



# Song Networks Holding AB

## Interim Report

January 1 – December 31, 2003

*Strong focus on profitability and cash flow gives results*

### FOURTH QUARTER 2003

- **Revenues**, SEK 554 million (SEK 595 million the corresponding period the previous year)
- A strong improvement in **gross margin before depreciation**, 51.3% (42.3)
- A further improvement of **EBITDA**, SEK 59 million (14)
- The company reports for the first time a positive **EBIT**, SEK 13 million (-149)
- **Cash flow**, SEK -5 million (-90)

### JANUARY – DECEMBER 2003

- **Revenues** were SEK 2,261 million (SEK 2,325 million the corresponding period the previous year)
- **Gross margin before depreciation** improved significantly, 46.1% (41.3)
- **EBITDA**, improved considerably to SEK 133 million (-83)
- **EBIT**, improved to SEK -58 million (-918)
- A strong **cash flow** was recorded, SEK 412 million (-232)
- **Net result** for the year was positive, SEK 35 million (-2,284)
- **Result per share**, SEK 0.66 (-1,376.85)
- **Liquid assets** increased substantially during the period, SEK 672 million (266) at the end of the period, including restricted cash. Financial net cash, SEK 531 million (194)

## Song Networks Holding AB in summary

Song Networks is a data and telecommunications operator with activities in Sweden, Finland, Norway and Denmark. Song Networks' business idea is to offer the best broadband solutions for data communication, Internet and voice to companies in the Nordic countries. This means that Song Networks has the ambition to supply the best communication solution with respect to both price and performance. Song Networks is today the only pan-Nordic operator investing in access networks with broadband capacity to companies. Song Networks has built local access networks in the largest cities in the Nordic region. The access networks, which are linked by a long-distance network is one of the fastest data and Internet super-highways in Europe, with an initial capacity for customers of up to 45 gigabit. Song Networks was founded in 1995 in Sweden and has 846 employees. The head office is located in Stockholm and there are a total of 23 offices located in the Nordic region.

Song Networks' long-term ambition is to deliver an EBIT of 10-15% of revenues through a continued focus on high margin services based on the company's own infrastructure. This shall be made with maintained good financial stability and low risk exposure.

For further information, please visit our website at [www.songnetworks.net](http://www.songnetworks.net)

## Market development

The fourth quarter has been characterized by heavy competition within the voice area as well as the data services area that brought certain price pressure within both these areas. For Song Networks this has meant somewhat lower revenue for the quarter than anticipated. The somewhat lower revenue is partly explained also by foreign exchange fluctuations, primarily the weaker Norwegian krona, that has negatively impacted the revenue by approximately SEK 10 million compared to the third quarter of 2003. The demand for IP-based data communication solutions is still strong and the company's data revenues increased to SEK 280 million during the quarter, an increase of 3.3% compared to the third quarter of 2003. The order intake within the data area is good,

something that indicates a continued growth during the next following quarters. The strongest growing service within data is IP VPN where the total number of sites increased with 17% during the fourth quarter. The revenues for fixed voice remain on the same level, despite the fact that the fourth quarter normally is a stronger quarter for voice than the third quarter. The explanation is primarily the continued phase-out of reselling of voice, that negatively has impacted the revenues by approximately SEK 10 million, but part of the explanation is also low traffic activity the last two weeks of December. We expect that also during 2004 the market will be subjected to hard competition but that Song Networks will stand firm to the competition and that the company's revenues will continue to grow within the data area.

During the fourth quarter of 2003, Song Networks has signed a number of large customer contracts, among which a contract with Uninett can be mentioned. The contract is for the supply of voice services to the Norwegian university and polytechnic sector. The contract extends for four years and has a value of around SEK 100 million.

During the fourth quarter the number of corporate customers has decreased from 22,103 to 17,193. This is a planned development previously notified, resulting from the fact that the company is terminating unprofitable services. It is small customers with marginal sales per customer that are removed concurrently as the unprofitable services are terminated.

Song Networks continued to increase the number of customers to its important IP VPN service during the fourth quarter of 2003. At the end of the period Song Networks had 6,351 IP VPN sites compared to 5,437 at the end of the previous quarter and 4,064 at the beginning of the year.

As of December 31, 2003 Song Networks had a total of 18,847 directly connected sites. Directly connected sites increased by 4,217 during 2003. The number of fiber sites increased with 445 during the year and amounted to 2,312 at the end of the year. At the end of the 2003, 9,055 sites were connected through DSL, an increase of 2,408 during the year and 810 during the fourth quarter. At the end of the year 7,107 sites were connected through leased lines.

