

# Report on 1997 Operations

February 23, 1998

## ***Scancem's highest earnings ever***

- **Earnings increased 40 percent to SEK 1,259 M.**  
Strong fourth quarter, 45 percent higher than last year's.
- **Positive sales trend in all important markets except Sweden.**
- **Profit per share after full tax was SEK 17.55.**  
(18.25, excluding items affecting comparability, 13.45).
- **The board proposes that the dividend be increased to SEK 7.50 (6.50)**
- **Earnings in 1998 are expected to be higher than in 1997.**

	<b><u>1997</u></b>	<b><u>1996</u></b>
Net sales, SEK M	16,070	13,958
Earnings after minority shares, SEK M		
– excl. items affecting comparability	1,259	897
– incl. items affecting comparability	1,259	1,151
– Profit per share, SEK		
– excl. items affecting comparability	17.55	13.45
– incl. items affecting comparability	17.55	18.25
Dividend (proposed/actual), SEK	7.50	6.50
Return on capital employed, %	12.9	10.5 <sup>1)</sup>
Return on stockholders' equity, %	12.8	11.2 <sup>1)</sup>
Equity ratio, %	43	42
Debt-equity ratio, times	0.70	0.66

1) excluding items affecting comparability

*Figures in parentheses refer to the corresponding period of 1996.*

---

### **Highest earnings ever**

Scancem's earnings after financial items and minority shares totaled SEK 1,259 M in 1997 (897, excluding items affecting comparability), an increase of 40 percent.

Scancem's 1997 earnings are the highest ever achieved by the Group. After the major structural changes that have been carried out during the past few years, operations are now streamlined and focused on priority markets and product areas. These factors, as well as greater synergistic benefits and productivity improvements related to company acquisitions, contributed to the increase in earnings.

The Group's market positions were expanded in a number of countries in 1997. Business in the majority of Scancem's markets also improved, resulting in higher volumes. The Group's already good financial position was strengthened slightly in spite of the expansion.

Earnings after financial items and minority shares in the fourth quarter were 45 percent higher than in the corresponding period last year and totaled SEK 295 M (204).

### **Sales up 15 percent**

Net sales of the Scancem Group totaled SEK 16.1 billion (14.0), an increase of 15 percent. The effects of exchange rate changes accounted for about SEK 0.8 billion of the increase. Companies acquired during 1997 contributed approximately SEK 0.6 billion in sales. The remaining 5-percent increase in sales was due primarily to higher shipments in international markets, while sales were lower in Sweden than in 1996.

Group sales in markets outside the Nordic countries amounted to SEK 7.2 billion (5.8), corresponding to 45 percent (42) of the Group's total turnover.

Fourth-quarter sales totaled SEK 4.3 billion (3.6), an increase of 20 percent.

Scancem's earnings, excluding items affecting comparability, were SEK 1,667 M (1,206), up 38 percent. The increase was attributable to higher volumes in international markets, while sales in Sweden were lower than in 1996 for several products.

Net financial expense was SEK 317 M (net expense of 247). Net financial expense was higher primarily because of increased net indebtedness during the year, reduced dividend income, lower trading revenues and negative exchange rate effects.

Profit per share, after full tax, was SEK 17.55 (18.25, excluding items affecting comparability 13.45).

Return on capital employed rose to 12.9 percent (10.5, excluding items affecting comparability). The positive effect of higher earnings was offset partly by an increase of SEK 0.6 billion in capital employed. Return on stockholders' equity after tax was 12.8 percent (11.2 percent, excluding items affecting comparability).

Investments in fixed assets and shares totaled SEK 1, 835 M (5,639), of which SEK 705 M (4,821) was related to company and share acquisitions and SEK 1,130 M (818) to investments in fixed assets. Of capital expenditures on fixed assets, 48 percent (49) were in companies outside the Nordic region.

### **Positive market trend for business areas**

Construction markets in the Nordic countries developed differently in 1997. Growth was strong in Finland, while the market was softer in Norway and Denmark, and continued to decline in Sweden. Business remained brisk in Scancem's other main markets – the United Kingdom, the United States and certain African countries.

As of January 1, 1998, operations are organized in three product areas: Cement, Building Materials, and Concrete and Aggregates.

#### Cement

**Cement Nordic.** Earnings were considerably higher, due primarily to higher shipments in Finland and Norway. Positive exchange rate effects, synergistic benefits and cost reductions also contributed to the increase in earnings.

**Castle Cement.** Earnings rose appreciably as a result of higher volumes and price increases.

**Scancem International.** Due to higher market activity in the United States, delivery volumes increased and earnings were up sharply. Earnings of the African operations increased with the exception of the company in Sierra Leone. Trading activities generated higher revenues.

#### Building Materials

**Optiroc Group.** Earnings were substantially higher, due mainly to increased volumes for companies selling premixed products and lightweight aggregates, as well as to positive effects from combining operations with the acquired Ernström companies.

