

Interim Report

1 September 1998 to 28 February 1999

- ❄ Sales amounted to SEK 173.9 million (154.5) and the profit before tax was SEK 21.7 million (21.6).
- ❄ The profit before tax for the full year is expected to be SEK 47-55 million (42.6), which corresponds to a profit per share after full conversion and tax of SEK 4.80-5.60 (4.22).
- ❄ Resort cashflow is expected to increase to around SEK 115-121 million (105.5) in 1998/99.
- ❄ The number of shareholders has increased by 217 (15 %) to 1,800 since 30 October 1998.
- ❄ The occupancy rate is continuing to rise.
- ❄ In order to increase capacity the board has resolved to invest SEK 110 million mainly in new guest beds for the 1999/00 season.



www.salen.com

SälenStjärnan AB (publ)

1 September 1998 to 28 February 1999

This is SälenStjärnan AB ("Sälen")

Sälen* owns and runs the ski resorts of Lindvallen, Högfjället, Tandådalen and Hundfjället as well as the central booking organisation for chalets, Sälenfjällen Bokning. Since autumn 1998 TV-Sälen AB and Hotell Hundfjället AB are also included in the group. Sälen* owns or acts as agent for chalets comprising nearly 14,000 beds. The vision is that Sälen* is to develop products for new generations of skiers and be industry-leader in Scandinavia.

The business concept is that each ski resort is to offer the market a high-quality, customised alpine winter experience. Families are Sälen*'s primary target group. The greatest source of income is the sale of ski passes. The company's market share of ski passes in Sweden is approximately 28%.

Sales and results

The sales of the Group for the period amounted to SEK 173.9 million (154.5). The allocation of sales and costs is shown in the table below.

The consolidated income before tax amounted to SEK 21.7 million (21.6). The winter sports holiday in the Mälär valley area (Stockholm and surrounding towns) in week 9 was outside the period. This is thought to have affected the

group's sales by SEK -4.8 million and the consolidated income by SEK -4.5 million, compared with the previous year.

Market trend

According to SLAO (Swedish Ski Lift Organisation) the sales of ski passes in Sweden increased by about 2 % up to and including February 1999, compared with the previous year. Adjusting for the effect of the winter sports holiday in the Mälär valley, which was in March 1999 as against February 1998, ski pass sales are estimated to have increased by about 5 % compared with the previous season. SLAO estimates that sales of ski passes will continue to be good for the rest of the season due to the good amount of snow and the favourable occupancy situation in the Swedish ski resorts.

Operations

Ski pass sales in the group's ski resorts increased by 5 % during the period compared with last year. Adjusted for the effect of the Mälär valley winter sports holiday, which was in March 1999 and in February in 1998, ski pass sales increased by 9 %. The accumulated ski pass sales up to and including week 10 have risen by 13 %. Of the increase in sales, 5 % refers to price and 8 % to volume. Revenues from ski hire, ski schools and sales in sports shops have increased substanti-

ally during the period. By means of reduced prices for ski hire the volume of ski equipment hired from the group's four sports shops has been improved by about 50 % in two seasons.

Lindvallen increased its ski pass sales as at 28 February by 2 % to SEK 49.2 million compared with last year. Revenues from ski schools, ski hire and sales in sports shops have increased during the period by 15 %. Lindvallen's profile as a family resort has been strengthened during the season, by means of its own integrated skiing area for children with a separate piste map and by means of the development of "Snögubbeborg" (Snowman's castle), an adventure area right on the piste.

Tandådalen and Hundfjället have increased ski pass sales as at 28 February by 10 % to SEK 43.9 million compared with the previous year. Revenues from ski hire, ski schools and sales in sports shops have risen by 15 %. The presentation of Tandådalen as having a tougher, more advanced and youthful profile has continued. The snowboard area "Black Magic Land" has been developed. World Cup competitions in snowboard and speed skiing are arranged in Tandådalen. Hundfjället's profile as a skiing area suitable for children has been reinforced by development of the adventure skiing in "Trollskogen" (the Trolls' Forest), a skiing area for children, which has such features as speaking trolls.

Sälenfjällen Bokning has increased its chalet agency commission revenue by 21 % to SEK 15.8 million through having processed a greater number of chalets. The occupancy rate for the company's own chalets and those booked through the company for the season (Christmas holiday to 1 May) was 82 % (77 %) as at week 10 and it is estimated when the season is over that it will be 84 % (80%). This means that the occupancy rate for the two last seasons has been strengthened from 70 % to about 84 %.

Cash flow

The American listed ski resorts use the cash-flow measurement "resort cash-flow", which is defined as the revenues minus costs referring to the ski resorts. Resort cashflow during the period was SEK 61.4 million (58.2). In 1998/99 resort cashflow is expected to be SEK 115-121 million (105.5).

