



GRÄNGES ANNUAL REPORT 2017

Gränges is a global leader in aluminium engineering, manufacturing and innovation

| | | | |
|--------------------------------|--------------|--------------------------------------------------|---------------|
| OPERATIONS | 1–25 | BOARD OF DIRECTORS' REPORT | 52–54 |
| The year in brief | 1 | | |
| This is Gränges | 4 | CORPORATE GOVERNANCE REPORT | 55–65 |
| CEO statement | 6 | Board of Directors | 62 |
| Global trends | 8 | Group Management | 64 |
| Strategy and financial targets | 10 | | |
| Business model | 12 | FINANCIAL STATEMENTS | 66–111 |
| Market overview | 14 | Content | 66 |
| The inside story | 18 | Consolidated financial statements | 67 |
| Products and innovation | 20 | Notes to the consolidated financial statements | 72 |
| Production and processes | 24 | Parent company financial statements | 96 |
| | | Notes to the parent company financial statements | 100 |
| SUSTAINABILITY | 26–45 | Definitions | 105 |
| Value chain | 29 | Five-year summary | 106 |
| Supply chain | 32 | Proposed appropriation of retained earnings | 108 |
| Gränges' operations | 34 | Auditor's report | 109 |
| Society | 44 | | |
| Customers | 45 | SUSTAINABILITY NOTES | 112 |
| | | GRI Index | 119 |
| RISK MANAGEMENT | 46 | | |
| | | Glossary | 122 |
| THE SHARE | 50 | Annual General Meeting | 123 |
| | | History | 124 |
| | | Addresses | 125 |

2017 IN BRIEF

STRONG PERFORMANCE AND ACTIONS FOR FUTURE GROWTH

- Sales volume increased to 373.0 ktonnes (239.1).¹⁾
- Net sales increased to SEK 11,435 million (7,207).
- Adjusted operating profit increased by 35.8 per cent to SEK 933 million (687), corresponding to an adjusted operating margin of 8.2 per cent (9.5).
- Profit for the period increased to SEK 652 million (498).
- Diluted earnings per share increased to SEK 8.64 (6.64).
- Cash flow before financing activities amounted to SEK 572 million (–2,046). The figures for 2016 include a cash consideration for the acquisition of Noranda downstream operations¹⁾ of SEK 2,581 million.
- Return on capital employed was 16.7 per cent (17.5).
- Net debt amounted to SEK 2,292 million (2,722) on 31 December, 2017, which corresponds to 1.8 times adjusted EBITDA (2.1).
- Initiated investment of USD 110 million in US capacity expansion.
- Signed letter of intent to form a joint venture with Mitsubishi Aluminum in North America.
- Invested in advanced spray-forming production.

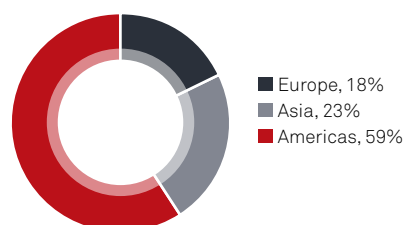
1) The Noranda downstream operations were consolidated into Gränges' accounts from 22 August, 2016.

Financial summary

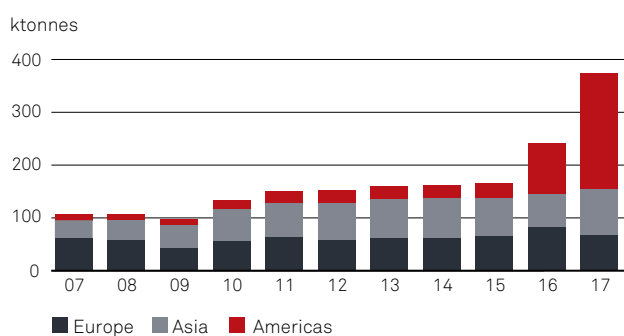
| SEK million | 2017 | 2016 | Change |
|-------------------------------------------|--------|--------|----------|
| Sales volume, ktonnes | 373.0 | 239.1 | 56.0% |
| Net sales | 11,435 | 7,207 | 58.7% |
| Adjusted operating profit ²⁾ | 933 | 687 | 35.8% |
| Adjusted operating margin, % | 8.2 | 9.5 | –1.4 ppt |
| Adjusted operating profit per tonne, kSEK | 2.5 | 2.9 | –0.4 |
| Operating profit | 917 | 559 | 64.0% |
| Operating margin, % | 8.0 | 7.8 | 0.3 ppt |
| Profit for the year | 652 | 498 | 31.0% |
| Earnings per share basic, SEK | 8.65 | 6.66 | 1.99 |
| Earnings per share diluted, SEK | 8.64 | 6.64 | 2.00 |
| Cash flow before financing activities | 572 | –2,046 | n/a |
| Equity/assets, % | 41.5 | 37.0 | 4.5 ppt |
| Net debt | 2,292 | 2,722 | –430 |
| Return on capital employed, % | 16.7 | 17.5 | –0.8 ppt |

2) Adjusted for items affecting comparability (see Note 12).

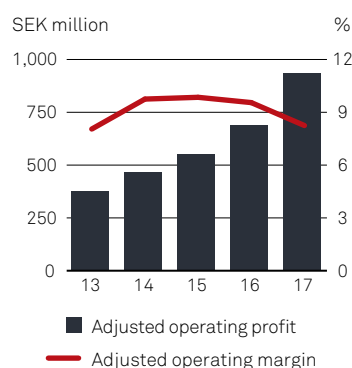
Sales volume per region, 2017



Sales volume, 2007–2017



Adjusted operating profit, 2013–2017





2017 QUARTER BY QUARTER

Q1

- Strong sales development in Asia and the Americas and increased operating profit.
- Sales volume increased by 7 per cent and operating profit by 11 per cent, excluding the acquired business in the US.
- Appointment of Kent Schölin to SVP Research & Innovation.

Q2

- The positive sales trend continued, and second quarter was Gränges' strongest quarter to date.
- Improved operational performance with high product quality and good metal management.
- Increased earnings and cashflow led to net debt back in target range of 1–2 times adjusted EBITDA.
- Inauguration of Gränges Research & Innovation centre in Finspång.

Q3

- Continued sales growth, good development in China.
- Decision to expand the capacity in the Huntingdon facility in the US, investment of in total USD 110 million over two years.
- Invested in advanced spray-forming production to secure supply of TRILLIUM® billets.

Q4

- Higher sales volume and increased profit.
- Good sales development in all regions in the fourth quarter, which is the seasonally weakest quarter of the year.
- Appointment of Jörgen Abrahamsson to President Europe
- Dividend of SEK 3.00 per share proposed to the AGM in May 2018.

>> SUSTAINABILITY

Creating value through sustainability is one of Gränges' strategic pillars. In 2017, Gränges continued to focus on developing a stable platform for future value creation, by means of:

- Integrating the acquired operations in the US into Gränges' sustainability agenda, procedures and reporting
- Further developing the group-wide and global sustainability framework to support value creation from sustainability, to be implemented in 2018
- Appointing a VP of Sustainability, strengthening the company's sustainability organization

→ Read more about Gränges' sustainability efforts and performance on pages 26–45 and 112–121



>> ELECTRIC VEHICLES

The strong growth of electric vehicles in the years ahead will support the demand for heat exchanger materials. Electric vehicles require additional cooling of batteries, which increases the use of heat exchangers materials.

→ Read more on page 9

>> TRILLIUM® ACTIVE BRAZING

Gränges continues with the successful route with its TRILLIUM® technology introducing TRILLIUM® Lean, a new multi-layer material with enhanced potential for especially challenging applications. Furthermore, the investment in advanced spray-forming production capability provides opportunities to expand within Active brazing with products such as TRILLIUM®.

→ Read more on page 23



A GLOBAL LEADER IN ALUMINIUM

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. The company develops, produces and markets advanced materials that enhance efficiency in the customer manufacturing process and the performance of the final products.

>> SALES BY MARKET

Gränges' customers are in the automotive industry, the stationary heat exchanger industry, and niche markets such as transformers and food packaging.

Automotive heat exchangers: Every second car produced in the world today contains heat exchangers with Gränges' material and expertise.

Stationary heat exchangers: Aluminium is increasingly used as a stationary heat exchanger material, and Gränges holds a strong position.

Other: In North America, Gränges is a major supplier of winding material for transformers, and aluminium foil suitable for food packaging.



■ Automotive, 46%
■ Stationary, 26%
■ Other, 28%
Reported sales volume 2017.

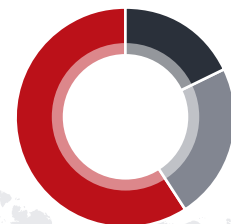
>> SALES BY REGION

Gränges has sales across three major regions. The acquisition of Noranda in 2016 has made Americas the largest market, with 59 per cent of Gränges' sales volume in 2017.

Europe: Leading position in rolled products for brazed aluminium heat exchangers.

Asia: Leading position in rolled products for brazed aluminium heat exchangers. China accounts for more than 60 per cent of Gränges' sales in Asia.

Americas: Leading position in rolled aluminium products for stationary heat exchangers. Second largest supplier in rolled products for aluminium heat exchangers for the automotive industry. Strong positions in niche markets such as transformers and food packaging.



■ Europe, 18%
■ Asia, 23%
■ Americas, 59%
Reported sales volume 2017.

Key production facilities

Gränges' total production capacity of about 420,000 tonnes is split across five production sites on three continents. These facilities are highly optimized according to lean-principles with demand-driven production, and meet customer requirements in terms of quality, flexibility, and delivery.

- Headquarters
- Sales offices and technical support
- Production sites



VISION

To transform the world through innovative aluminium engineering

INVESTMENT CASE

REASONS TO INVEST IN GRÄNGES

1 Market leading position

Gränges has a leading position in the global market for rolled aluminium products for heat exchangers. The market share in the niche of materials for brazed aluminium heat exchangers was around 20 per cent in 2017.

2 A leader in brazing materials

Brazing is the main technology in manufacturing aluminium heat exchangers in the automotive industry, and is expected to increase for stationary heat exchangers. Gränges has a leading position in brazed heat exchanger materials across all regions.

3 Close to customers

Geographical proximity is necessary to meet customer demand. Gränges has its own production capacity and a strong customer base in all major markets. The ten largest customers accounted for 53 per cent of Gränges' sales volume in 2017.

4 Industrial craftsmanship

Of the many companies involved in rolled aluminium products, few have the comprehensive competence required to produce the technologically advanced materials in which Gränges specializes.

5 High technology content

Customers have special requirements in terms of product performance and metallurgical properties. Gränges Research & Innovation organization works closely with the customers.

6 Strong presence in Asia

Gränges was established in China in 1996, and has built a leading position in Asia since then. In 2017, Gränges' growth in Asia was 6.8 per cent, and this market has the highest growth expectations in the years ahead.

7 Well-invested facilities

Gränges' production facilities have a total annual capacity of 420,000 tonnes, are well invested and have low annual maintenance requirements. To meet strong demand, expansion investments will be made in the coming years.

8 A stable revenue model

The cost of the primary raw material is passed on to customers, which means that the performance does not significantly depend on fluctuations in the price of aluminium. The Group's income is based on the value that is added to the products.

AUTOMOTIVE HEAT EXCHANGERS PERFORMANCE IS KEY

Demand for automotive heat exchanger strips is closely tied to the global vehicle production and the number of heat exchangers installed per vehicle. A number of unique heat exchangers are developed for every new vehicle platform. Advanced requirements for product performance, especially in terms of energy efficiency, imply that brazed aluminium heat exchangers are currently the prevailing technology in this industry. In recent years, environmental requirements and passenger comfort demands have increased the number of heat exchangers in cars. The shift towards electric vehicles will drive demand for compact liquid-filled heat exchangers, where Gränges and its patented TRILLIUM® technology holds a strong position.

STATIONARY HEAT EXCHANGERS SHIFT TO ALUMINIUM

A large number of manufacturers, end users and applications fragment the market for stationary heat exchangers. The market includes commercial and residential property, data centres, and manufacturing. Together, these areas account for a considerable share of energy consumption in many countries. Demand for reduced energy consumption and restrictions on the use of, and choice of, refrigerants is driving demand for smaller and lighter heat exchangers, and is speeding up the shift to aluminium as a stationary heat exchanger material.



“Research and innovation is a core element of Gränges’ strategy”

FOCUS 2017

- Increase customer driven research and innovation by using our competences in aluminium materials and processing
- Further develop our sustainability framework based on the foundation laid in 2016
- Drive operational excellence to achieve cost efficiency
- Evaluate investments to increase our capacity and capabilities in the US
- Assess long-term growth opportunities in Asia

FOCUS 2018

- Continue to assess growth opportunities in all regions
- Increase efforts in R&I and business development related to solutions for electrical vehicles
- Implement the new global and group-wide sustainability framework
- Continue to implement and communicate Gränges’ model for operational excellence and continuous improvements
- Continue to develop our leaders and build diverse and high performing teams

A STRONG BASE FOR LONG-TERM PROFITABLE GROWTH

We continue to focus on growth while retaining profitability. Our dedicated and long-term investment in innovation and sustainability drives our development.

I look back on yet another financially strong year for Gränges. Above all, we have taken important steps to drive Gränges' long-term growth – with investments in new manufacturing capacity, in Research & Innovation (R&I) and strategic acquisitions that strengthen our existing offering. We have a particular focus on the electrification of the automotive industry. Major technology shifts often present challenges, but for heat exchangers we predict a strong position in this evolving market.

Strong markets

In comparison with 2016, we have seen more positive market development globally in 2017. A strong Chinese market fuelled our sales in Asia, with good volumes to both local and global customers. In Europe, we continued to grow our share in a market characterized by robust growth. In the Americas, sales volumes continued to increase with good growth across all our product categories, further boosted by strong sales of heat exchanger materials to stationary applications and to automotive customers.

New capacity

Since our plants in the US are currently running close to maximum capacity, we decided to take the next step in our strategic growth plan for North America. The plan includes an expansion of the Huntingdon facility to meet growing demand for light gauge foil, automotive heat exchanger materials, as well as heating, ventilation and air conditioning (HVAC) applications. We also signed a letter of intent with Japanese Mitsubishi Aluminum to form a joint venture in North America for the manufacturing of advanced aluminium materials for brazed automotive heat exchangers.

New materials

We have taken important steps in the development of next generation heat

exchanger materials. With the investment in advanced spray-forming technology, we can now address a larger market with innovative materials within Active brazing. This will be an important product category for us in coming years. We have also continued the development of our TRILLIUM® technology and introduced TRILLIUM® Lean, a new multi-layer material for particularly challenging applications. With our TRILLIUM® products we help customers reduce costs, create new designs, increase profitability and reduce their environmental impact. The launch of TRILLIUM® Lean has received a very positive response from our current automotive customers as well as from new industrial customers.

Strengthened R&I

Research and innovation is a core element of Gränges' strategy, and during the year we have further increased our efforts in this area. We have inaugurated our global Research & Innovation centre in Finspång, and we have strengthened our competence in electric vehicles in Shanghai. Asia is by far the largest electric vehicle market, accounting for more than 76 per cent of the electric vehicles produced globally in 2017. Being close to this large and fast-growing market allows us to better support our global customers in product development for future applications.

Electric vehicles

As I mentioned above, we view the global trend with increased electrification in the automotive industry as positive. Naturally, the key to success is a strong focus on R&I and close cooperation with our heat exchanger customers, not only in Asia but in all our markets. A higher share of hybrid vehicles, electric vehicles and advanced features such as autonomous driving, will have a positive impact on demand for heat exchanger materials. As an example, the shift will drive demand

for compact liquid-filled heat exchangers, where our patented TRILLIUM® technology has a competitive advantage. All in all, we see the electrification in the automotive industry as a potential for a larger addressable market.

Sustainable business

In all things we do, we have a responsibility to drive the development in a direction that favours all our stakeholders, hence our strong focus on sustainability as an integrated part of our business. We strive to minimize the environmental impacts of our operations, uphold ethical business practices and provide a safe and good work environment. We participate in the UN Global Compact since October 2016 and are committed to continuously integrating the ten principles into our strategy and our operations. In 2017 we continued to focus on developing a stable sustainability platform. Among other initiatives, we updated our global and group-wide sustainability framework which we will implement in 2018.

Strategy for growth

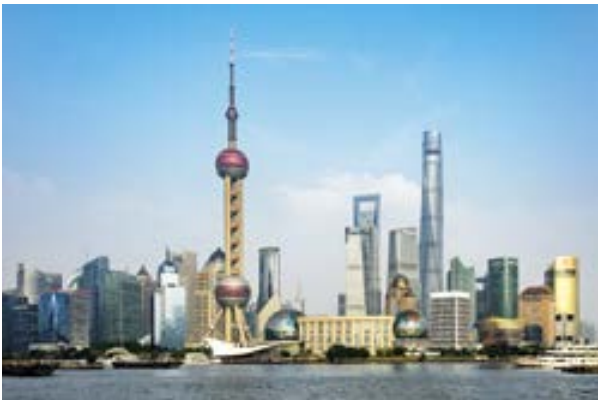
Our strategy remains intact. We are set to drive growth through innovation and acquisitions, increase efficiency through continuous improvements and add value through our sustainability initiatives. This includes increased focus on product development for electric vehicles, with its good long-term growth potential. The good near-term market prospects together with strong financials, make me confident that we will continue to create value for all our stakeholders and reach our financial targets. In other words, achieving sustained and sustainable profitability.



Johan Menckel, CEO

GLOBAL TRENDS

The world is facing a period of intense change. Economies are dramatically evolving, triggered by development in emerging markets, the accelerated rise of new technologies, sustainability issues, and changing consumer preferences around ownership. These trends will also influence Gränges' industries.



>> Urbanization

The world's urban population is expected to double by 2050 and most of this growth will happen in Asian megacities. There are currently 29 megacities with populations of over 10 million in the world, 16 of them in Asia. This rapid urbanization will produce challenges in infrastructure, services, job creation, climate, and environment. Reports show that cities today consume 75 per cent of the world's natural resources and account for 80 per cent of global greenhouse gas emissions. Global sustainability and climate change issues must therefore be resolved in cities.

>> Digitalization

Digitalization, increasing automation, and new business models, are starting to revolutionize the automotive industry and lead to disruptive trends such as autonomous driving, electrification, connectivity, and shared economy. To succeed, automotive original equipment manufacturers (OEM), suppliers, and service providers form alliances or participate in future ecosystems – for example, around infrastructure for autonomous and electrified vehicles. The emergence of a sharing economy will lead to higher fleet utilization, resulting in new requirements for vehicle materials and design, and therefore new business opportunities for suppliers.



>> Limited resources

Megatrends such as urbanization, electrification, and an expanding global middle class, will have a huge impact on the economics of materials. There will be a large rise in the production of passenger aircraft, electric vehicles will account for a rapidly growing share of new car sales, and sales of smartphones are expected to reach close to 2 billion units in 2018. This will put major pressure on the world's natural resources and create temporary or long-term shortages of critical materials such as copper, lithium, nickel, and cobalt. Business models involving recycling and a circular economy will become increasingly important in meeting such challenges.

ELECTRIFICATION OF THE AUTOMOTIVE INDUSTRY

The electric vehicle¹⁾ market is set to change from early deployment to mass market adoption in the years and decades ahead. This will have short-term and long-term consequences for Gränges. The expected strong growth in sales of electric vehicles will support demand for aluminium heat exchanger materials.

In 2017 close to 4.1 million new electric cars were produced – a new record and 26 per cent up on 2016. Even though this made the global installed base to surpass 3 million electric vehicles, it corresponds to just 0.3 per cent of the total number of light vehicles in circulation. However, assessments of country targets, OEM announcements and scenarios on electric car adoption indicate that sales of electric vehicles will continue to grow at a fast pace, and that the global fleet may reach 20 million by 2020 and 70 million by 2025. This strong growth is driven by battery technology development and by the multiple benefits electric vehicles can bring to societies: energy security, urban air quality, greenhouse gas reductions, and noise mitigation. The global fleet is so far concentrated in a few markets, with Asia being by far the largest market for electric vehicles with more than 76 per cent of worldwide production in 2017.

In the past two years, a large number of global OEMs have announced plans to create or significantly widen their electric model offering over the next decade. In the short-term new models such as Tesla Model 3 will drive sales in North America, Toyota Prius will drive sales in Japan, and Nissan Leaf and GM Bolt globally. In addition, several Chinese OEMs are planning to greatly expand capacity.

1) Light vehicles that are powered entirely or partly by electricity. They are often divided into hybrids and all-electric.



GRÄNGES' VIEW OF THE ELECTRIC VEHICLES MARKET

- Increased electrification in vehicles supports demand for aluminium heat exchanger materials. There is a strong need for highly efficient heat exchangers, particularly for the thermal management of batteries. Plug-in hybrid electric vehicles have a greater need for heat exchanger materials.
- Battery technology will continue to evolve. Long-term, electrification is likely to bring major changes to the automotive industry, including its supply chain.
- Gränges has a competitive advantage of being the global market leader in rolled aluminium products for heat exchangers. The leading position supports new partnerships and the ability to participate in a sustainable development. Gränges Research & Innovation centres in Sweden and China are focused on solutions for electric vehicles and other new applications.
- The first-generation electric vehicles have similar design as combustion engine cars. Next generation vehicles will have a wide variety of designs and systems adapted solely for using an electric powertrain. This is also when sales will take off.

GROWTH THROUGH INNOVATION

By offering customized products with a high technical content, Gränges aims to grow faster than the market in the coming years, with sustained and sustainable profitability. By 2020, Gränges intends to be the market leader within rolled aluminium heat exchanger materials in all regions.

»» STRATEGY 2020

The strategy has four main pillars:

1 DRIVE GROWTH THROUGH INNOVATION

Gränges wants to lead the development of heat exchanger materials and advanced aluminium solutions and be customers' preferred choice.

ACHIEVEMENTS 2017

- Established a new organization for Research & Innovation (R&I) and inaugurated the global R&I centre in Finspång, Sweden.
- Launched TRILLIUM® Lean, a patented new technology for brazing without the need for adding a fluxing agent.

2 CREATE VALUE FROM SUSTAINABILITY

Gränges strives to minimize the environmental impacts of its operations, uphold ethical business practices and provide a safe and good work environment.

ACHIEVEMENTS 2017

- Conducted a carbon footprint study to provide a baseline for future target setting and a reduced carbon footprint.
- Increased focus on cross-audits to improve safety and promote best practice across the organization.
- Completed training in Gränges' Code of Conduct for all employees in the US and China.

3 INCREASE EFFICIENCY THROUGH CONTINUOUS IMPROVEMENTS

Gränges aims to increase productivity, process stability, and energy efficiency, and to reduce waste in its operations.

ACHIEVEMENTS 2017

- Increased the capacity in the Americas by 5 per cent.
- Improved the quality and reduced number of claims by 25 per cent.
- Reduced the energy consumption by 2 per cent per tonne.
- Increased the share of internal recycled aluminium in production by 3 per cent.

4 GROW PRESENCE THROUGH STRUCTURAL EXPANSION

Gränges plans to invest in production capacity and capabilities, and to expand into adjacent markets.

ACHIEVEMENTS 2017

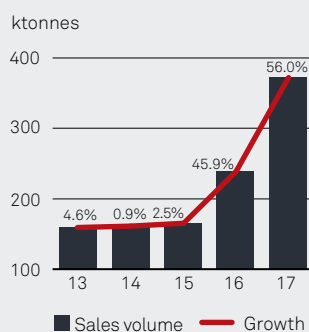
- Initiated an investment of USD 110 million to expand the capacity at the production plant in Huntingdon, United States.
- Signed a letter of Intent with Mitsubishi Aluminum to establish a joint venture in North America for production of advanced aluminium products to the automotive industry.
- Invested in spray-forming production to secure the supply of TRILLIUM® billets.

>> LONG-TERM FINANCIAL TARGETS

Gränges should grow at least in line with the market, generate a return on capital employed of 15–20 per cent, have a net debt of one to two times EBITDA, and pay a dividend of 30–50 per cent of the profit for the year. In 2017, all these targets were either met or exceeded.

GROWTH

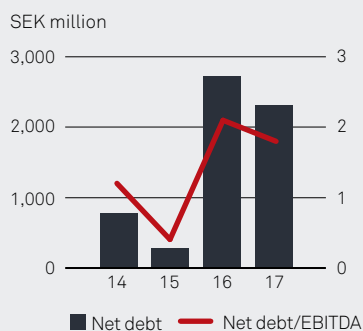
Increase sales volume at least in line with the company's end markets.



Comment: Noranda was consolidated into Gränges' accounts from August 2016, which greatly increased sales for the full year of 2017. The organic sales volume increased by 4,6 per cent in 2017, which was higher than the growth in end markets.

CAPITAL STRUCTURE

Net debt should normally be 1–2 times adjusted EBITDA over a 12-month period.



Comment: In 2017 net debt was reduced by SEK 430 million to SEK 2,292 million, after a rise in 2016 with the acquisition of Noranda, which was entirely financed with loans. On December 31, 2017, net debt amounted to 1.8 times adjusted EBITDA and has returned to the target range faster than expected.

RETURN ON CAPITAL EMPLOYED

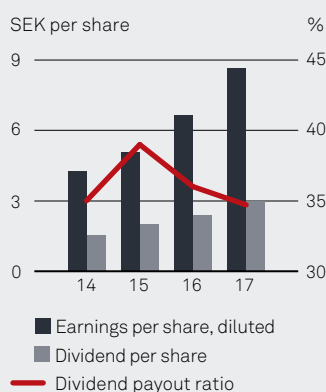
Generate a return on capital employed of 15–20 per cent over time.



Comment: Return on capital employed decreased by 0.8 percentage points to 16.7 per cent in 2017. Higher capital employed, as a result of the acquisition of Noranda in August 2016, was offset by a strongly improved adjusted operating profit.

DIVIDEND POLICY

The target over time is to pay a dividend of 30–50 per cent of the profit for the year. Decisions on dividends will reflect the company's financial position, cash-flow, and outlook.



Comment: A dividend of SEK 3.00 per share is being proposed. This is an increase of 25 per cent on the previous year, and corresponds to 35 per cent of the profit for the period in 2017.

A FOCUSED BUSINESS MODEL

Gränges is a global leader in aluminium engineering, manufacturing, and innovation. The focus is on rolled aluminium products for heat exchangers and selected niche applications.

“The company’s specialization, product knowledge, and lean manufacturing, enable it to offer high added value, excellent quality, and delivery precision.”

Strong customer relationships

Gränges works closely with its customers – from product design to full-scale production. Gränges’ business relationships are therefore typically long-term and 85 per cent of the company’s customers have been with it for more than 10 years.

Leading edge technology

Gränges is highly competent in development and production, particularly in the development of alloys, hot rolling of clad materials, thermo-mechanical processing, and slitting. Together these skills enable Gränges to produce high value added products.

Proven revenue model

Gränges generates its revenue through selling advanced materials manufactured for specific customers and applications. Prices are based on the added value Gränges offers in terms of material properties and product complexity. The cost of aluminium, which is the primary input material, is passed on to customers.

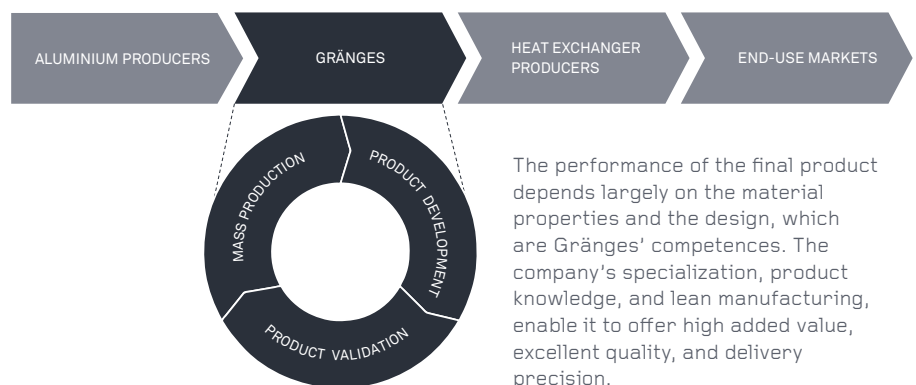
Specially adapted manufacturing plants

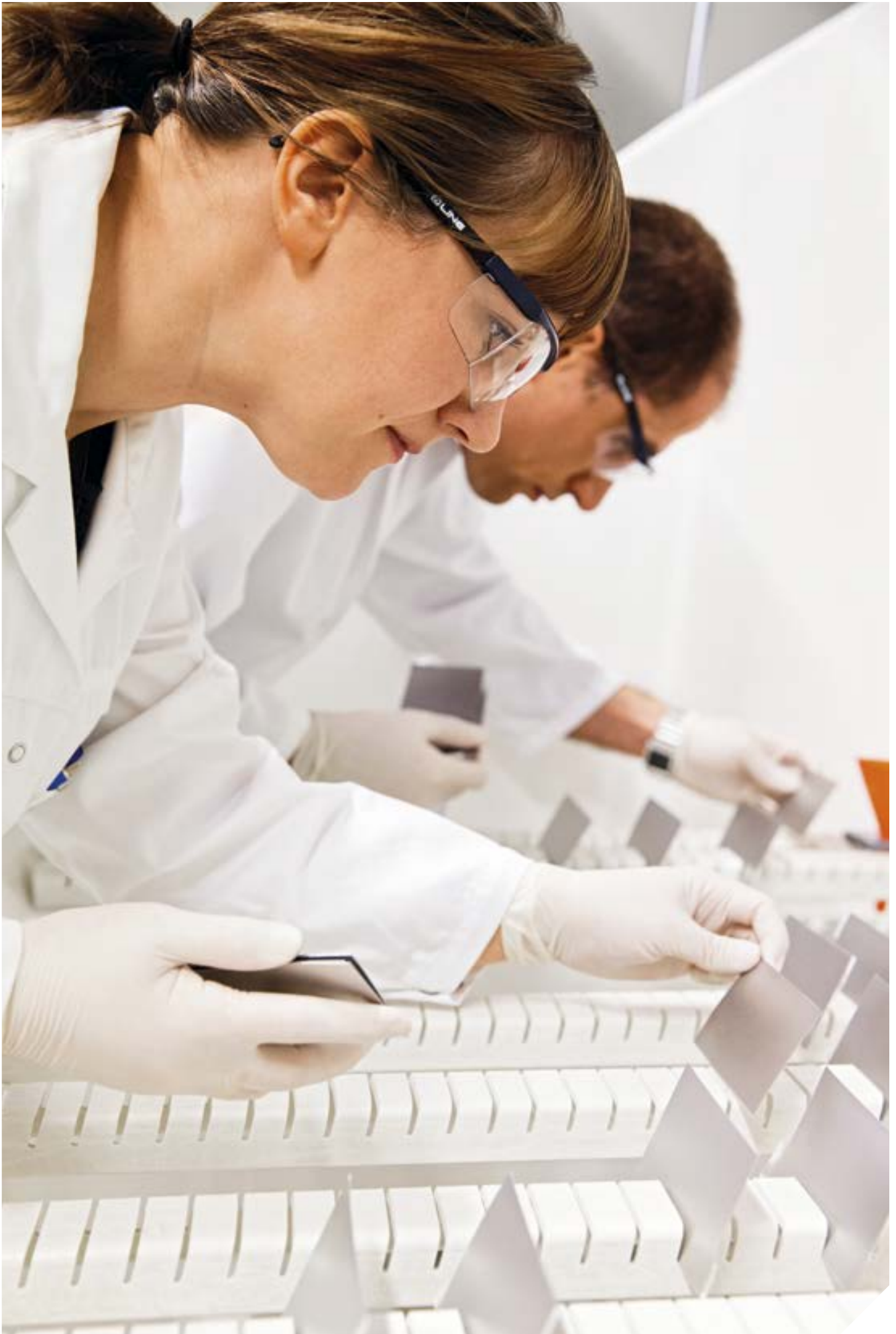
Gränges’ manufacturing plants in Shanghai and Finspång are optimized for the production of heat exchanger materials for brazed heat exchangers. In the US, the efficient manufacturing plants are well suited for the production of materials for stationary heat exchangers, food packaging, transformers, and other niche markets. To meet increasing demand, a decision to invest in additional capacity in the US was taken in 2017.

An organization rich in experience

Gränges’ many years of specialization in developing and manufacturing rolled products for brazed heat exchangers have built up experience and expertise in material characteristics and manufacturing processes at all levels of the organization.

GRÄNGES’ BUSINESS MODEL





A TRULY GLOBAL PLAYER

Gränges is one of the few genuinely global players in rolled aluminium products with production, sales, and customer-driven product development on three continents. Many of Gränges’ customers are also global, having production and sales in Europe, Asia and the Americas.

Gränges has a leading global position in rolled aluminium materials. In the industry for rolled products for brazed heat exchangers Gränges has a clear market leading position, estimated at around 20 per cent globally. The automotive industry accounts for about half of Gränges’ sales. Stationary heat exchangers, transformers, and food packaging are additional end customer markets that have become significant parts of Gränges’ business after the acquisition of Norandas downstream operations in 2016.

Market characteristics

High barriers to entry

The market for advanced aluminium materials is relatively hard to enter profitably. This is not primarily due to the capital-intensive nature of the industry, but rather because of the high level of competence and experience required to develop the new, advanced materials that customers demand. Competence and experience are also critical to operating flexible production processes efficiently, and to be able to guarantee a high degree of delivery reliability in terms of volume, time and quality. All in all, this places high demands on well-tuned manufacturing capabilities and processes refined over extended periods of time, as well as effective customer service and a global logistics capacity.

Continuous improvements

Manufacturers of heat exchangers are faced with constant demands for improvements from their customers in the automotive and the stationary heat

exchanger industry. Thus, they need to continuously improve heat exchanger performance, reduce weight to meet demand for lower environmental impact, reduce total costs and increase the value of their cooling and climate control solutions. A core challenge is to meet the requirements of next generation automotive platforms, new applications and demands of end customer products. This means that as a supplier, Gränges needs to be at the forefront of developing adaptable and customized aluminium materials.

Long-term relationships

The long development cycles of new car platforms in the automotive industry, require long-term cooperation between producers and their suppliers. Gränges has long-term relationships with its customers, a result of Gränges’ strong focus to continuously developing new products, materials, and processes in close cooperation with customers. These long-term customer relationships also reflect the strength of Gränges’ brand for heat exchanger materials, recognized for its capacity as a global supplier with excellent delivery accuracy. Of Gränges’ customers, 85 per cent have worked with the company for more than ten years.

Competitors

Gränges’ competitors vary in size and strategic focus. Factors affecting the degree of competition differ between regions and end user markets, but generally Gränges competes on product quality, technically advanced products, the ability to meet customer require-

ments, product range, lead times, technical support, price, and customer service. Competitors are primarily major global aluminium companies such as Aleris, Arconic, Novelis and UACJ. In Asia there are several local players that are direct competitors to Gränges on the Asian market. In Europe, there are signs of growing competition from manufacturers in Eastern and Southern Europe, while the North American market has seen increased competition from Asian manufacturers. In the US, anti-dumping and counterrailing duties on Chinese imports of certain rolled aluminium products were imposed in the second half of 2017, which has reduced competition from Chinese suppliers.

END CUSTOMER MARKETS



■ Automotive, 46%
 ■ Stationary, 26%
 ■ Other, 28%

Gränges’ sales volume per end customer market, for full-year 2017.

END CUSTOMER MARKETS

THE AUTOMOTIVE INDUSTRY

The automotive industry includes all types of vehicles, from light to heavy duty, as well as hybrid and electric vehicles. Demand for heat exchanger material is strongly linked to global vehicle production and the number of heat exchangers per vehicle, which tends to increase in line with requirements for improved performance and enhanced functionality. Brazed aluminium heat exchangers represent nearly 100 per cent of the market today. According to the international

research firm IHS, global light vehicle production increased by 2.3 per cent (4.0) in 2017, while an average annual growth of 2.1 per cent is expected between 2018 and 2020. The production of electric vehicles is expected to grow, from low volume levels, by 40–60 per cent annually in the coming years, to reach a market share of around 18 per cent globally in 2021.

Gränges' market share, globally:

20%

THE STATIONARY HEAT EXCHANGER INDUSTRY (HVAC)

HVAC (heating, ventilation and air conditioning) includes systems for heating and cooling, for instance in private houses, commercial premises, and industrial buildings. Stationary heat exchangers have a broad group of end users in industries such as the agricultural sector, retail, healthcare, manufacturing and property. Underlying growth factors for heat exchangers in

HVAC, regardless of type, is construction investment, new regulations on energy efficiency, climate changes and economic growth. Brazed aluminium heat exchangers account for only a small share of the total market. Gränges is both a supplier of brazed and mechanically-assembled aluminium heat exchangers, with the strongest position in the Americas with close to 10 per cent market share.

Gränges' market share, globally:

10%

OTHER END CUSTOMER MARKETS

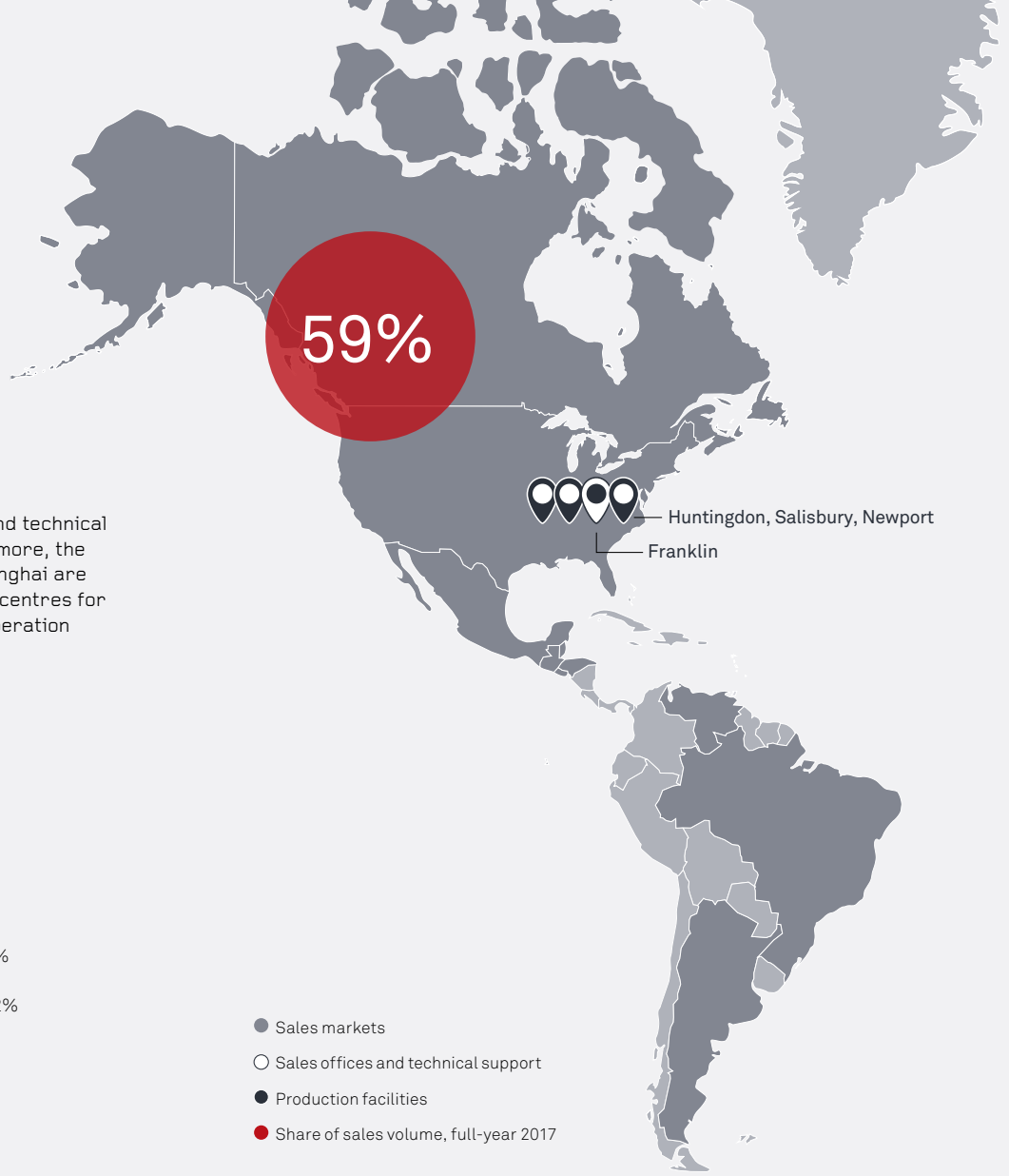
Aluminium foil provides a complete barrier to light, oxygen, moisture, and bacteria. These properties make it ideal for food cartons and pouches. Semi-rigid containers are among the most versatile of all types of packaging and are widely used for pre-packaged foods, easily withstanding great differences in temperature from freezing to heating.

Another end market in North America is materials for transformers. A transformer is an electrical device used to increase or decrease the alternating

voltages in electric power applications. It consists of two or more coils called windings, which are wrapped around a core. In North America, aluminium is becoming more common as winding material in distribution transformers, while copper is more common for large power transformers. Aluminium has significant cost and weight advantages over copper.

The markets for semi-rigid containers and for transformer windings made in aluminium are expected to show stable annual growth.

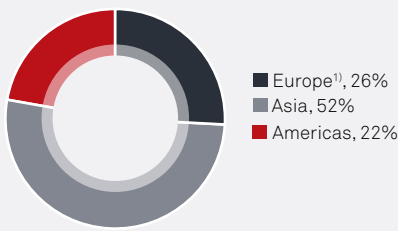
“Aluminium is becoming more common as winding material in distribution transformers”



GEOGRAPHIC EXPOSURE

Gränges has manufacturing, sales, and technical support on three continents. Furthermore, the production sites in Finspång and Shanghai are equipped with important competence centres for research and innovation in close cooperation with customers.

Global light vehicle production 2017, per region



1) Included Middle East & Africa in Europe.

- Sales markets
- Sales offices and technical support
- Production facilities
- Share of sales volume, full-year 2017

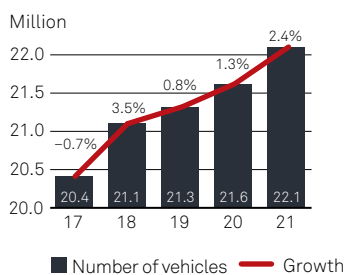
AMERICAS

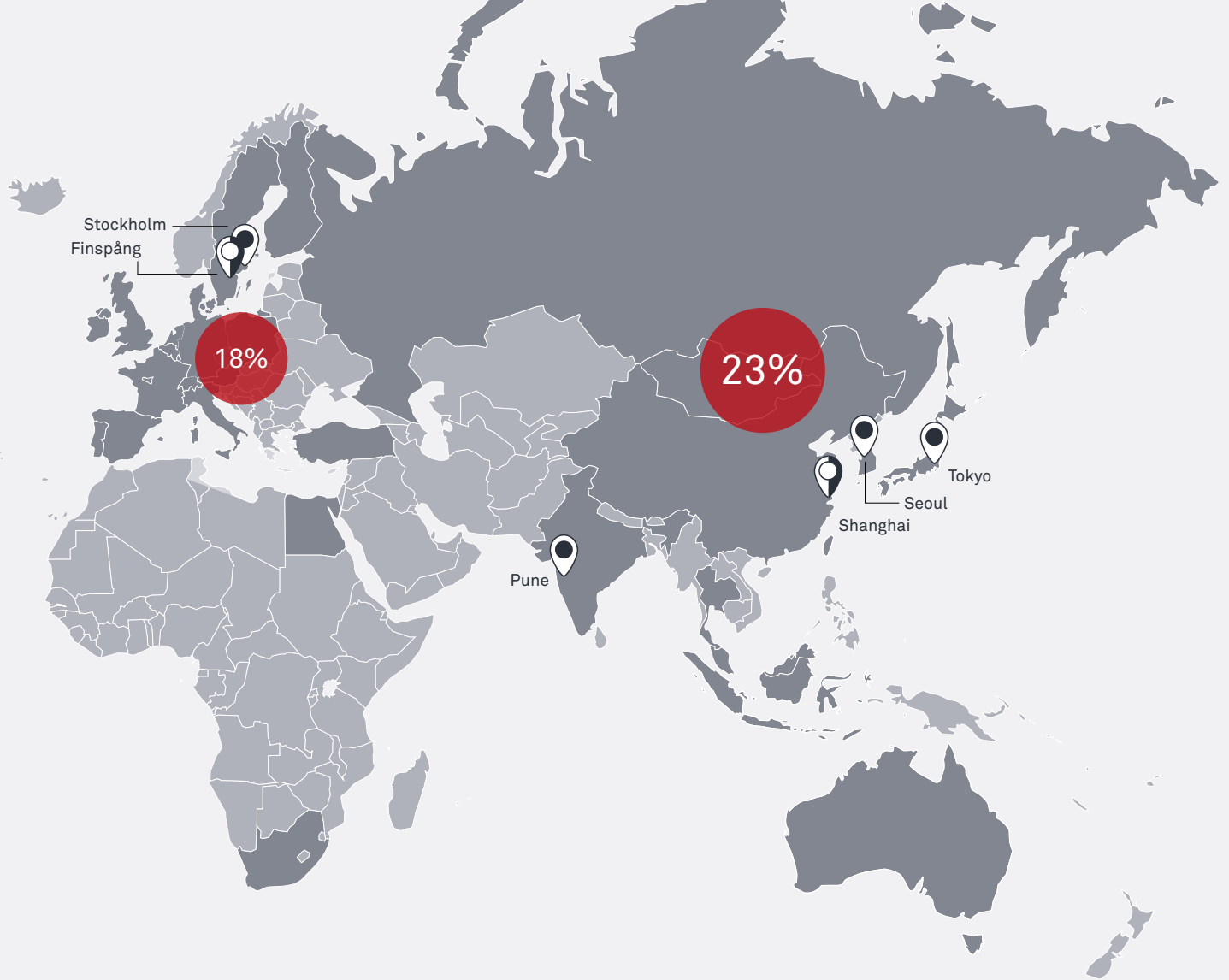
Gränges has been present in the American market since 1994, and is the second largest supplier of rolled aluminium products to the automotive industry. Through the acquisition of Noranda's downstream business in 2016, Gränges obtained a leading position in the stationary heat exchanger industry and simultaneously became a major supplier of winding material for transformers and aluminium foil for food containers. Americas accounted for around 59 per cent (39) of group sales volume in 2017.¹⁾ Gränges' main markets in the Americas are the US and Mexico. Brazil is an important market in South

America. Gränges' global customers accounted for around 15 per cent (30) of sales volume in the Americas. Gränges' production sites located in the Southeastern United States supply the majority of our customers in the region. However, material for brazed aluminium heat exchangers is supplied from Gränges' plants in Finspång, Sweden and in Shanghai, China.

1) Following the consolidation of Noranda operations into Gränges' accounts from 22 August, 2016

Production of light vehicles in Americas, 2017–2021

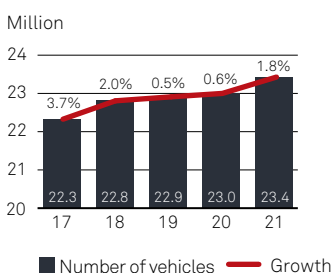




EUROPE

Gränges has a strong position in the European market and, through its advanced technological product content, it has strengthened its leading position in the automotive heat exchanger industry over the last ten years. In total, the European market represented around 18 per cent (27) of sales volume in 2017, with the UK, Italy, the Czech Republic and Poland as the single largest markets. Europe is a consolidated market with global customers accounting for around 81 per cent (77) of the sales volume in 2017. The majority of the volume supplied to the European market is produced at the plant in Finspång.

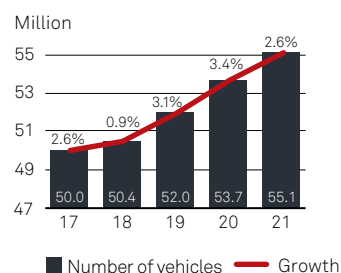
Production of light vehicles in Europe, 2017–2021



ASIA

Since the establishment of the plant in Shanghai in 1996, Gränges has gained a leading position in the Asian market. In 2017, Asia accounted for 23 per cent (34) of group sales in terms of volume, with China as its main market. Other key markets include Thailand, South Korea and India. The automotive industry accounts for the bulk of Gränges' sales in Asia. Most of the production volume at Gränges' plant in Shanghai is sold in Asia, of which around half goes to China. Global customers accounted for 41 per cent (43) of sales volume in 2017.

