

# Press release

18 October 2004

## Sapa Interim report January-September 2004

- Earnings per share rose by 29 per cent to SEK 9.79 (7.58), of which SEK 0.66 capital gain from the divestment of the holding in Boal
- Profit after tax rose by 29 per cent to MSEK 357 (278) including capital gain of MSEK 24 from the divestment of the Boal shares
- Net sales increased by 23 per cent to MSEK 10,631 (8,627)
- Operating profit improved to MSEK 585 (472), an increase of 24 per cent
- Operating profit for the quarter was MSEK 142 (151), corresponding to an operating margin of 4.1 per cent (5.0)

<b>Sapa in brief<sup>1</sup></b>	<b>July-Sep 2004</b>	July-Sep 2003	<b>Jan-Sep 2004</b>	Jan-Sep 2003
Net sales, MSEK	<b>3,427</b>	3,034	<b>10,631</b>	8,627
Operating profit, MSEK	<b>142</b>	151	<b>585</b>	472
Operating margin, %	<b>4.1</b>	5.0	<b>5.5</b>	5.5
Profit before tax, MSEK	<b>111</b>	125	<b>500</b>	416
Profit after tax, MSEK	<b>75</b>	83	<b>333</b>	278
Earnings per share, SEK	<b>2.05</b>	2.27	<b>9.13</b>	7.58
Cash flow after investments, MSEK <sup>2</sup>	<b>50</b>	210	<b>200</b>	304
Deliveries, tonnes	<b>93,610</b>	84,560	<b>298,410</b>	240,390
Debt/equity ratio			<b>0.54</b>	0.59

<sup>1</sup> Excluding capital gain of MSEK 24

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

“Operating profit for the period shows an improvement of 24 per cent. However, during the third quarter, we were not able to exceed the profit achieved last year. The reasons for this are mainly internal, where production disturbances in connection with the upgrading of Sapa RC Profiles’ large press entailed a greater loss of volume than planned. Profiles also experiences production disturbances in the UK, which affected profits. Costs for the ongoing program of measures in Portugal also burdened profits for the quarter. In terms of market development, we experienced continual improvement in Europe during the first half of the year. However, following the summer vacation period, demand has been considerably weaker than expected. This, combined with rising metal prices has created pressure on margins,” comments Kåre Wetterberg, President and CEO of Sapa.

“In the US, demand remains favourable and in Asia the market situation is good, although the cooling of the Chinese economy has affected us in the form of a lower growth rate than previously. Despite weakening demand in Europe, it is our view that volumes during the fourth quarter will be somewhat better than in 2003, although the current situation with high raw material prices has increased the uncertainty.”

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*This report is also available on Sapa’s website: [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.*

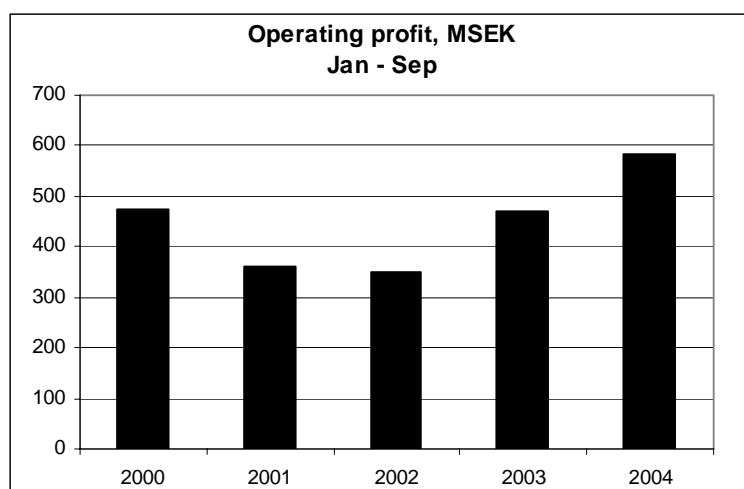
## January-September 2004

Sapa	Jan-Sep 2004	Jan-Sep 2003	Jan-Sep 2002	Jan-Sep 2001	Jan-Sep 2000
Net sales, MSEK	10,631	8,627	8,401	8,865	7,517
Operating profit, MSEK	585	472	351	359	474
Operating margin, %	5.5	5.5	4.2	4.1	6.3
Profit before tax, MSEK	500	416	303	219	375
Deliveries, tonnes	298,410	240,390	215,150	214,620	211,630

