



# Song Networks Holding AB

## Interim Report

January 1 – March 31, 2004

*Continued strong profit development*

### FIRST QUARTER 2004

- **Revenues**, SEK 594 million (SEK 579 million the corresponding period the previous year)
- **Net result** , SEK 20 million (-38)
- **Result per share**, SEK 0.36 (-0.90)
- **Gross margin before depreciation**, 49.0% (42.7)
- **EBITDA**, SEK 68 million (14)
- **EBIT**, SEK 15 million (-44)
- **Cash flow**, SEK -122 million (287)
- **Liquid assets** SEK 553 million (551) at the end of the period, including restricted cash. Financial net cash SEK 415 million (408)

## 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 855 employees. The head office is located in Stockholm and there are a total of 23 offices located in the Nordic region. For further information, please visit our website at [www.songnetworks.net](http://www.songnetworks.net)

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.

## Market development

The first quarter has been characterized by tough competition within both voice and data services, resulting in increased price erosion. Despite the tough competitive environment Song Networks has been able to increase the data revenues in line with plan, from SEK 280 million the previous quarter to SEK 293 million (257), an increase with 4% quarter on quarter. The voice services developed better than plan and showed a growth of 8.5% from SEK 265 million to SEK 293 million (300). Corporate voice developed according to plan and showed a growth of 5% quarter on quarter. Contrary to expectations, reseller voice grew from SEK 34 million to SEK 45 million (71). The increased corporate voice revenues are explained by some large customer wins and a high usage.

Song Networks' strongest growing service is IP VPN, with a revenue growth of 18% quarter on quarter. The ADSL wholesale model that is oriented towards the mass market is starting to take off, with 1,800 installed sites during the quarter. Despite the positive development in the wholesale business the Internet revenues stayed flat due to heavy price erosion on Internet Access services. The order intake during

the first quarter has been strong and indicates a continued growth during the following quarters. The growth is also supported by the fact that the number of installed sites is growing in a healthy way.

Song Networks' position as the number one challenger for IP VPN solutions in the Nordic countries is getting stronger, recently confirmed by IDC in their 2004 Nordic IP VPN report where Song Networks' market share positions the company as the number two player in three out of four Nordic countries. Song Networks' market share in the respective countries was reported to 24% in Sweden, 20% in Finland, 16% in Norway and 13% in Denmark.

During the first quarter of 2004, Song Networks has signed a number of large customer contracts, among which a contract with Group Harjavalta (Harjavalta-konserni) can be mentioned. The order comprises the supply of a multiservice network solution providing 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.

As of March 31, 2004 Song Networks had 15,494 corporate customers, a decrease of 1,699 from the previous quarter. 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.

During the first quarter Song Networks continued to increase the number of customers to its important IP VPN service. At the end of the quarter Song Networks had 7,045 IP VPN sites compared to 4,489 at the end of the first quarter of 2003 and 6,351 at the beginning of the year. The number of IP VPN customers was 1,228 compared with 839 the corresponding period the previous year and 1,072 at the beginning of the year.

The number of directly connected sites was 21,997 (15,809). This represents an increase of 5,786 compared to the corresponding period the previous year. The number of fiber sites at the end of the period amounted to 2,459 (2,036). At the end of the period 11,533 (6,983) sites were connected through DSL, an increase of 4,550 from the end of the corresponding period the previous year and an increase of 2,478 from the previous quarter. 7,631 (6,425) sites were connected through leased lines.