## Revenue and result

Financial information SEK million	2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	Full year 2002	Full year 2003
Net revenues	590	559	581	595	579	581	546	554	2,325	2,261
Growth in net revenues, %	-5%	-5%	4%	3%	-3%	0%	-6%	1%	7%	-3%
Gross profit before deprec.	237	228	244	252	247	253	259	284	961	1,043
Gross margin before deprec., %	40.1%	40.7%	42.0%	42.3%	42.7%	43.5%	47.3%	51.3%	41.3%	46.1%
SG&A	-284	-261	-260	-238	-233	-227	-224	-226	-1,043	-909
SG&A, %	-48%	-47%	-45%	-40%	-40%	-39%	-41%	-41%	-45%	-40.2%
EBITDA	-47	-33	-16	14	14	26	35	59	-83	133
EBITDA, %	-8%	-6%	-3%	2%	2%	4%	6%	11%	-4%	6%
Depreciation and amortization	-252	-253	-168	-163	-58	-43	-43	-46	-836	-191
EBIT	-299	-286	-184	-149	-44	-17	-9	13	-918	-58
EBIT, %	-51%	-51%	-32%	-25%	-8%	-3%	-2%	2%	-39%	-2%
Financial net	-23	-15	-186	50	3	2	1	4	-175	9

Result from associated companies	1	2	1	-33	2	3	4	7	-28	16
Non-recurring items	-15	-1,574	20	406	1	21	-1	-3	-1,165	18
Taxes	-	-	-	-	-	50	-	-	-	50
Net result	-336	-1,873	-349	274	-38	58	-6	21	-2,284	35

Capital expenditures SEK million	2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	Full year 2002	Full year 2003
Investments, fiber network and equipment, net	133	124	43	81	40	72	62	96	381	270
Investments, subsidiaries/ associated companies	-16	-	-	-	100	-	-	-	-16	100

Revenue split SEK million	2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	Full year 2002	Full year 2003
Data and Internet	227	232	247	239	257	271	271	280	978	1,079
Data and Internet as percentage of total revenues, %	38%	42%	43%	40%	44%	47%	50%	51%	41%	48%
Voice	329	300	294	312	300	294	263	265	1,235	1,122
Other	34	27	40	44	22	16	12	9	109	59
Direct revenues, %	53%	56%	57%	55%	59%	59%	62%	66%	55%	61%
Operators, resellers and ISPs, %	21%	23%	23%	28%	26%	25%	23%	23%	24%	24%
Indirect and other revenues, %	26%	21%	20%	17%	15%	16%	15%	11%	21%	14%

Statistics	2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	Full year 2002	Full year 2003
Corporate customers	21,186	21,721	22,077	21,826	22,624	22,225	22,103	17,193	21,826	17,193
- of which directly connected	6,338	6,644	6,887	6,779	7,350	7,399	7,490	7,045	6,779	7,045
- of which dedicated hosting customers	163	168	170	153	217	224	226	233	153	233

Number of directly connected sites	11,621	12,989	14,725	14,630	15,809	16,890	17,602	18,847	14,630	18,847
- of which fiber	1,344	1,582	1,799	1,867	2,036	2,129	2,296	2,312	1,867	2,312
- of which DSL	5,052	5,722	6,472	6,647	6,983	7,784	8,245	9,055	6,647	9,055
- of which leased lines	5,092	5,491	5,828	5,919	6,425	6,610	6,686	7,107	5,919	7,107
- of which radio	133	194	196	197	365	367	375	373	197	373
Number of IP VPN sites	2,300	2,900	3,500	4,064	4,489	4,914	5,437	6,351	4,064	6,351

Employees, at the end of the period	1,007	994	975	786	828	841	831	846	786	846
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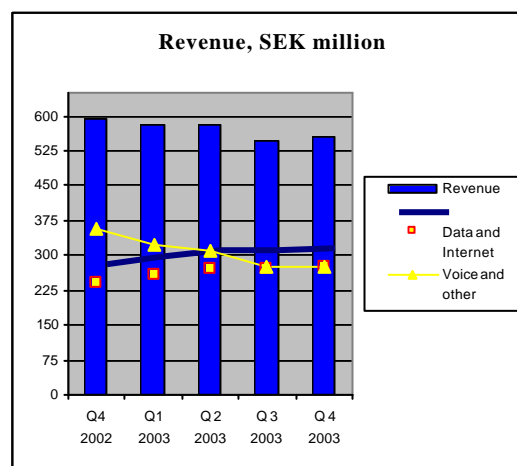
Song Networks' revenues for the fourth quarter of 2003 were SEK 554 million (595), a decrease of 7% from the corresponding quarter the previous year.

Revenues for the full year of 2003 were SEK 2,261 million (2,325). The lower revenues are mainly explained by a strong focus on profitability rather than on top line growth. The phase-out of low margin revenues continues primarily with reference to reselling of voice. Further the company has continued to phase out small Internet and hosting customers. Capacity sales have been negatively affected by the phase-out of a large customer in Finland.

A stronger Swedish krona has negatively impacted the revenues with respect to the foreign exchange rate, especially in the third and fourth quarter of 2003.

