

INTERIM REPORT JANUARY-SEPTEMBER 2019

Temporary production disturbances affected sales volume and operating profit

Third quarter 2019

- Sales volume decreased by 8.1 per cent to 85.8 ktonnes (93.4). Temporary production disturbances in July and August in two of the US facilities resulted in lower sales volume of 6 ktonnes. Net sales decreased to SEK 2,998 million (3,322).
- Adjusted operating profit was SEK 190 million (230) and adjusted operating profit per tonne amounted to 2.2 kSEK (2.5).
- Profit for the period increased to SEK 198 million (158) and includes a positive tax effect of SEK 77 million (-) due to a lower tax rate in China¹.
- Basic and diluted earnings per share increased to SEK 2.62 (2.09).
- Cash flow before financing activities increased to SEK 155 million (81) and includes capital expenditure of SEK 409 million (236). Of the total capital expenditure SEK 287 million relates to the expansion of the production facilities in the US and Sweden.

January-September 2019

- Sales volume decreased by 6.3 per cent to 269.5 ktonnes (287.5). Net sales decreased to SEK 9,295 million (9,836).
- Adjusted operating profit was SEK 721 million (813) and adjusted operating profit per tonne amounted to 2.7 kSEK (2.8).
- Profit for the period increased to SEK 553 million (539).
- Basic and diluted earnings per share increased to SEK 7.32 (7.14).
- Cash flow before financing activities was SEK -216 million (398) and includes capital expenditure of SEK 1,368 million (524). Of the total capital expenditure SEK 980 million relates to expansion investments.
- Net debt increased to SEK 3,606 million at 30 September 2019 (SEK 2,494 million at 31 December 2018), corresponding to 2.7 times adjusted EBITDA² (1.8 times at 31 December 2018). Net debt at 30 September 2019 includes lease liabilities of SEK 253 million due to IFRS 16 Leases³.

Financial summary

SEK million	Q3			Jan-Sep			12 months rolling	Full year	
	2019	2018	Δ	2019	2018	Δ	Oct 2018 -Sep 2019	2018	Δ
Sales volume, ktonnes	85.8	93.4	-8.1%	269.5	287.5	-6.3%	356.9	375.0	-4.8%
Net sales	2,998	3,322	-9.7%	9,295	9,836	-5.5%	12,370	12,910	-4.2%
Adjusted operating profit ²	190	230	-17.7%	721	813	-11.3%	913	1,005	-9.2%
Adjusted operating margin, %	6.3	6.9	-0.6 ppt	7.8	8.3	-0.5 ppt	7.4	7.8	-0.4 ppt
Adjusted operating profit per tonne, kSEK	2.2	2.5	-0.3	2.7	2.8	-0.2	2.6	2.7	-0.1
Operating profit	190	230	-17.7%	721	749	-3.7%	913	940	-2.9%
Operating margin, %	6.3	6.9	-0.6 ppt	7.8	7.6	0.1 ppt	7.4	7.3	0.1 ppt
Profit for the period	198	158	25.6%	553	539	2.6%	702	688	2.0%
Earnings per share basic, SEK	2.62	2.09	0.53	7.32	7.14	0.18	9.29	9.11	0.18
Earnings per share diluted, SEK	2.62	2.09	0.53	7.32	7.14	0.18	9.29	9.11	0.18
Cash flow before financing activities	155	81	91.9%	-216	398	n/a	-82	531	n/a
Equity to assets, %	-	-	-	40.7	41.7	-1.0 ppt	40.7 ⁴	44.2	-3.4 ppt
Net debt	-	-	-	3,606	2,565	1,042	3,606 ⁴	2,494	1,113
Return on capital employed, %	-	-	-	-	-	-	12.8	16.5	-3.6 ppt

¹ See Note 6 for further information on the tax effect.

² Adjusted for items affecting comparability, see Note 5 for further information.

³ See Note 1 for further information on IFRS 16 Leases.

⁴ Closing balances at the end of the period.

COMMENTS BY THE CEO

Soft market conditions and temporary production disturbances

CONTINUED SOFT MARKET CONDITIONS

The weak market conditions that we experienced in the first half of the year continued in the third quarter. Lower market demand in combination with temporary production disturbances in our plants in the US in July and August resulted in a sales volume decline of 8 per cent to 85.8 ktonnes. The adjusted operating profit declined by SEK 40 million to SEK 190 million and included costs for the US expansion projects of SEK 22 million. Exchange rate fluctuations had a positive impact on adjusted operating profit of SEK 24 million during the quarter. The cash generation continued to be strong also in the third quarter. Cash flow before financing adjusted for expansion investments and acquisitions increased to SEK 442 million, which represents a cash conversion of over 200 per cent.

During the third quarter market conditions were especially challenging in Asia and Europe, where the sales volume to automotive customers declined by 15 and 7 per cent respectively. This was driven by a continued significant slowdown of the light vehicle production in combination with further destocking in the supply chain. In Americas, the automotive sales volume increased by 8 per cent in the quarter. With regards to the HVAC & Other business, the market demand in Americas remained stable in the quarter. Sales volume however decreased by 8 per cent compared with last year primarily due to temporary production disturbances in the Huntingdon and Salisbury plants.

The efficiency improvements that we have made in Gränges over the last couple of years have made the business more resilient and the ability to handle changes in market demand has been improved. In the third quarter additional cost efficiency measures have been implemented. This includes a reinforced general savings program, capacity adjustments, and improved organizational efficiency in Europe.

IMPORTANT MILESTONE FOR THE US EXPANSION

In September an important milestone was reached in the expansion project in Huntingdon when the first coil was successfully rolled in the new rolling mill. All new equipment is now operational, and we will gradually ramp up available capacity and sales volume over the coming quarters. In Newport the upgrade of the rolling

mills is progressing well, and we expect to have the second mill completed during the fourth quarter. When this is completed we will begin with customer trials and product validations. The expansion of the Huntingdon and Newport facilities will further strengthen our position in the North American market and serve as an important platform for growth.

OUTLOOK

The global automotive market is expected to continue to be soft for the rest of 2019. The research firm IHS estimates a decline of 3 per cent for global light vehicle production in the fourth quarter, resulting in an expected 5 per cent decline for the full year. For the fourth quarter Gränges expects a sales volume decline by mid to high single digits. For automotive materials we foresee a mid to high single-digit reduction driven by the lower expected light vehicle production and continued destocking in the supply chain, primarily in Europe. In Americas we expect a mid to high single-digit decline for the HVAC & Other business in the fourth quarter as inventory levels at many customers are high and end-market uncertainty is increasing.