## Revenue and result

| <b>Financial information</b>     | 2002  | 2002   | 2002  | 2002  | 2003  | 2003  | 2003  | 2003  | 2004  |
|----------------------------------|-------|--------|-------|-------|-------|-------|-------|-------|-------|
| SEK million                      | Q 1   | Q 2    | Q 3   | Q 4   | Q 1   | Q 2   | Q 3   | Q 4   | Q 1   |
| Net revenues                     | 590   | 559    | 581   | 595   | 579   | 581   | 546   | 554   | 594   |
| Growth in net revenues, %        | -5%   | -5%    | 4%    | 3%    | -3%   | 0%    | -6%   | 1%    | 7%    |
| Gross profit before deprec.      | 237   | 228    | 244   | 252   | 247   | 253   | 259   | 284   | 291   |
| Gross margin before deprec., %   | 40.1% | 40.7%  | 42.0% | 42.3% | 42.7% | 43.5% | 47.3% | 51.3% | 49.0% |
| SG&A                             | -284  | -261   | -260  | -238  | -233  | -227  | -224  | -226  | -223  |
| SG&A, %                          | -48%  | -47%   | -45%  | -40%  | -40%  | -39%  | -41%  | -41%  | -38%  |
| EBITDA                           | -47   | -33    | -16   | 14    | 14    | 26    | 35    | 59    | 68    |
| EBITDA, %                        | -8%   | -6%    | -3%   | 2%    | 2%    | 4%    | 6%    | 11%   | 11%   |
| Depreciation and amortization    | -252  | -253   | -168  | -163  | -58   | -43   | -43   | -46   | -53   |
| EBIT                             | -299  | -286   | -184  | -149  | -44   | -17   | -9    | 13    | 15    |
| EBIT, %                          | -51%  | -51%   | -32%  | -25%  | -8%   | -3%   | -2%   | 2%    | 3%    |
| Financial net                    | -23   | -15    | -186  | 50    | 3     | 2     | 1     | 4     | 1     |
| Result from associated companies | 1     | 2      | 1     | -33   | 2     | 3     | 4     | 7     | 4     |
| Non-recurring items              | -15   | -1 574 | 20    | 406   | 1     | 21    | -1    | -3    | -     |
| Taxes                            | -     | -      | -     | -     | -     | 50    | -     | -     | -     |
| Net result                       | -336  | -1 873 | -349  | 274   | -38   | 58    | -6    | 21    | 20    |

| <b>Capital expenditures</b>                    | 2002 | 2002 | 2002 | 2002 | 2003 | 2003 | 2003 | 2003 | 2004 |
|--|------|------|------|------|------|------|------|------|------|
| SEK million                                    | Q 1  | Q 2  | Q 3  | Q 4  | Q 1  | Q 2  | Q 3  | Q 4  | Q 1  |
| Investments, fiber network and equipment, net  | 133  | 124  | 43   | 81   | 40   | 72   | 62   | 96   | 122  |
| Investments, subsidiaries/associated companies | -16  | -    | -    | -    | 100  | -    | -    | -    | -    |

Song Networks' revenues for the first quarter of 2004 were SEK 594 million (579), an increase of 3% from the corresponding quarter the previous year and an increase of 7% from the previous quarter.

Revenues from data and Internet for the first quarter of 2004 were 49% (44), or SEK 293 million (257) of total revenues. Revenues from data and Internet have increased with 4.4% compared with the previous quarter. With unchanged exchange rates the increase would be 5.6% compared to the previous quarter.

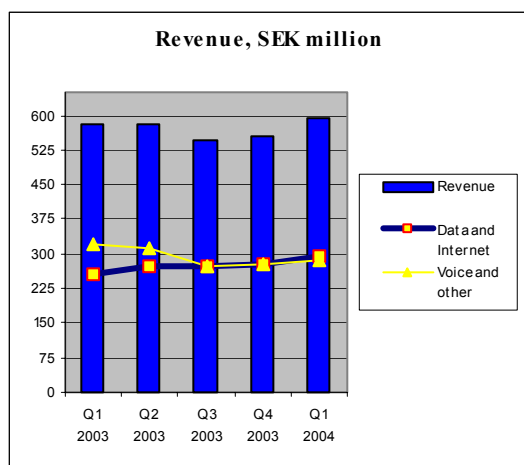
Revenues from Song Networks important IP VPN service continue to increase, and were SEK 126 million (84) for the quarter.

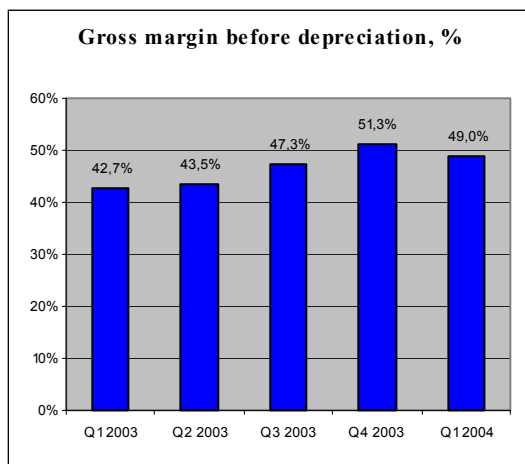
Revenues from Sweden accounted for 41% (36) of total revenues for the quarter, Finland accounted for 25% (25), Norway for 19% (20) and Denmark for 15% (19).

During the quarter gross margin before depreciation improved significantly compared to the corresponding period the previous year and amounted to 49.0% (42.7) for the first quarter of 2004.

