SCANCEM

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Interim Report

Three months ended March 31, 1999

Earnings continued to develop strongly – profit in first quarter

* **Scancem's result after financial items in the first quarter of 1999 was a profit of SEK 2 M (loss of 46 excl. Gyproc Group).**
* **Business increased in Sweden, Poland, Spain, Portugal and markets in Africa; market was stable in Finland, the U.K. and U.S., but declined in Norway and Denmark.**
* **Investments made to expand Scancem's international cement operations.**
* **Earnings after financial items totaled SEK 1,499 M in the past 12-month period (excluding items affecting comparability).**
* **Based on Scancem's current structure, earnings in 1999 are forecast to be slightly higher than last year's income (1,476 excluding items affecting comparability).**

Consolidated income statement

SEK M	3 mos. 1999	3 mos. 1998	3 mos. 1998 prof.	Past 12 mos.	12 mos. 1998
Net sales	**3,552**	**3,585**	**3,336**	**17,527**	**17,560**
Cost of goods sold	-2,930	-2,871	-2,713	-13,221	-13,162
Gross profit	**622**	**714**	**623**	**4,306**	**4,398**
Selling and administrative expenses	-595	-672	-622	-2,759	-2,836
Shares in earnings of associated companies	26	17	17	130	121
Other operating income, net	30	21	24	227	218
Items affecting comparability				600	600
Operating income	**83**	**80**	**42**	**2,504**	**2,501**
Result from financial investments (financial items)	-81	-101	-88	-405	-425
Profit/loss after financial items	**2**	**-21**	**-46**	**2,099**	**2,076**
Tax	-7	-3	4	-576	-572
Minority share in earnings after tax	-4	-15	-9	-55	-66
Net loss/profit for the period	**-9**	**-39**	**-51**	**1,468**	**1,438**

1) Excl. Gyproc Group . Financial net expense was reduced 4 percent due to the changae in net liabilities.
Figures in parentheses refer to the corresponding period of 1998.

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Market overview

The construction market in *Sweden* improved during the first quarter of 1999. Industrial construction and other types of building construction increased in particular, while building activity in the housing and civil engineering sectors was still on a low level. Cement shipments were about 13 percent higher than in the corresponding period of 1998. Ready-mixed concrete and aggregate deliveries were also on a higher level. Volumes for premixed products and lightweight aggregates were largely unchanged. In *Finland*, cement, ready-mix and aggregate shipments were negatively impacted by the severe winter, especially during the month of February. However, the market recovered slightly in March and cement and premixed product deliveries for the quarter were more or less the same, compared with 1998. Shipments in most other product areas were somewhat lower. The market continued to decline in *Norway* and cement shipments were 12 percent lower than last year as a consequence. Deliveries to the offshore sector were especially lower. Ready-mix, aggregate and premixed product shipments were largely the same, however, while lightweight aggregate deliveries decreased. Concrete assembly unit shipments and premixed product volumes are on the decline in *Denmark*.

In the *United Kingdom*, cement shipments in the first quarter were 1 percent lower than in the corresponding period of 1998. In eastern European markets, deliveries increased in *Poland* but decreased primarily in *Estonia*, where the number of new construction project starts declined. Premixed product shipments to *Russia* have resumed again but were on a lower level, compared with the first quarter of 1998. In southern Europe, building markets were strong in *Spain* and *Portugal* and both premixed product and lightweight aggregate sales were higher than last year.

Demand for cement remains strong in the *United States* and shipments as a whole were approximately on the same level as in the first quarter of 1998. Cement and ready-mix deliveries increased mainly in Florida but were slightly lower in markets in the U.S. Northeast. The building market is brisk in *Africa*. Cement shipments in Ghana were about 25 percent higher than last year. Cement deliveries also increased in Togo, Benin and Angola.

Profit in first quarter

In its present structure, Scancem has reported negative first-quarter results in past years, although the loss in the first quarter of 1998 was much lower than in previous years, a trend that continued in the first three months of 1999. The *result after financial items* was a profit of SEK 2 M (loss of 21). When comparing income for the two periods, it should be noted that the result for the first quarter of 1998 included SEK 38 M in earnings from Gyproc Group. All business areas reported higher earnings in the first three months of 1999, except Castle Cement and Rudus Group. Cement Nordic's and Scancem International's income was considerably higher. Earnings during the rolling 12-month period (excluding items affecting comparability) have tended to increase and were SEK 1,499 M. Excluding Gyproc Group, which was sold at year-end 1998, the upward trend was even stronger.