(Excluding non-recurring items and Eurofoil and Autoplastics, which were divested in 2001)

Delivered volumes of aluminium products rose by 24 per cent, of which the RCA units, which were consolidated throughout the period compared to only three months in 2003, accounted for an increase of 14 per cent. Consequently, for comparable units, volumes increased by 10 per cent, with Heat Transfer reporting an increase of 12 per cent and Profiles slightly less than 10 per cent. Consolidated net sales for the period amounted to MSEK 10,631 (8,627), an increase of 23 per cent, with the RCA units contributing about 14 percentage points. Currency effects from the translation of foreign subsidiaries to SEK affected net sales negatively in an amount of MSEK 136, or nearly 2 per cent.

The Sapa Group's operating profit (excluding capital gain of MSEK 24 from the divestment of Boal shares) improved to MSEK 585 (472), corresponding to an increase of 24 per cent. Currency effects from translation to SEK affected operating profit negatively in an amount of MSEK 13, or nearly 3 per cent. The operating margin amounted to 5.5 per cent (5.5). All RCA units contributed to the increase in operating profit, but production disturbances in connection with the upgrade of the large press in Lichtervelde during the summer weakened Sapa RC Profiles' profitability during the third quarter. RCA operations aluminium tubes and building system showed good profitability. Profiles in Sweden enjoyed a marked improvement in profits compared with 2003. Heat Transfer's operations in both Sweden and China have maintained a favourable profit level. Profiles in Portugal reports an unsatisfactory result, attributable to a weak construction market and costs for a restructuring program. Profiles in the UK, noted an unfavourable profit development due to production disturbances and declining sales volumes.



Return on capital employed for the most recent 12-month period rose to 12.4 per cent (11.3). Calculated for the nine-month period, return on capital employed amounted to 12.8 per cent (11.6).

During the year, the market position has been relatively strong in most of Sapa's markets. Compared with 2003, demand for aluminium profiles and heat-exchanger strip strengthened considerably. Demand has developed most in the

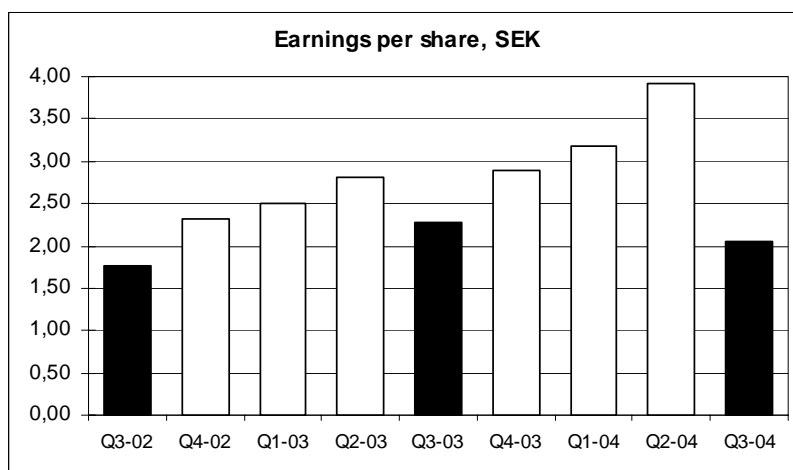
US, where primarily the heavy vehicle industry is performing strongly, although residential construction is also showing continued strength. The weakening in demand noted after the summer appears to have been temporary. Sapa Inc. has increased delivered volumes by 18 per cent, compared with the total market increase, which is estimated at slightly more than 10 per cent.