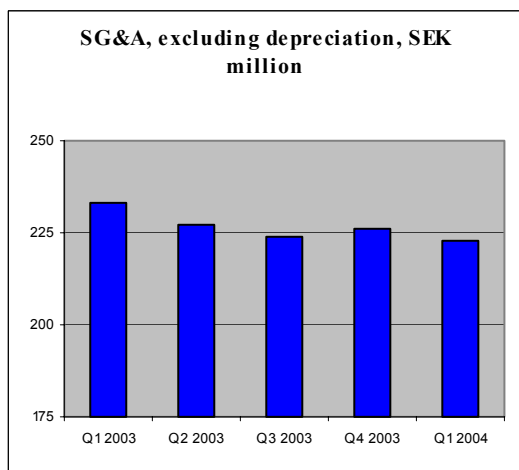
The improvement is a result of a change of revenue mix, with a successively increasing share of high margin revenues from data and Internet. The phase-out of low margin voice business has also resulted in an improved overall margin for revenues from the voice business. Lower costs for transmission and access networks has further improved the margins compared to the corresponding period the previous year by. The company is consciously working to reduce the number of leased lines for the benefit of its own network infrastructure, especially within DSL.

Compared to the previous quarter the gross margin has decreased with 2.3 percentages. The decrease is partly explained by a number of positive one-off effects during the fourth quarter, as well as the change in revenue mix, i.e. a higher share of voice revenues during the first quarter 2004. With an unchanged revenue mix and excluding the one-offs the previous quarter the gross margin would have increased with approximately 0.5 percentages.

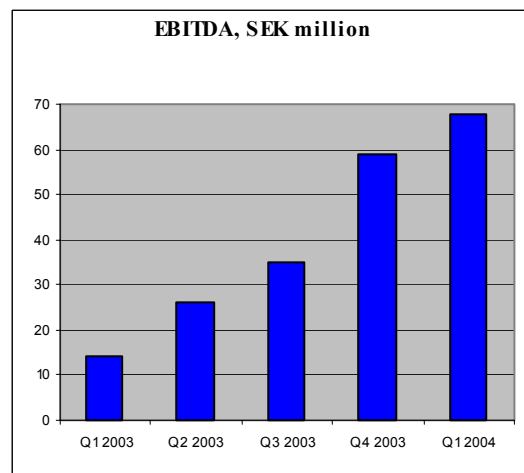




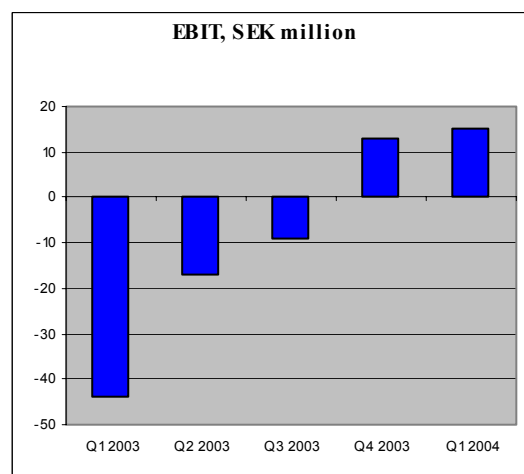
Selling and administrative expenses excluding depreciation (SG&A) decreased further during the quarter through a continued tight cost control. For the first quarter SG&A was SEK 223 million (233). This represents 38% of revenues compared to 40% the corresponding period the previous year or 41% the previous quarter.



Song Networks also continue to show a very good development of earnings before interest, tax, depreciation and amortization (EBITDA). For the first quarter of 2004 EBITDA was SEK 68 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 first quarter of 2004.



For the fourth quarter of 2003 Song Networks showed positive earnings before interest and tax (EBIT). Song Networks continued to report positive EBIT for the first quarter of 2004, of SEK 15 million (-44).

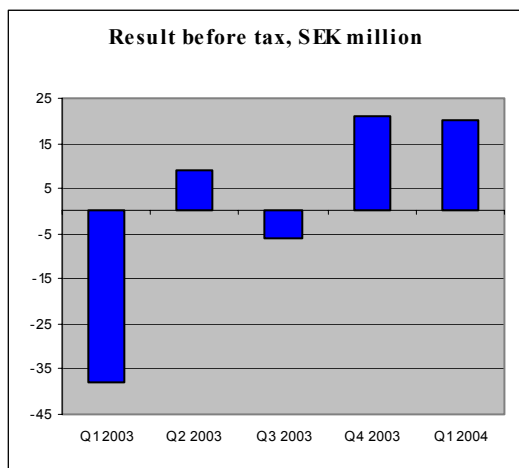


In the first quarter of 2004 other income/expenses, net, were SEK 0.3 million (0.9).