Net sales of the Scancem Group totaled SEK 3,552 M (3,585). Adjusted for structural changes, sales increased 6 percent.

Operating income was SEK 83 M (80). Operating income included cost depreciation totaling SEK 328 M, the same amount as last year. Shares in earnings of associated companies, also included in operating income, totaled SEK 26 M (17). The associated company in Finland (Parma Betonila) mainly reported improved quarterly income, although associated companies in the Scancem International business are also improving their performance in 1999.

The result from financial investments (net financial items) was a net expense of SEK 81 M (net expense of 101). The improvement was attributable to a decrease in net interest-bearing liabilities and a reduced portion of loans in foreign currency.

Return on capital employed for the past 12-month period was 13.4% (full year 1998, excluding items affecting comparability: 14.1%). *Return on stockholders' equity* after tax was 12.5% (full year 1998, excluding items affecting comparability: 12.3%).

Business areas

Cement Nordic – earnings increase sharply
Earnings after financial items in the first quarter of 1999 were substantially higher than in the corresponding period of 1998 and totaled SEK 68 M (50). Earnings of cement companies in Sweden increased as a result of higher volumes in the domestic market. Exports from Sweden were lower than in 1998, however. The Norwegian cement company also reported higher income, despite lower volumes, since first quarter earnings in 1998 were negatively impacted by production downtime and repairs at the Brevik and Kjøpsvik plants. The decline in domestic sales in Norway provided scope for increased exports. Cement volumes and earnings in Finland were largely the same as in 1998.

Cement volumes in domestic markets were unchanged as a whole and totaled 0.77 million metric tons. Exports totaled 0.44 million metric tons (0.47).

Scancem International – earnings recover strongly
Earnings after financial items were SEK 53 M, an increase of SEK 37 M, compared with the first quarter of 1998. Markets were strong in the United States and in Africa, where volumes increased considerably in Ghana, Togo, Benin and Angola. Earnings were also boosted by a higher trading volume and improved margins. When comparing first-quarter earnings in 1998 and 1999, it should be noted that the first three months of 1998 were negatively impacted by nonrecurring costs for losses incurred in coal trading, and by the effects of electric power shortages in certain African countries.

In February, Atlas Nordic Cement (75%) purchased additional shares in the Estonian cement company Kunda Cement, after which the ownership stake in Kunda was increased to slightly more than 80 percent of the shares. Atlas is obligated to offer 20 percent of the shares to the other investors, after which its stake is expected to be reduced to slightly more than 60 percent. Kunda Cement has been consolidated as a subsidiary as of 1999.

It has been decided with local partners in the subsidiary ScanCement to build a cement grinding plant in Dhaka, Bangladesh that will have an annual capacity for 500 ktons. Cement import, distribution and sales operations were successfully started in the country in 1998.

In Togo, Scancem will build a cement grinding plant with a capacity for 300 ktons per year together with a local clinker producer (Wacem).

Castle Cement – earnings decline
The result after financial items was a loss of SEK 45 M (loss of 37). The effect of implemented price increases on earnings was offset by a slightly lower sales volume, higher manufacturing costs and a lower output because of production stops.

Rudus Group – cold winter reduces earnings
The result after financial items was a loss of SEK 25 M, which was 12 M less than the loss in the corresponding period of 1998. The cold winter in mainly northern and central Finland restrained construction activity, primarily in the first two months of the quarter, and shipments decreased as a result. Higher cement and energy consumption in ready-mix production was another winter factor that affected the business area's results and increased production costs.

Lower ready-mix shipments in Finland and Estonia were offset, however, by higher volumes in Poland, where the subsidiary Bosta Beton benefited from brisk construction activity in its market area, Warsaw. Aggregate volumes also decreased in Finland but increased in Poland. The share of earnings increased in the ready-mix company in Germany.

A new ready-mix batching plant is being built in Gdansk, Poland. Rudus Group has acquired Tauno Valo's aggregates business in south Finland which has sales in excess of SEK 20 M.