Production of light vehicles in Asia, 2017–2021



THE INSIDE STORY

Modern vehicles typically contain up to ten different heat exchangers, sometimes more. In recent years, the number of heat exchangers per vehicle has increased, as engines have become more advanced, and environmental requirements and passenger comfort demands have grown. There are heat exchangers for cooling engines, transmission oil and engine oil, air conditioning systems, heaters, and in some cases, also for cooling batteries. Today, Gränges is a world leader in heat exchanger materials, and around 50 per cent of sales are to customers in the automotive industry.



○ Active chiller (for battery cooling)

- Passive chiller (for battery cooling)
- Hybrid system radiator

- Charge air cooler
- Condenser AC
- Engine radiator

- Evaporator AC
 - Compartment heater
-

- Engine oil cooler
-



- Transmission oil cooler
-

CUSTOMER-DRIVEN INNOVATION

Gränges' advanced aluminium products are the result of long-term commitment to research and innovation, and close product development cooperation with customers.

R&I CENTRES

Finspång: Global R&I centre. Global development of materials and solutions for brazed heat exchangers and new technologies. Regional development for Europe.

Shanghai: Regional R&I centre. Regional development for Asia. Solutions for electrical vehicles and related new applications.

Huntingdon: Regional R&I centre, to be established. Regional development for Americas. Materials and solutions for stationary heat exchangers.

Gränges conducts world-class strategic research and innovation and customer-driven product development based on extensive knowledge of material properties and characteristics. The strategic research is managed globally, while the customer-driven development is carried out locally. On 31 December, 2017, Gränges' research and innovation work had generated 52 patent families and 165 patents, with a further 73 patent applications pending.

Strategic, global research

Gränges Research & Innovation (R&I) is the company's competence unit for the complete metallurgy of brazed aluminium. This includes the entire process from melting in slab production, to the final use of brazed heat exchangers worldwide. The work is conducted cross-functionally within Gränges, with external customers and, in selected key areas, with leading universities and research institutes. Gränges R&I comprises around 60 highly educated employees worldwide, including metallurgists, chemists, metallographers, physicists, mechanical engineers, and technicians – all specialists in rolled aluminium products for heat exchanger applications. Gränges R&I is based in Finspång, Sweden, and in Shanghai, China, and there are plans to establish an additional centre in Huntingdon, USA.

A leading position

In 2017, Gränges upgraded its R&I facilities in Finspång. The expansion includes new office and laboratory areas, new laboratory equipment, and a new organizational set-up, putting research and innovation at the centre of the Gränges

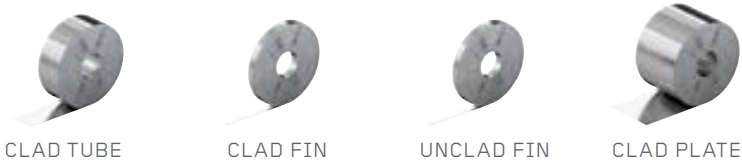
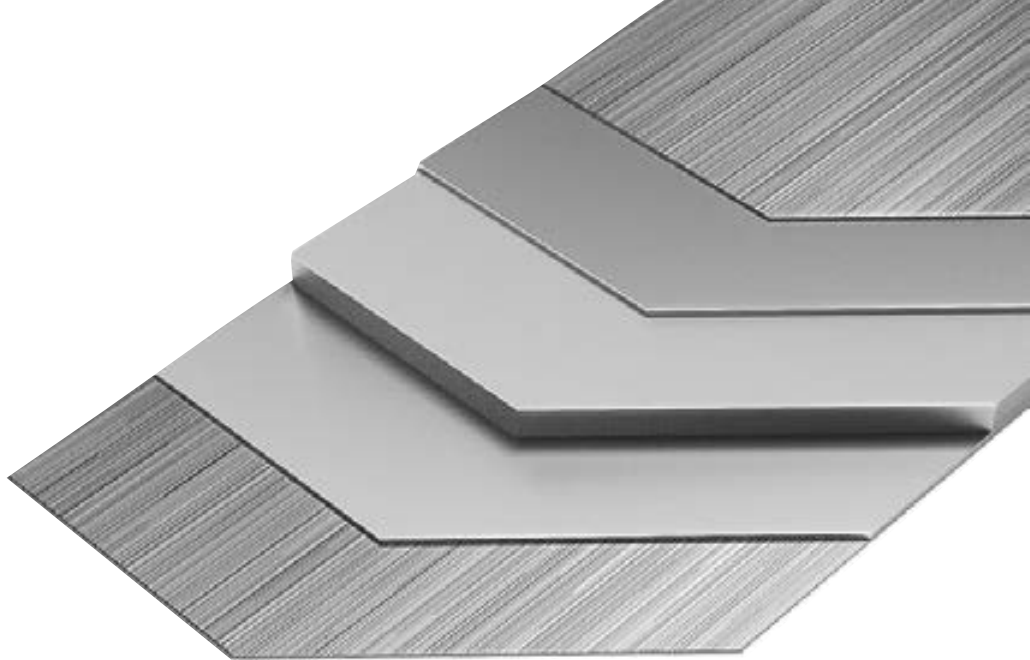
Group. The purpose is to strengthen the company's leading position in the development of brazed heat exchanger materials, and to develop new innovative aluminium products based on research and innovation. Through collaboration with Erbslöh Aluminium, Gränges is securing expertise in advanced spray-forming technology, which is well suited for the next generation of materials for heat exchangers.

The R&I process

Fundamental research and innovation work in key areas is often carried out in-house. In selected areas Gränges works with universities and research institutes. New alloys and alloy combinations are initially tested through pilot rolling in laboratories and via computer simulations at Gränges R&I, before full-scale production. This process facilitates the planning of effective high-precision production processes.

Application centre

Gränges' product developers and technicians are represented throughout Asia, Europe and Americas, helping customers optimize the interaction between their machinery, processes, and applications, and Gränges' products. To support this work, Gränges has an application centre that can replicate the customers' forming and brazing processes. Furthermore, the centre is ideal for testing small units of custom-designed heat exchangers. To explore the applications of brazed heat exchangers within air-conditioning and other industries, Gränges is building competence within heat exchanger prototype design, optimization, and performance testing.

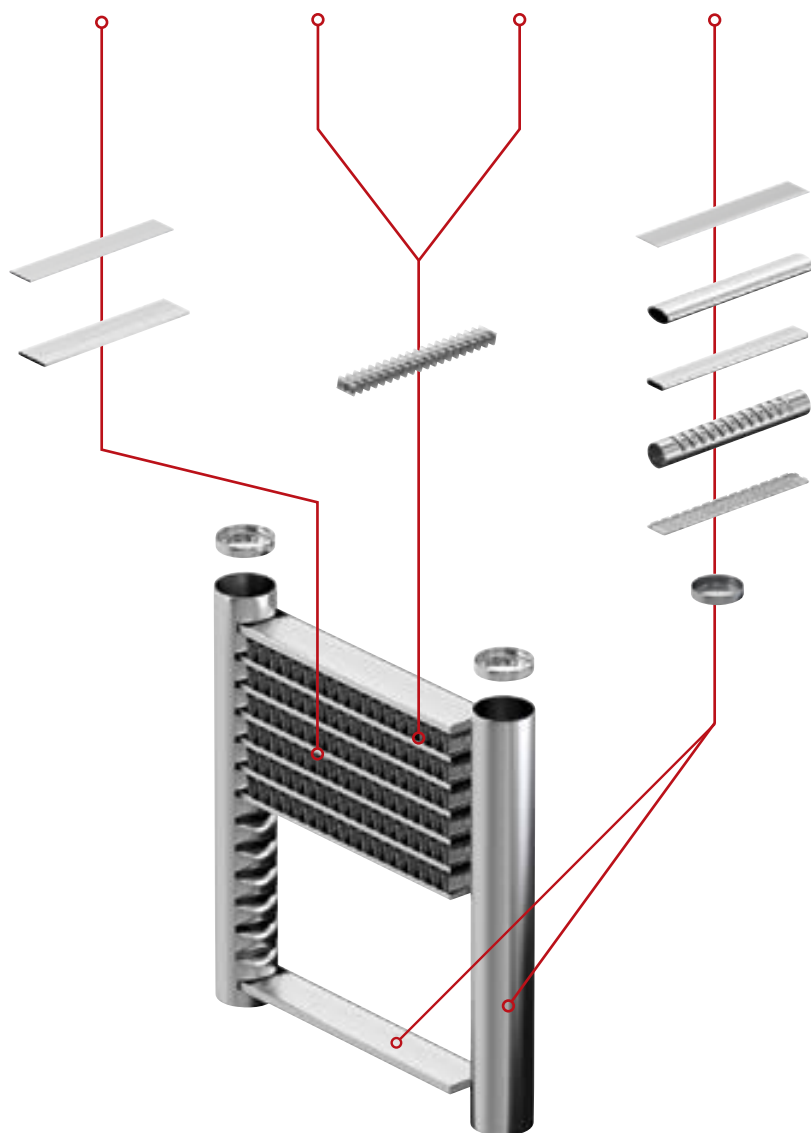


CLAD TUBE

CLAD FIN

UNCLAD FIN

CLAD PLATE



MAIN PRODUCT GROUPS

Gränges offers its heat exchanger customers up to 3,000 product specifications, including 200 combinations of alloys. The products can be divided into four main groups:

CLAD TUBE

Consists of a core alloy with braze clad on one or two sides, and in many cases a core alloy with a braze clad on the outside and a corrosion-resistant clad on the inside of the tube. The customer makes a tube by folding or welding the material.

CLAD FIN

Consists of a core alloy with braze clad on each side, and is primarily used in condenser applications.

UNCLAD FIN

The most basic heat exchanger material. Unclad fin comprises only one alloy without clad layers.

CLAD PLATE

Consists of a core alloy clad with braze clad on one or two sides. The rolled product is stamped or shaped by the customer depending on the application and used in most kinds of heat exchanger applications, either for coolant plates or manifolds.

Technical support

Gränges R&I centres offer advanced technical support to customers and perform a wide range of services, from validation processes to highly advanced troubleshooting. This includes aluminium braze simulations, brazeability tests, sagging tests, filler flow tests, and prototype brazing, enabling Gränges to offer tailored and optimized aluminium products. For troubleshooting and to support specific development projects, Gränges can also simulate the critical conditions of the customer’s processes and operational environments for the heat exchangers.

Customization provides added value

Gränges has a comprehensive range of clad and unclad rolled aluminium products used for brazed heat exchangers for applications with a high degree of functionality and performance. Depending on the specific needs of a given application, Gränges offers multi-layer products with up to five layers. This provides vir-

tually unlimited possibilities for customized solutions based on carefully selected alloy combinations, delivery conditions, cladding thicknesses, and geometries.

Focus on stationary heat exchangers

Gränges focuses on driving technological change through stationary heat exchangers, from mechanically bonded tubes and fins to brazed aluminium heat exchangers. This was also the case in the automotive industry where Gränges’ solutions played a key role in converting from conventional to contemporary systems. The focus is on products that contribute to improved energy efficiency and reduced environmental impact. Gränges delivers prototypes that customers can test with their own applications. This benefits the development of even stronger, lighter, and more corrosion-resistant heat exchanges with greater efficiency and lower environmental impact. With the acquisition of Noranda in 2016, Gränges obtained a

broader product offering that meets additional needs in the stationary HVAC industry.

Annual Asian seminar focuses on innovations

Gränges hosts annual technical seminars for its customers and other partners in Asia, alternating between China and India. In 2016 the seminar took place in Nanjing, China, and in 2017 in Pune, India. Around 80 of Gränges’ largest customers, OEMs and other business partners in the region attended the seminar in Pune. The seminar focused on requirements and challenges in the emerging Indian automotive industry, and how this will influence the local heat exchanger market at both aggregated level and by end customer markets. Representatives from Gränges demonstrated how the company’s advanced material solutions can help customers to meet market demands. One example presented at the seminar was TRILLIUM®.



Torkel Stenqvist, Senior Expert Brazing at Gränges Research & Innovation, held a presentation about TRILLIUM® at the seminar in Pune, India.



INNOVATION – EVERYONE CAN CONTRIBUTE

To respond to the rapid technical advances in almost all industries, and to emphasize its importance for long-term development and profitability, Gränges has added “Innovative” to its core values, in addition to Committed, Accessible and Action-oriented.

TRILLIUM®

In 2017, Gränges continued the development of the TRILLIUM® technology and introduced TRILLIUM® Lean



TRILLIUM® – the next step

TRILLIUM® is a technology that simplifies the complex brazing process by making the degreasing, fluxing, cleaning, and drying stages redundant. Instead, we make it happen within the material in a process called Active brazing. In 2017, Gränges continued the development of the TRILLIUM® technol-

ogy and introduced TRILLIUM® Lean, a new multi-layer material with enhanced potential for especially challenging applications. TRILLIUM® Solid, launched in 2010, and TRILLIUM® Lean help customers reduce costs, create new designs, and reach a higher level of profitability – while reducing their environmental impact. In addition, Gränges has

invested in production capacity together with Erbslöh Aluminium GmbH to produce aluminium billets utilizing advanced spray-forming technology. The investment provides opportunities to expand within Active brazing with TRILLIUM®.

EXPANDING TO MEET GROWING DEMAND

With manufacturing capacity on three continents, Gränges has created a platform that meets complex customer demands and enables continued global expansion.

Thanks to more than 40 years' experience and specialized knowledge of production of materials for brazed heat exchangers, Gränges has become a world leader in rolled aluminium for the heat exchanger industry. Continual efforts are made to improve efficiency and productivity at all Gränges' production sites, contributing to a smaller environmental impact and improved profitability for both Gränges and its customers.

Gränges' footprint

Gränges has production sites on three continents with a combined capacity of 420,000 tonnes. The production site in Finspång was established in 1922 and aluminium products for brazed heat exchangers have been produced since 1972. The site has a production capacity of 100,000 tonnes. The production site in Shanghai was established in 1996, and since then Gränges has focused on expanding capacity to keep pace with the region's rapidly growing market. The site capacity now stands at 120,000 tonnes per year. In both Finspång and Shanghai, production is focused on

rolled products for brazed aluminium heat exchangers, which is a complex, multi-step process. In the US, Gränges has three production sites with a combined capacity of 200,000 tonnes. The largest, in Huntingdon in Tennessee, has one of the most modern and cost-efficient rolling mills in North America. All Gränges' sites are ISO-certified for quality standards. In Sweden and China the sites are also ISO-certified for environmental standards.

Knowledge sharing

Close cooperation between the production plants in China, Sweden and the US drives growth and improvement work – at all sites. Initiatives to learn from each other include internal audits, where teams from production facilities cross-audit each other. These internal audits are conducted continually and focus on health, safety, and the environment at the respective operations.

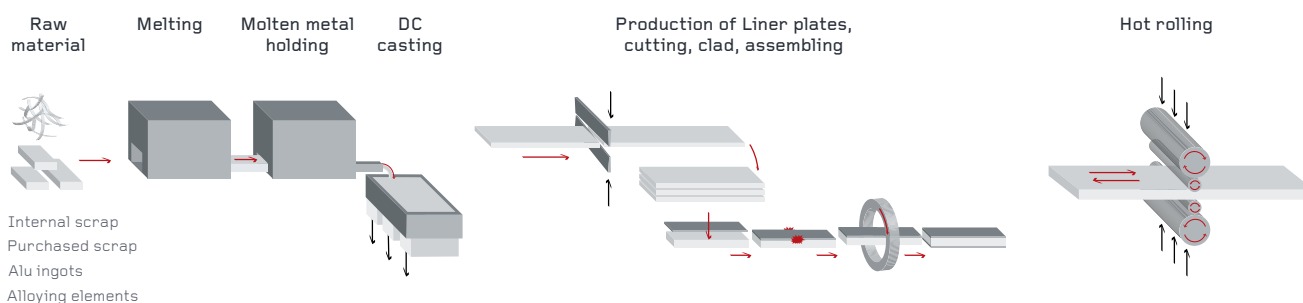
Capacity expansion in the US

Capacity utilization has been high at all three US plants throughout 2016 and

2017. To add further productive capacity, Gränges has initiated investments of USD 110 million to expand its aluminium rolling operation in Huntingdon to meet growing demand for light gauge foil, automotive heat exchanger materials, as well as heating, ventilation and air conditioning applications. The expansion includes investment in buildings, casters, cold rolling mills, annealing furnaces, and slitters. When completed in 2019, Huntingdon's capacity will rise from about 160,000 to nearly 200,000 tonnes a year.

Gränges has also signed a letter of intent with Japanese Mitsubishi Aluminum to form a joint venture in North America to manufacture advanced aluminium materials for brazed automotive heat exchangers. The letter of intent represents the first step towards forming the joint venture. This will bring together the significant expertise of aluminium rolling for the two companies when establishing a new production plant in North America. Expansion in Huntingdon and the future joint venture with Mitsubishi Aluminum mark the next

PRODUCTION PROCESS OVERVIEW, FINSPÅNG AND SHANGHAI



step in Gränges' strategic growth plan for the North American market.

Lean production

Gränges conducts production based on lean manufacturing principles. This entails creating optimized production flows, a direct link between production steps and well-defined and efficient processes. Production lead times is kept as short as possible, and balanced against the need for processes to be cost efficient, which also enables Gränges to offer a flexible customer service.

Technical leadership in heat exchanger material

Over the years, Gränges has developed four specific competences that have contributed to give it technical leadership within heat exchanger materials:

Alloy development: Gränges has excellent expertise in developing alloys and combinations with properties specifically adapted to each step of customers' manufacturing processes – from forming to assembly and brazing.

Cladding: A key capability that provides high added value and differentiates Gränges from manufacturers of rolled products for general use. The company produces single- and double-sided clad products, and symmetrical and asymmetrical products, with many different alloy combinations.

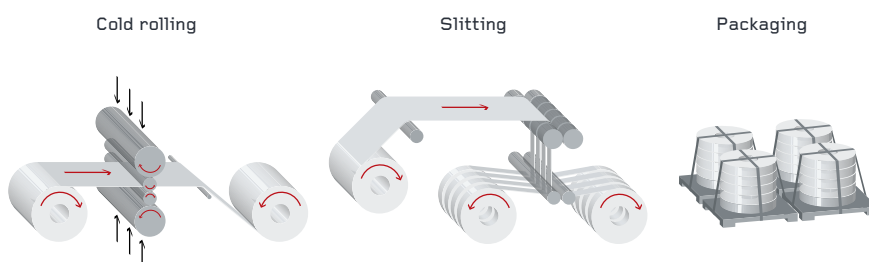
Rolling and thermo-mechanical processing: Used to alter alloys' microstructure to achieve desired properties of the end product. Gränges has extensive experience of thermo-mechanical processes, and their effect on the performance of materials in the brazing process.

Slitting: Gränges has market-leading competence and experience in slitting technologies that play an integral role in manufacturing heat exchanger materials.



AWARD FOR OPERATIONAL EXCELLENCE

Gränges' operations in Shanghai put together a multidisciplinary team to study every aspect of the burn-loss problem in a year. Their efforts resulted in efficiencies with a strong effect on burn-loss rates, from 4.5 per cent in 2014 to 2.1 per cent in 2016, producing significant material and cost savings. At the 2017 Gränges Company Awards, the Shanghai team won the Operational Performance Award. This yearly awards programme is part of Gränges' efforts to encourage staff to continually improve the business.





CREATE VALUE FROM SUSTAINABILITY

Sustainability is an essential element of Gränges' strategy and operations. The company strives to minimize the environmental impacts of its operations, uphold ethical business practices and provide a safe and good work environment.

Gränges' core values action oriented, committed, innovative, and accessible, define the way Gränges works, and are also qualities of the company's sustainability agenda. The company takes economical, environmental, and social responsibility, and strives to improve conditions in its value chain.

In 2017, Gränges continued to build a stable platform for future value creation. At the end of the year, the company further developed its group-wide and global sustainability framework, which will be implemented in 2018.

Stakeholder dialogue

Maintaining a transparent and long-term stakeholder dialogue is a key priority for Gränges. The expectations and requests from various stakeholders such as employees, customers, suppliers, investors, and society, contribute to shape the company's sustainability agenda as well as its sustainability reporting.

Further information on Gränges' stakeholder dialogue and the process of identifying material sustainability topics can be found on page 113.

Networking and co-operation

Through participation in industry initiatives, Gränges works to ensure that aluminium is mined, produced and used sustainably. In this way, Gränges contributes to improvements in the industry and promotes robust networks on the markets where the company is active. Gränges is a member of several industry bodies such as the Global Aluminium

Foil Roller Initiative. Additionally, Gränges is a member of Svenskt Aluminium, European Aluminium Association and the Confederation of Swedish Enterprise in Europe. In Asia Gränges is a member of the China Nonferrous Metals Industry Association, the Nonferrous Metals Society of Shanghai, and the Shanghai Aluminium Trade Association. In the US Gränges is a member of the Aluminium Association.

Gränges also follows developments at the global Aluminium Stewardship Initiative.

UN Global Compact and Sustainable Development Goals

Gränges has participated in the UN Global Compact since October 2016. In doing so, Gränges undertakes to fulfil the principles of the Global Compact relating to human rights, labour law, the environment and anti-corruption. The principles also form the foundation of the company's Code of Conduct.

Furthermore, Gränges is committed to helping fulfil the 2030 Agenda and UN Sustainable Development Goals. In 2017, Gränges has identified seven sustainability development goals that align with the company's sustainability agenda. The company's aim is that its sustainability efforts should create value for all stakeholders and also make a positive contribution to these goals.

HIGHLIGHTS 2017

- Incorporated the acquired operations in the US into the 2017 sustainability report
- Completed training in Gränges' Code of Conduct for all employees in the US and China
- Conducted audits of seven strategic suppliers to the production facilities in Finspång and Shanghai
- Increased the share of recycled aluminium used as input material
- Conducted a carbon footprint study, providing the basis for future target setting and a reduced carbon footprint
- Reduced the energy use per tonne product in Finspång and Shanghai
- Established a global HR Council to develop and harmonize global HR activities and to share experiences
- Conducted group-wide cross-audits to improve safety, promote best practice, and achieve greater cooperation



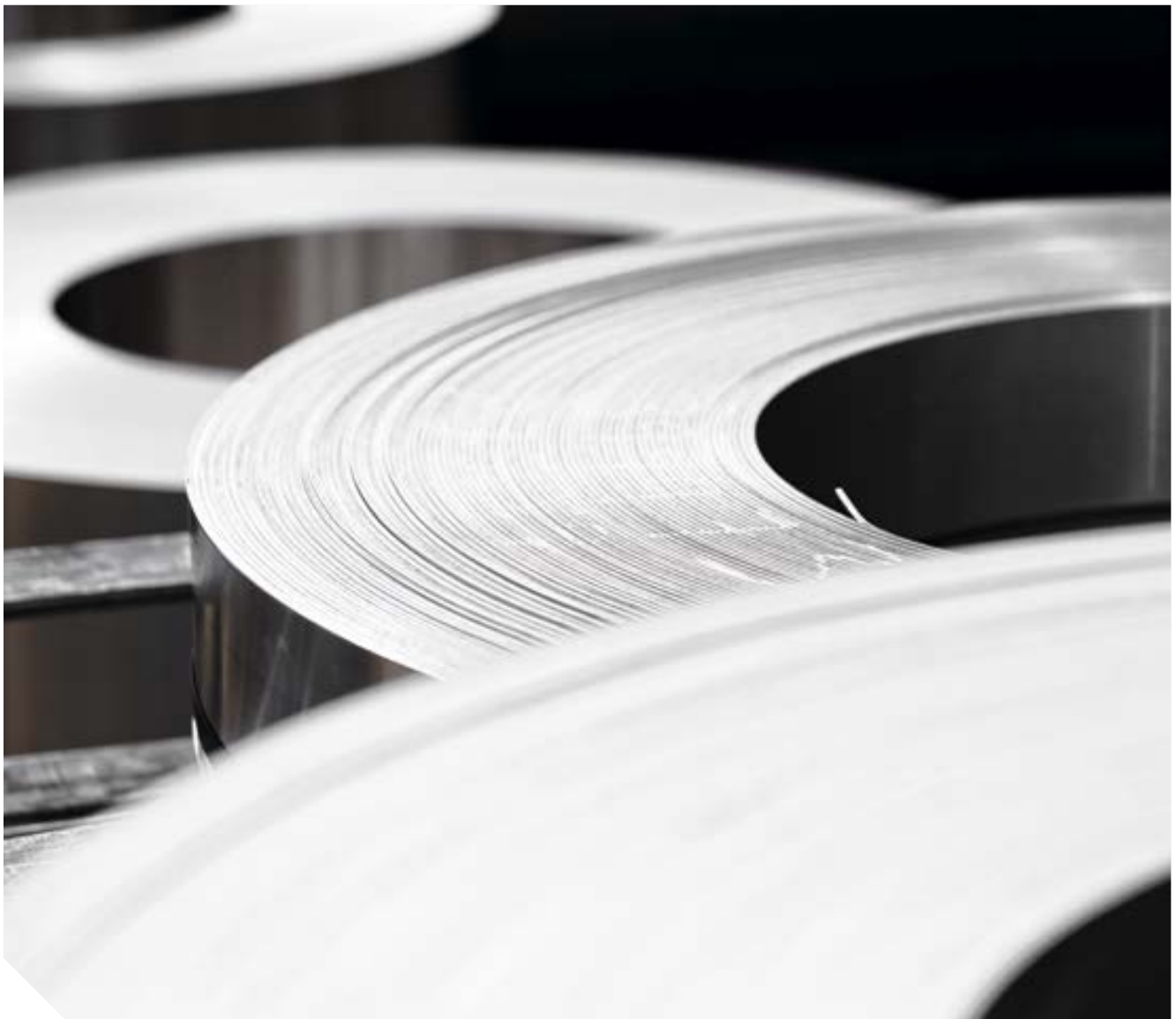
ABOUT GRÄNGES' SUSTAINABILITY REPORT

Gränges' sustainability report has been prepared in accordance with the GRI Standards Core option and also constitutes Gränges' Communication on Progress in line with the UN Global Compact guidelines. The report and its contents have not been externally assured. Detailed information on the company's stakeholder dialogue, materiality assessment, sustainability data, and GRI Index, can be found on pages 112-121.

The sustainability report relates to the financial year 2017. It includes Gränges' operations at the start of 2017. This is the first year that Gränges' acquired operations in the US are included in the sustainability report. Gränges' last sustainability report was published on 14 March, 2017. Gränges intends to publish a sustainability report annually.

For more information, please contact:

Sofia Hedevåg
VP Sustainability
sofia.hedevag@granges.com
+46 733 03 79 79



VALUE CHAIN

Gränges' value chain ranges from mines where bauxite is extracted to users of rolled aluminium products. The company works to create value for its stakeholders at all stages of the value chain.



SUPPLY CHAIN

An efficient and sustainable supply chain is essential for Gränges' long-term success and development. To ensure responsible sourcing, Gränges follows strict routines and guidelines for sourcing metals and purchasing other materials and services. Gränges' ambition is to be a responsible and reliable business partner and for the company's suppliers to maintain the same high sustainability standards as Gränges.

GRÄNGES' OPERATIONS

Gränges is committed to efficient processes, leading R&I and providing an attractive workplace. These areas are critical for Gränges to achieve sustainable growth.

Gränges continuously works to reduce energy consumption and thereby costs, as well as negative impacts on the environment.

By enhancing health and safety as well as diversity and equality, Gränges aims to offer an attractive workplace that encourages employees to develop professionally and contribute to the company's success.

CUSTOMERS

Working closely with its customers, Gränges constantly looks for opportunities to apply its technical expertise. The company's products increase the efficiency of customers' production processes, as well as the performance of end products. In this way Gränges contributes to more sustainable products for customers and improves its customers' competitiveness.

VALUE CREATION

ALUMINIUM

The ore required to produce aluminium, bauxite, is extracted from bauxite mines. After mining, bauxite is refined into aluminium oxide, which is the input material for the production of metallic aluminium. The mining and production of primary aluminium is energy intensive, so Gränges strives to use a higher proportion of recycled aluminium. Gränges purchases both primary aluminium and scrap aluminium. In 2017, recycled input materials constituted 15.4 (14.8) per cent of used materials at Gränges. The company works actively to increase traceability and responsible resource use for primary and recycled aluminium.

Gränges' production comprises melting and casting as well as rolling and slitting. The melting and casting of aluminium are energy intensive processes and Gränges strives to reduce the company's energy consumption. Energy costs are the most significant expense after metal and personnel costs. As a result of process efficiencies, Gränges has successfully reduced the company's energy consumption per tonne of aluminium in the past four years. This has been done by increasing the metal yield in the production process and re-melting unavoidable production scrap. By re-melting scrap in-house rather than selling it to third parties, Gränges avoids quality degradation and energy losses involved in transporting and handling scrap.

Gränges' rolled aluminium products can be found in engine cooling products, climate control solutions, power transmissions, and packaging. Aluminium from Gränges is found in the heat exchangers of half of the world's cars manufactured today, and the trend is towards more, smaller, and lighter heat exchangers. Increased environmental requirements for stationary heat exchangers support the shift from copper to aluminium, and Gränges has a strong position to capture these opportunities.

→ **Read more:** Ethics and anti-corruption pages 30–31, and A sustainable supply chain pages 32–33.

→ **Read more:** Ethics and anti-corruption pages 30–31, Recycled aluminium page 34, Energy use page 35, Emissions page 36, Water use page 37, An attractive and safe workplace pages 38–39, Diversity and equality page 40, and Health and safety pages 41–43.

→ **Read more:** Ethics and anti-corruption pages 30–31, and Customers page 45.

ETHICS AND ANTI-CORRUPTION

Gränges' operations are characterized by sound business ethics and an honest and open corporate culture. All internal relationships and relationships with suppliers, customers, and other business partners and stakeholders, should be characterized by responsible, ethical and sound business principles. Gränges does not tolerate any form of bribery, extortion or corruption.

Around

90%

of eligible employees have completed the UN Global Compact online training

An ethical, transparent and proactive attitude in the value chain is fundamental and vital. This enables Gränges to avoid conflicts of interest, ensure accurate reporting, run, grow and develop a long-term sustainable and profitable business, and protect the Gränges brand.

Code of Conduct and training

Gränges complies with all applicable local and international laws and regulations. Gränges' Code of Conduct contains requirements that are stricter than those in laws and regulatory frameworks. All employees, the Board of Directors, independent consultants, and others acting on Gränges' behalf, must comply with the Code of Conduct.

The Code of Conduct is a framework that describes what Gränges considers to be responsible and sustainable behaviour, and establishes that the company's operations are to be run in accordance with responsible and ethical business and commercial principles. These are applied every day at work by all employees.

During the year the routines were updated and improved. The Code of Conduct has been integrated into the new employee orientation process, which covers themes such as corruption, bribes, and other inappropriate benefits.

All employees must comply with Gränges' Insider Policy and Anti-corruption Policy. The Anti-corruption Policy defines, explains, and expands on what Gränges means by corruption, including how to manage gifts to charitable causes, which mainly takes place at the local level, as well as contributions to political campaigns. Gränges regularly reviews and updates its policies.

During 2017, Gränges provided several training programmes:

- For Gränges' production facilities in the US, online and classroom based Code of Conduct training was provided for all employees. The training focused on content and how to apply the Code. In addition, a number of managers, purchasing, and sales personnel, as well as other key individuals, completed UN Global Compact online anti-corruption training.
- For Gränges' production facility in Shanghai, virtually all employees completed online Code of Conduct training.
- Basically all Gränges' sales personnel in positions of responsibility completed anti-corruption training during the year in conjunction with a global sales conference.

Anti-corruption training is offered every other year to employees in the sales organization, as well as purchasers, other white collars, and key individuals who have external contacts, at all facilities and at head office. They are also trained in the company's Code of Conduct and Anti-corruption Policy every other year at seminars and workshops.

The Board of Directors also has to be informed of, and comply with, the Anti-corruption Policy.

Supplier Declaration

Gränges' suppliers of raw materials must comply with Gränges' Supplier Declaration. The aim is that suppliers should maintain the same anti-corruption standards as Gränges, and to distance themselves from bribes or any form of corruption.

Should Gränges acquire another company, it performs thorough due diligence to ensure there is no corruption and that the counter party maintains the same high standards as Gränges with respect to anti-corruption.

Whistleblower function

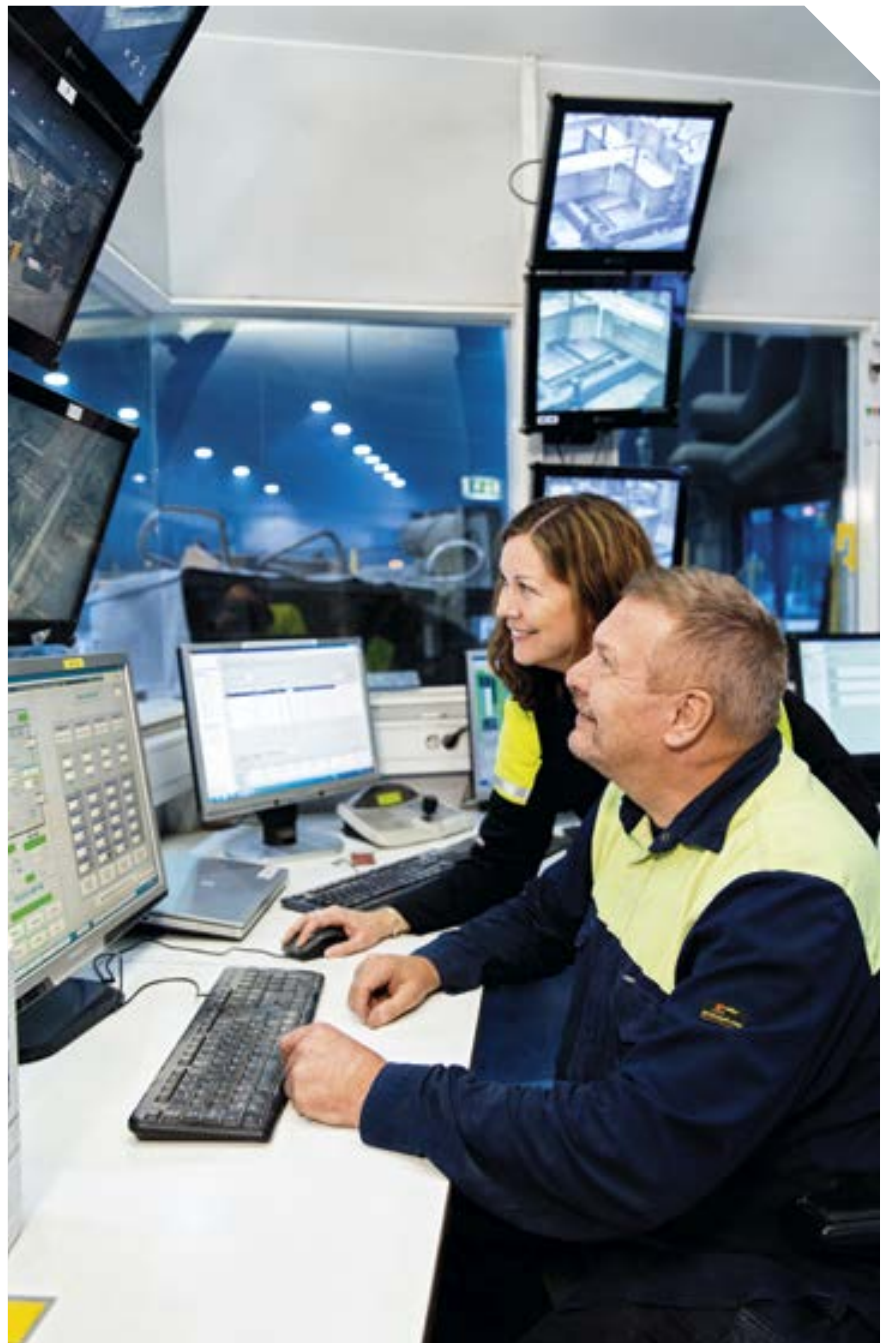
Gränges has a whistleblower function whereby employees can anonymously notify the company if they suspect that anything inappropriate has taken place within the company, if any person is involved in irregularities, or if the principles in the Code of Conduct are being breached in any other way. An anonymous tip can be made to a group of individuals including the General Counsel, the SVP Human Resources and the VP Sustainability. The whistleblower function is available to all employees and is described in the company's Code of Conduct and on the intranet. A description of how the whistleblower function works is also displayed on noticeboards at the production facilities.

Goals and performance

Gränges has zero tolerance for all types of corruption or bribes. In 2017 there were no incidents involving bribes or other corruption, and no business contracts were breached or not renewed due to corruption.

All managers, white collars in positions of responsibility, key personnel in purchasing and sales, and other key individuals who have external contacts, are required to complete the UN Global Compact online anti-corruption training.

So far around 90 per cent of all of these employees have completed the training in 2016 and 2017.



A SUSTAINABLE SUPPLY CHAIN

An efficient and sustainable supply chain is essential for Gränges' long-term success and development. To ensure responsible sourcing, Gränges has routines and guidelines for sourcing metals and other materials and services. The company aims to be a responsible and reliable business partner and that its suppliers maintain similarly high sustainability standards.

Sourcing metals

An efficient supply chain for metal purchases ensures that Gränges has access to the right raw materials at the right time, which is vital for the company to meet its customers' needs. Optimized sourcing is essential to buy the right raw materials with proper documentation. This enables Gränges to make efficient use of surplus materials from production processes and to maximize recycling. Sourcing of raw materials needs to be constantly coordinated with the production units.

Gränges has long-term and close relationships with its suppliers and works with them on for example product development.

Gränges in Finspång and Shanghai

Gränges' production facility in Finspång has around 30 suppliers of ingots, slabs, alloy components and scrap metal, one third of which are categorized as strategic suppliers.¹⁾ In 2017 one new strategic supplier was added. Suppliers to the production facility in Finspång are located in Scandinavia and elsewhere in Europe.

Gränges' production facility in Shanghai has seven large suppliers of ingots, slabs and alloys, of which three are categorized as strategic suppliers and three are traders. There is no scrap metal purchasing in China as it is difficult to find scrap metal of the right quality in the Chinese market and the price of primary aluminium is basically the same as the price of scrap aluminium. Suppliers to the production facility in Shanghai are located in China.

Suppliers to the production facilities in Finspång and Shanghai are selected based on criteria such as quality, service, price, delivery precision, reliability, ethics, and material traceability. The company's suppliers must share Gränges' sustainability values and, like Gränges, strive to minimize environmental impact, be responsible in complying with labour laws and guarantee good working conditions, not tolerate any form of bribery or corruption, and respect human rights.

Gränges in the US

Gränges' production facilities in the US buy primary and scrap aluminium through metal commodity traders and aluminium producers. Suppliers are selected based on criteria such as availability, price, and quality. Origin-labelled aluminium enables traceability in the sourcing process.

Risks and continual improvements

Risks relating to Gränges' supply chain include a lack of easy access to materials, ethical risks such as bribery and corruption, and labour law related risks such as unreasonable working conditions and child labour. To manage these risks Gränges is focusing on better control and routines for materials sourcing. Gränges is aiming for better coordination of processes and audits of suppliers of ingots, slabs, alloy components, and scrap. The production facility in Finspång has initiated a process for this during the year.

One improvement implemented during the year was a project in which the production facility in Shanghai collaborated

with a supplier of slabs on a quality and efficiency programme.

Supplier assessments

To ensure sustainable behaviour, all suppliers of raw materials are to comply with and sign Gränges' Supplier Declaration which was introduced in 2015. In doing so, the suppliers undertake to comply with all applicable laws and regulations, including the 10 principles of the UN Global Compact, and to observe responsible, ethical, and sound business and commercial principles.

Gränges' Supplier Declaration states that suppliers are to have zero tolerance for all types of bribes and corruption and for collaborating in violation of competition laws. They are also to avoid conflicts of interest, provide reasonable working conditions, promote good health and safety at their workplaces, and respect human rights, such as not accepting child labour or any form of forced labour, and to respect the environment by, for example, minimizing harmful emissions and waste. Suppliers must also ensure that the principles in the Supplier Declaration are in turn adhered to by their own suppliers.

Almost all suppliers to Gränges' production facilities in Finspång and Shanghai have signed Gränges' Supplier Declaration. A few suppliers to the production facility in Finspång have not signed the Supplier Declaration as they follow their own codes of conduct which are in line with Gränges' requirements. All strategic suppliers to the production facility in Shanghai, who account for a

¹⁾ A strategic supplier to Gränges' production facility in Finspång is a supplier that is critical to Gränges and has a direct impact on the properties of the end products. A strategic supplier to Gränges' production facility in Shanghai is a supplier that is vital to Gränges' long-term growth and profitability and accounts for a large portion of the volume.

combined 90 per cent of total purchases, have signed the Supplier Declaration. The remaining suppliers with which the production facility in Shanghai has long-term relationships have signed a Quality Agreement and an EHS Agreement. These are largely aligned with Gränges' Supplier Declaration.

If a supplier fails to comply with the Supplier Declaration, Gränges first discusses how the supplier can rectify the problem and then an action plan is created. To date, no such discussion or action plan has been necessary.

Regular audits

To ensure that suppliers comply with the Supplier Declaration and are behaving in a sustainable manner, Gränges performs supplier audits.

Gränges' production facilities in Finspång and Shanghai aim to audit all strategic suppliers before entering into a contract with them and then perform regular audits of these suppliers. Each year Gränges' production facility in

Shanghai evaluates traders who supply the company.

Supplier audits are performed by Gränges. The focus is on quality and delivery precision, but issues relating to the environment, labour laws, health and safety, and human rights are also covered. Gränges also checks to ensure that suppliers' management systems meet Gränges' criteria.

In 2017, Gränges initiated several steps to improve supplier assessments:

- The production facility in Finspång produced a score card to assess and improve its ability to measure and follow up its suppliers' activities. This includes suppliers' environmental impact through its transportations. The score card programme is expected to be implemented in 2018.
- Gränges' production facilities in the US started processes to increase the traceability of materials and to perform supplier audits. This is expected to be finished in 2018.

Goals and performance

All strategic suppliers to Gränges' production facilities in Finspång and Shanghai should have been audited by 2020. In 2017 seven strategic suppliers were audited, four of them being suppliers to Finspång and three of them being suppliers to the Shanghai facility. This includes the new supplier to the production facility in Finspång added during the year. All of Gränges' strategic suppliers to the production facilities in Finspång and Shanghai have been audited.

Contribution to Sustainable Development Goals



INDIRECT MATERIALS AND SERVICES

Gränges' purchasing of indirect materials and services is mainly done at the local level in the different regions. This includes buying materials such as spare parts and packaging materials, and buying maintenance services for the production facilities. Gränges aims to have long-term relationships also with its suppliers of indirect materials and services.

Supplier audits

The suppliers of indirect materials are audited in varying degrees. Gränges' production facility in Finspång performs audits of the main suppliers of indirect materi-

als and services. The focus is mainly on quality, but the suppliers' environmental actions, working conditions, ethics, and human rights are also taken into account. Gränges audits its suppliers of services to the production facility in Shanghai. The audits focus on health and safety, and regulatory compliance. Gränges' production facilities in the US perform an initial evaluation of suppliers using a self-assessment form.

Sourcing is to a certain extent coordinated between the production facilities, mainly with respect to buying materials from global suppliers.

RECYCLED ALUMINIUM

Gränges uses aluminium, both primary and recycled, together with alloys to produce rolled aluminium products.

The extraction of bauxite and production of primary aluminium are energy-intensive processes. The use of energy affects both costs and the environment. Gränges therefore strives to maximize the use of recycled aluminium as this is more cost efficient and sustainably beneficial.

Increased use of recycled aluminium

Aluminium can be recycled without any significant impact on quality. Gränges works continually to improve internal recycling rates and increase the share of recycled aluminium used as input in the production process. A certain volume of process scrap cannot be avoided in production, and for cost effectiveness, internal scrap is reinserted into the process through re-melting.

In addition to using internal scrap, Gränges also buys external scrap from dealers or from Gränges' customers. The advantage of buying scrap from Gränges' own customers is that the composition is known, and it is therefore easier to incorporate the scrap into new products.

If external scrap of sufficient quality is unavailable on the market, primary aluminium is used. This is generally more expensive than recycled aluminium and so the use of recycled aluminium is always prioritized. Gränges' production facility in Shanghai does currently not use externally sourced scrap as it is difficult to obtain scrap with sufficient quality and as there is little price difference between primary aluminium and scrap in China.

Scrap codes enable efficient use

Group-wide scrap codes, for classification of different scrap types, are used to ensure that scrap is used in appropriate processes, and that the volume of unused scrap is minimized. Scrap codes

are continually developed in line with Gränges' development strategy for new alloys. Gränges' production facilities in the US use simplified scrap codes while the production facilities in Finspång and Shanghai use code systems that allows different clad scrap combinations to be grouped together. The coding system enables efficient scrap handling and optimized re-melting, thereby minimizing the sale of scrap that cannot be re-used in production.

Balance between application requirements and recyclability

Recycling possibilities are increasingly important when developing new products and alloys. Research and innovation activities are focused on identifying integrated solutions that not only achieve the required technical specification, but also enable improved recycling rates. To ensure suitable material properties, Gränges clads different alloys onto the aluminium alloy cores. The claddings change the composition, which affects the recycling potential. Gränges runs a research programme to obtain alloys designed for optimal combinations of application requirements and recyclability.

Goals and performance

Gränges aims to increase the use of recycled aluminium in its production process. This will be achieved by:

- Increasing the share of recycled scrap input versus primary aluminium and alloys.
- Ensuring that internal aluminium scrap can be reinserted into the production process.

More specific goals related to metal yield and internal scrap use are set for each production facility.

The share of recycled material used as input material has increased from 14.8 per cent in 2016 to 15.4 per cent in 2017. The increase in overall use of recycled materials is driven by the production facilities in the US where more external scrap was used as input materials. On a group level, this was partly offset by less use of recycled materials in the production facility in Finspång and a lower level of recycled material in externally sourced slabs in the production facility in Shanghai.

Contribution to Sustainable Development Goal



Percentage of materials used that are recycled input materials

| % | 2017 | 2016 |
|----------------------|-------------|-------------|
| Asia | 1.0 | 4.2 |
| Europe | 16.0 | 18.1 |
| Americas | 24.8 | 19.4 |
| Gränges total | 15.4 | 14.8 |

ENERGY USE

Energy use significantly affects both costs and emissions. Reductions therefore offer opportunities to improve profitability, competitiveness, and environmental performance.

Gränges primarily uses energy in the form of natural gas, electricity, and liquefied petroleum gas. The energy is mainly used in furnaces where aluminium is re-melted either via direct combustion or induction. To improve energy efficiency, Gränges continually carries out energy audits, implements related improvements, and selects the best available technology in new investments. Energy aspects are an integrated part of Gränges' group-wide Environmental, Health and Safety Policy, and the production facility in Finspång has a certified energy management system according to ISO 50001.

Energy regulations

Gränges' operations in Shanghai adheres to the Shanghai Energy Conservation Regulations, which stipulates Gränges to work with energy efficiency and new energy solutions. The company's operations in Finspång is under the energy efficiency directive, but as a certified energy management system is in place, no additional activities are needed to fulfil the directive's legal requirements. In the US, no energy related regulations currently affect Gränges' operations.

Energy efficiency measures

During the year, Gränges has focused on including the US operations in overall routines and processes. Work on energy audits has been initiated and the production facility in Huntingdon has been reviewed to identify efficiencies. In the US, Gränges will initially focus on reducing natural gas consumption and in 2018 the company will rebuild the melter in Huntingdon to improve efficiency.

Implemented energy efficiency measures are primarily linked to increased metal yield and recovery of waste heat from various processes. Gränges has also conducted process optimization to reduce leakages from pneumatic devices, optimize ventilation, improve the efficiency of heat exchangers, avoid unnecessary idling, reduce internal transport, upgrade motors and pumps, and insulate furnaces to improve their efficiency.

Gränges also plans to replace fossil fuel trucks with automatic electric trucks, which will improve energy efficiency and reduce emissions.

Increased awareness

Staff are regularly trained to save energy and become more aware of energy efficiency throughout the organization. An e-learning course is also available at the production facility in Finspång.

Goals and performance

Gränges has set energy efficiency goals for all production facilities and measures to improve efficiency are continuously implemented. To ensure continuous improvements Gränges has also decided to implement certified energy management systems for all production facilities.

The overall energy use per tonne product has decreased from 3.4 MWh/tonne in 2016 to 3.3 MWh/tonne in 2017. This is mainly due to energy efficiency measures implemented in the production facilities in Finspång and Shanghai.

Contribution to Sustainable Development Goals



ENERGY RECOVERY PROJECT

Since 2014, Gränges has worked on a large energy recovery project which will enable the entire Finspång site to be independent of external heat supplies. The demand for heat will be met by using waste heat from furnaces, which is fed into the local district heating network. Only on really cold winter days will the facility rely on external heat sources.

