









Annual accounts bulletin

1 September 1998 to 31 August 1999

-  Sales increased by 15% to SEK 313.4 million (273.5) and income before tax increased by 27% to SEK 54.0 million (42.6).
-  Resort cashflow increased by 13 % to SEK 119.6 million (105.6).
-  Earnings per share after tax amounted to SEK 6.19 (4.22).
-  The Board of Directors proposes an increased dividend of SEK 3.00 (2.00) per share.
-  A continued, strong earnings trend is forecast.
-  *Significant events after the end of the reporting period*
An agreement has been signed with Investment AB Bure regarding the **acquisition of** all of the shares in **Åre-Vemdalen AB**,
-  50% of the shares in the associated company, Sälen Högfjällshotell AB, have been acquired, bringing ownership to 82%,
-  SälenStjärnan's principal owners have decided to reduce their voting power in the company below 50% by having class A shares reclassified.



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SälenStjärnan AB (publ)

1 September to 30 November 1999

This is SälenStjärnan AB ("Sälen**")

Sälen* owns and operates the skiing facilities at Lindvallen, Högfjället, Tandådalen and Hundfjället. The Group owns or acts as booking agent for chalets comprising nearly 14,000 beds. The vision is that Sälen* will develop products for new generations of skiers and be the industry leader in Scandinavia. The business concept is to offer the market a high-quality customised alpine winter experience. Families are the main target group of Sälen*. The largest source of income is the sale of ski passes. The market share for ski passes in Sweden is approximately 28%

Sales and results

The net sales of the Group for the financial year 1998/99 amounted to SEK 313.4 million (273.5). Consolidated income before tax amounted to SEK 54.0 million (42.6). The allocation of sales and costs is shown in the table below.

Market trend

According to SLAO (Swedish Ski Lift Organisation) the sales of ski passes in Sweden during the 1998/99 season amounted to SEK 585 million, which is an increase of 8% in comparison with the 1997/98 season. Of the increase in sales, 5 percentage points can be attributed to an increase in volume and 3 percentage points to a price increase.

Corporate acquisition

After the end of the reporting period, an agreement has been made with Investment AB Bure to acquire all of the shares in Åre-Vemdalen AB. Sälen* pays SEK 70 million in cash and issues 2,450,000 class B shares as payment for Åre-Vemdalen. The settlement amounts to SEK 253 million based on the average buying rate of Sälen*'s class B share during the last ten trading days before the announcement of the transaction. The settlement exceeds Åre-Vemdalen's equity capital as per the acquisition balance sheet

as at 31 December 1999 by slightly more than SEK 60 million. The difference will primarily be allocated to existing fixed assets and any remainder will be accounted for as goodwill. The transaction is subject to the approval of the competition authorities and a completed due diligence as well as a decision by the annual general meeting of the shareholders of Sälen* to issue new shares. A majority of the company's shareholders representing about 90% of the votes has agreed to vote in favour of a new issue.

Åre is one of the few Nordic resorts that can be compared with the Alps and Vemdalen is known for its varied skiing. Activities comprise lifts, accommodation with 1,000 own beds and 4,000 agency beds, ski hire, ski schools and a restaurant. In 1998 net sales amounted to a little more than SEK 200 million, income before tax to SEK 16 million and the equity/assets ratio to 35%.

Together Sälen* and Åre form a potent entity within Nordic tourism, where competition is constantly growing through ever bigger players, who market foreign destinations. The size and financial strength of the new group improve the possibilities of marketing the ski resorts internationally, mainly in Denmark, Great Britain and Finland. Significant synergies will be won within purchasing, marketing, IT systems with Sälen*'s newly developed sales support system Ski*Online etc. In three years integration benefits are estimated to be in the range of SEK 10 to 15 million. The restructuring costs are insignificant. Earnings per share are expected to increase over the next few years. The annual net sales of the Group are estimated at approximately SEK 600 million, the average number of employees at 650 people, with a cash flow before investments of approximately SEK 150 million and an estimated balance sheet total of approximately SEK 1,300 million.

ALLOCATION OF SALES AND COSTS

Allocation of net sales, MSEK				
	1998/99	1 September – 31 August 1997/98	+/-%	1998/99 Percentage of Group sales
Lift	165.9	151.3	+10%	53%
Accommodation	50.3	39.9	+26%	16%
Sports shops	49.0	41.5	+18%	16%
Activities	18.3	15.5	+18%	6%
Property	19.1	19.2	-	6%
Other	10.8	6.1	+77%	3%
Total	313.4	273.5	+15%	100%
Allocation of costs, MSEK				
	1998/99	1 September - 31 August 1997/98	+/-%	1998/99 Percentage of Group costs
Cost of goods	20.5	18.2	+13%	10%
Personnel costs	90.6	79.3	+14%	47%
Publicity costs	19.1	18.1	+6%	10%
Property costs	23.8	19.8	+20%	12%
Other costs	39.8	32.5	+22%	21%
Total	193.8	167.9	+15%	100%

Income included in Accommodation and Other as well as Property costs and Other costs have increased greatly through the addition of the acquired companies TV-Sälen AB and Hotell Hundfjället AB.