Revenues from data and Internet for the fourth quarter of 2003 were 51% (40), or SEK 280 million (239) of total revenues. Revenues from data and Internet for full year of 2003 were SEK 1,079 million (945), representing an increase of 14% from the previous year and 48% (41) of total revenues.

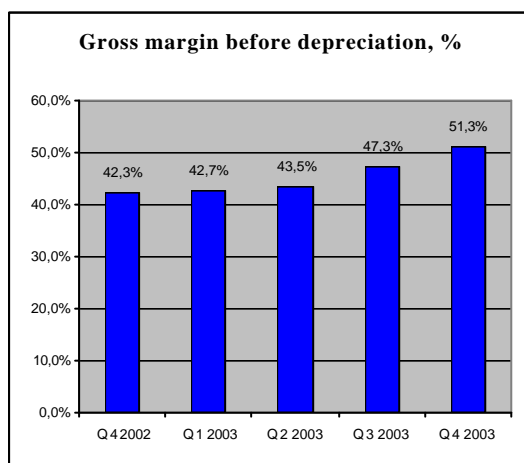
Revenues from IP VPN continue to increase, and were SEK 384 million (260) for the year.



Revenues from Sweden accounted for 38% (34) of total revenues 2003, Finland accounted for 26% (28), Norway for 20% (21) and Denmark for 16% (17).

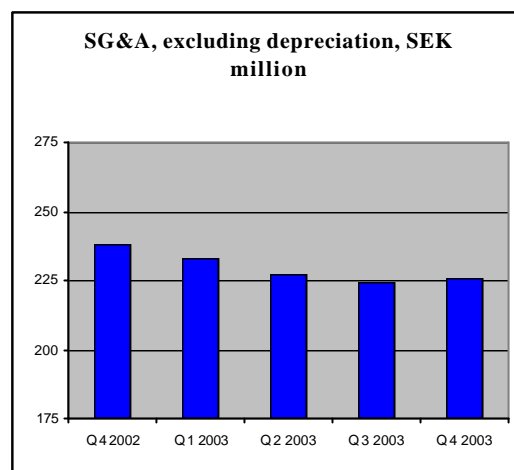
During the year gross margin before depreciation improved significantly and amounted to 51.3% for the fourth quarter of 2003 compared to 42.3% the corresponding period the previous year.

The improvement is a result of a change of revenue mix, with an increased share of high margin revenues from data and Internet. The phase-out of low margin voice business has also resulted in improved margins for revenues from the voice business. The margins are further improved by lower costs for transmission and access networks. The company is consciously working to reduce the number of leased lines for the benefit of its own network infrastructure, especially within DSL. For the full year of 2003 gross margin was 46.1% (41.3).



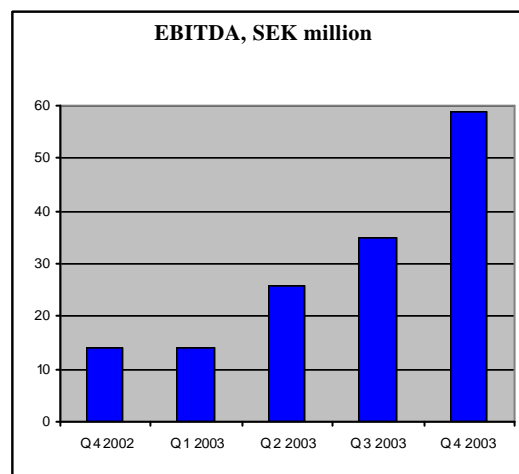
Selling and administrative expenses excluding depreciation (SG&A) decreased further during the year through a continued tight cost control. For the fourth quarter SG&A was SEK 226 million (238). This represents 41% of revenues compared to 40% the corresponding period the previous year.

SG&A for the full year of 2003 was to SEK 909 million (1,043). As a percentage of revenues, SG&A was 40%, compared with 45% for 2002.



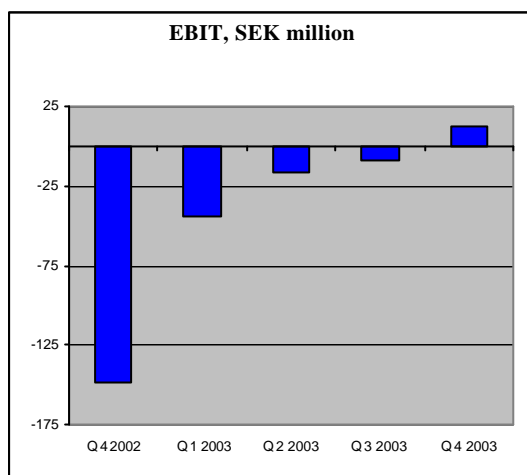
Song Networks showed a very good EBITDA development, that for the fourth quarter of 2003 was SEK 59 million (14). This represents a margin of 11% compared to 2% the corresponding period the previous year.