We will continue to work actively with innovation, efficiency improvements, as well as a more sustainable customer offering, which includes an increased focus on product development for electric vehicles. Demand for advanced heat exchanger materials for electric vehicles is expected to increase significantly in the coming years, as more car manufacturers choose liquid cooling solutions for batteries. With a strong commitment to constantly improve and develop, Gränges is well positioned to deliver sustainable and profitable growth throughout the economic cycle.

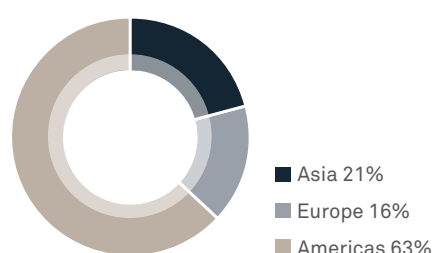


Johan Menckel, CEO

Third quarter 2019

- Sales volume **85.8** ktonnes
- Net sales SEK **2,998** million
- Adjusted operating profit SEK **190** million

Sales volume per region



MARKET DEVELOPMENT

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. About half of the Group's sales volume refers to sales to the automotive industry, while HVAC and other niche markets account for about one quarter each.

Light vehicle production is an important macro driver of Gränges' sales of heat exchanger materials to the automotive industry. An increasing share of hybrid vehicles, electric vehicles and advanced features such as autonomous driving is also positive for the demand of heat exchanger materials. According to the international research firm IHS¹, global light vehicle production decreased by 2.9 per cent in the third quarter of 2019, compared to the corresponding quarter in 2018. In Asia, light vehicle production decreased by 4.8 per cent during the third quarter. This includes a decrease of 7.0 per cent in China while production in other Asian markets declined by 2.3 per cent. In the fourth quarter of 2019, a decrease of 3.8 per cent is expected in Asia. In Europe, light vehicle production declined by 0.5 per cent in the third quarter, and a decrease of 1.5 per cent is expected for the fourth quarter of 2019. Light vehicle production in the Americas increased by 1.5 per cent in the third quarter, whereas a decrease of 2.4 per cent is anticipated in the fourth quarter of 2019. For the full year 2019, IHS forecasts a decrease in global light vehicle production of 5.1 per cent.

With regards to sales to the HVAC industry, Americas is Gränges' most important market and US shipments of HVAC units is a key driver of Gränges' sales. The growth in this market is partly driven by energy efficiency requirements as well as construction of new houses and buildings. According to the North American trade

association AHRI², US shipments of HVAC units increased by 3 per cent in the third quarter of 2019 compared to the corresponding quarter 2018. For the full year 2019, a growth of 1 per cent in US shipments of HVAC units is expected.

SALES DEVELOPMENT

Gränges' sales volume in the third quarter of 2019 decreased by 8.1 per cent to 85.8 ktonnes (93.4) compared to the same quarter previous year. Net sales decreased to SEK 2,998 million (3,322). The negative effect from lower sales volume and a decreased aluminium price was partly offset by a net positive effect from changes in foreign exchange rates of SEK 208 million and a slightly higher average conversion price.

For the Automotive business, sales volume decreased to 40.6 ktonnes (44.1) and net sales was SEK 1,508 million (1,679) during the third quarter 2019. For the HVAC & Other business, sales volume decreased to 45.2 ktonnes (49.3) and net sales was SEK 1,491 million (1,643).

During January-September 2019, Gränges' sales volume decreased by 6.3 per cent to 269.5 ktonnes (287.5) compared to the corresponding period previous year. Net sales decreased to SEK 9,295 million (9,836). The net effect of changes in foreign exchange rates was positive and amounted to SEK 694 million.

During January-September 2019 sales volume for the Automotive business decreased to 131.8 ktonnes (142.5) and net sales was SEK 4,773 million (5,247). For the HVAC & Other business, sales volume decreased to 137.7 ktonnes (145.1) and net sales amounted to SEK 4,523 million (4,588).

Light vehicle production¹

Year-on-year growth, %	Q3 2019	Q4 2019	Full year 2019
Region			
Asia	-4.8	-3.8	-6.2
Europe	-0.5	-1.5	-3.5
Americas	1.5	-2.4	-1.7
Global	-2.9	-3.0	-5.1

Gränges' sales volume

Sales volume, ktonnes	Jul-Sep 2019	Jul-Sep 2018	Δ
Region			
Asia Automotive	17.7	20.8	-15.1%
Europe Automotive	14.1	15.1	-6.8%
Americas Automotive	8.8	8.2	8.0%
Total Automotive	40.6	44.1	-7.9%
Americas HVAC & Other	45.2	49.3	-8.3%
Total	85.8	93.4	-8.1%

¹ Source: IHS, 16 September 2019.

² Source: AHRI, 11 October 2019.

ASIA

In the third quarter of 2019, sales volume in Asia decreased by 15.1 per cent to 17.7 ktonnes (20.8). The decline was primarily driven by significantly lower automotive market demand and continued destocking in the supply chain. During January–September 2019, sales volume in Asia decreased to 58.6 ktonnes (66.3), which represents a decrease of 11.6 per cent compared to previous year.

EUROPE

In the third quarter of 2019, sales volume in Europe decreased by 6.8 per cent to 14.1 ktonnes (15.1). The decline was driven by significantly lower automotive market demand and continued destocking in the supply chain. During January–September 2019, sales volume in Europe reached 46.7 ktonnes (50.2), which represents a decrease of 6.8 per cent compared to previous year.

AMERICAS

In the third quarter of 2019, sales volume in the Americas decreased by 6.0 per cent to 54.0 ktonnes (57.5). Of this, 45.2 ktonnes (49.3) relates to the HVAC & Other business while 8.8 ktonnes (8.2) relates to the Automotive business. The decrease in sales volume for the HVAC & Other business was mainly due to temporary production disturbances in the Huntingdon and Salisbury facilities in July and August, resulting in lost production capacity and lower sales volume of 6 ktonnes in the quarter. During January–September 2019, sales volume in Americas decreased to 164.1 ktonnes (171.1) compared to previous year. 137.7 ktonnes (145.1) relates to the HVAC & Other business while 26.5 tonnes (26.0) relates to the Automotive business.