The result from associated companies was positive for the quarter, SEK 4 million (2). The positive result was mainly from the Finnish company Corenet Oy.

Financial net for the first quarter of 2004 was SEK 1 (3) million.

Result before tax for the first quarter of 2004 was SEK 20 million (-38).



The net result for the first quarter of 2004 was SEK 20 million (-38).

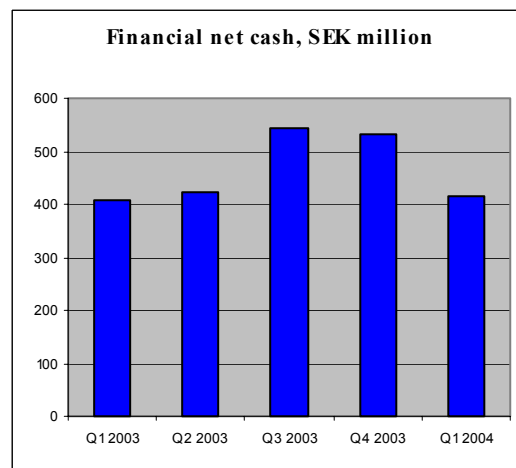
### Cash flow

For the first quarter of 2004 Song Networks showed a cash flow of SEK -122 million (287). The cash flow during the first quarter was negatively affected by a higher rate of investment, with the purpose to increase the company's DSL coverage, and to decrease the share of leased lines. Further the company's accounts receivables has decreased during the period.

The comparative figure for 2003 is positively affected with SEK 397 million by the new share issuance. Cash flow from operations contributed with SEK 4 million (-62) for the quarter. Net capital expenditures amounted to SEK 122 million (40) during the quarter, resulting in a free cash flow of SEK -118 million (-102).

### Financial position

As per March 31, 2004, Song Networks had total liquid assets of SEK 553 million (including restricted cash) compared with SEK 551 million on March 31, 2003. Restricted cash amounts to SEK 46 million (42) as per March 31, 2004. Financial net cash was SEK 415 million (408) at the end of the quarter.



Song Networks has a substantial equity/asset ratio, which was 48.0% (46.3) at the end of the quarter. The company's debt burden was eliminated through the financial restructuring that was concluded during the first six months of 2003, whereby the company's bond loans were converted to equity.

### Capital expenditures

Net capital expenditures (capex) during the first quarter of 2004 were SEK 122 million (40). Historical cost for PP&E (Property, Plant and Equipment) amounted to SEK 7,335 million and the carrying value totalled SEK 1,499 million. Depreciation and amortization for the period was SEK 53 million (58). The higher depreciation compared to the previous quarter is explained by high capex during the fourth quarter of 2003 and continued high capex during the first quarter of 2004. The higher investment rate is explained by the decision to increase the company's DSL coverage and to decrease the number of leased lines in favour of the company's own network.

### Personnel

Song Networks ended the first quarter with 855 employees, an increase of 27 from 828 the corresponding period the previous year. From the beginning of the year the number of employees has increased with 9 from 846.

### Parent Company

Revenues for the parent company Song Networks Holding AB for the first quarter of 2004 were SEK 5 million compared with SEK 4 million 2003. Result before tax was SEK 5 million (-14). Investments during the first quarter amounted to SEK 0 million (0). At the end of the first quarter the parent company's liquid assets were SEK 420 million compared with SEK 298 million at the end of the first quarter of 2003. The number of employees in the parent company at the end of the period was 11 (13).

### Share data and largest shareholders

In total 55,724,041 shares were outstanding at the end of the quarter, whereof 3,412,645 preference shares.

Song Networks has convertible loans of originally SEK 97.9 million. As per March 31, 2004 SEK 0.7 million of this amount has been converted, representing 17,323 shares. Distribution of shares in Song Networks Holding AB:

|                                   | 3 months<br>Jan 1-March<br>31, 2004 | 3 months<br>Jan 1-March 31,<br>2003 |
|-----------------------------------|-------------------------------------|-------------------------------------|
| Number of shares<br>at period end | 55,724,041                          | 55,343,994                          |
| Average number<br>of shares       | 55,720,461                          | 42,445,577                          |
| Result per share,<br>SEK          | 0.36                                | -0.90                               |