**Gyproc Group.** Earnings were higher, due mainly to increased volumes. Shipments rose in all markets except Sweden. Deliveries were especially up sharply in markets in the east of Europe.

#### Concrete and Aggregates

**Rudus Group.** Earnings increased, due to higher sales volumes for ready-mixed concrete and aggregates in Finland, Poland and Germany. Significant new acquisitions were made in Estonia (ready-mix) and Poland (aggregates).

**Euroc Beton.** Earnings increased, due mainly to market improvements in Finland and Norway. The business area's share of earnings in the restructured company Parma Betonila (Finland), combined with the improved market situation, contributed in particular to the increase in earnings.

### **Proposed dividend**

The Board of Directors proposes that the dividend be increased to SEK 7.50 (6.50).

### Earnings to be higher in 1998

Most of Scancem's main markets are expected to continue their favorable development in 1998. Due to this trend, and the effects of implemented structural changes and productivity improvements, earnings are expected to be higher in 1998 than in 1997.

### Annual General Meeting

The Annual General Meeting will be held in Malmö on April 22, 1998. Distribution of the annual report to stockholders is expected to start on March 20 (Swedish only).

#### Consolidated income statement, SEK M

	<u>1997</u>	<u>1996</u>	<u>4th quarter</u>	
			<u>1997</u>	<u>1996</u>
<b>Net sales</b>	<b>16,070</b>	<b>13,958</b>	<b>4,266</b>	<b>3,561</b>
Operating income,	1,667	1,206	369	257
excluding items affecting comparability				
Items affecting comparability		254		
<b>Operating income</b>	<b>1,667</b>	<b>1,460</b>	<b>369</b>	<b>257</b>
Financial items	-317	-246	-45	-30
<b>Earnings after financial items</b>	<b>1,350</b>	<b>1,214</b>	<b>324</b>	<b>227</b>
Minority shares	-91	-63	-29	-23
<b>Earnings after minority shares</b>	<b>1,259</b>	<b>1,151</b>	<b>295</b>	<b>204</b>
<b>Net profit after tax</b>	<b>935</b>	<b>971</b>		

#### Consolidated balance sheet, SEK M

	<u>1997</u>	<u>1996</u>
Intangible assets	2,438	2,209
Tangible assets	10,594	9,873
Financial assets	745	676
Current assets	4,710	4,292
<b>Total assets</b>	<b>18,487</b>	<b>17,050</b>
Stockholders' equity	7,699	6,933
Minority share of stockholders' equity	296	282
Noninterest-bearing liabilities, incl. provisions	4,327	4,284
Interest-bearing liabilities	6,165	5,551
<b>Total equity, provisions and liabilities</b>	<b>18,487</b>	<b>17,050</b>

<b>Other key figures</b>			
		<u>1997</u>	<u>1996</u>
Cash flow from operations, SEK M		1,786	2,123
Investments/divestments, net, SEK M		-1,734	-4,199
Cash flow after investment operations, SEK M		52	-2,076
Net loans, SEK M		5,614	4,743
Number of employees, December 31, 1997		11 249	10 074

### Net sales and earnings per business area

Business area	Net sales		Operating income		Earnings after financial items		Return on capital employed in operations	
	1997	1996	1997	1996	1997	1996	1997	1996
Cement Nordic	3,179	2,975	582	494	499	375	18	16
Castle Cement	1,949	1,519	237	154	143	113	10	7
Scancem International	3,800	3,193	384	291	336	250	>20	>20
Optiroc	3,363	2,912	311	162	230	89	12	7
Gyproc	870	737	116	64	116	69	>20	19
Rudus Group	1,377	1,173	113	103	98	122	11	12
Euroc Beton	2,494	2,364	152	133	123	63	11	10
1) Other operations	240	275	-148	-115	-115	-41		
2) Central amortization of goodwill			-80	-80	-80	-80		
Items affecting comparability				254		254		
3) Minority shares					-91	-63		
Intra-Group sales	-1,202	-1,190						
<b>Scancem Group</b>	<b>16,070</b>	<b>13,958</b>	<b>1,667</b>	<b>1,460</b>	<b>1,259</b>	<b>1,151</b>	<b>13<sup>4)</sup></b>	<b>11<sup>4)</sup></b>

1) Including unallocated central operating expenses, interest including trading, and Group adjustments.

Earnings in 1996 included nonrecurring income of SEK 73 M from the sale of fixed assets.

2) Including amortization of goodwill related to the acquisition of 50 percent of Scancem Group Ltd in 1996, which was charged against Cement International's earnings in the former organization, as well as to the acquisition of Partek/Metra's building material operations in 1993.

3) Including primarily minority shares in earnings in Ghacem (40.5%) and Gyproc (25%).

4) Total capital employed on a Group level.