	72,161	60,278
Liquid funds at year-end	114,310	135,488	72,161

KEY RATIOS AND DATA PER SHARE

	I September – 31 August		
	2002/03	2001/02	2000/01
Key ratios			
Return on			
- capital employed, %	15	13	9
- equity, %	17	15	9
- total assets, %	13	11	8
Gross margin, %	33	33	29
Operating margin, %	22	21	16
Net margin, %	18	16	10
Equity ratio, %	44	39	36
	31 August		
	2003	2002	2001
Data per share			
Market value, SEK	165.00	103.00	79.00
Number of shares	9,639,823	9,639,823	9,639,823
Number of shares after full conversion	9,654,319 *)	9,639,823	9,639,823
Profit, SEK	12.64	10.10	5.70
Profit after full conversion	12.63 *)	10.10	5.70
Price/earnings	13.1	10.2	13.9
Cash flow, SEK	28.98	24.69	17.48
Rate/Cash flow	5.7	4.2	4.5
Dividends, SEK (proposal)	8.00	6.00	3.50
Return, %	4.8	5.8	4.4
Equity, SEK	76	71	64
Equity after full conversion, SEK	78 *)	71	64
Market value/equity, %	217	145	123

*) On 1 July 2003 a convertible subordinated debenture loan in the total amount of MSEK 25, of which MSEK 13.8 was subscribed to by employees. When that portion that has been subscribed is fully converted, the number of shares will increase by 86,978. When calculating the profit per share after the full conversion, the fact that the additional shares have existed for only two months has been taken into consideration.

NET SALES AND RESULT BY BUSINESS AREA, MSEK

Net sales and results by operating area I September – 31 August. Group-wide expenses in the amount of MSEK 31 (MSEK 42) have been allocated on the basis of 50% for Sälen, 30% for Åre, 7% (10) for Vemdalen and 13% (10) for Hemsedal.

	Sälen		Åre		Vemdalen		Hemsedal	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
Net sales	498	434	261	261	68	63	132	127
Other income	14	3	15	9	-	-	-	-
Operating income	512	437	276	270	68	63	132	127
Expenses	- 330	- 271	- 206	- 201	- 47	- 48	- 79	- 80
Income before depreciation	182	166	70	69	21	15	53	47

CONSOLIDATED INCOME STATEMENT IN SUMMARY, TSEK

	I June - 31 August			I September - 31 August		
	3 months			12 months		
	2003	2002	2001	2002/03	2001/02	2000/01
Net sales	14,469	17,947	23,386	959,012	886,131	806,039
Other income	9,897	5,385	-	29,540	12,499	1,062
Operating income	24,366	23,332	23,386	988,552	898,630	807,101
Goods for resale	- 2,646	- 1,085	- 1,723	- 69,810	- 70,142	- 73,158
Personnel costs	- 34,287	- 35,437	- 27,755	- 288,209	- 268,704	- 256,832
Other external costs	- 43,532	- 43,967	- 39,029	- 304,059	- 262,831	- 246,358
Total operating expenses	- 80,465	- 80,489	- 68,507	- 662,078	- 601,677	- 576,348
Income before depreciation	- 56,099	- 57,157	- 45,121	326,474	296,953	230,753
Depreciation	- 28,194	- 27,430	- 26,153	- 113,700	- 109,969	- 104,614
Income after depreciation	- 84,293	- 84,587	- 71,274	212,774	186,984	126,139
Financial items, net	- 8,140	- 11,888	- 11,122	- 36,858	- 47,803	- 47,622
Income before tax	- 92,433	- 96,475	- 82,396	175,916	139,181	78,517
Minority interests	175	56	447	-	- 113	- 2,499
Tax	26,361	28,995	23,989	- 54,103	- 41,703	- 21,067
Net income for the period	- 65,897	- 67,424	- 57,960	121,813	97,365	54,951
Net earnings per share, SEK	- 6:84	- 6:99	- 6:01	12:64	10:10	5:70
Net earnings per share after full conversion	- 6:78	- 6:99	- 6:01	12:63	10:10	5:70
Number of shares	9,639,823	9,639,823	9,639,823	9,639,823	9,639,823	9,639,823
Number of shares after full conversion	9,697,808	9,639,823	9,639,823	9,654,319	9,639,823	9,639,823

SkiStar has acquired Spray AB, which is considered to have tax losses in excess of MSEK 700. In conjunction with the acquisition, an income tax recoverable of net MSEK 48 has been recorded. A total of MSEK 22 of this income tax recoverable has been reversed as per 31 August 2003.