All countries show positive EBITDA results for the full year of 2003. EBITDA for 2003 was SEK 133 million compared to SEK -83 million for the full year of 2002. Thereby Song Networks fulfilled its goal for 2003 to show a significantly positive EBITDA result. The EBITDA margin was 6% (-4).



For the fourth quarter of 2003 Song Networks, for the first time, show positive earnings before interest and tax (EBIT). EBIT for the fourth quarter was SEK 13 million (-149). In addition, all countries independently show a positive EBIT.

EBIT for the full year of 2003 was SEK -58 million (-918).



Items affecting comparability for the fourth quarter was SEK -3 million, related to provisions for unutilized office space in Finland. Items affecting comparability for the fourth quarter of 2002 was SEK 402 million and consisted mainly of a capital gain of SEK 4,198 million primarily related to the conversion of the company's bonds into equity. An impairment write-down of fixed assets of SEK 3,737 million was also recorded in Items affecting comparability as well as restructuring charges and increased provisions for redundant office space of in total SEK 64 million.

For the full year of 2003, Items affecting comparability, net, was SEK 16 million (-1,154). This includes sale of non-operating subsidiaries with significant tax deficits as well as an increase of previously made provisions for redundant office space. Further there are also previously made provisions for disputes with suppliers regarding the build-out of the network of Song Networks. In addition to the above mentioned SEK 402 million, items affecting comparability 2002 consist of an additional write-down of fixed assets of SEK 1,564 million, additional restructuring charges of SEK 119 and result from the sale of subsidiaries of SEK 132 million.

In the fourth quarter other income/expenses, net, were SEK 0.2 million (4). For the full year of 2003 other income/expenses net, were positive SEK 2 million (-11).

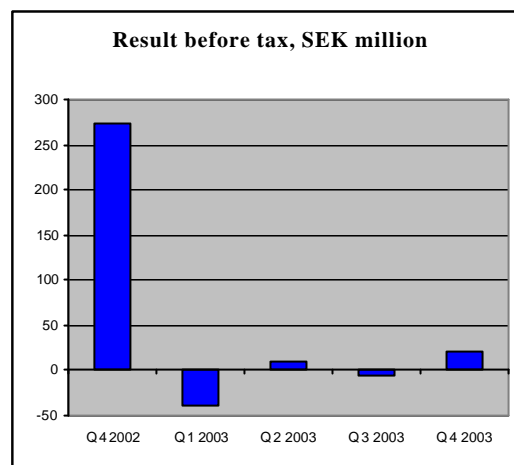
The result from associated companies was positive for the quarter, SEK 7 million (-32) and was SEK 16 million (-28) for the full year of 2003. The positive result was mainly from the Finnish company Corenet Oy.

Financial net for the fourth quarter of 2003 was SEK 4 (50) million. Financial net for the fourth quarter of 2002 was positively affected by a foreign exchange gain pertaining to the company's long-term loans denominated in USD and EUR.

For the full year of 2003 financial net was SEK 9 million (-175). The significantly improved financial net is related to the financial restructuring that was started during 2002 and was completed during 2003. According to the restructuring agreement the company was only liable for interest on the loans up until October 10, 2002.

Result before tax for the fourth quarter of 2003 was SEK 21 million (274). Items affecting comparability, relating to the financial restructuring of the company, positively affected the result before tax for the fourth quarter of 2002.

For the full year of 2003, result before tax was SEK -15 million (-2,284). The result before tax for 2002 includes write-downs of tangible fixed assets of SEK 5,301 million.



As companies within the group with significant losses, were expected to generate positive result before tax, in the near term, a deferred income tax asset of SEK 50 million was recorded in the second quarter of 2003, in accordance with Swedish Financial Accounting Standards Council's Recommendation (RR 9). A renewed assessment was made at the end of 2003 and did not result in any change of the deferred income tax asset.

The net result for the fourth quarter of 2003 was SEK 21 million (274). The net result for the full year of 2003 was SEK 35 million (-2,284).

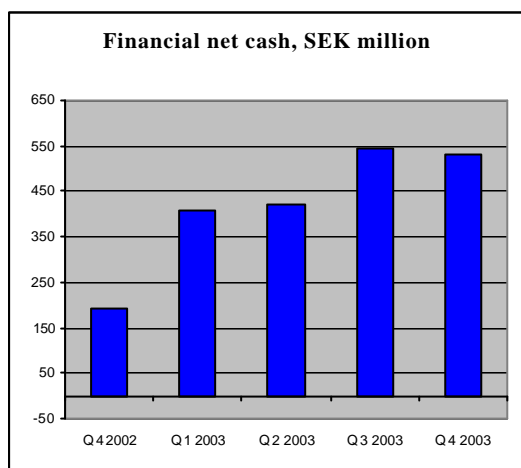
### Cash flow

For the fourth quarter of 2003 Song Networks shows a cash flow of SEK -5 million (-90). Operations generate a positive cash flow contribution of SEK 94 million (135). Capital expenditures amounted to SEK 96 million (81), resulting in a free cash flow of SEK -3 million (54).

