

INTERIM REPORT JANUARY-SEPTEMBER 2016

# Successful acquisition in US and strong performance in existing business

## Third quarter 2016

- The acquisition of Noranda's rolled aluminium business in the US have been consolidated into Gränges' accounts as of 22 August 2016.
- Sales volume increased to 62.8 ktonnes (38.9) and net sales was SEK 1,859 million (1,281). Excluding the acquired business, sales volume increased by 5.6% to 41.1 ktonnes and net sales was SEK 1,334 million.
- Adjusted operating profit increased by 61.2% to SEK 181 million (112), corresponding to an adjusted operating margin of 9.7% (8.8). Excluding the acquired business, adjusted operating profit rose 17.0% to SEK 132 million.
- Operating profit amounted to SEK 88 million (97), including items affecting comparability of SEK -94 million related to the US acquisition.
- Profit for the period increased to SEK 189 million (69) and includes a tax provision release of SEK 139 million.
- Diluted earnings per share was SEK 2.52 (0.93).
- Cash flow before financing activities was SEK -2,285 million (267) including the cash consideration for the US acquisition.

## January-September 2016

- Sales volume increased to 154.4 ktonnes (125.0) and net sales was SEK 4,662 million (4,243). Excluding the acquired business, sales volume increased by 6.1% to 132.7 ktonnes and net sales was SEK 4,136 million.
- Adjusted operating profit increased by 21.4% to SEK 516 million (425), corresponding to an adjusted operating margin of 11.1% (10.0). Excluding the acquired business, adjusted operating profit rose 9.8% to SEK 467 million.
- Operating profit amounted to SEK 397 million (410).
- Profit for the period was SEK 397 million (295).
- Diluted earnings per share was SEK 5.30 (3.95).
- At 30 September 2016, the equity to assets ratio amounted to 35.8% and net debt corresponded to 2.2 times adjusted EBITDA<sup>1</sup>.

## Financial summary

SEK million	Q3			Jan - Sep			12 month rolling	Full year	
	2016	2015	Δ	2016	2015	Δ	Oct 2015 - Sep 2016	2015	Δ
Sales volume, ktonnes	62.8	38.9	61.5%	154.4	125.0	23.5%	193.4	163.9	17.9%
Net sales	1,859	1,281	45.2%	4,662	4,243	9.9%	5,913	5,494	7.6%
Adjusted operating profit <sup>2</sup>	181	112	61.2%	516	425	21.4%	632	541	16.8%
Adjusted operating margin, %	9.7	8.8	1.0 ppt	11.1	10.0	1.0 ppt	10.7	9.8	0.8 ppt
Adjusted operating profit per tonne, kSEK	2.9	2.9	0.0	3.3	3.4	-0.1	3.3	3.3	0.0
Operating profit	88	97	-10.0%	397	410	-3.2%	525	538	-2.4%
Operating margin, %	4.7	7.6	-2.9 ppt	8.5	9.7	-1.1 ppt	8.9	9.8	-0.9 ppt
Profit for the period	189	69	173.6%	397	295	34.2%	480	379	26.7%
Earnings per share basic, SEK	2.53	0.93	1.61	5.31	3.96	1.35	6.43	5.07	1.35
Earnings per share diluted, SEK	2.52	0.93	1.60	5.30	3.95	1.34	6.41	5.07	1.34
Cash flow before financing activities	-2,285	267	n/a	-2,150	440	n/a	-1,991	600	n/a
Equity to assets, %	-	-	-	35.8	52.7	-16.9 ppt	35.8 <sup>3</sup>	56.8	-21.0 ppt
Net debt	-	-	-	2,823	442	2,381	2,823 <sup>3</sup>	275	2,548
Return on capital employed, %	-	-	-	-	-	-	18.7	18.1	0.6 ppt

<sup>1</sup> Calculated on a rolling 12-month basis, including estimated adjusted EBITDA on a stand alone basis for the acquired business in the US.

<sup>2</sup> Adjusted for items affecting comparability, see note 5.

<sup>3</sup> Balances per 30 September 2016.

## COMMENTS BY THE CEO

# Successful acquisition in US and strong performance in existing business

### HIGHER SALES AND PROFIT

We have continued to see strong positive trends in the third quarter in terms of sales and earnings development. Especially encouraging was that our recently acquired business in the US performed very well. Overall, sales volumes increased over 60% during the quarter; and by 6% when excluding the acquisition. Continued increase in volume in the Americas, together with recovery in Asia contributed positively to sales of automotive heat exchanger materials. In Europe, sales volume increased and we continued to gain market share. Adjusted operating profit increased to SEK 181 million (112). Excluding the acquisition, adjusted operating profit increased to SEK 132 million.

### US ACQUISITION STRENGTHENS GRÄNGES

The acquisition of Noranda's aluminium rolling business was completed in August, and work to integrate the business with the Group is currently proceeding very well. To date, this process has surpassed expectations, and we feel confident in our view of future opportunities and potential in the North American market. It is of the utmost importance that the acquisition is welcomed by our customers. The move also gives us a clearer focus on stationary heat exchangers, primarily for air conditioning systems. This end-customer market now accounts for around half of all sales in North America, and more than 20% of our total overall sales volume. We had a positive lift to operations in the weeks following the acquisition due to unusually warm weather that fuelled demand for material for stationary heat exchangers.

Capacity utilization is currently high in our US facilities. To ease production bottlenecks, we plan to make modest maintenance investments during the coming year. These will form part of our existing maintenance budget. We are also investing possible future investments in production of multi-layer products.

### WELL-ATTENDED SEMINAR IN CHINA

Gränges' technical seminar in China was held at the end of September, and it attracted more than 400 customers and other industry representatives. The seminar – the largest of its kind in our industry – is an important meeting place to discuss future challenges related to emissions, powertrains, and digitalisation, where advanced heat exchanger materials play a key role.

As a market leader, Gränges is determined to continue to invest and expand operations in Asia in the years ahead and together with our customers develop new, innovative products.

### GRÄNGES JOINS THE UN GLOBAL COMPACT

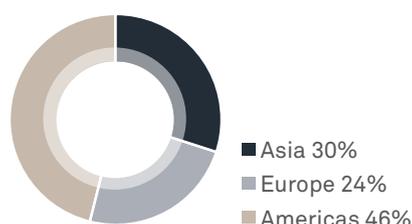
Sustainability is an important area for Gränges, and a fully integrated element of our business strategy. From 2016, we will conduct sustainability reporting according to GRI guidelines. As part of this work, we adopted the UN Global Compact and its ten principles in October.



