

# *SälenStjärnan AB (publ)*

## *Half-yearly Report*

*1 September 2000 – 28 February 2001*



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The newly acquired skiing facilities in Vemdalen and Hemsedal show positive earnings trends.



The operations in Sälen were affected negatively by the late start to the season.



The booking situation during March and April is better than the previous year.



A program to improve efficiency and ensure savings is estimated to reduce expenses by SEK 30 million per year, with effect from 2001/2002.



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## **This is SälenStjärnan AB**

SälenStjärnan is listed on the OM Stockholm Stock Exchange's O List. The group owns and operates skiing facilities in Sälen, Åre and Vemdalen in Sweden and in Hemsedal in Norway. The core business is alpine skiing with the focus on the guests' skiing experience. Other strategic operations include an accommodation agency, ski school and ski hire facilities. The Group acts as booking agent for and owns a total of approximately 24,000 beds. The market share of the sales of ski passes is 53% in Sweden and 14% in Norway and 37% in all of Scandinavia.

## **Sales and results**

The net sales of the Group for the financial year amounted to SEK 424 million (SEK 351 million and SEK 438 million pro forma). Consolidated income before tax amounted to SEK 25 million (SEK 58 million and SEK 23 million pro forma). Åre-Vemdalen was acquired on 1 January 2000 and Hemsedal Skisenter on 1 April 2000. The pro forma accounts report the acquired companies from 1 September 1999. The significantly higher level of earnings for the period for the previous year was due to the fact that the Group was not affected

by Åre-Vemdalen's weak results during the period September-December 1999. Åre-Vemdalen and Hemsedal show a positive earnings trend while the operations in Sälen have been affected negatively by the late start to the skiing season.

## **Market trend**

A large number of the Nordic Region's skiing facilities have been negatively affected by the mild weather conditions during, primarily, December. According to SLAO (the Swedish Ski Lift Organisation) the sales of ski passes in Sweden decreased by 1% during the period November 2000-February 2001, compared with the the same period during the previous year. In Norway ski pass sales increased during the period November 2000 - January 2001 by 16% according to the Norske Skiheisers Forening (the Norwegian Ski Lift Association).

## **Business activities.**

The Group's ski pass sales for comparable units increased during the period by SEK 7 million (3%) to SEK 230 million. The prices of ski passes have increased by 7% which has meant a decrease in volume of 4%. A very late start to the season in Sälen was compensated, to a certain

degree, by a strong pre-season in Hemsedal and Vemdalen. The actual occupancy rate, for 2000/01 (Christmas-May) in the Group's own cabins and apartments, as well as for those for whom they act as agent, amounted to 83% compared with last season's outcome of 81%.

The work to integrate the two companies, Åre-Vemdalen and the Norwegian Hemsedal Skisenter, which were acquired during the previous financial year, continued as planned. Åre-Vemdalen have increased their sales compared with the previous year by SEK 7 million to SEK 171 million and income before depreciation by SEK 1 million to SEK 28 million. Income from ski passes in Åre-Vemdalen increased during the period by 2% to SEK 92 million. Hemsedal shows, during the same period, an increase in sales of SEK 14 million to SEK 59 million and an increase in income before depreciation of SEK 5 million to SEK 22 million compared with the equivalent period during the previous year. Ski pass sales in Hemsedal have increased during the period by 30% to SEK 44 million. The increases in sales and income for Åre-Vemdalen and Hemsedal are a result of good snow conditions, primarily in Hemsedal and Vemdalen, a high



degree of occupancy due to investments in marketing and increased accessibility via the Group's Internet booking system Ski\*Online and the Internet portal, [www.iskion.com](http://www.iskion.com). Lower expenses via joint purchasing have also produced positive effects. In Sälen the season started on a smaller scale until Christmas and was in full force until the beginning of January. This unusually late start to the season has had a negative effect on sales and income. The season also started late in Sälen last year.