During the first half-year, Profiles in Europe experienced a favourable demand development, although with a certain amount of pressure on margins. Following the vacation period, order bookings in certain markets did not gather pace as expected, primarily in the Benelux countries and Germany, which showed weak demand in August and September. This was also the case in France, albeit to a lesser degree. At the end of September, some improvement was noted, but in general order backlogs are smaller and the degree of uncertainty in the market has increased. The Scandinavian market remains good and in Portugal certain signs suggest that the slump in the construction market has halted.

The substantial and rapid rise in prices for aluminium metal, which began during the second half of 2003, has resulted in pressure being exerted on margins. With an aluminium metal price that has risen throughout the period, implemented price increases have not been able to fully offset the increased material costs.

Heat Transfer is experiencing favourable demand in all markets, although the cooling of the Chinese economy has had an impact, among other reflected by a lower rate of growth in the automotive industry. For Heat Transfer's operation in China, this has entailed somewhat lower order bookings during the latter part of the period than previously expected, albeit at a level considerably higher than in 2003.

Net financial items, affected by approximately MSEK 1,400 for the acquisition of RCA at the end of June 2003, were negative in the amount of MSEK 85 (neg: 55). Higher interest rates in the US and lower return on the Group's liquid funds had a negative impact. Profit before tax, including the capital gain from the divestment of the Boal holding in April, amounted to MSEK 524 (416). The tax expense for the period was MSEK 166 (137), corresponding to 31.8 per cent (32.8). The lower tax rate is a result of the tax-exempt capital gain. Earnings per share rose by SEK 2.21 to SEK 9.79 (7.58), including capital gain and to SEK 9.13 excluding capital gain. Return on shareholders' equity for the most recent 12-month period was 11.9 per cent (9.5).

