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PRESS RELEASE

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Scancem invests SEK 700 M in Britain's Castle Cement

Scancem will make one of its largest ever investments in new production capacity by investing approximately SEK 700 M in its subsidiary Castle Cement, the United Kingdom's second biggest cement producer. Through the enlargement of two dry kilns, the company can close four energy-intensive wet kilns. This will lead to a more rational operation resulting in considerable cost improvements. At the same time, the highest environmental standards will be met and a much wider range of fuel types can be used.

- This is the largest investment in new production that Scancem has undertaken since the plant on the Baltic sea island of Gotland was extended some 20 years ago, comments CEO Sven Ohlsson. Looking at production costs and environmental status, Castle Cement will achieve a position on a level with the world's leading cement producers.

- The extension of the two kilns will be implemented during the period 1999-2001, Sven Ohlsson continues, following which all four of the company's wet kilns will be closed or mothballed. When the structural investments have been carried through, Castle Cement's total production capacity will be retained at 3.3 million tonnes, based exclusively on the dry process which will result in major savings in energy costs.

A dry kiln at the Padeswood cement plant in Wales will be upgraded, increasing capacity from 250,000 tonnes to 750,000 tonnes. In another dry kiln at Ribblesdale, Lancashire, capacity will be raised from 750,000 tonnes to 1,050,000 tonnes. As a result of this, four wet kilns - two in Padeswood and two in Ribblesdale - will be closed or mothballed.

It is expected that about 150 jobs will disappear in three years time; the company is consulting with representatives of the work force to achieve as much of this as possible through natural wastage and voluntary redundancy.

- Modern cement technology is most cost effective when concentrated on single kiln operations based on the dry process, Sven Ohlsson continues. It means low fixed costs and at the same time achieves higher energy efficiency. Progressively increasing environmental demands mean that within a few years we would have to make major investments without any rationalisation benefits if we kept the wet kilns.

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.

- A continuous transition from coal to alternative fuels - for example spent tyres, unrecyclable plastic, paint and solvent waste - in cement and lightweight aggregate kilns probably represents the single biggest rationalisation potential in Scancem, says Sven Ohlsson. In the future we expect that throughout the Scancem Group, alternative fuels will account for more than 60 percent of energy consumption and Castle Cement will play an important part in achieving this goal.

For further information, contact CEO Sven Ohlsson, Scancem, telephone +46 40 16 50 00 or Carol Boots, Public Relations Manager, Castle Cement, telephone 0121 779 77 71.

Background facts

Castle Cement was acquired in 1988. Today, the company operates three cement plants - Ketton, Ribblesdale and Padeswood - in central Britain and has a production capacity of approximately 3.3 million tonnes. Ketton is a modern plant and is not included in the structural programme.

| <i>Plant</i> | <i>Clinker capacity (000 tonnes)</i> |
|--------------|--------------------------------------|
| Ketton | 1.3 |
| Ribblesdale | 1.4 |
| Padeswood | 0.5 |

Castle's cement sales in 1997 were approximately 3.1 million tonnes and are expected to increase somewhat in 1998.

Castle Cement has a market share in Great Britain of approximately 25 per cent. The other operators are Blue Circle and Rugby with market shares approaching 50 and 20 per cent respectively.

After some years of high demand in the late 1980s, a period of substantially decreased construction activity in the United Kingdom began in 1990. In 1992, cement consumption was 30 per cent lower than in the peak year of 1989. In 1997, demand increased again, and this development is expected to continue for several more years.

In 1997, Castle Cement had sales of close to SEK 2 billion and at the end of the year the number of employees was approximately 1,250.