OPERATING PROFIT

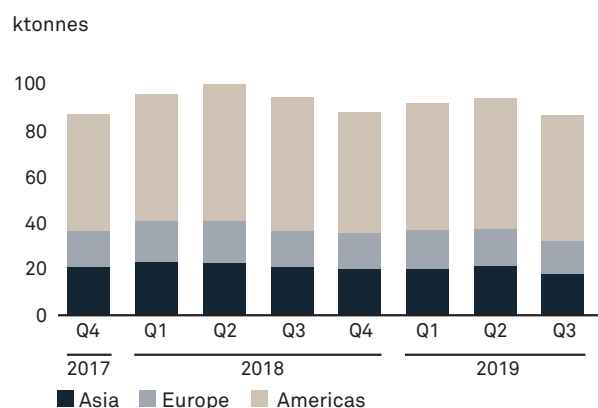
Adjusted operating profit for the third quarter of 2019 was SEK 190 million (230), corresponding to adjusted operating profit per tonne of 2.2 kSEK (2.5). Adjusted operating margin was 6.3 per cent (6.9). The negative impact from lower sales volume and slightly higher operating cost was partly offset by higher average conversion price. Costs related to the US expansion projects amounted to SEK 22 million in the quarter. Net changes in foreign exchange rates had a positive impact of SEK 24 million in the quarter.

Operating profit for the third quarter of 2019 amounted to SEK 190 million (230). No items affecting comparability were recorded in the third quarter of 2019 or in the corresponding quarter last year.

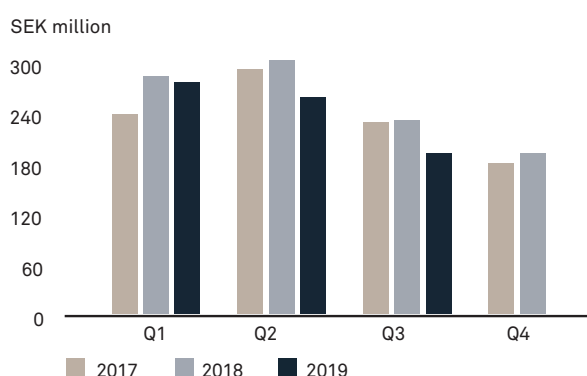
During the period January–September 2019, adjusted operating profit was SEK 721 million (813), while adjusted operating profit per tonne amounted to 2.7 kSEK (2.8). Adjusted operating margin reached 7.8 per cent (8.3). The net effect of changes in foreign exchange rates was positive and amounted to SEK 90 million in the period.

Operating profit during January–September 2019 was SEK 721 million (749). No items affecting comparability were recorded in the period. In the corresponding period previous year, items affecting comparability was SEK –64 million.

Quarterly sales volume per region



Quarterly adjusted operating profit



PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before tax for the third quarter of 2019 amounted to SEK 154 million (201). Finance income and costs was SEK –36 million (–30) and includes interest expenses and financing costs of SEK 39 million and interest income of SEK 2 million. Interest expenses and financing cost in the third quarter of 2019 includes interest expenses of SEK 3 million (–) on lease liabilities due to the implementation of IFRS 16 (for further information see Note 1).

Income tax for the third quarter of 2019 was positive and amounted to SEK 44 million (–43). In the third quarter, Gränges' subsidiary in China received final approval of high-tech enterprise classification for 2018 and is thereby subject to a corporate income tax rate of 15 per cent rather than the ordinary rate of 25 per cent. A provision for the higher tax rate of 25 per cent in 2018 has therefore been released with a positive impact of SEK 54 million (–) in the quarter. The lower tax rate of 15 per cent is applied from third quarter 2019 with a retroactive adjustment for the first half of 2019 resulting in a positive effect of SEK 24 million (–). Excluding the released tax provision and the retroactive adjustment with a combined positive effect of SEK 77 million, the effective tax rate was 22 per cent (21) in the quarter. The profit for the period increased to SEK 198 million (158) during the third quarter of 2019 and diluted earnings per share increased to SEK 2.62 (2.09).

During the period January–September 2019 profit before taxes amounted to SEK 608 million (688). In the period, finance income and costs was SEK –115 million (–83) and includes interest expenses of SEK 122 million and interest income of SEK 5 million. Interest expenses and financing cost in the period includes interest expenses of SEK 9 million (–) on lease liabilities due to the implementation of IFRS 16 (for further information see Note 1). Income tax for the period January–September 2019 was SEK –55 million (–149). Excluding the positive effect of SEK 54 million (–) relating to reduced income tax in 2018 for Gränges' subsidiary in China, the effective tax rate was 18 per cent (22). The profit for the period increased to SEK 553 million (539) and diluted earnings per share increased to SEK 7.32 (7.14).

CASH FLOW

Cash flow from operating activities increased to SEK 564 million (316) in the third quarter of 2019 and was positively impacted by decreased working capital driven by lower inventories and receivables. Cash flow from investing activities amounted to SEK –409 million (–236) in the quarter and fully relates to capital expenditure. Of the total capital expenditure, SEK 122 million refer to investments to maintain and improve efficiency in current production facilities and SEK 287 million refer to investments related to the expansion of the production facilities in the US and Sweden. Cash flow before financing adjusted for expansion investments and acquisitions increased to SEK 442 million (228).

Cash flow from financing activities was SEK 21 million (–41) in the third quarter of 2019 and includes new loans of SEK 1,036 million and repayment of loans of SEK –974 million. Net financing from commercial papers was positive SEK 20 million in the quarter.

During January–September 2019, cash flow from operating activities increased to SEK 1,152 million (901). Cash flow from investing activities amounted to SEK –1,368 million (–503) and fully relates to capital expenditure. Of this, SEK 295 million refer to maintenance investments, SEK 980 million relates to expansion investments, and SEK 93 million relates to the acquisition of utilities infrastructure in Finspång.

During January–September 2019 cash flow before financing activities adjusted for expansion investments and acquisitions increased to SEK 857 million (662). Cash flow from financing activities was SEK 509 million (–486) and includes a dividend payment of SEK –242 million, new loans of SEK 3,960 million and repayment of loans of SEK –3,108 million.

Cash and cash equivalents amounted to SEK 775 million at 30 September 2019 (SEK 457 million 31 December 2018).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 10,762 million at 30 September 2019 (SEK 8,773 million at 31 December 2018). The equity to assets ratio was 40.7 per cent at 30 September 2019 (44.2 per cent at 31 December 2018).

Consolidated net debt including pension and lease liabilities was SEK 3,606 million at 30 September 2019 (SEK 2,494 million at 31 December 2018). The increase in net debt is mainly due to investments related to the expansion of the production facilities in the US and Sweden. At 30 September 2019, the Group's net debt corresponded to 2.7 times adjusted EBITDA (1.8 times at 31 December 2018).