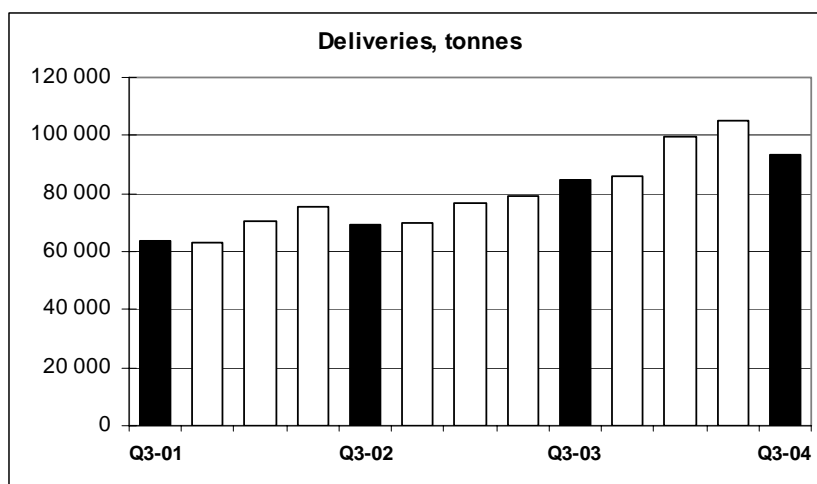


## July-September 2004

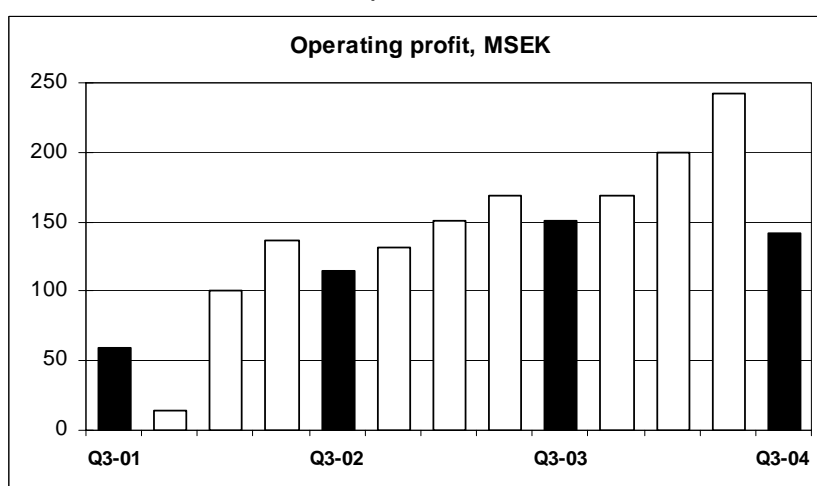
Sapa	July-Sep 2004	Apr-June 2004	Jan-Mar 2004	Oct-Dec 2003	July-Sep 2003
Net sales, MSEK	<b>3,427</b>	3,729	3,475	3,176	<b>3,034</b>
Operating profit, MSEK	<b>142</b>	243	200	169	<b>151</b>
Operating margin, %	<b>4.1</b>	6.5	5.8	5.3	<b>5.0</b>
Profit before tax, MSEK	<b>111</b>	216	173	143	<b>125</b>
Deliveries, tonnes	<b>93,610</b>	105,260	99,540	86,060	<b>84,560</b>

(excluding non-recurring items)

Delivered volumes for the third quarter amounted to 93,610 tonnes (84,560), an increase of 11 per cent. The strongest growth during the quarter was reported by Heat Transfer, with a rise of 20 per cent. Profiles increased its delivered volumes by 8 per cent, with the strongest growth in the US, where Sapa Inc. increased by 16 per cent. The volume growth for Profiles in Europe was 6 per cent. The Group's net sales amounted to MSEK 3,427 (3,034), a rise of 13 per cent. Currency effects from the translation of foreign subsidiaries to SEK had a marginal, negative impact of MSEK 21, corresponding to slightly less than 1 per cent.



Operating profit for the quarter was MSEK 142 (151), corresponding to an operating margin of 4.1 per cent (5.0). Currency effects from the translation into SEK had a negative impact of MSEK 2 or 1 per cent on operating profit. The weaker quarterly earnings, compared with the preceding year, were negatively affected by the production problems mentioned earlier at Sapa RC Profiles and Profiles in the UK, as well as by the weak result for Sapa Portugal. Significant earnings improvements were achieved by Profiles in Sweden and Albi, France. Heat Transfer once again noted a strong quarter.



Although the demand for aluminium profiles during the quarter was higher than in the preceding year, a substantial weakening in the market in Continental Europe was noted after the summer vacation period. However, the profile market in the US seems to be retaining its strength and demand in Scandinavia remains favourable. The price of aluminium metal continued to rise during the quarter, particularly during the latter part.

Net financial items for the quarter amounted to an expense of MSEK 31 (expense: 26), impacted by higher USD interest rates. Profit before tax was MSEK 111 (125). After a tax expense of MSEK 36 (41), corresponding to a tax rate of 32 per cent (33), net income amounted to MSEK 75 (83). Earnings per share amounted to SEK 2.05 (2.27).

## ACQUISITIONS/DIVESTMENTS

### Boal International BV

In conjunction with Sapa's acquisition of Remi Claeys Aluminium in June 2003, a 25-per cent minority holding in the aluminium profiles group Boal International BV (Boal) was included. This holding was sold in April to Boal's majority owner. The price for the shares was MEUR 10.3, resulting in a capital gain of MEUR 2.6 (MSEK 24), corresponding to SEK 0.66 per share. The gain from this divestment was reported in the second quarter of 2004.