Largest shareholders as per March 31, 2004:

|                                   |             |
|-----------------------------------|-------------|
| JP Morgan Chase Bank              | 15%         |
| Stena Adactum AB                  | 9%          |
| State Street                      | 6%          |
| Dunross & Co AB                   | 3%          |
| Goldman Sachs Int                 | 3%          |
| Goldman Sachs & Co                | 3%          |
| Andra AP-fonden                   | 2%          |
| <b>Total largest shareholders</b> | <b>41%</b>  |
| Other                             | 59%         |
| <b>Total</b>                      | <b>100%</b> |

Source: VPC

## Annual General Meeting

Annual General Meeting was held on March 24, 2004. A new Board of Directors was elected in accordance with the proposal from the nominating committee: Re-election of Tomas Franzén, Lars Grönberg, Märtha Josefsson, Kjell Nilsson, and Raj Raithatha and new election of Martin Svalstedt and Bo Wahlström. At the first meeting of the Board of Directors Kjell Nilsson was appointed Chairman of the Board.

It was resolved to assign the Board of Directors to appoint a compensation committee and an audit committee. The Annual General Meeting decided that a committee consisting of representatives of the company's largest shareholders would prepare the nomination of Board of Directors. The composition of the committee will be presented in connection with the company's interim report for the third quarter of 2004.

The public accounting firm Deloitte & Touche, with Peter Gustafsson as auditor in charge, was elected in accordance with the board of directors' proposal for the period until the Annual General Meeting 2008.

## Disputes

During the first quarter the dispute with PNB Communication has been settled, resulting in a release of previously made provisions. In late March Telia made claims against Song Networks to Tele2. In order for Song to be fully reserved if Telia eventually would be successful in their claim towards Song, additional provisions have been made. This has no

impact on the income statement, only some items in the balance sheet have been effected.

## Subsequent events

Management changes in Song Networks were announced on April 22. Tomas Franzén is leaving his post as Chief Executive Officer and Managing Director of Song Networks Holding AB and its Swedish subsidiary in the end of May, 2004. He will continue to serve as a member of the Board of Song Networks Holding AB.

The Chairman of the Board of Song Networks Holding AB, Kjell Nilsson, takes over provisionally as Chief Executive Officer. Mats Lundqvist, Deputy Managing Director of the Swedish subsidiary, takes over as Managing Director of the Swedish subsidiary and as Acting Managing Director of Song Networks Holding AB.

## 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 2003 annual report. As of January 1, 2004 the recommendation on Remuneration to employees (RR 29) is applied.

Within the Song Networks group there are only contribution-based pension schemes or benefit-based pension schemes that cover several employers and where there is currently insufficient information to present these as benefit defined. When Alecta is able to present the necessary information in the future, these schemes will be reported as benefit defined.

## 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.

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.

## Company disclosure

Song Networks will hold a telephone conference call at 10 am CET, May 7, to present the first quarter 2004 result and answer questions. Tomas Franzén (CEO) and Joachim

Jaginder (CFO) will host the conference. Song Networks' Chairman of the Board Kjell Nilsson as well as Mats Lundqvist, who is taking up the position as Managing Director of Song Networks Svenska AB, will also participate. Dial in number: UK+44 (0) 20 7162 0184, US +1 334 323 6203 (toll free). Quote: Song Networks

Instant replay will be available from May 7, directly after the conference call is finished, until May 14. To listen, please dial: UK+44 (0) 20 8288 4459, access code: 488852, US+1 334 323 6222, access code: 488852.

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

An English translation of Song Networks' 2003 annual report is available at Song Networks' office at Gustav III:s Boulevard 18, P.O. Box 712, SE-169 27 Solna, Sweden. The

annual report and interim reports are also available on Song Networks' website: [www.songnetworks.net](http://www.songnetworks.net)

Song Networks Holding AB's second quarter 2004 interim report will be released on August 10, 2004.