EMPLOYEES

The average number of employees was 1,813 (1,695) in the third quarter of 2019 and 1,812 (1,673) during the period January–September 2019. The increase in number of employees is mainly related to the expansion of the US production facilities.

PARENT COMPANY

Gränges AB is the parent company of the Gränges Group. The operations include Group Management and administration of group functions. For the period January–September 2019, net sales in the parent company was SEK 141 million (142) and the result for the period was SEK –47 million (–45).

SIGNIFICANT EVENTS DURING THE PERIOD

Gränges' Shanghai site achieves ASI certification

Gränges' production facility in Shanghai, China, has successfully been certified against Aluminium Stewardship Initiative's (ASI) Performance Standard. ASI is a global, multi-stakeholder, non-profit standards setting and certification organisation which works to maximise the contribution of aluminium to a sustainable society. The ASI Performance Standard defines environmental, social and governance principles and criteria, with the aim to address sustainability issues in the aluminium value chain. The independent, third-party audit of Gränges production facility in Shanghai was carried out by DNV GL.

Temporary production disturbances

In July and August Gränges experienced temporary production disturbances in the Huntingdon and Salisbury plants in the US. The production disturbances impacted the already capacity constrained rolling mills and resulted in lost production capacity and lower sales volume of 6 ktonnes in the third quarter. The specific issues behind the disturbances have been solved.

SIGNIFICANT EVENTS AFTER THE PERIOD

Gränges improves efficiency in the European operations

As part of Gränges Europe's efficiency improvement work and to strengthen Gränges' customer offer, cost-effectiveness and long-term competitiveness, a decision was made on organizational changes in the Swedish operations. As a part of the reorganization, reductions will be made that will affect about 20 positions within the white-collar organization in Sweden. The planned measures are expected to entail costs of SEK 15 million during the fourth quarter of 2019.

Interim SVP Communication for Gränges AB appointed

Camilla Weiner has been appointed as Interim SVP Communication at Gränges AB. Camilla Weiner will be a member of the Group Management team from 1 November 2019, and reports to the CEO, Johan Menckel.

No other significant events have occurred after the period.

THE SHARE

The share capital in Gränges amounts to SEK 101 million split on 75,517,386 shares, each with a quota value of SEK 1.339775. Gränges has only one class of shares.

OWNERSHIP STRUCTURE

The number of shareholders in Gränges was 8,093 at 30 September 2019, according to Euroclear.

Largest shareholders in Gränges at 30 September 2019¹

Shareholder	Number of shares	Share of capital and votes %
Fourth Sw. National Pension Fund	7,155,679	9.5
AFA Insurance	6,892,585	9.1
Swedbank Robur Funds	4,998,834	6.6
Handelsbanken Funds	4,213,041	5.6
Franklin Templeton	3,845,833	5.1
Dimensional Fund Advisors	3,206,173	4.2
Paradice Investment Management	3,184,612	4.2
Allianz Global Investors	2,645,597	3.5
Unionen	1,850,000	2.4
SEB Funds	1,758,913	2.3
Total 10 largest shareholders	39,751,267	52.5
Other	35,766,119	47.5
Total	75,517,386	100.0

¹ Source: Modular Finance.



New caster at Gränges' plant in Huntingdon, Tennessee.

OTHER

Nomination Committee appointed

The Nomination Committee for Gränges' Annual General Meeting 2020 has been appointed. The committee constitutes representatives from Gränges' three largest shareholders at 31 August 2019 and the Chairman of the Board, Anders G. Carlberg. The Fourth Swedish National Pension Fund (AP4) is represented by Jannis Kitsakis, AFA Insurance is represented by Anders Algotsson and Swedbank Robur investment funds by Lennart Francke. The Chairman of the Nomination Committee is Jannis Kitsakis.

Annual General Meeting 2020

Gränges' 2020 Annual General Meeting will be held on Thursday, 7 May, 2020 at 16.00 CEST at IVA Conference Centre (Wallenberg-salen), Grev Turegatan 16 in Stockholm. Shareholders who wish to have a matter considered at the Annual General Meeting should normally submit such requests seven weeks before the meeting.

RISKS AND UNCERTAINTY FACTORS

As a global group with operations in many parts of the world, Gränges is exposed to various risks and uncertainties such as raw material price risk, market risk, operational and legal risk, as well as financial risk related to foreign exchange rates, interest rates, liquidity and refinancing. In its risk management Gränges seeks to identify, evaluate, and reduce risks related to the Group's business and operations. More information about risk management is available on pages 44–47 in Gränges' 2018 annual report.

SEASONAL VARIATIONS

Gränges' end-customer markets consist primarily of the global automotive industry and the HVAC industry in North America. Gränges' sales of rolled aluminium products to the automotive industry is mainly correlated with the production of light vehicles. Demand on the HVAC market is driven by factors such as construction investments, new regulations for energy efficiency and climate impact, and it is usually higher during summer months as there is a higher demand for cooling systems then. Major annual maintenance work in Gränges' production facilities mainly occurs in the fourth quarter. Overall, seasonal factors mean that the fourth quarter usually is the weakest and the second quarter is the strongest.

Stockholm, 24 October 2019

Johan Menckel
Chief Executive Officer



New cold rolling mill at Gränges' plant in Huntingdon, Tennessee.

REVIEW REPORT

Gränges AB, corporate identity number 556001-6122

Introduction

We have reviewed the condensed interim report for Gränges AB as at September 30, 2019 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410. Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 24 October, 2019
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

For additional information, please contact:

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Tel: +46 705 97 43 75

The information in this report is such that Gränges must disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, through the agency of the contact person set out above, on Thursday 24 October, 2019 at 07.30 CET.

Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' interim report for January–September 2019 at a web-casted conference call at 10.00 CET, Thursday 24 October, 2019.

The webcast is available on www.granges.com/investors. To participate in the conference call, please call +46 8 5199 9355 (Sweden), +44 203 194 0550 (UK) or +1 855 269 2605 (USA). Please call a few minutes before the conference call starts. The presentation will be in English.

