

# Press Release

6 February, 2002

## Full Year Report 2001

### Strengthened competitiveness after divestments and cost-cutting programme

- Eurofoil and Autoplastics operations divested – lower debt to equity ratio
- Improved cash flow for remaining operations
- Far-reaching programme of measures, with personnel reductions of about 1,300 employees during a two-year period until end of Q2 2002.
- Earnings per share SEK 5.00 (12.75) excluding non-recurring items; SEK 12.75 (21.05) including non-recurring items
- Dividend of SEK 5.00 (5.00) per share proposed

<b>Sapa in brief</b>	<b>Full Year 2001</b>	Full Year 2000	Full Year 1999
Net sales, MSEK	<b>15,168</b>	15,395	12,220
Operating profit, MSEK <sup>1</sup>	<b>531</b>	893	789
Profit before tax, MSEK <sup>1</sup>	<b>312</b>	705	700
Operating margin, % <sup>1</sup>	<b>3.5</b>	5.8	6.5
Cash flow after investments <sup>2</sup>	<b>320</b>	-264	-120
Debt/equity ratio, %	<b>44</b>	119	66

<sup>1</sup>Excluding non-recurring items (see note, p 10)

<sup>2</sup>Excluding divestments and acquisitions

“During 2001, Sapa, like all our competitors, experienced a worse business climate for a very long time. The weakening state of the market resulted in receding profitability and a harder competition in prices on many markets where Sapa operates on. However, we started early with measures to cut our costs and achieve a strengthened competitiveness”, comments Staffan Bohman, President and CEO of Sapa.

“The strong financial position of the company give us both resistance in the present weak market situation and good possibilities for further growth within the focused Sapa.”

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*This report is also available on Sapa's website on the Internet: [www.sapagroup.com](http://www.sapagroup.com). A slide presentation of this release can be downloaded as a PDF-file. Select Financial information / Quarterly presentations.*

## THE SAPA GROUP

### Full Year 2001

Group net sales decreased by 1 per cent during the year to MSEK 15,168 (15,395), of which net acquisitions and divestments accounted for -2 percentage points, while currencies gave a positive effect of 6 percentage points. For comparable units, net sales rose with 1 per cent, of which currencies +5 percentage points.

The volumes of aluminium products fell with 10 per cent, and with 11 per cent for comparable units, with a falling trend between the individual quarters.

2001 was a dramatic year for the whole global market of extruded and rolled aluminium products. The industry experienced the quickest drop in volumes in a couple of centuries. This negative development increased during the whole year.

A lower demand and competitive pricing characterised especially the market for standard products. The present market situation has also meant that many companies have been forced to fundamental and far-reaching cost-cutting measures, including redundancies and plant closures.

The market situation for extruded aluminium profiles in Europe became gradually more difficult over the year, with decreasing demand and competitive pricing as a result, especially during the second half of the year. This downturn was particularly noticeable on most markets in Northern Europe.

The American market for profiles experienced a substantial drop of about 25 per cent last year. So far, Sapa has fared better than its competitors and gained market shares, but has not been able to avoid decreasing volume.

The demand for heat transfer strip decreased already during the first quarter 2001, when the vehicle manufacturers announced a lower pace of production. The most visible sign of this trend was the deliveries to the American manufacturers, whose demand decreased during the year.

Group operating profit for the period, excluding non-recurring items, was MSEK 531 (893), corresponding to an operating margin of 3.5 per cent (5.8). Profit before tax, excluding non-recurring items, amounted to MSEK 312 (705). Earnings per share decreased to SEK 5.00 (12.75). The return on shareholders' equity added up to 4.8 (15.2) per cent, while the return on capital employed was 7.5 (14.1) per cent.

Shareholders' equity per share rose by 15 per cent to SEK 109 (95). Group tax costs amounted to approximately 24 per cent, including non-recurring items. Group tax costs, excluding non-recurring items and divested companies, amounted to approximately 41 per cent. The relatively high tax rate is explained by non-deductible goodwill depreciations and non-deductible

losses in divested operations, and is not representative of the remaining operations.

