

## CORPORATE GOVERNANCE REPORT 2009/10

### CORPORATE GOVERNANCE

SkiStar AB's corporate governance is based on the Articles of Association, the Swedish Companies Act, the listing agreement with the Nasdaq OMX Mid Cap Stockholm, including the Swedish Code of Corporate Governance, and other relevant Swedish and foreign laws and regulations.

Guidelines regarding the Swedish Code of Corporate Governance are available on the homepage of the Swedish Corporate Governance Board ([www.bolagsstyrning.se](http://www.bolagsstyrning.se)). Internal guidelines for corporate governance, such as the Articles of Association, instructions and formal work plan for the Board of Directors and CEO, and descriptions of procedures for internal control are available on the SkiStar website ([www.skistar.com](http://www.skistar.com)).

### OWNERSHIP STRUCTURE

Per 31 August 2010, SkiStar had 16,392 shareholders according to the shareholder's register administered by Euroclear Sweden AB (formerly VPC). The ten largest shareholders, in terms of voting rights, represent 74.28% of the votes and 63.52% of the share capital, distribution shown in the Directors' Report, page 50. Holdings by Swedish private individuals, either directly or through companies, amounted to 59.51% and Swedish institutional ownership amounted to 31.58% of the share capital. Foreign private persons represented 0.18% and foreign institutional ownership represented 8.73% of the share capital.

### SHARE CAPITAL AND VOTING RIGHTS

SkiStar's share capital per 31 August 2010 amounted to SEK 19,594,014, divided among 39,188,028 shares, of which 1,824,000 are Class A shares and 37,364,028 are Class B shares. Each Class A shares entitles ten votes, and each Class B entitles one vote. All shares convey equal participation in the Company's assets and profit, and entitle equal rights to dividends. SkiStar's articles of association contain no restrictions, with the exception of those detailed above, on the number of votes each shareholder may cast at a general meeting.

### ANNUAL GENERAL MEETING

The Annual General Meeting is SkiStar's senior decision making body. The Annual General Meeting shall be held annually within six months of the close of the financial year. All shareholders who are listed in the share register and have registered to attend within the prescribed time have the right to participate and vote for their total holding of shares. Shareholders who cannot attend the meeting can be represented by a proxy. A shareholder or a proxy may have no more than two representatives.

Notice of the Annual General Meeting shall be published in the Swedish Official Gazette and in Dagens Nyheter. Shareholders who wish to participate in the Annual General Meeting shall be listed on a transcript of the entire share register showing circumstances five days prior to the meeting, and register with the company by 12 pm on the date stated in the notice of the meeting, at which time the number of assistants is to be stated. This day may not be a Sunday, any other public holiday, a Saturday, Midsummer Eve, Christmas Eve or New Year's Day, and may not fall earlier than the fifth working day prior to the meeting.

The Annual General Meeting shall be held in Sälen, Åre or Stockholm.

The following matters shall be addressed at the Annual General Meeting:

1. Election of chairman of the meeting
2. Preparation and approval of voting list
3. Approval of the agenda
4. Election of two persons to verify the minutes
5. Consideration of whether the meeting has been properly convened
6. Presentation of the annual accounts and audit report and of the consolidated accounts and Group audit report
7. Resolution concerning the adoption of the income statement and balance sheet and the consolidated income statement and consolidated balance sheet
8. Resolution concerning the appropriation of the Company's profit or treatment of losses according to the adopted balance sheet
9. Resolution concerning discharge from liability of the Board of Directors and the CEO
10. Determination of remuneration to the members of the Board of Directors and the audit fees
11. Election of Board of Directors and auditors and deputies, if any
12. Other matters to be addressed by the General Meeting pursuant to the Swedish Annual Accounts Act or the Articles of Association

### ANNUAL GENERAL MEETING 2008/09

A total of 357 shareholders, representing 75% of the votes in the Company, attended the Annual General Meeting held 12 December 2009 at Experium in Sälen.

The Annual General Meeting authorised the Board to purchase and sell shares to the effect that the Board, until the next Annual General Meeting of shareholders, is authorised to pass resolutions on one or more occasions regarding the acquisition of Class B shares in the company; however, the Company's holding may not, at any time, exceed ten percent of the total number of shares in the Company. The acquisition of shares shall take place in a regulated market or via an offer of acquisition made to all shareholders and may only take place at a price that is, at any given point in time, within the registered share price interval – that is, the interval between the highest and the lowest selling price.