## FINANCING AND CASH FLOW

The Group's debt-equity ratio was 0.54 (0.59) at the end of the period and net debt amounted to MSEK 2,139 (2 238). Since the beginning of the year, net debt has increased by MSEK 39. Of this increase, MSEK 85 is attributable to changed accounting principles for pension commitments and MSEK 227 to a dividend paid to shareholders. The cash flow for the period reduced the net debt by MSEK 290. Net debt was distributed as follows at the end of the interim period:

MSEK	Sept. 30, 2004	Sept. 30, 2003	Dec. 31, 2003
Liquid funds	-615	-549	-594
Financial liabilities	2,248	2,388	2,291
Pension provisions	506	399	403
<b>Net debt</b>	<b>2,139</b>	<b>2,238</b>	<b>2,100</b>

Cash flow after investments (excluding company acquisitions/divestments) amounted to MSEK 200 (304) for the period, negatively affected by MSEK 256 (neg: 177) from increased working capital. The increase is a result of the sharp increase in net sales. However, as a proportion of net sales, the working capital improved somewhat to 17 per cent (19). A higher investment level had an impact of MSEK 141 on cash flow. Cash flow for the third quarter totalled MSEK 50 (210), a decline that was a consequence of higher investments and increased working capital.

## INVESTMENTS

Investments during the period increased to MSEK 331 (190), compared with depreciation (excluding amortisation of goodwill), which amounted to MSEK 355 (310). Major investment projects in progress include an upgrade of Sapa RC Profiles' large press that commenced at the end of 2003 and is expected to be largely complete by the end of the year. During the first half of the year, work was completed for establishing a unit in Lithuania for the fabrication of profiles and deliveries started in April. In November 2003, an investment of MSEK 195 was approved for a vertical anodising plant at Sapa Profiles in Vetlanda, Sweden. To date, this year, approximately MSEK 11 has been invested. The investment is expected to be taken into operation during the first half of 2006. The planning phase is now in progress for Sapa Heat Transfer Shanghai's

investment of MSEK 132, which was approved at the beginning of 2004. The investment, which will more than double the capacity to 44,000 tonnes, is expected to be fully operational during the first half of 2006. The project only marginally affected investments during the period. During the quarter, a decision was made to invest MSEK 40 in a third profile press in Poland. Project engineering will commence during the autumn and the investment is expected to be put into operation in autumn 2005

## PERSONNEL

The average number of employees during the period was 7,924 (7,069). Of this increase, about 600 are attributable to RCA, which has been consolidated throughout the year, while in 2003 it was consolidated from 23 June. The RCA units have approximately 1,000 employees. Increased activity in the US, Poland and France, as well as Profiles' new fabrication units in Lithuania and China, account for the remainder of the increase in the number of employees.

## THE SHARE

The price of the Sapa share rose by 9 per cent during the first nine months of 2004. During the same period, the Stockholm stock exchange's All Share Index rose by 10 per cent. Since its listing in May 1997, the Sapa share has risen by 97 per cent, while the All Share-index has risen by 30 per cent during the same period.

The growth in value since the original listing in 1997, including reinvested dividends, amounts to 141 per cent. During the corresponding period, the All Share Index, including dividends, has risen by 48 per cent.

In April, a dividend of SEK 6.25 per share (5.50) was paid, corresponding to MSEK 227.

## OTHER

### Changed accounting principles for pension commitments

Effective 2004, Sapa AB applies the Swedish Financial Accounting Standards Council's recommendation RR29, "Employee benefits," in the consolidated accounts. The regulations are based on IAS 19. On 1 January 2004, the non-recurring effect of this change reduced consolidated shareholders' equity by MSEK 59, after the tax effect was taken into account. The change in accounting principle had no material effect on pension costs for the interim period.

### Repurchase of shares

Within the structure of the repurchase program, 92,800 shares were repurchased during the first quarter. No shares have been repurchased since then. Overall, a total of 798,830 shares had been repurchased by the end of the interim period. The average repurchase price is approximately SEK 162. The repurchased shares represent 2.1 per cent of the total number of shares. Conversion of debentures and exercising of warrants, within the framework of the shareholder program for employees that was completed in July, increased the number of shares by 137,535. The number of outstanding shares at the end of the period was 36,520,863.