Financial calendar

30 January, 2020	Year-end Report 2019
30 April, 2020	Interim report January–March 2020
7 May, 2020	Annual General Meeting 2020

CONSOLIDATED INCOME STATEMENT (CONDENSED)

SEK million	Note	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net sales	2	2,998	3,322	9,295	9,836	12,910
Cost of materials	5	-1,918	-2,267	-5,911	-6,619 ¹	-8,601 ¹
Payroll and other operating expenses		-776	-734	-2,327	-2,207	-3,016
Depreciation, amortization and impairment charges		-115	-90	-336	-261	-353
Operating profit	1	190	230	721	749	940
Profit or loss from joint ventures		1	0	1	22	22
Finance income and costs		-36	-30	-115	-83	-113
Profit before tax		154	201	608	688	849
Income tax	6	44	-43	-55	-149	-161
Profit for the period	1	198	158	553	539	688
Earnings per share						
Earnings per share basic, SEK		2.62	2.09	7.32	7.14	9.11
Earnings per share diluted, SEK		2.62	2.09	7.32	7.14	9.11

¹ Includes items affecting comparability of SEK -64 million.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Profit for the period	198	158	553	539	688
Items not to be reclassified to profit/loss in subsequent periods					
Remeasurement of pensions after tax	0	0	-23	-5	-20
Items to be reclassified to profit/loss in subsequent periods					
Change in hedging reserve after tax	-10	12	-5	-39	-32
Translation effects	117	-129	226	115	142
Comprehensive income for the period attributable to owners of the parent company	305	41	750	609	778

CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS				
Intangible assets		897	708	761
Property, plant and equipment	1	5,178	3,454	3,651
Deferred tax assets		54	54	54
Investments in joint ventures		12	10	10
Interest-bearing receivables		2	-	2
Other non-current receivables	3	10	17	11
Non-current assets		6,153	4,243	4,489
Inventories		1,948	1,910	1,968
Receivables	3	1,887	2,071	1,859
Cash and cash equivalents		775	658	457
Current assets		4,609	4,639	4,285
TOTAL ASSETS		10,762	8,882	8,773
EQUITY AND LIABILITIES				
Share capital		101	101	101
Retained earnings		4,281	3,604	3,772
Equity		4,382	3,705	3,873
Interest-bearing liabilities	1, 3	2,785	2,478	2,117
Provisions and other non-current liabilities	3	495	405	406
Non-current liabilities		3,280	2,884	2,522
Interest-bearing liabilities	1, 3	1,233	450	515
Provisions and other current liabilities	3, 6	1,867	1,842	1,862
Current liabilities		3,100	2,293	2,378
TOTAL EQUITY AND LIABILITIES		10,762	8,882	8,773

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
Opening balance	3,873	3,322	3,322
Profit for the period	553	539	688
Other comprehensive income for the period	197	71	90
Total comprehensive income for the period	750	609	778
Dividend	-242	-227	-227
Total transactions with owners	-242	-227	-227
Closing balance	4,382	3,705	3,873

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Note	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating profit		190	230	721	749	940
Depreciation, amortization and impairment charges		115	90	336	261	353
Other non-cash items	5	-	-	-	64	64
Change in working capital etc.		259	15	153	-122	98
Income taxes paid		-1	-19	-58	-51	-105
Cash flow from operating activities		564	316	1,152	901	1,351
Acquisitions		-	-	-	24	24
Investments in property, plant, equipment and intangible assets		-409	-236	-1,368	-524	-843
Other capital transactions		-	-	-	-3	0
Cash flow from investing activities		-409	-236	-1,368	-503	-819
Cash flow before financing activities		155	81	-216	398	532
Dividend		-	-	-242	-227	-227
Interest paid and received		-41	-27	-101	-74	-98
New loans		1,036	1,248	3,960	2,510	3,078
Repayment of loans		-974	-1,262	-3,108	-2,696	-3,579
Cash flow from financing activities		21	-41	509	-486	-825
Cash flow for the period		176	40	293	-88	-294
Cash and cash equivalents at beginning of period		581	636	457	742	742
Cash flow for the period		176	40	293	-88	-294
Exchange rate differences in cash and cash equivalents		17	-18	25	4	9
Cash and cash equivalents at end of period		775	658	775	658	457

PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net sales	43	46	141	142	203
Payroll and other operating expenses	-55	-65	-189	-197	-257
Depreciation, amortization and impairment charges	-5	-7	-14	-20	-26
Operating profit/loss	-18	-26	-62	-75	-80
Dividends from subsidiaries	-	-	-	-	517
Finance income and costs	4	6	6	18	18
Profit/loss after financial items	-14	-20	-56	-56	455
Appropriations	-	-	-	-	43
Group contributions	-	-	-	-	115
Income tax	1	4	9	11	-53
Profit/loss for the period	-14	-15	-47	-45	560

The Parent Company has no items which are accounted for as other comprehensive income. Total comprehensive income is therefore the same as profit/loss for the period.

PARENT COMPANY BALANCE SHEET (CONDENSED)

SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
Intangible assets	41	150	7
Property, plant and equipment	198	210	206
Investments related to Group companies	1,160	1,160	1,160
Receivables from Group companies	2,053	2,544	2,674
Other non-current receivables	20	23	8
Non-current assets	3,472	4,087	4,054
Receivables from Group companies	102	45	161
Other receivables	50	47	75
Cash and cash equivalents	72	24	120
Current assets	224	117	356
TOTAL ASSETS	3,696	4,204	4,411
EQUITY AND LIABILITIES			
Restricted equity	110	106	108
Non-restricted equity	1,207	895	1,498
Equity	1,318	1,001	1,606
Untaxed reserves	37	80	37
Provisions and other liabilities	29	23	27
Interest-bearing liabilities	920	2,478	2,117
Other non-current liabilities	2	2	0
Non-current liabilities	951	2,504	2,144
Liabilities to Group companies	144	49	29
Interest-bearing liabilities	1,114	450	450
Other liabilities	132	119	144
Current liabilities	1,389	618	622
TOTAL EQUITY AND LIABILITIES	3,696	4,204	4,411

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

The Gränges Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting principles adopted are consistent with those described in the Annual Report for Gränges AB (publ) 2018, with exception for new and updated standards and interpretations described below. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Reporting for Legal Entities. From 2019 the parent company will apply RFR 2 IFRS 16 item 1 and continue to recognize leases in the income statement on a straight-line basis over the lease term.

The interim information on pages 2–15 is an integrated part of these financial statements.