The project will be finalized during autumn 2018 and should be fully operational before the winter 2018/2019.



Total energy use

| GWh | 2017 | 2016 |
|----------------------|--------------|--------------|
| Electricity | 403 | 395 |
| Natural gas | 773 | 748 |
| Other ¹⁾ | 59 | 58 |
| Gränges total | 1,236 | 1,201 |

¹⁾ Includes diesel, petrol, LPG and district heating.

Energy intensity

| MWh/tonne product | 2017 | 2016 |
|----------------------|------------|------------|
| Gränges total | 3.3 | 3.4 |

EMISSIONS

Reducing emissions is important to secure future environmental permits and thereby Gränges' license to operate, and for Gränges' stakeholders.

Gränges emits various substances mainly to air, but also to water and soil. Emissions to air, in terms of carbon dioxide, nitrogen oxides and dust, come from burning fossil fuels and particularly natural gas and liquefied petroleum gas. Emissions of oil are linked to the cold rolling mills where a mixture of oil and water is sprayed over the mills to keep them from overheating. Emissions are monitored and managed as part of daily operations.

Management systems and regulations

In Finspång and Shanghai, Gränges has implemented local environmental management systems according to ISO 14001. In the US, Gränges has initiated a process to implement a certified system. Within each management system, Gränges works continually to improve in areas such as emissions.

Emissions of nitrogen oxides, sulphur dioxide, dust, volatile organic compounds (VOC) and in some parts of the organization, oil emissions, are regulated by legislation. Compliance is a prerequisite for Gränges' continued license to operate. Local authorities continually monitor compliance to ensure that emissions are within limits.

Measures to reduce emissions

All Gränges' production facilities have modern technology and emissions are generally maintained well below the limits. To avoid potentially exceeding limits, Gränges works continually with inspections and controls of maintenance routines.

One improvement implemented during the year was a project in which Gränges' production facilities in the US converted many outbound shipments to customers to rail delivery. This has reduced carbon emissions by around 70 per cent on these

shipments and cut CO₂ emissions by 1,200 tonnes.

During the year, Gränges has installed new flue gas monitoring equipment in the production facility in Shanghai. The new system continuously monitors flue gases and helps to identify improvements. New oil mist purifiers and oil recovery systems have also been installed to cut oil consumption and emissions.

Emissions of carbon dioxide and other greenhouse gases are not regulated by legislation, but are important for Gränges and its stakeholders. To improve understanding of its indirect greenhouse gas emissions, Gränges has conducted a carbon footprint study. The study shows that Gränges' direct and indirect emissions of greenhouse gases amount to approximately 4.6 Mtonnes, where the majority are indirect emissions emanating from production of primary aluminium. Additional information is available on page 115 in the Sustainability notes. The study will provide the basis for future target setting. Greenhouse gas emissions are related to using fossil fuels and reductions can therefore be directly linked to energy efficiency measures – please see page 35.

Gränges continually examines how it can optimize transportation and logistics flows. By optimizing production planning and inventories of finished

goods, Gränges has increased the average load per truck. Gränges strives to make internal logistics more efficient through improved processes and investment to reduce the use of forklifts. The company works with eco-driving to reduce fuel use. By better coordinating loading between machines, Gränges has also cut the number of trucks.

Goals and performance

Gränges' long-term goal is to reduce its carbon footprint by reducing greenhouse gas emissions throughout the value chain, both direct and indirect.

Since 2016 direct and indirect emissions of greenhouse gases per tonne packed product has decreased by 2 per cent and 7 per cent respectively. The reduction of direct emissions is mainly connected to increased energy efficiency and the reduction of indirect emissions is due to a higher share of recycled materials in relation to total input materials.

Contribution to Sustainable Development Goal



Total emissions of greenhouse gases¹⁾

| ktonnes CO ₂ e | Scope 1 | | Scope 2 | | Scope 3 | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Gränges total | 169.7 | 164.3 | 132.7 | 130.7 | 4,300 | 4,400 |

Carbon intensity

| Tonnes CO ₂ e/ tonne product | Scope 1 | | Scope 2 | | Scope 3 | |
|--------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Gränges total | 0.45 | 0.46 | 0.35 | 0.37 | 11.4 | 11.6 |

1) For definition of Scope 1, Scope 2 and Scope 3 see page 115.

WATER USE

Gränges' production equipment depends on cooling water to ensure high operational efficiency. Lack of cooling water could result in overheating and interruptions during production.

Ensuring sustainable water use and access to clear fresh water is essential for economic growth and welfare. Gränges' operations are located in areas with different water risks and water consumption is managed based on local circumstances.

Water risks and regulations

Production facilities in Finspång and the US are situated in areas with low to medium risk, while the facility in Shanghai is situated in a medium to high risk area.¹⁾ Water use and management for Gränges' production facility in Shanghai are regulated via permits and by legislation such as "Water Pollution Prevention and Control Law of the People's Republic of China", "Water Law of the People's Republic of China", and "Management in Shanghai Drainage Ordinance".

Water is managed according to local conditions

The production facilities in Shanghai and in the US have closed-loop cooling systems with a high degree of recirculation. These systems reduce water consumption and the risk of water getting contaminated. The production facility in Shanghai uses municipal tap water for both production processes (mainly cooling) and for office buildings. Water from the cooling system is further re-used in other parts of the production process, for example in the cold rolling mill. Water of insufficient quality is later discharged to the local waste water treatment plant. Discharges can only be made within the limits of the local drainage permit, which specifies how much and what kind of water the facility can discharge. In the US, Gränges withdraws ground water from its own wells, which serves to cool

in a closed loop system using non-contact cooling towers. Used water is discharged to nearby water bodies without further treatment.

At the production facility in Finspång, surface water is withdrawn from a nearby lake. The plant is situated in an area with low water stress and currently there are no restrictions on water withdrawal. The water is used to cool different components of the production facility. Heated cooling water is released into nearby waterways. Measurements are made daily to ensure that the released water does not contain hazardous substances. Hazardous condensates are treated before being returned to nearby water bodies.

No water sources are considered to be significantly affected by the water withdrawal or discharge from Gränges' operations.

Measures to improve water management

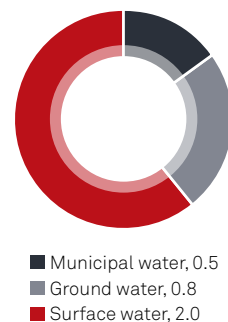
All coolers in the production facility in Finspång have been replaced and upgraded to coolers with double casing. This reduces the risk of oil and other chemicals entering the cooling water and thereby reaching the nearby recipient.

The control system at the production facility in Shanghai has been updated from conductivity control to ionization control. The new system enables Gränges to reduce the volume of water that must be constantly replaced in the cooling system.

Goals and performance

Local reduction targets for water consumption are implemented in the production facility in Finspång, while other production facilities lack firm targets.

Water use, million m³



Contribution to Sustainable Development Goal

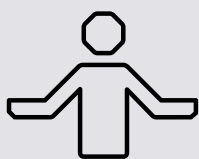


1) Based on the Aqueduct Water Risk Atlas developed by the World Resources Institute.

AN ATTRACTIVE AND SAFE WORKPLACE

Gränges aims to offer a safe work environment where all employees, regardless of gender, age, ethnicity, and background, have the opportunity to develop and can earn market rates of compensation. Competent, committed, innovative and skilled employees form the foundation on which Gränges can develop and produce high-quality products.

GRÄNGES' CORE VALUES



ACCESSIBLE



COMMITTED



INNOVATIVE



ACTION ORIENTED

The Gränges Group had a total of 1,568 employees (1,136) on average during 2017.

Gränges strives to offer good working conditions and interesting career and personal development opportunities to attract and retain talented employees. This is vital if Gränges is to maintain its long-term competitiveness and position as a global leader.

Gränges has a professional recruitment process to ensure the company hires skilled employees. Employee and manager training takes place continually to guarantee high quality craftsmanship, strong morale, and good leadership. It is important that employees are proud to work for Gränges.

One Gränges

During the year a key priority has been to integrate the acquired US operations with the rest of the Group.

The integration process began immediately after the acquisition was completed and has progressed well. It has included coordinating career planning programme and policies.

During the year a new HR vision was adopted as part of the process of creating One Gränges. The intention is to ensure that Gränges is the industry's most attractive employers with proud, talented, and high-performing employees in a diverse and safe environment.

Gränges also launched its Company Awards during the year. These are to recognize employees, teams or departments that have achieved significant improvement during the year. They are also a means of strengthening the common corporate culture.

Programmes and awareness

Gränges has continued to focus on developing its succession planning programme to secure the next generation of managers and long-term leadership for the Group, and on introducing a group-wide Talent Management Programme. This is aimed at identifying and using employees' full potential through development that benefits both the individuals and the company. A new group-wide introduction programme for new employees has also been introduced.

Gränges is perceived as an attractive employer among civil engineering students in Sweden. According to Universum's annual survey of students at all of Sweden's universities, awareness of Gränges has increased by more than 30 per cent in less than a year.

Strong corporate culture

Gränges' strong corporate culture and values are important in attracting and retaining employees.

The corporate culture is a key factor in Gränges' ability to be a workplace where employees are healthy and happy and can develop and perform well. This in turn results in less sick leave and fewer accidents, increased work efficiency, higher product quality, and better profitability.

The core values action oriented, committed, accessible, and innovative, mean, among other things, that decisions are made as far down as possible in the organization. These values also mean that all employees are expected to be committed and to drive change according to set goals and activities, take initiatives, and be persistent and thorough.

The core value innovative, added in 2017, implies that all parts of the organization are to be infused with creativity and fresh ideas to find new and better solutions to both short-term and long-term challenges. Expectations of good cooperation and excellent service, in both internal and external relationships, are high.

Gränges works to firmly establish its core values through seminars and workshops. In processes such as recruitment, new employee orientation, compensation reviews, and promotion, the core values have a central and vital role.

Development and international career opportunities

Every year employee development discussions and compensation reviews take place. Training programmes are mainly provided locally and based on local needs.

To optimize employee development, professional development and training programmes are individualized as much as possible. This is based on formal responsibility, individual skills, and the company's needs, and also to a large extent on the individual development plans established annually based on the results of development discussions.

Gränges' worldwide expansion is leading to more international career opportunities. The company has started to introduce a global job rotation programme where employees may be offered an opportunity to work for a fixed period at a different unit within the Group.

Gränges' incentive programme covers senior executives and key individuals.

Organization and governance

The SVP Human Resources is a member of Gränges Group's Extended Management Team. Each region has a local HR department under the management of a local HR manager. In 2017, Gränges established an HR Council with representation by the SVP Human Resources and the local HR managers. The purpose of this council is to cooperate even better on HR matters, to develop and harmonize global HR activities, and to share experiences to work in accordance with best practice.

Regular employee surveys

Gränges conducts regular employee surveys to assess and follow up on ongoing activities, to identify areas for improvement, and to give employees an opportunity to express their opinions. The employees are asked to respond to questions about the workplace, leadership, compensation, influence, work environment, development opportunities, and health and safety.

During the year Gränges conducted one employee survey in the operations in the US and one in the operations in Finspång. The surveys had a response rate of more than 70 per cent, which indicates strong engagement. The results of the employee surveys were very good with positive scores for areas such as job satisfaction, opportunities for skills development, health, and work environment. The combined average result shows that more than 7 out of 10 employees experience Gränges as a good or very good employer.

One of the challenges, according to the employee surveys, is to improve the internal communication. Steps have been taken to improve this.

The next survey will be a group-wide one and will take place in 2019. Employee surveys will be conducted every other year after that.

Code of Conduct

The Code of Conduct, a framework that describes what Gränges considers to be responsible and sustainable behaviour, establishes that the company's operations are to be run in accordance with

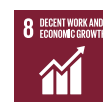
responsible and ethical business and commercial principles. These are applied every day at work by all employees. Please see pages 30–31 for more information related to the Code of Conduct.

Collective bargaining agreement and staff turnover rate

A total of around 70 per cent in Gränges Group are covered by collective bargaining agreements.

In 2017, the staff turnover rate increased to 7.4 per cent, compared to 3.4 per cent (excluding Gränges' operations in the US) in 2016.

Contribution to Sustainable Development Goal



Gränges' employees

| | 2017 | 2016 ¹⁾ | 2016 ²⁾ | 2015 |
|-----------------------------------|-------|--------------------|--------------------|------|
| Average number of employees | 1,568 | 1,136 | 962 | 964 |
| – of which employed in production | 1,077 | 789 | 619 | 631 |
| Employee turnover, % | 7.4 | – | 3.4 | 4.5 |
| Sick leave ³⁾ , % | 2.0 | – | 2.2 | 2.0 |

1) Including Gränges' operations in the US from 22 August 2016. Average number of employees for 2016 has been restated due to adjustments in the acquired business in the US.

2) Excluding Gränges' operations in the US.

3) Read more on page 42.

DIVERSITY AND EQUALITY

Gränges aims to be a workplace characterized by diversity and equality. Embracing all types of skills and expertise is important for Gränges to remain competitive in the long term.

Gränges believes that diversity is a competitive advantage and that a multifaceted workplace helps to promote growth and profitability. A diverse workplace increases creativity, flexibility, and productivity, which benefits individuals, teams, the company, and customers.

A multifaceted workplace also reflects the international market in which Gränges operates. No employee should experience discrimination based on gender, age, world view, background, sexual orientation, ethnicity, physical ability or anything else. Management teams should be well-composed and all employees must be treated equally. Gränges is to have an inclusive leadership and corporate culture.

Gränges has an ambition to work proactively to achieve a workplace characterized by diversity and equality.

Gränges' gender equality goal for Asia and Europe states that women, including managers, shall account for 20 per cent of the workforce.

Recruitment is an important tool in ensuring greater workplace diversity and equality. The ambition is to have 30 per cent women among all new recruits in Asia and Europe. In 2017 women accounted for 18 per cent of all new recruits in the Group.

In the recruitment process, all else being equal, individuals from underrepresented groups are given recruitment priority.

During the year Gränges has:

- Developed and implemented a new group-wide Diversity Policy.
- Provided diversity training to managers.

The ambition is that all groups of employees complete diversity training in 2018. The diversity perspective, increased diversity, and inclusive leadership are important parameters in the company's training programmes.

All employees are to have the same good opportunities to pursue their careers. It should be easy for employees to combine work and family, and Gränges does its best to offer various flexible solutions.

Compensation review and policies

All employees are to receive fair market rates of pay. Gränges regularly conducts compensation reviews.

In 2017 reviews were conducted within Gränges in Finspång and Shanghai. The compensation review within Gränges in Finspång examined gender distribution and pay structures. The compensation review did not find any non-objective, gender-related pay disparity. A comparison of senior executive compensation revealed that Gränges is in line with comparable companies.

The next review period will be in 2018.

Gränges' employees work according to its Diversity Policy. This is reflected in both the corporate culture and in leadership, and is reflected in the internal surveys that are regularly conducted.

The Diversity Policy establishes that no employee is to experience discrimination based on their gender, age, world view, background, sexual orientation, ethnicity, physical ability or anything else. The Diversity Policy and Remuner-

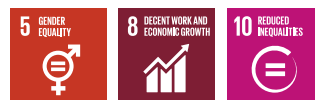
ation Policy ensure that no groups are treated unfairly or neglected.

In matters relating to the Group's Board of Directors, Gränges' nominating committee follows the guidelines in the Swedish Corporate Governance Code. The goal is for Gränges' Board of Directors to have an even gender distribution and broad range in terms of age, geographical origin, experience, education, and professional background.

Goals and performance

Gränges' goal for Asia and Europe is that women, including managers, account for 20 per cent of the workforce. In 2017 the share of female employees for the Group reached 14 per cent, with 11 per cent in Asia and 20 per cent in Europe.

Contribution to Sustainable Development Goals



HEALTH AND SAFETY

Providing a safe and good work environment is a top priority for Gränges, which has strict safety routines and continually works to improve safety.

Gränges works systematically to identify and eliminate safety risks. The company continually invests in safety measures to prevent accidents at production facilities in line with its goal of an injury-free workplace. No employee should be at risk of injury at his or her place of work.

A corporate culture characterized by high safety and safety awareness, with few accidents, also enables Gränges to maintain production quality, a positive atmosphere at the workplace and good profitability. High safety awareness is also essential in safeguarding Gränges as a brand. In addition, good safety is vital in avoiding negative or emotional consequences, and accident-related costs – both for the employee and the company.

Continuous improvements

Gränges continually improves the work environment and safety at the workplace. Examples of measures implemented during the year are:

- Internal audits where teams from different facilities cross-audit each other were conducted in Shanghai, China and in Salisbury, USA. Read more on page 43.
- An annual Environment, Health and Safety Performance Award was introduced. The facility in Salisbury won the 2017 award in recognition of having zero accidents in 2016, and because it had reduced the number of injuries in three consecutive years (measured as Total Recordable Rate)

Other measures implemented in the US include an updated and improved risk assessment and job safety analysis, as well as a process (with an accompanying action plan) to identify risks to improve the physical safety of employees at the facilities in Huntingdon, Newport and Salisbury.

The facility in Shanghai introduced a new monthly health and safety inspection and has conducted a review to document environmental, health and safety issues. This included producing guidelines and outlining improvement measures.

In Finspång, Sweden, a safer heavy transport system has been introduced, new footpaths have been built indoors to better separate pedestrians and vehicles, and improvements have been made to outdoor storage areas for materials to reduce the risk of collapse.



Safety first

Safety first is an important aspect of leadership at Gränges, and safety in the five critical categories has top priority. These are: fall protection, molten metal, mobile equipment, confined spaces, and control of hazardous energy lockout-tagout-verify – ensuring that machinery is fully switched off and de-energized before maintenance work begins.

Ongoing local training is provided at production facilities, with an emphasis on behaviour-based safety. One example is theme weeks focusing on specific safety themes.

Knowledge sharing and cooperation among facilities takes place through cross-audits and by communicating information on significant incidents to promote best practice and harmonize work processes.

To promote better safety, knowledge is also shared with other companies.

Zero vision

Gränges continuously strives towards an injury-free workplace. To this purpose the company performs risk analysis on the hazards that exist in the workplace and deploy actions to reduce or eliminate these risks.

In 2017 there were nine serious accidents where nine individuals were injured. This resulted in a total of 403 days of absence from work.

Of the 28 recordable workplace accidents, 14 resulted in “Lost Workday Cases”. Most of the incidents, in all locations, were related to hand and finger injuries; 13 of 28 cases were related to such injuries in 2017.

Policies, safety inspections and training

Gränges complies with all applicable laws and regulations. The company aims to further increase safety to ensure a safe and good work environment.

At all production facilities, health and safety is handled within the framework of a management system in accordance with the global standard OSHAS 18001. The workplace in Shanghai is OSHAS 18001 certified.

Gränges' group-wide Environmental, Health and Safety Policy is implemented throughout the Group and supplemented by local policies such as a policy for rehabilitation.

All employees are covered by accident and sickness insurance and undergo regular health check-ups.

Risk assessments and job safety analysis are carried out for both repetitive and non-repetitive tasks. This involves identifying hazards associated with work tasks, assessing the risk of injuries and developing action plans to manage and mitigate these risks. Management and the safety representatives coordinate and prioritize the actions.

Safety work is integrated into Gränges' operational excellence programme, which is part of the strategy of continuous improvements throughout the organization.

All incidents and accidents are registered and categorized in incident reporting systems. Events reported in the incident reporting systems are followed up on a weekly and monthly basis.

Regular safety inspections are conducted in all offices and production facilities in which a physical assessment is made of the work environment. Safety inspections are followed by safety committees at the various facilities. Supervisory safety committees, headed by President Europe in Finspång and President Asia in Shanghai, monitor the efficiency of the work of all safety committees. In the US, each production facility has an employee run safety committee supported by local management.

All employees take part in comprehensive safety training at least once a year and specific safety courses are regularly

provided for production personnel and management. All production employees, for example, receive specific safety training focusing on aspects such as hand and finger injury prevention. All new employees go through safety training when they start their jobs.

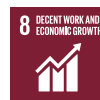
Gränges also performs chemical risk assessments. Gränges strives to minimize employee exposure to chemicals and takes steps to ensure that the company uses alternatives that are as environmentally sound as possible.

Goals and performance

Gränges has zero tolerance for injuries and accidents. The number of total recordable accidents, including Gränges' production facilities in the US, increased by 7 cases compared to prior year.

Gränges' goal for Asia and Europe is to have a sick leave lower than 3 per cent. Sick leave for Gränges Group during the year amounted to 2.0 per cent, compared to 2.2 per cent (excluding Gränges' operations in the US) in 2016. For Asia and Europe the sick leave in 2017 was 0.7 per cent and 3.3 per cent respectively.

*Contribution to
Sustainable Development Goals*





REGULAR GROUP-WIDE CROSS-AUDITS FOR COOPERATION AND IMPROVED SAFETY

Internal audits, where teams from Gränges' production facilities cross-audit each other, are conducted continually. The purpose is to improve safety and promote best practice across the organization.

Group-wide plant cross-audits are carried out once every six months. The teams consist of specialists in health, human safety, and the environment.

Two cross-audits were conducted during the year. A team comprising employees from Shanghai and Finspång conducted a cross-audit in Salisbury. The audit focused on the five critical categories: fall protection, molten metal, mobile equipment, confined spaces, and lockout-tagout-verify. Fire and environmental protection were also covered.

In the second cross-audit a team made up of employees from Gränges' production facilities in the US and Finspång travelled to the facility in Shanghai. The internal audit in Shanghai was coordinated with Gränges' work on operational excellence.

In connection with the cross-audits, the teams prepared proposals and recommendations for priority improvements. This helps to enhance safety, particularly for production workers.

GRÄNGES IN THE LOCAL COMMUNITY

Gränges contributes to positive development in society and aims to be an important and engaged actor in the local community.

Gränges creates local jobs that offer employees good employment terms and a safe work environment.

The company also contributes to charitable causes and is engaged in sponsorship, mainly at local level and locations where Gränges has operations. Gränges sponsors education, cultural events, local sports clubs, sports competitions, and various types of non-profit organizations.

In Finspång, Gränges sponsors Curt Nicolin Gymnasiet, an upper secondary school, to which Gränges offers internships and summer jobs for students, as well as Linköping University.

Gränges also takes an active role in supporting local associations in Finspång and participates in various initiatives to develop and make Finspång an even more attractive town.

In the US, Gränges' employees have been helping a local non-profit organization. The company has also provided donations for educational and other types of programmes in the local community. Additional initiatives will be implemented next year.

In Shanghai, Gränges has made donations to a local kindergarten. Gränges in Shanghai also offers internships.

Internships for individuals who have recently come to Sweden

One aspect of Gränges' community engagement in Finspång is its efforts to help integrate those who have recently come to Sweden. Gränges plans to form a partnership with Curt Nicolin Gymnasiet to offer internships to new arrivals.



“Gränges sponsors education, cultural events, local sports clubs, sports competitions, and various types of non-profit organizations.”

CUSTOMERS

Gränges strives to be customers' first choice as partner and supplier. Customer satisfaction with Gränges products and services is at the core of the company's long-term profitability and existence.

Gränges develops new technologies and products designed to solve customers' specific needs. The company's customers demand high performance and cost efficiency, and Gränges continually works to develop products that reduce process costs and the use of materials at customer applications.

Focus on customer needs

Gränges focuses on customer needs, leading technologies, industrial craftsmanship, and sustainable solutions. The company's sales organization continually works to meet customer expectations and deliver products of high and consistent quality. The strong customer focus leads to long-term relationships. 85 per cent of Gränges' automotive heat exchanger customers have engaged the company for more than 10 years.

At the 2017 technical seminar in Pune, India, Gränges' representatives showed how the company's advanced material solutions can help customers meet market demands. Invited guest speakers from Indian original equipment manufacturers spoke on electrification, fuel efficiency, and other industry relevant topics.

Organization

As an international company, Gränges introduced a global customer function in 2016 and the company's sales force is now organized in a matrix to ensure that Gränges provides high-quality service to local and global customers. The global

business function was implemented to serve the often complex demands of global customers who have operations in multiple markets. By working on global product specifications and optimizing deliveries of global customers' products, Gränges streamlines both the value chain and its R&I activities. The streamlining enhances efficiency and customer satisfaction.

Developing customer relationships

To develop customer relationships, Gränges regularly conducts customer surveys. The most recent study was conducted in 2016 and showed that customers appreciate Gränges for its competent staff, delivery quality, and documentation. Product quality, research capability, and technical support were also some of the key reasons customers choose Gränges over its competitors. Results from the study are reviewed internally and lead to the development of Gränges' internal processes and specific customer relationships.

85%

of Gränges' automotive heat exchanger customers have engaged the company for more than 10 years.

Contribution to Sustainable Development Goals



RISK MANAGEMENT

As a group with operations in different parts of the world, Gränges is exposed to various risks and uncertainties. Gränges' risk management aims to identify, assess, and reduce risks related to the Group's business and operations.



Local risk reporting systems for environment, quality, and health and safety are in place at the production sites. Risks are managed as a part of daily operations where key risks are raised to the regional management team and mitigation measures are implemented. Gränges always maintains adequate insurance coverage in relevant areas.

MARKET RISKS

Market risks are managed and controlled by the corporate functions and operating units in accordance with established guidelines and procedures.

- Risks related to market development and competition
- Risks related to customer satisfaction
- Risks in the supply chain
- Energy price risks
- Political risks

OPERATIONAL RISKS

Operational risks are managed and controlled by the corporate functions and operating units in accordance with established guidelines and procedures.

- Quality and efficiency risks
- Risks related to critical machine breakdowns or calamities
- Health and safety risks
- Environmental risks
- Risks related to employees and the workplace
- Business conduct risks
- Risks related to compliance and upcoming legislation

FINANCIAL RISKS

Financial risks are managed in accordance with Gränges' Financial Management Policy. Gränges uses derivatives and other financial instruments to reduce financial risks.

- Currency risk
- Commodity price risk
- Interest rate risk
- Liquidity risk
- Credit risk

MARKET RISKS

| RISK | DESCRIPTION OF RISK | RISK MANAGEMENT |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RISKS RELATED TO MARKET DEVELOPMENT AND COMPETITION | <p>1. Changes in the automotive market About half of Gränges' sales volume goes to suppliers in the automotive industry. Vehicle production depends on a number of external factors such as the global economy, interest rates, consumer behaviour, taxes, and legislation. During an economic downturn, the automotive industry normally sees a decline in production, which reduces demand for aluminium products used in vehicles.</p> <p>2. Technology becomes outdated Gränges' advanced aluminium products and technological leadership is a result of a long-term commitment to research and innovation, and a close cooperation with customers to develop new products and solutions. It is a risk that the technology becomes outdated and Gränges loses its leadership.</p> | <p>1. Diversification and adaptability Gränges is a global company operating in all major regions. The worldwide presence reduces risks of an economic downturn in individual markets. Gränges has a diversified product portfolio and about half of sales are to other niche markets in the industry, including stationary heat exchangers, transformers, and food packaging. The aim is to continue to increase sales to other markets than the automotive industry.</p> <p>2. Extensive R&I Research and innovation is a core element of Gränges' strategy, and Gränges continues to increase its efforts in this area. To be able to meet future market demands, in-depth research work is combined with innovation. Gränges supports its customers in product development for future applications such as electrical vehicles, and invests to secure competence and advanced technology suited for next-generation materials.</p> |
| RISKS RELATED TO CUSTOMER SATISFACTION | <p>Maintaining customer focus and providing the right products at the right time to customers are key success factors for Gränges. Dissatisfied customers can adversely affect the company's profitability and market share, and may also pose a reputational risk.</p> | <p>Gränges upholds good relationships with customers to proactively meet their demands. Additionally, the company regularly conducts global customer satisfaction surveys. This tracks customers' perceptions of Gränges' products and services. Results from the studies are reviewed internally and results in actions to develop Gränges' internal processes and specific customer relationships.</p> |
| RISKS IN THE SUPPLY CHAIN | <p>1. Ethical, environmental and social risks Ethical risks are related to bribes and other types of corruption. Environmental risks are mainly connected to environmental permits and the potential lack of compliance. Labour law risks in the supply chain include unfair working conditions. In certain regions there is a risk of child labour.</p> <p>2. Supply of slabs and other materials Gränges depends on the supply of commodities, mainly aluminium. Insufficient supply means that Gränges cannot produce end products. In the future, depending on chosen end designs, special material types may be more difficult to source due to their special characteristics.</p> | <p>1. Supplier Declaration and audits To ensure that suppliers have zero tolerance of corruption, have reasonable working conditions, good workplace health and safety standards, and respect human rights and the environment, suppliers must sign and follow Gränges' Supplier Declaration. This means that suppliers pledge to observe all applicable laws and regulations, including the 10 principles of the UN Global Compact. Furthermore, Gränges aims to regularly audit its strategic suppliers.</p> <p>2. Supply management Gränges enters into agreements with suppliers in each market to ensure deliveries on the basis of estimated volumes. Gränges has its own cast house in the production facilities, making it less sensitive to supply issues regarding for example slabs.</p> |
| ENERGY PRICE RISKS | <p>Energy price risks relate largely to changes in energy prices that can adversely affect Gränges' operating profit. Gränges is mainly exposed to price changes in electricity and natural gas, but the price of other energy commodities may also affect Gränges' operating profit directly and indirectly.</p> | <p>Gränges uses hedging and delivery agreements to secure future energy supply and price. Financial hedges and physical fixed-price contracts may be used up to two years before delivery.</p> |
| POLITICAL RISKS | <p>Gränges has operations in Sweden, China and the US and serves customers in around 50 countries. Markets and operations are affected by the political and economic environments of these countries. Political changes could interfere with the company's supply chain, production, or market activities, and affect the ability to meet the demands of Gränges' customers.</p> | <p>Political risks in Sweden are limited and easy to monitor, while political risks in China and in the US are closely monitored particularly regarding cross-border trade.</p> |

OPERATIONAL RISKS

| RISK | DESCRIPTION OF RISK | RISK MANAGEMENT |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| QUALITY AND EFFICIENCY RISKS | Quality and efficiency risks are mainly connected to defective products and insufficient process stability, and often due to unplanned stoppages at plants. | To ensure high-quality products and efficient production processes, Gränges has ongoing programmes for operational excellence and is continually upgrading and maintaining production equipment. |
| RISKS RELATED TO CRITICAL MACHINE BREAKDOWNS OR CALAMITIES | Critical machine breakdowns or calamities (such as fire) risk to damage equipment. | Gränges follows proven maintenance plans for critical machinery and ensures access to spare parts and service staff to continually maintain critical machinery. Gränges has invested in state-of-the-art fire protection systems and has extensive insurance policies in place. |
| HEALTH AND SAFETY RISKS | Cast houses and rolling mills are work environments that impose significant health and safety risks. Examples of such risks are finger, hand, foot, and leg injuries. Also, production personnel risk being exposed to chemicals that are hazardous to health. Strict safety routines may never be bypassed or assigned a lower priority. If the implementation of safety procedures is unsuccessful or inefficient, employees and other individuals may be injured. Unsafe workplaces can also lead to increased employee turnover as well as higher operating costs. Injuries can lead to production interruptions, which could result in financial costs for Gränges. | Gränges has strict safety routines and continually invests in various safety measures to prevent accidents at plants. Regular safety training is held for all employees and targeted safety training is carried out for specific safety issues. Employees work according to the Environmental, Health and Safety Policy. Gränges performs chemical substance hazard analysis and regularly substitutes chemicals to reduce exposure to personnel. Internal cross audits are carried out regularly at the various production sites to further improve the work environment and health and safety, enhance operational integration, and work according to best practice. Improved health and safety is also part of Gränges' operational excellence programme, to work for continuous improvements. |
| ENVIRONMENTAL RISKS | Environmental risks relate to emissions to water, soil and air or releases of environmentally hazardous substances resulting from incidents and accidents, such as fire, oil spill, or leak of hazardous substances. Such events may have financial, non-financial, and regulatory repercussions. | Environmental risks are reported as risk observations in local incident management systems at plants. Risks are managed in accordance with a set routine and integrated as a part of daily operations. Key risks are raised to the regional management team and mitigation measures are implemented accordingly. Measures to mitigate environmental risks are also integrated in investment and maintenance routines. |
| RISKS RELATED TO THE EMPLOYEES AND THE WORKPLACE | <p>1. Critical competence and talent Gränges operates in a specialized niche where experience and knowledge of the company's markets, customers, and production are key factors for the company's success. Competent, engaged, and innovative employees with solid knowledge provide the foundation to develop and manufacture high-quality products. Losing key employees can negatively affect Gränges' possibilities of conducting and developing its operations and its ability to develop new products.</p> <p>2. Diversity and gender equality A workplace that is diverse and equal, and where all types of skills are used, is important in ensuring that Gränges maintains long-term competitiveness. Lack of gender equality and diversity may affect Gränges' ability to reach its long-term goals.</p> | <p>1. Attractive workplace Gränges offers remuneration levels in line with market rates and conditions of employment necessary to recruit, develop, and retain key employees. Gränges conducts continual training to maintain top-level craftsmanship and leadership. Gränges works actively to strengthen its corporate culture and core values, which are important for employees to feel good, thrive, develop, and perform.</p> <p>2. An inclusive approach In recruitment processes, if all other factors are equal, the under-represented gender will be prioritized. Leadership programmes include activities that support a more equal gender balance. Gränges provides flexible working arrangements so that employees can easily combine their work commitments with their family lives.</p> |
| BUSINESS CONDUCT RISKS | Violations of the company's internal policies, Anti-corruption Policy and Code of Conduct may adversely affect the company's reputation and brand, and therefore earnings. | All Gränges employees, board members, contracted consultants and others who act on Gränges' behalf, must follow the Code of Conduct. Gränges employees and board members must also follow policies such as the Anti-corruption Policy and take reasonable steps to ensure that Gränges' independent business partners, including suppliers, customers, and joint-venture partners, do not engage in corruption or other illegal or unethical activities related to their business with Gränges. Employees regularly undergo training in the Code of Conduct and anti-corruption as well as the company's core values. The Group's internal communications support and develop this work. Gränges' whistleblower function enables employees to report incidents anonymously. |
| RISKS RELATED TO COMPLIANCE AND UPCOMING LEGISLATION | Gränges operates in many different markets, with local laws and rules. Failure to keep abreast of legislative and regulatory requirements may cause financial liabilities or even loss of permits. If employees or individuals who work on Gränges' behalf violate laws and rules, it could have negative consequences for Gränges. The company may be affected by events that damage confidence in the company, its operations, or employees, for example if environmental, quality, or ethical requirements are not met in the manner prescribed by Gränges. | Gränges observes all applicable local and international laws and regulations. Gränges continually monitors legislative and regulatory developments through external partners, and through membership in various industrial organizations. The company's employees are regularly informed of relevant changes that the company must follow. Gränges conducts in-house training of relevant personnel to ensure good knowledge and understanding of legal risks and requirements. |

FINANCIAL RISKS

| RISK | DESCRIPTION OF RISK | RISK MANAGEMENT |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CURRENCY RISK | <p>Gränges Group's sales are primarily generated outside of Sweden. Sales contracts are mainly signed in US dollars, Euro and Chinese yuan, depending on where the customers are located. Changes in foreign exchange rates have an impact on Gränges' income statements, balance sheets, and cash flow.</p> <p>Over time, changes in foreign exchange rates also affect the company's long-term competitiveness and earning capacity.</p> | <p>Gränges' Financial Management Policy regulates the company's management of foreign exchange risk. Gränges uses financial instruments, mostly forwards, to reduce the company's exposure to changes in foreign exchange rates with regard to its commercial cash flows. Changes in exchange rates for firm commitments are managed in accordance with a model whereby the exposure with a duration of up to 18 months is hedged. Exposures relating to customer orders without firm commitments are partly hedged up to 24 months.</p> |
| COMMODITY PRICE RISK | <p>Gränges procures large volumes of aluminium for the company's production facilities in Sweden, China and the US. The price of aluminium is based on the trade price on the LME in London or SHFE in Shanghai. Gränges' revenue model means that the cost of aluminium is passed on to the customer to the extent possible, through the agreements with customers and suppliers. Sometimes there can be a lag between the aluminium procurement date and the sale of the finished product, which means that Gränges is partially exposed to fluctuations in the price of aluminium.</p> | <p>Gränges' Metal Management Policy regulates the company's management of commodity price risk. The goal is to balance the short and long position so the company is not affected by changes in the price of aluminium. Financial instruments are used to manage commodity price risk. Gränges takes no positions for speculative purposes.</p> |
| INTEREST RATE RISK | <p>Gränges' interest rate risk mainly relates to the Group's interest-bearing liabilities. Changes in interest rates may affect the Group's results and cash flow and/or the fair value of financial assets and liabilities. The actual interest rate risk also depends on the size of the interest-bearing debt.</p> | <p>Gränges' borrowings are mainly in Swedish Krona and US Dollar at floating interest rates. The duration of the interest-bearing debt portfolio can be adjusted by longer interest periods or by interest rate swaps. The target for the duration of the interest bearing debt portfolio is regulated in the Financial Management Policy. In 2017 no interest rate swaps were used to prolong the duration.</p> |
| LIQUIDITY RISK | <p>Liquidity risk is the risk that Gränges will not be able to meet its payment obligations. Cash flow from operations, which is affected by changes in working capital among other factors, is managed at group level. By monitoring liquidity flows in the short and long term, Gränges maintains good financial readiness.</p> | <p>Gränges forecasts future payments and obligations for the next twelve months against incoming cash flows and available credit facilities, including a strategic reserve. Excess liquidity is managed by the Group's treasury function and can be invested at approved banks to mature within six months. The goal is to optimize the liquidity in the Group, and at the same time minimize liquidity risk.</p> |
| CREDIT RISK | <p>Credit risk is the risk that a counterparty does not meet its financial obligations towards Gränges. A credit risk can be related to for example trade receivables or financial counterparties.</p> | <p>Gränges' trade receivable exposure is managed and followed up continually in local credit committees. The need for provisions is tested every quarter, or when necessary, according to predefined criterias. The credit risk on financial counterparties is handled by choosing counterparties with a good credit rating, by limiting the actual exposure, and by agreements such as ISDA agreements.</p> |



THE GRÄNGES SHARE

The Gränges share is listed on Nasdaq Stockholm in the Mid Cap segment, the Automobile & Parts category, and traded under the ticker GRNG. Since the listing on the stock exchange in October 2014 and until February 2018, the share has risen 112 per cent. During 2017, the share recorded a decline of 2 per cent.

“Shareholders have received a total return of 125 per cent since the IPO in 2014”

Since the listing on Nasdaq Stockholm in October 2014 and until the end of February 2018, the Gränges share have risen by about 112 per cent. Shareholders have received a total return of 125 per cent since the IPO in 2014, when the annual dividend is included. The share price was 84.25 SEK at the end of 2017, which represents a market capitalization of around SEK 6.4 billion. The share's highest price in 2017 was recorded on 24 January at SEK 100.00, and the lowest price was SEK 77.50 on 30 June.

Turnover and trading locations

The Gränges share is traded on several exchanges and trading platforms. In 2017, official trading accounted for 63.0 per cent of turnover in the share, of which the Nasdaq Stockholm accounted for 71.3 per cent. Unofficial trade, so-called “off-book”, represented 22.1 per cent of trade in the share. 10.3 per cent of shares were traded on so-called “dark pools”, with the largest volume of trades on GBS MTF. The average daily turnover in the Gränges share was 276,306 shares and turnover in the share was a total of around 69.6 million in 2017.

Share capital

Share capital in Gränges amounts to SEK 101 million, distributed among 75,517,386 shares, each with a quota value of SEK 1.339775. Gränges only has one class of shares. During 2017 362,000 warrants were exercised, and the number of outstanding shares correspondingly increased with 362,000 and the share capital with SEK 484,999.

Ownership changes

On 31 December, 2017, the number of Gränges shareholders was 9,279.

The largest shareholder was Fjärde AP-fonden, whose holding increased to 9.4 per cent of the total number of shares, followed by AFA Försäkring with 6.8 per cent, and SEB Fonder with 4.9 per cent. Overall, the 15 largest shareholders' holdings amount to 46 per cent of the total number of shares in Gränges. There are no pre-emption clauses, refusal clauses or other restrictions to the transfer of shares in the company by law, the company's articles of association or any other document in which the company is a party.

Dividend

The Gränges Board of Directors proposes a dividend of SEK 227 million (180), equivalent to SEK 3.00 (2.40) per share for the financial year 2017. The proposed dividend is equivalent to 35 per cent (36) of the profit for the year in 2017. Gränges' Dividend Policy is to pay a dividend of between 30 and 50 per cent of the profit for the year. Decisions on dividends will reflect the company's financial position, cash flow, and outlook.

Incentive programme

Prior to Gränges' IPO in 2014, an employee stock option program was established for senior executives and other key employees. This programme expired in November 2017 and resulted in a dilution of approximately 1.2 per cent of the total number of shares. During 2017, a total of 397,000 employee stock options were exercised. For more information on remuneration and the employee stock option program, see Note 8 on page 78.

Share capital development

| Date | Event | Change in number of shares | Total number of shares | Change in share capital, SEK | Total share capital, SEK |
|-------------|---------------------------|----------------------------|------------------------|------------------------------|--------------------------|
| 01 Jan 2014 | | – | 37,319,693 | – | 932,992,325 |
| 14 Aug 2014 | Decrease in share capital | – | 37,319,693 | –832,992,325 | 100,000,000 |
| 15 Sep 2014 | Share split | 37,319,693 | 74,639,386 | – | 100,000,000 |
| 18 Nov 2016 | Rights issue | 516,000 | 75,155,386 | 691,324 | 100,691,324 |
| 04 Apr 2017 | Rights issue | 20,000 | 75,175,386 | 26,796 | 100,718,120 |
| 31 May 2017 | Rights issue | 337,000 | 75,512,386 | 451,504 | 101,169,624 |
| 6 Dec 2017 | Rights issue | 5,000 | 75,517,386 | 6,699 | 101,176,323 |

Share information

| | |
|------------------|-------------------|
| Market | Nasdaq Stockholm |
| Segment | Mid Cap Stockholm |
| Ticker symbol | GRNG |
| ISIN code | SE0006288015 |
| Listed since | 10 October 2014 |
| Currency | SEK |
| Number of shares | 75,517,386 |

Ownership

| Largest shareholders | Shares | Share of capital and votes, % |
|--------------------------------------|-------------------|-------------------------------|
| Fjärde AP-fonden | 7,111,207 | 9.4 |
| AFA Försäkring | 5,124,790 | 6.8 |
| SEB Fonder | 3,670,513 | 4.9 |
| Swedbank Robur Fonder | 3,052,050 | 4.0 |
| Allianz Global Investors | 2,785,794 | 3.7 |
| Copper Rock Capital Partners | 2,227,526 | 3.0 |
| Fidelity | 1,982,699 | 2.6 |
| Dimensional Fund Advisors | 1,879,537 | 2.5 |
| Columbia Threadneedle | 1,345,613 | 1.8 |
| Acadian Asset Management LLC | 1,261,569 | 1.7 |
| Norges Bank | 1,230,748 | 1.6 |
| Paradice Fonder | 857,854 | 1.1 |
| Avanza Pension | 812,926 | 1.1 |
| Lazard | 719,719 | 1.0 |
| Invesco | 699,426 | 0.9 |
| Total 15 largest shareholders | 34,761,971 | 46.1 |
| Other shareholders | 40,755,415 | 53.9 |
| Total | 75,517,386 | 100.0 |

Source: Holdings as of 2017-12-31.

Share distribution

| Number of shares | Shareholders | Share of capital, % |
|------------------|--------------|---------------------|
| 1–500 | 6,026 | 65.8 |
| 501–1,000 | 1,368 | 14.4 |
| 1,001–5,000 | 1,308 | 13.7 |
| 5,001–10,000 | 212 | 2.2 |
| 10,001–15,000 | 62 | 0.6 |
| 15,001–20,000 | 40 | 0.4 |
| 20,001– | 263 | 2.8 |
| Total | 9,279 | 100.0 |

Source: Euroclear as of 2017-12-31.

Share data

| | 2017 | 2016 |
|--------------------------------------------------------|--------------------|-------|
| Earnings, SEK ¹⁾ | 8.64 | 6.64 |
| Equity, SEK ¹⁾ | 44.04 | 39.27 |
| Cash flow from operating activities, SEK ¹⁾ | 12.82 | 9.15 |
| Share price at end of period, SEK | 84.25 | 86.00 |
| Dividend, SEK | 3.00 ²⁾ | 2.40 |
| Dividend rate, % | 35 | 36 |
| Yield, % | 3.6 | 2.8 |

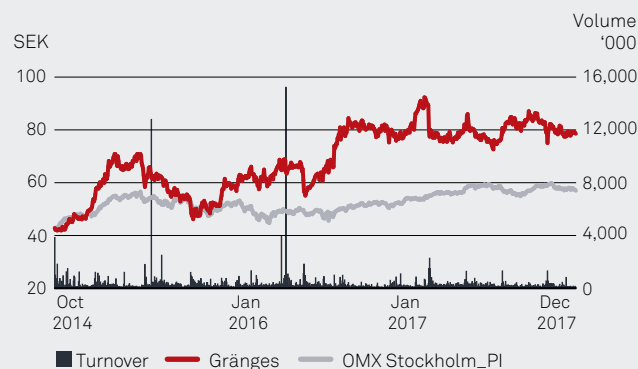
1) Calculated on the weighted outstanding ordinary shares, diluted.

2) The Board of Director's proposal to AGM 2018.

| Geographical distribution | Shareholders | Share of capital, % |
|---------------------------|--------------|---------------------|
| Sweden | 9,009 | 51.0 |
| United States | 64 | 24.4 |
| Germany | 11 | 3.8 |
| Norway | 31 | 2.6 |
| United Kingdom | 20 | 0.4 |
| Total other | 144 | 17.8 |
| Total | 9,279 | 100 |

Source: Euroclear as of 2017-12-31.

The Gränges share development 2014–2017



For additional investor relations-related questions, please contact Pernilla Grennfelt, SVP Communications & IR, at pernilla.grennfelt@granges.com, or on: +46 702 90 99 55.

BOARD OF DIRECTORS' REPORT

The Board of Directors and the Chief Executive Officer of Gränges AB (publ), corporate identity number 556001-6122, hereby submit the annual accounts and consolidated accounts for the financial year 1 January–31 December 2017.

OPERATIONS

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. The Group's geographical regions are Europe, Asia and Americas.

Gränges has five production facilities on three continents with a combined annual production capacity of 420,000 tonnes. The facilities are at Finspång (Sweden), Shanghai (China), as well as Huntingdon (Tennessee), Salisbury (North Carolina), and Newport (Arkansas) in the US.

Gränges' end customers are in the automotive industry, the stationary heat exchanger industry, and niche markets such as transformers and food packaging. The company has long-term customer relationships with global suppliers and during 2017, the company's seven largest customers accounted for 39 per cent of the net sales.

The Group's parent company, Gränges AB, is a Swedish public listed company with organization number 556001-6122. Its registered office is in Stockholm with its head office on Linnégatan 18.

Gränges' shares are listed on Nasdaq Stockholm's Mid Cap list.

Market development

Demand for aluminium products for automotive heat exchangers, which is Gränges' largest market and accounts for about half of the Group's sales volume, is correlated with the number of produced light vehicles. A higher share of hybrid vehicles, electrical vehicles and advanced features such as autonomous driving is also positive for the demand of heat exchanger materials. Due to lead times in the supply chain there is, however, a time lag between growth in demand for Gränges' products and vehicle production.

In the Americas, materials for stationary heat exchangers is the dominant product category. The growth in this market is mainly driven by energy efficiency requirements and construction of new houses and buildings.

The global production of light vehicles increased by 2.3 per cent in 2017 compared with 2016, according to the international research and analysis firm, IHS. The production of light vehicles in Asia increased by 2.6 per cent in 2017 and in China the increase isolated was 2.0 per cent. In Europe the production of light vehicles increased by 3.7 per cent in 2017. In the Americas production of light vehicles decreased by 0.7 per cent in 2017 where growth in South America was counteracted by a weaker market in North America.

Outlook

The automotive heat exchanger market is expected to continue to grow in 2018. The analysis firm IHS estimates that the light vehicle production will increase by 2 per cent globally during the year, and Gränges expects a positive development in all our regions during 2018.

Gränges will continue to work actively with innovation and customer offering, which includes increased focus on product development for electric vehicles where Gränges sees a good growth potential. Sustainability is another important area, as well as ensuring that the Group have both the capacity and capability of the facilities to meet future demand. Gränges is currently working actively to establish new capacity in the US, but also addressing the capacity needs in Asia and Europe. Here, different ways of going forward is evaluated.