## OUTLOOK

In the US, demand remains favourable and in Asia the market situation is good, although the cooling of the Chinese economy has affected us in the form of a lower growth rate than previously. Despite weakening demand in Europe, it is our view that volumes during the fourth quarter will be somewhat better than in 2003, although the current situation with high raw material prices has increased the uncertainty.

*Sapa AB (publ)*  
*Stockholm, 18 October 2004*

**KÅRE WETTERBERG**  
President and CEO

### **The report also includes:**

Group Income Statement in summary  
Group Balance Sheet in summary  
Group key financial figures  
Changes in shareholders' equity  
Group cash flow  
Segment reporting  
Accounting principles

### **Report dates, 2004**

Full-year report, 2004

1 February 2005

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

## THE SAPA GROUP

Consolidated income statement MSEK	Jul-Sep 2004	Jul-Sep 2003	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Net sales	3,427.4	3,034.4	10,631.4	8,627.3	11,802.8
Cost of goods sold	-2,756.0	-2,438.4	-8,390.3	-6,847.1	-9,299.1
<b>Gross profit</b>	<b>671.4</b>	<b>596.0</b>	<b>2,241.1</b>	<b>1,780.1</b>	<b>2,503.7</b>
Selling and administrative expenses	-527.6	-445.8	-1,657.3	-1,306.2	-1,856.7
Other operating revenues/expenses	-2.0	1.1	25.2	-2.4	-6.5
<b>Operating profit</b>	<b>141.9</b>	<b>151.3</b>	<b>609.0</b>	<b>471.5</b>	<b>640.5</b>
Financial items	-30.9	-26.2	-84.8	-55.2	-81.3
<b>Profit after financial items</b>	<b>111.0</b>	<b>125.1</b>	<b>524.1</b>	<b>416.3</b>	<b>559.2</b>
Income tax	-36.1	-41.1	-166.5	-136.6	-174.8
Minority interest in net profit	-0.1	-0.8	-0.7	-2.0	-1.0
<b>Net profit</b>	<b>74.7</b>	<b>83.2</b>	<b>357.0</b>	<b>277.6</b>	<b>383.4</b>
Earnings per share, SEK	2.05	2.27	9.79	7.58	10.48
Earnings per share after dilution, SEK	2.05	2.27	9.79	7.58	10.46

Consolidated balance sheet MSEK	30 Sep 2004	30 Sep 2003	31 Dec 2003
Intangible fixed assets	966.3	1,048.4	1,017.6
Tangible fixed assets	2,924.0	2,898.0	2,942.2
Financial fixed assets	136.4	167.6	187.2
Inventories	1,982.9	1,820.7	1,793.6
Current receivables	3,101.0	2,898.2	2,685.5
Liquid funds	615.3	549.2	594.0
<b>Total assets</b>	<b>9,725.9</b>	<b>9,382.1</b>	<b>9,220.1</b>
Shareholders' equity	3,987.4	3,776.8	3,879.7
Interest-bearing liabilities and provisions	2,754.2	2,787.4	2,694.0
Interest-free liabilities and provisions	2,984.3	2,818.0	2,646.4
<b>Total shareholders' equity and liabilities</b>	<b>9,725.9</b>	<b>9,382.1</b>	<b>9,220.1</b>