IFRS 16 Leases

From the financial year beginning 1 January 2019, Gränges applies IFRS 16 Leases. The new standard is adopted based on the modified retrospective transition method and mainly impacts the reporting of equipment, vehicles, office premises, warehouses and land areas that are not owned by Gränges. As a consequence, the implementation of IFRS 16 positively impacts the operating margin due to the elimination of operation leasing expenses which are partly compensated by depreciation of the right-of-use assets. In addition, the finance costs will increase due to the recognition of interest expenses on the lease liabilities. At initial application as of 1 January 2019, opening balances for right-of-use assets and lease liabilities were recognized by SEK 270 million each.

The effects from the implementation of IFRS 16 Leases in the income statement, balance sheet and cash flow are presented below.

SEK million	Jul–Sep 2019	Jan–Sep 2019
Consolidated income statement		
Payroll and other operating expenses	14	43
Depreciation, amortization and impairment charges	–12	–38
Operating profit	2	5
Finance income and costs	–3	–9
Profit before tax	–1	–4
Income tax	0	1
Profit for the period	–1	–3

SEK million	30 Sep 2019
Consolidated balance sheet	
Property, plant and equipment	251
Non-current assets	251
Retained earnings	–3
Equity	–3
Interest-bearing liabilities	203
Non-current liabilities	203
Interest-bearing liabilities	50
Current liabilities	50

SEK million	Jul–Sep 2019	Jan–Sep 2019
Consolidated statement of cash flows		
Operating profit	2	5
Depreciation, amortization and impairment charges	12	38
Cash flow from operating activities	14	43
Interest paid and received	–3	–9
Repayments of loans	–11	–35
Cash flow from financing activities	–14	–43
Cash flow for the period	–	–

IFRIC 23 Uncertainty over income tax treatments

The interpretation is effective from 1 January 2019 and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation has not had an impact on the Group's financial statements.

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Gränges mainly sells aluminium rolled products for heat exchangers and selected niche applications in different geographical regions. Gränges' customers are in the automotive industry, the HVAC industry and niche markets such as transformers and food packaging. Revenue is generated through sale of material that is produced for a certain customer and application. Revenue is recognized at the point in time when control is transferred to the customer. The transaction price for Gränges' products is based on the added value Gränges offers in terms of material properties and production complexity (fabrication price), and the price of the raw material, aluminium. The fabrication price is to a large extent fixed while the aluminium price is variable and based on metal price clauses connected to the market price. The tables below show Gränges' sales by geographical region and by market divided by type of revenue.

SEK million	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Sales by region					
Asia	617	732	2,021	2,310	3,004
Europe	532	574	1,633	1,827	2,403
Americas	1,845	2,011	5,626	5,683	7,482
Total revenue from contracts with customers	2,994	3,317	9,281	9,820	12,889
Other revenue	5	5	15	16	21
Net sales	2,998	3,322	9,295	9,836	12,910

SEK million	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Sales by market					
Automotive					
Fabrication revenue	709	740	2,272	2,357	3,117
Raw material and other revenue	794	934	2,486	2,874	3,754
Total	1,503	1,673	4,758	5,232	6,870
HVAC & Other					
Fabrication revenue	540	494	1,620	1,409	1,907
Raw material and other revenue	951	1,149	2,903	3,179	4,111
Total	1,491	1,643	4,523	4,588	6,019
Total revenue from contracts with customers	2,994	3,317	9,281	9,820	12,889
Other revenue	5	5	15	16	21
Net sales	2,998	3,322	9,295	9,836	12,910

NOTE 3 FINANCIAL INSTRUMENTS

The Group's financial assets consists of loans, accounts receivable, cash and cash equivalents as well as derivatives. The Group's financial liabilities consists of borrowings and accounts payable as well as derivatives. The table below shows the fair value of the derivatives (currency forwards and aluminium futures) included in the balance sheet.

SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
Other non-current receivables	–	2	2
Receivables	45	45	76
Provisions and other non-current liabilities	84	3	5
Provisions and other current liabilities	99	78	71

All derivatives are measured at fair value and are classified according to level 2, i.e., all significant inputs required for measurement of the instruments are observable. Fair value of currency forward contracts is calculated by discounting the difference between the contracted forward rate and the forward rate that can be contracted on the balance sheet date for the remaining contract period. Aluminium futures are measured at observable quoted prices on LME (London Metal Exchange) and SHFE (Shanghai Futures Exchange) for similar assets and liabilities.

Gränges' interest-bearing liabilities mainly consists of financing from banks and institutions. The amount of outstanding term loans was USD 150 million and SEK 200 million as per 30 September 2019. Gränges' revolving credit facilities amounted to SEK 2,490 million, whereof USD 45 million was utilized. Interest-bearing liabilities also includes corporate bonds of SEK 600 million, issued under Gränges MTN program, and commercial papers of SEK 899 million. The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio.

SEK million	Frame amount	Year			Total
		< 1	1–2	> 2	
Term loans					
SEK		200	–	–	200
USD		–	–	1,471	1,471
Bonds in MTN program	3,000	–	300	300	600
Commercial papers	1,500	899	–	–	899
Revolving Credit Facilities	2,490	–	–	441	441
Lease liabilities		50	46	157	253
Other interest-bearing liabilities		83	–	71	154
Total interest-bearing liabilities		1,233	346	2,440	4,018

Interest-bearing liabilities are measured at amortized cost and the carrying amount as of 30 September 2019 was SEK 4,018 million (SEK 2,632 million as of 31 December 2018). The fair value of interest-bearing liabilities amounted to SEK 4,029 million as of 30 September 2019 (SEK 2,641 million as of 31 December 2018). For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value.

NOTE 4 RELATED PARTY TRANSACTIONS

No changes have been made to the group or parent company in relations or transactions with related parties, compared to what is described in the 2018 Annual Report. During the period there have been no significant transactions with related parties.

NOTE 5 ITEMS AFFECTING COMPARABILITY

SEK million	Financial statement line	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018	Jan–Dec 2018
Inventory effect due to changed distribution model	Cost of materials	–	–	–	–64	–64
Items affecting comparability		–	–	–	–64	–64

During 2019 no items affecting comparability were recorded. Items affecting comparability for the full-year 2018 relates to costs due to changed distribution model for import of heat exchanger materials to Gränges' customers in North America.

NOTE 6 TAX

During the third quarter, Gränges' Chinese subsidiary has received final approval as a High and New-Technology Enterprise for the financial year 2018 and has therefore dissolved a provision with a positive impact on tax of SEK 54 million in the third quarter 2019. For the three-year period 2019 to 2021 the Chinese subsidiary has obtained a pre-qualification as a High and New-Technology Enterprise. The pre-qualification means that the company preliminary pays 15 per cent in corporate income tax instead of the ordinary tax of 25 per cent for the period. In order to finally obtain the lower tax rate, the company must meet special requirements established by the authorities in China for each one of the three years. Gränges currently considers it to be more likely than not that the special requirements will be met for the financial year 2019 and therefore applies a current tax rate of 15 per cent from the third quarter 2019 and entails an adjustment for the first and second quarter. The retroactive adjustment for the first and second quarter had a positive impact on the tax of SEK 24 million during the third quarter 2019.