Sales

During 2017 sales volume reached 373.0 ktonnes (239.1), an increase of 56.0 per cent compared with the previous year. Net sales amounted to SEK 11,435 million (7,207). The net effect of changes in exchange rates was negative and amounted to SEK 116 million during 2017.

Asia

During 2017, sales volume in Asia increased to 86.3 ktonnes (80.8), which represents an increase of 6.8 per cent compared to previous year.

Europe

During the 2017, sales volume in Europe reached 65.6 ktonnes (63.7), representing an increase of 2.9 per cent compared to previous year.

Americas

During 2017, sales volume in the Americas reached 221.1 ktonnes (94.6), an increase of 133.7 per cent compared to previous year.

Operating profit

During 2017, operating profit amounted to SEK 917 million (559). Adjusted operating profit totalled SEK 933 million (687), corresponding to an adjusted operating margin of 8.2 per cent (9.5). Changes in foreign exchange rates had a positive effect of SEK 32 million. The positive effect from higher sales volume, improved metal management and productivity were partly offset by lower average conversion price.

Revised assessment of useful life of property, plant and equipment has affected the operating profit positively with SEK 23 million for 2017. For more information refer to Note 5.

Profit for the period and earnings per share

During 2017, finance income and costs amounted to SEK –115 million (–61). Profit before tax increased to SEK 797 million (500) and includes a negative effect from joint ventures of SEK –5 million. Income tax for the full year 2017 was SEK –145 million (–2), which corresponds to an effective tax rate of 18 per cent. Excluding a positive effect from release of a corporate income tax in China of SEK 53 million and cost for withholding tax on a dividend of SEK –19 million, the effective tax rate was 22 per cent for 2017. Income tax for 2016 includes a release of a provision for corporate income tax in China with a positive effect of SEK 139 million, as well as withholding tax of SEK –38 million paid on dividend from the Chinese subsidiary to Gränges AB. Excluding these effects, the effective tax rate for 2016 was 21 per cent. During 2017, the profit for the period increased to SEK 652 million (498) and diluted earnings per share rose to SEK 8.64 (6.64).

Cash flow

During 2017, cash flow from operating activities increased to SEK 968 million (686). Cash flow from investing activities was SEK –396 million (–2,732) and includes SEK –42 million for the acquisition of Getek GmbH. Capital expenditure during the year amounted to SEK –358 million (–155) and was mainly related to investments to maintain and improve efficiency in current production facilities, but also investments related to the expansion of the Huntingdon facility in the US. Cash flow before financing activities increased to SEK 572 million (–2,046). Cash flow from financing activities was SEK –650 million (2,245) and includes a dividend payment of SEK –180 million as resolved by Gränges' 2017 Annual General Meeting, new loans of SEK 888 million and amortization of loans of SEK –1,250 million. Cash and cash equivalents amounted to SEK 742 million (851) at 31 December 2017.

Financial position

Gränges' total assets amounted to SEK 8,005 million (7,950) at 31 December 2017. The equity to assets ratio was 41.5 per cent (37.0).

Consolidated net debt including pension liabilities was SEK 2,292 (2,722) million at 31 December 2017. The net debt corresponds to 1.8 times adjusted EBITDA.

Seasonal variations

Gränges' operations are subject to seasonal variations. Following the acquisition in North America which was completed in August 2016, the second quarter of the year is considered to be the strongest and the fourth quarter the weakest.

Acquisition

As part of the strategy to strengthen the company's leading position in the development of brazed heat exchanger materials, Gränges acquired 51 per cent in the production company Getek GmbH 6 October 2017. Getek produces aluminium billets using advanced spray-forming technology and that technology is well suited for the next generation of materials for heat exchangers. The investment is classified as a joint operation and Gränges recognizes its direct right to jointly owned assets, liabilities, revenues and expenses.

From the 2 January 2018 Gränges coordinates the distribution of products from the facilities in Finspång and Shanghai to North America through Gränges Americas. The sales was previously done by the joint venture company Norca Heat Transfer LLC and as part of the distribution change Gränges has acquired the remaining 50 per cent of the company from the joint venture partner.

For more information of the acquisitions refer to Note 29.

Employees

The average number of employees in the Gränges Group amounted to 1,568 (1,136) during 2017.

Change in Group Management

Torbjörn Sternsjö, SVP Technology & Business Development and Jörgen Abrahamsson, President Europe, are new members in Gränges' Group Management from 2017.

Furthermore, CFO Oskar Hellström was appointed deputy CEO of Gränges during the year.

Research and innovation

Gränges conducts world-class strategic research and customer driven product development that are based on extensive knowledge of material properties and characteristics, and our own and customer production processes. This strategic research work is managed globally, while the customer-driven development is carried out locally, in close coordination with customers and production plants.

Gränges' R&I consists of around 60 specialists, many of whom have doctorates and collaborate with universities and colleges on a regular basis. New products are in most cases firstly developed in small-scale in the laboratory. Prior to full-scale production of new products, Gränges uses computer simulations to design the process route. This approach enables the planning of efficient production processes with a great deal of accuracy.

At 31 December 2017, Gränges' research and innovation has resulted in 52 patent families and 165 patents; a further 73 patent applications are under review. An important research project, which Gränges also offers to commercial customers, is TRILLIUM®.

Sustainability

Sustainability is an essential element of Gränges' strategy and operations. The company strives to improve conditions in its value chain and works through participation in industry initiatives to ensure that aluminium is mined, produced and used sustainably.

Gränges' sustainability efforts are focused around topics which internal and external stakeholders have assessed to have the highest impact. The company focuses on minimizing the environmental impact of its operations and the prevailing risks, in relation to both products and processes. Increased energy efficiency, metal yield and use of recycled aluminium in production are important topics together with reduced water consumption and emissions to air and water. Gränges further works to uphold ethical business practices and the company does not tolerate any form of bribery, extortion or corruption. In terms of practices related to its employees, the company strives to offer a workplace characterized by diversity and equality. Providing a safe and good work environment is a top priority for Gränges. Gränges also works to ensure responsible sourcing of metals and other materials in its supply chain.

Gränges' 2017 sustainability report is included as part of this 2017 annual report document. The statutory sustainability report has been submitted by Gränges' Board of Directors. It has been prepared in accordance with the Annual Reports Act on sustainability reporting as well as GRI Standards: Core option. It also constitutes Gränges' Communication on Progress in line with the UN Global Compact guidelines.

The sustainability report outlines the company's impacts, efforts, policies and performance related to sustainability – including how the company works with topics related to environment, social conditions, employees, respect for human rights as well as anti-corruption. For more details, please refer to the following sections in this annual report document:

- Business model: page 12
- 2017 sustainability report: pages 26–45 and pages 112–121
 - Sustainability governance: pages 27–28, 112
 - Environmental business practices: pages 34–37, 114–116
 - Workplace practices (incl. social conditions, employees and human rights): pages 38–45, 117–118
 - Ethical business practices (incl. anti-corruption) pages: 30–31
 - Central key performance indicators: pages 114–118
 - GRI index with references to sustainability topics: pages 119–121
- Material risks and risk mitigating activities: pages 46–49

Parent company

Gränges AB is the parent company of the Gränges Group. Operations include Group Management and joint corporate functions such as global R&I, accounting, treasury, legal, communication and leasing of properties. The parent company has seven directly or indirectly whollyowned Group companies and one indirect branch office, and is partner in two joint venture and one joint operation via subsidiaries.

During 2017, net sales in the parent company amounted to SEK 219 million (119). These sales consisted primarily of invoicing of services to the subsidiaries and leasing of properties.

Operating profit amounted to SEK –47 million (–77) and the profit for the year to SEK 385 million (718) for 2017. Profit for the year includes dividend of SEK 378 million (757) received from the Chinese subsidiary.

The Gränges share and ownership

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

There are no pre-emption clauses, refusal clauses or other restrictions on the transfer of shares in the company by law, the company's articles of association or any agreement or other document in which the company is a party.

At 31 December 2017 Gränges had no shareholder that owned more than 10 per cent of Gränges' capital and votes.

Ahead of the IPO in 2014, an employee stock option programme was established for senior executives and other key people in the company. 397,000 employee stock options have been exercised during 2017 and since the programme has expired any remaining warrants have been cancelled and no further shares will be issued under this program.

Operating risks and uncertainty factors

As a global business with operations in different parts of the world, Gränges is exposed to various risks and uncertainties such as raw material prices, market risk, operational and legal risk, as well as financial risk related to foreign exchange, interest rates, liquidity and funding opportunities. In its risk management, Gränges seeks to identify, evaluate, and reduce risk related to the Group's business and operations. In the section risk management on pages 46–49 Gränges' risks and risk management is further described.

For a more comprehensive description of the financial risks, see Note 25.

Guidelines for remuneration to the Management team

General Gränges will offer the remuneration levels and employment terms necessary in order to recruit, develop and retain senior executives. These individuals must have the expertise, motivation and capacity to be able to uphold, develop and implement comprehensive, value-creating strategic objectives for the Gränges Group. Senior executives refer to the Group's Chief Executive Officer, the Group's Vice Executive Officer and members of the Management Team.

Remuneration to the Management Team is to be determined by the Board of Directors, but follow the guidelines adopted by the General Meeting. The basic principle is that remuneration is to be competitive and consist of a fixed salary and a variable component such as various incentive programmes. Applicable laws and other relevant regulations, both Swedish and foreign, in the relevant sector should always be complied with.

Fixed salary The fixed salary is to consist of normal basic pay. The salary is based on responsibility, performance, skills and the complexity and scope of the duties.

Variable pay Variable pay is to consist of an annual short-term incentive programme (STI 2017) and a long-term incentive programme (LTI 2017). Both STI 2017 and LTI 2017 will provide cash pay outs. There will be no guaranteed variable remuneration.

Annual short-term incentive programme (STI 2017) The outcome of the STI is determined by a number of parameters consisting of financial key ratios for the Group, such as adjusted operating profit and cash conversion, and individual pre-determined targets. Remuneration under STI 2017 may not exceed 60 per cent of the total basic pay paid to all members of the Management team, except for the person holding position as President Americas, whom may obtain 100 per cent of the total basic pay.

Long-term incentive programme (LTI 2017) The long-term incentive program (LTI 2017) is offered to senior executives and certain key individuals. LTI 2017 will run for three years and is structured as follows: An amount equivalent to the payout from STI 2017 for each participant will be reserved in a special so-called LTI bank. Provided that the participants remain in the employ of the Gränges Group, the amount allocated to LTI 2017 will be paid by one third per year during the years 2019, 2020 and 2021, adjusted for total return of Gränges share. The total payout from STI and paying LTI programmes may not exceed 150 per cent of annual basic pay as of the date of the payout. This shall not apply to the person holding the position as President Americas, who instead will have 200 per cent as a limit.

Other benefits Benefits that are not directly related to fixed and variable pay, such as car allowance, should facilitate the execution of duties and be in line with standard practices in the market for this target group.

Pension Pension benefits are to comply with Swedish laws and relevant collective agreements, and be limited to the ITP plan (supplementary pension for salaried employees in industry and commerce). Gränges thus has both defined contribution and defined benefit commitments based on individual circumstances. Pension terms are to be in line with market norms. The retirement age for the Chief Executive Officer is 65. The retirement age for other senior executives is 60–65, depending on in which country they are employed.

Period of notice of termination The contract between the company and Chief Executive Officer stipulates a mutual twelve-month period of notice. Additionally, in the case of termination by the company, severance pay is payable without deduction for an additional twelve months. The contracts between the company and other senior executives stipulate a mutual six-month period of notice. Additionally, in the case of termination by the company, severance pay is payable of an additional twelve months, without deduction for the first six months.

Information on previously agreed remuneration not yet due for payment In addition to the long-term incentive program LTI 2017, two similar long-term incentive programs, LTI 2015 and LTI 2016, decided upon by the Annual General Meeting from previous years (4 May 2015 and 28 April 2016), runs parallel. As with LTI 2017, the programmes run for three years and are designed so that an amount equivalent to the outcome from STI for each year and for each participant is set aside in a so-called LTI bank. Provided participants continue to be employed by Gränges, one third of the amount for LTI 2015 is paid per year during 2017, 2018 and 2019, and for LTI 2016 during the years 2018, 2019 and 2020. The payments are adjusted for total return of Gränges share. The total payment of LTI together with STI in one year is limited to 1.5 times an annual salary.

Other Insofar as elected board members conduct work on behalf of the company, in addition to board assignments, consultancy fees and other compensation for such work shall be paid. The board may deviate from these guidelines in individual cases if there are specific reasons for doing so. However, such reasons shall imply limited scope to deviate from these guidelines.

The Board of Directors is expected to make a decision during March 2018 regarding the guidelines for remuneration of senior executives that the Board will propose to the Annual General Meeting.

Events after the end of the year

2 January 2018 Gränges acquired the remaining 50 per cent of Norca Heat Transfer LLC ("Norca").

No additional significant events have occurred after the year end.

CORPORATE GOVERNANCE REPORT 2017



“Good corporate governance implies creating good conditions for continued sustainable and profitable growth and thus value for our shareholders.”

DEAR SHAREHOLDER,

Gränges is today a significantly larger company than it was at the time for the IPO in October 2014. Sales have increased from SEK 5 billion to over SEK 11 billion in 2017 and the operating profit from SEK 541 million to SEK 933 million. Today, Gränges has production facilities in three continents, a diversified product portfolio and is the leading actor in the markets the company operates.

During the year, the Board of Directors has continued to work on strategic matters for continued growth. One of the items on the agenda has been the decision to expand the Huntingdon facility in the United States, whose capacity will increase by almost 25 per cent when fully expanded in the fall of 2019. A high demand for the product categories that Gränges produces locally in the United States has been a driving factor in this decision. The fact that the US imposed anti-dumping and countervailing duties on imports from China of aluminium foil products in the autumn of 2017, further reinforced the decision. The Board of Directors has also discussed the Group's capacity and production capabilities in other regions.

Gränges has a market leading position in a global market. This position is based on deep technical skills, continuous innovation, long-term customer relations and extensive knowledge of the production of advanced aluminium products. These are key success factors that we intend to continue to build on. In 2017, Gränges' centre for research and innovation in Finspång has been strengthened with further expertise, and in the coming year Gränges plans to establish a Research & Innovation centre in the United States.

Good corporate governance for profitable growth

Good corporate governance implies creating good conditions for continued sustainable and profitable growth and thus value for our shareholders. The efforts related to performance improvement measures is ongoing and is an important topic for the Board of Directors. During the year, further steps have been taken in the Group's sustainability work, both in terms of governance, ethics, environment and social issues. From the Board of Director's perspective, this work entails strengthening the company's position and business opportunities in the longer term while reducing sustainability-related risks. The sustainability report for 2017 includes the US operations that were acquired in 2016.

In 2017, Gränges once again reported a higher growth rate than the market, while improving earnings and reducing debt. In view of the company's strong financial position and taking into account the company's outlook, the Board of Directors proposes to the Annual General Meeting 2018 that the dividend should be increased by 25 per cent to SEK 3.00 per share. This implies that 35 per cent of the profit for the year will be returned to our shareholders.

Finally, I would like to take the opportunity to express the Board of Directors' appreciation to the CEO Johan Menckel and his colleagues for a dedicated and well-executed performance in 2017.

Stockholm, February 2018

Anders G. Carlberg
Chairman of the Board of Directors

Good and sound corporate governance ensures that companies are run as sustainably, responsibly, and efficiently as possible in the interests of the shareholders. It is about complying with external regulations and doing the right things. Good corporate governance also creates order and systems for the Board and Group Management, and contributes to increased confidence among existing and potential owners, customers, legislators, the public, and other stakeholders.

Gränges' corporate governance is based on Swedish regulations and Swedish legislation, primarily the Swedish Companies Act and the Swedish Annual Accounts Act, Nasdaq Stockholm's regulatory structure for issuers, the Swedish Corporate Governance Code ("the Code"), the Articles of Association, and other relevant internal and external regulations and policies.

The Code

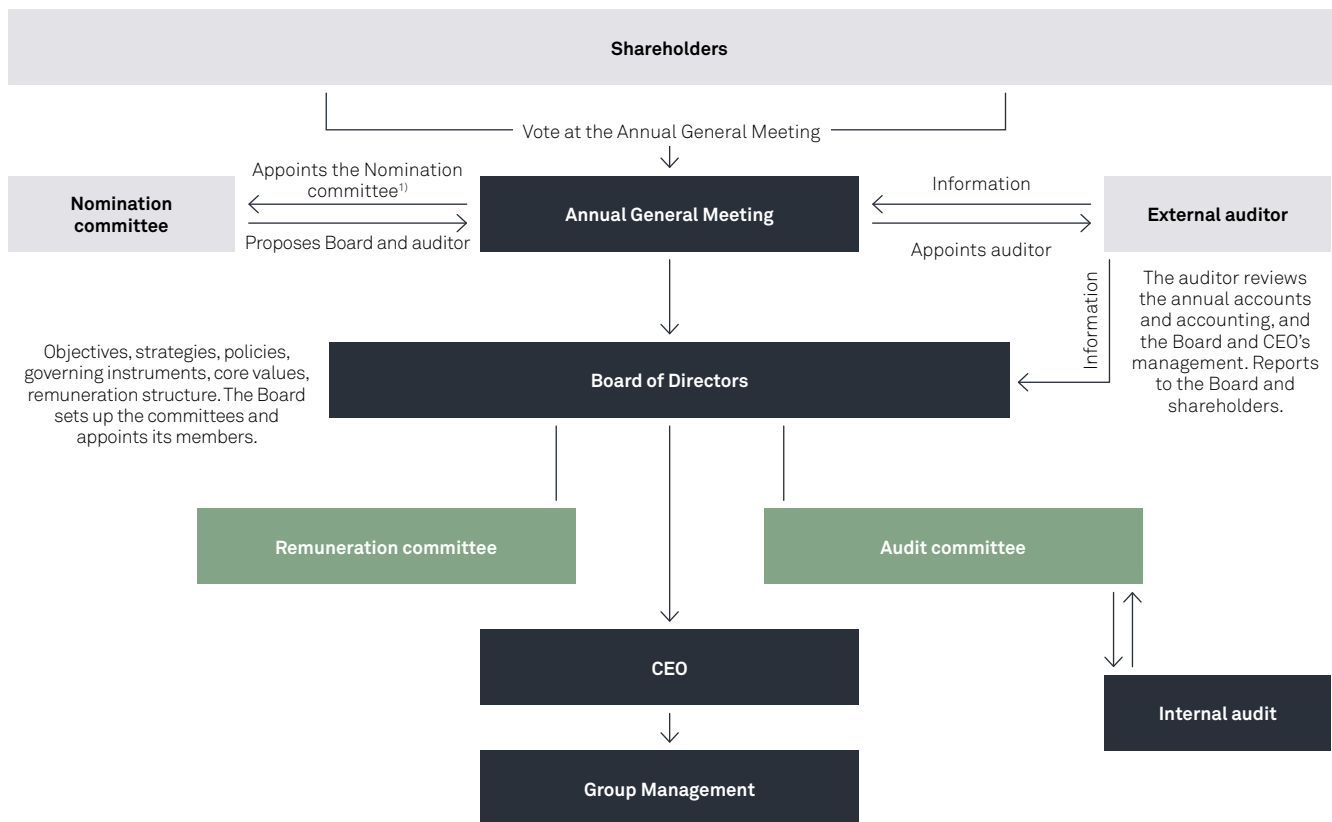
The Code's aim is to strengthen confidence in Swedish listed companies by promoting the positive development of the corporate governance in such enterprises. Gränges complies with the Code and this corporate governance report has been prepared as part of Gränges' application of the Code. Gränges has not reported any infringements of the Code in 2017. The company's auditors have reviewed this report, and have not made any comments on its contents.

Organization

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. The Group has around 1,600 employees and net sales of more than SEK 11 billion, and

CORPORATE GOVERNANCE IN GRÄNGES

The governance, management, and control of Gränges are distributed between the shareholders at the Annual General Meeting, the Board of Directors and the CEO under Swedish Company Law, the Swedish Code of Corporate Governance and the Articles of Association.



External steering documents

- Swedish Companies Act
- Swedish Annual Accounts Act
- Nasdaq Stockholm's regulatory structures for issuers
- EU Market Abuse Regulation, no 596/2014 (MAR)
- Swedish Corporate Governance Code ("The Code")
- Other applicable laws

Internal steering documents

- Articles of Association
- Formal work plan for the Board and committees, instructions for CEO
- Code of Conduct
- Insider Policy
- Financial Management Policy
- Information Policy
- Other policies, guidelines, and manuals

1) Appointed in accordance with an instruction for the Nomination committee decided by the Annual General Meeting (AGM).

the company's geographical regions are Europe, Asia and Americas. Gränges has five production facilities on three continents with a combined annual production capacity of 420,000 tonnes. The facilities are at Finspång in Sweden, Shanghai in China, as well as Huntingdon (Tennessee), Salisbury (North Carolina), and Newport (Arkansas) in the US.

The Chinese subsidiary also owns 50 per cent of a company based in Shanghai, which is engaged in metal stamping. Since 1 October, 2017, Gränges holds 51 per cent of the shares in the production company Getek GmbH, which produces aluminium billets using advanced spray-forming technology.

The Group's parent company, Gränges AB, is a Swedish publicly listed company with organization number 556001-6122. Its registered office is in Stockholm with its head office on Linnégatan 18. Gränges' shares are listed on Nasdaq Stockholm's Mid Cap list.

Shareholders

Gränges' shares have been traded on Nasdaq Stockholm's Mid Cap list since 10 October, 2014. The share capital in Gränges amounts to SEK 101 million, distributed among 75,517,386 shares that give the right to an equal number of votes and an equal share in the company's assets and profits. On 31 December, 2017, the number of shareholders totalled 9,279. Fjärde AP-fonden was the largest shareholder, followed by AFA Försäkring and SEB Fonder. 65.8 per cent of the shareholders held 500 shares or fewer and the 15 largest shareholders held 46.1 per cent of the total number of shares. Foreign-based share ownership amounted to 50.3 per cent. No shareholder has a shareholding of more than 10 per cent of the total number of shares. There are no limits on how many votes each shareholder may cast at a general meeting of shareholders.

The Annual General Meeting (AGM) held on 4 May, 2017, authorized the Board, on one or more occasions before the 2018 AGM, to have the option of deciding to issue new shares and/or convertible instruments. These are equivalent to 10 per cent of the total number of shares outstanding in the company at the time of the resolution adopted by the AGM, 7,517,539 shares.

Shareholdings of Board members and Group Management are shown on pages 62–65. More information about the Gränges share and shareholders, including a table showing share ownership on 31 December, 2017, can be found on pages 50–51.

Annual General Meeting

The company's highest decision-making body is the AGM, during which shareholders exercise their influence over the company.

Annual General Meeting 2017

The AGM was held on 4 May, 2017. At the meeting, 34.348 per cent of shares in the company were represented.

At the AGM, Anders G. Carlberg, Carina Andersson, Peter Carlsson, Katarina Lindström, Hans Porat, and Ragnhild Wiborg were re-elected as Board members. Anders G. Carlberg was re-elected as Chairman of the Board. The Board has an even gender balance, three of the six AGM appointed members being women.

Ernst & Young AB was again appointed as the company's auditors and authorized public accountant Erik Sandström was appointed by Ernst & Young AB as chief auditor.

Other resolutions taken during the AGM included:

- To pay a dividend of SEK 2.40 per share; SEK 180,420,926 in total.
- To authorize the Board, on one or more occasions before the 2018 AGM, to have the option of deciding to issue new shares and/or convertible instruments. These are equivalent to 10 per cent of the total number of shares outstanding in the company at the time of the resolution adopted by the AGM, 7,517,539 shares in total.
- To approve the guidelines proposed by the Board of Directors on remuneration to senior executives.

- To resolve, according to the Board's proposition, on a long-term (three years) incentive programme, LTI 2017, offered to the management team and selected key individuals as a supplement to the annual short-term incentive programme ("STI 2017"). STI 2017 measures EBIT (50 per cent), cash conversion (30 per cent) and individual performance (20 per cent). Remuneration under STI 2017 may not exceed 60 per cent of annual basic pay, except for the person holding the position President Americas, who may obtain 100 per cent of annual basic pay. A payout equivalent to the amount for STI 2017 is allocated, indexed to the Gränges Group's total return and paid out proportionately each year over three years if the individual remains a Gränges Group employee. The total payout from STI and paying LTI programmes may not exceed 150 per cent of annual basic pay on the date of the payout, except for the person holding the position President Americas, who instead will have 200 per cent of annual basic pay as a limit.
- To approve board members' and auditors' fees.

Nomination committee

The Nomination committee represents Gränges' shareholders and its duties consist of proposing nominations for the Chairman of the Board, Board members, the auditor, AGM chairman, Board fees, fees for committee work, and fees for the auditor.

Gränges' Nomination committee will, before the 2018 AGM, comprise representatives from the company's three largest shareholders on 31 August, 2017, and the Chairman of the Board. The Chairman of the Nomination committee will be the committee member who represents the largest shareholder, unless otherwise agreed by this committee.

On 31 August, 2017, Gränges' three largest shareholders were Fjärde AP-fonden, AFA Försäkring, and SEB Fonder, which have been invited to nominate candidates for the Nomination committee. On 11 September, 2017, it was announced on the company's website and in a press release that the Nomination committee ahead of the 2018 AGM had the following composition: Jannis Kitsakis (Fjärde AP-fonden), Anders Algotsson (AFA Försäkring), Rikard Andersson (SEB Fonder), and Anders G. Carlberg (Gränges' Chairman). The Chairman of the Nomination committee is Jannis Kitsakis.

Nomination committee for the 2018 AGM

| Appointed by/Name | Percentage of votes on 31 December, 2017 |
|--------------------------------------------------------|------------------------------------------|
| Fjärde AP-fonden/Jannis Kitsakis | 9.4 |
| AFA Försäkring/Anders Algotsson | 6.8 |
| SEB Fonder/Rikard Andersson | 5.0 |
| Chairman of the Board of Gränges AB/Anders G. Carlberg | 0.0 |

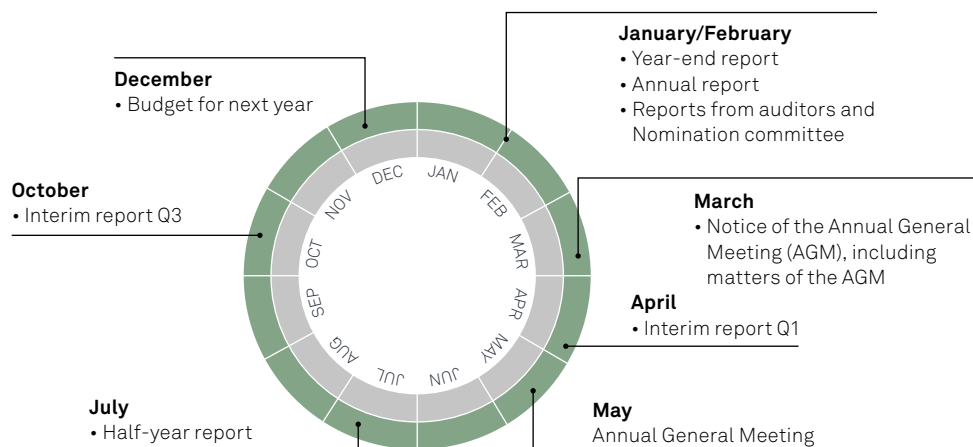
Shareholders had until 26 January, 2018, to submit proposals and comments to the Nomination committee, whose proposals were published with the notice convening the AGM. With the publication of this notice, the Nomination committee has published a motivated statement on the company's website that supports its proposals to the Board and a report on how the committee's work has been conducted.

Work of the Nomination committee before the 2018 AGM

Since the Nomination committee was formed in autumn 2017, it has met on three occasions. The Chairman of the Board presented an evaluation of the Board's work that was conducted in September 2017 at the Nomination committee's second meeting on 23 October, 2017, and also notified the Board of the results of its evaluation at the Board meeting on 4 December, 2017. The result of this evaluation was broadly positive.

In its work before the 2018 AGM, the Nomination committee has assessed whether the composition of the current Board is sufficiently broad, competent, diverse, and gender equal, and whether it meets demands on the Board given the company's current and future circumstances.

The Board's work in 2017



The Nomination committee has continued to discuss the requirements for diversity, including discussions based on the Corporate Governance Code's requirement to state how the policy on diversity has been applied. Gränges' nomination work is based on the diversity requirements stipulated in section 4.1 of the Code. The goal is that Gränges' Board should have an equal gender distribution and a good breadth regarding age, geographical origin, experience, and education and occupational background.

According to the review carried out by the Nomination committee, the Board has strong breadth, is diverse in terms of backgrounds and skills, and has an excellent gender balance. The annual evaluation of the Board has formed part of the basis of this assessment. The Nomination committee works continually to identify and evaluate potential new Board members.

In accordance with instructions for the Nomination committee, no fees will be paid to its members.

The Board

The Board's main responsibility is to manage Gränges' affairs in the best interests of the company and all shareholders. The Board continually assesses Gränges' financial position and ensures that the company's financial position can be satisfactorily verified. The Board decides on issues related to the Group's strategic direction and organ-

ization, and decides on key acquisitions, investments, and disposals. The Board also evaluates the Group Management. Before every AGM, and based on proposals made by the Remuneration committee, the Board prepares proposals for guidelines to determine remuneration for the CEO and to other members of the Group Management.

Adopting a systematic and structured process, and each year, the Board evaluates the work of the Board to develop its procedures and efficiency. In 2017 this was conducted under the leadership of the Chairman of the Board who asked Board members and Board deputy members to grade given aspects of its work, and also gave the Board members the opportunity to submit proposals for improvements. The results of the evaluation, which are presented in the Nomination committee section, were strongly positive throughout.

The constituent Board meeting following the 2017 AGM established the formal work plan for the Board, including work plans for the Remuneration and Audit committees, instructions for the CEO, and an adjusted Insider Policy. The work plan governs the Board's work and responsibilities, and how this should be divided between the Board members, between the Board's committees, and between the Board and the CEO, and how often the Board should meet.

Before every Board meeting, Board members receive an agenda and data on which to base decisions. Each Board meeting includes a review of current business conditions, group results, and financial position and

Board composition, attendance and remuneration 2017

| Name | Elected year | Independent in relation to the company /owners | Attendance Board meetings | Attendance Audit committee meetings | Attendance Remuneration committee meetings | Board of Directors' fees, SEK | Audit committee fees, SEK | Remuneration committee fees, SEK | Total fees, SEK |
|------------------------------------|--------------|------------------------------------------------|---------------------------|-------------------------------------|--------------------------------------------|-------------------------------|---------------------------|----------------------------------|------------------|
| Anders G. Carlberg | 2014 | x | 14/14 | 3/3 | 3/3 | 516,667 | 26,667 | 50,000 | 593,333 |
| Ragnhild Wiborg | 2014 | x | 12/14 | 5/5 | n/a | 285,000 | 80,000 | – | 365,000 |
| Terje Andersen (until 04-05-2017) | 2009 | x | 7/7 | 2/2 | n/a | 91,667 | 13,333 | – | 105,000 |
| Hans Porat | 2016 | x | 14/14 | n/a | 3/3 | 285,000 | – | 25,000 | 310,000 |
| Carina Andersson | 2014 | x | 14/14 | n/a | 3/3 | 285,000 | – | 25,000 | 310,000 |
| Peter Carlsson | 2016 | x | 12/14 | n/a | 2/2 | 285,000 | – | 16,667 | 301,667 |
| Katarina Lindström | 2016 | x | 14/14 | 5/5 | n/a | 285,000 | 40,000 | – | 325,000 |
| Øystein Larsen | 2010 | | 12/14 | n/a | 3/3 | 40,000 | – | – | 40,000 |
| Konny Svensson | 2013 | | 13/14 | 5/5 | n/a | 40,000 | – | – | 40,000 |
| Elin Lindfors | 2016 | | 10/10 | n/a | n/a | 40,000 | – | – | 40,000 |
| Tommy Andersson (until 04-12-2017) | 2014 | | 10/10 | n/a | n/a | 40,000 | – | – | 40,000 |
| Total fees | | | | | | | | | 2,470,000 |

outlook. Other issues that are considered include competition and general market conditions. The Board regularly reviews the overall risk situation from a variety of aspects, and the Group's work on health and safety, including accident statistics. The Board also has a system for the continual follow-up of decision-making and unresolved issues.

Composition of the Board of Directors

Under the Articles of Association, the Board must comprise at least four and no more than eight members elected by a general meeting of shareholders, with no more than four deputy members. The Board constitutes a quorum when more than half of all Board members (including members appointed by employees) are present. The Board should consist of a well-balanced mix of the competencies required to manage Gränges' work responsibly and successfully. The assessment is that Gränges' Board has, with regard to the company's operations, phase of development, and general circumstances, an appropriate composition characterized by versatility and breadth in terms of members' skills, experience, and background. Gränges' Board has a good gender distribution, since three of its six members are women.

In accordance with the law on Board representation of private-sector employees, staff are entitled to appoint two Board members and two deputy Board members. The employee organizations exercised this right until 4 December 2017 when Tommy Andersson resigned and he was not replaced. Information about Board members is on pages 62–63 and at www.granges.com

Chairman of the Board

The Chairman organizes and leads the Board's work, represents the company in ownership matters, evaluates the Board's work, has day-to-day contact with the CEO, and ensures that the Board fulfils its duties and obligations effectively.

The Board's work in 2017

Fourteen minuted Board meetings were held in 2017, of which four were "per capsulam" (by letter), and five were telephone meetings. The remaining five were conventional meetings, of which one was held at Gränges' plant in Finspång, one at the North American operations' headquarters in Franklin, Tennessee, and the others in Stockholm.

The Board formed a quorum at all these meetings. At the February and September meetings, the Board held sessions in the absence of Group Management. The CEO and CFO participated in all meetings. The Secretary of the Board is Gränges' General Counsel who is not a Board member.

In 2017 the Board's main issues have been the investment to expand the rolled aluminium capacity of the Huntingdon plant in the US, investment in the Getek GmbH production company, new estimates of useful lives for machines and installations, and establishing a commercial paper programme to complement the Group's other short-term financing.

Remuneration committee

According to the Board's formal work plan, the Remuneration committee must comprise the Chairman of the Board, and one or more Board members elected at a general meeting of shareholders, who should be independent from the company and Group Management. Members should have the required knowledge and experience of issues relating to senior executive remuneration.

The Remuneration committee submits proposals to the Board on the CEO's salary and other terms of employment, and sets out limits for other Group Management salaries and terms of employment. The committee also adopts guidelines for remuneration principles and evaluates their application.

At the Remuneration committee's meetings in 2017, incentive programmes and pensions have been particular topics of discussion.

Information on members of the Remuneration committee is given in the table on page 58. A statement of remuneration to Group Management can be found in Note 8.

Audit committee

The Audit committee should comprise at least three Board members elected at a general meeting of shareholders. Most should be independent of the company and Group Management. The committee elects a chairman from among its members, who may not be the Chairman of the Board. The Audit Committee meets before each reporting date, and after if necessary.

The Audit committee's duty is to support the Board in fulfilling its responsibilities in internal control and accounting, and to ensure the quality of Gränges' financial reporting. The aim is to improve: the quality of the company audit; the relationship between the Board and the company's auditor; and the supervision and control of the company's financial risk exposure and risk management.

The Audit committee analyses and highlights key accounting issues affecting the Group, and monitors the financial reporting process to ensure quality. The committee also takes note of the company's impairment test and its assumptions, assists the Nomination committee to prepare proposals for auditors and their fees, and assesses the independence of the external auditor.

The company's risk management process is based on production processes and flows. The Audit committee considers the identified risk areas. Based on the outcome, the committee determines the focus and scope of the internal auditing and establishes an internal audit plan based on the identified risks.

Gränges' internal auditing is reported to the Board and must ensure that the company has sufficient internal control systems for financial reporting. The General Counsel is responsible for internal auditing. It is performed on a rolling schedule and is conducted by the company's group accounting function with support from the subsidiaries' accounting functions, except for the business that is the subject of the audit. The purpose of applying so called cross-functional audit between the units is to exchange experiences and achieve best practice within the Group. In November 2017, an internal audit of Gränges' operations in North America was conducted and in December an internal audit of the head office in Stockholm was carried out.

In conjunction with the quarterly reviews of the company's financial performance and position, the Audit committee takes part in the management's assessment of the areas where estimates are important to the Group. An area that has been reviewed extensively during 2017 is the company's new estimates of useful lives, especially for machinery and installations. Other areas highlighted in 2017 are the company's hedging strategy and financing. The focus areas of financial and internal control, business control, treasury, IT, and strategic projects have been continually monitored during the year.

The Audit committee has had five meetings in 2017. The Group's auditor, Erik Sandström, attended all committee meetings and reported on controls and audit planning throughout the year. Information on members of the Audit committee is in the table on page 58.

Auditor

The auditor, elected at the annual general meeting, is responsible for reviewing the company's annual accounts and accounting, and examining Board and CEO management of the company.

According to the Articles of Association, Gränges should have at least one and at most two auditors. Registered auditing firms may be appointed as auditors. Ernst & Young AB was appointed auditor at the AGM, and has informed the company that authorized auditor Erik Sandström will be chief auditor until the 2018 AGM.

The external audit of the parent company and group accounts, and of the administration of the Board and CEO, is conducted according to International Standards on Auditing (ISA), and with generally accepted auditing standards in Sweden. The company's chief auditor participates in all Audit committee meetings. For information on auditor fees, please refer to Note 9.

CEO and Group Management

Group Management is responsible for developing and implementing the Group's overall strategies relating to issues such as product and customer strategies, and acquisitions and divestments. These issues are prepared by Group Management to be decided on by the Board.

The CEO is appointed by the Board and is responsible for the day-to-day management of the company in accordance with the Board's instructions and guidelines.

On 1 January, 2018, Group Management comprised eight people: the CEO, CFO, President Europe, President Asia, President Americas, SVP Technology & Business Development, General Counsel, and SVP Communications & Investor Relations. The SVP Human Resources, SVP Process Engineering & Operational Development and, since 1 May, 2017, SVP Research & Innovation, are part of the Extended Group Management.

Group Management holds monthly meetings to review the results and financial position of the Group and subsidiaries. Other questions dealt with at these meetings include strategy issues and follow-up of budgets and forecasts. Subsidiaries are also monitored more closely due to the CEO being chairman of the three subsidiaries in Sweden, China, and the US. Other members of Group Management and employee representatives also serve on these companies' boards. The subsidiaries' boards monitor day-to-day operations and approve each subsidiary's strategy and budget.

More information on Group Management is on pages 64–65.

Remuneration of Group Management

At the end of 2017 and start of 2018, the Board, through the Remuneration committee, conducted a review of the guidelines for remunerating senior executives. The Board's proposition regarding new guidelines will be presented in the decision data for the AGM to be held on 3 May, 2018. More information on remunerating senior executives is in Note 8.

Sustainability management and organization

Gränges' sustainability agenda and activities are governed by its policies and management systems. Gränges is dedicated to developing and implementing these policies to guide employees in their everyday work with sustainability and communication with stakeholders.

Gränges' policies include the Code of Conduct, Supplier Declaration, Anti-corruption Policy, Environmental, Health and Safety Policy, Diversity Policy, Energy Policy, Crisis Plan and Information Policy. Gränges observes all applicable local and international laws and regulations, and it continually works with the precautionary principle by including sustainability topics in risk assessments.

Gränges' sustainability activities are led by the Group Management team and VP Sustainability, who was appointed in October 2017 to manage the company's group-wide sustainability agenda. The VP Sustainability reports to the SVP Communications & IR and the Group Management team. The CEO in turn reports to the Board of Directors. Specific sustainability matters are managed by members of Group Management. The General Counsel is responsible for governance, the SVP Process Engineering and Operational Development for environment, health and safety, and the SVP Human Resources for social responsibility.

Gränges' sustainability report follows the guidelines of the Global Reporting Initiative's (GRI) framework for sustainability reporting, GRI Standards: Core. The sustainability report for 2017 can be found on pages 26–45 and 112–121. In 2016 Gränges joined the UN Global Compact, which is a commitment to fulfil the Global Compact principles relating to human rights, labour law, the environment, and anti-corruption.

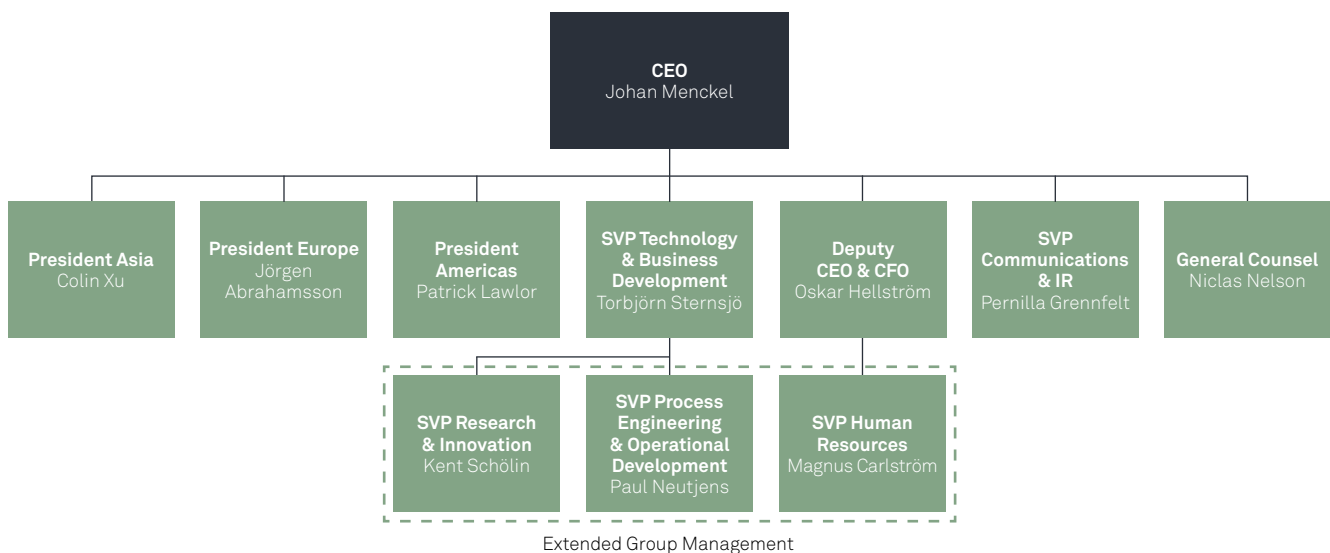
Internal control regarding financial reporting

Under the Swedish Companies Act and the Code, the Board is responsible for ensuring that the company has good internal control and routines that ensures compliance with established principles for financial reporting and internal control. The Board must also ensure that financial reporting complies with the Companies Act, applicable accounting standards, and other requirements for listed companies.

Framework

Gränges' work with internal control complies with the established international framework, Internal Control Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). According to the COSO model, review and assessment are carried out in the areas of control environment, risk assessment, control activities, information and communication, and monitoring.

GROUP MANAGEMENT



Gränges' internal control process is designed to ensure with reasonable certainty the quality and accuracy of financial reporting, and ensure that reporting is prepared in accordance with applicable laws and regulations, accounting standards, and other requirements for listed companies in Sweden. This depends on a healthy control environment, reliable risk assessment, and established control activities; and on information, communication, and monitoring working satisfactorily.

Control environment

The control environment is defined by the Group's organizational structure, Group Management's working methods and values, and other roles and responsibilities within the organization. The Audit committee assists the Board with essential accounting issues, and monitors the internal control of financial reporting. To maintain an effective control environment and robust internal controls, the Board has delegated the day-to-day responsibility to the CEO, who in turn has assigned this responsibility to other members of Group Management.

Quality in financial reporting is ensured through different measures and routines. The company has policies and manuals for financial reporting, including the Financial Management Policy, Metal Management Policy, Group Accounting Manual and Instruction for Financial Reporting. In addition to the above, there are important group-wide steering documents such as the Code of Conduct, Insider Policy and Information Policy. Work goes on to further develop common group policies and manuals.

Gränges' whistleblower function enables employees to anonymously report suspected maladministration or violations of the company's business ethics rules. The whistleblower function is accessible for all staff and is described in the company's code of conduct and on the intranet. It aims to guarantee safety in the workplace, maintain good business ethics and curb financial irregularities. No whistleblower complaints have been recorded in 2017.

Risk assessment

To handle the internal and external risks that Gränges' organization is exposed to, regular risk assessments are carried out. Risks that may affect financial reporting are identified, measured, and managed. This is an integral part of day-to-day reporting to Group Management and the Board, and forms the basis for assessing risks of errors in financial reporting.

Gränges' operations are characterized by processes with established routines and systems. Risk assessment therefore largely occurs within the framework of these processes. At group level, only general risk assessments are conducted. Managers in the Group identify, monitor, and evaluate these risks. This creates the basis for taking well-rounded and correct business decisions at all levels. As a rule, financial risk such as currency, commodity, refinancing, and counterparty risk, and interest rate and credit risk, are mainly handled by the parent company's accounting and finance functions according to Financial Management Policy, the Metal Management Policy, the Group Accounting Manual and the Instruction for Financial Reporting.

A description of the Group's risks and risk management is on pages 46–49.

Control activities

The main purpose of control activities is to prevent and discover material errors in financial reporting at an early stage so that such errors can be managed and resolved. Control activities are conducted at a general level and at more detailed levels throughout the Group, and are both manual and automated in nature. Routines and activities have been designed to manage and resolve material risks related to financial reporting, and that are identified in risk assessments.

Depending on the character and type of control activity, corrective action, implementation, documentation, and quality assurance, occur at a group or subsidiary level. As is the case for other processes, each manager is responsible for the completeness and accuracy of the control activities.

The Group has a common consolidation system, where the legal entities report, which provides good internal control of financial reporting. Most controls and processes are automated and authorization to access IT systems is limited. Control activities are performed at all levels of the Group. One such example is the established controller function that analyses and monitors deviations and reports its findings to other parts of the Group.

Monitoring by Group Management occurs, for example, through regular meetings with subsidiary managing directors to discuss operations, financial position, and results, as well as key financial and operating indicators. The Board continually analyses reports on operations in which Group Management describes the previous period, and comments on the Group's financial position and results. Significant fluctuations and deviations are therefore monitored, which limits the risks of errors in financial reporting.

The closing of the books and work on the annual accounts are processes where there is further risk that errors arise in financial reporting. Naturally, this work is less repetitive and often includes several instances where estimates are made. Important control activities include ensuring that there is a well-functioning reporting structure in which subsidiaries report using standardized models, and that important income and balance sheet items are specified and commented on.

In Nasdaq Stockholm's continual work to monitor regular financial information by listed companies, Gränges' Annual Report for 2016 was one of the reports chosen to be specifically reviewed in relation to relevant reporting standards, such as IFRS and the Annual Accounts Act. The stock exchange's review of Gränges Annual Report 2016 resulted in observations in parts of Gränges' accounts, for which the exchange wanted to note the company's comments and considerations. Gränges responded to the stock exchange's questions and subsequently heard that the exchange had no further questions or comments, asking only that the company considers a couple of comments for next year's accounts.

Information and communication

Effective and accurate internal and external information is important to ensure full and accurate financial reporting on time. Gränges' financial reporting follows group guidelines and policies, and is updated and communicated regularly by Group Management to all relevant staff.

The accounting function has operational responsibility for day-to-day financial reporting, and works to ensure that the Group's guidelines, policies, and instructions are applied uniformly across the Group. The accounting function also identifies and communicates deficiencies in financial reporting.

Policies, guidelines, and manuals are regularly updated and are available on the intranet. Since 2016, Gränges has an updated Insider Policy to meet the demands on the company and insiders on the grounds of the EU Market Abuse Regulation (MAR).

All communication from Gränges must be timely, reliable, accurate, and up-to-date. External communication should be in accordance with the Group's Information Policy, Nasdaq's regulatory framework for issuers, and other applicable regulations. The financial information should provide the capital and equity markets with a comprehensive and clear picture of the company, its financial position, development, and strategy. All financial reports and press releases are published on the company's website and are published simultaneously to Nasdaq Stockholm and Finansinspektionen.

Monitoring

The Board's monitoring of the internal control of financial reporting occurs primarily through the Audit committee, including the monitoring of the internal audit and through contact with the external auditors. External auditors monitor selected areas of internal control annually within the framework of the group audit, and report the outcome of their audit to the Audit committee and Group Management. Material observations are also reported directly to the Board. In terms of the 2017 audit, the auditors have monitored the internal controls in selected key processes, and have reported their findings to the Audit committee and Group Management.