#### Fourth Quarter

The weak development of the market from the previous months continued during this period. The group net sales during the fourth quarter decreased to MSEK 2,735 (4,381). The net sales of the remaining operations decreased with 9 per cent from MSEK 3,019, due to fewer working days in December and stock reductions by customers. The remaining operations of Sapa include the core activities extruded profiles and heat transfer strip. Sold volumes decreased by 18 per cent for the remaining operations.

The group operating profit for the period, excluding non-recurring items, decreased to MSEK 14 (258). This result includes non-recurring costs for personnel reductions and write-downs of stock. Profit before tax, excluding non-recurring items, amounted to MSEK -26 (193). Earnings per share totalled SEK -0.15 (3.88).

Group <sup>1</sup>	Q4 2001	Q4 2000 <sup>2</sup>	Q4 1999 <sup>2</sup>
Net sales, MSEK	2,735	4,381	3,347
Operating profit, MSEK	14	259	275
Profit before tax, MSEK	-26	194	254
Operating margin, %	0.5	5.9	8.2
Deliveries, tonnes	63,030	89,540	71,500

<sup>1</sup>Excluding non-recurring items

<sup>2</sup>Including Eurofoil and Autoplastics

#### FINANCING, LIQUIDITY AND SHAREHOLDERS' EQUITY

The Group's debt to equity ratio has improved sharply from 119 per cent at the end of last year to 44 per cent, following the divestment of Eurofoil and Autoplastics, as well as a strengthened cash flow for the remaining operations. This is in line with Sapa's long-term restriction to have a debt to equity ratio below 100 per cent. The interest coverage ratio was 3.4.

The financial net of the year amounted to an expense of MSEK 219 (expense: 188), of which an expense of MSEK 39 in the fourth quarter (expense: 65). During the fourth quarter, the Group had a higher interest charge caused by excess liquidity due to fixed loans that could not be amortised until the end of the year.

After investments, and before acquisitions and divestments, Sapa had a positive cash flow of MSEK 320 (expense: 264).

During the year, the capital employed decreased with MSEK 1,894, mainly due to the divestment of Eurofoil and Autoplastics. Increased turnover and exchange rate variations when translating into Swedish kronor have had an opposite effect of MSEK 447.

Shareholders' equity increased by MSEK 509 to MSEK 3,976. Translation differences have had a positive impact on shareholders' equity of approximately MSEK 230.

## **INVESTMENTS**

During 2001, Sapa continued to invest within its core activities. Total new and substitute investments amounted to MSEK 595 (829), compared to depreciations (including goodwill depreciations) of MSEK 535 (530). The reduction is mainly assignable to the two divested operations Eurofoil and Autoplastics, and to some extent Heat Transfer.

The investment rate increased marginally within the profiles operations, mainly from the investment in a new profile press at Albi, France, which was completed and taken into operation during the year. It has a capacity of 20,000 tonnes and is the second largest press in the Group. The total investment amounts to MSEK 150, of which MSEK 90 in 2001.

The investment programme that was commenced at the rolling mill at Finspång, Sweden, will be completed during the first quarter of 2002. When the programme is fully realised, the capacity at Finspång will have risen with 50 per cent to 90,000 tonnes. The investment, which will give a considerable increase in both quality and productivity, amounts to MSEK 260, of which MSEK 104 in 2001.

During 2001, a decision was taken to invest MSEK 45 in a new plant for the vertical lacquering of aluminium profiles at Sapa Lackering, Vetlanda, Sweden. The new plant, which will be completed during 2002, is primarily intended for long-length profiles used mainly in the construction and building industry.

In the UK, Sapa has invested about MSEK 40 in a new business system, Movex, which is expected to create good possibilities for better profitability in 2002. Both Sapa Profiles Ltd and Sapa Building Systems Ltd take part in this investment.