In total the tax has during the third quarter been impacted positive by SEK 77 million due to the dissolved provision and retroactive adjustment.

CONSOLIDATED QUARTERLY DATA

SEK million	2019			2018			2017	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume, ktonnes	85.8	92.9	90.8	87.4	93.4	99.1	95.0	86.5
Income statement								
Net sales	2,998	3,188	3,109	3,074	3,322	3,443	3,071	2,734
Adjusted EBITDA ¹	305	370	382	283	320	390	364	262
Adjusted operating profit ¹	190	257	275	191	230	301	282	179
Operating profit	190	257	275	191	230	301	217	163
Profit for the period	198	171	184	149	158	214	167	152
Adjusted EBITDA margin, %	10.2	11.6	12.3	9.2	9.6	11.3	11.8	9.6
Adjusted operating margin, %	6.3	8.1	8.8	6.2	6.9	8.7	9.2	6.6
Adjusted operating profit per tonne, kSEK	2.2	2.8	3.0	2.2	2.5	3.0	3.0	2.1
Operating margin, %	6.3	8.1	8.8	6.2	6.9	8.7	7.1	6.0
Net margin, %	6.6	5.4	5.9	4.8	4.7	6.2	5.4	5.6
Balance sheet								
Non-current assets	6,153	5,633	5,260	4,489	4,243	4,176	3,934	3,827
Current assets	4,609	4,508	4,516	4,285	4,639	4,823	4,596	4,179
Equity	4,382	4,077	4,227	3,873	3,705	3,665	3,601	3,322
Non-current liabilities	3,280	3,055	2,840	2,522	2,884	2,555	2,608	2,555
Current liabilities	3,100	3,009	2,709	2,378	2,293	2,780	2,321	2,128
Cash flow								
Operating activities	564	310	278	450	316	291	294	257
Investing activities	-409	-508	-451	-316	-236	-166	-102	-216
Before financing activities	155	-198	-173	133	81	125	192	41
Financing activities	21	302	185	-339	-41	-173	-272	-9
Cash flow for the period	176	104	12	-206	40	-48	-80	32
Capital structure								
Net debt	3,606	3,560	3,057	2,494	2,565	2,621	2,353	2,292
Equity to assets, %	40.7	40.2	43.2	44.2	41.7	40.7	42.2	41.5
Data per share, SEK								
Earnings per share basic	2.62	2.26	2.44	1.97	2.09	2.84	2.21	2.02
Earnings per share diluted	2.62	2.26	2.44	1.97	2.09	2.84	2.21	2.02
Equity ²	58.02	53.99	55.97	51.29	49.07	48.53	47.68	44.00
Cash flow from operating activities ²	7.47	4.11	3.68	5.95	4.19	3.85	3.89	3.40
Share price at the end of the period	100.50	106.40	95.70	80.50	106.00	117.30	97.95	84.25
Weighted outstanding ordinary shares, basic in thousands	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4	75,513.7
Weighted outstanding ordinary shares, diluted in thousands	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4	75,515.4

¹ Adjusted for items affecting comparability, see Note 5 for further information.

² Calculated on weighted outstanding ordinary shares, diluted.

CONSOLIDATED QUARTERLY DATA

SEK million	2019			2018			2017	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume by region, ktonnes								
Asia	17.7	21.0	20.0	19.9	20.8	22.5	23.0	20.6
Europe	14.1	16.1	16.5	15.3	15.1	17.8	17.2	15.4
Americas	54.0	55.8	54.4	52.2	57.5	58.8	54.8	50.6
Total	85.8	92.9	90.8	87.4	93.4	99.1	95.0	86.5
Net sales by region								
Asia	617	717	687	694	732	813	765	709
Europe	537	522	589	582	579	649	615	557
Americas	1,845	1,949	1,832	1,799	2,011	1,981	1,692	1,468
Total	2,998	3,188	3,109	3,074	3,322	3,443	3,071	2,734
Employees								
Average number of employees	1,813	1,814	1,810	1,777	1,695	1,669	1,655	1,632

CONSOLIDATED 12-MONTHS ROLLING DATA

SEK million	Oct 2018 – Sep 2019	Jul 2018 – Jun 2019	Apr 2018 – Mar 2019	Jan 2018 – Dec 2018	Oct 2017 – Sep 2018	Jul 2017 – Jun 2018	Apr 2017 – Mar 2018	Jan 2017 – Dec 2017
Sales volume, ktonnes	356.9	364.5	370.8	375.0	374.0	373.7	373.2	373.0
Income statement								
Net sales	12,370	12,693	12,947	12,910	12,570	11,976	11,614	11,435
Adjusted EBITDA ¹	1,341	1,356	1,376	1,357	1,336	1,325	1,328	1,303
Adjusted operating profit ¹	913	953	997	1,005	992	989	977	933
Operating profit	913	953	997	940	912	909	897	917
Adjusted EBITDA margin, %	10.8	10.7	10.6	10.5	10.6	11.1	11.4	11.4
Adjusted operating margin, %	7.4	7.5	7.7	7.8	7.9	8.3	8.4	8.2
Adjusted operating profit per tonne, kSEK	2.6	2.6	2.7	2.7	2.7	2.6	2.6	2.5
Operating margin, %	7.4	7.5	7.7	7.3	7.3	7.6	7.7	8.0
Capital structure and return indicators								
Capital employed	7,109	6,769	6,432	6,098	5,902	5,744	5,639	5,581
Return on capital employed, %	12.8	14.1	15.5	16.5	16.8	17.2	17.3	16.7
Equity	4,053	3,909	3,814	3,633	3,480	3,339	3,225	3,093
Return on equity, %	17.3	16.9	18.5	18.9	19.9	20.5	20.5	21.1
Net debt / Adjusted EBITDA	2.7	2.6	2.2	1.8	1.9	2.0	1.8	1.8

¹ Adjusted for items affecting comparability, see Note 5 for further information.