BOARD OF DIRECTORS



ANDERS G. CARLBERG

Chairman
Born: 1943
 M.Sc. Business Administration.
 Chairman of Herenco. Board member of Investmentbolaget Latour, Sweco, AxFast, Recipharm and Beijer Alma.
Previous positions: Board member of Sapa 2002–2013. CEO of J.S. Saba, CEO of Nobel Industrier, CEO of Axel Johnson International, Deputy CEO of SSAB and other management positions.
 Elected to the Board, 2014.
 Chairman of the Remuneration committee and member of the Audit committee.
Shareholding: 35,294 shares.



CARINA ANDERSSON

Board member
Born: 1964
 M.Sc. Engineering, Material Science.
 Board member of Beijer Alma, SinterCast and Systemair.
Previous positions: General Manager Powder Technology, Sandvik Materials Technology, CEO of Ramnäs Bruk and CEO of Scana Ramnäs. Board member of Mälardalens Högskola, Sandvik Riser Technology and chairman of Sandvik Powdermet and Sandvik Osprey.
 Elected to the Board, 2014.
 Member of the Remuneration committee.
Shareholding: 2,402 shares.



PETER CARLSSON

Board member
Born: 1970
 B. Sc. Economics.
 CEO and resident of Northvolt. Board member of Metso, Orbital Systems and Ketra Lightning.
Previous positions: Vice President Supply Chain and Chief Procurement Officer at Tesla Motors, Senior Vice President and Chief Procurement Officer at NXP Semiconductors, Head of Sourcing at Sony Ericsson.
 Elected to the Board, 2016.
 Member of the Remuneration committee.
Shareholding: 0 shares.



KATARINA LINDSTRÖM

Board member
Born: 1965
 M. Sc. Material Science.
 Senior Vice President International Manufacturing, Volvo Group Trucks Operation. Elected member of the Swedish Royal Engineering Academy.
Previous positions: Senior Vice President, Operations and Supply Chain Management at Volvo Group Trucks Operation, various management positions at Volvo since 1988.
 Elected to the Board, 2016.
 Member of the Audit committee.
Shareholding: 2 000 shares.



HANS PORAT

Board member
Born: 1955
 M.Sc. Engineering, Material Science
 Board member of Ecolean.
Previous positions: President and CEO of Nolato, various executive positions at ABB, Vice President of Trelleborg, President of Gadelius Japan.
 Elected to the Board, 2016.
 Member of the Remuneration committee.
Shareholding: 0 shares.



RAGNHILD WIBORG

Board member
Born: 1961
 M.Sc. Business Administration.
 Board member of Kistefos, REC Silicon, Intrum, INSR ASA, IM Skaugen and EAM Solar.
Previous positions: Fund management operations at Odin Fonder and at Wiborg Kapitalförvaltning. Worked at several investment banks, including Pareto, ABG Sundal Collier, First Chicago and Scandinavian Bank.
 Elected to the Board, 2014.
 Chairman of the Audit committee.
Shareholding: 1,176 shares.

EMPLOYEE REPRESENTATIVES

**ÖYSTEIN LARSEN**

Employee representative

Born: 1957

Has been an employee representative on the Board since 2010.

Employed at Gränges since 1979. IT architect.

Employee representative of Unionen.

Shareholding: 470 shares.

**KONNY SVENSSON**

Employee representative

Born: 1954

Upper secondary school education.

Has been an employee representative on the Board since 2013.

Employed at Gränges since 2008.

Chairman of blue collar union IF Metall.

Employee representative of IF Metall.

Employee representative of Gränges Sweden AB.

Shareholding: 235 shares.

**ELIN LINDFORS**

Deputy employee representative

Born: 1988

B.Sc. Material Science.

Has been an employee representative on the Board since 2016.

Employed at Gränges since 2013.

Technical Manager Re-melting.

Representative of the Swedish Association of Graduate Engineers and the Union for Professionals.

Shareholding: 420 shares.

AUDITOR

**ERIK SANDSTRÖM**

Auditor in charge

Ernst & Young AB

Born: 1975

Authorized public accountant and member of FAR.

Other assignments: Munters, Mycronic, Rottneros, Tradedoubler, Praktikertjänst, Transcom.



1. PAUL NEUTJENS 2. MAGNUS CARLSTRÖM 3. KENT SCHÖLIN 4. JOHAN MENCKEL 5. PATRICK LAWLOR

GROUP MANAGEMENT

1. PAUL NEUTJENS

SVP Process Engineering & Operational Development

Born: 1959

M.Sc. Engineering, Metallurgy and Applied Material Science.

SVP Process Engineering & Operational Development since 2017.

CTO at Gränges and member of the Management Team, 2013–2017.

Strategic Project Director at Sapa Heat Transfer, 2011–2013. Director of Lean Production at Sapa Profiles Europe, 2007–2010. Several management positions at Alcoa, 1994–2007. Several management positions at Hoogovens Aluminium, 1986–1994.

Member of extended Management Team since 2017.

Shareholding: 4,000 shares.

2. MAGNUS CARLSTRÖM

SVP Human Resources

Born: 1966

LL.M., Executive MBA, Behavioral Sciences (3.5 Y).

SVP Human Resources of Gränges since 2017. Director HR & Communications of Gränges AB

and Gränges Europe 2012–2016.

VP HR at Strabag Scandinavia 2009–2012. Head of Strategic Leadership & Training at Peab Group 2006–2009. Head of HR at Peab Sverige 2000–2006.

Member of extended Management Team since 2017.

Shareholding: 0 shares.

3. KENT SCHÖLIN

SVP Research & Innovation

Born: 1964

M.Sc. Engineering, Material Science.

SVP Research & Innovation at Gränges since 2017. President for Gränges Europe and member of the Management Team, 2013–2017. Managing Director for Sapa Heat Transfer Finspång, 2012–2013. MD of Gunnebo Gateway, 2005–2012. Several management positions at Sapa Heat Transfer, 1994–2004. Research engineer at Gränges Technology 1989–1994. Member of extended Management Team since 2017.

Shareholding: 4,705 shares.

4. JOHAN MENCKEL

CEO

Born: 1971

M.Sc. Engineering.

CEO of Gränges since 2013. CEO of Sapa Heat Transfer, 2012–2013. Business Area President of Sapa Profiles Asia, 2011–2012. Managing Director of Sapa Heat Transfer Shanghai, 2007–2010. Management positions at Sapa Heat Transfer, 2004–2006. Consultant at Accenture, 1996–2004.

Member of the Management Team since 2013.

Other assignments: Member of the Board of Directors in Svenska Postkodföreningen AB and Nederman Holding.

Shareholding: 38,000 shares.

5. PATRICK LAWLOR

President Americas

Born: 1964

B.Sc. Economics.

President Americas for Gränges since 2016. President Americas of Sapa Extrusions during 2010–2015. CFO at Sapa Extrusion North America, 2009–2010. CFO at Indalex,

Inc., 2007–2009. Several managerial positions at Norsk Hydro, 1997–2007.

Member of the Management Team since 2016.

Other assignments: Member of the Board of Can Art Aluminium Extrusions LLP and Vice President of Global Aluminium Foil Roller Initiative (GLAFRI).

Shareholding: 0 shares.

6. PERNILLA GRENNFELT

SVP Communications & Investor Relations

Born: 1970

B.Sc. Economics.

SVP Communications & Investor Relations at Gränges since 2014. IR Manager at ICA Gruppen, 2013–2014. Head of Investor Relations at Hakon Invest, 2005–2013. Journalist and Editor at News Agency Direkt, 1999–2005. Advisor at Matteis Fondkommission, 1996–1999.

Member of the Management Team since 2014.

Shareholding: 4,905 shares.



6. PERNILLA GRENNFELT 7. COLIN XU 8. TORBJÖRN STERNSJÖ 9. OSKAR HELLSTRÖM 10. JÖRGEN ABRAHAMSSON 11. NICLAS NELSON

7. COLIN XU

President Asia

Born: 1976

M.Sc. Economics and Business Administration, MBA.

President for Gränges Asia since 2013. Managing Director for Sapa Heat Transfer Shanghai, 2011–2013. At Sapa Heat Transfer Shanghai, 2001–2010, with several leading management positions since 2003.

Member of the Management Team since 2013.

Shareholding: 0 shares

8. TORBJÖRN STERNSJÖ

SVP Technology & Business Development

Born: 1962

M.Sc. Engineering.

SVP Technology & Business Development since 2017. Director Business Development at Gränges 2015–2017. President of the joint venture Sapa Chalco Aluminium Products Chongqing 2011–2015. President of Sapa Profiles in Asia 2007–2010. Managing Director of

Sapa Heat Transfer Shanghai 1999–2007. Various senior positions within Gränges and Sapa since 1994.

Member of the Management Team since 2017.

Shareholding: 10,000 shares.

9. OSKAR HELLSTRÖM

Deputy CEO & CFO

Born: 1979

M.Sc. Engineering and B.Sc. Economics.

CFO of Gränges since 2013 and Deputy CEO of Gränges since 2017. CFO of Sapa Heat Transfer, 2011–2013. Director Group Development & Control at Sapa Group, 2009–2011. Strategy Manager at Sapa Group, 2008–2009. Consultant at Booz Allen Hamilton, 2005–2008.

Member of the Management Team since 2013.

Shareholding: 15,000 shares.

10. JÖRGEN ABRAHAMSSON

President Europe

Born: 1967

ADP, London Business School.

President Europe for Gränges since 2017. Production Manager Sapa Heat Transfer, CEO Rosengrens Produktions AB, CEO Sapa Profilbearbetning AB, Sapa Profilbockning AB and Sapa Komponenter AB. Head of Sapa Profiler Finspång. Production Director Gränges Sweden AB.

Member of the Management Team since 2017.

Shareholding: 0 shares.

11. NICLAS NELSON

General Counsel

Born: 1964

LL.M.

General Counsel at Gränges since 2014. Associate General Counsel at Autoliv, 2002–2014. Legal Counsel at ABB, 1998–2002. Attorney at Hökerberg & Söderqvist Advokatbyrå, 1993–1998. Associate at Vinge, 1992–1993. Law Clerk at City Court of Malmö, 1990–1992.

Member of the Management Team since 2014.

Other assignments: Chairman of the Board of Directors of SWERMA (Swedish Risk Management Association).

Shareholding: 5,000 shares.

FINANCIAL STATEMENTS CONTENT

GROUP

| | |
|------------------------------------------------|-----------|
| Consolidated income statement | 67 |
| Consolidated statement of comprehensive income | 68 |
| Consolidated balance sheet | 69 |
| Consolidated statement of changes in equity | 70 |
| Consolidated cash flow statement | 71 |
| Notes to the consolidated financial statements | 72 |
| Alternative performance measures | 95 |

PARENT COMPANY

| | |
|--------------------------------------------------|------------|
| Parent company income statement | 96 |
| Parent company balance sheet | 97 |
| Parent company statements of changes in equity | 98 |
| Parent company cash flow statement | 99 |
| Notes to the parent company financial statements | 100 |

| | |
|---------------------------------------------|------------|
| Definitions | 105 |
| Five-year summary | 106 |
| Proposed appropriation of retained earnings | 108 |
| Auditor's report | 109 |

NOTES GROUP

| | | |
|---------|---------------------------------------------------------------------------------------------------------------------------|-----------|
| Note 1 | General information | 72 |
| Note 2 | Basis of preparation of consolidated financial statements | 72 |
| Note 3 | New accounting standards | 73 |
| Note 4 | Accounting standards | 73 |
| Note 5 | Estimates and assumptions in preparing the consolidated financial statements | 76 |
| Note 6 | Joint arrangements | 77 |
| Note 7 | Geographic breakdown of net sales, non-current assets and average number of employees | 77 |
| Note 8 | Payroll expenses | 78 |
| Note 9 | Remuneration to auditors | 80 |
| Note 10 | Pensions | 80 |
| Note 11 | Other operating expenses | 82 |
| Note 12 | Items affecting comparability | 82 |
| Note 13 | Financial income and costs | 82 |
| Note 14 | Taxes | 82 |
| Note 15 | Earnings per share | 83 |
| Note 16 | Intangible assets | 84 |
| Note 17 | Property, plant and equipment | 85 |
| Note 18 | Inventories | 85 |
| Note 19 | Overview of financial instruments | 86 |
| Note 20 | Current receivables | 87 |
| Note 21 | Cash and cash equivalents | 87 |
| Note 22 | Other liabilities | 87 |
| Note 23 | Capital management | 87 |
| Note 24 | Financing and interest-bearing liabilities | 88 |
| Note 25 | Financial risk | 88 |
| Note 26 | Derivatives and hedging | 91 |
| Note 27 | Share capital | 92 |
| Note 28 | Leasing | 92 |
| Note 29 | Acquisition | 93 |
| Note 30 | Pledged assets, guarantees and contingent liabilities | 94 |
| Note 31 | Related-party transactions | 94 |
| Note 32 | Reconciliation between opening and closing balance of liabilities whose cash flows are recognized in financing activities | 94 |
| Note 33 | Events after the balance sheet date | 94 |

NOTES PARENT COMPANY

| | | |
|---------|---------------------------------------------------------------------------------------------------------------------------|------------|
| Note 1 | Accounting principles | 100 |
| Note 2 | Financial risk management | 100 |
| Note 3 | Breakdown of net sales by area of operation | 100 |
| Note 4 | Items affecting comparability | 100 |
| Note 5 | Operating lease payments | 100 |
| Note 6 | Remuneration to auditors | 101 |
| Note 7 | Payroll expenses | 101 |
| Note 8 | Financial income | 101 |
| Note 9 | Financial costs | 101 |
| Note 10 | Taxes | 101 |
| Note 11 | Property, plant and equipment | 102 |
| Note 12 | Intangible assets | 102 |
| Note 13 | Participations in Group companies | 103 |
| Note 14 | Provision for pension and similar obligations | 103 |
| Note 15 | Interest-bearing liabilities | 103 |
| Note 16 | Accrued expenses and deferred income | 103 |
| Note 17 | Pledged assets | 103 |
| Note 18 | Contingent liabilities | 104 |
| Note 19 | Related party transactions | 104 |
| Note 20 | Reconciliation between opening and closing balance of liabilities whose cash flows are recognized in financing activities | 104 |
| Note 21 | Proposed appropriation of retained earnings | 104 |

CONSOLIDATED INCOME STATEMENT

| SEK million | Note | 2017 | 2016 |
|----------------------------------------------------------|--------|---------------|--------------|
| Sales revenues | 31 | 11,427 | 7,199 |
| Other operating revenues | | 8 | 9 |
| Net sales | 7 | 11,435 | 7,207 |
| Cost of materials | | -7,396 | -4,374 |
| Payroll expenses | 8, 10 | -1,113 | -727 |
| Other operating expenses | 11 | -1,622 | -1,155 |
| Depreciation, amortisation and impairment charges | 16, 17 | -370 | -265 |
| Items affecting comparability | 12 | -16 | -128 |
| Operating profit | | 917 | 559 |
| Profit from joint ventures | 6 | -5 | 2 |
| Financial income | 13 | 5 | 5 |
| Financial costs | 13 | -121 | -66 |
| Profit before taxes | | 797 | 500 |
| Income Tax | 14 | -145 | -2 |
| Profit for the year | | 652 | 498 |
| Profit for the year attributable to owners of the parent | | 652 | 498 |
| Adjusted operating profit ¹⁾ | | 933 | 687 |

1) Operating profit before items affecting comparability, see Note 12.

EARNINGS PER SHARE

| SEK | Note | 2017 | 2016 |
|-----------------------------|------|------|------|
| Earnings per share, basic | 15 | 8.65 | 6.66 |
| Earnings per share, diluted | 15 | 8.64 | 6.64 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| SEK million | Note | 2017 | 2016 |
|-------------------------------------------------------------------------------------------|------|------------|------------|
| Profit for the year | | 652 | 498 |
| <i>Items not to be reclassified to profit/loss in subsequent years</i> | | | |
| Remeasurement of pensions before tax | 10 | 7 | 29 |
| Tax on above | | 4 | -13 |
| <i>Items to be reclassified to profit/loss in subsequent years</i> | | | |
| Change in hedging reserve before tax | 26 | 53 | -33 |
| Tax on above | | -12 | 7 |
| Translation differences | | -160 | 69 |
| Comprehensive income for the year attributable to the owners of the parent company | | 545 | 557 |

CONSOLIDATED BALANCE SHEET

| SEK million | Note | 2017 | 2016 |
|--------------------------------------|----------------|--------------|--------------|
| ASSETS | | | |
| Property, plant and equipment | 17 | 3,076 | 3,347 |
| Intangible assets | 16 | 640 | 584 |
| Deferred tax assets | 14 | 44 | 64 |
| Interests in joint ventures | 6 | 17 | 30 |
| Interest-bearing receivables | 19, 24, 31 | 33 | 36 |
| Other non-current receivables | 19, 26 | 16 | 10 |
| Total non-current assets | | 3,827 | 4,071 |
| Inventories | 18 | 1,611 | 1,428 |
| Receivables | 19, 20, 26, 31 | 1,826 | 1,600 |
| Cash and cash equivalents | 19, 21 | 742 | 851 |
| Total current assets | | 4,179 | 3,878 |
| TOTAL ASSETS | | 8,005 | 7,950 |
| EQUITY AND LIABILITIES | | | |
| Share capital | 27 | 101 | 101 |
| Share premium | 27 | 49 | 33 |
| Reserves | | 405 | 512 |
| Retained earnings | | 2,768 | 2,296 |
| Total equity | | 3,322 | 2,942 |
| Deferred tax liabilities | 14 | 60 | 24 |
| Pension liabilities | 10 | 276 | 288 |
| Interest-bearing liabilities | 19, 24 | 2,215 | 2,888 |
| Other non-current liabilities | 19, 26 | 3 | 9 |
| Total non-current liabilities | | 2,555 | 3,209 |
| Interest-bearing liabilities | 19, 24 | 576 | 436 |
| Current tax liabilities | 14 | 78 | 34 |
| Other current liabilities | 19, 22, 26 | 1,474 | 1,329 |
| Total current liabilities | | 2,128 | 1,799 |
| TOTAL EQUITY AND LIABILITIES | | 8,005 | 7,950 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| SEK million | Note | Share capital | Share premium | Reserves | | | Retained earnings | Total equity |
|------------------------------------------|------|---------------|---------------|-----------------|-------------------------------|-------------------------|-------------------|--------------|
| | | | | Hedging reserve | Defined benefit pension plans | Translation differences | | |
| Opening balance, 1 January 2016 | | 100 | – | –3 | –36 | 492 | 1,947 | 2,499 |
| Profit for the year | | – | – | – | – | – | 498 | 498 |
| <i>Items in comprehensive income</i> | | – | – | –26 | 16 | 69 | – | 59 |
| Group comprehensive income | | – | – | –26 | 16 | 69 | 498 | 557 |
| Employee stock option scheme | | – | – | – | – | – | 1 | 1 |
| Dividend ¹⁾ | | – | – | – | – | – | –149 | –149 |
| Rights issue | 27 | 1 | 33 | – | – | – | – | 34 |
| Closing balance, 31 December 2016 | | 101 | 33 | –29 | –20 | 561 | 2,296 | 2,942 |
| Opening balance, 1 January 2017 | | 101 | 33 | –29 | –20 | 561 | 2,296 | 2,942 |
| Profit for the year | | – | – | – | – | – | 652 | 652 |
| <i>Items in comprehensive income</i> | | – | – | 41 | 12 | –160 | – | –107 |
| Group comprehensive income | | – | – | 41 | 12 | –160 | 652 | 545 |
| Dividend ¹⁾ | | – | – | – | – | – | –180 | –180 |
| Rights issue | 27 | 0 | 16 | – | – | – | – | 16 |
| Closing balance, 31 December 2017 | | 101 | 49 | 12 | –8 | 401 | 2,768 | 3,322 |

1) Dividend per share was amounted to SEK 2.40 (2.00) during 2017.

CONSOLIDATED CASH FLOW STATEMENT

| SEK million | Note | 2017 | 2016 |
|--------------------------------------------------------------------|--------|-------------|---------------|
| Operating profit | | 917 | 559 |
| Depreciation and impairment charges | | 370 | 265 |
| Change in net working capital etc. | | -267 | 43 |
| Income taxes paid | | -53 | -181 |
| Cash flow from operating activities | | 968 | 686 |
| Acquisition | 29 | -42 | -2,581 |
| Investments in property, plant and equipment and intangible assets | 16, 17 | -358 | -155 |
| Divestment of property, plant and equipment | | 0 | 0 |
| Other capital transactions | | 4 | 4 |
| Cash flow from investing activities | | -396 | -2,732 |
| Dividend | | -180 | -149 |
| Rights issue | 27 | 16 | 34 |
| Interest paid and received | 13 | -124 | -35 |
| New loans | | 888 | 3,620 |
| Amortizations | | -1,250 | -1,224 |
| Cash flow from financing activities | | -650 | 2,245 |
| Cash flow for the year | | -79 | 198 |
| Cash and cash equivalents at 1 January | | 851 | 634 |
| Cash flow for the year | | -79 | 198 |
| Translation difference on cash and cash equivalents | | -30 | 19 |
| Cash and cash equivalents at 31 December | 21 | 742 | 851 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Group's parent company, Gränges AB, is a Swedish public listed company. Corporate identity number is 556001-6122, and its registered office is in Stockholm with its head office on Linnégatan 18, SE-114 47 Stockholm. This document was approved for publication by the Board of Directors of Gränges AB on 6 March 2018.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

The Gränges Group includes, in addition to the parent company Gränges AB, directly and indirectly held subsidiaries of Gränges AB.

Significant accounting principles applied in preparing these consolidated financial statements are described below. Unless otherwise stated, these principles have been applied consistently for all the years presented. The consolidated financial statements have been prepared and presented in compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups.

The financial statements have been prepared by applying the cost method, with the exception of financial assets and liabilities (including derivatives), which are measured at fair value. Preparing financial statements in accordance with IFRS requires the use of important accounting estimates.

Management is also required to make certain judgements in applying the Group's accounting principles. Areas which involve a high degree of judgement, are complex or where assumptions and estimates have a material impact on the consolidated accounts are described in Note 5.

An asset or liability is classified as current when it is a part of an entity's normal operations, is primarily held for trading, matures within 12 months and consists of cash and cash equivalents at the balance sheet date. Other items are classified as non-current. A dividend is classified as a liability only upon formal approval by a general meeting of shareholders.

Unless otherwise stated, all amounts are stated in SEK million. Negative amounts refer to expenses or outgoing payments (cash flow).

Items affecting comparability

Items affecting comparability are presented in a separate line and refer to non-recurring income and expenses.

The primary purpose of this is to present significant non-recurring items separately in order to ensure that changes and the comparability of items presented in adjusted operating profit are more relevant for comparative purposes. Income and expenses that are carried in this line and specified and commented on in Note 12.

Consolidation

Subsidiaries

All companies over which the Group exercises a controlling influence are classified as subsidiaries. The Group controls a company when it is exposed to or has the right to a variable return from its involvement with the company and has the ability to affect those returns through its power over the company. Subsidiaries are included in the consolidated accounts as of the date when the control is transferred to the Group and are consolidated up to the date when the controlling influence ceases.

Business combinations are accounted for in accordance with the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business and equity interests issued by the group. The consideration also includes fair value of all assets or liabilities resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Joint arrangements

Shares in companies in which the Group exercises a controlling influence are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint arrangements are included in the consolidated accounts as of the date when significant influence is transferred to the Group and are consolidated up to the date when the significant influence ceases.

For joint operations, assets, liabilities, revenues and expenses are recognized in the consolidated accounts in relation to ownership.

Interests in joint ventures are accounted for using the equity method. Under the equity method, investments in joint ventures are initially carried at cost in the consolidated statement of financial position. The carrying amount is then increased or decreased to take account of the Group's share of the profit or loss and other comprehensive income from its joint ventures after the date of acquisition. The Group's share of the profit or loss is presented in the line "Profit from joint ventures" in the income statement and the line "Interests in joint ventures" in the balance sheet. Please see Note 6 for further information regarding joint arrangements.

Foreign currency translation

Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the operates ('the functional currency'). The consolidated financial statements are presented in Swedish krona (SEK), which is the Group's presentation currency.

Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency at the exchange rates applying on the transaction date or the date when the items were re-measured. Foreign exchange gains and losses arising from such transactions and upon translation of monetary assets and liabilities in foreign currency at closing day rates are recognized in the income statement. The exception is when the transactions constitute hedges and meet the criteria for hedge accounting of cash flows or net investments, in which case any gains and losses are recognized in other comprehensive income.

Financial receivables and liabilities in foreign currency are stated at the closing rate and any gain or loss is recognized in financial items in the income statement. Other monetary items in foreign currency are carried at the closing rate and any gain or loss is recognized in operating items in the income statement.

3

NEW ACCOUNTING STANDARDS

New accounting standards adopted by the Group in 2017

No standards, amendments and interpretations which became effective for financial years beginning on 1 January 2017 have had a material impact on the consolidated financial statements.

New and amended standards and interpretations which have not yet become effective but will be applied in future periods

A number of new standards and interpretations are effective for financial years beginning after 1 January 2017 and have not been applied in preparing these financial statements.

IFRS 9 Financial Instruments

IFRS 9 will enter into force on 1 January 2018 and replaces IAS 39 Financial instruments: Recognition and measurement. Various parts of IFRS 9 have been revised, and one part relates to the classification and measurement of financial assets and liabilities. Classification of financial assets is determined on initial recognition based on the cash flow characteristics of the asset and the company's business model. Dependent on classification the financial assets will be measured at amortized cost, at fair value through other comprehensive income (OCI) or at fair value through profit or loss. For financial liabilities there are no changes that will impact the Group.

Further the hedge accounting principles have been revised in IFRS 9. The new principles give companies better opportunities to present the financial risk management strategies in the financial statements. As a general rule, it will be easier to apply hedge accounting, as more risk components can qualify as hedged item. The new standard also introduces expanded disclosure requirements and changes in presentation.

IFRS 9 also introduces a new impairment model based on expected credit losses. The new expected credit loss (ECL) model involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. A simplified approach is to be used for financial assets that do not have a significant financing component (eg accounts and lease receivables), which means impairment will be recognized based on lifetime ECL and there is no need to track the changes in credit quality.

Gränges' analysis of the new standard is completed and there will be no impact on the Group's financial statements from the new principles regarding classification of financial assets. The new principles regarding calculation of credit loss will impact the impairment process, however it will not have a significant impact on the Group's financial statements. The new principles for hedge accounting will neither have an impact on the Group's financial statements. The transition will not significantly affect the Group's financial statements and consequently the opening balance 2018 will not be restated.

IFRS 15 Revenue from contracts with customers

IFRS 15 is the new standard for recognition of revenue. IFRS 15 replace IAS 18 Revenue and IAS 11 Construction Contracts and their associated interpretations (IFRIC and SIC). Revenue is recognized when control of a goods or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The basic principle in IFRS 15 is that a company recognize revenue in the way that best reflects the transfer of the goods or service to the customer. A new five-step process must be applied before revenue can be recognized:

- Step 1: identify contracts with customers
- Step 2: identify the separate performance obligation
- Step 3: determine the transaction price of the contract
- Step 4: allocate the transaction price to each of the separate performance obligations, and
- Step 5: recognize revenue as each performance obligation is satisfied.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognized if they are not at significant risk of reversal.
- The point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures. Gränges Group will adopt IFRS 15 using the full retrospective approach from 1 January 2018. The transition will not affect the Group's financial statements and consequently previous periods will not be restated.

IFRS 16 Leases

In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. Gränges has initiated the work with evaluating the effects of the new standard. The initial assessment is that the new standard will impact Gränges insofar as leasing contracts for premises, vehicles and other large leasing objects will be recognized in the balance sheet.

4

ACCOUNTING STANDARDS

Revenue recognition

Revenue is recognized to the extent that it is likely that the economic benefits will accrue to the company and the revenue can be reliably measured, irrespective of when payment is made. Revenue is stated at the fair value of the compensation which has been or will be received, having regard to contractual terms governing payment excluding taxes and duties.

Sales of goods. The Gränges Group sells goods in different markets, and revenues from the sale of goods are recognized in the income statement when the material risks and benefits associated with ownership of the goods have been transferred to the buyer.

Sales of services. Revenues from the sale of services are limited for the Gränges Group and primarily refer to rental income from properties owned by Gränges AB. Rental income is allocated to accounting periods in accordance with the lease and is recognized in the income statement in the period to which the lease refers.

Gains or losses on the sale of property, plant and equipment are accounted for as "Other operating income" or "Other operating expenses" and are included in the income statement.

Interest income is recognized using the effective interest method and accounted for under "Financial income".

cont. Note 4

Statement of comprehensive income

The statement of comprehensive income includes items which are recognized in equity but which are not included in the regular profit or loss for the period. The items in the statement are actuarial gains and losses on pensions, changes in the hedging reserve in hedging transactions and currency translation effects.

Assets

Property, plant and equipment are tangible, long-lived assets which are intended for the production or delivery of goods or for administrative purposes. They are stated at cost in the balance sheet less accumulated depreciation and impairment. Maintenance of assets is recognized in operating expenses when the maintenance is carried out while more significant periodic maintenance and expenses for replacements and improvements are accounted for as an investment and added to the cost of the assets.

To distribute the cost down to the estimated residual value, items of property, plant and equipment are depreciated on a straight-line basis, divided into different components, over their useful lives using the following percentage rates:

- buildings and land improvements 10–40 years,
- machinery, inventory and installations 5–30 years,
- fixtures and vehicles 5–20 years,
- IT equipment and software 5–10 years.

Useful lives and residual values of assets are reviewed each year and adjusted where required.

If the residual value exceeds the carrying amount no further depreciation charges are recognized. This applies especially to buildings. If there are indications of impairment of an asset, the asset is written down to its recoverable amount if this is lower than the carrying amount. The recoverable amount is the higher of net realisable value and value in use.

Loan expenses in connection with the production of the Group's own property, plant and equipment are recognized as part of the cost of the asset.

Intangible assets. The Group has expenses for research and development. Expenditure for research is carried as an expense immediately while expenditure for development is recognized as an intangible asset if the underlying economic factors are identifiable and represent future economic benefits controlled by the Group.

The Group is running a large number of development projects but the criteria for recognising the projects as intangible assets are currently not met (see Note 16).

Capitalised expenditure for internally generated or specially adapted software is recognized as intangible assets. These are depreciated on a straight-line basis over 5–10 years.

Expenditure for internally generated intangible assets is expensed immediately, as the future economic benefits for the company cannot be identified and because it is not possible to obtain any degree of certainty during the development phase of the intangible assets. The fair value of intangible assets acquired by the company through acquisitions is capitalized.

The customer relationships were acquired as part of a business combination (see Note 16 for details). They are recognized at their fair value at the date of acquisition and are subsequently amortized on a straight-line basis over their estimated useful lives of 20 years.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Inventories are measured at the lower of cost and net realisable value. Purchased goods are measured at cost in accordance with the FIFO principle while own-produced finished goods and products in progress are measured at production cost. A deduction is made for obsolescence. The net realisable value is the estimated selling price less selling costs. For a description of inventories as hedged item in a fair value hedge see "Fair value hedging", under section "Financial Instruments".

Cash and cash equivalents comprise cash and cash equivalents with maturities of up to three months.

Provisions and liabilities

Pensions. Gränges Group has a pension system in Sweden and US that primarily consists of defined contribution plans as well as some unfunded defined benefit plans.

For defined contribution pension plans the company has a responsibility to make contractual payments for its employees' future pensions. Future pensions are determined by the size of contributions and the return on the plan assets. After the contributions have been paid the company has no further payment obligations under the defined contribution plan. No provisions are therefore made in the balance sheet.

The company's pension costs for its defined contribution plans consist of payments to employees' pension plans during the reporting period and are accounted for as payroll expenses.

Defined benefit pension plans are based on a promise from the company to the employees that they will receive a certain pension upon retirement, normally defined as a percentage of their final salary. The company is responsible for the size of the future pension benefit and the economic value of this obligation are recognized in the income statement and balance sheet.

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The cost relating to service during the current period is accounted for as payroll expenses. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Provisions are recognized for potential loss-making contracts and for restructuring when the decision to restructure is made. Provisions do not cover any potential future operating losses. As regards restructuring reserves, there must exist a detailed plan identifying which operations will be restructured as well as a well-founded expectation among those affected by the restructuring. It must also be possible to reliably estimate the cost of the restructuring.

The provision is calculated based on the best estimate of expected costs. If the effect is significant, expected future cash flows will be discounted.

Contingent liabilities and contingent assets. A contingent liability or contingent asset is a potential obligation or potential asset whose existence is uncertain and which will be confirmed by the occurrence or non-occurrence of a specific future event, such as the outcome of legal proceedings or the final settlement of an insurance claim. If the probability that the liability has been incurred exceeds 50 per cent a provision is recognized in the balance sheet. If the probability is lower a contingent liability is shown as an additional disclosure in the financial statements, unless the probability of an outgoing payment is remote. An asset is only recognized in the balance sheet if it is highly probable that the Group will receive the asset. Disclosures regarding contingent assets are given where an inflow of resources is probable.

Tax. Income tax is the sum of current tax and changes in deferred tax. Tax is recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. Current tax is recognized at the amount that is expected to be paid to the tax authorities based on the taxable income that is reported for the units included in the consolidated financial statements. The income tax is determined using tax rates that have been enacted on the balance sheet date.

Deferred tax in the balance sheet has been calculated at the nominal tax rate based on temporary differences for assets and liabilities at the balance sheet date.

A provision for deferred tax on retained earnings in foreign subsidiaries is recognized to the extent that it is likely that the dividend will be distributed in a near future.

Deferred tax assets are reviewed continually and recognized in the balance sheet only to the extent that it is likely that future taxable profits can be used.

Deferred tax liabilities and deferred tax assets are offset insofar as this is possible under local tax laws and regulations.

Financial instruments

The Group's financial assets comprise loans and accounts receivable as well as derivatives. Purchases and sales of financial assets are recognized at the transaction date, which is the date when the Group undertakes to buy or sell the asset. Accounts receivable are recognized when the invoice has been sent. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred essentially all risks and benefits associated with ownership to another party.

The Group's financial liabilities comprise borrowings and accounts payable as well as derivatives. Financial liabilities are recognized in the balance sheet when the counterparty has performed and a contractual obligation to pay exists. Accounts payable are recognized when the invoice has been received. Financial liabilities are derecognized from the balance sheet when the contractual obligation has been fulfilled or in some other way is extinguished.

Financial instruments are initially recognized at fair value plus transaction costs, which applies to all financial assets and liabilities that are not measured at fair value through profit and loss. These are initially recognized at fair value excluding transaction costs.

Financial assets and liabilities are in general not netted even when there is a legal right of netting the carrying amounts and an intention to settle them by a net amount or to simultaneously realize the asset and settle the liability. The legal right must not depend on future events and must be legally binding for the company and the counterparty both in case of normal business activities and in the event of default, insolvency or bankruptcy.

Derivatives are classified either as measured at fair value through profit and loss in the subcategory that is called held for trading or as hedging instrument for which hedge accounting is applied. Derivatives are measured at fair value at the balance sheet date and accounted for as assets or liabilities. Gains and losses on changes in fair value are recognized in profit or loss when the derivative is not part of a hedge relationship which meets the criteria for hedge accounting. Embedded derivatives in contracts are identified and measured separately. Gränges currently has no embedded derivatives. Purchases and sales of derivatives are recognized at the transaction date.

Loans and receivables are financial assets which are non-derivatives, have fixed or determinable payments, and are not listed on an active market. They are included in current assets, with the exception of items maturing later than twelve months from the end of the reporting period, which are classified as non-current assets.

Accounts receivable are always classified as current assets. The Group's loans and receivables comprise accounts receivable and other receivable as well as cash and cash equivalents. These are carried at amortized cost in the balance sheet applying the effective interest rate method. Accounts receivable are measured at the amount expected to be paid, i.e. after deducting bad debts. At the end of each reporting period the Group assesses whether there is objective evidence of impairment of financial assets. Objective evidence of impairment includes, for example, indications of significant financial difficulties of a debtor, non-payment of interest or principal and observable information pointing to a measurable decrease in estimated future cash flows.

Impairment loss is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses which have not occurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is written down and the impairment loss is recognized in the consolidated income statement. If the impairment is reduced in a subsequent period and this can objectively be attributed to an event occurring after recognition of the impairment loss (such as an improvement in a debtor's credit-worthiness), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Accounts payable are obligations to pay for goods or services which have been acquired from suppliers or service providers in the course of

the company's operating activities. Accounts payable are classified as current liabilities. Accounts payable are measured at amortized cost.

Borrowings (loans) are initially recognized at fair value, net of transaction costs. Subsequently loans are carried at amortized cost and any difference between the amount received (net of transaction costs) and the amount repayable is recognized in the income statement over the term of the loan by applying the effective interest method.

Hedge accounting. The Group uses the following criteria for classifying a derivative or other financial instrument as a hedging instrument: (1) the hedging instrument is expected to be very effective in offsetting changes in the fair value of or cash flows for an identifiable item (hedged item), with an expected hedge efficiency of 80–125 per cent, (2) the hedge efficiency can be reliably measured, (3) satisfactory documentation is drawn up before the hedging instrument is acquired showing, in particular, that the hedge relationship is effective, (4) in case of the use of cash flow hedges, that the future transaction is deemed to be highly probable, and (5) the hedge relationship is reviewed on a regular basis and has proved to be effective, i.e. between 80–125 per cent.

Gains and losses on the hedging instrument are recognized in the income statement at the same time as gains and losses from the hedged item.

Fair value hedging. Changes in the fair values of derivatives designated as hedging instruments are recognized immediately in the income statement. Changes in the fair value of the hedged item (inventory) relating to the hedged risk are recognized in the income statement in the same way and are recognized as an adjustment on the hedged item's carrying amount. Hedge accounting is discontinued if: (a) the hedge instrument has expired, been terminated, exercised or sold, (b) the hedge no longer meets the aforementioned criteria for hedging, or (c) the Group for some reason chooses not to continue to hedge fair value. In the case of a discontinued hedge, changes in the fair value of the hedged item are recognized in the balance sheet until the hedged item (inventory) is recognized as cost of materials in the income statement.

Cash flow hedges. The effective portion of changes in the fair value of the hedging instrument is recognized in other comprehensive income and accumulated in the hedging reserve until the hedged transaction is executed. At that time the accumulated gains or losses on the hedging instrument will be reclassified to the income statement. The ineffective portion of the hedging instrument is recognized immediately in the income statement. When a hedging instrument has expired, been sold, exercised or terminated, or the Group has discontinued the hedge relationship, the accumulated gains or losses will remain in the hedging reserve and will be recognized in the income statement upon execution of the hedged transaction. If the hedged transaction is no longer expected to occur, the accumulated gain or loss on the hedging instrument will be recognized immediately in the income statement.

Segments

The reporting of operating segments is consistent with the internal reporting submitted to the highest executive decision maker, which consist of the CEO. The business operation is characterized by strong integration between the different regions in order to maximize the Group's profitability. Operations are monitored on a global market, and the Group thus reports only one segment in line with IFRS 8.

For information on the geographic distribution of non-current assets, sales revenue and the average number of employees (see Note 7).

Other principles

Cash flow. The cash flow statement, which has been prepared using the indirect method, shows cash flows from operating activities, investing activities and financing activities, and explains changes in "Cash and cash equivalents" for the reporting period.

Acquisitions. The acquisition method is used to account for the acquisitions of subsidiaries and operations. All payments to acquire a business are recorded at fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

Leasing. Leases are classified based on the extent to which the economic risks and benefits associated with ownership of the leased asset are held by the lessor or lessee. A lease is classified as a financial lease if it essentially transfers all risks and benefits associated with ownership of an asset.

cont. Note 4

The Group has no leases classified as a financial lease, mainly due to the fact that the Group owns in principle all its production facilities and machinery. The leases that occur are those where the Group judged that it is not possible or economically advantageous to purchase the underlying asset, such as office facilities, vehicles or inventories, that will only be held for a shorter part of its service life.

Other leases are classified as operating leases. Expenses related to such leases are accounted for as operating expenses.

Share-based payments. The Group operates a share-based compensation plan under which payments are made in the form of shares and the company receives services from employees as compensation for the Group's equity instruments (employee stock options). The fair value of the employee services received in exchange for the grant of the options is recognized as an expense along with a corresponding increase in equity. The total amount recognized as an expense is based on the fair value of the granted employee stock options as determined on the grant date.

The Group also has a share-based remuneration plan based on cash settlement. The fair value of employee services received in exchange for the grant of the options is recognized as an expense along with a corresponding increase in liabilities. The cost of cash-settled instruments is based on the fair value of the granted employee stock options, as determined at each closing date until final settlement.

At the end of each reporting period the Group reviews its estimates of how many shares are expected to be vested based on the service condition. Any deviations from the original estimates identified in such reviews are recognized in the income statement with corresponding adjustments in equity for equity-settled instruments and liabilities for cash-settled instruments.

When options are exercised, the company issues new shares. The proceeds received, net after any directly attributable transaction costs, are credited to the share capital (quotient value) and share premium.

Social security contributions payable in connection with the grant of stock options are considered as an integral part of the grant itself, and the charge will be treated as cash-settled transaction that is remeasured at each closing date until settlement is made.

Government grants are recognized in the financial statements when it is a reasonable assurance that the grant will be received. The grants are accounted for either as income or a reduction of expenses, and are in the latter case matched with the expenses which they are intended to compensate for. Government grants attributable to assets are accounted for as a reduction of the cost of the asset. The grant reduces the depreciation of the asset.

5

ESTIMATES AND ASSUMPTIONS IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

Revised assessment of useful life of property, plant and equipment

In connection with the acquisition of the US operation in 2016 an extensive study was performed to determine the value of the tangible fixed assets and their remaining useful life. The preliminary study showed that life expectancy was different from the assessments applied by Gränges in terms of useful lives, mainly related to machinery and installations. In connection with the determination of the acquisition balance in the third quarter 2017, a study was carried out on Gränges' entire operation regarding machinery and installations and based on this study a new assessment of the useful lives was made as from 1 July 2017.

Previous useful life for machinery and installations of between 5 and 20 years are according to the new assessment now between 5 and 30 years, depending on type of component. The change in assessment has decreased the costs on the line depreciation, amortization and impairment charges in the consolidated income statement by SEK 28 MSEK during 2017. Of the SEK 28 million, SEK 33 million are decreased costs due to extended remaining useful life and SEK –5 million are increased costs due to reduced remaining useful life. In addition, the line cost of materials was affected by increased costs of SEK –5 million as a result of the revised assumptions during 2017. In total, the revised assumptions have affected the operating profit by SEK 23 million during 2017.

Critical accounting estimates and judgements

In preparing Gränges' consolidated accounts, it is necessary to make a number of estimates and assumptions which can influence the carrying amounts of assets and liabilities. Future events and changes in operating parameters may make it necessary to make other estimates and assumptions. When preparing the financial statements, management makes its best judgements in areas of significant importance.

Areas where estimates and judgements are of significant importance for the consolidated financial statements are:

| Accounting item | Note | Estimate/assumptions |
|-------------------------------|------|------------------------------------------------------------------------------|
| Property, plant and equipment | 17 | Recoverable amount and estimate of correct remaining useful life |
| Intangible assets | 16 | Estimates and key assumptions used in impairment testing of intangibles |
| Income tax | 14 | Determination of tax rate for profits in China |
| Pension liability | 10 | Economic and demographic assumptions |
| Inventories | 18 | Assumptions and methods for inventory valuation and assumption of incurrence |

Property, plant and equipment For several of Gränges' items of property, plant and equipment changes in assumptions can have a significant impact on the value. The value of property, plant and equipment is based on cost and is depreciated over the estimated useful life. Further information is provided in Note 4.

Intangible assets The valuation of identifiable assets and liabilities in connection with the business combinations is primarily based on listed market prices or external valuation data. When it has not been able to obtain listed market prices or external valuation data, a method based on replacement cost, where Gränges has made assumptions and judgments regarding the present state of those assets and the cost of replacing them, has been used. Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or when there is an indication that impairment is required. Estimates and material assumptions regarding the present state of those assets and the cost of replacing them, has been used. Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or when there is an indication that impairment is required. Estimates and material assumptions regarding the present state of those assets and the cost of replacing them, has been used. Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or when there is an indication that impairment is required. Estimates and material assumptions regarding the present state of those assets and the cost of replacing them, has been used. Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or when there is an indication that impairment is required. Estimates and material assumptions regarding the present state of those assets and the cost of replacing them, has been used. Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or when there is an indication that impairment is required. Estimates and material assumptions regarding the present state of those assets and the cost of replacing them, has been used.

Income tax Gränges has applied for a qualification as a high technology company in China for the period 2016 to 2018. This qualification would mean that Gränges in China can avail of an income tax rate of 15 per cent instead of the ordinary rate of 25 per cent. However, in order to obtain the classification special requirements established needs to be met and local authorities will subsequently review that Gränges has met these requirements. Since no pre-approval has been received and in view of the difficulties to currently estimate whether these special requirements will be met for the classification, income tax in the Chinese operation has been based on ordinary tax of 25 per cent for 2016. Further information is provided in Note 14.

Pension liability Gränges has a number of defined benefit pension plans. The present value of the pension obligations depends on a number of factors which are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net pension expense (income) include the discount rate. Each change in these assumptions has an impact on the carrying amount of the pension obligation. Further information on sensitivity analyses etc. for changes in material assumptions is provided in Note 10.

Inventories Valuation of production costs is done using calculation models based on current prices and cost levels, where direct and indirect production-related costs are attributed to manufactured products. For estimation of incursions, assumptions and assessments are based on the turnover rate and other historical data. A description of Gränge's method of valuing finished goods and products in work can be found in the section on accounting principles in Note 4.

6 JOINT ARRANGEMENTS

Norca Heat Transfer LLC is a sales and distribution company which acts as distributor for Gränges' products in the North American market. Gränges owns 50 per cent. The holding is classified as a joint venture and is accounted for using the equity method. At the beginning of 2018 the remaining 50 per cent were acquired and will be reported in accordance with the acquisition method from 2018. See Note 29 for more information.

Shanghai Gränges Moriyasu Aluminium Co Ltd provides stamping capacity for Gränges' customers in China. Gränges owns 50 per cent. The holding is classified as a joint venture and is accounted for using the equity method. The Group has made the assessment of Gränges Moriyasu Aluminium Co. Ltd is not essential for the financial statements as a whole and therefore has not provided additional financial information in summary.

In 2017, Gränges acquired 51 per cent of Getek GmbH (see Note 29 for more information). The company is jointly owned with Erbslöh Aluminium GmbH, which owns 49 per cent of the company. The terms of the shareholder agreement require consent of the parties in relevant activities. This activity is classified as a joint operation and the Group recognizes its direct right to jointly owned assets, liabilities, revenues and expenses.

The company does not deem that any significant capital injections will be required in the joint arrangements in which Gränges participates.

Investments accounted for in accordance with the equity method

| SEK million | Norca Heat Transfer | Shanghai Gränges Moriyasu Aluminium | Total |
|-----------------------------------------|---------------------|-------------------------------------|-----------|
| Carrying amount 1 January 2017 | 24 | 7 | 30 |
| Acquisitions/sales | – | – | – |
| Share of profit/loss | –5 | 0 | –5 |
| Dividend | –4 | – | –4 |
| Tax | –2 | – | –2 |
| Translation differences | –2 | 0 | –2 |
| Carrying amount 31 December 2017 | 11 | 7 | 17 |
| Carrying amount 1 January 2016 | 24 | 6 | 30 |
| Acquisitions/sales | – | – | – |
| Share of profit/loss | 2 | 0 | 2 |
| Dividend | –4 | – | –4 |
| Translation differences | 2 | 0 | 2 |
| Carrying amount 31 December 2016 | 24 | 7 | 30 |

Norca Heat Transfer

Items in the income statement and statement of financial position (100 per cent).

| USD million | Norca Heat Transfer | |
|-----------------------------------------------------|---------------------|-----------|
| | 2017 | 2016 |
| Operating revenue | 133 | 115 |
| Depreciation | – | – |
| Operating profit | 2 | 2 |
| Interest income | – | – |
| Interest costs | –1 | –1 |
| Income tax | 0 | 0 |
| Profit for the year | 1 | 1 |
| Non-current assets | – | – |
| Current assets, excluding cash and cash equivalents | 60 | 41 |
| Cash and cash equivalents | 7 | 0 |
| Total assets | 67 | 41 |
| Total equity | 8 | 8 |
| Financial non-current liabilities | 24 | 25 |
| Other non-current liabilities | – | – |
| Financial current liabilities | – | 0 |
| Other current liabilities | 35 | 8 |
| Total equity and liabilities | 67 | 41 |

7 GEOGRAPHIC BREAKDOWN OF NET SALES, NON-CURRENT ASSETS AND AVERAGE NUMBER OF EMPLOYEES

Net sales are distributed regionally based on where the customers are located. Non-current assets and the average number of employees are based on where Gränges is located.

| SEK million | Net sales | | Non-current assets ¹⁾ | | Average no. of employees | |
|------------------|---------------|--------------|----------------------------------|--------------|--------------------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Sweden | 295 | 265 | 659 | 548 | 457 | 433 |
| Rest of Europe | 1,935 | 1,668 | 5 | – | – | – |
| China | 1,914 | 1,673 | 940 | 1,039 | 524 | 520 |
| Rest of Asia | 997 | 949 | 0 | 0 | 8 | 8 |
| USA | 5,445 | 2,298 | 2,112 | 2,343 | 578 | 175 |
| Rest of Americas | 849 | 353 | – | – | – | – |
| Total | 11,435 | 7,207 | 3,716 | 3,930 | 1,568 | 1,136 |

1) Excluding deferred tax assets, interests in joint ventures, interest-bearing receivables and other non-current receivables.