## Third quarter 2016

- Sales volume **62.8** ktonnes
- Net sales SEK **1,859** million
- Adjusted operating profit SEK **181** million
- Return on capital employed **18.7%**

## Sales volume per region



## OUTLOOK

In terms of heat exchanger material for the automotive industry, we expect growth in the underlying market during the last quarter of the year. According to industry analysts IHS, global production of light vehicles is expected to increase by 2% in the fourth quarter. In Asia and Americas, Gränges sales volumes are expected to increase at a higher rate than the market, while in Europe we expect growth in line with the market.

As for our recently acquired business in the US, we expect stable growth in the fourth quarter. Sales volume is forecasted to increase of 1-2% compared to the same period last year.

We continue to follow our strategy and work towards our goals that we have set for 2020. This means that we will maintain focus on new, innovative products, expand our business in niche areas of the aluminium sector, and ensure that we create sustainable

profit. This is work from which our customers, employees and shareholders will benefit. The acquisition in the US provides an excellent platform from which we will be able to continue to expand in the region, while at the same time broaden the business into a greater number of markets and customers. We feel positive about 2017, and our ambition is to continue to grow and strengthen our presence and position globally.

*Johan Menckel*  
CEO of Gränges

## ACQUISITION OF NORANDA'S ROLLED ALUMINIUM BUSINESS

The acquisition of Noranda's rolled aluminium business in the US was completed on 22 August 2016. The business, which includes three facilities in south east United States, complements Gränges' business well, geographically and in terms of end-customers, and will be an important strategic base from which to continue to grow on the American market. Gränges Americas has a strong position in material for stationary heat exchangers, transformers, and food packaging.

The acquired business had a sales volume of 174 ktonnes and net sales of USD 550 million in 2015, and has some 550 employees. The business has registered stable and positive performance for several years, with robust cash flow.

The acquisition was valued at the equivalent of USD 324 million (approximately SEK 2.8 billion) on a cash and debt free basis, which resulted in an EV/EBITDA multiple of 6.2 times adjusted EBITDA 2015 on a stand alone basis. New loans equivalent to USD 300 million, have been raised to finance the acquisition. As at 30 September 2016, Gränges' net debt corresponded to 2.2 times adjusted EBITDA<sup>1</sup>. The acquired business is expected to positively contribute to earnings per share for Gränges from 2017.

Following the acquisition, Gränges doubled in size in terms of sales volume, and broadened operations within a number of related niche segments in the aluminium rolling industry. With own manu-

facturing capacity in North America, Gränges has obtained the desired platform to enable an expansion in heat exchanger material for brazed heat exchangers in the region. A review has been launched to investigate a possible future investment for producing multi-layer products also in the US. The review will be conducted throughout 2017.



Huntingdon production site

<sup>1</sup> Calculated on a rolling 12-month basis, including estimated adjusted EBITDA on a stand alone basis for the acquired business in the US.

## “Excluding the acquired business, sales volume increased by 5.6% in the third quarter, primarily driven by sales to Asia and Americas”

### MARKET DEVELOPMENT

According to the international research firm IHS, global light vehicle production increased by 5.1% in the third quarter of 2016<sup>1</sup>, compared to the corresponding quarter 2015. In Asia, light vehicle production increased by 10.4% during the third quarter, with 21.1% growth in China. A flat development is expected in the fourth quarter. In Europe, light vehicle production decreased by 1.6% in the third quarter 2016, whereas growth of 2.7% is expected for the fourth quarter. Light vehicle production in the Americas decreased by 0.1% in the third quarter, as growth of 1.6% in North America was offset by a weak South American market. For the fourth quarter, a growth of 1.1% is anticipated in the Americas. For the full year 2016, IHS forecasts an increase in global light vehicle production of 3.0%.

Demand for aluminium products for brazed heat exchangers, which is Gränges' main market and accounts for about half of the sales volume, is strongly correlated with the market for light vehicles. Due to lead times in the supply chain there is, however, a time lag between growth in demand for Gränges' products and growth in vehicle production.

Regarding Gränges newly acquired operations in the US, about half of the sales volume is made up of materials for stationary heat exchangers, especially air conditioning units. This is a market that is expected to grow in coming years as a result of better US household economy and increased requirements on the indoor climate. Meanwhile product development is driven by needs for more energy efficient devices and reduced use of harmful refrigerants.

### SALES DEVELOPMENT

The sales volume in the third quarter of 2016 was 62.8 ktonnes (38.9), an increase of 61.5% compared to the same quarter previous year. Excluding the acquired business, sales volume increased by 5.6% to 41.1 ktonnes (38.9). Net sales increased to SEK 1,859 million (1,281) and was SEK 1,334 million (1,281) excluding acquired net sales. The net effect from changes in foreign exchange rates

amounted to SEK 3 million in the quarter. The higher sales volume was partly offset by the lower aluminium price and lower average conversion price.

During January-September 2016, sales volume reached 154.4 ktonnes (125.0), an increase of 23.5% compared to the corresponding period previous year. Excluding the acquired business, sales volume increased by 6.1% to 132.7 ktonnes (125.0). Net sales increased to SEK 4,662 million (4,243) and was SEK 4,136 million (4,243) excluding acquired net sales. The net effect of changes in foreign exchange rates was negative and amounted to SEK -16 million during January-September 2016.

### ASIA

In the third quarter of 2016, sales volume in Asia increased by 7.9% to 19.0 ktonnes (17.6). The growth was primarily driven by sales to Chinese automotive customers. During January-September 2016, sales volume in Asia increased to 60.1 ktonnes (57.9), which represents an increase of 3.8% compared to previous year.

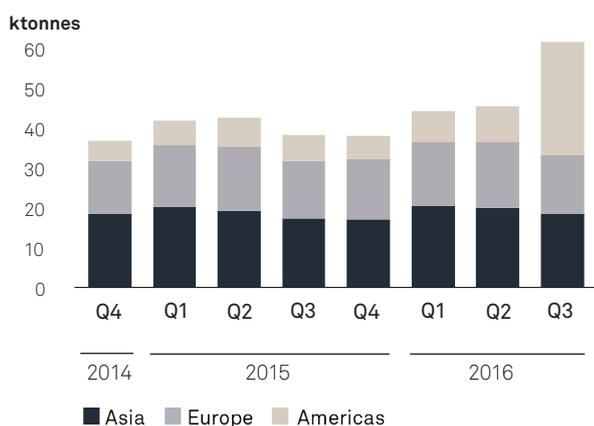
### EUROPE

In the third quarter of 2016, sales volume in Europe increased by 0.8% to 15.0 ktonnes (14.9). Sales of heat exchanger material increased while sales of scrap based products for non-heat exchanger applications decreased during the quarter. During January-September 2016, sales volume in Europe reached 48.5 ktonnes (47.3), which represents an increase of 2.6% compared to previous year.