Sales in Sälen decreased by SEK 34 million to SEK 195 million compared with the equivalent period for the previous year and income before depreciation decreased by SEK 2 million to SEK 64 million. Sales of ski passes in Sälen have during the period decreased by 5% to SEK 94 million. Sälen's Högfjällshotell, which is sublet this year, had sales of SEK 33 million last year and reported income before tax of SEK 4 million for the period 1 September 1999 - 29 February 2000.

In Åre a small booking agency has been acquired. Through this acquisition 700 beds have been added to Åre's booking agency operations, which is an increase of 10%. The number of shareholders amounted, at 29 February 2001 to 3,050, which is an increase of 249 (9%) since 31 August 2000.

### Cash flow

Resort cash flow, which is defined as skiing facility-related revenue less skiing facility-related expenses, amounted during the period to SEK 114 million (117). Cash flow from operating activities amounted to SEK 212 million (135) and cash flow for the period after investments and financing activities amounted to SEK 96 million (50).

### Investments

Investments for the financial year amounted to SEK 80 (72) and refer mainly to replacement investments.

### Liquidity and financing

The Group's liquid funds amounted to SEK 156 million (111) including non-utilised bank overdraft facilities. Interest-bearing net debt has decreased during the period by SEK



168 million to SEK 726 million. The average interest expense (net financial related to average interest-bearing net debt) amounted to 6.3% (6.2).

### Personnel

The average number of personnel amounted to 997 which is a decrease by 3 compared with the previous year.

### Parent Company

The Parent Company's net sales during the period totalled SEK 13 million (26) of which SEK 12 million refers to invoicing to subsidiaries. The result after financial items amounted to SEK -16 million (2).

### Future prospects

The booking situation at the Group's skiing facilities for March and April is expected to produce a positive end to the season. An efficiency and savings program is estimated to produce yearly savings of SEK 30 million. This is expected to come into full effect during the next two years, with the majority of the effect in 2000/02.

### Investments during the 2001/02 season

There are plans for investments totalling approximately SEK 120 million for the Group's skiing facilities for the next season. These investments will be financed

by the Group's cash flow. In Sälen the Group will become minority owner in two property companies which are being established and who plan to build a total of 640 new beds in Lindvallen and Hundfjället. The investments in Hemsedal refer mainly to snow systems and new beds. The option to acquire the outstanding shares (50%) in Skidåkarna AB, which operated 5 ski rental centres in Åre, will be exercised during the autumn of 2001.

### Financial information

All external financial information is presented on the Group's website, [www.iskion.com](http://www.iskion.com), as soon as it has been made public. The next report, the nine-month report for September 2000 - May 2001, will be made public on 21 June 2001. The year-end report for financial year 2000/01 will be made public on 2 October 2001.

### Accounting principles

The accounting principles and bases of calculation applied are unchanged compared to the previous year. The half-yearly report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendations concerning interim reporting.



## CHANGE IN EQUITY, TSEK

	1 September- 28 februari	
	2000/01	1999/00
Operating equity	583 052	360 075
Dividens	- 28 919	- 21 270
Translation differences	3 367	-
New share issue	-	182 525
Profit for the period	16 205	38 043
<b>Closing Equity</b>	<b>573 705</b>	<b>559 373</b>

A dividend of SEK 3 (3) per share was paid and the number of shares was 9 639 823 (7 089 750).

## SUMMARY OF CONSOLIDATED CASH FLOW, TSEK

	1 september- 28 February		1 September- 31 August
	2000/01	1999/00	1999/00
<b>Operating activities</b>			
<b>Resort cash flow</b>	<b>113 550</b>	<b>116 825</b>	<b>193 034</b>
Financial items, net	- 25 729	- 12 026	- 31 519
Tax paid	- 2 059	- 4 765	- 7 649
Change in working capital	125 806	35 296	- 77 885
<b>Cash flow from operating activities</b>	<b>211 568</b>	<b>135 330</b>	<b>75 981</b>
<b>Cash flow from investing activities</b>	<b>- 80 458</b>	<b>- 146 719</b>	<b>- 288 161</b>
<b>Cash flow from financing activities</b>	<b>- 35 420</b>	<b>61 467</b>	<b>211 483</b>
<b>Cash flow for the year</b>	<b>95 690</b>	<b>50 078</b>	<b>- 697</b>
Liquid funds at the beginning of the year	60 278	60 975	60 975
<b>Liquid funds at year-end</b>	<b>155 968</b>	<b>111 053</b>	<b>60 278</b>