Key figures and other information <sup>1</sup>	Jul-Sep 2004	Jul-Sep 2003	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Operating margin, % <sup>2</sup>	4.1	5.0	5.5	5.5	5.4
Operating margin, excl. goodwill amort., % <sup>2</sup>	4.6	5.7	6.0	6.1	6.0
Capital turnover rate, multiple			2.3	2.1	2.1
Return on capital employed, % <sup>2</sup>			12.4	11.3	11.5
Return on capital employed, excl. goodwill amortisation, % <sup>2</sup>			13.4	12.5	12.7
Return on shareholders' equity, %			11.9	9.5	10.0
Return on shareholders' equity, excl. goodwill amortisation, %			13.4	11.2	11.7
Net margin, %	2.2	2.7	3.4	3.2	3.2
Net margin, excl. goodwill amortisation, %	2.7	3.4	3.8	3.8	3.8
Average number of outstanding shares, 000s	36,516	36,567	36,464	36,605	36,591
Earnings per share, SEK	2.05	2.27	9.79	7.58	10.48
Earnings per share after dilution, SEK	2.05	2.27	9.79	7.58	10.46
Earnings per share, excl. goodwill amortisation, SEK	2.49	2.85	11.12	8.97	12.20
Shareholders' equity per share, SEK			109.09	103.28	106.36
Cash flow per share, SEK <sup>3</sup>	1.36	5.73	5.48	8.29	12.97
Equity/assets ratio, %			41	40	42
Debt/equity ratio			0.54	0.59	0.54
Net debt, MSEK			2,139	2,238	2,100
New and replacement investments, MSEK	133	77	331	190	352
Average number of employees			7,924	7,069	7,229

<sup>1</sup>Return calculated based on rolling twelve-month values. <sup>2</sup>Excluding capital gain of MSEK 24.

<sup>3</sup>After investments excluding company acquisitions/divestments.

## THE SAPA GROUP

Changes in shareholders' equity, MSEK	Jan-Sep 2004	Jan-Sep 2003
<b>Opening balance</b>	<b>3,879.7</b>	3,878.7
Changed accounting principles for pension commitments	-58.8	-
Translation differences	34.6	-162.2
Conversion of debentures / redemption of warrants	18.7	1.6
Repurchase of shares	-16.4	-17.4
Dividend	-227.4	-201.5
Profit for the period	357.0	277.6
<b>Closing balance</b>	<b>3,987.4</b>	3,776.8

Cash flow MSEK	Jul-Sep 2004	Jul-Sep 2003	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Operating profit	141.9	151.4	609.0	471.5	640.5
Depreciation	131.2	133.1	403.4	360.8	483.4
Other items not affecting liquidity	-19.8	-13.7	-42.6	-19.6	-7.5
Interest received/paid	-19.0	-21.7	-57.0	-49.7	-73.1
Income tax paid	-45.3	-44.2	-145.8	-102.2	-130.7
Change in working capital	-13.2	73.8	-256.0	-176.5	-100.3
<b>Cash flow from ongoing operations</b>	<b>175.8</b>	278.7	<b>511.0</b>	484.2	812.3
New and replacement investments	-132.6	-77.2	-331.0	-190.2	-351.9
Company acquisitions/divestments	-	-239.2	90.1	-637.6	-649.1
Sales of fixed assets and changes in financial fixed assets	6.2	8.8	19.8	10.3	15.0
<b>Cash flow after investments</b>	<b>49.5</b>	-28.9	<b>289.9</b>	-333.3	-173.8
Financing	22.8	11.5	-48.2	391.9	290.8
Share issue/repurchase of shares	5.1	0.8	2.3	-15.8	-33.3
Dividend	-	-	-227.4	-201.5	-201.5
<b>Cash flow</b>	<b>77.4</b>	-16.6	<b>16.6</b>	-158.7	-117.7

Segment reporting MSEK	Jul-Sep 2004	Jul-Sep 2003	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
<b>Consolidated net sales</b>	<b>3,427</b>	3,034	<b>10,631</b>	8,627	<b>11,803</b>
Of which					
Profiles	2,313	2,060	7,149	5,744	7,813
Building System	682	749	2,140	1,642	2,328
Heat Transfer	573	437	1,768	1,498	1,995
Other and eliminations	-141	-211	-426	-257	-333

### Accounting principles

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20, Interim reporting. The application of the recommendations applicable from 2003 has not had any effect on the company's reported earnings and position for prior periods. Sapa reports business segments as primary segments and geographical areas as secondary segments according to RR 25, Segment reporting. The business segments Profiles and Heat Transfer are reported combined.