As at 30 September 1999, 50% of the shares in the associated company, Sälens Högfjällshotell AB, were acquired, bringing Sälen*'s ownership to 82%. The company owns and carries on a room agency and a restaurant Net sales for 1998/99 amounted to SEK 50 million and income before tax to SEK 1.4 million.

The hotel Högfjällshotellet is situated close to the Högfjället skiing facilities and will be centrally located, when the Högfjället lift system is linked to Tandådalen in the future. The product provided by Högfjällshotellet is highly adapted to the international market.

Operations

The long term work on defining and improving the products of the skiing facilities, trade marks and profiles has brought an increased number of guests.

The occupancy rate in the company's own chalets and agency chalets during the winter season (Christmas to 1 May) rose to 83.5% (80.8). Sales of ski passes increased by 10% to SEK 162 million. Of the increase, 5 percentage points refer to volume. The market share of ski passes sold in Sweden increased by 0.2 percentage points to 27.7%. Other activities within ski schools, ski hire, sports shops and accommodation report large increases in volume. Income from accommodation has increased thanks to a higher occupancy rate, and added units to let through the acquisition of Hotell Hundfjället AB. A growing number of guests and a higher level of consumption have resulted in a substantial increase in income from ski schools, ski hire and sports shops.

Cash flow

The North American listed skiing facilities use a cash flow measure called resort cashflow, which is defined as income minus costs related to the continuing activities of the skiing facilities. Resort Cashflow corresponds to

Sälen*'s cash flow from continuing activities before interest paid and income tax. During the period, Resort Cashflow amounted to SEK 119.6 million (105.5). The cash flow from continuing activities amounted to SEK 117.1 million (82.0) and the cash flow for the year after investing and financing activities amounted to SEK 9.0 million (24.7).

Investments

Net investment for the period amounted to SEK 76.1 million (84.1). Strategic investments in the IT system Ski*Online for integrated sales and booking of chalets via internet and current investments in chalets for the 1999/00 season amounted to SEK 41.1 million. Replacement investments and other investments totalled SEK 35.0 million.

Liquidity and financing

The liquid funds of the Group at the end of the financial period amounted to SEK 61.0 million (52.0) including unutilised bank overdraft facilities and temporarily repaid short-term credits. The financial position improved and the equity ratio was 47% (44). During the financial year, interest-bearing net debt fell by SEK 18.6 million to SEK 256.0 million. The average interest expense (financial items, net/average interest-bearing net debt) was 5.8% (6.7).

Personnel

The average number of employees was 347, which is an increase of 37 people in comparison with the corresponding period last year. Through the acquisition of TV-Sälen and Hotell Hundfjället, the Group has 16 more employees.

The new millennium

The work to prepare the Group for the new millennium has been going on since the beginning of 1998. All identified problem areas have been analysed and dealt with. During the autumn, all IT systems will be tested to ensure their operation after the end of the year. The Group's operations and information to the securities market will not be affected by the new millennium.

Parent Company

The Parent Company's net sales totalled SEK 19.5 million (17.3) of which SEK 18.0 million refers to invoiced sales to subsidiaries. Income after net financial income amounted to SEK 6.6 million (12.4) after dividends from subsidiaries of SEK 8.0 million (10.0).

The share

The class B share of SälenStjärnan has been quoted on the OTC list of the Stockholm Stock Exchange since 1994. The total number of shares is 7,089,750. Of this number 2,250,000 are class A shares carrying 10 votes per

SUMMARY OF THE CONSOLIDATED CASH FLOW STATEMENT

	1998/99	1997/98
Operating activities		
Resort cashflow	119 625	105 541
Financial items, net	-15 363	-19 108
Tax paid	-8 390	-9 261
Change in working capital	21 261	4 821
Cash flow from operating activities	117 133	81 993
Cash flow from investing activities	-76 067	-84 122
Cash flow from financing activities	-32 089	26 827
Cash flow for the year	8 977	24 698
Liquid funds at the beginning of the year	51 998	27 300
Liquid funds at the end of the year	60 975	51 998

share and 4,839,750 are class B shares carrying 1 vote per share. As at 31 August 1999, the number of shareholders was 1,814. The principal shareholders of Sälen*, the Paulsson brothers, have decided in connection with the acquisition of Åre-Vemdalen to reduce their voting power in the company to somewhat below 50% by having class A shares reclassified as class B shares. This step is expected to increase the securities market's interest in Sälen*. The previously announced increase in the number of shareholders is being postponed, since the acquisition of Åre-Vemdalen in combination with the owners' reclassification of the class A shares is expected to have a positive effect on the liquidity of the share.