Sapa has also made investments to increase the productivity at several of the other plants.

## **PERSONNEL**

The average number of employees in the Sapa Group during the year was 8,888 (9,118). At the end of the year, the number of employees amounted to 6,567 compared to 9,811 in the previous year, of which Eurofoil and Autoplastics accounted for 457 and 2,405 employees respectively. The decrease for remaining operations was about 6 per cent.

## **THE SAPA SHARE**

During the year, the price of the Sapa share increased by 4 per cent. The Stockholm Exchange All-Share index fell with 17 per cent during the same period. Since the Sapa share was listed on the Stockholm Exchange in 1997, its value has risen with 47 per cent, while the All-Share Index has risen with 42 per cent. The last price paid in 2001 was SEK 144, which represents a market value of billion SEK 5.3, compared to the market value of 2000 of about billion SEK 5.1.

The development in value, including reinvested dividends, was 8 per cent during 2001, and has been 62 per cent since the listing in 1997.

## **TREND BY PRODUCT AREA**

### **Aluminium Products**

The introduction of a new Group organisation has led to a replacement of the former business areas by control spans, with companies reporting directly to the Group management. Commercial considerations regarding the market for heat transfer strip – which is characterised by a small number of producers and competing customers in a specific segment – will make a separate report of this business inappropriate. As a consequence of this change, all the aluminium operations are reported under the heading Aluminium Products

Net sales for Aluminium Products rose during the year with 4 per cent to MSEK 12,270 (11,850). Of this increase, net acquired and divested companies accounted for 6 percentage points. The foil operations in Belgium and Luxembourg were divested during the first half of 2001 and are included in the results until 15 June. The remaining foil operations, at Skultuna, Sweden, are included until the end of June.

The operating profit fell to MSEK 546 (872), corresponding to an operating margin of 4.4 per cent (7.4).

The development of volumes on most markets was negative during the year, and this trend continued during the fourth quarter. Especially Northern Europe, and particularly Germany, experienced a decline in demand. During the first six months, the demand in Southern Europe was stable, but also here, the market for aluminium products weakened during the last quarter.

The important French market was comparatively strong to other countries, but experienced some decline in volumes within certain segments. The French building systems company continued to develop positively. The UK operations now see the effects of the completed programme of measures, plus a stabilised demand, especially for building systems.

The profiles operations in Poland continued to develop well, to some extent because of the new e-commerce system, which has had a promising start. The Polish company has also increased its exports to Germany and the Czech Republic.

The ongoing investment programme at Heat Transfer in Finspång, Sweden, has improved the efficiency at the plant, leading to a high yield from the production of heat transfer strip. The effect was however neutralised by a considerable decline in volumes that was particularly noticeable during the second half of the year. As a consequence of the weaker demand, strong measures have been taken to adjust capacity and stocks at Finspång, which have negatively affected the result for the second half of 2001.

The heat transfer strip operations in Shanghai had a positive development during 2001, and showed a positive operating result for the full year.

Aluminium products	Q4 2001	Q4 2000	Q4 1999	Full Year 2001	Full Year 2000	Full Year 1999
Net sales, MSEK	2,665	3,368	2,420	12,270	11,850	9,275
Operating profit, MSEK	30	254	247	546	872	770
Operating margin, %	1.1	7.5	10.2	4.4	7.4	8.3
Deliveries, tonnes	63,030	89,540	71,470	305,990	339,290	285,540

### Plastic Products

The business area Autoplastics, which was divested last year, is reported under the heading Plastic Products. Autoplastics is included in the Group results for the first nine months. Net sales during this period increased with 11 per cent to MSEK 2,675 (2,414). The operating profit decreased to MSEK 57 (75). The operating margin fell to 2.1 per cent (2.2).

### OTHER

#### Eurofoil

On 15 June, the foil operations in Belgium and Luxembourg were divested to the French company Pechiney. The operations are included in the results until 15 June 2001. The rolling twelve-month sales until the end of June 2001 were MSEK 1,400.