Furthermore, the proposal by the Board of Directors entails that the Board of Directors be entitled to pass resolutions, until the next Annual General Meeting of shareholders, regarding the sale of the Company's own shares in a regulated market or in conjunction with the acquisition of companies or operations. This authorisation includes the right to pass resolutions on deviation from the preferential rights of shareholders and resolutions that establish

forms of payment other than cash funds, on the basis of in-kind payment, offsetting or on the basis of other conditions. This authorisation may be utilised on one or a number of occasions, and may be utilised for the acquisition of a maximum number of shares stipulated in the authorisation to acquire the Company's shares. These authorisations aim to provide the Board of Directors with increased scope in working with the company's capital structure and, if deemed appropriate, to facilitate acquisitions. This resolution is valid only for the acquisition and disposal of the Company's own class B shares. Authorisation for the Board to issue its own shares has not been determined.

## ANNUAL GENERAL MEETING 2009/10

The Annual General Meeting will be held on 11 December at 2 pm at Experium in Sälen.

## NOMINATING COMMITTEE

The Company's Nominating Committee is appointed at the Annual General Meeting for a period of one year. The nominating Committee's assignment is to prepare suggestions for Board members, remuneration for Board members, the Chairman of the Board, the Chairman of the Annual General Meeting and the Nominating Committee for the following financial year, as well as, when applicable, to provide assistance to the Audit Committee regarding preparation of the nomination of auditors and auditor's remuneration.

The Nominating Committee has, before the Annual General Meeting 2009/10, the following members: Erik Paulsson, Chairman, including company and family, Mats Qviberg for Investment AB Öresund, Mats Paulsson, including company and family and Per Limberg for Lima Jordägande Socknemän. All shareholders have the possibility to address proposals to the Nominating Committee.

## THE BOARD OF DIRECTORS

### Composition of the Board

The Board is elected by the General Meeting in accordance with the Companies Act and Board Representation (Private Sector Employees) Act. The Articles of Association contain, other than regulations regarding the number of Board members and deputy members, no regulations regarding the appointment and dismissal of members of the Board of Directors. The Board of Directors shall, in addition to members who can by law be appointed by another party, be composed of four to nine members, with a maximum of three deputies. Members of the Board are elected until the end of the first Annual General Meeting held after the year in which the member was appointed.

During 2009/10, the Annual General Meeting elected seven members: Erik Paulsson, Chairman, Mats Paulsson, Mats Qviberg, Eva-Karin Dahl, Olof Larsson, Per-Uno Sandberg and Mats Årjes, CEO. Furthermore, two employee representatives were included: Katarina Hjalmarsson, Unionen and Bengt Larsson, HRF. Three Board members have a position of dependence on the Company: Mats Årjes, in his role as CEO of SkiStar, Mats Paulsson, in his role as CEO for the construction company Peab AB, with which SkiStar has agreements regarding construction work, and Erik Paulsson because of a close family relationship to Mats Paulsson.

### The work of the Board

The work of the Board of Directors is governed by the formal work plan that the Board adopts at the Board meeting following election each year. The Chairman of the Board, Erik Paulsson, leads the work of the Board and has continuous contact with the CEO in order to follow the Group's business and development. The work of the Board mainly comprises strategic matters, business plans, the year-end close and larger investments and sales. During the financial year 2009/10, the Board held six scheduled meetings. The work of the Board is evaluated continuously. SkiStar's Accounting and Finance Director, Magnus Sjöholm, is the Board's secretary.

### Audit Committee

At the Board meeting following election on 12 December 2009, Per-Uno Sandberg was elected as chairman of the Audit Committee, and Olof Larsson and Eva-Karin Dahl were re-elected as members. The Audit Committee is responsible for ensuring that the financial reporting maintains a high quality. They also maintain regular contact with the Company's auditors, draw up guidelines regarding negotiations for services from the Group's auditing firm and evaluate audit efforts. They also assist the Nominating Committee in the work of nominating and establishing fees for the auditors. The Audit Committee has no decision-making authority; rather, it prepares information and reports matters to the Board as a whole. The Audit Committee has held three meetings during the financial year.

### Compensation Committee

At the Board meeting following election on 12 December 2009, Erik Paulsson was elected chairman of the Compensation Committee and Mats Qviberg and Mats Paulsson were re-elected as members. The Compensation Committee is responsible for issues concerning salaries, pension benefits, bonus programmes and other employment benefits for the CEO and management of SkiStar. The Compensation Committee has no decision-making authority; rather, it prepares information and reports matters to the Board as a whole. The Compensation Committee has held two meetings during the financial year.

### Remuneration to the Board

The combined remuneration paid to the Board members elected by the Board was fixed by the 2009 Annual General Meeting at TSEK 730 (730), of which the Chairman received TSEK 155 and the other members not employed by the Company each received TSEK 115. No other remuneration for work within the committees will be paid.

