SCANCEM

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Interim Report

three months ended March 31, 1998

April 22, 1998

1998 starts out strongly

* **Scancem's result after financial items for the first quarter of 1998 was SEK 136 M better than the corresponding period of 1997. The result was a loss of SEK 21 M (loss of 157) .**
* **Sales volumes continued to develop favorably.**
* **Earnings after financial items on a rolling 12-months basis were SEK 1,486 M (full year 1997: 1,350).**

Condensed income statement, Scancem Group

SEK M	3 mos. 1998	3 mos. 1997	Past 12 mos.	12 mos. 1997
Net sales	**3,585**	**2,978**	**16,677**	**16,070**
Cost of goods sold	-2,871	-2,488	-12,427	-12,044
Gross profit	**714**	**490**	**4,250**	**4,026**
Selling and administrative expenses	-672	-582	-2,593	-2,503
Shares in earnings of associated companies	17	-7	91	67
Other operating income, net	21	17	81	77
Operating income/loss	**80**	**-82**	**1,829**	**1,667**
Result from financial investments (financial items)	-101	-75	-343	-317
Loss/profit after financial items	**-21**	**-157**	**1,486**	**1,350**
Tax[1)]	-3	30	-383	-350
Minority share in earnings after tax[1)]	-15	-15	-65	-65
Net loss/profit for the period	**-39**	**-142**	**1,038**	**935**

1) As of 1998 minority shares in earnings are reported **after** tax. Consequently, tax expense also includes the minority share. Figures for 1997 have been adjusted for comparability. The tax expense for the first quarter result is a preliminary calculation.

Today, Scancem is Europe's sixth largest cement and building materials company and the Group is strongly positioned in mainly the Baltic Sea and North Sea regions. The Group is a leading player in the international cement trading market with operations in the U.S., West Africa and Asia. Scancem is active in approximately 30 countries. Sales in 1997 amounted to SEK 16.1 billion and the number of employees is approximately 11,300. Scancem is listed on the Stockholm Stock Exchange.

1998 starts outs strongly
Scancem's result after financial items for the first quarter of 1998 was SEK 136 M better than the corresponding period of 1997. The result was a loss of SEK 21 M (loss of 157). The improvement was attributable primarily to higher sales volumes as a consequence of the mild winter, among other factors. However, earnings were affected negatively by temporary production disturbances within the Group's cement operations and nonrecurring costs within Scancem International. All business areas reported higher earnings with the exception of Scancem International. Earnings during the rolling 12-month period increased and totaled SEK 1,486 M (full year 1997: 1,350).

Continuing positive trend of sales
Construction activity in *Sweden* remained low, although a slight upturn has been noted so far during 1998. Sales volumes in the first quarter were higher than in the corresponding period of 1997 in virtually all product areas. The building market continued to be strong in the other Nordic countries. In *Finland, Denmark and Norway,* sales volumes were higher than in the same period of 1997 within all product categories.

In the *United Kingdom* cement shipments were approximately 2 percent higher than in the first quarter of 1997. In Scancem's markets in the *United States* – Florida and the U.S. Northeast – construction activity is brisk and deliveries increased considerably. Cement shipments in *Africa* were negatively impacted by electric power shortages in Ghana, Togo and Benin. Deliveries to *countries in Eastern Europe* increased strongly, primarily sales of premixed products and plasterboard.

Increased sales and higher profitability
Net sales of the Scancem Group totaled SEK 3,585 M (2,978), an increase of 20 percent, due to the effect of higher volumes and sales contributions by companies acquired in 1997 and 1998.

Operating income increased SEK 162 M to SEK 80 M. Income was charged with nonrecurring losses in the amount of SEK 20 M (nonrecurring income of 5). Operating income included cost depreciation in the amount of SEK 328 M (289). Shares in earnings of associated companies, also included in operating income, were appreciably higher and amounted to SEK 17 M(-7).

The result from financial investments (net financial items) was a net expense of SEK 101 M (net expense of 75). The increase in net financial expense was caused primarily by a higher average net debt, increased interest rates and exchange rate effects from loans financed in GBP.

Return on capital employed for the past 12-month period was 13.4% (full year 1997: 12.9). Return on stockholders' equity after tax was 13.6% (full year 1997: 12.8).