ALLOCATION OF SALES, MSEK

	Sept - Aug		+/-	+/- %
	2002/03	2001/02		
Down hill skiing/lift	548	492	+56	+11
Accommodation	139	120	+19	+16
Ski hire	72	64	+ 8	+12
Ski school/Activities	37	37	-	-
Sport shops	42	39	+ 3	+ 8
Restaurants	16	40	- 24	- 60
Property	54	51	+ 3	+ 6
Other sales	81	56	+25	+45
Total	989	899	+90	+10

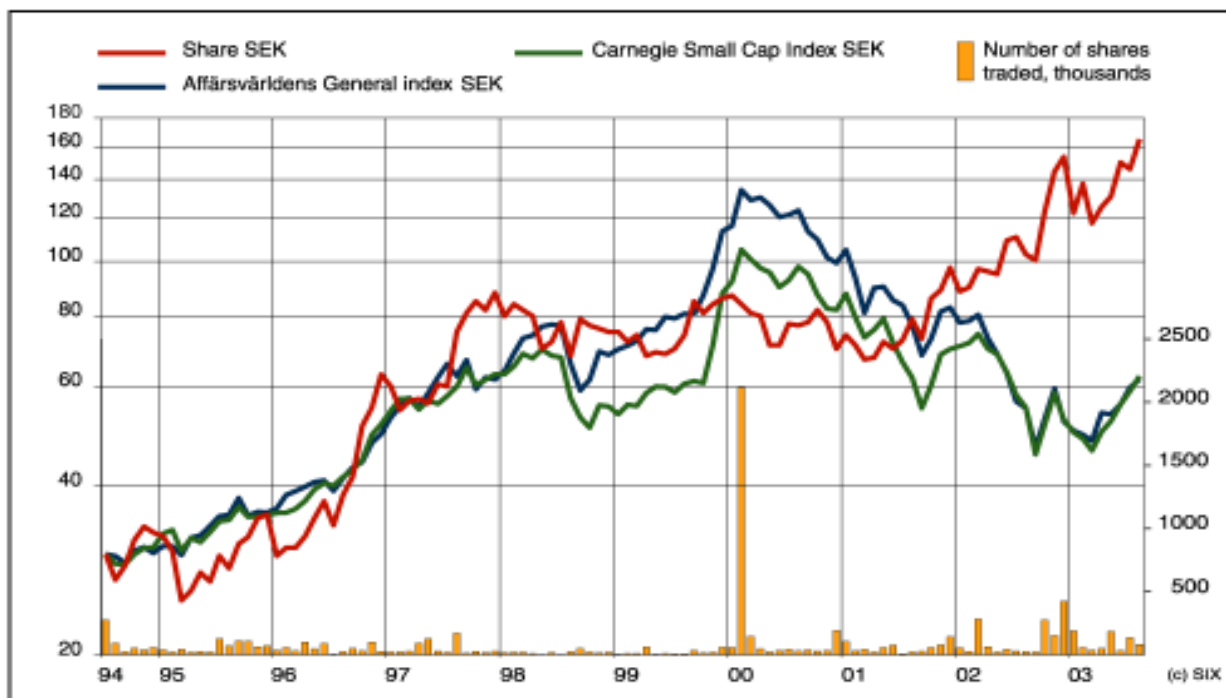
INCOME BEFORE TAX, BY REPORTING PERIOD, TSEK

	2002/03	2001/02	2000/01
September - November	- 111,177	- 106,423	- 107,562
December - February	222,811	176,552	143,076
March - May	156,715	165,527	125,399
June - August	- 92,433	- 96,475	- 82,396

CONSOLIDATED BALANCE SHEET IN SUMMARY, TSEK

	31 August		
	2003	2002	2001
ASSETS			
Fixed assets			
Intangible fixed assets	38,216	39,280	26,474
Tangible fixed assets	1,497,623	1,504,970	1,458,522
Financial fixed assets	41,514	52,675	87,829
Total fixed assets	1,577,353	1,596,925	1,572,825
Current assets			
Interest-bearing	9,327	27,665	16,754
Non-interest bearing	83,795	119,816	106,520
Total current assets	93,122	147,481	123,274
TOTAL ASSETS	1,670,475	1,744,406	1,696,099
EQUITY AND LIABILITIES			
Equity	735,090	682,216	614,406
Minority interests	363	770	4,042
Provisions	71,452	74,843	62,946
Long-term liabilities			
Interest-bearing	695,736	810,390	862,664
Non-interest bearing	2,855	2,883	1,465
Current liabilities			
Interest-bearing	32,712	45,464	29,740
Non-interest bearing	132,267	127,840	120,836
TOTAL EQUITY AND LIABILITIES	1,670,475	1,744,406	1,696,099

SHARE PRICE AND TURN OVER



Sälen, 2 October 2003
The Board of Directors

Review Report

We have reviewed the year-end financial statements for SkiStar AB (publ) as per 31 August 2003 in accordance with the recommendations issued by the Swedish Institute of Authorised Public Accountants (FAR). A review engagement is limited to discussions with the company's personnel and limited to an analytical review of the financial information and, therefore, provides a lower level of assurance than an audit engagement. We have not executed an audit of this interim report and do not, therefore, express any audit opinion. We have found nothing to suggest that the year-end report does not fulfil the requirements of interim reports according to the Annual Accounts Act.

Sälen, 2 October 2003

Lennart Danielsson
 Authorised Public Accountant
 Öhrlings PricewaterhouseCoopers AB

Ola Blumenberg
 Authorised Public Accountant
 Öhrlings PricewaterhouseCoopers AB



SkiStar AB (publ)

SE-780 67 SÄLEN • Corporate Identity Number: 556093-6949
 Tel: +46 280 880 50 • Fax: +46 280 218 50
 E-mail: info@skistar.com • Internet: www.skistar.com