## KEY RATIOS AND DATA PER SHARE

	1 September - 28 February (6 månader)				1 September - 31 August (12 månader)		
	2000/01	1999/00	1999/00	1998/99	1999/00	1998/99	1997/98
	Pro forma						
<b>Key ratios</b>							
Return on							
- capital employed, %	3	3	8	5	11	11	10
- equity, %	3	3	9	5	12	11	10
- total assets, %	3	3	6	4	10	10	9
Gross margin, %	27	25	33	35	28	38	39
Operating margin, %	12	11	20	18	16	22	23
Net margin, %	6	5	16	12	12	17	16
Equity ratio, %	33	32	36	41	36	47	44
	28 February				31 August		
	2001	2000	2000	1999	2000	1999	1998
	Pro forma						
<b>Data per share</b>							
Share price, SEK	71:00	84:00	84:00	72:00	80:00	74:00	68:00
Number of shares	9 639 823	9 639 823	9 539 750	7 089 750	9 639 823	7 089 750	6 839 750
Earnings after full tax, SEK	1:68	1:56	3:99	2:21	5:19	6:19	4:22
Resort cash flow, SEK	11:78	11:39	12:25	8:66	20:00	16:90	15:40
Equity, SEK	60	58	59	47	60	51	48

## NET SALES AND RESULTS BY BUSINESS AREA

Net sales and results by business area, 1 September - 28 February, MSEK. During 2000/01 Parent Company expenses totalling SEK 12 million have been allocated to Sälen, 50%, Åre-Vemdalen, 40%, and Hemsedal, 10%.

	Sälen		Åre-Vemdalen		Hemsedal	
	2000/01	1999/00	2000/01	1999/00	2000/01	1999/00
Net sales	195,3	229,5	170,6	163,9	58,5	44,5
Costs	- 130,9	- 163,0	- 142,9	- 136,8	- 37,0	- 28,3
<b>Results before depreciation</b>	<b>64,4</b>	<b>66,5</b>	<b>27,7</b>	<b>27,1</b>	<b>21,5</b>	<b>16,2</b>

Sälens Högfjällshotell, which was sub-let from 1 September 2000, was included in Sälen's 1999/00 sales with an amount of SEK 33.2 million and in its expenses for the same period with an amount of SEK 26.8 million.