For the full year of 2003 Song Networks shows a positive cash flow of SEK 412 million (-232). The positive cash flow is mainly due to a financial net of SEK 379 million (695), in connection with the financial restructuring as well as a continued positive development of the profitability and improved working capital. In the third quarter the cash flow was positively affected by SEK 115 million pertaining to the sale of a non-operating subsidiary with significant tax losses. Tight focus on cash management and improved procedures during the year has affected the working capital positively. Cash flow from operations contributes with SEK 187 million (-295) for the year. Net capital expenditures amounted to SEK 270 million (706) during the year.

## Financial position

As per December 31, 2003, Song Networks had total liquid assets of SEK 672 million (266) (including restricted cash). Restricted cash amounts to SEK 50 million (55) as per December 31. Financial net cash was SEK 531 million (194) at the end of the year.



Song Networks now has a substantial debt-equity ratio, which was 44.7% (31.6) at the end of 2003. The company's debt burden was eliminated through the financial restructuring whereby the company's bond loans were converted to equity.

## Capital expenditures

Net capital expenditures during the year 2003 were SEK 270 million (381), which is less than previous estimates of SEK 300 million. Historical cost for PP&E (Property, Plant and Equipment) amounted to SEK 7,164 million and the carrying value totalled SEK 1,444 million. Depreciation and amortization for the period was SEK 191 million (836). The lower depreciation is explained by the write-down of fixed assets that was made in December 2002. Through the acquisition of Arrowhead, fixed assets of an appreciated market value of SEK 169 million were added to Song Networks that resulted in increased depreciation.

## Personnel

Song Networks ended 2003 with 846 employees, an increase of 60 from 786 at the beginning of the year. With the integration of Arrowhead on January 10, 88 employees were added to Song Networks.

## Parent Company

Revenues for the parent company Song Networks Holding AB for the full year of 2003 were SEK 21 million compared with SEK 28 million 2002. Result before tax was SEK -235 million (-4,661), whereof SEK -221 million is relating to write-down of the carrying value of the shares in the subsidiary Song Networks N.V. (-4,525). Investments during 2003 amounted to SEK 0 million (0). At the end of 2003 the parent company's liquid assets were SEK 411 million compared with SEK 24 million at the end of 2002. The

number of employees in the parent company at the end of the year was 11 (13).

## Share data and largest shareholders

The exchange of Senior Notes issued by the subsidiary Song Networks N.V. for new shares in Song Networks was completed during the second quarter of 2003. The total number of Senior Notes exchanged during the entire note exchange corresponds in aggregate to 31,518,188 ordinary shares and 3,412,645 preference shares.

During the year a share issuance regarding the acquisition of Arrowhead AB has been carried out, corresponding to 3,846,154 ordinary shares, a cash issuance corresponding to 15,270,879 ordinary shares and a share issuance regarding the conversion of convertible loans corresponding to 7,556 ordinary shares. During the year 50,642,777 new ordinary shares and 3,412,645 preference shares have been issued. In total 55,714,274 shares are outstanding at the end of the year.

Distribution of shares in Song Networks Holding AB:

	12 months Jan 1-Dec 31, 2003	12 months Jan 1-Dec 31, 2002
Number of shares at period end	55,714,274	1,658,852
Average number of shares	53,100,109	1,658,852
Result per share, SEK	0.66	-1,376.85

In November 2002, a share consolidation of 100:1 was carried out, meaning that one hundred old shares were consolidated into one new share with a face value 100 times greater. Shares with the new face value have been traded since November 25, 2002. In the table above the number of shares for 2002 have been adjusted to enable comparison of result per share.

Largest shareholders as per December 31, 2003:

Stena Adactum AB	11%
JP Morgan Chase Bank	11%
State Street	6%
Dunross & Co AB	5%
Banque Carnegie Luxemburg	5%
Goldman Sachs & Co	3%
Andra AP-fonden	3%
<b>Total largest shareholders</b>	<b>44%</b>
Other	56%
<b>Total</b>	<b>100%</b>

Source: VPC

## Significant events during the year

### Financial restructuring

Song Networks' financial restructuring that started during 2002 was concluded the first quarter of 2003. In October 2002 an agreement was signed with an ad hoc committee of bondholders of Song Networks, Vattenfall and Stena



Adactum, with the result that all outstanding bonds were converted into shares at the same time as Vattenfall and Stena through a share issuance injected new capital of SEK 300 million into the company. This was made in combination with a share issuance of SEK 97 million to existing shareholders and an issuance of convertible loans of SEK 98 million. In total liquid assets of SEK 495 million was injected into the company.