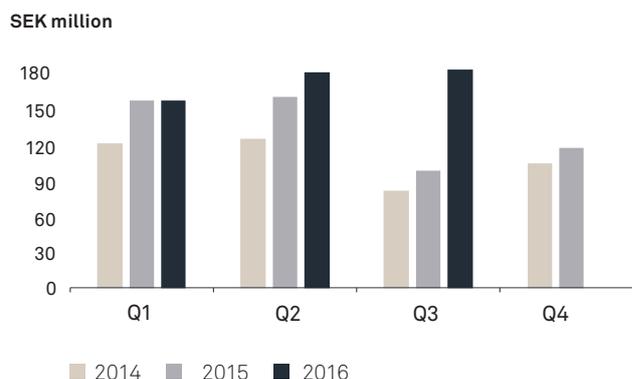
### AMERICAS

In the third quarter of 2016, sales volume in the Americas increased to 28.9 ktonnes (6.5). Excluding the acquired business, sales volume increased by 10.0% to 7.1 ktonnes (6.5) due to higher contracted volumes with several customers. During January-September 2016, sales volume in Americas reached 45.8 ktonnes (19.8). Excluding the acquired business, sales volume increased by 21.4% to 24.0 ktonnes (19.8)

## Quarterly sales volume per region



## Quarterly adjusted operating profit



<sup>1</sup> Source: IHS, 16 September 2016.

## OPERATING PROFIT

Adjusted operating profit for the third quarter of 2016 increased to SEK 181 million (112), corresponding to an adjusted operating margin of 9.7% (8.8). Excluding the acquired business, adjusted operating profit increased by 17.0% to SEK 132 million (112). Net changes in foreign exchange rates had a positive impact of SEK 21 million in the quarter. The positive effect from higher sales volume was offset by lower average conversion price.

Operating profit for the third quarter of 2016 was SEK 88 million (97). Operating profit includes items affecting comparability of SEK -94 million (-15), which includes costs for finalising the acquisition in the US of SEK -36 million, an IFRS effect of SEK -48 million due to realisation of acquired inventory valued at fair value instead of at cost, and a provision for closure costs of Gränges' existing North American sales company of SEK -10 million.

During the period January-September 2016, adjusted operating profit increased to SEK 516 million (425), corresponding to an adjusted operating margin of 11.1 % (10.0). Excluding the acquired business, adjusted operating profit increased by 9.8% to SEK 467 million (425). The net effect of changes in foreign exchange rates was positive and amounted to SEK 67 million for the first three quarters of 2016. Operating profit during January-September 2016 was SEK 397 million (410).

## PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Finance income and costs was SEK -26 million (-5) and includes non-recurring fees and expenses of SEK -8 million triggered by new bank financing. Further, finance income and costs includes interest expenses of SEK -16 million and net foreign exchange losses of SEK -2 million. Profit before tax was SEK 62 million (93). Income tax for the third quarter of 2016 was positive and amounted to SEK 127 million (-24). A release of a provision for corporate income tax in China is included with a positive effect of SEK 139 million. Excluding the released tax provision, income tax for the quarter was SEK -12 million which corresponds to an effective tax rate of 20% (26) in the quarter.

During the period January-September 2016, finance income and costs amounted to SEK -33 million (-17). Profit before tax was SEK 365 million (395). Income tax for the first three quarters of 2016 was positive and amounted to SEK 31 million (-100). This includes the 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 -20 million paid on a dividend from the Chinese subsidiary. Excluding the released tax provision and withholding tax, the effective tax rate was 24% (25).

The profit for the period was SEK 189 million (69) during the third quarter of 2016. Diluted earnings per share was SEK 2.53 (0.93). During January-September 2016, the profit for the period was SEK 397 million (295) and diluted earnings per share was SEK 5.30 (3.95).

## CASH FLOW

Cash flow from operating activities was SEK 344 million (300) in the third quarter of 2016. A reduction in working capital was partly offset by paid income taxes. Reduced working capital in the quarter was to a large extent driven by a build-up of payables in the acquired US operations following a normalisation of credit terms to suppliers. During the period January-September 2016, cash flow from operating activities was SEK 514 million (540).

Cash flow from investing activities for the third quarter of 2016 was SEK -2,629 million (-34) and includes cash consideration for the US acquisition of SEK -2,598 million. Capital expenditure during the quarter amounted to SEK -31 million (-38) and was mainly related to investments to maintain and improve efficiency in current production facilities. During the period January-September 2016, cash flow from investing activities was SEK -2,664 million (-100). Cash flow before financing activities amounted to SEK -2,285 million (267) in the third quarter of 2016 and SEK -2,150 million (440) in January-September 2016.

Cash flow from financing activities for the third quarter of 2016 was SEK 2,660 million (-57) and includes new bank financing of SEK 3,258 million and amortisation of loans of SEK -570 million. During the period January-September 2016 cash flow from financing activities was SEK 2,265 million (-365).

Cash and cash equivalents amounted to SEK 746 million at 30 September 2016 (SEK 634 million at 31 December 2015).

## FINANCIAL POSITION

Gränges' total assets amounted to SEK 7,582 million at 30 September 2016 (SEK 4,402 million at 31 December 2015). The equity to assets ratio was 35.8% at 30 September 2016 (56.8% at 31 December 2015). Consolidated net debt including pension liabilities was SEK 2,823 million at 30 September 2016 (SEK 275 million at 31 December 2015) and includes assumed pension liabilities in the US of SEK 160 million. At 30 September 2016, the Group's net debt corresponds to 2.2 times adjusted EBITDA<sup>1</sup>.

## EMPLOYEES

The average number of employees in the Gränges Group was 1,145 (975) in the third quarter of 2016 and 1,023 (969) during the period January-September 2016.

## PARENT COMPANY

Gränges AB is the parent company of the Gränges Group. The operations include Group Management and Group functions such as R&D, finance, treasury, legal and communications. For the period January-September 2016, net sales in the parent company was SEK 70 million (82) and the profit for the period was SEK 292 million (-63). The net profit includes a dividend from the Chinese subsidiary of SEK 403 million.

<sup>1</sup> Calculated on a rolling 12-month basis, including estimated adjusted EBITDA on a stand alone basis for the acquired business in the US.

## SIGNIFICANT EVENTS DURING THE PERIOD

### *Patrick Lawlor appointed President of Gränges Americas*

In conjunction with Gränges' acquisition of Noranda's rolled aluminium business in the US, Patrick Lawlor was appointed president of our operations in the Americas and member of Gränges' management team. Lawlor has extensive experience of the aluminium industry from Sapa, Indalex and Norsk Hydro.