Stockholm May 7, 2004

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

Tomas Franzén  
CEO

## Consolidated income statement

|   | 3 months<br>Jan 1 – March 31 | 12 months<br>Jan 1 – Dec 31 |
|---|------------------------------|-----------------------------|
|   | 2004<br>SEK '000             | 2003<br>SEK '000            |
| Operating revenues  | 594 131                      | 2 260 864                   |
| Cost of services sold   | -347 874                     | -1 339 368                  |
| <b>Gross profit</b>   | <b>246 257</b>               | <b>921 496</b>              |
| SG&A  | -231 395                     | -979 242                    |
| Items affecting comparability   | -                            | 15 948                      |
| Other income/expenses, net  | 266                          | 2 076                       |
| Result from participation in associated companies                           | 4 236                        | 15 932                      |
| <b>Operating result</b>   | <b>19 364</b>                | <b>-23 790</b>              |
| Financial net   | 951                          | 9 270                       |
| <b>Result before tax</b>  | <b>20 315</b>                | <b>-14 520</b>              |
| Income tax benefit/expenses   | -                            | 49 540                      |
| <b>Net result</b>   | <b>20 315</b>                | <b>35 020</b>               |
| Depreciation/amortization & impairment charges included in operating result | -53 404                      | -191 120                    |
| <b>EBITDA</b>   |                              |                             |
| - SEK '000  | 68 266                       | 133 374                     |
| - %   | 11,5%                        | 5,9%                        |
| Result per share (SEK)  |                              |                             |
| before dilution   | 0,36                         | 0,66                        |
| after dilution  | 0,35                         | 0,63                        |
| Weighted average of outstanding shares                                      |                              |                             |
| before dilution   | 55 720 461                   | 53 100 109                  |
| after dilution  | 58 214 470                   | 55 603 885                  |
| Number of shares outstanding  |                              |                             |
| before dilution   | 55 724 041                   | 55 714 274                  |
| after dilution  | 58 218 050                   | 58 218 050                  |

## Consolidated balance sheet

|   | March 31         | March 31         | Dec 31           |
|---|------------------|------------------|------------------|
|   | 2004<br>SEK '000 | 2003<br>SEK '000 | 2003<br>SEK '000 |
| <b>ASSETS</b>                                     |                  |                  |                  |
| <b>Fixed assets</b>                               |                  |                  |                  |
| Intangible fixed assets                           | 36 844           | 48 526           | 37 214           |
| Tangible fixed assets                             | 1 498 631        | 1 352 792        | 1 444 070        |
| Financial fixed assets                            | 101 656          | 46 751           | 96 488           |
| <b>Total fixed assets</b>                         | <b>1 637 131</b> | <b>1 448 069</b> | <b>1 577 772</b> |
| <b>Current assets</b>                             |                  |                  |                  |
| Inventories                                       | 26 802           | 30 662           | 16 207           |
| Current receivables                               | 641 206          | 729 096          | 713 520          |
| Cash and bank balances                            | 553 042          | 551 363          | 672 460          |
| <b>Total current assets</b>                       | <b>1 221 050</b> | <b>1 311 121</b> | <b>1 402 187</b> |
| <b>TOTAL ASSETS</b>                               | <b>2 858 181</b> | <b>2 759 190</b> | <b>2 979 959</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |                  |                  |                  |
| <b>Equity</b>                                     |                  |                  |                  |
| Restricted equity                                 | 1 553 210        | 6 415 742        | 2 164 202        |
| Accumulated deficit                               | -181 371         | -5 139 060       | -833 645         |
| <b>Total equity</b>                               | <b>1 371 839</b> | <b>1 276 682</b> | <b>1 330 557</b> |
| Provisions  | 190 096          | 207 647          | 204 129          |
| <b>Long-term liabilities</b>                      |                  |                  |                  |
| Interest-bearing liabilities                      | 124 362          | 125 795          | 126 649          |
| Non-interest-bearing liabilities                  | 50 160           | 53 701           | 51 476           |
| <b>Short-term liabilities</b>                     |                  |                  |                  |
| Interest-bearing liabilities                      | 13 471           | 17 812           | 15 008           |
| Non-interest-bearing liabilities                  | 1 108 253        | 1 077 553        | 1 252 140        |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> | <b>2 858 181</b> | <b>2 759 190</b> | <b>2 979 959</b> |



## Consolidated cash flow

|  | 3 months<br>Jan 1 – March 31 | 12 months<br>Jan 1 – Dec 31 |                  |
|--|------------------------------|-----------------------------|------------------|
|  | 2004<br>SEK '000             | 2003<br>SEK '000            | 2003<br>SEK '000 |
| Net cash from operating activities before changes in working capital | 69 786                       | 9 988                       | 141 296          |
| Changes in working capital   | -65 735                      | -71 653                     | 45 542           |
| <b>Net cash from operating activities</b>                            | <b>4 051</b>                 | <b>-61 665</b>              | <b>186 838</b>   |
| Investments in networks and equipment, net                           | -121 648                     | -40 154                     | -269 849         |
| <b>Free cash flow</b>  | <b>-117 597</b>              | <b>-101 819</b>             | <b>-83 011</b>   |
| Acquisitions/sale of subsidiaries and associated entities            | -                            | 439                         | 115 609          |
| <b>Net cash from investment activities</b>                           | <b>-121 648</b>              | <b>-39 715</b>              | <b>-154 240</b>  |
| <b>Net cash from financing activities</b>                            | <b>-4 108</b>                | <b>388 276</b>              | <b>378 919</b>   |
| <b>Net increase (decrease) of cash</b>                               | <b>-121 705</b>              | <b>286 896</b>              | <b>411 517</b>   |
| Cash, beginning of period  | 672 460                      | 265 751                     | 265 751          |
| Effect of exchange rate changes on cash                              | 2 287                        | -1 284                      | -4 808           |
| <b>Cash, end of period</b>   | <b>553 042</b>               | <b>551 363</b>              | <b>672 460</b>   |