Euroc Beton – continuing strong improvement in Finland
The result after financial items in the first quarter of 1999 was better than last year. The business area recorded a loss of SEK 13 M (loss of 17). The improvement was attributable mainly to the precast concrete assembly unit companies in Finland (Lohja Abetoni and Parma Betonila), but also to the earnings of ready-mix and aggregate companies in Sweden which were higher as a consequence of the improved market situation. Earnings in Norway were reduced by declining ready-mix volumes towards the end of the quarter. The order situation is good for the track contracting company SRS. Structural measures, such as a reduction in the number of employees, were implemented within the precast concrete unit companies in Sweden to improve earnings. Earnings of concrete assembly unit companies in Denmark were negatively affected by a declining market for environmental products, while Fiboment's income (lightweight aggregate-based units) were favorably impacted by export shipments to Germany.

Norbetong has formed a 50-50 partnership company in the ready-mix business together with Kongsvingerbetong. The new company will operate a total of seven batching plants in southeast Norway, of which three are Norbetong units.

Optiroc Group – higher volumes in growth markets in Southern Europe
The result after financial items in the first quarter of 1999 was a slight improvement over 1998 – a loss of SEK 5 M (loss of 9). Premixed product companies generated lower earnings as a whole, due to a decrease in sales to Russia. Premixed product shipments to the Finnish and Baltic markets were also negatively affected by the harsh winter in the first part of the quarter. However, deliveries increased in Norway, Poland, Spain and Portugal.

Earnings of lightweight aggregate companies as a whole were slightly higher than in 1998. Demand is strong for lightweight aggregates in Spain and Portugal. Shipments of lightweight aggregate building blocks declined, particularly in Norway. The market downturn in Denmark negatively impacted deliveries of premixed products and lightweight aggregates.

Brick sales were lower in the first quarter of 1999 in most markets, compared with the same period of 1998. Brick companies improved their operating results, however, mainly in Sweden as a result of synergies gained through the Stråbruken acquisition. The divestment of the business area's tile operations resulted in nonrecurring income totaling SEK 10 M.

Financial position and cash flow

The Group's *total assets* amounted to SEK 19.2 billion at March 31, 1999, an increase of SEK 0.1 billion since January 1. *Net working capital* was SEK 2.1 billion (January 1, 1999:1.6). The increase in working capital, SEK 0.5 billion, was due primarily to a higher amount of trade account receivables, SEK 0.3 billion, and a decrease of SEK 0.2 billion in operating liabilities.

Net interest-bearing liabilities increased SEK 0.5 billion to SEK 4.9 billion in the first quarter (January 1, 1999: 4.4). The change in the first quarter was as follows:

	SEK billion
Net interest-bearing liabilities at January 1	*-4.4*
Cash flow from operations	-0.2
Cash flow from investing activities	-0.3
Net interest-bearing liabilities in acquired companies	-0.2
Exchange rate effects, etc.	+0.2
Net interest-bearing liabilities at March 31	*-4.9*

Investments in tangible fixed assets totaled SEK 306 M (262) in the first quarter. Investments in shares and company acquisitions amounted to SEK 58 M (160).

The *equity ratio* decreased from 48 percent at January 1 to 47 percent at March 31.

Group's ownership structure

Scancem's two principal owners, Skanska AB and Aker RGI, controlling together more than 90 percent of the votes in the Company, have initiated a process to divest their shareholdings in Scancem. The two have also announced that they would also try to see that Scancem's other stockholders will be offered the corresponding terms for selling their Scancem shares.

Scancem share

The market price of the Scancem share at March 31, 1999 was SEK 300 (paid price) for the Class A share and SEK 300 (buying price) for the Class B share, as against SEK 295 and SEK 250, respectively, at January 1, an increase of 2 percent and 20 percent, respectively. The general index of the Stockholm Stock Exchange rose 6 percent during the same period.

Parent Company

Net sales of the Parent Company totaled SEK 7 M (8) in the first quarter. Earnings before appropriations and tax were SEK 25 M (loss of 83). The increase in earnings was attributable to lower interest expenses and exchange gains on loans in foreign currency. The Parent Company's liquid funds are managed by the wholly owned subsidiary Scancem Treasury AB.