### *Gränges enters new financing arrangement*

In conjunction with the US acquisition, Danske Bank and Svenska Handelsbanken have provided Gränges with a new financing arrangement. The new financing includes a five-year term loan equivalent to USD 300 million and a three-year revolving credit facility of SEK 1,200 million available in several currencies.

### *Innovation and new technologies in focus during China seminar*

Gränges' technical seminar in China was held on September 22-23, 2016. Some 400 customers and other leading industry figures attended the seminar, which is the largest of its kind in our industry. Gränges has led the development of new, innovative heat exchanger material in the region since we established the business in China 20 years ago.

### *Effect of lower tax rates in China*

Gränges reported a positive tax effect of SEK 139 million during the third quarter of 2016. Gränges has been classified as a high-tech company in China in 2013-2015, thereby incurring income tax of 15% rather than 25%.

## SIGNIFICANT EVENTS AFTER THE PERIOD

### *Gränges adopts the UN Global Compact*

In October 2016 Gränges signed the UN Global Compact sustainability initiative. By signing the Global Compact, Gränges pledges to operate according to its 10 principles relating to human rights, labour law, environment and anti-corruption.

## SHARE INFORMATION

The share capital in Gränges amounts to SEK 100 million, divided into 74,639,386 shares, each with a quota value of SEK 1.339775. Gränges only has one class of shares.

## INCENTIVE PROGRAMME

From October 2016, it is possible to exercise options in Gränges' stock option programme from 2014 (LTI 2014), which is designed for senior executives and other key Gränges employees. In total, the programme comprises 1,000,000 stock options that if fully used represent a dilution of around 1.3% of the total number of shares in Gränges.

The exercise period runs from October 2016 to November 2017. The strike price is SEK 51 per option, less dividends paid during the period, (representing a total of SEK 3.50 per share for the years 2014-2015).

## OWNERSHIP STRUCTURE

Largest shareholders in Gränges at 30 September 2016<sup>1</sup>.

Shareholder	Number of shares	Share of capital and votes %
Fjärde AP-fonden	6,548,931	8.8
AFA Försäkring	4,901,805	6.6
JP Morgan Asset Management	4,113,338	5.5
Old Mutual	3,996,515	5.4
SEB Fonder	2,985,281	4.0
Catella Fonder	2,944,262	3.9
Copper Rock Capital Partners	1,456,634	2.0
Norges Bank	1,009,820	1.4
Invesco Fonder	980,499	1.3
Öhman Fonder	955,803	1.3
<b>Total 10 largest shareholders</b>	<b>29,892,888</b>	<b>40.0</b>
Other	44,746,498	60.0
<b>Total</b>	<b>74,639,386</b>	<b>100.0</b>

<sup>1</sup> Source: Modular Finance Holdings.

The number of shareholders in Gränges was 7,534 at 30 September 2016.

## OTHER

### *Annual General Meeting 2017*

Gränges' AGM 2017 will be held on May 4, 2017, at CET 4 p.m. at Näringslivets Hus, Storgatan 19, in Stockholm. Notice of the AGM will be published no earlier than six weeks and no later than four weeks prior to the AGM.

### *Nomination committee appointed*

Gränges' nomination committee for the 2017 AGM has been appointed. Jannis Kitsakis will represent Fjärde AP-fonden, Anders Algotsson will represent AFA Försäkring and Rikard Andersson will represent SEB Fonder. In addition, Gränges' chairman Anders G Carlberg is also on the nomination committee. The committee is chaired by Jannis Kitsakis. Shareholders who wish to submit suggestions and comments regarding the committee's work are asked to do so as soon as possible, and no later than January 27, 2017.

## 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.

During the third quarter, Gränges acquired Noranda's rolled aluminium business in the US. The acquisition expands Gränges operations with more manufacturing facilities and presence in end-customer markets, which is considered to reduce operational risk. In connection with the acquisition the existing debt was refinanced. Gränges' business in the US, Gränges Americas Inc., is financed with internal loans from Gränges AB and the financial risks are treated in a similar manner as for the rest of the Group.

More information about risk management is available on pages 36–38 of the Gränges 2015 annual report.

## SEASONAL VARIATIONS

Gränges' business is subject to seasonal variations to a limited degree. Following the acquisition in North America completed in August 2016, the second quarter is the strongest and the fourth quarter the weakest in terms of sales volume. Gränges' increased presence in global markets has led to lower seasonal variations.

Stockholm, 27 October 2016

Johan Menckel  
Chief Executive Officer

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## For additional information, please contact:

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*The information in this report is such that Gränges must disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, through the agency of the contact person set out above, on Thursday 27 October 2016 at 07.30 CET.*

## Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' interim report for January–September 2016 at a webcasted conference call at CET 10.00, Thursday 27 October, 2016.

The webcast can be accessed on [www.granges.com/investors](http://www.granges.com/investors). To participate in the telephone conference, please call +46 856 642 661 (Sweden), +44 203 194 0544 (UK) or +1 855 269 2604 (USA). Please call a few minutes before the telephone conference starts. The presentation will be in English.

## Financial calendar

2 February 2017	Year-end Report 2016
27 April 2017	Interim Report January–March 2017
4 May 2017	2017 Annual General Meeting
20 July 2017	Half-year Report 2017
26 October 2017	Interim Report January–September 2017

## **REVIEW REPORT**

Gränges AB, corporate identity number 556001-6122

### **Introduction**

We have reviewed the condensed interim report for Gränges AB as at September 30, 2016 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical

and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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

Stockholm, 27 October, 2016  
*Ernst & Young AB*

Erik Sandström  
Authorized Public Accountant

## CONSOLIDATED INCOME STATEMENT (CONDENSED)

SEK million	Note	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
<b>Net sales</b>	4	<b>1,859</b>	<b>1,281</b>	<b>4,662</b>	<b>4,243</b>	<b>5,494</b>
Cost of materials		-1,122	-764	-2,750	-2,581	-3,280
Payroll and other operating expenses		-487	-352	-1,226	-1,080	-1,465
Depreciation and amortisation		-70	-53	-169	-156	-208
Items affecting comparability	5	-94	-15	-119	-15	-3
<b>Operating profit</b>		<b>88</b>	<b>97</b>	<b>397</b>	<b>410</b>	<b>538</b>
Profit from joint ventures		1	1	2	2	2
Finance income and costs		-26	-5	-33	-17	-19
<b>Profit before tax</b>		<b>62</b>	<b>93</b>	<b>365</b>	<b>395</b>	<b>521</b>
Income tax	3	127	-24	31	-100	-143
<b>Profit for the period</b>		<b>189</b>	<b>69</b>	<b>397</b>	<b>295</b>	<b>379</b>
<b>Earnings per share</b>						
Earnings per share basic, SEK		2.53	0.93	5.31	3.96	5.07
Earnings per share diluted, SEK		2.52	0.93	5.30	3.95	5.07