#### **Customer and collaboration agreements**

During the year a number of important customer agreements have been signed with, among other the Swedish National Tax Board (Skatteverket), the Swedish Prison and Probation Administration (Kriminalvårdsverket), the Finnish Ministry of Justice (Oikeusministeriö), Bilprovningen, the Norwegian Uninett among others. During the year collaboration with Dotcom Solutions has been initiated.

#### **Annual General Meeting**

At the Annual General Meeting on April 9, 2003 a new Board of Directors was elected consisting of Roger Holtback, Märtha Josefsson, Kjell Nilsson, Lennart Åsander, Raj Raithatha, Lars Grönberg and Tomas Franzén. At the first meeting of the Board of Directors Roger Holtback was appointed chairman of the board.

At the Annual General Meeting it was resolved to amend the articles of association in accordance with the Board of Directors' proposal, resulting in an increase of the share capital limits of Song Networks. It was resolved to assign the Board of Directors to appoint a compensation committee and an audit committee but no nominating committee.

#### **Changes in management and Board of Directors**

In May 2003 Joachim Jaginder was appointed CFO for Song Networks Holding AB.

During the fall Lennart Åsander left the Board of Directors as a result of Vattenfall's sale of all of its shareholdings in Song Networks.

#### **Remuneration to senior management**

According to a decision by the compensation committee of Song Networks Holding AB, changes in the remuneration of the CEO have been made. A monthly salary of SEK 215,000 will be paid retroactively from April 1, 2003. A decision has also been made of a bonus of a maximum of 6 monthly salaries.

#### **Nominating committee**

For the Annual General Meeting in 2004 a nominating committee has been appointed consisting of chairman of the board of Song Networks, Roger Holtback (summoner), Martin Svalstedt, Sven Norfeldt and Petter Odhnoff.

#### **Subsequent events**

In January the Finnish subsidiary Song Networks Oy announced that it had signed an agreement with Group Harjavalta Oy (Harjavalta-konserni) for the supply of a multiservice network solution. The network solution will connect the Group Harjavalta Oy's 82 offices in Finland.

Song Networks' multi-service network also provides the company with access to Internet, Voice over IP (VoIP), hosting services and mobile services. The agreement extends over 3 years and the value is estimated to be EUR 4-5 million over this period.

#### **Accounting principles**

The interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's Recommendation on Interim Reporting (RR 20). Song Networks has applied the same accounting principles that were detailed in the 2002 annual report. As of January 1, 2003 the following new recommendations issued by the Swedish Financial Accounting Standards Council's became effective: Presentation of Financial Statements (RR 22), Investment Property (RR 24), Segment Reporting (RR 25), Events after the balance sheet date (RR 26), Financial Instruments: Disclosure and presentation (RR 27) and Accounting for government grants (RR 28). The new recommendations have not had a material impact on this interim report.

EBITDA and EBIT do not include provisions for social security expenses relating to personnel options, items affecting comparability, other income/expenses and result from associated companies, i.e. EBITDA is the same as what previously was defined as adjusted EBITDA.

#### **Prospects for 2004**

The market is characterized by continued strong competition and corresponding price pressure. Song Networks will focus on profitable business and a tight cost control. For the current year revenue as well as EBITDA is expected to continually improve compared with 2003.

Every possibility to further reduce Song Networks' costs going forward will be scrutinized. Run-rate for SG&A is expected to be lower than SEK 240 million per quarter as previously stated.

The network build-out was completed in all material respects at year-end 2001. Future capital expenditures will be customer driven and are expected to total approximately SEK 350 million for 2004, in line with previous estimates.

The previously given estimates of a positive cash flow in the second quarter of 2004 was reached already during 2003.

Notwithstanding this, Song Networks' ability to generate positive results and cash flows is subject to numerous risks and uncertainties, some of which are beyond Song Networks' control.

#### **Dividend**

The Board of Directors proposes no dividend for the financial year of 2003.

#### **Company disclosure**

Song Networks will hold a telephone conference call at 10 am CET, February 18, to present the full year 2003 and

fourth quarter result and answer questions. Tomas Franzén (CEO) and Joachim Jaginder (CFO) will host the conference. Dial in number: UK +44 (0) 207 162 0188, US +1 334 420 4950 (toll free). Quote: Song Networks

Instant replay will be available from February 18, directly after the conference call is finished, until February 25. To listen, please dial: UK +44 (0) 20 8288 4459, access code: 372462, US +1 334 323 6222 (toll free), access code: 372462.

You will also find the conference call on Song Networks' website [www.songnetworks.net](http://www.songnetworks.net)

Annual General Meeting will be held Wednesday March 24, 2004 at 3.00 pm CET in Stockholm, Spårvagnshallarna, Birger Jarlsgatan 57 A, conference facility Perrongen.