After current investments, the operative cash flow amounted to SEK 104.5 million (70.4).

ALLOCATION OF SALES AND COSTS

Allocation of sales, SEKm	1 September to 28 February			
	1998/99	1997/98	+/- %	1998/99
				Portion of Group sales
Lift	94.5	89.6	+5%	54%
Accommodation	25.4	19.4	+31%	15%
Sports shops	28.1	24.5	+15%	16%
Activities	9.5	8.1	+17%	5%
Property	10.2	10.1	+1%	6%
Other	6.2	2.8	+121%	4%
Total	173.9	154.5	+13%	100%
Income from Accommodation and Other sales has increased considerably through the addition of the acquired companies TV-Sälen AB and Hotell Hundfjället AB.				
Allocation of costs, SEKm	1 September to 28 February			
	1998/99	1997/98	+/- %	1998/99
				Portion of Group costs
Cost of goods	11.6	9.9	+17%	10%
Personnel costs	51.2	44.1	+16%	46%
Publicity costs	11.2	10.6	+6%	10%
Property costs	15.1	12.1	+25%	13%
Other costs	23.4	19.6	+19%	21%
Total	112.5	96.3	+17%	100%

Investments

Investments during the period totalled SEK47.4 million (72.2). Through the acquisition of TV-Sälen AB and Hotell Hundfjället AB fixed assets of SEK 25.1 million have been added.

Other strategic investments in a new IT system for integrated sales and chalet booking via Internet and a trial chalet for tomorrow's chalet living amounted to SEK 7.9 million. Current investments for the period amounted to SEK 14.5 million (39.3).

Liquidity and financing

The liquid funds of the Group amounted to SEK 57.0 million (48.9), including unutilised bank overdraft facilities and temporarily repaid short-term credits. The interest-bearing net debt decreased by SEK 44.4 million during the period to SEK 230.2 million. Interest-bearing debt of SEK 20.4 million has been added through acquired companies. The average interest expense (net financial income/average net debt) amounted to 7.5% (7.4).

Personnel

The average number of employees was 390, which is an increase of 39 people in comparison with the previous year. The acquired companies TV-Sälen AB and Hotell Hundfjället AB increased the number of employees in the group by 28 during the period.

The new millennium

The work to prepare the Group for the new millennium has been carried on since the beginning of 1998. At present over 80 % of identified problems have been dealt with. All the vital systems and functions have already been dealt with but will also be tested to ensure that no problems arise. According to the existing timetable, all identified problems are to have been dealt with during spring 1999. The Group's operations and information to the stock market must not be affected by the new millennium.

Parent Company

The Parent Company's net sales amounted during the period to SEK 11.8 million (8.4). Of this amount SEK 10.8 million (7.2) refers to sales invoiced to subsidiaries. Income after net financial income, amounted to SEK 1.5 million (-0.1).

The share

The Class B share of SälenStjärnan has been quoted on the OTC list of the Stockholm Stock Exchange since July 1994. The total number of shares is 7,089,750. Of this number, 2,250,000 are Class A shares carrying ten votes per share and 4,839,750 are Class B shares carrying one vote per share. During the period the number of shares has risen by 250,000 Class B shares through conversion of a convertible loan. The number of shareholders on 28 February 1999 was 1,798, which is an increase of 217 since 30 October 1998. In order to increase the liquidity of the share the largest shareholders in SälenStjärnan intend, for a limited period during the late autumn of 1999, to bring 300,000 – 400,000 Class B shares to the market.

Prospects for the current year

The profit before tax for the full year is expected to be SEK 47-55 million (42.6), which means a profit per share after full conversion and tax of SEK 4.80-5.60 (4.22). This is entirely in line with the previous forecast made.

Investments for the next season

The occupancy rate for chalets owned by and booked through the group is expected, after the acquisition of the chalet booking organisation Sälenfjällen Bokning AB in autumn 1997, to increase from 70 % to about 84 % for the period from Christmas to 1 May. In order to increase capacity and thus create scope for further growth the board has decided to invest SEK 110 million, mainly in accommodation capacity. The investments include 600 tourist beds located close to lifts in Lindvallen and Hundfjället. Other investments include, in addition to replacements, a ski tow in Hundfjället and continued improvement of the snow system in Tandådalen.

Reporting periods

The nine-monthly report for the period September 1998 to May 1999 will be published on 21 June 1999. The annual accounts bulletin for the full year September – August 1998/99 will be published on 30 September 1999.