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
<b>Profit for the period</b>	<b>189</b>	<b>69</b>	<b>397</b>	<b>295</b>	<b>379</b>
<b>Items not to be reclassified to profit/loss in subsequent periods</b>					
Remeasurement of pensions after tax	-7	20	-24	9	10
<b>Items to be reclassified to profit/loss in subsequent periods</b>					
Change in hedging reserve after tax	-7	-11	-15	8	23
Translation effects	47	-22	3	97	62
<b>Comprehensive income for the period attributable to owners of the parent company</b>	<b>222</b>	<b>56</b>	<b>361</b>	<b>409</b>	<b>474</b>

## CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>ASSETS</b>				
Property, plant and equipment		3,303	1,718	1,669
Intangible assets		454	9	9
Deferred tax assets		114	56	54
Investments in joint ventures		33	33	30
Interest-bearing receivables		34	34	34
Other non-current receivables	2	13	-	4
<b>Non-current assets</b>		<b>3,951</b>	<b>1,849</b>	<b>1,800</b>
Inventories		1,229	831	888
Receivables	2	1,652	1,194	1,080
Interest-bearing receivables		4	0	0
Cash and cash equivalents		746	748	634
<b>Current assets</b>		<b>3,631</b>	<b>2,772</b>	<b>2,601</b>
<b>TOTAL ASSETS</b>		<b>7,582</b>	<b>4,622</b>	<b>4,402</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		100	100	100
Retained earnings		2,612	2,335	2,399
<b>Equity</b>		<b>2,712</b>	<b>2,435</b>	<b>2,499</b>
Interest-bearing liabilities		3,016	1,084	804
Provisions and other liabilities	2	354	178	185
<b>Non-current liabilities</b>		<b>3,370</b>	<b>1,262</b>	<b>989</b>
Interest-bearing liabilities		258	0	0
Other liabilities	2	1,242	925	913
<b>Current liabilities</b>		<b>1,500</b>	<b>925</b>	<b>914</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,582</b>	<b>4,622</b>	<b>4,402</b>

## CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Opening balance as at 1 January</b>	<b>2,499</b>	<b>2,137</b>	<b>2,137</b>
Profit for the period	397	295	379
Items in comprehensive income for the period	-36	114	95
<b>Group comprehensive income for the period</b>	<b>361</b>	<b>409</b>	<b>474</b>
Employee stock option scheme	1	1	1
Dividend	-149	-112	-112
<b>Total transactions with owners, recognised directly in equity</b>	<b>-148</b>	<b>-111</b>	<b>-111</b>
<b>Closing balance</b>	<b>2,712</b>	<b>2,435</b>	<b>2,499</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Operating profit	88	97	397	410	538
Depreciation and amortisation	70	53	169	156	217
Change in working capital etc.	237	183	109	89	100
Income taxes paid	-50	-34	-160	-114	-130
<b>Cash flow from operating activities</b>	<b>344</b>	<b>300</b>	<b>514</b>	<b>540</b>	<b>725</b>
Acquisitions	-2,598	-	-2,598	-	-
Investments in property, plant, equipment and intangible assets	-31	-38	-66	-103	-134
Divestment of property, plant and equipment	0	4	0	4	5
Other capital transactions	-	-	-	-	4
<b>Cash flow from investing activities</b>	<b>-2,629</b>	<b>-34</b>	<b>-2,664</b>	<b>-100</b>	<b>-125</b>
Dividend	-	-	-149	-112	-112
Interest paid and received	-28	-3	-33	-12	-15
New loan	3,258	-	3,258	-	-
Amortisation	-570	-54	-810	-241	-520
<b>Cash flow from financing activities</b>	<b>2,660</b>	<b>-57</b>	<b>2,265</b>	<b>-365</b>	<b>-647</b>
<b>Cash flow for the period</b>	<b>375</b>	<b>209</b>	<b>115</b>	<b>75</b>	<b>-47</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>361</b>	<b>541</b>	<b>634</b>	<b>644</b>	<b>644</b>
Cash flow for the period	375	209	115	75	-47
Exchange rate differences in cash and cash equivalents	10	-2	-2	29	37
<b>Cash and cash equivalents at end of period</b>	<b>746</b>	<b>748</b>	<b>746</b>	<b>748</b>	<b>634</b>

## PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
<b>Net sales</b>	<b>25</b>	<b>28</b>	<b>70</b>	<b>82</b>	<b>128</b>
Payroll and other operating expenses	-46	-48	-134	-122	-159
Depreciation	-5	-4	-12	-12	-15
<b>Operating profit/loss</b>	<b>-26</b>	<b>-24</b>	<b>-77</b>	<b>-52</b>	<b>-47</b>
Dividends from subsidiaries	-	-	403	-	306
Finance income and costs	-10	-2	-12	-8	-10
<b>Profit/loss after financial items</b>	<b>-36</b>	<b>-26</b>	<b>314</b>	<b>-60</b>	<b>249</b>
Change in accelerated depreciation	-	-	-	-	1
Group contributions	-	-	-	-	15
Income tax	-1	-1	-22	-3	-10
<b>Profit/loss for the period</b>	<b>-36</b>	<b>-27</b>	<b>292</b>	<b>-63</b>	<b>254</b>

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

## PARENT COMPANY BALANCE SHEET (CONDENSED)

SEK million	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>ASSETS</b>			
Property, plant and equipment	213	230	223
Investments related to Group companies	1,271	424	426
Non-interest-bearing receivables from Group companies	364	291	303
Interest-bearing receivables from Group companies	1,741	-	-
Interest-bearing receivables	34	34	34
Other non-current receivables	10	-	14
<b>Non-current assets</b>	<b>3,633</b>	<b>978</b>	<b>999</b>
Interest-bearing receivables from Group companies	170	350	159
Non-interest-bearing receivables from Group companies	111	0	28
Other receivables	96	107	78
Cash and cash equivalents	30	-	106
<b>Current assets</b>	<b>407</b>	<b>457</b>	<b>371</b>
<b>TOTAL ASSETS</b>	<b>4,040</b>	<b>1,435</b>	<b>1,371</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
Restricted equity	100	100	100
Non-restricted equity	490	31	349
<b>Equity</b>	<b>590</b>	<b>131</b>	<b>449</b>
<b>Untaxed reserves</b>	<b>9</b>	<b>10</b>	<b>9</b>
Provisions and other liabilities	28	26	23
Interest-bearing liabilities	3,016	1,077	804
<b>Non-current liabilities</b>	<b>3,044</b>	<b>1,103</b>	<b>827</b>
Liabilities to Group companies	-	1	-
Interest-bearing liabilities	258	-	-
Other non-interest-bearing liabilities	139	189	86
<b>Current liabilities</b>	<b>397</b>	<b>190</b>	<b>86</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>4,040</b>	<b>1,435</b>	<b>1,371</b>