Alternative performance measures

Gränges makes use of the alternative performance measures Return on capital employed, Net debt, Equity to assets ratio and Cash conversion. Gränges believes that these performance measures are useful for readers of the financial reports as a complement to other performance measures when assessing the possibility of dividends, the implementation of strategic investments, and the Group's ability to meet financial commitments. Further, Gränges uses the alternative performance measures Adjusted operating profit, Adjusted operating profit per tonne and Adjusted EBITDA, which are measures that Gränges considers to be relevant for investors who want to understand the profit generation excluding items affecting comparability. For definitions of the measures, see page 19.

SEK million	Q3		Jan–Sep		12 months rolling	Full year
	2019	2018	2019	2018	Oct 2018 – Sep 2019	2018
Adjusted operating profit						
Operating profit	190	230	721	749	913	940
Items affecting comparability	–	–	–	64	–	64
Adjusted operating profit	190	230	721	813	913	1,005
Adjusted operating profit per tonne						
Adjusted operating profit	190	230	721	813	913	1,005
Sales volume, ktonnes	85.8	93.4	269.5	287.5	356.9	375.0
Adjusted operating profit per tonne, kSEK	2.2	2.5	2.7	2.8	2.6	2.7
Adjusted EBITDA						
Adjusted operating profit	190	230	721	813	913	1,005
Depreciation and amortization	115	90	336	261	428	353
Adjusted EBITDA	305	320	1,058	1,074	1,341	1,357
Return on capital employed						
Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average	–	–	–	–	9,074	7,999
Non-interest-bearing liabilities, rolling 12 months average	–	–	–	–	–2,298	–2,194
Pensions, rolling 12 months average	–	–	–	–	334	293
Capital employed	–	–	–	–	7,109	6,098
Adjusted operating profit	–	–	–	–	913	1,005
Return on capital employed, %	–	–	–	–	12.8	16.5
Net debt						
Cash and cash equivalents and interest-bearing receivables	–	–	–777	–658	–777 ¹	–459
Interest-bearing liabilities	–	–	4,018	2,928	4,018 ¹	2,632
Pensions	–	–	365	294	365 ¹	321
Net debt	–	–	3,606	2,565	3,606¹	2,494
Equity to assets						
Equity	–	–	4,382	3,705	4,382 ¹	3,873
Total assets	–	–	10,762	8,882	10,762 ¹	8,773
Equity to assets, %	–	–	40.7	41.7	40.7¹	44.2
Adjusted cash flow before financing activities						
Cash flow before financing activities	155	81	–216	398	–82	532
Cash flow from expansion investments	287	147	980	288	1,162	470
Cash flow from other non-maintenance investments	–	–	93	–	93	–
Cash flow from acquisitions	–	–	–	–24	–	–24
Adjusted cash flow before financing activities	442	228	857	662	1,173	977
Cash conversion						
Adjusted cash flow before financing activities	442	228	857	662	1,173	977
Adjusted operating profit	190	230	721	813	913	1,005
Cash conversion, %	233	99	119	81	128	97

¹ Closing balance at the end of the period.

Definitions

Adjusted EBITDA

Adjusted operating profit before depreciation and impairment charges.

Adjusted cash flow before financing activities

Cash flow before financing activities excluding cash flow from non-maintenance investments and acquisitions.

Adjusted operating profit

Operating profit excluding items affecting comparability.

Adjusted operating profit per tonne

Adjusted operating profit divided by sales volume.

Average number of employees

The average number of employees converted to full-time positions.

Capital employed

Total assets less cash and cash equivalents and interest-bearing receivables, minus non-interest-bearing liabilities, excluding pensions.

Cash conversion

Adjusted cash flow before financing activities divided by adjusted operating profit.

Cash flow before financing activities

Cash flow from operating activities plus cash flow from investing activities.

Glossary

Alloy

Material composed of one metal with additions of other metals and/or elements.

Aluminium strip

Rolled aluminium in coil form.

Brazing

Joining of metals through melting and solidification.

Cladding

A layer of metal bonded to a dissimilar metal or alloy.

Heat exchanger

A device for transferring heat from one medium to another.

Earnings per share

Profit for the period divided by the total number of shares.

Equity to Assets

Equity divided by total assets.

Items affecting comparability

Non-recurring income and expenses.

ktonnes

Volume expressed in thousands of metric tonnes.

Net debt

Cash and cash equivalents and interest-bearing receivables minus interest-bearing liabilities, including pensions.

Operating profit

Profit before net financial items and tax.

Return on capital employed

Adjusted operating profit divided by average capital employed during the past 12-months period.

Return on equity

Profit for the period divided by average equity during the past 12-months period.

Sales volume

Volumes sold in metric tonnes.

SEK

Swedish Krona.

HVAC

Abbreviation for Heating, Ventilation and Air Conditioning systems including heat exchangers. Sometimes used to define the stationary heat exchanger market.

LME

London Metal Exchange.

Rolled aluminium

Aluminium that has been hot and/or cold rolled to desired gauge.

SHFE

Shanghai Futures Exchange.

Slab

Input material to the rolling process that is produced by casting.



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ABOUT GRÄNGES

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. In materials for brazed heat exchangers Gränges is the global leader with a market share of approximately 20 per cent. The company develops, produces and markets advanced materials that enhance efficiency in the customer manufacturing process and the performance of the final products. The company's geographical markets are Europe, Asia and the Americas. Its production facilities are located in Sweden, China and the United States, and have a combined annual capacity of 420,000 metric tonnes. Gränges has around 1,800 employees and net sales of SEK 13 billion. The share is listed on Nasdaq Stockholm. More information on Gränges is available at www.granges.com.

VISION AND BUSINESS CONCEPT

Gränges' vision is to transform the world through innovative aluminium engineering. We support our customers with research and innovation, product development, and technical support throughout the product's life-cycle. The performance of the customers' final product in terms of efficiency and environmental impact depends largely on material properties and design, which are Gränges' core competences.

BUSINESS MODEL

Gränges' business model is based on long-term customer relationships. Revenue is generated through sale of material that is produced for a certain customer and application. Prices are expressed in metric tonnes and based on the added value that Gränges offers in terms of material properties and production complexity, and the price of the raw material; aluminium. The cost for the material is passed on to the customer.

STRATEGY

Gränges has a clear strategy for the coming years. By offering customized products with a high technical content, Gränges aims to grow above market rate. The ambition is to be the market leader in all geographical regions within rolled aluminium heat exchanger materials in 2020. That goal is based on four strategic pillars: drive growth through innovations, create value from sustainability, increase efficiency through continuous improvements, and grow presence through structural expansion.