The seven largest customers accounted for 39 per cent (46) of sales. No customers accounted for more than 10 per cent of total sales in 2017 or 2016.

8

PAYROLL EXPENSES

Average number of employees

| | 2017 | | 2016 ¹⁾ | |
|---------------------|--------------------------|-----------------|--------------------------|-----------------|
| | Average no. of employees | Of which, women | Average no. of employees | Of which, women |
| Gränges AB | | | | |
| Sweden | 26 | 8 | 24 | 8 |
| Subsidiaries | | | | |
| Sweden | 431 | 85 | 410 | 77 |
| China | 520 | 56 | 516 | 53 |
| US | 578 | 70 | 175 | 21 |
| Other countries | 13 | 2 | 12 | 3 |
| Group total | 1,568 | 221 | 1,136 | 162 |

Board members and other senior executives

| | 2017 | | 2016 | |
|---------------------------------------------|---------------------------|-----------------|---------------------------|-----------------|
| | No. at balance sheet date | Of which, women | No. at balance sheet date | Of which, women |
| Board members | 6 | 3 | 7 | 3 |
| CEO, deputy CEO and other senior executives | 8 | 1 | 8 | 1 |

Salaries, remuneration, social security contributions and pension costs

| SEK million | 2017 | | | 2016 | | |
|----------------------------------------------------|----------------------------------------------------------------------|----------------------|------------|--------------------------------------------------------|----------------------|------------|
| | Salaries and remuneration (of which, variable portion) ²⁾ | Social sec. contrib. | Pension | Salaries and remuneration (of which, variable portion) | Social sec. contrib. | Pension |
| Gränges AB | | | | | | |
| Board, CEO, deputy CEO and other senior executives | -27 (-13) | -10 | -5 | -21 (-10) | -10 | -4 |
| Other employees | -27 | -8 | -8 | -17 | -6 | -4 |
| Subsidiaries | | | | | | |
| Other senior executives | -16 (-7) | -1 | -1 | -17 (-7) | -2 | -1 |
| Other employees | -820 | -158 | -33 | -499 | -118 | -26 |
| Group total | -890 | -176 | -47 | -555 | -136 | -35 |

1) 2016 years average number of employees has been restated due to adjustments in the acquired business in the US.

2) During 2017 SEK 12 million has been received in government grants for Americas. The grant has reduced the payroll expenses.

Salaries and other remuneration to the Board members, CEO and other senior executives

Board members

Until the Annual General Meeting on 4 May 2017 the Board of Directors consisted of seven members, elected by the Annual General Meeting in 2016. Following the Annual General Meeting in 2017 the Board of Directors consisted of six members, elected by said Annual General Meeting. The Chairman and other members of the Board receive Directors' fees in accordance with the resolutions adopted by the annual general meeting. Remuneration to the Board of Directors are in some cases done through invoicing from their own companies. In addition to the directors fee, social security contributions are then charged as a cost, which is considered to be cost neutral for Gränges.

CEO and other senior executives

The remuneration paid to the CEO and other senior executives consists of a basic salary, variable remuneration, other benefits and pension. Senior executives refer to the members of the Group Management team. During 2017 the Group Management team consisted of eight persons, including the CEO and Deputy CEO.

The basic salary for the CEO is deliberated in the Remuneration committee and adopted by the Board of Directors. For all other senior executives including Deputy CEO the salaries are deliberated and decided by the CEO with the support of the Chairman of the Board. The variable remuneration is based on results achieved in relation to the set targets and is made up of two components, a short-term incentive programme (STI) and a long-term incentive programme (LTI). Several long-term incentive programmes can run in parallel.

The contract between the company and CEO is subject to twelve months' notice by either party without deduction. In case of termination by the company the CEO is also entitled to severance pay of a further twelve monthly salaries, which is off-set against income from new employment. The contracts between the company and other senior executives, including the Deputy CEO, are subject to six months' notice by either party without deduction. In case of termination by the company the executive is entitled to severance pay of a further twelve monthly salaries, which is off-set against income from new employment.

Pension

The retirement age for the CEO is 65 years. In addition to ordinary defined-benefit pension in accordance with the ITP-plan, the CEO has a direct pension in form of a company-owned endowment insurance. The premiums to the endowment insurance amounts to 35 per cent of the basic salary, reduced with what is being paid to ITP. For other senior executives, including the deputy CEO, the retirement age is 60–65 years depending on the country of employment and both premium-based and defined-benefit-based obligations exist.

Variable remuneration

Short-term incentive programme (STI)

The remuneration from STI is determined by a number of parameters consisting of financial key ratios for the Group, such as adjusted operating profit and cash conversion, and individual pre-determined targets.

Remuneration under STI 2017 may not exceed 60 per cent of the total basic salary paid to all members of the Group Management team, except for the person holding position as President Americas, whom may obtain 100 per cent of the total basic salary.

Remuneration and other benefits in 2017

| | Basic salary/ Directors' fee | Short-term incentive pro- gramme (STI) ¹⁾ | Employee stock option programme (LTI 2014) | Long-term incentive programmes (LTI 2016 and 2015) | Total variable remuneration | Other benefits | Pension | Total |
|-----------------------------------------|---------------------------------|------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------------|--------------------------------|-------------------|-------------|--------------|
| Board of Directors | | | | | | | | |
| Anders G. Carlberg | -0.6 | - | - | - | - | - | - | -0.6 |
| Terje Andersen | -0.1 | - | - | - | - | - | - | -0.1 |
| Ragnhild Wiborg | -0.4 | - | - | - | - | - | - | -0.4 |
| Hans Porat | -0.3 | - | - | - | - | - | - | -0.3 |
| Carina Andersson | -0.3 | - | - | - | - | - | - | -0.3 |
| Peter Carlsson | -0.3 | - | - | - | - | - | - | -0.3 |
| Katarina Lindström | -0.3 | - | - | - | - | - | - | -0.3 |
| Group Management | | | | | | | | |
| CEO Johan Menckel | -5.2 | -3.2 | - | -2.4 | -5.6 | -0.1 | -1.8 | -12.8 |
| Deputy CEO Oskar Hellström | -2.7 | -1.6 | - | -1.3 | -2.9 | -0.1 | -1.3 | -7.1 |
| Other senior executives (6 individuals) | -13.4 | -9.2 | - | -3.0 | -12.1 | -0.6 | -2.1 | -28.2 |
| Total | -23.7 | -14.0 | - | -6.7 | -20.7 | -0.8 | -5.2 | -50.4 |

Remuneration and other benefits in 2016

| | Basic salary/ Directors' fee | Short-term incentive pro- gramme (STI) ²⁾ | Employee stock option programme (LTI 2014) | Long-term incentive programmes (LTI 2015) | Total variable remuneration | Other benefits | Pension | Total |
|-----------------------------------------|---------------------------------|------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|--------------------------------|-------------------|-------------|--------------|
| Board of Directors | | | | | | | | |
| Anders G. Carlberg | -0.6 | - | - | - | - | - | - | -0.6 |
| Terje Andersen | -0.3 | - | - | - | - | - | - | -0.3 |
| Ragnhild Wiborg | -0.4 | - | - | - | - | - | - | -0.4 |
| Hans Porat | -0.2 | - | - | - | - | - | - | -0.2 |
| Carina Andersson | -0.3 | - | - | - | - | - | - | -0.3 |
| Peter Carlsson | -0.2 | - | - | - | - | - | - | -0.2 |
| Katarina Lindström | -0.2 | - | - | - | - | - | - | -0.2 |
| Bertil Villard | -0.1 | - | - | - | - | - | - | -0.1 |
| Group Management | | | | | | | | |
| CEO Johan Menckel | -4.5 | -2.7 | -0.3 ³⁾ | -1.6 | -4.6 | -0.1 | -1.6 | -10.8 |
| Other senior executives (7 individuals) | -14.4 | -6.7 | -2.6 ⁴⁾ | -3.5 | -12.7 | -0.9 | -2.7 | -30.8 |
| Total | -21.1 | -9.4 | -2.9 | -5.0 | -17.3 | -1.0 | -4.3 | -43.8 |

1) The amounts are attributable to 2017 but will be disbursed in 2018.

2) The amounts are attributable to 2016 but were disbursed in 2017.

3) Vested employee stock options were settled with equity (shares). No options were vested for during 2017 but during previous years 200,000 options have been vested for. 100,000 options have been executed during 2017 to a benefit value of SEK 41,98 per option. 100,000 options were executed during 2016 to a benefit value of SEK 38,72 SEK per option.

4) Vested employee stock options for four employees were settled with equity (shares), while vested employee options for one employee was settled with cash. No options were vested for during 2017 but during previous years a total of 305,000 number of equity-settled options and 100,000 number of cash-settled options have been vested. 190,000 options have been executed during 2017 to a benefit value of SEK 41,98 per option. 215,000 options were executed during 2016 to an average benefit value of SEK 38,72 per option.

Long-term incentive programmes (LTI 2015 and LTI 2016)

Gränges' long-term incentive programmes comprise the company's senior executives and certain selected key persons. The incentive programmes aim to promote and encourage loyalty to the company by aligning personal objectives and interests with the shareholders' interest of strong share price performance and a good dividend.

The programmes are designed so that an amount corresponding to the outcome from STI for each year and participant is set aside in a so-called LTI bank. The costs are provided for during the performance years and the provision for LTI for each year are shown in the table Remuneration and other benefits. Provided that the participant is still employed by Gränges, one third of the amount for LTI 2015 is paid per year during 2017, 2018 and 2019, and for LTI 2016 during the years 2018, 2019 and 2020. The payments are adjusted for total return of Gränges share. The total payment of LTI and STI in any one year shall be a maximum of 1.5 times an annual salary.

Employee stock option programme (LTI 2014)

The LTI 2014 programme lapsed in November 2017 and thereby can no further stock options be exercised. The program was initiated 10 October 2014 and employee stock options were granted free of charge to senior executives and other key individuals in the Group. The granted

stock options had a term of two years from the grant-date (vesting period) followed by an exercise period of one year. The exercise price was SEK 51.00 equivalent to 120 per cent of the price in the offering in connection with the stock market listing less dividends. Employee stock options settled with equity (shares) was expensed during the vesting period based on the fair value of the option at grant date, i.e. 10 October 2014 which was SEK 3.82 per option. The expense for cash-settled options was based on fair value of the vested options at each reporting period. All employee stock options had been vested for already during 2016 and therefore no significant costs occurred for the program during 2017. The cost for the employee stock option program in total, including expenses for social security contributions, amounted to SEK 20.5 million.

397,000 employee stock options (516,000) have been exercised during 2017. The average share price for exercised options amounted to SEK 86.84 (86.22) for 2017.

Other benefits

Other benefits mainly consist of company cars and medical benefits.

9

REMUNERATION TO AUDITORS

| SEK million | 2017 | 2016 |
|------------------------------------------------|-------------|--------------|
| EY | | |
| Audit engagement | -6.4 | -6.6 |
| Audit services in addition to audit engagement | -0.4 | -0.5 |
| Tax advisory services | -1.6 | -0.8 |
| Other services | -0.7 | -8.2 |
| Total remuneration to auditors | -9.2 | -16.1 |

Audit engagement refers to the examination of the annual report and accounting records and of the Board of Directors and CEO's management of the company, other tasks incumbent on the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit services in addition to audit engagement is mainly related to review of interim reports.

Tax advisory services include advice on tax, including transfer pricing issues, as well as value-added tax.

Other services refer to advice that is not attributable to any of the aforementioned categories of services. In 2016 other services consisted mainly of services related to the acquisition activities.

10

PENSIONS

Gränges has pension plans in Sweden and the US. Approximately 74 per cent (74) of the employees in Sweden are covered by defined contribution pension plans, with the remainder covered by defined benefit plans. All permanent full time employees in the US are eligible for the defined contribution plan. Approximately 26 per cent (27) of permanent full time employees in the US are eligible for the defined benefit pension plan.

Defined contribution plans

Employees of Gränges in the Swedish operation are mainly covered by pension plans classified as defined contribution plans. Defined contribution plans are arrangements in which the company pays annual contributions to its employees' pension plans and where future pensions are determined by the amount of contributions paid and the return on the pension assets. In Sweden employees covered by a collective bargaining agreement have defined contribution pension plans, as do salaried employees born after 1979 under the ITP1 supplementary pension plan.

Defined benefit plans

The defined benefit pension plan in Sweden applies for salaried employees covered by the ITP2 supplementary pension plan, based on a collective agreement between the Confederation of Swedish Enterprise and the trade unions for salaried employees in the private sector. The pension plan is a net plan under which the pension obligation is not linked to changes in Swedish social insurance schemes. Under the applicable collective agreement, all salaried employees born in 1979 or after are covered by a defined contribution plan. This means that the scope of the defined benefit plan will be reduced over time. The group also operates defined benefit pension plans for hourly union employees in the US under broadly similar regulatory frameworks. All of the plans are final salary pension plans, which provide benefit to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the Swedish plans, pensions in payment are generally updated in line with the retail price index, whereas in the US plans, pensions generally do not receive inflationary increases once in payment. With the exception of this inflationary risk in Sweden, the plans face broadly similar risks, including the risk of increased life expectancy and sensitivity to changes in interest rates.

Both the Swedish and US defined benefit plans are accounted for as a provision in the balance sheet. Swedish plans are unfunded and US plans are partially funded. To secure unfunded accrued pension

rights of their employees in Sweden, companies need to take out a credit insurance policy with Försäkringsbolaget PRI Pensionsgaranti. PRI Pensionsgaranti also administers and calculates the Group's unfunded pension obligations. The Group's pensions in Sweden are regulated by the Swedish Pension Obligations Vesting Act.

The Gränges Benefits Committee in the US is responsible for the oversight and management of the plans' investments. It has a written investment policy. The aim of the investment decisions made by the Committee is to achieve optimal returns while taking into account a reasonable level of risk. Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. An asset liability management assessment is conducted periodically.

The Group also has a pension obligation, which is covered by transfer of funds to a pension trust.

Special payroll tax has been taken into account in calculating pension obligations.

Assumptions for defined benefit plans

The assumptions are defined in consultation with professional actuaries. Assumptions on future salary adjustments and sales are specific to the Group. The discount rate is determined by reference to high-quality corporate bonds traded in a well functioning market, which reflect the duration of the pension obligation. In Sweden the discount rate is based on secured mortgage bonds.

Assumptions for defined benefit plans

| | Sweden | | US | |
|--------------------------------------------|--------|------|----------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Discount rate, % | 2.6 | 2.5 | 2.6–3.8 | 2.5–4.2 |
| Future salary adjustments, % | 3.0 | 2.6 | 4.0 | 4.0 |
| Income base amount, % | 2.9 | 2.5 | N/A | N/A |
| Inflation, % | 1.9 | 1.5 | N/A | N/A |
| Employee turnover, % | 5. | 4.0 | 2.0–15.0 | 3.5–20.0 |
| Weighted average remaining duration, years | 19.0 | 19.0 | 12.0 | 10.9 |

The assumptions for life expectancy in Sweden are based on PRI's life expectancy tables as of 30 June 2011.

The mortality assumption in the US is based on the RP-2014 mortality tables.

Distribution of pension costs

| SEK million | Sweden | | US | | Total | |
|--------------------------------------------------------------------------------|------------|------------|------------|-----------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Defined contribution plans | -33 | -26 | - | - | -33 | -26 |
| Current service cost | -6 | -6 | -7 | -3 | -13 | -9 |
| Pension cost recognized as operating expense | -39 | -32 | -7 | -3 | -47 | -35 |
| Interest on net pension liabilities recognized as a financial expense | -4 | -4 | -5 | -2 | -9 | -6 |
| Pensions costs recognized in the income statement | -43 | -37 | -12 | -5 | -55 | -42 |
| Actuarial gains and losses recognized in the statement of comprehensive income | -15 | -13 | -11 | 41 | -26 | 27 |
| Return on plan assets greater than discount rate | - | - | 33 | 2 | 33 | 2 |
| Total pension costs | -58 | -50 | 10 | 38 | -49 | -12 |

Distribution of pension liabilities at 31 December

| SEK million | Sweden | | US | | Total | |
|------------------------------------------------------------------|-------------|-------------|------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Present value of unfunded pension obligations | -177 | -157 | -99 | -131 | -276 | -288 |
| Present value of funded and partially funded pension obligations | 0 | -1 | -306 | -310 | -306 | -310 |
| Funded plan assets | 0 | 1 | 306 | 310 | 306 | 310 |
| Total pension liabilities | -177 | -157 | -99 | -131 | -276 | -288 |

Changes in the present value of pension obligations during the year

| SEK million | Sweden | | US | | Total | |
|---------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Pension obligations 1 January | -157 | -138 | -440 | - | -597 | -138 |
| Business combinations | - | - | - | -448 | - | -448 |
| Current service cost | -6 | -6 | -4 | -3 | -10 | -9 |
| Interest on pension provision | -4 | -4 | -16 | -5 | -20 | -9 |
| Actuarial gains and losses recognized in the statement of comprehensive income: | | | | | | |
| - due to changes in financial assumptions | -13 | -20 | -14 | 32 | -27 | 13 |
| - due to changes in demographic assumptions | 1 | 7 | 3 | 8 | 5 | 15 |
| - due to experienced-based adjustments | -4 | 0 | 1 | 1 | -4 | 1 |
| Benefits paid during the year | 5 | 5 | 22 | 8 | 28 | 13 |
| Translation differences | - | - | 44 | -34 | 44 | -34 |
| Pension obligations 31 December | -177 | -157 | -405 | -440 | -582 | -597 |

Changes in the present value of plan assets during the year

| SEK million | Sweden | | US | | Total | |
|--------------------------------------------------|-------------|-------------|------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Plan assets 1 January | 1 | 1 | 310 | - | 310 | 1 |
| Business combinations | - | - | - | 293 | - | 293 |
| Administrative expenses | 0 | 0 | -3 | - | -3 | 0 |
| Interest on plan assets | 0 | 0 | 11 | 3 | 11 | 3 |
| Return on plan assets greater than discount rate | - | - | 33 | 2 | 33 | 2 |
| Employer contributions | 0 | 0 | 9 | 0 | 9 | 0 |
| Benefits paid during the year | -1 | 0 | -22 | -8 | -23 | -8 |
| Translation differences | - | - | -31 | 19 | -31 | 19 |
| Plan assets 31 December | 0 | 1 | 306 | 310 | 306 | 310 |
| Net pension liabilities | -177 | -157 | -99 | -131 | -276 | -288 |

Distribution of plan assets

| SEK million | Sweden | | US | | Total | |
|--------------------------|----------|----------|------------|------------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Equity | - | - | 132 | 204 | 132 | 204 |
| Fixed income | - | - | 121 | 101 | 121 | 101 |
| High yield | - | - | 31 | - | 31 | - |
| Real estate | - | - | 18 | - | 18 | - |
| Cash | - | - | 4 | 3 | 4 | 3 |
| Pension trust | 0 | 0 | - | - | - | 0 |
| Total plan assets | 0 | 0 | 306 | 310 | 306 | 310 |

Sensitivity analysis of the effect on the pension liabilities (+increase/-decrease in pension liabilities)

| SEK million | Sweden | | US | Total |
|--------------------------------------------|--------|-----|-----|-------|
| Discount rate, % | +0.5 | -14 | -21 | -35 |
| | -0.5 | 16 | 23 | 39 |
| Increased/decreased life expectancy, years | +1 | 7 | 15 | 22 |
| | -1 | -7 | -14 | -21 |

The sensitivity analysis is based on a change in an individual actuarial assumption while other assumptions remain unchanged. This method shows the obligation's sensitivity to a single assumption. This is a simplified method, as actuarial assumptions are normally correlated.

Defined benefit pension liabilities terms

| SEK million | Sweden | US | Total |
|-----------------------------------------------------------|--------|-----|-------|
| Benefits scheduled for disbursement within 12 months | 5 | 24 | 29 |
| Benefits scheduled for disbursement within 1-5 years | 18 | 101 | 119 |
| Benefits scheduled for disbursement after 5 years or more | 469 | 129 | 598 |

Contributions to plans for post-employment remuneration are estimated at SEK 19 million for the financial year 2018.

11 OTHER OPERATING EXPENSES

| SEK million | 2017 | 2016 |
|---------------------------------------|---------------|---------------|
| Energy expenses | -372 | -287 |
| Freight expenses | -279 | -199 |
| Repair and maintenance expenses | -281 | -200 |
| Consultant fees | -147 | -95 |
| Consumable material | -123 | -102 |
| Rental/leasing | -38 | -26 |
| Travel expenses | -36 | -17 |
| Insurance | -33 | -36 |
| Vehicle operating expenses | -17 | -21 |
| Other | -296 | -172 |
| Total other operating expenses | -1,622 | -1,155 |

12 ITEMS AFFECTING COMPARABILITY

| SEK million | 2017 | 2016 |
|------------------------------------------------------------------|------------|-------------|
| Closure costs for US sales company | -16 | -10 |
| Mergers and Acquisition costs | - | -70 |
| Realisation of fair value inventory step-up on acquired business | - | -48 |
| Total items affecting comparability | -16 | -128 |

Items affecting comparability include non-recurring income and expenses. Disclosure is made to improve the comparability between different periods.

Following the acquisition in US 2016, Gränges will from 2 January 2018 coordinate the group's distribution in North America through its wholly-owned operations instead of as previous via the joint venture company Norca Heat Transfer LLC. The costs for closing down the sales company Norca are estimated to SEK -16 million and is included in items affecting comparability for 2017.

Items affecting comparability for 2016 relates to acquisition activities at a cost of SEK -70 million and a realisation cost of the difference between the inventory valued at fair value and at cost, the so called step-up, amounted to SEK -48 million.

13 FINANCIAL INCOME AND COSTS

| SEK million | 2017 | 2016 |
|-----------------------------------------|-------------|------------|
| Interest income | 6 | 5 |
| Total financial income | 6 | 5 |
| Interest expense | -91 | -44 |
| Interest expense, pensions | -9 | -6 |
| Net foreign exchange losses | -11 | 0 |
| Other financial expenses | -10 | -15 |
| Total financial costs | -120 | -66 |
| Total financial income and costs | -115 | -61 |

Financial income in 2017 mainly consists of interest income from bank deposits in China. Financial expenses primarily refers to interest on borrowings. Other financial expenses mainly can be referred to costs for financing of the acquisition in the US.

14 TAXES

Tax expense

| SEK million | 2017 | 2016 |
|---------------------------------|-------------|-----------|
| Profit before taxes | 797 | 500 |
| Current tax | -103 | -29 |
| Deferred tax | -42 | 27 |
| Total tax | -145 | -2 |
| Tax as % of profit before taxes | 18 | 0 |

Reconciliation of the Group's tax rate

The following table shows a reconciliation of reported tax and tax calculated on Swedish tax rate of 22 per cent. The main tax components are shown below.

| SEK million | 2017 | 2016 |
|--------------------------------------------------------------|-------------|-----------|
| Earnings before tax multiplied by nominal tax rate in Sweden | -175 | -110 |
| Effect of foreign operations with tax rates other than 22 % | -25 | -8 |
| Non-deductible expenses | -4 | -3 |
| Non-taxable income | 8 | 2 |
| Tax subsidies abroad | 12 | 15 |
| Other income tax paid abroad | -24 | -43 |
| Adjustment of tax in respect of prior years | 12 | 3 |
| Changes in tax legislation | -3 | - |
| Release on tax provision in China | 53 | 139 |
| Total tax | -145 | -2 |

Income tax paid abroad mainly consists of paid income tax of SEK -19 million (-38) in China on dividends from the subsidiary in Shanghai to Gränges AB.

Gränges' Chinese subsidiary has obtained a pre-qualification as a High and New-Technology Enterprise for the three years period 2016 to 2018. 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. However, 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.

In 2016, a positive tax of SEK 139 million was reported due to release of a provision related to the classification as a High and New-Technology Enterprise for the Chinese operation for the three years period 2013-2015.

The tax return for 2016 has during 2017 been approved and thereby also the special requirements to finally obtain the lower tax rate of 15 per cent for income year 2016. The provision related to the ordinary tax rate for 2016 has thereby been released and effects income tax positive with SEK 53 million for 2017.

In view of the difficulties to currently estimate whether these special requirements will be met for the financial year 2017, corporate income tax in the Chinese operation has been based on the standard rate of 25 per cent for 2017. The provision for the higher tax rate applied on 2017 years profit for China amount to SEK 53 million (106) per 31 December 2017.

The Tax reform in US where the corporate income tax 2018 decrease from 35 per cent to 21 per cent has affected change in deferred tax assets with -3 MSEK.

Deferred tax

Deferred tax consists of the Group's tax items, which are settled in the future. The table below specifies deferred tax assets and tax liabilities relating to temporary differences between the carrying amounts and tax bases of assets and liabilities.

Deferred tax on temporary differences

| SEK million | 2017 | | | 2016 | | |
|------------------------------------------------------|------------------------|----------------------------|------------------|------------------------|----------------------------|------------------|
| | Deferred tax asset (+) | Deferred tax liability (-) | Net deferred tax | Deferred tax asset (+) | Deferred tax liability (-) | Net deferred tax |
| Property, plant and equipment | - | -102 | -102 | 1 | -56 | -54 |
| Intangible assets | - | -35 | -35 | - | -13 | -13 |
| Hedging reserve in equity | - | -4 | -4 | 9 | - | 9 |
| Net pension provision | 17 | -9 | 8 | 14 | -14 | 0 |
| Other non-current items | 9 | - | 9 | 12 | - | 12 |
| Total non-current items | 26 | -151 | -125 | 35 | -82 | -47 |
| Current receivables | 4 | - | 4 | 8 | - | 8 |
| Inventories | 6 | - | 6 | 6 | - | 6 |
| Other current items | 52 | - | 52 | 52 | -3 | 49 |
| Total current items | 62 | - | 62 | 66 | -3 | 63 |
| Tax losses | 47 | - | 47 | 24 | - | 24 |
| Set-off | -91 | 91 | 0 | -61 | 61 | 0 |
| Net deferred tax assets (+) / liabilities (-) | 44 | -60 | -16 | 64 | -24 | 40 |

Deferred tax asset in respect of tax losses have been taken into account in full since the company is of the opinion that sufficient income will be generated in the future to be utilized against the tax losses. The tax losses amount to SEK 215 million (83) per 31 December 2017, whereof SEK 172 million has no expiration and SEK 43 million is limited to be used within 10 years.

Change in deferred tax in the income statement

| SEK million | 2017 | 2016 |
|----------------------------------------------------------------------------------------------|------------|-----------|
| Change in deferred tax in balance sheet | -56 | 23 |
| Change in deferred tax, hedging reserve in other comprehensive income | 12 | -7 |
| Change in deferred tax, actuarial gains and losses on pensions in other comprehensive income | -4 | 13 |
| Business combinations | -1 | - |
| Translation effects in other comprehensive income | 5 | -2 |
| Change in deferred tax in the income statement | -42 | 27 |

15 EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit for the year by the weighted average number of outstanding shares. For further information of Gränges' shares see Note 27 Share capital.

| | 2017 | 2016 |
|--------------------------------------------------------|-------------|-------------|
| Profit for the year (SEK million) | 652 | 498 |
| Weighted average number of outstanding shares, basic | 75,370,577 | 74,703,886 |
| Weighted average number of outstanding shares, diluted | 75,440,749 | 74,913,949 |
| Earnings per share, basic, SEK | 8.65 | 6.66 |
| Earnings per share, diluted, SEK | 8.64 | 6.64 |

In connection with the stock market listing of Gränges an employee stock option programme for senior executives and key individuals of the company was introduced (for more information, see Note 8 Payroll expenses). The employee stock option programme has resulted in a dilution effect of 70,172 (210,063) shares.

16 INTANGIBLE ASSETS

| SEK million | IT | Goodwill | Customer relationships | Total |
|------------------------------------------|------------|------------|------------------------|------------|
| Carrying amount, 1 January 2017 | 17 | 359 | 207 | 584 |
| Acquisitions | 74 | 0 | 0 | 74 |
| Business combinations | – | 31 | – | 31 |
| Amortisation | –1 | – | –10 | –11 |
| Translation differences | – | –18 | –20 | –38 |
| Carrying amount, 31 December 2017 | 91 | 372 | 178 | 640 |
| Cost, 31 December 2017 | 116 | 372 | 190 | 679 |
| Accumulated amortisation and impairment | –26 | – | –13 | –39 |
| Carrying amount, 31 December 2017 | 91 | 372 | 178 | 640 |

| SEK million | IT | Goodwill | Customer relationships | Total |
|------------------------------------------|-----------|------------|------------------------|------------|
| Carrying amount, 1 January 2016 | 3 | 6 | – | 9 |
| Acquisitions | 16 | – | – | 16 |
| Business combinations | – | 331 | 196 | 527 |
| Amortisation | –2 | – | –3 | –6 |
| Translation differences | – | 22 | 14 | 37 |
| Carrying amount, 31 December 2016 | 17 | 359 | 207 | 584 |
| Cost, 31 December 2016 | 42 | 359 | 210 | 612 |
| Accumulated amortisation and impairment | –25 | – | –3 | –29 |
| Carrying amount, 31 December 2016 | 17 | 359 | 207 | 584 |

Impairment test of goodwill

Impairment testing for goodwill is made annually or continuously during the year if an event that may result in impairment need arises.

The forecast period is five years with an average growth rate of 4.1 per cent. Extrapolated cash flows beyond the forecast period do not contain any assumptions of further growth, which means that cash flow from year six is extrapolated with year five as base and then no growth is considered.

Cash flows have been discounted at a present value using a discount rate calculated at 7.9 per cent per annum after tax, corresponding to 8.7 per cent before tax for the year's review. Sensitivity analyses at which the discount rate and the annual growth rate need for impairment have been made, indicate that there are estimated room for manoeuvre in the calculated values in use. No reasonable changes to assumptions about discount rate or growth rate would lead to impairment of goodwill.

No event indicating impairment of the assessed value of acquired assets and liabilities has occurred during the fiscal year or after its expiration.

Customer relationships

The customer relationships arose in conjunction with the US acquisition at 22 August 2016. The acquired business has a number of large customers that they have had long relationships with. The customer relationships are recognized at their fair value at the date of acquisition and are subsequently amortized on a straight-line basis over their estimated useful lives of 20 years.

Other

IT mainly refers to implementation of a new ERP system within the Group.

The Group expensed SEK 82 million (73) during 2017 for research and development.

17 PROPERTY, PLANT AND EQUIPMENT

| SEK million | Land, land improvements and buildings | Machinery and equipment | Fixed assets under construction | Fixtures, vehicles, etc. | Total |
|-----------------------------------------------------|---------------------------------------------|----------------------------|------------------------------------|-----------------------------|--------------|
| Carrying amount, 1 January 2017 | 713 | 2,428 | 159 | 46 | 3,347 |
| Acquisitions | 0 | 25 | 247 | 12 | 284 |
| Business combinations | 4 | 5 | 0 | 0 | 9 |
| Sales | - | -1 | - | 0 | -1 |
| Transferred assets, fixed assets under construction | 19 | 152 | -183 | 12 | 0 |
| Impairment | - | -4 | - | -1 | -4 |
| Depreciation | -40 | -291 | - | -24 | -355 |
| Translation differences | -36 | -162 | -5 | -1 | -204 |
| Carrying amount, 31 December 2017 | 661 | 2,153 | 218 | 44 | 3,076 |
| Cost, 31 December 2017 | 1,030 | 4,498 | 218 | 214 | 5,960 |
| Accumulated depreciation and impairment | -369 | -2,345 | - | -169 | -2,884 |
| Carrying amount, 31 December 2017 | 661 | 2,153 | 218 | 44 | 3,076 |
| Carrying amount, 1 January 2016 | 451 | 1,071 | 105 | 42 | 1,669 |
| Acquisitions | 0 | 39 | 87 | 12 | 139 |
| Business combinations | 261 | 1,392 | 13 | 7 | 1,673 |
| Sales | - | - | - | - | - |
| Transferred assets, fixed assets under construction | 12 | 34 | -47 | 0 | 0 |
| Impairment | - | -1 | - | - | -1 |
| Depreciation | -31 | -212 | - | -15 | -258 |
| Translation differences | 19 | 104 | 1 | 1 | 125 |
| Carrying amount, 31 December 2016 | 713 | 2,428 | 159 | 46 | 3,347 |
| Cost, 31 December 2016 | 1,041 | 4,479 | 159 | 192 | 5,871 |
| Accumulated depreciation and impairment | -329 | -2,050 | - | -145 | -2,524 |
| Carrying amount, 31 December 2016 | 713 | 2,428 | 159 | 46 | 3,347 |

For information on lease costs regarding leased property, plant and equipment, see Note 28.

For information on collateral and mortgages related to property, plant and equipment, see Note 30.

18 INVENTORIES

| SEK million | 2017 | 2016 |
|--------------------------------|--------------|--------------|
| Raw materials | 499 | 407 |
| Work in progress | 547 | 510 |
| Finished goods and merchandise | 586 | 532 |
| Provision for obsolescence | -21 | -22 |
| Total inventories | 1,611 | 1,428 |

Inventories are measured at the lower of cost and fair value after deduction of selling costs.

The amount of inventories recognized as an expense is included in cost of materials and amounted in 2017 to SEK 7,396 million (4,374) including the change in the provision for obsolescence of SEK 1 million (-6).

19 OVERVIEW OF FINANCIAL INSTRUMENTS

| 2017 SEK million | Note | Measurement level | Financial instruments at fair value through profit or loss | Derivatives included in hedge accounting | Financial liabilities measured at amortized cost | Loans and receivables | Total | Of which interest- bearing |
|------------------------------------------------------------------------|------------|----------------------|------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------|--------------------------|---------------|----------------------------------|
| <i>Non-current assets</i> | | | | | | | | |
| Non-current financial receivables | 24, 31 | - | - | - | - | 33 | 33 | 33 |
| Non-current derivatives | 26 | 2 | - | 5 | - | - | 5 | - |
| Total | | | - | 5 | - | 33 | 38 | 33 |
| <i>Current assets</i> | | | | | | | | |
| Accounts receivable | 20 | - | - | - | - | 1,599 | 1,599 | - |
| Other current receivables | 20 | - | - | - | - | 91 | 91 | - |
| Current derivatives | 20, 24, 26 | 2 | 44 | 24 | - | - | 68 | 0 |
| Cash and cash equivalents | 21 | - | - | - | - | 742 | 742 | 742 |
| Total | | | 44 | 24 | - | 2,432 | 2,500 | 742 |
| <i>Non-current liabilities</i> | | | | | | | | |
| Non-current financial liabilities | 24 | - | - | - | 2,215 | - | 2,215 | 2,215 |
| Non-current derivatives | 26 | 2 | - | 3 | - | - | 3 | - |
| Total | | | - | 3 | 2,215 | - | 2,218 | 2,215 |
| <i>Current liabilities</i> | | | | | | | | |
| Current financial liabilities | 24 | - | - | - | 576 | - | 576 | 576 |
| Accounts payable | 22 | - | - | - | 986 | - | 986 | - |
| Other current liabilities | 22 | - | - | - | 2 | - | 2 | - |
| Current derivatives | 22, 24, 26 | 2 | 57 | 10 | - | - | 67 | - |
| Total | | | 57 | 10 | 1,564 | - | 1,631 | 576 |
| Total financial instruments (receivables + / liabilities -) | | | -13 | 16 | -3,779 | 2,465 | -1,311 | -2,016 |
| <i>2016</i> | | | | | | | | |
| SEK million | Note | Measurement level | Financial instruments at fair value through profit or loss | Derivatives included in hedge accounting | Financial liabilities measured at amortized cost | Loans and receivables | Total | Of which interest- bearing |
| <i>Non-current assets</i> | | | | | | | | |
| Non-current financial receivables | 24, 31 | - | - | - | - | 36 | 36 | 36 |
| Non-current derivatives | 26 | 2 | - | 1 | - | - | 1 | - |
| Total | | | - | 1 | - | 36 | 37 | 36 |
| <i>Current assets</i> | | | | | | | | |
| Accounts receivable | 20 | - | - | - | - | 1,392 | 1,392 | - |
| Other current receivables | 20 | - | - | - | - | 103 | 103 | - |
| Current derivatives | 20, 24, 26 | 2 | 27 | 4 | - | - | 31 | 2 |
| Cash and cash equivalents | 21 | - | - | - | - | 851 | 851 | 851 |
| Total | | | 27 | 4 | - | 2,346 | 2,377 | 853 |
| <i>Non-current liabilities</i> | | | | | | | | |
| Non-current financial liabilities | 24 | - | - | - | 2,888 | - | 2,888 | 2,888 |
| Non-current derivatives | 26 | 2 | - | 8 | - | - | 8 | - |
| Total | | | - | 8 | 2,888 | - | 2,895 | 2,888 |
| <i>Current liabilities</i> | | | | | | | | |
| Current financial liabilities | 24 | - | - | - | 433 | - | 433 | 433 |
| Accounts payable | 22 | - | - | - | 832 | - | 832 | - |
| Other current liabilities | 22 | - | - | - | 44 | - | 44 | - |
| Current derivatives | 22, 24, 26 | 2 | 56 | 35 | - | - | 91 | 3 |
| Total | | | 56 | 35 | 1,309 | - | 1,400 | 436 |
| Total financial instruments (receivables + / liabilities -) | | | -29 | -38 | -4,197 | 2,382 | 1,881 | -2,434 |

Measurement of financial instruments

The Group uses the following hierarchy to determine the fair values of financial instruments:

Level 1: Quoted, unadjusted prices in active markets for identical instruments.

Level 2: Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the instrument.

Level 3: Non-observable inputs that have significant impact on the fair value of the instrument.

Currency forwards

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

Aluminium futures are measured at observable quoted prices on LME (London Metal Exchange) and SHFE (Shanghai Futures Exchange) for similar assets and liabilities.

Interest-bearing receivables and liabilities

The fair value of interest-bearing assets and liabilities is provided for disclosure purposes and is estimated by discounting the future cash flows of principal and interest discounted at the current market rate. In the fair value measurement of borrowings the credit spread has remained constant unless there is clear evidence that a change in the Group's creditworthiness has resulted in an observable change in the credit spread. The fair value of borrowings amounted in 2017 to SEK 2,805 million (3,339).

Other receivables and liabilities

For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value.

No transfers from one level to another in the valuation hierarchy were made in 2017 and 2016.

20 CURRENT RECEIVABLES

| SEK million | 2017 | 2016 |
|--------------------------------------|--------------|--------------|
| Accounts receivable | 1,599 | 1,392 |
| Derivatives | 68 | 31 |
| Other current receivables | 91 | 103 |
| Total financial receivables | 1,758 | 1,526 |
| Advances to suppliers/accrued income | 28 | 33 |
| Tax receivables | 39 | 41 |
| Total current receivables | 1,826 | 1,600 |

Change in provisions for bad debts

| SEK million | 2017 | 2016 |
|----------------------------------------------|------------|------------|
| Provisions for bad debts, 1 January | -32 | -46 |
| Bad debts recognized in income statement | 10 | 15 |
| Used during the year | 1 | -1 |
| Translation differences | 1 | 0 |
| Provisions for bad debts, 31 December | -19 | -32 |

Accounts receivables maturity structure

| SEK million | 2017 | 2016 |
|---------------------------------------------------------|--------------|--------------|
| Not yet due | 1,105 | 1,114 |
| Overdue 1-30 days | 293 | 121 |
| Overdue 31-60 days | 85 | 63 |
| Overdue 61-90 days | 35 | 45 |
| Overdue more than 90 days | 101 | 80 |
| Provisions for bad debts, 31 December | -19 | -32 |
| Accounts receivable, carrying amount 31 December | 1,599 | 1,392 |

The maturity structure of overdue receivables has been relatively stable over time and reflects the fact that Gränges operates in certain regions and markets where payments from customers are generally somewhat slow. Overdue accounts receivable are allocated across the whole customer base.

Bad debts have historically been relatively small and stable. Five customers accounted for 20 per cent of total outstanding accounts receivable at 31 December 2017 (five customers accounted for 34 per cent of the total in 2016).

A more detailed description of the customer base is given in Note 7.

21 CASH AND CASH EQUIVALENTS

| SEK million | 2017 | 2016 |
|----------------------------------------|------------|------------|
| Cash and bank balances | 742 | 851 |
| Total cash and cash equivalents | 742 | 851 |

22 OTHER CURRENT LIABILITIES

| SEK million | 2017 | 2016 |
|---------------------------------------------------------|--------------|--------------|
| Accounts payable | 986 | 832 |
| Derivatives | 67 | 88 |
| Non-interest-bearing liabilities | 2 | 44 |
| Total non-interest-bearing financial liabilities | 1,055 | 964 |
| Value-added tax, employee withholding tax etc. | 38 | 37 |
| Accrued expenses | 144 | 113 |
| Employee-related liabilities | 195 | 186 |
| Other current liabilities | 42 | 29 |
| Total other current liabilities | 1,474 | 1,329 |

23 CAPITAL MANAGEMENT

Gränges' capital management is governed by principles adopted by the Board of Directors. The capital structure is also adapted to legal and tax considerations. The company's financial objective for capital management is a net debt of one to two times EBITDA over the past twelve months. A further description of Gränges' management of financing is given in Notes 24 and 25. Gränges does not currently have an official credit rating.

| SEK million | 2017 | 2016 |
|-----------------------------------------|--------------|--------------|
| Total interest-bearing liabilities | 2,791 | 3,324 |
| Total interest-bearing receivables | 33 | 38 |
| Cash and cash equivalents | 742 | 851 |
| Net interest-bearing liabilities | 2,017 | 2,434 |
| Provision for pensions | 276 | 288 |
| Net debt | 2,292 | 2,722 |
| Adjusted EBITDA | 1,303 | 1,274 |
| Net debt/Adjusted EBITDA | 1.8 | 2.1 |

Adjusted EBITDA for 2016 includes estimated adjusted EBITDA for the acquired business in the US as if part of Gränges Group for the full year.

24 FINANCING AND INTEREST-BEARING LIABILITIES

Financing

Gränges' interest bearing debt consists mainly of USD term loans of USD 220 million and SEK term loans of SEK 670 million. The duration of the interest bearing debt portfolio was approximately three months at 31 December 2017. Gränges also has a revolving credit facility of SEK 1,200 million, available in several currencies with a remaining time to maturity of three years. At 31 December 2017 SEK 0 million (470) had been drawn. Gränges also has a commercial paper program which was utilized to 300 MSEK at year end. The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio. The covenants were fulfilled at 31 December 2017.

| SEK million | Carrying amount | |
|-------------------------------------------------------|-----------------|--------------|
| | 2017 | 2016 |
| <i>Non-current interest-bearing liabilities</i> | | |
| Interest-bearing loans | 2,215 | 2,888 |
| Total non-current interest-bearing liabilities | 2,215 | 2,888 |
| <i>Current interest-bearing liabilities</i> | | |
| Interest-bearing loans | 576 | 433 |
| Interest-bearing derivatives | 0 | 3 |
| Total current interest-bearing liabilities | 576 | 436 |
| Total interest-bearing liabilities | 2,791 | 3,324 |
| <i>Interest-bearing receivables</i> | | |
| Non-current interest-bearing receivables | 33 | 36 |
| Current interest-bearing derivatives | - | 2 |
| Cash and cash equivalents | 742 | 851 |
| Total interest-bearing receivables | 774 | 889 |
| Net interest-bearing liabilities | 2,017 | 2,434 |

Under the current loan agreements Gränges has entered into customary undertakings not to pledge assets or in a similar manner use its property to give creditors a better right than the banks providing the credit facilities.

25 FINANCIAL RISK

Financial risk management

Gränges operates on a global basis and is exposed to financial risks such as market risk in the form of currency risk, commodity price risk and interest rate risk, and also to liquidity risk and credit risk. Gränges uses derivatives and other financial instruments to reduce the risks in accordance with the Group's Financial Management Policy.

Some of Gränges treasury department's most important tasks are to secure the Group's short- and long-term financial flexibility and to monitor and manage financial risks in cooperation with the operating companies.

Financial risk refers to risk pertaining to financial instruments. These can either be hedging instruments for the underlying risk or be viewed as a source of risk in themselves. Gränges manages financial risks in a non-speculative manner, which means that all transactions in financial instruments are adapted to limit financial risks in the operations.

Currency risk

Transaction exposure

Gränges conducts operations globally and is thereby exposed to currency risk. The main exposure derives from the Group's sales and purchases in different currencies. The currency risks consist partly of the risk of fluctuations in the value of financial instruments, i.e. debt instruments, accounts receivable and accounts payable, and partly of the currency risk in expected and contracted payment flows. In 2016, sales to countries outside Sweden accounted for 97 per cent (98) of Gränges' total sales volume while net revenues in foreign currencies totalled SEK 11,140 million (6,942). The largest currencies were USD, CNY and EUR.

The selling price for Gränges' products is divided into a metal price component for the raw aluminium and a conversion price component covering Gränges' processing costs and margin. The cost of the alu-

minium is passed on to the customer through metal price clauses. The aluminium price is generally set in connection with delivery. As both purchase and selling price for the metal component in general are based on the London Metal Exchange (LME) price for aluminium, which is expressed in US dollars, no material currency exposures arise on the metal price component. Unlike the metal price, the conversion price is subject to contracts covering a longer period of time, thus creating a greater currency risk.

The largest portion of Gränges' cost base for processing is in USD, CNY and SEK while the conversion price is set primarily in USD, CNY and EUR. The Group's sensitivity to exchange rate fluctuations before currency hedges, i.e. excluding the impact of currency derivatives, is shown in the table below.

| 2016 | Change, % | Effect on operating profit, SEK million |
|---------|-----------|-----------------------------------------|
| USD/CNY | ±10% | ±77 |
| USD/SEK | ±10% | ±26 |
| EUR/SEK | ±10% | ±64 |

The transaction risk is hedged according to the Financial Management Policy. The objective for Gränges' currency hedging activities, is to minimize the exposure to rapid changes in currency rates in the short and medium term by hedging a carefully considered portion of the Group's foreign currency exposure. Exposures relating to customer orders without firm commitments are hedged up to 24 months out in time based on a rolling forecast in which a portion of the forecast currency exposure is hedged. In 2017, 50–70 per cent of the forecast currency exposure of the coming 12 months was hedged.

The Group's total outstanding currency hedges of future transactions at the balance sheet date are shown in the tables below.

Currency contracts linked to hedging of future income and expenses¹⁾

| Maturity 31 Dec 2017 | EUR/SEK | | USD/SEK | | USD/CNY | |
|-------------------------|----------------------------------|-------------|----------------------------------|-------------|----------------------------------|-------------|
| | Sold volumes, EUR million net | Price | Sold volumes, USD million net | Price | Sold volumes, USD million net | Price |
| Q1 2018 | 24 | 9.60 | 19 | 8.35 | 19 | 6.75 |
| Q2 2018 | 16 | 9.58 | 12 | 8.38 | 18 | 6.80 |
| Q3 2018 | 16 | 9.67 | 6 | 8.35 | 10 | 6.92 |
| Q4 2018 | 10 | 9.65 | 5 | 8.37 | 7 | 6.93 |
| FY 2019 | 21 | 9.73 | 9 | 8.15 | 10 | 6.79 |
| Total | 87 | 9.65 | 51 | 8.33 | 64 | 6.81 |
| 31 Dec 2016 | | | | | | |
| FY 2017 and FY 2018 | 79 | 9.45 | 41 | 8.51 | 67 | 6.74 |

Metal related currency contracts linked to hedging of future income and expenses¹⁾

| Maturity 31 Dec 2017 | EUR/SEK | | USD/SEK | | USD/CNY | |
|-------------------------|----------------------------------|-------|----------------------------------|-------|----------------------------------|-------|
| | Sold volumes, EUR million net | Price | Sold volumes, USD million net | Price | Sold volumes, USD million net | Price |
| Q1–2 2018 | -7 | 9.88 | 28 | 7.99 | 7 | 6.75 |
| 31 Dec 2016 | | | | | | |
| Q1–2 2017 | -3 | 9.61 | 26 | 8.55 | 9 | 6.72 |

1) In currency pairs where the net hedged position exceeds SEK 20 million.