# NOTES

## NOTE 1 ACCOUNTING PRINCIPLES

The Gränges Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting principles adopted are consistent with those described in the Annual Report for Gränges AB (publ) 2015, which is available at [www.granges.com](http://www.granges.com). There are no new accounting principles applicable from 2016 that significantly affect the Gränges Group. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Reporting for Legal Entities. During 2016 the Parent Company has changed its accounting principle to apply IAS 39, which has resulted in the derivatives being measured at fair value instead of at cost. The change in accounting policy to fair value is deemed to provide more relevant information. The change in accounting policy is applied retrospectively in the Parent company. The change in measuring derivatives from cost to fair value has resulted in an effect on derivative assets of SEK 20 million at 30 September 2016 (SEK 53 million at 30 September 2015, and SEK 40 million at 31 December 2015) and on derivative liabilities of SEK 64 million at 30 September 2016 (SEK 42 million 30 September 2015, and SEK 27 million at 31 December 2015). The Parent Company has a hedging strategy where group internal and group external derivatives are entered into back to back. The change in accounting policy has therefore had a gross up effect on the balance sheet but the effect on profit or loss has been zero and the effect on the opening balance of equity as of 1 January 2016 amounts to zero.

The change in accounting principle for the Parent Company has no impact on Gränges Group's financial statements.

The interim information on pages 2-12 are an integrated part of these financial statements.

## NOTE 2 FINANCIAL INSTRUMENTS

Financial instruments measured at fair value consist of derivative instruments (currency forwards and aluminium futures). The table below shows the fair value of the derivatives included in the balance sheet.

SEK million	30 Sep 2016	30 Sep 2015	31 Dec 2015
Other non-current receivables	0	-	4
Receivables	24	64	42
Provisions and other liabilities	7	-	1
Other liabilities	74	54	51

All derivatives are measured at fair value and are classified according to level 2, i.e., all significant inputs required for measurement of the instruments are observable. Fair value of currency forward contracts is calculated by discounting the difference between the contracted forward rate and the for-

ward rate that can be contracted on the balance sheet date for the remaining contract period. Aluminium futures are measured at observable quoted prices on LME (London Metal Exchange) and SHFE (Shanghai Futures Exchange) for similar assets and liabilities.

Danske Bank and Svenska Handelsbanken have provided Gränges with a credit facility in order to facilitate the acquisition in the US. The acquisition is financed with a five-year term loan equivalent to USD 300 million. The loan is amortised with USD 30 million per year. In conjunction with the acquisition, Gränges also refinanced its existing revolving credit facility with a new three-year multi-currency revolving credit facility of SEK 1,200 million. For the revolving credit facility Gränges has the right to choose among maturities and fixed interest terms of one, two, three or six months. The new financing is subject to conventional covenants, which are Net debt/EBITDA and interest coverage ratio.

Borrowings are measured at amortised cost and the carrying amount at 30 September 2016 is SEK 3,274 million (SEK 804 million at 31 December 2015). The fair value of borrowings amounted at 30 September 2016 to SEK 3,292 million (SEK 810 million at 31 December 2015). For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value. The borrowings are measured at fair value and are classified according to level 2.

## NOTE 3 TAX

Gränges reports a positive tax effect of approximately SEK 139 million in the third quarter of 2016 as a result of Gränges subsidiary in China has been classified as a High Technology Enterprise in China for the period 2013-2015. The classification means that the company has been approved to pay 15% income tax in China instead of 25% over a three-year period.

The positive tax effect will impact the profit for the period with the same amount, but has no effect on the cash flow.

The company has applied for an additional three-year period, 2016-2018, for being classified as a High Technology Enterprise. No pre-approval has been received yet and the higher tax rate of 25% has therefore been applied by Gränges for China during the period January to September 2016.

#### NOTE 4 RELATED PARTY TRANSACTIONS

Gränges has a share of 50% 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 and transactions with them are specified in the table below.

SEK million	Jul -Sep 2016	Jul -Sep 2015	Jan -Sep 2016	Jan -Sep 2015	Jan -Dec 2015
Sales to joint ventures	229	191	715	614	801
Expenses to joint ventures	-24	-14	-41	-29	-47

SEK million	30 Sep 2016	30 Sep 2015	31 Dec 2015
Interest-bearing receivables (non-current) from joint ventures	34	34	34
Non-interest-bearing receivables from joint ventures	164	116	110
Non-interest-bearing liabilities to joint ventures	12	-6	7

#### NOTE 5 ITEMS AFFECTING COMPARABILITY

SEK million	Jul -Sep 2016	Jul -Sep 2015	Jan -Sep 2016	Jan -Sep 2015	Jan -Dec 2015
M&A costs	-36	-	-61	-	-
Realisation of fair value step-up on acquired inventory	-48	-	-48	-	-
Closure costs for US sales company	-10	-	-10	-	-
Restructuring costs	-	-15	-	-15	-15
Insurance settlement	-	-	-	-	21
Write-down of machinery and equipment	-	-	-	-	-8
<b>Total items affecting comparability</b>	<b>-94</b>	<b>-15</b>	<b>-119</b>	<b>-15</b>	<b>-3</b>

During the third quarter 2016 Gränges had costs of SEK -36 million related to acquisition activities in North America. The corresponding amount for the period January to September 2016 was SEK -61 million.

The acquired inventory in the US was measured at fair value in accordance with IFRS. The realisation cost of the difference between the inventory valued at fair value and at cost, the so called step-up, of SEK -48 million has been considered as an item affecting comparability.

Following the acquisition in US, Gränges will coordinate the distribution in North America through the new company Gränges Americas Inc. The costs for closing the current sales company Norca Heat Transfer LLC are estimated to SEK -10 million.

## NOTE 6 ACQUISITION

On August 22, 2016 Gränges successfully completed the acquisition of Noranda Aluminum Holding Corporation's downstream aluminium rolling business in the US. The acquisition delivers on Gränges' goal to be a global supplier with a more balanced footprint by firmly establishing the company in North America and as US market leader in the strategic HVAC&R market. In addition, the acquisition expands Gränges' offering into attractive adjacent aluminium rolled product areas. Through the transaction, Gränges will more than double its sales volume and the significantly strengthened business creates very good opportunities for continued profitable growth.

The transaction is an asset deal conducted by Gränges Americas Inc, a wholly owned subsidiary to Gränges AB. The acquired business is consolidated from 22 August, 2016. The preliminary acquisition balance is presented below.