On 2 July, the remaining foil operations at Skultuna, Sweden, were divested to the Italian company Comital. The operations are included in the results until the end of June 2001. The rolling twelve-month sales until the end of June 2001 were MSEK 300.

The total divestment of these operations generated a capital gain of MSEK 677. The total price for Sapa Eurofoil operations was approx. MEUR 150.

#### Autoplastics

On 27 September, Sapa completed the sale of the Autoplastics division to the Dutch investment buy-out specialist Gilde Investment Management B.V. and the Autoplastics management. The cash consideration amounted to MSEK 1,220.

The divestment generated a capital loss of MSEK 135, and a write-down of the remaining book value of MSEK 174 during the second quarter. The operations, with annual sales of MSEK 3,500, are included in the results for the first nine months.

#### Closure of painting operations at Kungälv, Sweden

In late November, Sapa gave notice to close its painting operations in Kungälv, Sweden. In total, 47 employees are affected by this closedown. The plant paints large plastic components for trucks and other heavy vehicles. The closure of the operations is a consequence of the dominating customers gradually moving their painting work to other suppliers abroad.

### **Programme of measures**

As a consequence of the weak market situation during the year, a number of measures have been taken to cut costs and to secure a good starting-point when the market turns up again. The production capacity has been adjusted continuously, including reduced numbers in shifts. A great number of employees on a temporary basis were taken out.

During the last two years, the Sapa of today has cut about 10 per cent of its total staff, corresponding to about 900 employees. Furthermore, an additional 400 employees will be affected by redundancies during the first six months of 2002.

In August, a decision was taken to restructure the operations in Sweden, by closing down the plants in Skultuna and Torsby and concentrate future production to Vetlanda and Finspång. In total, 132 employees were affected. At the same time, a project was initiated in Vetlanda and Finspång to rationalise the operations and adjust the organisation for the future. The result of this was that 110 employees were given notice in November. Including the reduction of personnel, the project is estimated to be finished by the end of June 2002. Together with a general cost-cutting programme, these measures are estimated to give annual savings of MSEK 100 for the Swedish operations.

There have also been personnel reductions outside Sweden, e g in Germany, Denmark, Portugal, and the US.

### **Share repurchase**

On 30 November, the Board of Sapa decided to repurchase Sapa shares at Stockholm Exchange, for a maximum amount of MSEK 100, which represents about 2 per cent of the current market value. The decision was based on the mandate given by the Annual General Meeting on 6 April 2001.

### **Stock options – extra Annual General Meeting**

On 6 February, an Extraordinary General Meeting will decide on the Board's proposal to authorise the issue of maximum 750,000 stock options based on existing shares in the company. This offer is proposed to include about 60 key employees in Sapa. The offer will consist of a maximum of 40,000 options per person.

The exercise price will be stipulated to about 125 per cent of the average share price during a period in connection with the Extraordinary General Meeting on 6 February 2002. The options will be allotted without compensation and have a duration of about three years. A major prerequisite for the participation of the stock options programme will be that the holder of the options will continue to be employed by Sapa.

The company intends to repurchase shares according to its commitment in issuing the stock options, which will reduce the number of outstanding shares. If all options are used, the number of outstanding shares and votes will increase by approximately 2 per cent.

## **New Chairman and Board members**

Leif Johansson, Chairman of the Board of Sapa AB, declined re-election at the Shareholders' Meeting in April. Per-Olof Eriksson, former CEO of Sandvik AB and present member of the Board of, among other, Assa Abloy, Sandvik, Skanska, SSAB, Svenska Handelsbanken and Volvo, succeeded him. Also, the two Board members Lars Trane and Lars Westerberg left the Board of Sapa AB. Lennart Evrell, CEO of Munters AB, was elected.

On 26 June, the EU Competition Authorities approved the acquisition by the Norwegian company Elkem of Sapa shares corresponding to 35.7 per cent, whereby Elkem became the largest owner of Sapa. Ole Enger, CEO of Elkem, and Anders Carlberg, CEO of Axel Johnson International AB, were elected Board members at an Extraordinary General Meeting, on 22 August.