Business Areas

Cement Nordic - higher cement shipments
Earnings after financial items increased considerably. In the first quarter cement shipments in domestic markets increased 20 percent, relative to the corresponding period of 1997, while cement exports from Sweden and Norway were 7 percent higher. The increase was also due to the fact that earnings in the first quarter of 1997 were negatively affected by production downtime at the Slite plant (Sweden). In addition, Euroc Recycling’s earnings increased as a result of higher volumes.

Scancem International – improvement in U.S.,earnings charged with nonrecurring cost
The business area’s earnings after financial items were lower than in the first quarter of 1997. A high level of construction activity in Florida and the U.S. Northeast resulted in increased delivery volumes and the earnings of subsidiaries in these regions were substantially higher. Companies in Africa reported higher earnings, although income was negatively impacted at the end of the quarter by the effects of electric power shortages in Ghana, Togo and Benin. Demand remained strong for cement in Angola. Operations at the cement grinding plant in Sierra Leone are still on a sharply reduced level. Scancem Trade’s earnings were reduced by provisions for anticipated losses on coal trading activities. The partly owned company Kunda Cement reported higher income.

Castle Cement – higher operating income
Cement shipments in the first quarter were approximately 2 percent higher than in 1997 which, in combination with implemented price increases, resulted in higher operating income. Earnings were negatively affected by production disturbances at Castle’s plants. A flue gas desulfurization system was started up at the Ribblesdale cement plant to reduce emissions of sulfur dioxide and dust.

Optiroc Group – deliveries increased to Eastern European markets
The business area reported higher earnings after financial items. Income from premixed product operations increased, due primarily to expanding markets in Finland, Russia, Poland, Denmark and Spain. The market remained weak in Sweden. The lightweight aggregate companies also increased their earnings as a consequence of higher volumes in all markets. Sales were up especially in Portugal and the U.K. Spain is considered to be a growth market for the business area’s products and Optiroc acquired Arlita, a Spanish lightweight aggregates producer with annual sales equivalent to approximately SEK 80 M. Brick companies reduced their losses. Brick deliveries increased in all markets and were 40 percent higher on the whole than in the corresponding period of 1997. The Swedish brick market remained weak and the industry will have to be restructured. The Stockholm District Court approved Optiroc’s acquisition of Stråbruken, although the Swedish Competition Authority has appealed the decision with the Market Court in Sweden. This long drawn-out lawsuit has had a substantial negative impact on Group earnings.

Gyproc Group – higher volumes in all markets
The business area reported higher earnings after financial items, as a consequence of increased volumes and more stable prices, primarily in Finland. Plasterboard shipments in the first quarter were almost 30 percent higher than in the corresponding period of 1997. Deliveries to the Baltic states and Russia are increasing in particular, although volumes are also higher in Sweden, Finland and Denmark. The market was more sluggish in Norway. Exports of Gyptone ceilings are increasing to other European countries.

Rudus Group – favorable market
The business area reported slightly higher earnings after financial items, compared with 1997. Shipments of ready-mixed concrete and aggregates increased in Finland. Volumes were also higher in Poland but earnings were reduced by restructuring costs in OKSM, a recently acquired aggregates company. Subsidiaries in the Baltic states also noted a higher level of business, due to acquisitions and newly opened companies. However, ready-mix shipments in the St. Petersburg market decreased as a result of low construction activity in the area. The German market improved.

Euroc Beton – increased shipments
Earnings after financial items were higher than in 1997. Delivery volumes of the Swedish and Norwegian ready-mixed concrete and aggregate companies were higher than in the first quarter of 1997. Jehanders acquired AB Underås, a ready-mix and aggregates company with operations in central Sweden and sales of about SEK 100 M. Swedish Rail System's contract for maintaining the Inland Railway Line in Sweden was renewed for another five-year period. Abetong Precon (precast concrete assembly units) increased its sales and order bookings, primarily in the agricultural sector. The business area's operations in Finland increased their earnings, notably the associated company Parma Betonila (50%).

Financial position and cash flow
The Group's total assets amounted to SEK 19.2 billion at March 31, 1998, an increase of SEK 0.7 billion compared with January 1, 1998. The increase was due primarily to the effects of acquired companies and a higher amount of trade account receivables related to the increase in sales. Working capital totaled SEK 2.0 billion (January 1, 1998: 1.5).