Preliminary purchase price allocation 22 Aug 2016	USD million	SEK million
Property, plant and equipment	202	1,712
Intangible assets	52	441
Non-current receivables	8	69
Current receivables	92	774
Provision and other liabilities	-19	-160
Current liabilities	-28	-239
<b>Net identifiable assets and liabilities</b>	<b>307</b>	<b>2,598</b>

<b>Cash consideration paid for acquisition</b>	<b>307</b>	<b>2,598</b>
Cash and Cash equivalents in acquired operation	-	-
<b>Effect on the Group's cash and cash equivalents</b>	<b>307</b>	<b>2,598</b>

No contingent assets, pledged assets or contingent liabilities have been added in connection with the acquisition.

The effect of the acquisition on the Group's consolidated income statement for July to September 2016 is presented below.

SEK million	Jul-Sep 2016
<b>Net Sales</b>	<b>525</b>
Cost of materials	-328
Payroll and other operating expenses	-129
Depreciation	-20
Items affecting comparability	-84
<b>Operating profit</b>	<b>-36</b>

Items affecting comparability consists of realisation of step-up value on the inventories due to fair value measurement of SEK -48 MSEK and M&A costs of SEK -36 million.

Transaction costs for the acquisition has affected the Group's consolidated income statement for January to September with SEK -49 million.

If the acquisition had been consolidated as from 1 January 2016, it is assessed that the Group's consolidated income statement for January to September would have been presented as below.

SEK million	Jan-Sep 2016
<b>Net sales</b>	<b>7,419</b>
Cost of materials	-4,430
Payroll and other operating expenses	-1,983
Depreciation	-302
Items affecting comparability	-119
<b>Operating profit</b>	<b>586</b>
Profit from joint ventures	2
Finance income and costs	-89
<b>Profit before taxes</b>	<b>498</b>
Income Tax	-23
<b>Profit for the period</b>	<b>476</b>

In the consolidated income statement above, the acquired business in the US has been included based on the assessed cost structure of the operations on a stand-alone basis. Finance income and costs includes estimated financing costs for the period calculated based on the Group's interest rate levels and financing structure as per 30 September 2016. Income tax for the period has been estimated based on an effective income tax rate of 28%.

# CONSOLIDATED QUARTERLY DATA

SEK million	2016			2015			2014	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume, ktonnes	62.8	46.5	45.1	38.9	38.9	43.4	42.7	37.7
<b>Income statement</b>								
Net sales	1,859	1,442	1,360	1,252	1,281	1,506	1,456	1,217
Adjusted EBITDA <sup>1</sup>	251	228	206	168	165	210	206	157
Adjusted operating profit <sup>1</sup>	181	179	155	116	112	158	155	103
Operating profit	88	154	155	128	97	158	155	97
Profit for the period	189	114	94	83	69	115	111	89
Adjusted EBITDA margin, %	13.5	15.8	15.1	13.4	12.9	13.9	14.2	12.9
Adjusted operating margin, %	9.7	12.4	11.4	9.2	8.8	10.5	10.6	8.4
Adjusted operating profit per tonne, kSEK	2.9	3.9	3.4	3.0	2.9	3.6	3.6	2.7
Operating margin, %	4.7	10.7	11.4	10.2	7.6	10.5	10.6	7.9
Net margin, %	10.2	7.9	6.9	6.7	5.4	7.6	7.6	7.3
<b>Balance sheet</b>								
Non-current assets	3,951	1,712	1,725	1,800	1,849	1,867	1,942	1,829
Current assets	3,631	2,578	2,279	2,601	2,772	2,818	2,796	2,631
Equity	2,712	2,489	2,537	2,499	2,435	2,378	2,478	2,137
Non-current liabilities	3,370	775	593	989	1,262	1,293	1,086	1,071
Current liabilities	1,500	1,025	874	914	925	1,014	1,174	1,253
<b>Cash flow</b>								
Operating activities	344	178	-8	184	300	212	28	227
Investing activities	-2,629	-21	-14	-25	-34	-37	-29	-39
Cash flow before financing activities	-2,285	157	-22	159	267	175	-1	188
Financing activities	2,660	8	-402	-282	-57	-17	-291	-155
Cash flow for the period	375	165	-424	-123	209	158	-292	33
<b>Capital structure</b>								
Net debt	2,823	335	316	275	442	725	775	765
Equity to assets, %	35.8	58.0	63.3	56.8	52.7	50.8	52.3	47.9
<b>Data per share, SEK</b>								
Earnings per share basic	2.53	1.53	1.25	1.12	0.93	1.54	1.49	1.19
Earnings per share diluted	2.52	1.52	1.25	1.11	0.93	1.54	1.49	1.19
Equity <sup>2</sup>	36.21	33.29	33.93	33.45	32.62	31.81	33.14	28.63
Cash flow from operating activities <sup>2</sup>	4.51	2.38	-0.10	2.46	4.02	2.84	0.37	3.04
Share price at the end of the period	87.50	73.00	70.50	70.00	54.25	59.00	69.25	51.00
Weighted outstanding ordinary shares, basic in thousands	74,639.4	74,639.4	74,639.4	74,639.4	74,639.4	74,639.4	74,639.4	74,639.4
Weighted outstanding ordinary shares, diluted in thousands	74,898.5	74,767.3	74,764.6	74,719.4	74,657.3	74,754.3	74,744.8	74,639.4

<sup>1</sup> Adjusted for items affecting comparability, see note 5.

<sup>2</sup> Calculated on weighted outstanding ordinary shares, diluted.

## CONSOLIDATED QUARTERLY DATA

SEK million	2016			2015			2014	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Sales volume by region, ktonnes</b>								
Asia	19.0	20.4	20.8	17.5	17.6	19.6	20.7	18.8
Europe	15.0	16.9	16.6	15.4	14.9	16.4	16.0	13.6
Americas	28.9	9.2	7.8	6.0	6.5	7.4	5.9	5.2
<b>Total</b>	<b>62.8</b>	<b>46.5</b>	<b>45.1</b>	<b>38.9</b>	<b>38.9</b>	<b>43.4</b>	<b>42.7</b>	<b>37.7</b>
<b>Net sales by region</b>								
Asia	619	639	646	569	605	720	742	634
Europe	465	498	473	477	470	526	506	410
Americas	775	306	241	206	206	260	208	173
<b>Total</b>	<b>1,859</b>	<b>1,442</b>	<b>1,360</b>	<b>1,252</b>	<b>1,281</b>	<b>1,506</b>	<b>1,456</b>	<b>1,217</b>
<b>Employees</b>								
Average number of employees	1,145	961	962	949	975	975	958	955