New organisation

The organisation has been strengthened in preparation of continuing expansion and the implementation of the new, integrated sales support system Ski*Online. Staff functions, such as accounting/finance, administration, marketing, IT and switchboard have been centralised in a new head office and thus management resources have been released for further expansion. By removing the product area Sales/Accommodation from the business area Sälenfjällen Bokning and dividing it between the business areas Lindvallen and Tandådalen & Hundfjället, preparations have been made for integrated booking and sales of ski passes, ski

schools, ski hire and chalet rentals through the IT system Ski*Online, which enables booking through the internet. The change creates two sales organisations, which are adapted to the trade marks, special characteristics and orientation of the respective skiing facilities.

Investments for the season of 1999/00

In order to increase the number of beds and thus create room for further growth, Sälen* has initiated investments of SEK 110 million, mainly in new chalets. In the autumn of 1999, the integrated sales support system Ski*Online will be put into operation. Ski*Online is a very strong means of competition to win new guests for Sälen*'s skiing facilities.

Prospects for 1999/00

There are several positive factors that speak in favour of a continued strong earnings trend during the coming year as well.

- Private consumption is strong.
- By experience, last season's good snow conditions will produce increased demand for alpine skiing.
- Great marketing efforts are made in Denmark in order to increase the number of guests from that country.
- Implementation of the integrated sales support system Ski*Online.

A profit forecast will be made in the semi-annual report, which will be published on 20 March 2000.

Proposed dividend

The Board of Directors and the Managing Director propose a dividend of SEK 3.00 (2.00) per share. The proposed total dividend amounts to SEK 21.3 million (13.7), which is 49% (47%) of the profit after tax. The proposed record day for receiving the dividend is 15 December 1999. It is anticipated that the dividend will be paid through Värdepapperscentralen, VPC AB on 20 December 1999.

Annual general meeting

The annual general meeting will be held on Saturday, 11 December 1999, at 11 a.m. at Högfjällshotellet in Sälen. The annual report for the financial year 1998/99 will be distributed to the shareholders at the end of November 1999 and will then be available at the Company's office in Sälen.

Reporting periods

Interim reports for the financial year 1999/00 will be published as follows:

- Three-monthly report, September – November, on 20 December 1999
- Semi-annual report, September – February, on 20 March 2000
- Nine-monthly report, September – May on 20 June 2000

The annual accounts bulletin for the full year, September – August, 1999/00 will be published on 29 September 2000.

NET SALES AND RESULTS BY BUSINESS AREA

Net sales and results by business area, 1 September – 31 August, MSEK

	Lindvallen		Tandådalen & Hundfjället		Sälenfjällen Bokning	
	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
Net sales	146.6	131.5	129.0	109.5	37.8	30.6
Costs	-90.0	-81.0	-76.6	-62.4	-27.2	-22.6
Result before depreciation	56.6	50.5	52.4	47.1	10.6	8.0

Allocation of common income and costs: The Parent Company and TV-Sälen bear the common income and costs for such things as marketing and administration. The costs are allocated 30% each to Lindvallen and Tandådalen & Hundfjället plus 40% to Sälenfjällen Bokning.

CONSOLIDATED INCOME STATEMENTS IN SUMMARY, SEK '000

	1 September- 31 August		
	1998/99 Sälen*	1997/98 Sälen*	1996/97 Lindvallen
Operating income	313 385	273 487	142 622
Goods for resale	-20 515	-18 199	-7 062
Personnel costs	-90 616	-79 327	-38 202
Other external costs	-82 629	-70 420	-40 722
Total operating costs	-193 760	-167 946	-85 986
Income before depreciation	119 625	105 541	56 636
Depreciation	-50 245	-43 869	-22 840
Income after depreciation	69 380	61 672	33 796
Financial items, net	-15 363	-19 108	-8 631
Income before tax	54 017	42 564	25 165
Deferred tax	-1 853	-3 897	-3 139
Tax paid Note 1	-8 390	-9 261	-4 505
Net profit for the year	43 774	29 406	17 521

Note 1 The tax expense for the year has been affected by a loss-carry-forward of SEK 20.8 million, which arose through the sale of a property.

