



February 18, 1999

Report on 1998 Operations

Scancem's highest earnings ever

- Earnings increased to SEK 2,076 M (1,350) – the highest ever recorded by Scancem. Excluding items affecting comparability totaling SEK 600 M, earnings were 9 percent higher than last year.
- Business conditions were more favorable in most principal markets and productivity improved.
- Profit per share after full tax was SEK 26.90 (17.55); excluding items affecting comparability, profit per share was SEK 18.55.
- The board proposes that the dividend be raised to SEK 12.00 per share (7.50), of which SEK 4.00 is a result of the capital gain on the sale of Gyproc Group.
- Scancem's future structure will determine how the Group develops during 1999. It is therefore too early at the present stage to give a more detailed earnings forecast. Based on the anticipated market situation, earnings generated by Group units are expected to remain strong.

	1998	1997
Net sales, SEK M	17,560	16,070
Earnings after financial items, SEK		
- including items affecting comparability	2,076	1,350
- excluding items affecting comparability	1,476	1,350
Profit per share, SEK		
- including items affecting comparability	26.90	17.55
- excluding items affecting comparability	18.55	17.55
Dividend (proposed/actual), SEK	12.00	7.50
Return on capital employed, %		
- including items affecting comparability	18.3	12.9
- excluding items affecting comparability	14.1	12.9
Equity ratio, %	48	43
Debt-equity ratio, times	0.48	0.70

Figures in parentheses refer to the corresponding period of 1997.

Scancem's highest earnings ever

Scancem's earnings after financial items increased in 1998 and totaled SEK 2,076 M (1,350). Earnings in 1998 were the highest ever recorded by Scancem, even after deduction for items affecting comparability totaling SEK 600 M net; excluding these items, earnings were 9 percent higher.

The more favorable market situation in the majority of Scancem's principal markets in 1998 was the primary factor behind the Group's continuing high earnings performance. Improved productivity was another contributing factor.

After the divestment of the Gyproc Group business area in the fall of 1998, Scancem's operations were further streamlined and the Group's strong financial position was improved still more.

Sales increased 9 percent

Net sales of the Scancem Group totaled SEK 17.6 billion (16.1), an increase of 9 percent. Excluding the effects of exchange rate changes and company acquisitions, a total of SEK 0.3 billion, sales increased SEK 1.2 billion, or approximately 7 percent. The Gyproc Group business area was included in Group sales up to and including November 1998 and contributed SEK 0.9 billion.

Net sales of the Scancem Group in markets outside the Nordic region amounted to SEK 8.2 billion (7.2), corresponding to 47 percent (45) of total sales. Cement accounted for 46 percent (45) of sales, ready-mixed concrete and aggregates for 29 percent (27) and other building materials for 25 percent (28).

Earnings after financial items, SEK 2,076 M (1,350), include items affecting comparability totaling SEK 600 M net (0). Excluding these items, earnings were SEK 1,476 M (1,350), an increase of slightly more than 9 percent. Items affecting comparability include a capital gain on the divestment of the Gyproc Group business area, expenses for writing down the value of fixed assets, and provisions for restructuring costs, primarily in Castle Cement. In addition, earnings in 1998 were negatively affected by losses and provisions related to Scancem International's coal trading operations, and by bad debt losses.

Scancem's operating income, excluding items affecting comparability, was SEK 1,901 M (1,667), up 14 percent.

Net financial expense totaled SEK 425 M (net expense of 317). The increase was attributable primarily to a higher average net indebtedness and increased interest rates for loan financing in GBP.

Profit per share after full tax was SEK 26.90 (17.55). Excluding items affecting comparability, profit per share was SEK 18.55 (17.55).

Return on capital employed increased to 18.3 percent (12.9). Excluding items affecting comparability, return on capital employed rose to 14.1 percent (12.9). Return on stockholders' equity after tax was 17.3% (12.8); 5 percentage points were attributable to items affecting comparability.

Gross investments in fixed assets and shares totaled SEK 1,507 M (1,835), of which SEK 334 M (705) was related to company and share acquisitions, and SEK 1,173 M (1,130) to investments in

fixed assets. Of capital expenditures on fixed assets, SEK 444 M (537), or 38 percent (48), was invested in companies outside the Nordic region.

All business areas reported higher earnings from operations

Cement

Cement Nordic's earnings after financial items increased 17 percent, compared with 1997, primarily due to higher cement shipments in Sweden and Finland (up 15 percent in both countries). Volumes declined 2 percent in Norway. Exports from Sweden and Norway also decreased to SEK 1.44 million metric tons (1.75).

Scancem International's earnings after financial items were slightly higher than last year. Stronger earnings in the United States and Africa, as well as increased revenues from cement trading, were offset by losses and provisions related to coal trading operations. Cement and clinker shipments increased 18 percent in the U.S. and 12 percent in Africa.

Castle Cement's earnings after financial items rose 13 percent, primarily due to improved price levels. Cement shipments were more or less unchanged.

Concrete and Aggregates

Rudus Group's earnings after financial items were slightly higher than in 1997. Increased shipments of ready-mixed concrete and aggregates in Finland, the Baltic states and Poland boosted earnings, while the crisis in Russia resulted in write-downs and exchange losses.

Euroc Beton's earnings after financial items were considerably higher than last year. The increase, nearly 40 percent, was due to higher delivery volumes for ready-mix and aggregates in Sweden and Norway, and to sharply improved earnings in precast assembly unit companies in Finland.