# SUMMARY OF CONSOLIDATED CASH FLOW, TSEK

	1 December - 28 February			1 September - 28 February			Sept-Aug	Sept-Aug
	3 months			6 months			12 months	12 months
	2000/01	1999/00	1999/00	2000/01	1999/00	1999/00	1999/00	1999/00
	Pro forma			Pro forma			Pro forma	
<b>Operating income</b>	<b>403 971</b>	<b>417 698</b>	<b>341 797</b>	<b>424 362</b>	<b>437 875</b>	<b>351 402</b>	<b>796 828</b>	<b>691 775</b>
Goods for resale	- 34 596	- 37 004	- 30 708	- 38 549	- 40 634	- 31 740	- 75 006	- 65 026
Personnel costs	- 99 755	- 102 221	- 80 232	- 141 532	- 140 791	- 99 934	- 257 904	- 213 015
Other external costs	- 87 549	- 100 894	- 78 328	- 130 731	- 146 630	- 102 903	- 263 232	- 220 700
<b>Total operating costs</b>	<b>- 221 900</b>	<b>- 240 119</b>	<b>- 189 268</b>	<b>- 310 812</b>	<b>- 328 055</b>	<b>- 234 577</b>	<b>- 596 142</b>	<b>- 498 741</b>
<b>Income before depreciation</b>	<b>182 071</b>	<b>177 579</b>	<b>152 529</b>	<b>113 550</b>	<b>109 820</b>	<b>116 825</b>	<b>200 686</b>	<b>193 034</b>
Depreciation, Note 1	- 57 681	- 58 260	- 44 188	- 62 860	- 63 407	- 47 063	- 100 701	- 81 508
<b>Result after depreciation</b>	<b>124 390</b>	<b>119 319</b>	<b>108 341</b>	<b>50 690</b>	<b>46 413</b>	<b>69 762</b>	<b>99 985</b>	<b>111 526</b>
Financial items, net	- 12 841	- 12 493	- 7 716	- 25 729	- 23 534	- 12 026	- 45 137	- 31 519
<b>Income before tax</b>	<b>111 549</b>	<b>106 826</b>	<b>100 625</b>	<b>24 961</b>	<b>22 879</b>	<b>57 736</b>	<b>54 848</b>	<b>80 007</b>
Minority interest	- 587	- 42	- 2 324	- 1 131	- 804	- 1 798	- 1 668	- 1 738
Tax, Note 2	- 35 508	- 34 171	- 31 446	- 7 625	- 7 061	- 17 895	- 17 018	- 28 248
<b>Net profit for the year</b>	<b>75 454</b>	<b>72 613</b>	<b>66 855</b>	<b>16 205</b>	<b>15 014</b>	<b>38 043</b>	<b>36 162</b>	<b>50 021</b>
Net earnings per share, SEK	7:83	7:53	7:01	1:68	1:56	3:99	3:75	5:19
Number of shares	9 639 823	9 639 823	9 539 750	9 639 823	9 639 823	9 539 750	9 639 823	9 639 823

Due to the seasonal nature of the revenue flow, earnings per share for 1999/00 is calculated on 9 539 750 shares and pro forma 12 months 1999/00 on 9 639 823 shares, in spite of the fact that the earnings related to the newly issued shares in 2000 apply to only a part of the period.

Note 1: Depreciation has been allocated on the basis of 55% of the full-year forecast for the period December - February and 60% of the full year forecast for the period September - February.

Note 2: Income for the interim reporting period has been charged with estimated taxes for the entire year. The full year income for 1999/00 shows a greater tax burden due to the fact that the Norwegian subsidiary, Hemsedal, which was consolidated only during the period April - August 2000, reported a negative result which could not be offset by profits in the Swedish operation.

## INCOME BEFORE TAX BY REPORTING PERIOD, TSEK

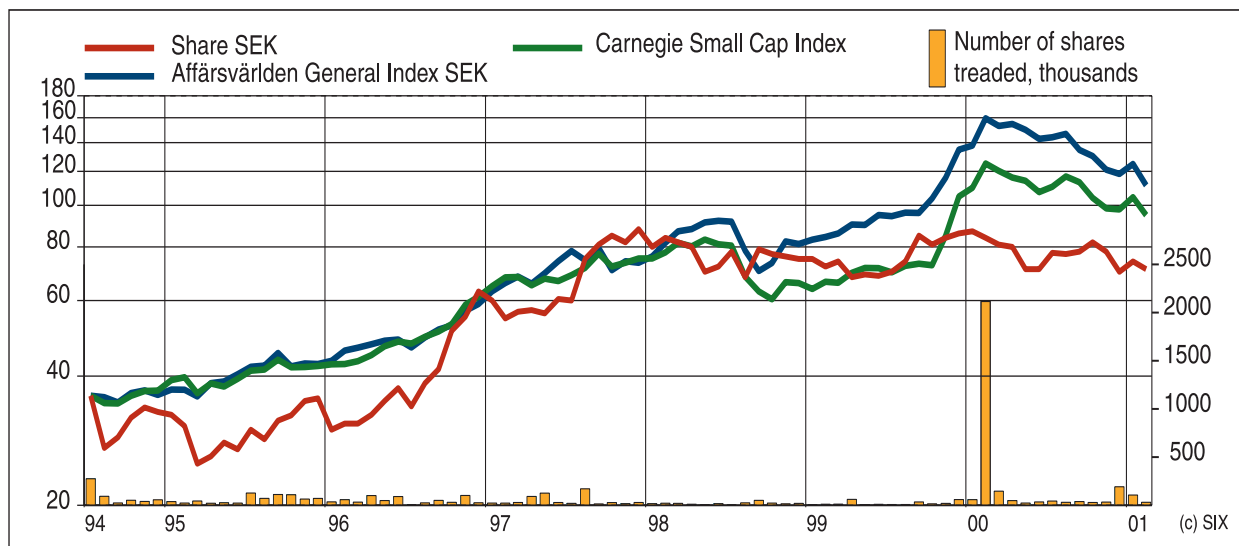
	2000/01	1999/00	1998/99
September - November	- 86 588	- 42 889	- 34 785
December - February	111 549	100 625	56 465
March - May		95 328	56 733
June - August		- 73 057	- 24 396