## **Outlook for 2002**

The demand for Sapa's products depends on activities mainly within the building and construction sector, the transport sector and the engineering sector, including telecom and electronics. These parts of the manufacturing industry are not expected to show any increase in volumes within the next six months. We therefore estimate that the weak market situation will remain during this year, with a possible improvement during the fourth quarter.

*Sapa AB (publ)  
Stockholm 24 October, 2001*

**BOARD OF DIRECTORS**

### **This interim report also includes:**

- Summary of Group income statement
- Summary of Group balance sheet
- Group key financial figures
- Financial information by product areas
- Group cash flow
- Changes in Group equity
- Accounting principles
- Non-recurring items

Report Dates 2002	
Annual General Meeting	10 April
Interim Report Q1	6 May
Interim Report Q2	9 August
Interim Report Q3	24 October

*This report has not been examined by the Company's auditors.*

## THE SAPA GROUP

<b>Consolidated income statements</b> <b>MSEK</b>	<b>Q4</b> <b>2001</b>	Q4 2000	<b>Full Year</b> <b>2001</b>	Full Year 2000
Net sales	<b>2,735.3</b>	4,381.1	<b>15,167.8</b>	15,395.4
Cost of goods sold	<b>-2,272.5</b>	-3,581.6	<b>-12,680.0</b>	-12,622.8
<b>Gross profit</b>	<b>462.7</b>	799.4	<b>2,487.8</b>	2,772.6
Selling and administrative expenses	<b>-449.5</b>	-549.8	<b>-1,970.8</b>	-1,924.5
Other operating revenues/expenses	<b>-2.6</b>	9.8	<b>314.4</b>	375.9
<b>Operating profit</b>	<b>10.6</b>	259.5	<b>831.5</b>	1,224.0
Financial items	<b>-39.2</b>	-65.2	<b>-219.2</b>	-187.8
<b>Profit after financial items</b>	<b>-28.6</b>	194.3	<b>612.3</b>	1,036.2
Tax	<b>3.1</b>	-50.5	<b>-145.8</b>	-267.1
Minority interest in net profit	<b>0.3</b>	0.2	<b>0.1</b>	1.1
<b>Net result</b>	<b>-25.2</b>	144.0	<b>466.6</b>	770.2

<b>Consolidated balance sheets</b> <b>MSEK</b>	<b>31 Dec</b> <b>2001</b>	31 Dec 2000
Intangible assets	<b>1,198.0</b>	1,336.3
Tangible assets	<b>2,819.9</b>	4,210.5
Financial assets	<b>92.6</b>	185.6
Inventories	<b>1,591.2</b>	2,441.9
Current receivables	<b>2,350.7</b>	3,654.1
Liquid funds	<b>1,027.0</b>	572.0
<b>Total assets</b>	<b>9,079.5</b>	<b>12,400.5</b>
Shareholders' equity	<b>3,976.2</b>	3,467.1
Interest-bearing liabilities and provisions	<b>2,760.3</b>	4,708.8
Interest-free liabilities and provisions	<b>2,343.0</b>	4,224.6
<b>Total shareholders' equity and liabilities</b>	<b>9,079.5</b>	<b>12,400.5</b>

<b>Key figures and other information</b>	<b>Full Year</b> <b>2001</b>	Full Year 2000
Return on shareholders' equity, % <sup>1</sup>	4.8	15.2
Return on shareholders' equity, %	12.3	25.0
Numbers of shares, '000	36,566	36,617
Earnings per share, SEK <sup>1</sup>	5.00	12.75
Earnings per share, SEK	12.75	21.05
Earnings per share after full conversion, SEK <sup>1</sup>	4.95	12.55
Earnings per share after full conversion SEK	12.60	20.70
Shareholders' equity per share, SEK	108.75	94.70
Return on capital employed, % <sup>1</sup>	7.5	14.1
Operating margin, % <sup>1</sup>	3.5	5.8
Capital turnover rate (multiple)	2.1	2.4
Equity/assets ratio, %	44	28
Debt/equity ratio, %	44	119
Net debt, MSEK	1,733	4,137
New and replacement investments, MSEK	595	829
Average number of employees	8,888	9,118