Gränges applies hedge accounting for most hedges of future transactions, either cash flow hedges or fair value hedges of firm commitments. The various types of hedging are described in Note 26.

Translation exposure

As SEK is the presentation currency for the Group, Gränges is exposed to currency risk upon translation of net investments in foreign operations. This refers mainly to CNY and USD, for which the translation exposure was SEK 2,843 million (2,755) at 31 December 2017. Gränges does not hedge this exposure.

Commodity price risk

Aluminium is traded mainly on the London Metal Exchange (LME) but also on the Shanghai Futures Exchange (SHFE). For Gränges, prices of metal purchases are influenced by fluctuations in the market price of aluminium on LME and SHFE. The guiding principle is that Gränges should, where possible, avoid exposures to changes in the LME price or other benchmark prices, such as the SHFE price. Gränges reduces this risk primarily by linking prices from metal suppliers to the prices it offers its customers. In addition, futures contracts for aluminium on LME and SHFE are concluded subject to defined limits in order to reduce the price risk in connection with orders and the value of unsold metal in stock.

Gränges normally has a certain level of stock for which the price to the customers has not been fixed. The part of the stock where the price has not been fixed with the customers are hedged using financial instruments. At 31 December 2017 Gränges had sold a net 11,500 tonnes (15,875) of aluminium for hedging on LME and 7,500 tonnes (7,000) for hedging on SHFE.

Interest rate risk

Gränges' interest rate risk is primarily related to the Group's interest-bearing liabilities and assets. Gränges' primary sources of funding allows for borrowing with interest terms of one, two, three or six months. The average maturity at 31 December 2017 was three months (two months). Gränges' loans have variable interest rates. The interest rate risk was not hedged with financial instruments during 2017.

Liquidity risk

Liquidity risk is the risk that Gränges will be unable to fulfil its payment obligations. Gränges' Financial Management Policy stipulates measures that to ensure adequate liquidity in the Group. Cash flow from operating activities is managed centrally in Gränges Group and Gränges monitors short and long-term liquidity flows through reporting.

The table below shows the maturity structure for the Gränges Group's contractual financial liabilities. The amounts refer to non-discounted future cash flows and may therefore differ from the recognized figures. All variable interest cash flows have been calculated at the rate prevailing on the balance sheet date and all future cash flows in foreign currency are translated to SEK using the closing rate at year-end. The table also includes derivatives which are recognized as assets at the balance sheet date, as derivatives can include both positive and negative cash flows, and the fair value varies over time. Financial liabilities are managed using operating cash flow, liquid and interest-bearing assets and, where necessary, available credit facilities.

cont. Note 25

| 2017 SEK million | Carrying amount | Contractual cash flows | < 1 year | 1–2 years | 2–4 years | > 4 years |
|----------------------------------------------------------------|-----------------|---------------------------|--------------|------------|--------------|------------|
| Other interest-bearing liabilities | 2,791 | 3,034 | 656 | 516 | 1,650 | 212 |
| Accounts payable | 986 | 986 | 986 | – | – | – |
| Other current liabilities | 2 | 2 | 2 | – | – | – |
| Net-settled derivatives ¹⁾ – aluminium derivatives | –12 | – | – | – | – | – |
| Inflow | – | –27 | –27 | – | – | – |
| Outflow | – | 39 | 39 | – | – | – |
| Gross-settled derivatives ¹⁾ – currency derivatives | –15 | – | – | – | – | – |
| Inflow | – | –3,534 | –3,160 | –374 | – | – |
| Outflow | – | 3,519 | 3,147 | 372 | – | – |
| Total | 3,752 | 4,019 | 1,643 | 514 | 1,650 | 212 |

| 2016 SEK million | Carrying amount | Contractual cash flows | < 1 year | 1–2 years | 2–4 years | > 4 years |
|----------------------------------------------------------------|-----------------|---------------------------|--------------|------------|--------------|-----------|
| Other interest-bearing liabilities | 3,321 | 3,652 | 535 | 918 | 2,200 | – |
| Accounts payable | 832 | 832 | 832 | – | – | – |
| Other current liabilities | 44 | 44 | 44 | – | – | – |
| Net-settled derivatives ¹⁾ – aluminium derivatives | 0 | – | – | – | – | – |
| Inflow | – | –15 | –15 | – | – | – |
| Outflow | – | 15 | 15 | – | – | – |
| Gross-settled derivatives ¹⁾ – currency derivatives | 66 | – | – | – | – | – |
| Inflow | – | –3,356 | –3,045 | –311 | – | – |
| Outflow | – | 3,423 | 3,105 | 318 | – | – |
| Total | 4,263 | 4,595 | 1,470 | 924 | 2,200 | – |

1) Including derivatives recognized as assets.

Credit risk

The management of credit risks related to accounts receivable and other current assets is handled as part of the commercial risk and monitored continuously by the operating units. Gränges customers are also spread over various countries and geographic markets. Credit losses have historically been low due to the relatively strong financial position of Gränges' customers as well as strict credit procedures. Gränges' credit risks related to other financial instruments are managed by choosing counterparties with a good credit rating and by minimising the risk per counterparty. Gränges also enters into customary agreements with financial counterparties, as for example ISDA-agreements.

Sensitivity analysis

Financial instruments in the Gränges Group are exposed to different types of market risk which can affect the income statement or equity. Financial instruments, especially derivatives, are used as a means of hedging financial and operational exposures.

The table below shows a partial analysis of the sensitivity of financial instruments, where the isolated effect of each type of risk on the income statement and other comprehensive income is calculated. This is done on the basis of a chosen hypothetical change in market prices or prices in the balance sheet at 31 December. In accordance with IFRS, the analysis only covers financial instruments and is not intended to provide a full overview of the Group's market risk, for example:

- For currency hedges of concluded contracts changes in the fair value of the hedging instrument will affect the income statement while changes in the fair value of the underlying hedged contract that is offset by the hedging instrument will not be shown, as this is not a financial instrument.
- If one of the parameters changes the analysis will not take account of any correlations with other parameters.
- Financial instruments issued in the functional currency of individual units do not create a currency risk and are therefore not included in this analysis. For the same reason the currency exposure is not included upon translation of such financial instruments into the presentation currency.

Generally, the effect on the income statement and other comprehensive income of financial instruments shown in the table below is expected to offset the effects of the hedged items in cases where the financial instruments are included in a hedging relationship.

Accounting effects of changes in market risk are classified to the income statement and other comprehensive income depending on where the effect of changes in fair value should be recognized initially. Effects which are accounted for in the income statement also affect other comprehensive income in addition to the figures presented in the table.

| SEK million | Accounting before tax effects on | | | |
|---------------------------------------------------------------------------|----------------------------------|-------|----------------------------|-------|
| | Income statement | | Other comprehensive income | |
| | 2017 | 2016 | 2017 | 2016 |
| Interest rate risk: 100 bp parallel shift in yield curves, all currencies | –/+20 | –/+25 | – | – |
| Currency risk: +/-10 % change in FX rate, USD/SEK | –/+3 | –/+2 | –/+31 | –/+28 |
| Currency risk: +/-10 % change in FX rate, EUR/SEK | 0 | –/+3 | –/+70 | –/+60 |
| Currency risk: +/-10 % change in FX rate, CNY/USD | 0 | 0 | –/+37 | –/+47 |
| Price risk: +/-20 % change in LME prices | –/+82 | –/+81 | +/–11 | +/–9 |

26 DERIVATIVES AND HEDGING

The table below shows the fair value of all outstanding derivatives grouped by their treatment in the financial statements.

Derivatives and hedging

| SEK million | 2017 | | 2016 | |
|---------------------------------------------------------------------------------|------------|-----------------|------------|-----------------|
| | Assets (+) | Liabilities (-) | Assets (+) | Liabilities (-) |
| Cash flow hedges | | | | |
| Currency forwards, currency swaps | 26 | -13 | 4 | -43 |
| Aluminium futures | 3 | 0 | 1 | 0 |
| Total | 29 | -13 | 5 | -43 |
| Fair value hedges | | | | |
| Currency forwards, currency swaps | 6 | -7 | 4 | -17 |
| Aluminium futures | 22 | -39 | 12 | -14 |
| Total | 28 | -46 | 15 | -31 |
| Other derivatives – changes in fair value recognized in income statement | | | | |
| Currency forwards, currency swaps | 15 | -11 | 11 | -24 |
| Aluminium futures | 1 | 0 | 1 | 0 |
| Total | 16 | -11 | 12 | -24 |
| Total derivatives | 73 | -70 | 32 | -99 |

Cash flow hedges

Gränges' purchases of futures contracts for aluminium on LME as well as currency forwards are identified as hedging instruments in cash flow hedges. All derivatives are classified as hedging instruments in cash flow hedges accounted for at fair value in the balance sheet. Changes in fair value are recognized in other comprehensive income and accumulated in the hedging reserve in equity and reclassified to the income statement when the hedged cash flows are recognized in the income statement.

No gain or loss has been recognized in the income statement as a result of ineffective hedging in 2017 and 2016. All expected cash flows that were hedged in 2017 still qualify for hedge accounting.

Change in hedging reserve

| SEK million | 2017 | 2016 |
|-------------------------------------------|------------|------------|
| Opening hedging reserve before tax | -38 | -5 |
| Reclassified to income statement | 31 | 8 |
| Change in value during the year | 22 | -41 |
| Closing hedging reserve before tax | 16 | -38 |
| Deferred tax, hedging reserve | -4 | 9 |
| Closing hedging reserve after tax | 12 | -29 |

A positive hedging reserve will result in positive figures in the income statement in the future. Accumulated hedging gains and losses from cash flow hedges which were recognized in the hedging reserve as at 31 December 2017 and are expected to be recognized in the income statement (before tax) are SEK 14 million for 2018 and SEK 2 million after 2018.

Fair value hedging

Gränges sells aluminium futures contracts to hedge the value of inventory. Where there is also a currency risk exposure related currency derivatives are entered into. Metal and currency derivatives are then together designated as hedging instrument in fair value hedges. Gains and losses on hedged items as well as the hedging instrument are accounted for as currency gains and losses in the income statement and the value of inventory is adjusted by changes in the fair value of the hedged risk. Losses on the hedging instrument amounted to SEK -2 million in 2017 (-17) and gains on the hedged item attributable to the hedged risk amounted to SEK 2 million in 2017 (17).

Offsetting

Financial assets and liabilities subject to an enforceable master netting arrangement or similar agreement relate only to the Group's derivatives. Gränges has entered into ISDA-agreements with relevant financial counterparties.

| SEK million | Gross amounts | Offset | Net amounts in balance sheet | Derivatives not intended to be settled net | Collaterals received/pledged | Net amounts |
|------------------------|---------------|--------|------------------------------|--------------------------------------------|------------------------------|-------------|
| 2017 | | | | | | |
| Derivative assets | 73 | - | 73 | 50 | - | 23 |
| Derivative liabilities | -70 | - | -70 | -50 | - | -20 |
| 2016 | | | | | | |
| Derivative assets | 32 | - | 32 | 26 | - | 6 |
| Derivative liabilities | -99 | - | -99 | -26 | - | -72 |

27 SHARE CAPITAL

| | 2017 | 2016 |
|---------------------------------------|-------------------|-------------------|
| Opening numbers of shares | 75,155,386 | 74,639,386 |
| Rights issue | 362,000 | 516,000 |
| Closing numbers of shares | 75,517,386 | 75,155,386 |
| SEK million | 2017 | 2016 |
| Share capital, opening balance | 101 | 100 |
| Rights issue | 0 | 1 |
| Share capital, closing balance | 101 | 101 |
| SEK million | 2017 | 2016 |
| Share premium, opening balance | 33 | – |
| Rights issue | 16 | 33 |
| Share premium, closing balance | 49 | 33 |

The articles of association for Gränges AB state that the share capital shall be not less than SEK 80,000,000 and not more than SEK 320,000,000. The number of shares shall be not less than 32,000,000 and not more than 128,000,000.

Due to the exercise of 362,000 options within the Group's incentive program LTI 2014 (see Note 8 for more information) new shares have been issued during the year. Equity has in total increased by SEK 16 million (34), whereof share capital with SEK 0 million (1) and number of shares with 362,000 (516,000) due to the rights issued.

The share capital in Gränges at 31 December 2017 amounts to SEK 101 million (101), divided into 75,517,386 shares, each with a quota value of SEK 1.339775. The share capital comprises a single class of share.

For earnings per share and dilutive effect see Note 15 Earnings per share.

28 LEASING

The Group has no agreements classified as financial leasing, which is mainly due to the fact that the Group owns in principle all its production facilities and production machinery. Operational leasing is primarily attributable to the business's normal agreements regarding warehousing, office space and office equipment and rental of industrial premises in Finspång, Sweden.

Operating leases – lessees

Future minimum lease payments relating to leases and other leases in the capacity of lessees attributable to non-cancellable agreements are distributed on the balance sheet date over the following maturity dates:

| SEK million | Land and buildings | | Machinery and equipment | | Fixtures and vehicles | | Other assets | | Total | |
|---------------------------------|--------------------|------------|-------------------------|------------|-----------------------|------------|--------------|----------|------------|-------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Within 1 year | –8 | –6 | –5 | –7 | –6 | –14 | – | – | –19 | –27 |
| Within 2–5 years | –31 | –19 | –18 | –19 | –18 | –26 | – | – | –67 | –64 |
| After 5 years | –12 | –9 | – | –5 | 0 | –4 | – | – | –13 | –17 |
| Total future lease costs | –52 | –34 | –23 | –31 | –24 | –44 | – | – | –99 | –108 |

The expense for lease payments for the period is shown in Note 11.

Operating leases – lessor

Future minimum lease payments relating to leases and other leases as lessor attributable to non-cancellable agreements are distributed on the balance sheet date over the following maturity dates:

| SEK million | Land and buildings | | Machinery and equipment | | Fixtures and vehicles | | Other assets | | Total | |
|----------------------------------|--------------------|-----------|-------------------------|----------|-----------------------|----------|--------------|----------|-----------|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Within 1 year | 20 | 20 | – | – | – | – | – | – | 20 | 20 |
| Within 2–5 years | 19 | 34 | – | – | – | – | – | – | 19 | 34 |
| After 5 years | 0 | 0 | – | – | – | – | – | – | 0 | 0 |
| Total future lease income | 40 | 54 | – | – | – | – | – | – | 40 | 54 |

Rental income for 2017 amounts to SEK 21 million (21).

29 ACQUISITION

Noranda

The acquisition balance from the acquisition of Noranda Aluminum Holding Corporation's downstream rolling business in the US, which was presented in the annual report for 2016, has been determined without adjustments during 2017.

Getek

As part of the strategy to strengthen the company's leading position in the development of brazed heat exchanger materials, Gränges acquired 51 per cent of the production company Getek GmbH from Erbslöh Aluminium GmbH, which owns the remaining 49 per cent of the company. Getek has two production sites, one in Germany and one in France. The company produces aluminium billets using advanced spray-forming technology and that technology is well suited for the Gränges next generation of materials for heat exchangers.

The investment is classified as a joint operation and Gränges recognizes its direct right to jointly owned assets, liabilities, revenues and expenses. The investment is recognized in Gränges financial statements as from 6 October 2017.

Purchase price allocation Getek

| | EUR million | SEK million |
|--------------------------------------------------------|-------------|-------------|
| Non-current assets | 0.9 | 9 |
| Current assets, excluding cash | 0.7 | 7 |
| Cash | 0.1 | 1 |
| Current liabilities | 0.2 | 2 |
| Net identifiable assets and liabilities | 1.5 | 14 |
| Goodwill | 3.2 | 31 |
| Purchase price | 4.6 | 44 |
| Cash consideration paid for acquisition | -4.4 | -43 |
| Cash in acquired operation | 0.1 | 1 |
| Effect on the Group's cash and cash equivalents | -4.3 | -42 |
| Additional purchase price to be paid | -0.2 | -2 |

Gross amounts for the acquired receivables do not significantly deviate from book value. Goodwill is mainly justified by the advanced spray-forming technology well suited for the next generation of materials for heat exchangers. The effect of the acquisition on the Group's consolidated income statement from 6 October to 31 December 2017 is less than SEK 1 million. If the acquisition had been consolidated as from 1 January 2017, it is also assessed that the effect on profit would have been less than SEK 1 million. The acquisition has not led to any substantial transaction costs for Gränges.

Norca

Norca Heat Transfer LLC ("Norca"), in which Gränges held a 50 per cent ownership until January 2018, has administered the import and distribution of Gränges' heat exchanger materials to customers in the Americas, supplied from the production sites in Finspång and Shanghai. 2 January 2018 Gränges acquired the remaining 50 per cent of Norca for a purchase price of USD 4 million. Gränges will from 2018 coordinate the Group's distribution in North America through Gränges Americas.

Preliminary purchase price allocation Norca

| | USD million | SEK million |
|------------------------------------------------|-------------|-------------|
| Current assets, excluding cash | 59.8 | 482 |
| Cash | 7.1 | 57 |
| Interest-bearing liabilities | 24.5 | 197 |
| Other current liabilities | 34.5 | 278 |
| Net identifiable assets and liabilities | 8.0 | 64 |
| Purchase price | 8.0 | 64 |
| Cash consideration paid for acquisition | -4.0 | -32 |
| Fair value of investment in joint venture | -4.0 | -32 |
| Total purchase price | -8.0 | -64 |

The acquired business will from 2018 be consolidated into Gränges by using the acquisition method. Norca Heat Transfer was until the acquisition classified as a joint venture and accounted for by using the equity method. Under the equity method, investments in joint ventures are initially carried at cost in the consolidated statement of financial position. The carrying amount is then increased or decreased to take account of the Group's share of the profit or loss and other comprehensive income from its joint ventures after the date of acquisition. The Group's share of the profit or loss is presented in the line profit or loss from joint ventures in the income statement and the line investments in joint ventures in the balance sheet. According to the acquisition method, assets, liabilities, income and expenses are recognized in the consolidated accounts in relation to ownership.

Norca only distributes products from Gränges, meaning that the inventory in Norca consists of products only from Gränges. When consolidating using the equity method, 50 per cent of the intercompany profit was eliminated and accounted for in the line Investments in joint ventures. When using the acquisition method 100 per cent of internal profit will be eliminated and accounted for within cost of materials.

Gross amounts for the acquired receivables do not significantly deviate from book value. If the acquisition had been consolidated as from 1 January 2017, it is assessed that the Group's net sales would have increased with SEK 386 million and the profit for the year decreased with SEK -5 million. The acquisition has not led to any substantial transaction costs for Gränges.

Recognized gain as a result of remeasuring to fair value is expected to SEK 15 million and will during 2018 be recognized in the line profit from joint ventures in the income statement.

30 PLEDGED ASSETS, GUARANTEES AND CONTINGENT LIABILITIES

Pledged assets

| SEK million | 2017 | 2016 |
|-----------------------------------------------|------|------|
| Property mortgages | 15 | 15 |
| Own liabilities covered by property mortgages | 1 | 1 |

Contingent liabilities

| SEK million | 2017 | 2016 |
|----------------------------------------------------|------------|----------|
| Guarantee commitment PRI Pensionsgaranti | 2 | 2 |
| Guarantee for worker's compensation | 7 | 7 |
| Guarantee for bank loan at Norca Heat Transfer LLC | 170 | – |
| Total contingent liabilities | 178 | 9 |

Gränges has, in connection with signing the credit facilities described in Note 24, has entered into a customary undertaking to not pledge assets or in a similar manner use its property to give creditors a better right than the banks that are providing the credit facilities.

Disputes

From time to time disputes with counterparties arise in the ongoing operations. The Group regularly makes assessments and provisions if necessary in the accounts. Currently, the Group is not involved in any major litigation that is expected to substantially affect the accounts negatively.

Environmental issues

The Group has conducted industrial production for a long time at facilities in Finspång, Västerås and Upplands Väsby. In light of the public review of potentially polluted areas in Sweden that is being conducted by the Swedish Environmental Protection Agency and country administrative boards, Gränges may be involved in reviews and investigations relating to facilities where industrial production has historically taken place. For instance, industrial production has been conducted by various operators at Gränges' facility in Finspång since the 16th century. There are currently no ongoing cases relating to responsibility in this respect.

Joint venture Norca

Gränges has a contractual undertaking to the jointly-owned US company Norca Heat Transfer LLC to compensate Norca in the event of inventory obsolescence. In addition, Gränges has an obligation to bear any bad debt losses in Norca that are not covered by credit insurance. Historically, Gränges has not incurred significant costs for these undertakings. In 2017, Gränges had costs amounting to SEK –4 million (–5) for inventory obsolescence and costs amounting to SEK –3 million (–) for bad debt at Norca.

During 2017 Gränges issued a guarantee for a bank loan at Norca. The bank loan was repaid 2 January 2018 and the guarantee did at the same time expire.

31 RELATED PARTY TRANSACTIONS

Gränges has a share of 50 per cent in two joint ventures, Norca Heat Transfer LLC and Shanghai Gränges Moriyasu Aluminium Co Ltd. Gränges reports these two joint ventures based on the equity method (see Note 6) and transactions with them are specified in the table below.

| SEK million | 2017 | 2016 |
|--------------------------------------------|------|------|
| Transactions with joint ventures | | |
| Sales | 751 | 961 |
| Other income and expenses | 3 | –53 |
| Interest-bearing receivables (non current) | 33 | 36 |
| Accounts receivable | 255 | 179 |
| Non-interest-bearing liabilities | 8 | 4 |

Internal trades in the Group are executed in accordance with specific arrangements at arm's length and shared costs in Gränges are allocated among the companies in the Group using allocation formulas depending on the types of expenditure. There are no other transactions with related parties. For information on remuneration and benefits to key individuals in senior positions, see Note 8.

32 RECONCILIATION BETWEEN OPENING AND CLOSING BALANCE OF LIABILITIES WHOSE CASH FLOWS ARE RECOGNIZED IN FINANCING ACTIVITIES

| | Opening balance, 1 January 2017 | Cash flow | Non-cash items | | Closing balance, 31 December 2017 |
|------------------------------|------------------------------------|-----------|------------------------------|--------------------------------------|--------------------------------------|
| | | | Exchange rate differences | Change in accrual borrowing costs | |
| Interest-bearing liabilities | 3,324 | –362 | –174 | 4 | 2,791 |

33 EVENTS AFTER THE BALANCE SHEET DATE

2 January 2018 Gränges acquired the remaining 50 per cent of Norca Heat Transfer LLC ("Norca"). See Note 29 for further information.

No additional significant events have occurred after the period.

ALTERNATIVE PERFORMANCE MEASURES

Gränges makes use of the alternative performance measures Return on capital employed, Net debt and Equity to assets ratio. 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 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 105.

| SEK million | 2017 | 2016 |
|---------------------------------------------------------------------------------------------------------|--------------|--------------|
| Adjusted operating profit | | |
| Operating profit | 917 | 559 |
| Items affecting comparability | 16 | 128 |
| Adjusted operating profit | 933 | 687 |
| Adjusted EBITDA | | |
| Adjusted operating profit | 933 | 687 |
| Depreciation and amortisation | 370 | 265 |
| Adjusted EBITDA | 1,303 | 952 |
| Return on capital employed | | |
| Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average | 7,111 | 5,054 |
| Non-interest bearing liabilities, rolling 12 months average | -1,810 | -1,123 |
| Pensions, rolling 12 months average | 280 | 212 |
| Capital employed | 5,581 | 3,930 |
| Adjusted operating profit | 933 | 687 |
| Return on capital employed, % | 16,7 | 17,5 |
| Net debt/Adjusted EBITDA | | |
| Cash and cash equivalents and interest-bearing receivables | -775 | -889 |
| Interest bearing liabilities | 2,791 | 3,611 |
| Pensions | 276 | 286 |
| Net debt | 2,292 | 2,722 |
| Adjusted EBITDA | 1,303 | 952 |
| Adjusted EBITDA for the acquired business in the US as if part of the Gränges Group for the full year | - | 322 |
| Net debt/Adjusted EBITDA | 1.8 | 2.1 |
| Equity to assets | | |
| Equity | 3,322 | 2,942 |
| Total assets | 8,005 | 7,950 |
| Equity to assets, % | 41.5 | 37.0 |

PARENT COMPANY INCOME STATEMENT

| SEK million | Note | 2017 | 2016 |
|---------------------------------------------------|---------|------------|------------|
| Net sales | 3 | 219 | 119 |
| Payroll expenses | 7 | -84 | -63 |
| Other operating expenses | 4, 5, 6 | -156 | -115 |
| Depreciation, amortization and impairment charges | 11, 12 | -27 | -18 |
| Operating loss | | -47 | -77 |
| Profit/loss from financial items | | | |
| Dividends from subsidiaries | | 378 | 757 |
| Financial income | 8 | 117 | 54 |
| Financial costs | 9 | -103 | -59 |
| Financial items | | 391 | 751 |
| Profit after financial items | | 344 | 674 |
| Appropriations | | | |
| Change in accelerated depreciation | | -25 | -46 |
| Group contributions | | 90 | 132 |
| Tax on profit for the year | 10 | -23 | -42 |
| Profit for the year | | 385 | 718 |

The parent company has no items which are accounted for as other comprehensive income. Total comprehensive income is therefore the same as profit for the year.

PARENT COMPANY BALANCE SHEET

| SEK million | Note | 2017 | 2016 |
|----------------------------------------|------|--------------|--------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 217 | 214 |
| Intangible assets | 12 | 159 | 170 |
| Participations in Group companies | 13 | 1,160 | 1,093 |
| Receivables from Group companies | | 2,344 | 2,204 |
| Interest-bearing receivables | | 33 | 36 |
| Other non-current receivables | 10 | 13 | 11 |
| Total non-current assets | | 3,925 | 3,728 |
| Current receivables | | | |
| Accounts receivable | | 4 | 4 |
| Receivables from Group companies | | 147 | 573 |
| Other receivables | | 84 | 65 |
| Prepaid expenses and accrued income | | 7 | 4 |
| Total current receivables | | 242 | 647 |
| Cash and cash equivalents | | | |
| Cash and bank balances | | 106 | 182 |
| Total cash and cash equivalents | | 106 | 182 |
| Total current assets | | 348 | 828 |
| TOTAL ASSETS | | 4,273 | 4,557 |
| EQUITY AND LIABILITIES | | | |
| Restricted equity | | | |
| Share capital | | 101 | 101 |
| Statutory reserve | | 6 | 5 |
| Total restricted equity | | 107 | 106 |
| Non-restricted equity | | | |
| Share premium reserve | | 16 | 33 |
| Retained earnings | | 765 | 195 |
| Profit for the year | | 385 | 718 |
| Total non-restricted equity | | 1,166 | 946 |
| Total equity | | 1,273 | 1,052 |
| Untaxed reserves | | | |
| Accelerated depreciation | | 80 | 55 |
| Total untaxed reserves | | 80 | 55 |
| Provisions | | | |
| Provisions for pensions | 14 | 22 | 22 |
| Total provisions | | 22 | 22 |
| Non-current liabilities | | | |
| Interest-bearing liabilities | 15 | 2,215 | 2,888 |
| Other non-current liabilities | | 3 | 5 |
| Total non-current liabilities | | 2,218 | 2,893 |
| Current liabilities | | | |
| Interest-bearing liabilities | 15 | 548 | 372 |
| Accounts payable | | 14 | 13 |
| Other liabilities | | 68 | 86 |
| Accrued expenses and deferred income | 16 | 50 | 64 |
| Total current liabilities | | 680 | 536 |
| Total liabilities | | 3,000 | 3,505 |
| TOTAL EQUITY AND LIABILITIES | | 4,273 | 4,557 |

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

| SEK million | Share capital | Statutory reserve | Share premium reserve | Retained earnings | Profit for the year | Total equity |
|------------------------------------------------------------------------|---------------|-------------------|-----------------------|-------------------|---------------------|--------------|
| Opening balance, 1 January 2016 | 100 | - | - | 94 | 254 | 449 |
| Appropriation of retained earnings: | | | | | | |
| Carried forward | - | - | - | 254 | -254 | - |
| Dividend | - | - | - | -149 | - | -149 |
| Profit for the year | - | - | - | 718 | - | 718 |
| Change in statutory reserve for internally generated intangible assets | - | 5 | - | -5 | - | - |
| Employee stock options | - | - | - | 1 | - | 1 |
| Rights issue | 1 | - | 33 | - | - | 33 |
| Closing balance, 31 December 2016 | 101 | 5 | 33 | 195 | 718 | 1,052 |
| Opening balance, 1 January 2017 | 101 | 5 | 33 | 195 | 718 | 1,052 |
| Appropriation of retained earnings: | | | | | | |
| Carried forward | - | - | -33 | 751 | -718 | - |
| Dividend | - | - | - | -180 | - | -180 |
| Profit for the year | - | - | - | - | 385 | 385 |
| Change in statutory reserve for internally generated intangible assets | - | 0 | - | -0 | - | - |
| Rights issue | 0 | - | 16 | - | - | 16 |
| Closing balance, 31 December 2017 | 101 | 6 | 16 | 765 | 385 | 1,273 |

The articles of association for Gränges AB state that the share capital shall be not less than SEK 80,000,000 and not more than SEK 320,000,000. The number of shares shall be not less than 32,000,000 and not more than 128,000,000.

Due to the exercise of 362,000 warrants within the Group's incentive program LTI 2014 (see Note 8 for more information) new shares have been issued during the year. Equity has in total increased by SEK 16 million and number of shares with 362,000 due to the rights issued.

The share capital in Gränges at 31 December 2017 amounts to SEK 101 million, divided into 75,517,386 shares, each with a quota value of SEK 1.339775.

The share capital comprises a single class of share.

Dividend per share amounted to SEK 2.40 (2.00) during 2017.

PARENT COMPANY CASH FLOW STATEMENT

| SEK million | Note | 2017 | 2016 |
|--------------------------------------------------------------------|--------|------------|-------------|
| Operating loss | | -47 | -77 |
| Depreciation and impairment charges | | 27 | 18 |
| Change in net working capital etc. | | -55 | 2 |
| Taxes paid | | -3 | -5 |
| Cash flow from operating activities | | -79 | -63 |
| Investments in property, plant and equipment and intangible assets | 11, 12 | -17 | -179 |
| Investments in subsidiaries | 13 | -67 | -671 |
| Cash flow from investing activities | | -84 | -850 |
| Dividend paid to shareholders | | -180 | -149 |
| Rights issue | | 16 | 34 |
| Dividend received from subsidiary | | 359 | 719 |
| Interest paid/received | | -1 | 2 |
| New Loans | | 831 | 3,277 |
| Amortization | | -1,164 | -1,224 |
| Financial intra-group transactions | | 224 | -1,670 |
| Cash flow from financing activities | | 86 | 989 |
| Cash flow for the year | | -77 | 75 |
| Cash and cash equivalents at 1 January | | 182 | 106 |
| Cash flow for the year | | -77 | 75 |
| Cash and cash equivalents at 31 December | | 106 | 182 |

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

The Parent Company financial statements have been prepared in accordance to the Annual Accounts Act and RFR 2 Reporting for Legal Entities. Application of RFR 2 entails that the Parent Company is to apply all IFRS and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligation Vesting Act and in regard to the connection between accounting and taxation. Changes in RFR 2 has not had material impact on the financial reports of the parent company.

An account of the Gränges Group's accounting policies are described in Note 4 Accounting standards in the consolidated financial statements. The main deviations between the accounting policies applied by the Gränges Group and the parent company are described below.

Gränges Group applies IAS 19 Employee Benefits in the consolidated financial statements. The Parent Company applies the principles of the Pension Obligations Vesting Act. Consequently there are differences between the Gränges Group and the Parent Company in the accounting of defined benefit pension plans.

Regarding machinery and equipment, the Parent Company recognizes the difference between depreciation according to plan and tax depreciation as accumulated additional depreciation, included in untaxed reserves.

Group contributions received from subsidiaries are recognized as appropriations.

2 FINANCIAL RISK MANAGEMENT

Gränges' financial risks are monitored centrally in the Group, see the notes to the consolidated financial statements, Note 25 Financial risk.

The Parent Company applies hedge accounting for the risk exposure arising from the derivative transactions with Gränges Sweden AB by entering into offsetting derivatives. As hedge accounting is applied and the relationships are expected to be highly effective no unrealized gains or losses are recognized on the derivatives.

In addition, the Parent Company holds a few derivatives to an insignificant value at the closing date.

3 BREAKDOWN OF NET SALES BY AREA OF OPERATION

| SEK million | 2017 | 2016 |
|----------------------------------------------------------|------------|------------|
| Intra-group service charges | 95 | 73 |
| Rental income | 31 | 30 |
| Research and development | 40 | 16 |
| Licence fees | 49 | 0 |
| Other | 5 | 1 |
| Total breakdown of net sales by area of operation | 219 | 119 |

4 ITEMS AFFECTING COMPARABILITY

| SEK million | 2017 | 2016 |
|--------------------------------------------|-----------|------------|
| M&A costs | - | -22 |
| Closure costs for US sales company | -8 | - |
| Total items affecting comparability | -8 | -22 |

5 OPERATING LEASE PAYMENTS

Distribution of lease payments

Future minimum lease payments relating to leases and other leases in the capacity of lessees attributable to non-cancellable agreements are distributed on the balance sheet date over the following maturity dates:

| SEK million | 2017 | 2016 |
|--------------------------------------------|------------|-----------|
| Within one year | -4 | -2 |
| Later than one year but within five years | -15 | -3 |
| After five years | -7 | - |
| Total future minimum lease payments | -27 | -5 |

Leasing costs amount to SEK 2 million (2) during 2017.

Distribution of lease income

Future minimum lease payments relating to leases and other leases as leaseholders attributable to non-cancellable agreements are distributed on the balance sheet date over the following maturity dates:

| SEK million | 2017 | 2016 |
|--------------------------------------------|-----------|-----------|
| Within one year | 30 | 29 |
| Later than one year but within five years | 47 | 62 |
| After five years | 0 | 0 |
| Total future minimum lease payments | 77 | 91 |

For information about rental income, see Note 3.

6 REMUNERATION TO AUDITORS

| SEK million | 2017 | 2016 |
|------------------------------------------------|-------------|--------------|
| Ernst & Young AB | | |
| Audit engagement | -1.3 | -1.3 |
| Audit services in addition to audit engagement | -0.4 | -0.4 |
| Tax advisory services | -0.9 | -0.5 |
| Other services | -0.7 | -8.2 |
| Total remuneration to auditors | -3.4 | -10.4 |

Audit engagement refers to the review of the annual report and accounting records and of the Board of Directors and CEO's management of the company, other tasks incumbent on the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit services in addition to audit engagement consisted in 2017 and in 2016 primarily of review of interim reports. Tax advisory services include advice on tax, including transfer pricing issues, as well as value-added tax. Other services refer to advice that is not attributable to any of the aforementioned categories of services. In 2016 other services consisted mainly of services related to acquisition activities.

7 PAYROLL EXPENSES

Salaries and remuneration totalled -53.3 (-39.5), and social charges were -30.4 (-23.9), whereof -12.9 (-7.8) refers to pension costs. Pension costs of -1.8 (-1.6) refer to the CEO. The company's outstanding pension obligations for the CEO are kSEK 66 (53).

Read more about the average number of employees, salaries and remuneration, including incentive schemes, in Note 8 to the consolidated financial statements.

8 FINANCIAL INCOME

| SEK million | 2017 | 2016 |
|--------------------------------------|------------|-----------|
| Interest income from Group companies | 115 | 52 |
| External interest income | 2 | 1 |
| Foreign exchange differences | - | - |
| Total financial income | 117 | 54 |

9 FINANCIAL COSTS

| SEK million | 2017 | 2016 |
|----------------------------------------------------------|-------------|------------|
| External interest expense | -91 | -56 |
| Estimated financial expense related to pension liability | -1 | -1 |
| Foreign exchange differences | -11 | -1 |
| Total financial costs | -103 | -59 |

10 TAXES

Tax expense for the year

| SEK million | 2017 | 2016 |
|-----------------------------------------------|------------|------------|
| Current tax | -23 | -42 |
| <i>Deferred tax attributable to</i> | | |
| Changes in temporary differences for the year | 0 | 0 |
| Total tax | -23 | -42 |

When cash and cash equivalents in China shall be made available for the parent company, this is done through dividend payments which today is being taxed with 5 per cent. Cash and cash equivalents per 31 December 2017 for the Chinese subsidiary amounts to SEK 131 million (475).

Reconciliation of effective tax

| SEK million | 2017 | % | 2016 | % |
|---------------------------------------------|------------|-------------|------------|-------------|
| Profit before tax | 409 | - | 760 | - |
| Tax at applicable tax rate | -90 | 22.0 | -167 | -22.0 |
| Tax effects of: | | | | |
| Non-deductible expenses | -1 | -0.2 | -1 | -0.1 |
| Non-taxable income | 87 | 21.3 | 167 | 22.0 |
| Adjustment of tax in respect of prior years | 3 | 0.8 | 0 | 0.0 |
| Foreign taxes | -24 | -5.5 | -42 | -5.5 |
| Total tax | -23 | -5.8 | -42 | -5.5 |

The company's effective tax rate of 5.8 per cent (5.5) in 2017 differs from the nominal tax rate in Sweden, which is primarily an effect of a dividends received from Gränges Aluminium (Shanghai) Ltd. This income is also included in the basis for non-taxable income. Foreign taxes mainly relates to paid tax in China on the received dividend.

Deferred tax

| SEK million | 2017 | 2016 |
|-----------------------------------------------------|-----------|-----------|
| Buildings and land improvements | -1 | -1 |
| Endowment insurance | 1 | 0 |
| Tax loss carry forwards | 10 | 10 |
| Total deferred tax asset (+) / liability (-) | 10 | 10 |

11 PROPERTY, PLANT AND EQUIPMENT

| SEK million | Land, land improvements and buildings | Machinery and equipment | Fixtures, vehicles, etc. | Assets under construction | Total property, plant and equipment |
|-----------------------------------------------------|---------------------------------------|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Carrying amount, 1 January 2017 | 197 | 4 | 8 | 5 | 214 |
| Acquisitions | – | – | – | 16 | 16 |
| Sales | – | – | – | – | – |
| Transferred assets, fixed assets under construction | 7 | 4 | – | –11 | – |
| Depreciations and impairment charges | –11 | –1 | –2 | – | –15 |
| Carrying amount, 31 December 2017 | 192 | 7 | 6 | 11 | 217 |
| Cost, 31 December 2017 | 424 | 120 | 19 | 11 | 574 |
| Accumulated depreciation and impairment charges | –231 | –114 | –13 | – | –358 |
| Carrying amount, 31 December 2017 | 192 | 7 | 6 | 11 | 217 |
| Carrying amount, 1 January 2016 | 204 | 3 | 10 | 7 | 223 |
| Acquisitions | – | – | – | 5 | 5 |
| Sales | – | – | – | – | – |
| Transferred assets, fixed assets under construction | 5 | 2 | – | –7 | – |
| Depreciations and impairment charges | –12 | –1 | –2 | – | –15 |
| Carrying amount, 31 December 2016 | 197 | 4 | 8 | 5 | 214 |
| Cost, 31 December 2016 | 417 | 116 | 19 | 5 | 558 |
| Accumulated depreciation and impairment charges | –220 | –113 | –11 | – | –344 |
| Carrying amount, 31 December 2016 | 197 | 4 | 8 | 5 | 214 |

12 INTANGIBLE ASSETS

| SEK million | Intellectual property | IT | Total intangible assets |
|-------------------------------------------------|-----------------------|----------|-------------------------|
| Carrying amount, 1 January 2017 | 164 | 6 | 170 |
| Acquisitions | – | – | – |
| Amortization | –11 | –1 | –12 |
| Carrying amount, 31 December 2017 | 153 | 6 | 159 |
| Cost, 31 December 2017 | 168 | 6 | 174 |
| Accumulated amortization and impairment charges | –15 | –1 | –16 |
| Carrying amount, 31 December 2017 | 153 | 6 | 159 |

Intellectual property is related to production technic used in Gränges Americas Inc. IT mainly relates to capital development expenses for an ERP implementation.

13 PARTICIPATIONS IN GROUP COMPANIES

| SEK million | Reg. no | Registered office | No. of shares | Share of capital and votes, % | Carrying amount, SEK million |
|------------------------------------------------|-------------|-------------------|---------------|-------------------------------|------------------------------|
| <i>Swedish Group companies</i> | | | | | |
| Gränges Sweden AB | 556002-6113 | Finspång | 300,000 | 100/100 | 164 |
| Gränges Skultuna AB | 556913-7358 | Skultuna | 50,000 | 100/100 | 0 |
| Total | | | | | 164 |
| <i>Foreign Group companies</i> | | | | | |
| Gränges Americas Inc. | – | Delaware, USA | – | 100/100 | 671 |
| Gränges Aluminium (Shanghai) Ltd | – | Shanghai, China | – | 100/100 | 256 |
| Gränges International Inc. | – | Delaware, USA | – | 100/100 | 67 |
| Gränges Japan Ltd | – | Tokyo, Japan | – | 100/100 | 3 |
| Total | | | | | 996 |
| Total participations in Group companies | | | | | 1,160 |

As of 31 December 2017, carrying amount for participations in Group companies totalled SEK 1,160 million (1,094). This year's acquisitions amounts to SEK 66 million (667), whereof SEK 66 million (0) consist of shareholders' contributions.

14 PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

Defined benefit pensions

| SEK million | 2017 | 2016 |
|-----------------------------------------------------------------------|-----------|-----------|
| Provision under Pension Obligations Vesting Act – FPG/PRI pensions | 22 | 21 |
| Pension obligation secured through transfer of funds to pension trust | 0 | 1 |
| Total provision for pensions and similar obligations | 22 | 22 |

Specification of change in pension liability recognized in the balance sheet.

| SEK million | 2017 | 2016 |
|--------------------------------------------------------------------|-----------|-----------|
| Liability at beginning of year related to pension obligations | 22 | 22 |
| Cost recognized in income statement | 2 | 1 |
| Pension payments | –2 | –1 |
| Liability at the end of year related to pension obligations | 22 | 22 |

Actuarial bases for calculating the capital value pursuant to the Pension Obligations Vesting Act are defined by the Swedish Financial Regulatory Authority. Application of the Pension Obligations Vesting Act is a condition for the right to make tax deductions. Excluding cost for pension premiums, fees paid to PRI and premiums paid to FPG, the pension cost for the year is distributed as follows:

| SEK million | 2017 | 2016 |
|------------------------------------|-----------|-----------|
| Pensions paid during the year | –2 | –1 |
| Increase/decrease in capital value | 0 | 0 |
| Less interest portion in PRI | 1 | 1 |
| Total operating expense | –1 | 0 |
| Interest expense | –1 | –1 |
| Total | –2 | –1 |

15 INTEREST-BEARING LIABILITIES

Gränges' interest bearing debt consists mainly of USD term loans amounting to USD 220 million and SEK term loans of SEK 670 million. Gränges amortizes USD 30 million per year. Gränges commercial paper program established in the fourth quarter 2017 was utilized to SEK 300 million at 31 December 2017. Gränges also has a revolving credit facility of SEK 1,200 million, with a remaining time to maturity of three years. The revolving credit facility was unutilized at 31 December 2017. Other current interest-bearing debt amounted to SEK 30 million. The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio.

16 ACCRUED EXPENSES AND DEFERRED INCOME

| SEK million | 2017 | 2016 |
|-----------------------------------------------------------------|-----------|-----------|
| Accrued salaries, holiday pay and social-security contributions | 34 | 27 |
| Other accrued expenses and deferred income | 16 | 37 |
| Total accrued expenses and deferred income | 50 | 64 |

17 PLEDGED ASSETS

| SEK million | 2017 | 2016 |
|-------------------------------------|-----------|-----------|
| For own liabilities and provisions: | | |
| – Property mortgages | 15 | 15 |
| Total pledged assets | 15 | 15 |

Gränges has, in connection with signing the new credit facility described in Note 15, entered into a customary undertaking to not pledge assets or in a similar manner use its property to give creditors a better right than the banks that are providing the credit facility.

18 CONTINGENT LIABILITIES

| SEK million | 2017 | 2016 |
|-------------------------------|------|------|
| Other contingent liabilities | 279 | 105 |
| – of which, for subsidiaries | 108 | 102 |
| – of which, for joint venture | 170 | – |

Disputes

The company is not a party to any dispute. As long as the company does not have any legal or formal obligation as a result of a past event, and it is uncertain whether an outflow of economic resources will be required to settle a future obligation, nothing is recognized in the income statement or balance sheet.

19 RELATED PARTY TRANSACTIONS

Related-party transactions are specified in the table below. Gränges AB has a controlling influence over its subsidiaries, see Note 13 Participations in Group companies.

No board member or senior executive of Gränges AB or its subsidiaries has independently or through a company or related party had

any direct involvement in a business transaction concluded by Gränges AB that was or is of an unusual character or subject to unusual terms and conditions and that occurred in 2017. For information on remuneration to senior executives see Note 7.

| SEK million | 2017 | | 2016 | |
|-------------------------------------------------------|--------------|------------|--------------|------------|
| | Subsidiaries | Associates | Subsidiaries | Associates |
| Sales and purchases during the year: | | | | |
| Sales to related parties | 197 | – | 98 | 1 |
| Purchases from related parties | 20 | 3 | 7 | – |
| Interest income on receivables from related parties | 115 | 1 | 52 | 1 |
| Interest expenses on liabilities to related parties | – | – | – | – |
| Outstanding intermediary size as of 31 December: | | | | |
| Interest-bearing receivables from related parties | 1,810 | 33 | 1,897 | 36 |
| Interest-bearing liabilities to related parties | – | – | – | – |
| Non-interest-bearing receivables from related parties | 681 | – | 880 | – |
| Non-interest-bearing liabilities to related parties | – | – | – | – |

There have been no other significant transactions with related parties.

20 RECONCILIATION BETWEEN OPENING AND CLOSING BALANCE OF LIABILITIES WHOSE CASH FLOWS ARE RECOGNIZED IN FINANCING ACTIVITIES

| | Opening balance, 1 January 2017 | Cash flow | Non-cash items | | Closing balance, 31 December 2017 |
|------------------------------|------------------------------------|-----------|------------------------------|--------------------------------------|--------------------------------------|
| | | | Exchange rate differences | Change in accrual borrowing costs | |
| Interest-bearing liabilities | 3,260 | –333 | –170 | 4 | 2,761 |

21 PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Board of Directors proposes that the retained earnings of SEK 1,166,338,762 be appropriated as follows:

| SEK | |
|--------------------------|----------------------|
| Dividend to shareholders | 226,552,158 |
| Carried forward | 939,786,604 |
| Total | 1,166,338,762 |

The proposed dividend amount to SEK 227 million, or SEK 3.00 per share. In preparing its dividend proposal the Board of Directors has taken account of the company's financial position, cash flow and outlook.

DEFINITIONS

Adjusted EBITDA

Adjusted operating profit before depreciation and impairment.

Adjusted operating profit

Operating excluding items affecting comparability.

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.

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 cash flow before financing activities

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

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-month period.

Return on equity

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

Sales volume

Volumes sold in metric tonnes.

SEK

Swedish krona.

FIVE-YEAR SUMMARY

| SEK million | 2017 | 2016 | 2015 | 2014 | 2013 |
|-----------------------------------------|--------|--------|-------|-------|-------|
| Sales volume, ktonnes | 373.0 | 239.1 | 163.9 | 160.0 | 158.6 |
| Income statement | | | | | |
| Net sales | 11,435 | 7,207 | 5,494 | 4,748 | 4,642 |
| Adjusted EBITDA ¹⁾ | 1,303 | 952 | 749 | 664 | 558 |
| Adjusted operating profit ¹⁾ | 933 | 687 | 541 | 463 | 371 |
| Operating profit | 917 | 559 | 538 | 422 | 456 |
| Profit for the year | 652 | 498 | 379 | 319 | 309 |
| Adjusted EBITDA margin | 11.4 | 13.2 | 13.6 | 14.0 | 12.0 |
| Adjusted operating margin | 8.2 | 9.5 | 9.8 | 9.7 | 8.0 |
| Operating margin | 8.0 | 7.8 | 9.8 | 8.9 | 9.8 |
| Net margin | 5.7 | 6.9 | 6.9 | 6.7 | 6.7 |
| Balance sheet | | | | | |
| Non-current assets | 3,827 | 4,071 | 1,800 | 1,829 | 1,759 |
| Current assets | 4,179 | 3,878 | 2,601 | 2,631 | 2,867 |
| Equity | 3,322 | 2,942 | 2,499 | 2,137 | 3,098 |
| Non-current liabilities | 2,555 | 3,209 | 989 | 1,071 | 400 |
| Current liabilities | 2,128 | 1,799 | 914 | 1,253 | 1,128 |
| Cash flow | | | | | |
| Operating activities | 968 | 686 | 725 | 678 | 601 |
| Investing activities | -396 | -2,732 | -125 | -81 | -151 |
| Cash flow before financing activities | 572 | -2,046 | 600 | 597 | 450 |
| Financing activities | -650 | 2,245 | -647 | -941 | -88 |
| Cash flow for the year | -79 | 198 | -47 | -344 | 362 |

1) Adjusted for items affecting comparability (see Note 12 in the notes to the consolidated accounts).