## OPERATIONAL MANAGEMENT

### The Chief Executive Officer

The Chief Executive Officer, and Group Chief Executive, is responsible for the day-to-day management of the Company in accordance with the board of Directors' guidelines and directives. As support during the financial year, he has had a deputy CEO, as well as the Accounting and Finance Director, the six destination managers and the Group staff. The CEO is responsible for communicating continuous information and necessary documentation for decision-making to the Board of Directors, in order to allow the Board to be able to assess the financial position of the Group and make appropriate decisions.

## The Company's Management Group

The Company's Management Group, during the financial year 2009/10, consisted of ten individuals; the CEO, the deputy CEO, who is also the Accounting and Finance Director, the Technical Director, the Marketing and Sales Manager and six destination managers, one each from Åre, Vemdalen, Hemsedal and Trysil and two from Sälen - one from Lindvallen/Högfjället and one from Tandådalen/Hundfjället.

## FINANCIAL REPORTING

### External financing reporting

From 2005, the International Financial Reporting Standards (IFRS) has been applied in the preparation of the Group's reporting. Quality in the current financial reporting is ensured via a number of internal measures and routines.

The auditors perform a limited review of the Company's nine-month report.

The Board is liable for internal control under the Swedish Companies Act and the Swedish Code for Corporate Governance.

## DESCRIPTION

### Control environment

There is a clear division of roles and responsibilities contained in the formal work plan of the Board of Directors and the instructions to the CEO, as well as for Board committees, the purpose of which is to ensure the effective management of the operations' risks. Company management regularly reports to the Board according to established routines. Company management is responsible for the internal controls required to manage significant risks in the day-to-day operations of the Company. A common business system both for external reporting and for internal follow-up, budgeting and forecasting is deemed to strengthen the control environment and security in the financial reporting. The Audit Committee prepares the Board of Director's continuous follow-up of the internal supervision, which includes evaluating and discussing substantial issues concerning auditing and reporting technicalities.

During the financial year, the Audit Committee has received reports from senior management concerning the internal supervision of projects which have been implemented. The Audit Committee has held three meetings during the financial year.

### Risk assessment

The Board ensures that risk assessments are carried out for all significant risks to which the Company is exposed in the context of the financial reporting. This includes identifying those items in the income statement and balance sheet for which the risk of material misstatement is increased, and designing a control system to prevent and discover any such errors. This is primarily carried out by quickly identifying events in operations or in the outside world that may affect the financial reporting and by supervising those changes in auditing standards and recommendations that concern the financial reporting of the Company.

### Control activities

The Company works continuously towards eliminating and reducing significant risks which can affect the internal control of financial reporting. Examples of control activities undertaken to manage risks are:

- The management group's follow-up and analysis.
- Separate reviews of the Company's IT system, with an emphasis on the sales system.
- Continuous follow-up of whether authorisation manuals and authorisation structures are adhered to.
- Annual review of the handling of the means of payment at the Company's points of sale.
- Other ongoing reconciliations and physical checks.

### Information and communication

In order to comply with the Company's policies, guidelines and commendations, it is required that these be well-documented and that they be communicated within the Company. For communication and information to function properly, the management group holds regular meetings with representatives from the Company's destinations and from staff functions. At present, the Company is in the process of compiling policies, manuals and instructions in an administrative handbook which will be made available on the Company's intranet.

### Follow-up

The Board of Directors continuously evaluates the information provided by senior management and the Audit Committee and ensures that all identified deficiencies in the internal controls are remedied. Of particular significance for follow-up is the work of the Audit Committee and the reports from the external auditors.

### Internal auditing

The Board of Directors has made the assessment that the supervision and follow-up described above are presently sufficient to ensure the efficiency of the internal supervision, without any special internal audit review function.

## ARTICLES OF ASSOCIATION

The Company's current Articles of Association were registered 15 December 2006. The Articles of Association contain no regulations regarding procedures for amending the Articles of Association.

## COMPLIANCE WITH THE SWEDISH CODE FOR CORPORATE GOVERNANCE

The table below illustrates and justifies SkiStar's deviations from the Swedish Code for Corporate Governance. The Company's auditors have, in accordance with the Annual Accounts Act Chapter 6, § 9 prepared a written statement regarding the Corporate Governance Report.

Code rule	Description	Deviation	Explanation
2.4	Criteria for members of Nominating Committee	SkiStar's Chairman of the Board of Directors is also the Chairman of the Nominating Committee. The majority of the members on the Nominating Committee are also Board members and are dependent in terms of being major shareholders.	The main owners are Board Members and are also included in the Nominating Committee in order to take an active ownership role.
9.2	Criteria for composition Of Compensation Committee	SkiStar's Chairman of the Board of Directors is also the Chairman of the Compensation Committee, which implies that the other members must be independent. Only one of the two other members is independent.	It is deemed that the Compensation Committee can act independently despite the fact that one member is considered independent according to the Code.