An English translation of Song Networks' 2003 annual report will be available in the middle of March at Song Networks' office at Gustav III:s Boulevard 18, P.O. Box 712, SE-169 27 Solna, Sweden. The annual report and quarterly results are also available on Song Networks' website: [www.songnetworks.net](http://www.songnetworks.net)

Song Networks Holding AB's first quarter 2004 report will be released on May 7, 2004.

Stockholm February 18, 2004

On the behalf of the Board of Directors of Song Networks Holding AB

Tomas Franzén  
CEO



## Consolidated income statement

	3 months Oct 1 – Dec 31		12 months Jan 1 – Dec 31	
	2003 SEK '000	2002 SEK '000	2003 SEK '000	2002 SEK '000
Operating revenues	554 375	595 385	2 260 864	2 325 043
Cost of services sold	-303 100	-423 794	-1 339 368	-1 752 908
<b>Gross profit</b>	<b>251 275</b>	<b>171 591</b>	<b>921 496</b>	<b>572 135</b>
SG&A	-238 726	-320 732	-979 242	-1 487 093
Items affecting comparability	-3 222	402 085	15 948	-1 153 845
Other income/expenses, net	200	4 100	2 076	-11 313
Result from participation in associated companies	6 820	-32 499	15 932	-28 322
<b>Operating result</b>	<b>16 347</b>	<b>224 545</b>	<b>-23 790</b>	<b>-2 108 438</b>
Financial net	4 332	49 729	9 270	-175 170
<b>Result before tax</b>	<b>20 679</b>	<b>274 274</b>	<b>-14 520</b>	<b>-2 283 608</b>
Income tax benefit/expenses	-	-2	49 540	-387
<b>Net result</b>	<b>20 679</b>	<b>274 272</b>	<b>35 020</b>	<b>-2 283 995</b>
Depreciation/amortization & impairment charges included in operating result	-46 233	-3 899 747	-191 120	-6 136 229
<b>EBITDA</b>				
- SEK '000	58 781	14 027	133 374	-82 876
- %	10,6%	2,4%	5,9%	-3,6%
Result per share (SEK)				
before dilution	0,37	165,34	0,66	-1 376,85
after dilution	0,36	8,26	0,63	-1 376,85
Weighted average of outstanding shares				
before dilution	55 711 570	1 658 852	53 100 109	1 658 852
after dilution	58 215 346	33 189 908	55 603 885	1 658 852
Number of shares outstanding				
before dilution	55 714 274	1 658 852	55 714 274	1 658 852
after dilution	58 218 050	58 362 890	58 218 050	58 362 890

## Consolidated balance sheet

	Dec 31 2003 SEK '000	Dec 31 2002 SEK '000
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible fixed assets	37 214	49 350
Tangible fixed assets	1 444 070	1 227 569
Financial fixed assets	96 488	43 938
<b>Total fixed assets</b>	<b>1 577 772</b>	<b>1 320 857</b>
<b>Current assets</b>		
Inventories	16 207	26 190
Current receivables	713 520	806 486
Cash and bank balances	672 460	265 751
<b>Total current assets</b>	<b>1 402 187</b>	<b>1 098 427</b>
<b>TOTAL ASSETS</b>	<b>2 979 959</b>	<b>2 419 284</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Restricted equity	2 164 202	6 110 878
Accumulated deficit	-833 645	-5 345 780
<b>Total equity</b>	<b>1 330 557</b>	<b>765 098</b>
Provisions	204 129	212 763
<b>Long-term liabilities</b>		
Interest-bearing liabilities	126 649	-
Non-interest-bearing liabilities	51 476	35 482
<b>Short-term liabilities</b>		
Interest-bearing liabilities	15 008	71 737
Non-interest-bearing liabilities	1 252 140	1 334 204
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>2 979 959</b>	<b>2 419 284</b>

## Consolidated cash flow

	3 months		12 months	
	Oct 1 – Dec 31		Jan 1 – Dec 31	
	2003 SEK '000	2002 SEK '000	2003 SEK '000	2002 SEK '000
Net cash from operating activities before changes in working capital	68 432	17 738	141 296	-227 387
Changes in working capital	25 129	117 137	45 542	-67 314
<b>Net cash from operating activities</b>	<b>93 561</b>	<b>134 875</b>	<b>186 838</b>	<b>-294 701</b>
Investments to networks and equipment, net	-96 265	-80 675	-269 849	-705 683
<b>Free cash flow</b>	<b>-2 704</b>	<b>54 200</b>	<b>-83 011</b>	<b>-1 000 384</b>
Acquisitions/sale of subsidiaries and associated entities	-	6 389	115 609	73 508
<b>Net cash from investment activities</b>	<b>-96 265</b>	<b>-74 286</b>	<b>-154 240</b>	<b>-632 175</b>
<b>Net cash from financing activities</b>	<b>-2 407</b>	<b>-151 083</b>	<b>378 919</b>	<b>694 770</b>
<b>Net increase (decrease) of cash</b>	<b>-5 111</b>	<b>-90 494</b>	<b>411 517</b>	<b>-232 106</b>
Cash, beginning of period	677 675	355 882	265 751	498 121
Effect of exchange rate changes on cash	-104	363	-4 808	-264
<b>Cash, end of period</b>	<b>672 460</b>	<b>265 751</b>	<b>672 460</b>	<b>265 751</b>