Outlook for1999

The Swedish market is expected to improve further, while the high growth rate of the Finnish market that has been experienced to date is anticipated to slow down. Construction activity is most likely to decline in Norway and Denmark. The British building market is stagnating. However, interest rate reductions in these countries can stimulate investments and construction. The Russian market is very unsure. The Polish market is expected to grow further, although at a slightly slower pace, while a downturn is forecast for Estonia, Scancem's most important market in the Baltics. Demand in African and U.S. markets is expected to remain strong.

However, market trends are not the only factor that will determine how Group earnings will develop in 1999 – the structure in which the Group will operate during the rest of the year will also be decisive. Based on the Group's present structure and anticipated market situation, earnings after financial items are expected to be slightly higher than last year (1, 476 M, excluding items affecting comparability).

Malmö, April 1999

Scancem AB (publ)

Bo Jacobsson
President and CEO

This interim report has not been examined by the Company's auditors.
Scancem's Annual General Meeting will be held on May 26, 1999 in Malmö

Net sales and earnings per business area

SEK M	Net sales				Operating income				Earnings after financial items			
	3 mos. 1999	3 mos. 1998	Past 12 mos.	12 mos. 1998	3 mos. 1999	3 mos. 1998	Past 12 mos.	12 mos. 1998	3 mos. 1999	3 mos. 1998	Past 12 mos.	12mos. 1998
Cement Nordic	**607**	**611**	**2,892**	**2,896**	**82**	**67**	**670**	**655**	**67**	**50**	**598**	**581**
Scancem International	**1,052**	**795**	**4,260**	**4,003**	**77**	**24**	**423**	**370**	**53**	**16**	**364**	**327**
Castle Cement	**513**	**498**	**2,166**	**2,151**	**-26**	**-10**	**253**	**269**	**-45**	**-37**	**154**	**162**
Rudus Group	**264**	**257**	**1,643**	**1,636**	**-22**	**-10**	**136**	**148**	**-25**	**-13**	**109**	**121**
Euroc Beton	**537**	**508**	**2,850**	**2,821**	**-4**	**-9**	**214**	**209**	**-13**	**-17**	**175**	**171**
Optiroc Group	**697**	**739**	**3,485**	**3,527**	**18**	**19**	**329**	**330**	**-5**	**-9**	**236**	**232**
Gyproc Group		249	625	874		38	84	122		38	86	124
Other operations/Central amortization of goodwill	-118	-72	-394	-348	-42	-39	-205	-202	-30	-49	-223	-242
Items affecting comparability							600	600			600	600
Scancem Group	**3,552**	**3,585**	**17,527**	**17,560**	**83**	**80**	**2,504**	**2,501**	**2**	**-21**	**2,099**	**2,076**

Condensed balance sheet, Scancem Group

SEK billion	March 31, 1999	March 31, 1998	Dec. 31, 1998
Assets			
Intangible assets	2.3	2.5	2.4
Tangible assets	10.3	10.6	10.3
Financial assets *	1.2	0.8	1.2
Current assets			
Inventories	2.0	2.0	2.0
Current receivables *	2.8	2.9	2.6
Investments, liquid funds *	0.6	0.4	0.6
Total assets	**19.2**	**19.2**	**19.1**
Equity and liabilities			
Equity	8.8	7.6	8.9
Minority share of equity	0.3	0.3	0.3
Provisions (excluding pension provision)	1.5	1.5	1.6
Long-term liabilities *	5.7	6.8	5.1
Current liabilities *	2.9	3.0	3.2
Total equity and liabilities	**19.2**	**19.2**	**19.1**
* of which. interest-bearing, net	4.9	6.3	4.4
Number of shares at the close of the period, 000s	53,554	53,377	53,507
Equity per share, SEK	164	142	167

Key ratios

		3 mos. 1999	3 mos. 1998	Past 12 mos.	12 mos. 1998
Profit per share 1)	SEK	-	-	19.10	18.55
Times interest earned 1)	times	-	-	4.0	3.8
Return on total capital employed 1)	%	-	-	13.4	14.1
Return on stockholders' equity (after tax) 1)	%	-	-	12.5	12.3
Equity ratio	%	47	42	-	48
Net interest-bearing liabilities	SEK B	4.9	6.3	-	4.4

1) Excluding items affecting comparability