INCOME BEFORE TAX, BY REPORTING PERIOD, SEK '000

	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-May	56 733	40 192	20 479
June-August	-24 396	-19 251	-9 299

CONSOLIDATED BALANCE SHEETS IN SUMMARY, SEK '000

	1999 Sälen*	31 August 1998 Sälen*	1997 Lindvallen
ASSETS			
Fixed assets	734 011	708 189	667 936
Current assets	36 582	27 713	31 344
TOTAL ASSETS	770 593	735 902	699 280
EQUITY AND LIABILITIES			
Shareholders' equity	360 075	323 981	285 382
Convertible debenture loan (interest-bearing)	-	6 000	12 000
Provisions (non-interest-bearing)	60 167	58 081	53 531
Long-term liabilities			
Interest-bearing	280 375	308 019	309 478
Non-interest-bearing	255	230	230
Current liabilities			
Interest-bearing	13 364	10 209	7 679
Non-interest-bearing	56 357	29 382	30 980
TOTAL EQUITY AND LIABILITIES	770 593	735 902	699 280

DATA PER SHARE

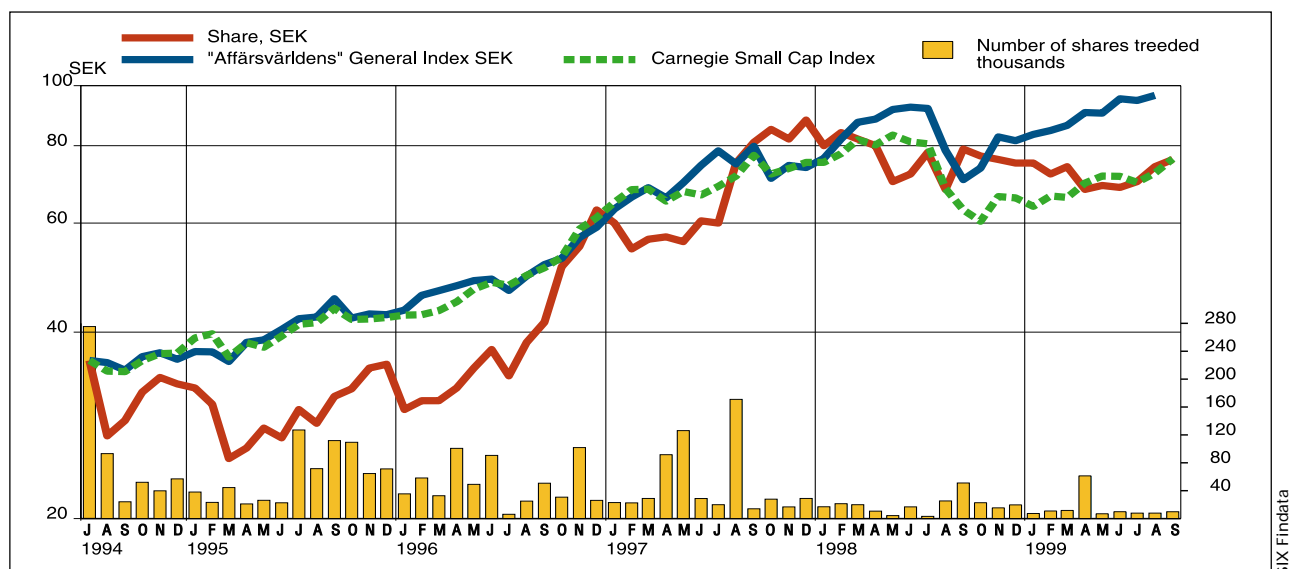
	31 August		
	1999	1998	1997
	Sälen*	Sälen*	Pro forma
Share price, SEK	74,00	68,00	75,00
Number of shares	7 089 750	6 839 750	6 389 750
Earnings after full tax, SEK	6,19	4,22	3,47
P/E ratio, times	12,0	15,5	20,4
Resort cashflow, SEK	16,9	15,4	13,8
Share price/resort cashflow, times	4,4	4,4	5,4
Dividend, SEK	3,00	2,00	1,60
Direct yield, %	4,1	2,9	2,1
Equity, SEK	51	48	47
Share price/equity, %	145	142	160

1) The figures for 1997 and 1998 refer to data after full conversion of the convertible debentures then outstanding. As at 31 August 1999, all convertible debentures had been converted into shares.

KEY RATIOS

	1 September-31 August		
	1998/99	1997/98	1996/97
Key ratios	Sälen*	Sälen*	Pro forma
Return on			
- capital employed, %	11	10	8
- equity, %	11	10	8
- total assets, %	10	9	8
Gross margin, %	38	39	36
Operating margin, %	22	23	22
Net margin, %	17	16	14
Equity ratio, %	47	44	41

SHARE PRICE AND TURN OVER



Sälen, 30 September 1999
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