## Change in shareholders' equity

|  | 3 months<br>Jan 1 – March 31 | 12 months<br>Jan 1 – Dec 31 |                  |
|--|------------------------------|-----------------------------|------------------|
|  | 2004<br>SEK '000             | 2003<br>SEK '000            | 2003<br>SEK '000 |
| Shareholders' equity, opening balances | 1 330 557                    | 765 098                     | 765 098          |
| New share issue                        | 383                          | 622 297                     | 631 277          |
| Cost, new share issue                  | -                            | -65 159                     | -65 086          |
| Translation adjustment, net            | 20 584                       | -7 154                      | -35 752          |
| Net result                             | 20 315                       | -38 400                     | 35 020           |
| Shareholders' equity, closing balances | 1 371 839                    | 1 276 682                   | 1 330 557        |

## Key ratios

|   | 3 months<br>Jan 1 – March 31 |                  | 12 months<br>Jan 1 – Dec 31 |
|---|------------------------------|------------------|-----------------------------|
|   | 2004<br>SEK '000             | 2003<br>SEK '000 | 2003<br>SEK '000            |
| Gross margin before depreciation, %                               | 49,0%                        | 42,7%            | 46,1%                       |
| Gross margin, %   | 41,5%                        | 36,4%            | 40,1%                       |
| Selling and administrative expenses before depreciation (SG&A), % | -37,5%                       | -40,3%           | -40,2%                      |
| EBITDA, %   | 11,5%                        | 2,4%             | 5,9%                        |
| EBIT, %   | 2,5%                         | -7,6%            | -2,6%                       |
| Operating margin, %   | 3,3%                         | -0,1%            | -1,1%                       |
| Profit margin, %  | 3,4%                         | -6,6%            | -0,6%                       |
| Return on average capital employed, %                             | 1,6%                         | -3,1%            | -0,1%                       |
| Return on average shareholders' equity, %                         | 1,5%                         | -3,8%            | 3,3%                        |
| Capital employed, SEK million                                     | 1 509,7                      | 1 420,3          | 1 472,2                     |
| Equity/asset ratio, %   | 48,0%                        | 46,3%            | 44,7%                       |
| Financial net debt (-)/ net cash (+), SEK million                 | 415,2                        | 407,8            | 531                         |
| Debt/equity ratio   | 0,1                          | 0,1              | 0,1                         |
| Interest coverage ratio   | 7,8                          | -14,4            | -0,2                        |

## Geographical markets

|                  | Sweden      |             | Finland     |             | Norway      |             | Denmark     |             |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| SEK '000         | 2004<br>Q 1 | 2003<br>Q 1 | 2004<br>Q 1 | 2003<br>Q 1 | 2004<br>Q 1 | 2003<br>Q 1 | 2004<br>Q 1 | 2003<br>Q 1 |
| Total sales      | 244 417     | 209 751     | 148 499     | 145 082     | 114 259     | 116 705     | 86 955      | 107 819     |
| Operating result | 14 529      | -31 077     | 10 319      | 11 144      | -2 460      | -11 197     | -2 536      | -7 015      |