<sup>1</sup>Excluding non-recurring items

Financial information by product area MSEK	Q4 2001	Q4 2000	Full Year 2001	Full Year 2000
<b>Aluminium Products</b>				
Net sales	2,664.6	3,367.7	12,270.2	11,849.4
Operating profit	30.1	253.9	545.8	872.1
<b>Plastic Products</b>				
Net sales	-	961.4	2,674.9	3,375.8
Operating profit	-	9.6	57.0	75.4
<b>Other companies and Group items</b>				
Net sales	127.1	143.1	457.8	433.6
Inter-company deliveries	-56.5	-91.1	-235.1	-263.5
Operating profit	-16.5	-5.5	-72.1	-54.6
<b>Group</b>				
Net sales	2,735.3	4,381.1	15,167.8	15,395.4
Operating profit <sup>1</sup>	13.6	257.9	530.7	892.9

<sup>1</sup>Excluding non-recurring items

Cash flow MSEK	Q4 2001	Q4 2000	Full Year 2001	Full Year 2000
Operating profit	10.6	259.5	831.5	1,224.0
Depreciations	114.1	153.7	607.5	567.3
Other items not affecting liquidity	-9.2	22.7	-338.2	-347.0
Interest received/paid	-19.0	-15.3	-235.6	-123.5
Income tax paid	24.5	-77.1	-248.8	-234.9
Change in working capital	156.7	123.4	271.7	-614.2
<b>Cash flow from ongoing operations</b>	<b>277.7</b>	<b>466.9</b>	<b>888.1</b>	<b>471.8</b>
New and replacement investments	-142.5	-330.3	-594.5	-829.0
Company acquisitions/divestments	0.9	-0.8	1,727.3	-1,481.2
Sales of fixed assets and changes in financial fixed assets	13.5	18.7	26.5	93.1
<b>Cash flow after investments</b>	<b>149.6</b>	<b>154.6</b>	<b>2,047.3</b>	<b>-1,745.3</b>
Financing	-297.6	-3.5	-1,426.4	1,963.0
Share issue/share repurchase	-7.1	-	-7.1	-
Dividend	-	-	-183.1	-173.9
<b>Cash flow</b>	<b>-155.1</b>	<b>151.1</b>	<b>430.8</b>	<b>43.7</b>

Changes in equity MSEK	Full Year 2001	Full Year 2000
<b>Opening balance</b>	<b>3,467.1</b>	2,754.3
Translation differences	232.7	116.5
Dividend	-183.1	-173.9
Share issue/share repurchase	-7.1	-
Net result	466.6	770.2
<b>Outgoing balance</b>	<b>3,976.2</b>	3,467.1

## Accounting principles

This interim report was made in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20, interim reporting. From 2001, the company puts the Council's new recommendations into practice, with the exception of the recommendations of which the coming into force has been deferred until 2002. The application of the new recommendations has not had a material influence on the company's result and position.

### Non-recurring items (before tax)

**2001:** capital gain of MSEK 676.2 from sale of the Eurofoil business (Q2 and Q3), write-down of goodwill in Autoplastics, MSEK 174.2 (Q2), capital loss of MSEK 135.4 from sale of Autoplastics (Q3), provisions of MSEK 66.1 for closedown of operations, and other restructuring measures. In Q4, non-recurring items have been adjusted with a net expense of MSEK 3, mainly due to final settlements. Included in other operating revenues/expenses.

**2000:** capital gain of approx. MSEK 230 from sale of Securistyle (Q1), surplus SPP funds of approx. MSEK 100 (Q2). Included in other operating revenues/expenses.