Building Materials

Optiroc Group's earnings after financial items were marginally higher than in 1997. Shipments of premixed products increased in all markets. However, earnings were reduced slightly by stiffer price competition, restructuring costs in Sweden and costs for establishing operations in Poland. Earnings of lightweight aggregate companies also decreased, due mainly to lower sales in Norway. In addition, brick companies posted slightly lower earnings. The divestment of Stråbruken Mineral resulted in a substantial capital gain.

Proposed dividend

The board proposes that the dividend be raised to SEK 12.00 per share (7.50), of which SEK 4.00 is a result of the capital gain on the sale of Gyproc Group.

Outlook for 1999

Continuing growth is expected in Sweden, Finland, Poland, the United States and African markets. The market is expected to decline further in Norway and Denmark. The trend of the U.K. and Russian markets is more uncertain.

Scancem's future structure will determine how the Group will develop in 1999. It is therefore too early at the present stage to give a more detailed earnings forecast. Based on the anticipated market situation, earnings generated by Group units are expected to remain strong.

Annual General Meeting

The Annual General Meeting will be held on May 26, 1999 in Malmö. The Annual Report (Swedish version) is expected to be distributed to stockholders in the beginning of May.

Consolidated income statement, SEK M				
	<u>1998</u>	<u>1997</u>	4th quarter	
			<u>1998</u>	<u>1997</u>
Net sales	17,560	16,070	4,461	4,266
Operating income, excluding items affecting comparability	1,901	1,667	396	369
Items affecting comparability	600		600	
Operating income	2,501	1,667	996	369
Financial items	-425	-317	-98	-45
Earnings after financial items	2,076	1,350	898	324
Earnings after tax	1,438	935	664	283

Consolidated balance sheet, SEK M		
	<u>1998</u>	<u>1997</u>
Intangible assets	2,351	2,438
Tangible assets	10,255	10,594
Financial assets	1,238	745
Current assets	5,220	4,710
Total assets	19,064	18,487
Equity	8,922	7,699
Minority share of equity	266	296
Noninterest-bearing liabilities, including provisions	4,538	4,327
Interest-bearing liabilities	5,338	6,165
Total equity, provisions and liabilities	19,064	18,487

Consolidated statement of changes in financial position, SEK M		
	1998	1997
Operations		
Operating income	2,501	1,667
Reversed amortization, write-downs, capital gains, shares in earnings, etc.	398	1,103
Financial items	-394	-301
Taxes	-549	-419
Change in working capital	-90	-264
Cash flow in divested companies	<u>-181</u>	<u>-</u>
	1,685	1,786
Investing activities		
Acquisitions of shares and tangible assets	-1,507	-1,835
Divestments of companies and tangible assets	<u>1,589</u>	<u>101</u>
Cash flow from investing activities	<u>82</u>	<u>-1,734</u>
Cash flow after investing activities	<u>1,767</u>	<u>52</u>
Financing activities		
Decrease/increase in financial liabilities/assets	-938	350
Dividend to stockholders	-400	-346
Translation differences, etc.	<u>-123</u>	<u>-292</u>
Cash flow from financing activities	<u>-1,461</u>	<u>-288</u>
Increase/decrease in liquid funds	306	-236
Liquid funds at December 31	<u>626</u>	<u>326</u>

Other key ratios		
	<u>1998</u>	<u>1997</u>
Operating margin, %	10.1	10.0
Times-interest-earned, times	5.0	4.2
Net loans, SEK M	4,389	5,614
Number of employees at December 31	10,965	11,249

Scancem AB

Net sales and earnings per business area

SEK M	Net sales		Operating income		Earnings after financial items		Return on capital employed in operations %	
	1998	1997	1998	1997	1998	1997	1998	1997
Cement Nordic*	3,142	3,179	661	582	585	499	>20	18
Scancem International	4,395	3,800	383	384	342	336	20	>20
Castle Cement	2,151	1,949	269	237	162	143	10	10
Rudus Group	1,636	1,377	142	113	106	98	13	11
Euroc Beton	2,822	2,494	209	152	171	123	14	11
Optiroc	3,527	3,363	330	311	232	230	12	12
Gyproc ¹⁾	874	870	122	116	124	116		>20
Other operations ²⁾	192	240	-135	-148	-166	-115		
Central amortization of consolidated goodwill ³⁾			-80	-80	-80	-80		
Items affecting comparability ⁴⁾			600		600			
Intra-Group sales	-1,179	-1,202						
Scancem Group	17,560	16,070	2,501	1,667	2,076	1,350	18 ⁵⁾	13 ⁵⁾
*of which, Finnsementti	798	708	232	206	231	200	>20	>20
Scancem Group proforma excl Gyproc Group ⁶⁾	16,686	15,200	2,379	1,551	2,000	1,285	17	12

1) Gyproc Group is included up to November 30, 1998.

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

3) Including amortization of goodwill related to the acquisition of 50 percent of Scancem Group Ltd in 1996, and to the acquisition of Partek/Metra's building material operations in 1993.

4) Including a capital gain on the divestment of the Gyproc Group business area, nonrecurring write-downs/restructuring costs related to Castle Cement and aggregate operations in the United States, and provisions for losses in project-related activities in Africa.

5) Refers to the return on total capital employed on a Group level

6) Including 4 percent interest on change in net liability.