Interest-bearing net liabilities increased SEK 0.7 billion in the first quarter and totaled SEK 6.3 billion at March 31, 1998 (January 1, 1998: 5.6). The change in the first quarter was as follows:

	SEK billion
Net interest-bearing liabilities at Jan. 1	*-5.6*
Cash flow from operations	-0.3
Cash flow from investments	-0.4
Net interest-bearing liabilities in acquired companies	-0.1
Exchange rate effects, etc.	+0.1
Net interest-bearing liabilities at March 31	*-6.3*

Investments in tangible fixed assets totaled SEK 262 M (190). Investments in shares and company acquisitions amounted to SEK 160 M (60).
The equity ratio was 42 percent, as against 43 percent at January 1, 1998.

Forecast
The market is improving in Sweden, although from a low level. Markets are continuing to develop well in the rest of the Nordic region, although the rate of growth can weaken, primarily in Norway, but also in Denmark and the United Kingdom. Scancem's African markets represent the greatest uncertainty, since it is difficult to assess the effects of the electric power supply disturbances there. However, the forecast made earlier – that earnings in 1998 will be higher – remains valid.

Scancem AB (publ)
Malmö, April 22, 1998
Sven Ohlsson

Unaudited.

Net sales and earnings per business area

	Net sales				Operating income				Earnings after financial items			
	3 mos. 1998	3 mos. 1997	Past 12 mos.	12 mos. 1997	3 mos. 1998	3 mos. 1997	Past 12 mos.	12 mos. 1997	3 mos. 1998	3 mos. 1997	Past 12 mos.	12 mos. 1997
Cement Nordic	**670**	**628**	**3,221**	**3.179**	**70**	**0**	**652**	**582**	**53**	**-25**	**577**	**499**
Castle Cement	**498**	**425**	**2,022**	**1,949**	**-10**	**-32**	**259**	**237**	**-37**	**-42**	**148**	**143**
Scancem International	**896**	**751**	**3,945**	**3,800**	**29**	**53**	**360**	**384**	**22**	**41**	**317**	**336**
Optiroc Group	**739**	**604**	**3,498**	**3,363**	**19**	**-14**	**344**	**311**	**-9**	**-32**	**253**	**230**
Gyproc Group	**249**	**211**	**908**	**870**	**38**	**24**	**130**	**116**	**38**	**23**	**131**	**116**
Rudus Group	**257**	**194**	**1,440**	**1,377**	**-12**	**-9**	**110**	**113**	**-18**	**-20**	**100**	**98**
Euroc Beton	**508**	**344**	**2,658**	**2,494**	**-9**	**-54**	**197**	**152**	**-17**	**-62**	**168**	**123**
Other operations/central amortization of goodwill	**-232**	**-179**	**-1,015**	**-962**	**-45**	**-50**	**-223**	**-228**	**-53**	**-40**	**-208**	**-195**
Group	**3,585**	**2,978**	**16,677**	**16,070**	**80**	**-82**	**1,829**	**1,667**	**-21**	**-157**	**1,486**	**1,350**

Condensed balance sheet, Scancem Group

SEK billion	**March 31, 1998**	**March 31, 1997**	**December 31, 1997**
Assets			
Intangible assets	2.5	2.2	2.4
Tangible assets	10.6	10.2	10.6
Financial assets*	0.8	0.7	0.8
Current assets			
Inventories	2.0	1.9	2.0
Current receivables*	2.9	2.4	2.4
Current investments, cash and bank balances*	0.4	0.5	0.3
Total assets	**19.2**	**17.9**	**18.5**
Equity and liabilities			
Equity	7.6	6.8	7.7
Minority share of equity	0.3	0.2	0.3
Provisions	1.5	1.4	1.5
Long-term liabilities*	6.8	6.1	6.0
Current liabilities*	3.0	3.4	3.0
Total equity and liabilities	**19.2**	**17.9**	**18.5**
*of which, interest-bearing, total			
Number of shares at the close of the period, 000s	53,377	53,253	53,349
Equity per share, SEK	142	127	144