## CONSOLIDATED 12-MONTH ROLLING DATA

SEK million	Oct 2015 - Sep 2016	Jul 2015 - Jun 2016	Apr 2015 - Mar 2016	Jan 2015 - Dec 2015	Oct 2014 - Sep 2015	Jul 2014 - Jun 2015	Apr 2014 - Mar 2015	Jan 2014 - Dec 2014
Sales volume, ktonnes	193.4	169.4	166.4	163.9	162.7	163.0	161.4	160.0
<b>Income statement</b>								
Net sales	5,913	5,335	5,398	5,494	5,460	5,377	5,047	4,748
Adjusted EBITDA <sup>1</sup>	853	768	749	749	738	728	697	664
Adjusted operating profit <sup>1</sup>	632	563	541	541	528	521	494	463
Operating profit	525	535	539	538	507	491	457	422
Adjusted EBITDA margin, %	14.4	14.4	13.9	13.6	13.5	13.5	13.8	14.0
Adjusted operating margin, %	10.7	10.6	10.0	9.8	9.7	9.7	9.8	9.7
Adjusted operating profit per tonne, kSEK	3.3	3.3	3.3	3.3	3.2	3.2	3.1	2.9
Operating margin, %	8.9	10.0	10.0	9.8	9.3	9.1	9.1	8.9
<b>Capital structure and return indicators</b>								
Capital employed	3,372	2,886	2,972	2,982	3,011	2,977	2,893	2,837
Return on capital employed, %	18.7	19.5	18.2	18.1	17.5	17.5	17.1	16.3
Equity	2,534	2,468	2,465	2,385	2,279	2,476	2,631	2,755
Return on equity, %	18.9	14.6	14.6	15.9	16.9	14.9	13.1	11.6
Net debt / Adjusted EBITDA	2.2 <sup>2</sup>	0.4	0.4	0.4	0.6	1.0	1.1	1.2

<sup>1</sup> Adjusted for items affecting comparability, see note 5.

<sup>2</sup> Calculated on a rolling 12-month basis, including estimated adjusted EBITDA on a stand alone basis for the acquired business in the US.

## 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.

SEK million	Q3		Jan - Sep		12 month rolling	Full year
	2016	2015	2016	2015	Oct 2015 - Sep 2016	2015
<b>Adjusted operating profit</b>						
Operating profit	88	97	397	410	525	538
Items affecting comparability	94	15	119	15	107	3
<b>Adjusted operating profit</b>	<b>181</b>	<b>112</b>	<b>516</b>	<b>425</b>	<b>632</b>	<b>541</b>
<b>Adjusted EBITDA</b>						
Adjusted operating profit	181	112	516	425	632	541
Depreciation and amortisation	70	53	169	156	221	208
<b>Adjusted EBITDA</b>	<b>251</b>	<b>165</b>	<b>685</b>	<b>581</b>	<b>853</b>	<b>749</b>
<b>Return on capital employed</b>						
Total assets less cash and cash equivalents and interest-bearing receivables	-	-	-	-	4,410	3,957
Non-interest bearing liabilities, excluding pensions	-	-	-	-	-1,037	-976
<b>Capital employed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,372</b>	<b>2,982</b>
Adjusted operating profit	-	-	-	-	632	541
<b>Return on capital employed, %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.7</b>	<b>18.1</b>
<b>Net debt</b>						
Cash and cash equivalents and interest-bearing receivables	-	-	-784	-781	-784 <sup>1</sup>	-667
Interest bearing liabilities, including pensions	-	-	3,607	1,223	3,607 <sup>1</sup>	942
<b>Net debt</b>	<b>-</b>	<b>-</b>	<b>2,823</b>	<b>442</b>	<b>2,823<sup>1</sup></b>	<b>275</b>
<b>Equity to assets</b>						
Equity	-	-	2,712	2,435	2,712 <sup>1</sup>	2,499
Total assets	-	-	7,582	4,622	7,582 <sup>1</sup>	4,402
<b>Equity to assets, %</b>	<b>-</b>	<b>-</b>	<b>35.8</b>	<b>52.7</b>	<b>35.8<sup>1</sup></b>	<b>56.8</b>

<sup>1</sup> Balances at 30 September 2016.

## Definitions

### **Adjusted EBITDA**

Adjusted operating profit before depreciation and impairment charges.

### **Adjusted operating profit**

Operating profit 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, excluding pensions.

### **Earnings per share**

Profit for the period divided by the total number of shares. Historical share date has been recalculated and based on the present number of shares to increase comparability.

### **Equity to Assets**

Equity divided by total assets.

### **Items affecting comparability**

Non-recurring income and expenses.

### **ktonnes**

Volume expressed in thousands of metric tonnes.

### **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 kronor.

## Glossary

### **Alloy**

Material consisting of several metals.

### **Aluminium strip**

Rolled aluminium in coils.

### **Brazing**

Joining of metals through melting.

### **Cladding**

Surface layer.

### **Heat exchanger**

A device for transferring heat from one medium to another.

### **HVAC&R**

Heating, Ventilation, Air Conditioning and Refrigeration.

### **LME**

London Metal Exchange.

### **MPE tube**

Multi-Port Extrusion tube used in brazed aluminium heat exchangers.

### **Rolled aluminium**

Aluminium that has been down gauged, passing through two or more rollers.

### **Scrap**

Residual aluminium that can be re-melted.

### **SHFE**

Shanghai Futures Exchange.



Gränges celebrates 20 years presence in China, in September 2016





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### ABOUT GRÄNGES

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. In materials for brazed heat exchangers Gränges is the global leader with a market share of approximately 20%. The company develops, produces and markets advanced materials that enhance efficiency in the customer manufacturing process and the performance of the final products; brazed heat exchangers. The company's geographical markets are Europe, Asia and the Americas. Its production facilities are located in Sweden, China and the United States, and have a combined annual capacity of 400,000 metric tonnes. Gränges has some 1,500 employees and net sales of more than SEK 10 billion. The share is listed on Nasdaq Stockholm. More information on Gränges is available at [granges.com](http://granges.com).

### BUSINESS CONCEPT

Gränges serves a number of niche markets for advanced rolled aluminium products. Gränges supports its customers with R&D expertise, product development, and technical support during the product lifecycle. Thereby, Gränges helps create smaller, lighter and more designable materials that increase economic efficiency and reduce environmental impact.

### BUSINESS MODEL

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

### STRATEGY

Gränges strategy is to be a niche player in the global market for rolled aluminium products. By offering customized products with a high technical content, Gränges aims to grow significantly above market rate in the coming years. By 2020, Gränges should be the market leader in all geographical regions within heat exchanger materials in rolled aluminium. That ambition includes structural growth by adding further production capacity and new end-market segments.