SUMMARY OF THE CONSOLIDATED CASH FLOW STATEMENT

SEK thousand	1 September – 28 February		1 September –
	1998/99	1997/98	31 August 1997/98
Resort cashflow	61,380	58,217	105,541
Net financial income	-9,460	-10,014	-19,108
Change in working capital	67,112	61,551	4,821
Current investments	-14,483	-39,324	-49,522
Operative cash flow	104,549	70,430	41,732
Tax paid	-6,133	-6,172	-9,261
Financial changes	-35,020	-3,444	2,386
Cash flow from operations	63,396	60,814	34,857
Strategic investments	-32,965	-32,858	-34,600
Change in liquid funds	30,431	27,956	257

**SUMMARY OF CONSOLIDATED
INCOME STATEMENTS, SEK THOUSAND**

	1 September – 28 February			1 September – 31 August
	1998/99 Sälen*	1997/98 Sälen*	1996/97 Lindvallen	1997/98 Sälen*
Operating income	173,892	154,527	82,788	273,487
Goods for resale	-11 579	-9,912	-4,272	-18,199
Personnel costs	-51,187	-44,131	-21,826	-79,327
Other external costs	-49,746	-42,267	-24,114	-70,420
Total operating expenses	-112,512	-96,310	-50,212	-167,946
Income before depreciation	61,380	58,217	32,576	105,541
Depreciation	-30,240	-26,580	-13,800	-43,869
Income after depreciation	31,140	31,637	18,776	61,672
Net financial income/expense	-9,460	-10,014	-4,791	-19,108
Income before tax	21,680	21,623	13,985	42,564
Tax	-6,133	-6,172	-4,295	-13,158
Net profit for the period	15,547	15,451	9,690	29,406

Depreciation has been accrued by 60 % of the full year forecast.

Associated companies; I other external costs profit participation in associated companies is included in the amount of SEK 155 thousand (-431).

Adjustment of old figures; The income statements for 1996/97 and 1997/98 have been adjusted because the interest expense was previously calculated at 60 % of the full year forecast. Profit participation in associated companies has also been added to the income statement for 1997/98.

**INCOME BEFORE TAX, DIVIDED
BY PERIOD, SEK THOUSAND**

	1998/99 Sälen*	1997/98 Sälen*	1996/97 Lindvallen
September-November	-34,785	-30,793	-14,451
December-February	56,465	52,416	28,436
March-April		40,085	22,438
May-August		-19,144	-11,258

Reporting periods: In order to fulfil the requirements of the Stockholm Stock Exchange regarding quarterly reporting the reporting periods will be changed in the current financial year. Adjustment of the period results for March-May and June-August will be made in the nine-monthly report.

**SUMMARY OF CONSOLIDATED
BALANCE SHEETS, SEK THOUSAND**

	28 February			31 August 1998
	1999 Sälen*	1998 Sälen*	1997 Lindvallen	1998 Sälen*
ASSETS				
Fixed assets	725,397	713,538	374,239	708,189
Current assets	88,552	92,522	29,938	27,713
TOTAL ASSETS	813,919	806,060	404,177	735,902
EQUITY AND LIABILITIES				
Equity	331,838	302,689	154,002	323,981
Convertible loan (interest-bearing)	-	12,000	12,000	6,000
Provisions (non-interest-bearing)	58,239	54,272	33,742	58,081
Long-term liabilities				
Interest-bearing	286,457	302,966	144,987	308,019
Non-interest-bearing	304	-	-	230
Current liabilities				
Interest-bearing	8,832	10,962	3,007	10,209
Non-interest-bearing	128,249	123,171	56,439	29,382
TOTAL EQUITY AND LIABILITIES	813,919	806,060	404,177	735,902

NET SALES AND RESULTS BY BUSINESS AREA

Net sales and results by business area 1 September – 28 February, SEKm

	Lindvallen		Tandådalen & Hundfjället		Sälenfjällen Bokning	
	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
Sales	82.6	77.9	73.3	62.0	18.0	14.6
Expenses	-52.1	-47.5	-45.4	-37.5	-15.0	-11.3
Income before depreciation	30.5	30.4	27.9	24.5	3.0	3.3

Allocation of common income and expenses: The Parent Company and TV-Sälen have common income and expenses for marketing and administration. The expenses have been allocated as follows: 30 % each to Lindvallen and Tandådalen & Hundfjället, and 40% to Sälenfjällen Bokning.