Capital structure, return indicators and employees

| | | | | | |
|---------------------------------------------|-------|--------------------|-------|-------|-------|
| Capital employed | 5,615 | 5,664 | 2,775 | 2,901 | 2,972 |
| Net debt | 2,292 | 2,722 | 275 | 765 | -126 |
| Equity/assets ratio, % | 41.5 | 37.0 | 56.8 | 47.9 | 67.0 |
| Net debt/Adjusted EBITDA, multiple | 1.8x | 2.1x ²⁾ | 0.4x | 1.2x | -0.2x |
| Capital employed (rolling 12 month average) | 5,581 | 3,930 | 2,982 | 2,837 | 3,082 |
| Return on capital employed, % | 16.7 | 17.5 | 18.1 | 16.3 | 12.0 |
| Equity (rolling 12 month average) | 3,093 | 2,636 | 2,385 | 2,755 | 2,685 |
| Return on equity, % | 21.1 | 18.9 | 15.9 | 11.6 | 11.5 |
| Average number of employees | 1,568 | 1,136 | 964 | 952 | 964 |

2) Calculated on a rolling 12-month basis, including estimated adjusted EBITDA on a stand alone basis for the acquired business in the US.

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|------------------------------------------------------------|--------------------|--------------|--------------|--------------|--------------|
| Data per share, SEK | | | | | |
| Earnings per share, basic | 8.65 | 6.66 | 5.07 | 4.27 | 4.14 |
| Earnings per share, diluted | 8.64 | 6.64 | 5.07 | 4.27 | 4.14 |
| Equity ¹⁾ | 44.04 | 39.27 | 33.45 | 28.63 | 41.51 |
| Cash flow from operating activities ¹⁾ | 12.82 | 9.15 | 9.70 | 9.08 | 8.05 |
| Dividend | 3.00 ²⁾ | 2.40 | 2.00 | 1.50 | – |
| Dividend yield, % | 3.56 | 2.79 | 2.86 | 2.94 | – |
| Share price at year-end | 84.25 | 86.00 | 70.00 | 51.00 | – |
| Weighted outstanding ordinary shares, basic in thousands | 75,370.6 | 74,703.9 | 74,639.4 | 74,639.4 | 74,639.4 |
| Weighted outstanding ordinary shares, diluted in thousands | 75,440.7 | 74,913.9 | 74,719.4 | 74,639.4 | 74,639.4 |
| Sales volume by region, ktonnes | | | | | |
| Asia | 86.3 | 80.8 | 75.5 | 78.3 | 75.0 |
| Europe | 65.6 | 63.7 | 62.7 | 58.6 | 59.5 |
| Americas | 221.1 | 94.6 | 25.8 | 23.1 | 24.0 |
| Total | 373.0 | 239.1 | 163.9 | 160.0 | 158.6 |
| Net sales by region, SEK million | | | | | |
| Asia | 2,911 | 2,623 | 2,637 | 2,378 | 2,271 |
| Europe | 2,230 | 1,933 | 1,978 | 1,679 | 1,673 |
| Americas | 6,294 | 2,651 | 880 | 691 | 698 |
| Total | 11,435 | 7,207 | 5,494 | 4,748 | 4,642 |

1) Calculated on weighted outstanding ordinary shares, diluted.

2) Cash dividend for 2018 as proposed.

PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Board of Directors proposes that the retained earnings of SEK 1,166,338,762 be appropriated as follows:

| SEK | |
|--------------------------|----------------------|
| Dividend to shareholders | 226,552,158 |
| Carried forward | 939,786,604 |
| Total | 1,166,338,762 |

The proposed dividend of SEK 227 million, or SEK 3.00 per share, represents 35 per cent of the profit for 2017. In preparing its dividend proposal the Board of Directors has taken account of the company's financial position, cash flow and outlook.

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Company and describes substantial risks and uncertainties that the Group companies faces.

Stockholm 6 March 2018
The Board of Directors of Gränges AB (publ)

Anders G. Carlberg
Chairman of the Board

Johan Menckel
Chief Executive Officer

Carina Andersson
Member of the Board

Peter Carlsson
Member of the Board

Katarina Lindström
Member of the Board

Hans Porat
Member of the Board

Ragnhild Wiborg
Member of the Board

Öystein Larsen
Employee representative

Konny Svensson
Employee representative

We submitted our audit report on 9 March 2018
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

This information is such that Gränges must disclose pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on Tuesday, 13 March 2018.

AUDITOR'S REPORT

To the general meeting of the shareholders of Gränges AB, corporate identity number 556001-6122

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Gränges AB (publ) except for the corporate governance statement on pages 55-65 for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 52-108 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 55-65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of finished goods and work-in-process products

Description

As described in Note 18 for the consolidated financial statements, inventories of finished goods and work-in-process products are recorded at 1 112 MSEK in the consolidated balance sheet per the 31st of December 2017, equivalent to 14 per cent of the Company's total assets. Inventories are valued at the lowest of acquisition cost and net realizable value.

The acquisition cost of inventories is based on the cost of production less obsolescence write-downs, if applicable. The valuation at production cost is performed using inventory valuation models where direct and indirect production-related costs are allocated to products. Incorrect assumptions and calculations related to direct and indirect production costs affect the valuation of goods produced which affects recorded inventory and the cost of goods sold. For this reason we have determined that this is a key audit matter.

A description of the Company's inventory valuation method for finished goods and work-in-process products is presented in the accounting principles in Note 4 under the notes to the consolidated financial statements.

How our audit addressed this key audit matter

In our audit for the financial year we have assessed the Company's routines for accounting for finished goods and work-in-process products, and whether the Company's accounting principles for inventory is compliant with applicable standards.

We have also performed procedures to verify calculation models and assessed the reasonableness of applied prices, consumption rates and assumptions regarding the allocation of indirect production costs. We have also performed procedures on metal hedging related to inventory.

Finally, we have also reviewed the disclosures provided in the annual report.

Property, plant and equipment

| Description | How our audit addressed this key audit matter |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Company's property, plant and equipment is recorded at 3 076 MSEK in the consolidated balance sheet, equivalent to 38 per cent of the Company's total assets. Property, plant and equipment is recorded at acquisition cost net of accumulated depreciation and write-downs, if applicable. Depreciation is recorded over the estimated useful life of components. Accounting principles for property, plant and equipment is presented in Note 4, significant estimates and judgments are presented in Note 5 and disclosures regarding property, plant and equipment is presented in Note 17. The valuation and accounting treatment of property, plant and equipment is a key audit matter due to the significance of the recorded amounts in relation to the total assets in the consolidated balance sheet, and because changes in estimates and judgments could have a significant effect on the value.</p> | <p>Depreciation</p> <p>In our audit for the financial year we have assessed the reasonableness of the changed assumptions which the Company has made during the year. These procedures have included an assessment of the Company's method for determining the new useful life periods, comparisons to historical actuals and business plans, as well as comparisons with the estimated useful lives used by other comparable companies.</p> <p>We have also reviewed the accounting treatment of the effects of the changed assumptions during the year. Finally, we have also reviewed the disclosures provided in the annual report.</p> |
| <p>Depreciation</p> <p>Depreciation is recorded over the estimated useful life of components. A change in the estimated useful life of components would result in different recorded values. As described in Note 5 the Company has, during the year, changed the estimated useful life of certain components.</p> | <p>Impairment</p> <p>In our audit for the financial year we have analyzed and assessed the assumptions and estimates made by the Company regarding potential indicators of impairment compared to current and expected future cash flows from affected assets. We have also reviewed the disclosures provided in the annual report.</p> |
| <p>Impairment</p> <p>In case an indicator of impairment is identified, the recorded value is tested through comparison to the estimated recoverable amount for the asset. Based on current and expected future financial development the Company has determined that there was no indication of impairment for the financial year 2017.</p> | |

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–51 and 112–126. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Gränges AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 55–65 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Jakobsbergsgatan 24, 111 44, Stockholm, was appointed auditor of Gränges AB by the general meeting of the shareholders on the 4 May 2017 and has been the company's auditor since the 10 May 2007.

Stockholm 9 Mars 2018
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

SUSTAINABILITY NOTES

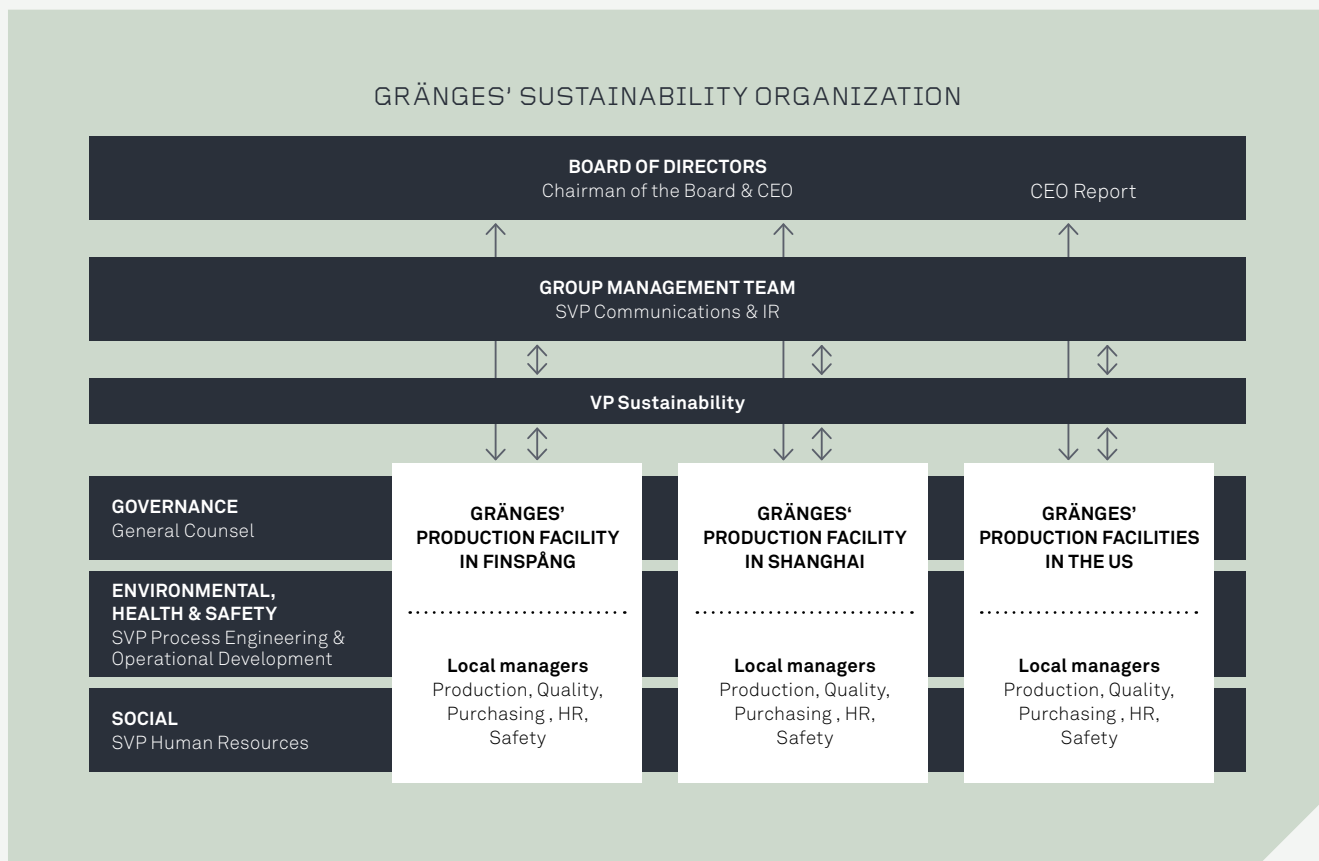
SUSTAINABILITY MANAGEMENT

Gränges' sustainability agenda and activities are governed by its policies and management systems. The company is dedicated to developing and implementing these policies to guide employees in their everyday work with sustainability and in the communication with the stakeholders. Gränges' policies include its Code of Conduct, Supplier Declaration, Anti-corruption Policy, Environmental Health and Safety Policy, Energy Policy, Crisis Plan, and Information Policy. Gränges observes all applicable local and international laws and regulations, and includes the precautionary principle in environmental risk assessments. Read more about Gränges' risk management on pages 46–49.

Sustainability organization

Gränges' sustainability activities are led by the Group Management team and the VP Sustainability, who was appointed in October 2017 to manage the company's group-wide sustainability agenda. The VP Sustainability reports to the SVP Communications and IR and the Group Management team. The CEO in turn reports to the Board of Directors.

Specific sustainability matters are managed by members of the Group Management team. The General Counsel is responsible for governance, the SVP Process Engineering & Operational Development for environment, health and safety, and the SVP Human Resources for social responsibility. Gränges' production facilities in Finspång, Shanghai and the US cooperate in developing the sustainability work for the Group and the respective sites.



STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS

Gränges seeks to establish long-term and transparent dialogues with stakeholders. The key issues raised in the stakeholder dialogue constitute the main parts of the company's materiality assessment and reporting.

Stakeholder dialogue

Stakeholder inclusiveness is a priority for Gränges and the company maintains an ongoing dialogue with its stakeholders to ensure that it meets their expectations. Additionally, as part of the sustainability reporting process, Gränges engages selected stakeholders in a structured dialogue to identify key sustainability topics and reporting content.

Based on the nature of the company's operations, Gränges has identified five main stakeholder groups: customers, suppliers, employees, society, and investors.

In 2016, Gränges conducted a web-based sustainability survey focusing on questions related to relevant industry standards, reporting

frameworks, and issues previously raised by stakeholders. Respondents also had the option of raising additional sustainability issues in the survey. The company invited all employees in Sweden and Asia, and selected representatives from the other stakeholder groups, to respond to the survey. To obtain a more thorough understanding of stakeholders' expectations of Gränges, the survey was complemented by interviews with a selection of representatives from respective stakeholder group in Sweden.

In 2017, Gränges invited US employees and selected representatives from other stakeholder groups in the US to take part in the web-based sustainability survey. In-depth interviews were also carried out with representatives from each stakeholder group in Sweden, China, and the US to ensure that the company's sustainability reporting is in line with stakeholder expectations.

Stakeholder dialogue

| Stakeholder group | Communication examples | Key sustainability topics for the stakeholders | Further reading |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| Customers | <ul style="list-style-type: none"> Customer survey Ongoing dialogue | <ul style="list-style-type: none"> Material handling and proportion of recycled aluminium Customer satisfaction | 34, 114 45 |
| Suppliers | <ul style="list-style-type: none"> Supplier Declaration Ongoing dialogue | <ul style="list-style-type: none"> Purchasing processes Proportion of recycled aluminium | 32–33 34, 114 |
| Employees | <ul style="list-style-type: none"> Performance reviews Employee surveys Intranet | <ul style="list-style-type: none"> Emissions Gränges as a workplace Health and safety Diversity and equality Code of Conduct | 36, 115 38–39 41–43, 118 40, 117 30–31, 39 |
| Investors | <ul style="list-style-type: none"> Annual General Meeting Quarterly reports and annual report Press releases Conference calls Capital markets days | <ul style="list-style-type: none"> Code of Conduct and Supplier Declaration Ethics and anti-corruption Emissions and energy use Gränges as a workplace | 30–33, 39 30–31 35–36, 114–115 38–39 |
| Society | <ul style="list-style-type: none"> Local cooperation Participation in networks and working groups Interns and student dissertations | <ul style="list-style-type: none"> Gränges in the local community Emissions | 44 36, 115 |

Materiality analysis

Results from the stakeholder dialogue lay the foundation for Gränges' materiality analysis.

In 2016, Gränges carried out its first materiality analysis. It was conducted by a working group made up of the Gränges management team and other senior executives. Areas that were highlighted in the stakeholder dialogues were evaluated according to a materiality analysis where both stakeholders' expectations of Gränges as well as Gränges'

economic, social, and environmental impact were considered. The materiality analysis resulted in Gränges defining eight material topics for its work on sustainability and communication with stakeholders.

The materiality analysis is reviewed annually to ensure that Gränges is focusing on relevant issues and communicates with stakeholders in line with their expectations. Following the 2017 stakeholder dialogue, the materiality analysis was revised and water was added to the list of material topics while customer satisfaction was removed.

Gränges' material topics and their boundaries

| Gränges' material topics | Corresponding GRI Standards topics | Impact occurs in/at Gränges' | | | Page reference |
|----------------------------|------------------------------------|------------------------------|------------|-----------|----------------|
| | | Supply chain | Operations | Customers | |
| Ethics and anti-corruption | Anti-corruption | X | X | X | 30–31 |
| Sustainable supply chain | Supplier environmental assessment | X | | | 32–33 |
| | Supplier social assessment | X | | | 32–33 |
| Recycled aluminium | Materials | X | X | X | 34, 114 |
| Energy use | Energy | | X | | 35, 114 |
| Emissions to air and water | Emissions | X | X | X | 36, 115 |
| Water use | Water | | X | | 37, 116 |
| Diversity and equality | Diversity and equal opportunity | | X | | 40, 117 |
| Health and safety | Occupational health and safety | | X | | 41–43, 118 |

ENVIRONMENTAL DATA AND REPORTING PRINCIPLES

Environmental data is reported on regional level and consolidated annually on group level using common definitions and principles. Relevant definitions and trends are described under each material topic. The data for 2016 has been updated to include the operations in the US, while data for 2015 comprises Gränges' operations in Asia and Europe.

RECYCLED ALUMINIUM

Gränges aims to increase the use of recycled aluminium in its production process.

The share of recycled material used as input material has increased from 14.8 per cent in 2016 to 15.4 per cent in 2017. The increase in overall use of recycled materials is driven by the production facilities in the US where more external scrap was used as input materials. On a group level, this was partly offset by less use of recycled materials in the production facility in Finspång and a lower level of recycled material in externally sourced slabs in the production facility in Shanghai.

Definitions

Percentage of materials used that are recycled input materials

Sourced recycled aluminium used as input material [tonnes] divided by the total sourced input material [tonnes].

Percentage of materials used that are recycled input materials

| % | 2017 | 2016 | 2015 |
|----------------------|-------------|-------------|-------------|
| Asia | 1.0 | 4.2 | 5.6 |
| Europe | 16.0 | 18.1 | 22.7 |
| Americas | 24.8 | 19.4 | – |
| Gränges total | 15.4 | 14.8 | 13.1 |

ENERGY USE

Gränges has set energy efficiency goals for all production facilities and measures to improve efficiency are continuously implemented.

Gränges has continuously been implementing energy efficiency measures in the production facilities in Finspång and Shanghai and the energy use per tonne product has, since 2015, been reduced by 7 per cent and 9 per cent respectively. For Gränges' production facilities in the US, energy use per tonne product has increased by 1 per cent.

The overall energy use per tonne product has decreased from 3.4 MWh/tonne in 2016 to 3.3 MWh/tonne in 2017. This is mainly due to energy efficiency measures implemented in the production facilities in Finspång and Shanghai.

Definitions

Energy intensity

The total energy used at the production facility [MWh] divided by the total packed products [tonnes].

Total energy use

| GWh | 2017 | 2016 | 2015 |
|-------------------------|----------------|----------------|--------------|
| Electricity | 403.2 | 394.8 | 216.7 |
| Natural gas | 773.4 | 747.6 | 131.2 |
| Liquefied petroleum gas | 48.2 | 46.1 | 46.5 |
| Diesel | 8.5 | 9.4 | 6.5 |
| Petrol | 0.1 | 0.1 | – |
| District heating | 2.7 | 2.8 | 2.0 |
| Gränges total | 1,236.0 | 1,200.8 | 402.8 |

Energy intensity

| MWh/tonne product | 2017 | 2016 | 2015 |
|----------------------|------------|------------|------------|
| Asia ¹⁾ | 2.3 | 2.4 | 2.5 |
| Europe | 2.2 | 2.3 | 2.3 |
| Americas | 4.4 | 4.3 | – |
| Gränges total | 3.3 | 3.4 | 2.4 |

¹⁾ Data for Asia has been recalculated compared to data presented in the Annual report 2016, due to an updated energy conversion factor for natural gas.

EMISSIONS

Gränges' long-term goal is to reduce its carbon footprint by reducing greenhouse gas emissions throughout the value chain, both direct and indirect.

Gränges has during 2017 performed a carbon footprint study to map its carbon emissions along the value chain. The study was made in accordance with Greenhouse Gas Protocol and involves both direct emissions from Gränges' operations and indirect emissions from other parts of the value chain. The study includes all parts from extraction of bauxite to delivery of Gränges' products to customers, while product use and end-of-life are excluded.

The results show that Gränges' direct and indirect greenhouse gases amount to approximately 4.6 Mtonnes. The majority of the indirect emissions emanate from production of primary aluminium.

Based on the results from the study, Gränges will continue its current focus on reducing climate impact along the value chain. This includes continued focus on improving energy efficiency at Gränges' production facilities and increasing the use of recycled aluminium. In addition, Gränges plans to integrate carbon performance in sourcing of primary aluminium as well as start to investigate how to manage impacts in use and end-of-life for its products.

Regulations

Emissions are regulated by legislation, and compliance is a prerequisite for Gränges' continued license to operate. Local authorities continually monitor compliance to ensure that emissions are within limits.

Emission limits in Europe are based on requirements from the Industry Emissions Directive (IED). In Asia, limits are linked to Regulations of Shanghai Municipality on the Prevention and Control of Atmospheric Pollution, and in the US the National Ambient Air Quality Standards (NA AQS) provides the relevant legal framework. Emissions regulated by legislation include nitrogen oxides, sulphur dioxide, dust, volatile organic compounds (VOC) and, in some parts of the organization, oil emissions.

Continuous improvements

Since 2016 direct and indirect emissions of greenhouse gases per tonne packed product has decreased with 2 per cent and 7 per cent respectively. The reduction of direct emissions is mainly connected to

increased energy efficiency while the reduction of indirect emissions is due to increased use of recycled material.

Definitions

Greenhouse gas emissions

Greenhouse gas emissions are presented as carbon dioxide equivalents and are calculated using local emission factors for different fossil fuels.

Dust emissions

Dust emissions are either calculated using local emission factors or based on continuous measurements.

Other emissions such as nitrogen oxides, sulphur dioxide, oil and VOC are either not reported throughout the entire organization or are currently not reported with sufficient quality to provide reliable data on annual basis.

Definitions GHG Protocol

Scope 1

Direct emissions from Gränges' operations include production facilities, office buildings and company owned vehicles. Emissions are calculated based on fuel consumption.

Scope 2

Indirect emissions from generation of purchased electricity and heat consumed by Gränges, in production facilities and office buildings. Emissions are calculated using specific data from Gränges' electricity and heat suppliers.

Scope 3

Other indirect emissions; include emissions from extraction, production and processing of main purchased materials, production of fuels used in Gränges' operations and for generation of electricity, inbound and outbound goods transportation, and business travel.

Emissions from production of primary aluminium are based on regional industry averages and supplier data are used for purchased slabs and scrap. Emissions from production of fuels are based on regional industry data. Emissions from transportation and business travel are based on specific data from Gränges' transportation routes.

Total emissions of greenhouse gases

| ktonnes CO ₂ e | Scope 1 | | | Scope 2 | | | Scope 3 | | |
|---------------------------|--------------|--------------|-------------|--------------|--------------|-------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| Asia ¹⁾ | 28.6 | 28.5 | 27.4 | 63.8 | 63.5 | 61.8 | 2,400 | 2,300 | 2,200 |
| Europe | 11.2 | 11.5 | 11.5 | 0.004 | 0.004 | 0.004 | 500 | 500 | 400 |
| Americas | 129.9 | 124.3 | – | 68.9 | 67.2 | – | 1,300 | 1,600 | – |
| Gränges total | 169.7 | 164.3 | 38.9 | 132.7 | 130.7 | 61.8 | 4,300 | 4,400 | 2,600 |

Carbon intensity

| Tonnes CO ₂ e/tonne product | Scope 1 | | | Scope 2 | | | Scope 3 | | |
|----------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| Asia ¹⁾ | 0.28 | 0.30 | 0.31 | 0.62 | 0.67 | 0.69 | 23.5 | 24.3 | 24.2 |
| Europe | 0.13 | 0.14 | 0.15 | 0.00005 | 0.00005 | 0.00005 | 6.1 | 6.2 | 5.7 |
| Americas | 0.69 | 0.68 | – | 0.37 | 0.37 | – | 7.1 | 8.6 | – |
| Gränges total | 0.45 | 0.46 | 0.23 | 0.35 | 0.37 | 0.37 | 11.4 | 11.6 | 7.0 |

1) Data for Asia has been recalculated compared to data presented in the Annual report 2016, due to an updated energy conversion factor for natural gas.

Other emissions to air

| Tonnes | | 2017 | 2016 | 2015 |
|--------|----------------------|-------------|-------------|------------|
| Dust | Asia | 3.8 | 3.6 | 3.5 |
| | Europe | 0.2 | 0.3 | 1.8 |
| | Americas | 12.4 | 11.9 | – |
| | Gränges total | 16.4 | 15.7 | 5.3 |

WATER USE

The majority of the water used by Gränges is withdrawn from surface water and utilized in the production facility in Finspång. To reduce the volume of water withdrawn, Gränges has implemented water reduction targets at the production facility in Finspång while other production facilities lack firm targets.

Since 2015 the water withdrawal per tonne product has continuously been reduced for Gränges' production facilities in Shanghai and Finspång. The reduction amounts to 25 per cent and 20 per cent respectively.

Gränges' overall water withdrawal has increased by around 50 per cent since acquiring the US operations while the water withdrawal per tonne product has been reduced, from around 14.2 m³/tonne in 2015 to 8.9 m³/tonne in 2017.

Definitions

Water withdrawal

Water used in the production facility withdrawn from wetlands, rivers, lakes, own wells, waste water from another organizations, municipal water supplies or from other public or private water utilities [m³].

Water use, source

| Million m ³ | 2017 | 2016 | 2015 |
|------------------------|------------|------------|------------|
| Surface water | 2.0 | 2.1 | 2.2 |
| Ground water | 0.8 | 0.9 | 0.0 |
| Municipal water | 0.5 | 0.6 | 0.2 |
| Gränges total | 3.3 | 3.5 | 2.4 |

Water withdrawal, region

| Million m ³ | 2017 | 2016 | 2015 |
|------------------------|------------|------------|------------|
| Asia | 0.2 | 0.2 | 0.2 |
| Europe | 2.0 | 2.1 | 2.2 |
| Americas | 1.2 | 1.3 | – |
| Gränges total | 3.3 | 3.5 | 2.4 |

Water intensity

| m ³ /tonne product | 2017 | 2016 | 2015 |
|-------------------------------|------------|------------|-------------|
| Asia | 1.5 | 1.6 | 1.9 |
| Europe | 23.3 | 25.7 | 28.4 |
| Americas | 6.3 | 6.9 | – |
| Gränges total | 8.9 | 9.7 | 14.2 |

SOCIAL DATA AND REPORTING PRINCIPLES

Social data is reported on a regional level and consolidated annually on group level using common definitions and principles. Relevant definitions and trends are described under each material topic. Please note that data from the headquarters, Gränges AB, is included in the social data for Europe, except for the health and safety data.

EMPLOYEES

The Gränges Group had a total of 1,568 employees (1,136) on average during 2017. In 2017, the staff turnover rate increased to 7.4 per cent, compared to 3.4 per cent (excluding Gränges' operations in the US) in 2016.

Within Gränges Research & Innovation organization there are 56 specialists. Gränges has research and innovation centres in Finspång, Sweden and in Shanghai, China.

Of Gränges' employees, 34 per cent work in Asia, 29 per cent in Europe and 37 per cent in the Americas.

Employees by region and gender, 2017

| | Men | Women | Total |
|----------------------|--------------|------------|--------------|
| Asia | 475 | 58 | 533 |
| Europe | 364 | 93 | 457 |
| Americas | 508 | 70 | 578 |
| Gränges total | 1,347 | 221 | 1,568 |

Definitions

Employees

Number of employees on the company's payroll >20 h per week. Temporary staff is excluded but employees on sick-leave, parental leave, vacation and those temporarily laid off are included but not their substitutes.

Employees who are not employed by Gränges such as interns, self-employed persons and consultants are not included. These are not a significant part of Gränges' workforce.

Employee numbers are expressed as Full Time Equivalents (FTE).

Data collection

Data is collected from Gränges' internal systems.

DIVERSITY AND EQUALITY

Gränges has set a gender equality goal for Asia and Europe which states that women, including managers, shall account for 20 per cent of the workforce. In 2017 the share of female employees for the Group reached 14 per cent, with 11 per cent in Asia and 20 per cent in Europe.

Recruitment is an important tool in ensuring greater workplace diversity and equality. The ambition is to have 30 per cent women among all new recruits in Asia and Europe. In 2017 women accounted for 18 per cent of all new recruits in the Group.

Gender balance, 2017

| % | Gender balance | |
|----------------------------------------------------|----------------|-----------|
| | Women | Men |
| Gränges' Board of Directors | 50 | 50 |
| Gränges' Group Management | 13 | 87 |
| Senior management (management at subsidiary level) | 19 | 81 |
| Administrative staff (white collar) | 29 | 71 |
| Employed in production (blue collar) | 8 | 92 |
| Gränges total | 14 | 86 |

Definition

Gender balance and age structure are based on the number of employees on December 31, 2017.

Data collection

Data is collected from Gränges' internal systems.

Age structure, 2017

| % | Age structure | | |
|----------------------------------------------------|----------------|-------------|---------------|
| | Under 30 years | 30–50 years | Over 50 years |
| Gränges' Board of Directors | 0 | 17 | 83 |
| Gränges' Group Management | 0 | 45 | 55 |
| Senior management (management at subsidiary level) | 0 | 81 | 19 |
| Administrative staff (white collar) | 8 | 65 | 28 |
| Employed in production (blue collar) | 14 | 53 | 33 |
| Gränges total | 12 | 56 | 31 |

HEALTH AND SAFETY

Gränges continuously strives towards an injury-free workplace. To this purpose the company performs risk analysis on the hazards that exist in the workplace and deploy actions to reduce or eliminate these risks.

In 2017 there were nine serious injuries where nine individuals were injured.

The number of Lost Work Day Cases increased from nine to 14. However, the number of total accumulated days lost as a consequence of these injuries were reduced from 546 in 2016 to 403 in 2017 as the accidents were less severe.

Most of the incidents, in all locations, were related to hand and finger injuries; 13 of 28 cases were related to such injuries.

Gränges' goal for Asia and Europe is to have a sick leave lower than 3 per cent. Sick leave for the Group during the year was 2.0 per cent. For Asia and Europe the sick leave in 2017 was 0.7 per cent and 3.3 per cent respectively.

Sick leave and Lost Work Day Cases

| | 2017 | 2016 | 2015 |
|-------------------------------------------------------------------------------------------|------|------|------|
| Sick leave ¹⁾ , % | 2.0 | 2.2 | 2.0 |
| Lost Work Day Cases (Number of accidents resulting in absence from work) ²⁾ | 14 | 9 | 8 |

¹⁾ Excluding Gränges' operations in the US in 2016 and 2015.

²⁾ Including Gränges' production facilities in the US 2016 but not 2015.

Total Recordable Rate¹⁾

| Number of recordable accidents per million hours worked | 2017 | 2016 | 2015 |
|---------------------------------------------------------|------------|------------|------------|
| Asia | 6.3 | 3.5 | 4.8 |
| Europe | 11.7 | 12.3 | 13.3 |
| Americas | 7.2 | 5.7 | - |
| Gränges total | 7.8 | 6.2 | 7.5 |
| Number of fatalities | 0 | 0 | 0 |

¹⁾ Only applicable for Gränges' production facilities. Gränges' production facilities in the US are included in the figures for 2016 but not in the figures for 2015.

Definitions

Serious injury

An irreversible injury for example an amputated finger or lost eyesight, or a reversible injury causing prolonged periods of pain or suffering for the employee, or an accident with an absence longer than 15 days. First-aid level injuries are not included.

Lost Work Day Cases

Number of accidents resulting in absence from work (out of recordable accidents).

Workers not employed by Gränges ("contracted")

Contracted workers such as maintenance workers managed by Gränges are included in the safety data.

Data collection

All incidents and accidents are registered and categorized in incident reporting systems. Events reported in the incident reporting systems are followed up on a weekly and monthly basis.

GRI INDEX

GENERAL DISCLOSURES

| GRI Standard | Disclosure number | Disclosure title | UNGC Principles | Page reference | Omissions |
|------------------------------------------|-------------------|--------------------------------------------------------------|-----------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| GRI 101: Foundation 2016 | | | | | |
| GRI 102: General disclosures 2016 | | | | | |
| ORGANIZATIONAL PROFILE | | | | | |
| | 102-1 | Name of the organization | | 52 | |
| | 102-2 | Activities, brands, products, and services | | 20–23 | |
| | 102-3 | Location of headquarters | | 52 | |
| | 102-4 | Location of operations | | 4, 52 | |
| | 102-5 | Ownership and legal form | | 50–51, 57 | |
| | 102-6 | Markets served | | 4, 14–17 | |
| | 102-7 | Scale of the organization | | 1, 4, 69, 117 | |
| | 102-8 | Information on employees and other workers | | 117 | Data per employment contract and employment type are unavailable. Gränges has made efforts to enhance the breakdown of employee data. |
| | 102-9 | Supply chain | 10 | 29, 32–33 | |
| | 102-10 | Significant changes to the organization and its supply chain | | 24, 32–33, 50–51 | |
| | 102-11 | Precautionary Principle or approach | 7 | 60, 112 | |
| | 102-12 | External initiatives | | 27 | |
| | 102-13 | Membership of associations | | 27 | |
| STRATEGY | | | | | |
| | 102-14 | Statement from senior decision-maker | | 6–7 | |
| | 102-15 | Key impacts, risks, and opportunities | | 46–49 | |
| ETHICS AND INTEGRITY | | | | | |
| | 102-16 | Values, principles, standards, and norms of behavior | | 30–31, 38–39 | |
| GOVERNANCE | | | | | |
| | 102-18 | Governance structure | | 55–61, 112 | |
| STAKEHOLDER ENGAGEMENT | | | | | |
| | 102-40 | List of stakeholder groups | | 113 | |
| | 102-41 | Collective bargaining agreements | 3 | 39 | |
| | 102-42 | Identifying and selecting stakeholders | | 113 | |
| | 102-43 | Approach to stakeholder engagement | | 113 | |
| | 102-44 | Key topics and concerns raised | | 113 | |
| REPORTING PRACTICE | | | | | |
| | 102-45 | Entities included in the consolidated financial statements | | 103 | |
| | 102-46 | Defining report content and topic Boundaries | | 113 | |
| | 102-47 | List of material topics | | 113 | |
| | 102-48 | Restatements of information | | 28, 39, 114–115, 118 | |
| | 102-49 | Changes in reporting | | 28 | |
| | 102-50 | Reporting period | | 28 | |
| | 102-51 | Date of most recent report | | 28 | |
| | 102-52 | Reporting cycle | | 28 | |
| | 102-53 | Contact point for questions regarding the report | | 28 | |
| | 102-54 | Claims of reporting in accordance with the GRI Standards | | 28 | |
| | 102-55 | GRI index | | 119–121 | |
| | 102-56 | External assurance | | 28 | |

MATERIAL TOPICS

| GRI Standard | Disclosure number | Disclosure title | UNGC Principles | Page reference | Omissions |
|-------------------------------------------------|-------------------|---------------------------------------------------------------------------------|-----------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economic standards | | | | | |
| ANTI-CORRUPTION | | | 10 | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | | 30–31, 113 | |
| | 103-2 | The management approach and its components | | 30–31 | |
| | 103-3 | Evaluation of the management approach | | 30–31 | |
| GRI 205: Anti-corruption 2016 | 205-2 | Communication and training about anti-corruption policies and procedures | | 30–31 | |
| | 205-3 | Confirmed incidents of corruption and actions taken | | 31 | |
| Environmental standards | | | | | |
| MATERIALS | | | 7, 8, 9 | | |
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topic and its Boundary | | 34, 113–114 | |
| | 103-2 | The management approach and its components | | 34 | |
| | 103-3 | Evaluation of the management approach | | 34 | |
| GRI 301: Materials 2016 | 301-2 | Recycled input materials used | | 34, 114 | |
| ENERGY | | | 7, 8, 9 | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | | 35, 113–114 | |
| | 103-2 | The management approach and its components | | 35 | |
| | 103-3 | Evaluation of the management approach | | 35 | |
| GRI 302: Energy 2016 | 302-1 | Energy consumption within the organization | | 35, 114 | |
| | 302-3 | Energy intensity | | 35, 114 | |
| WATER | | | 7, 8 | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | | 37, 113, 116 | |
| | 103-2 | The management approach and its components | | 37 | |
| | 103-3 | Evaluation of the management approach | | 37 | |
| GRI 303: Water 2016 | 303-1 | Water withdrawal by source | | 37, 116 | |
| EMISSIONS | | | 7, 8, 9 | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | | 36, 113, 115 | |
| | 103-2 | The management approach and its components | | 36, 115 | |
| | 103-3 | Evaluation of the management approach | | 36, 115 | |
| GRI 305: Emissions 2016 | 305-1 | Direct (Scope 1) GHG emissions | | 36, 115 | |
| | 305-2 | Energy indirect (Scope 2) GHG emissions | | 36, 115 | |
| | 305-3 | Other indirect (Scope 3) GHG emissions | | 36, 115 | |
| | 305-4 | GHG emissions intensity | | 36, 115 | |
| | 305-7 | Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions | | 115 | Data only includes dust. Emissions of nitrogen oxides, sulphur dioxide and VOC are either not reported throughout the entire organization or are currently not reported with sufficient quality to provide reliable data on annual basis. |
| SUPPLIER ENVIRONMENTAL ASSESSMENT | | | 7, 8, 9 | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | | 32–33, 113 | |
| | 103-2 | The management approach and its components | | 32–33 | |
| | 103-3 | Evaluation of the management approach | | 32–33 | |
| GRI 308: Supplier Environmental Assessment 2016 | 308-1 | New suppliers that were screened using environmental criteria | | 32–33 | |

| GRI Standard | Disclosure number | Disclosure title | UNGC Principles | Page reference | Omissions |
|-----------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Social standards | | | | | |
| OCCUPATIONAL HEALTH AND SAFETY | | | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | | 41–43, 113, 118 | |
| | 103-2 | The management approach and its components | | 41–42 | |
| | 103-3 | Evaluation of the management approach | | 41–42 | |
| GRI 403: Occupational Health and Safety 2016 | 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | | 42, 118 | Contracted workers such as maintenance workers managed by Gränges are included in the safety data but not sick-leave. The reporting is aligned with Gränges' internal procedures. |
| DIVERSITY AND EQUAL OPPORTUNITY | | | 1, 2, 6 | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | | 40, 113, 117 | |
| | 103-2 | The management approach and its components | | 40 | |
| | 103-3 | Evaluation of the management approach | | 40 | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 | Diversity of governance bodies and employees | | 40, 117 | |
| SUPPLIER SOCIAL ASSESSMENT | | | 1, 2, 3, 4, 5, 6 | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | | 32–33, 113 | |
| | 103-2 | The management approach and its components | | 32–33 | |
| | 103-3 | Evaluation of the management approach | | 32–33 | |
| GRI 414: Supplier Social Assessment 2016 | 414-1 | New suppliers that were screened using social criteria | | 32–33 | |

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY STATEMENT

To the general meeting of the shareholders of Gränges AB, corporate identity number 556001-6122

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2017 on pages 26–45 and 112–121 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing

and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A statutory sustainability statement has been prepared.

Stockholm 9 Mars 2018

Ernst & Young AB

Erik Sandström

Authorized Public Accountant

GLOSSARY

Active brazing

Brazing technology where fluxing agents are built into the braze alloy. TRILLIUM® material is categorized under Active brazing.

Alloy

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

Aluminium ingot

A small block of aluminium, typically used for re-melting.

Aluminium strip

Rolled aluminium in coil form.

Annealing

Heat treatment to partially or fully remove work hardening in the material after cold rolling.

Brazing

Joining of metals through melting and solidification.

Casting

Method to convert molten metal to a desired solid form.

Cladding

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

Flux

A substance used to disrupt surface oxides to enable brazing.

Foil

A flat rolled product with a thickness less than 0.2 mm.

Heat exchanger

A device for transforming heat from one medium to another.

HVAC

Heat exchangers for Heating, Ventilation and Air Conditioning, sometimes used to define the stationary heat exchanger market.

LME

London Metal Exchange.

Plate

A flat rolled product with a thickness above 6 mm.

Rolled aluminium

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

Scrap

Aluminium that can be re-melted.

Sheet

A flat rolled product with a thickness between 0.2 mm and 6 mm cut to length.

SHFE

Shanghai Futures Exchange.

Slab

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

Spray-forming

Deposition of semi solid sprayed droplets on to a substrate.

Trillium

A reactive malleable metal matrix composite material that can be used to produce aluminium brazed joints without the need for adding a fluxing agent.

ANNUAL GENERAL MEETING 2018

Gränges' Annual General Meeting 2018 will be held on Thursday, 3 May, 2018, at 4 p.m CEST at Näringslivets Hus in Stockholm. Registration begins at 3 p.m CEST.

Participation

Shareholders wishing to attend the Annual General Meeting must be registered as shareholders in the share register maintained by Euroclear Sweden AB as of Thursday, 26 April 2018, and notify the company of their intention to attend no later than Thursday, 26 April, 2018.

Registration of participation must be provided in writing to Gränges AB, Juridik, Box 5505, 114 85 Stockholm, Sweden, or by telephone at +46 732 07 42 52 on weekdays between 9 a.m and 4 p.m CEST or at the company's website, www.granges.com. When registering, shareholders must state

their name, personal ID or company registration number, address and daytime telephone number and representatives.

Nominee-registered shares

Shareholders whose shares are registered with a nominee must, to have the right to attend the Annual General Meeting, have their shares temporarily reregistered with Euroclear Sweden AB. A request for reregistration should be submitted to the nominee well in advance of the Annual General Meeting.

Notice convening the Annual General Meeting

Gränges' notice convening the Annual General Meeting for 2018 will be published on or about Tuesday, 27 March 2018 by a press release and on the company's website. Information about other decision points will

be available on the company's website. Printed information can be ordered via info@granges.com.

Dividend

The Board of Directors proposes a dividend of SEK 3.00 (2.40) per share for the 2017 fiscal year, in total SEK 227 million (180) million. The proposed record date for the dividend is Monday, 7 May 2018. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be distributed through Euroclear Sweden AB on Friday, 11 May 2018.

For further information, please contact:

Pernilla Grennfelt
SVP Communications & Investor Relations
pernilla.grennfelt@granges.com
Tel: +46 702 90 99 55

GRÄNGES ANNUAL REPORT

Gränges' annual report is available on the company's website, www.granges.com, in Swedish and English. The annual report is also available in printed format and can be ordered at reports@granges.com.

GRÄNGES FINANCIAL CALENDAR 2018

| | |
|----------------------------------------|-----------------|
| Interim report, January–March 2018 | 26 April 2018 |
| Annual General Meeting 2018 | 3 May 2018 |
| Half-year report, January–June 2018 | 19 July 2018 |
| Interim report, January–September 2018 | 25 October 2018 |

HISTORY

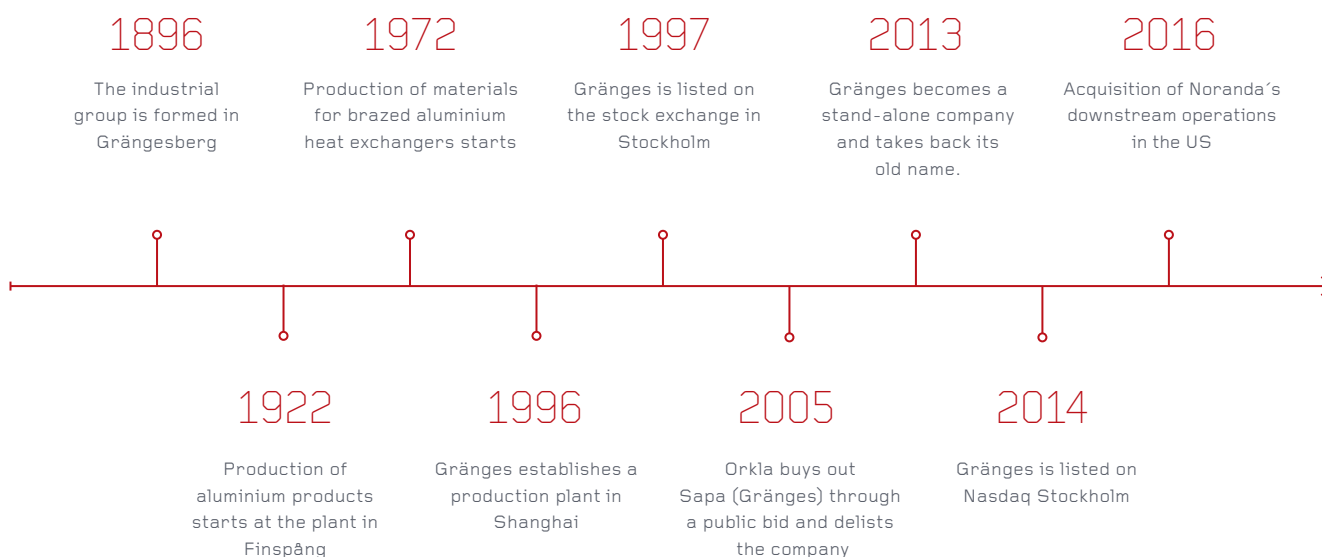
The foundation for today's Gränges was laid in 1896 in Grängesberg. Thereafter, several different industrial enterprises became part of the Group, including Grängesberg mines, the TGOJ rail business, Oxelösund ironworks and a shipping business. In 1969 the Group acquired Svenska Metallverken, which included an aluminium products business, an operation that would later evolve into Gränges. In 1972 work began on the development and production of aluminium heat exchanger strips in Finspång.

After the Gränges Group was acquired by Electrolux in 1980 a number of structural changes were implemented, resulting in the sale of most of Gränges' businesses. What remained was the production of aluminium products.

A key milestone came in 1996, when Gränges established a global presence by opening a production plant in Shanghai. In 1997 Gränges was listed on the Stock Exchange in Stockholm and in 2000 Gränges changed name to Sapa.

In 2005 Sapa was acquired and delisted after Orkla of Norway made a bid for the company. At that time Sapa had two lines of business: rolled aluminium products and extruded aluminium profiles. In 2013 the rolled products business took back the name of Gränges and in 2014 Orkla decided to list Gränges on the Nasdaq Stockholm Stock Exchange.

In 2016, Gränges acquired Noranda downstream operations in the United States.



ADDRESSES

HEAD OFFICE

Gränges AB (publ)
Box 5505
SE-114 85 Stockholm
Sweden
Phone: +46 8 459 59 00

VISITING ADDRESS

Linnégatan 18
SE-114 47 Stockholm
Sweden

www.granges.com
Corp. identity no. 556001-6122

GRÄNGES EUROPE

Gränges Sweden AB
SE-612 81 Finspång
Sweden
Phone: +46 122 838 00

VISITING ADDRESS

Slottsvägen 1
SE-612 31 Finspång
Sweden

GRÄNGES ASIA

Gränges Aluminium
(Shanghai) Ltd
1111 Jiatang Highway
201807 Shanghai
China
Phone: +86 215 954 1111

GRÄNGES AMERICAS

Gränges Americas Inc
501 Corporate Centre
Drive, Suite 280
Franklin, Tennessee 37067
USA
Phone: +1 615 778 2000



Concept, text and production: Solberg in cooperation with Gränges.
Photographers: Dan Coleman, Satyaki Ghosh, Gränges, Taylor Johnson, Robert Nilsson, Volvo Cars among others.
Print: Göteborgstryckeriet.



A GLOBAL LEADER IN ALUMINIUM ENGINEERING,
MANUFACTURING AND INNOVATION