## Change in shareholders' equity

	12 months Jan 1 – dec 31	12 months Jan 1 – Dec 31
	2003 SEK '000	2002 SEK '000
Shareholders' equity, opening balances	765 098	2 285 089
New share issue	631 277	702 595
Cost, new share issue	-65 086	-
Translation adjustment, net	-35 752	61 409
Net result	35 020	-2 283 995
<b>Shareholders' equity, closing balances</b>	<b>1 330 557</b>	<b>765 098</b>

## Key ratios

	12 months Jan 1 – Dec 31	12 months Jan 1 – Dec 31
	2003 SEK '000	2002 SEK '000
Gross margin before depreciation, %	46.1%	41.3%
Gross margin, %	40.1%	24.6%
Selling and administrative expenses before depreciation (SG&A), %	-40.2%	-44.8%
EBITDA, %	5.9%	-3.6%
EBIT, %	-2.6%	-39.5%
Operating margin, %	-1.1%	-90.7%
Profit margin, %	-0.6%	-98.2%
Return on average capital employed, %	-0.1%	-40.5%
Return on average shareholders' equity, %	3.3%	-149.8%
Capital employed, MSEK	1 472.2	836.8
Equity/asset ratio, %	44.7%	31.6%
Financial net debt (-)/ net cash (+), MSEK	531	194
Debt/equity ratio	0.1	0.1
Interest coverage ratio	Neg	Neg

## Definitions:

### *Average number of outstanding shares*

The average number of outstanding shares is calculated as a daily weighted average during the period.

### *Average number of outstanding shares after dilution*

Calculating the average number of outstanding shares after dilution all possible additional shares, as a result of outstanding share option programs, are included. All shares that could be registered as a result of conversion of bonds, new share issue and convertible loans are considered potential ordinary shares from November 11, 2002, i.e. the date for the Annual General Meeting when decision of these measures was taken.

### *Capital employed*

Total assets less non-interest bearing provisions and liabilities.

### *Corporate customers*

Do not include operators, resellers or ISPs.

### *Debt to equity ratio*

The sum of interest bearing provisions and liabilities as a ratio of the sum of shareholders' equity and minority interests in subsidiaries.

### *EBIT*

Earnings before interest and tax excluding provisions for social security expenses relating to personnel options, items affecting comparability/ non-recurring items, other income/expenses and result from associated companies.

### *EBITDA*

Earnings before interest, tax, depreciation and amortization excluding provisions for social security expenses relating to personnel options, items affecting comparability/non-recurring items, other income/ expenses and result from associated companies.

### *Equity/ asset ratio, %*

Equity divided by total asset.

### *Financial net debt (-)/ net cash (+)*

Interest bearing liabilities less liquid assets including short-term investments.

### *Free cash flow*

Cash flow from operating activities after investments to networks and equipment, net.

### *Gross margin, %*

Operating revenues less cost of goods and services sold as a percentage of operating revenues.

### *Gross margin before depreciation, %*

Operating revenues less cost of goods and services sold excluding depreciation and amortization as a percentage of operating revenues.

### *Gross profit*

Operating revenues less cost of goods and services sold.

### *Gross profit before depreciation*

Operating revenues less cost of goods and services sold excluding depreciation.

### *Interest cover ratio*

The total of result before tax and interest expenses, as a ratio of interest expenses.

### *Operating margin, %*

Operating result as a percentage of operating revenues.

### *Operating result*

Income before financial net.

### *Profit margin, %*

Result before tax as a percentage of operating revenues.

### *Result per share*

Result after tax divided by the average number of outstanding shares. No consideration has been taken to potential dilution as a result of outstanding options since the effect would be an improved result per share.

### *Return on average capital employed, %*

Net result plus financial income as a percentage of average capital employed (based on the amount at the period start and end).

### *Return on average shareholders' equity, %*

Net result as a percentage of average shareholders' equity (based on the amount at the period start and end).

### *Selling and administrative expenses (SG&A), %*

Selling and administrative expenses before depreciation, costs for social security expenses relating to personnel options and restructuring costs, as a proportion of operating revenues.

### *Shareholders' equity per share*

Shareholders' equity divided by number of outstanding shares at the period end.

### *Site*

Customer connection/office.

### *Yield, %*

Cash dividend as a percentage of the share's price at the end of the period.

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