KEY RATIOS AND DATA PER SHARE

Key ratios	1 September – 28 February (6 months)			1 September-31 August (12 months)		
	1998/99 Sälen*	1997/98 Sälen*	1996/97 Lindvallen	1997/98 Sälen	1996/97 Proforma	1995/96 Lindvallen
Return on						
- capital employed, %	5	5	6	10	8	14
- equity, %	5	5	6	10	8	16
- total assets, %	4	4	5	9	8	12
Net margin, %	12	14	17	16	14	23
Equity ratio, %	41	38	38	44	41	41

Data per share	28 February			31 August		
	1999 Sälen*	1998 Sälen*	1997 Lindvallen	1998 Sälen	1997 Proforma	1996 Lindvallen
Market price, SEK	72.00	84.00	54.50	68.00	75.00	38.50
Number of shares	7,089,750	6,589,750	4,052,025	6,839,750	6,389,750	4,052,025
Earnings after full tax, SEK						
- before conversion	2.27	2.34	2.39	4.40	3.67	5.78
- after conversion	2.21	2.22	2.18	4.22	3.47	5.29
Equity, SEK	47	46	38	47	45	37

Proforma accounts 1 September – 31 August include Lindvallen and Tandådalen & Hundfjället.

Sälen, 19 March 1999

Thorvald Sverdrup, managing director

Auditors' Review Report

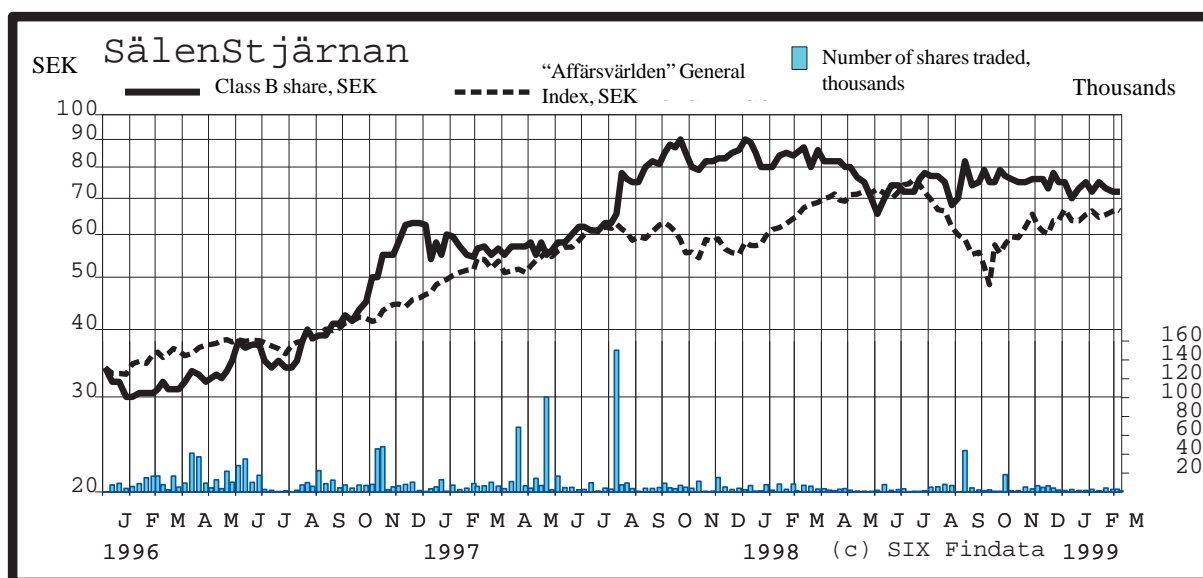
We have made a review of this half-yearly report, following the recommendation issued by the Swedish Institute of Authorized Public Accountants, FAR. A review is substantially limited in comparison with a full audit. Nothing came to light in the examination to indicate that the half-yearly report does not meet the requirements of the Swedish Securities Exchange Act and the Annual Accounts Act.

Sälen, 19 March 1999

Lennart Danielsson
Authorised public accountant
Öhrlings Coopers & Lybrand AB

Sture Söderberg
Authorised public accountant
Öhrlings Coopers & Lybrand AB

SHARE PRICE AND SHARES TRADED



Sälen

SälenStjärnan AB (publ)

SE-780 67 Sälen, Sweden
Co.reg.no 556093-6949
Telephone +46 (280)-860 00
Fax 46 (280)-218 50
Email: info@salen.com
Internet: www.salen.com

Lindvallen AB

SE-780 67 Sälen, Sweden
Co.reg.no 556097-6218
Telephone +46 (280)-860 00
Fax 46 (280)-217 52

Sälenfjällen Bokning AB

Högfjällscenter
SE-780 67 Sälen, Sweden
Co.reg.no 556260-7175
Telephone +46 (280)-880 00
Fax 46 (280)-267 70

Tandådalen & Hundfjället AB

SE-780 67 Sälen, Sweden
Co.reg.no 556104-4925
Telephone +46 (280)-965 00
Fax 46 (280)-330 80