## CONSOLIDATED BALANCE SHEETS IN SUMMARY, TSEK

	28 February			31 August
	2001	2000	2000	2000
	Pro forma			
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets	27 301	27 112	26 592	28 055
Tangible fixed assets	1 431 222	1 441 152	1 228 042	1 413 410
Financial fixed assets	79 249	62 347	59 135	78 709
<b>Total fixed assets</b>	<b>1 537 772</b>	<b>1 530 611</b>	<b>1 313 769</b>	<b>1 520 174</b>
<b>Current assets</b>				
Interest-bearing	70 450	69 725	55 510	13 559
Non-interest-bearing	153 144	180 400	175 939	82 060
<b>Total current assets</b>	<b>223 594</b>	<b>250 125</b>	<b>231 449</b>	<b>95 619</b>
<b>TOTAL ASSETS</b>	<b>1 761 366</b>	<b>1 780 736</b>	<b>1 545 218</b>	<b>1 615 793</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>573 705</b>	<b>561 050</b>	<b>559 373</b>	<b>583 052</b>
<b>Minority interest</b>	<b>3 381</b>	<b>5 440</b>	<b>5 440</b>	<b>2 229</b>
<b>Provisions</b>	<b>54 206</b>	<b>38 911</b>	<b>37 527</b>	<b>52 950</b>
<b>Long-term liabilities</b>				
Interest-bearing	802 508	835 770	618 655	848 687
Non-interest-bearing	230	255	255	1 759
<b>Current liabilities</b>				
Interest-bearing	31 211	16 675	16 675	45 265
Non-interest-bearing	296 125	322 635	307 293	81 851
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 761 366</b>	<b>1 780 736</b>	<b>1 545 218</b>	<b>1 615 793</b>

**Explanations to the income statements and balance sheets:** Two acquisitions took place during the previous financial year. Åre-Vemdalen joined the Group on 1 January 2000 and Hemsedal Skisenter on 1 April 2000. The pro forma accounts report Åre-Vemdalen and Hemsedal from 1 September 1999 in order to provide comparability. Instead of a rolling 12 months result, there is a pro forma 12 month report for September 1999 - August 2000, as a rolling 12 month result would be less comparable since the companies were acquired in the previous year.

## SHARE PRICE AND TURN OVER



Sälen, 23 March 2001  
 Thorvald Sverdrup, Managing Director

### Audit Review

We have audited this half-yearly report according to the recommendations of the Swedish Institute of Authorised Public Accountants (FAR). A review is significantly limited in scope compared to an audit. We have found nothing that would imply that this half-yearly report does not fulfil the requirements of the Securities Exchange Act and Annual Accounts Act.

Sälen, 23 March 2001

Lennart Danielsson  
 Authorised Public Accountant  
 Öhrlings PricewaterhouseCoopers AB

Ola Blumenberg  
 Authorised Public Accountant  
 Öhrlings PricewaterhouseCoopers AB