## Statistics

|   | 2003<br>Q 1    | 2003<br>Q 2    | 2003<br>Q 3    | 2003<br>Q 4    | 2004<br>Q 1    |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue split ('000)</b>                 |                |                |                |                |                |
| <i>Data communication</i>                   |                |                |                |                |                |
| IP VPN                                      | 84 412         | 94 554         | 98 275         | 106 522        | 126 088        |
| Internet Access                             | 92 926         | 91 996         | 87 713         | 88 954         | 88 704         |
| Capacity sales                              | 39 427         | 44 330         | 48 346         | 40 587         | 43 884         |
| Hosting                                     | 17 559         | 17 254         | 17 531         | 17 800         | 16 389         |
| Other data                                  | 22 488         | 22 525         | 19 466         | 26 325         | 17 475         |
| <b>Data communication, total</b>            | <b>256 812</b> | <b>270 659</b> | <b>271 331</b> | <b>280 188</b> | <b>292 540</b> |
| % of total sales                            | 44%            | 47%            | 50%            | 51%            | 49%            |
| <i>Voice</i>                                |                |                |                |                |                |
| Fixed voice                                 | 220 421        | 218 610        | 210 800        | 223 043        | 233 896        |
| Reseller voice                              | 71 152         | 67 282         | 44 283         | 33 912         | 44 880         |
| Mobile voice                                | 8 833          | 8 023          | 8 046          | 8 254          | 9 152          |
| <b>Voice, total</b>                         | <b>300 406</b> | <b>293 916</b> | <b>263 129</b> | <b>265 209</b> | <b>287 928</b> |
| % of total sales                            | 52%            | 50%            | 48%            | 48%            | 49%            |
| <i>Other</i>                                |                |                |                |                |                |
| <b>Other, total</b>                         | <b>22 139</b>  | <b>16 494</b>  | <b>11 604</b>  | <b>8 978</b>   | <b>13 663</b>  |
| % of total sales                            | 4%             | 3%             | 2%             | 1%             | 2%             |
| <b>Total sales</b>                          | <b>579 357</b> | <b>581 068</b> | <b>546 064</b> | <b>554 375</b> | <b>594 131</b> |
| <b>Corporate customers</b>                  |                |                |                |                |                |
| Data communication                          |                |                |                |                |                |
| - whereof IP VPN                            | 839            | 938            | 968            | 1 072          | 1 228          |
| - whereof Internet Access                   | 5 198          | 5 200          | 5 002          | 5 068          | 5 153          |
| - whereof capacity sales                    | 40             | 42             | 43             | 73             | 78             |
| - whereof Hosting                           | 3 150          | 3 117          | 2 995          | 3 015          | 2 849          |
| - whereof other data                        | 561            | 554            | 521            | 650            | 492            |
| Voice                                       |                |                |                |                |                |
| - whereof fixed voice                       | 14 364         | 13 970         | 13 907         | 8 301          | 6 521          |
| - whereof reseller voice                    | 24             | 23             | 20             | 19             | 21             |
| - whereof mobile voice                      | 960            | 980            | 963            | 963            | 947            |
| Other                                       | 235            | 249            | 270            | 259            | 269            |
| <b>Corporate customers, total</b>           | <b>22 624</b>  | <b>22 225</b>  | <b>22 103</b>  | <b>17 193</b>  | <b>15 494</b>  |
| <b>Number of service connections</b>        |                |                |                |                |                |
| - whereof IP VPN                            | 6 089          | 6 438          | 6 947          | 7 368          | 8 148          |
| - whereof Internet Access                   | 6 938          | 6 920          | 6 978          | 7 314          | 9 188          |
| - whereof capacity sales                    | 515            | 555            | 545            | 572            | 573            |
| - whereof other data                        | 1 260          | 1 260          | 1 244          | 1 242          | 1 185          |
| - whereof fixed voice                       | 2 859          | 2 907          | 2 961          | 3 068          | 3 107          |
| <b>Number of service connections, total</b> | <b>17 661</b>  | <b>18 080</b>  | <b>18 675</b>  | <b>19 564</b>  | <b>22 201</b>  |
| <b>Number of directly connected sites</b>   |                |                |                |                |                |
| - whereof fiber                             | 2 036          | 2 129          | 2 296          | 2 312          | 2 459          |
| - whereof DSL                               | 6 983          | 7 784          | 8 245          | 9 055          | 11 533         |
| - whereof leased lines                      | 6 425          | 6 610          | 6 686          | 7 107          | 7 631          |
| - whereof radio                             | 365            | 367            | 375            | 373            | 374            |
| <b>Number of sites, total</b>               | <b>15 809</b>  | <b>16 890</b>  | <b>17 602</b>  | <b>18 847</b>  | <b>21 997</b>  |
| Number of IP VPN sites                      | 4 489          | 4 914          | 5 437          | 6 351          | 7 045          |
| <b>Employees, at the end of the period</b>  | <b>828</b>     | <b>841</b>     | <b>831</b>     | <b>846</b>     | <b>855</b>     |

## 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/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.

### *Service connections*

A product/service that is connected to Song Networks through a fixed connection.

### *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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