

3rd
quarter 2014

Gränges AB (publ)

INTERIM REPORT JANUARY-SEPTEMBER 2014

*”Stable volume
and earnings trend
in third quarter”*

STABLE VOLUME AND EARNINGS TREND IN THIRD QUARTER

THIRD QUARTER 2014

- Sales volume reached 39.3 ktonnes (39.2), level with the corresponding quarter last year.
- Net sales totalled SEK 1 198 million (1 104), an increase of 8.5% compared with the same quarter last year.
- Operating profit increased to SEK 81 million (60), corresponding to an operating margin of 6.8% (5.4).
- Adjusted operating profit amounted to SEK 106 million (98), corresponding to an adjusted operating margin of 8.8% (8.9).
- Profit for the period was SEK 55 million (40). Earnings per share amounted to SEK 0.73 (0.53).

JANUARY–SEPTEMBER 2014

- Sales volume reached 122.3 ktonnes (121.0), an increase of 1.1% compared with the previous year.
- Net sales totalled SEK 3 531 million (3 577), a decrease of 1.3% compared with the previous year.
- Operating profit increased to SEK 326 million (226), corresponding to an operating margin of 9.2% (6.3).
- Adjusted operating profit amounted to SEK 360 million (287), corresponding to an adjusted operating margin of 10.2% (8.0).
- Profit for the period was SEK 230 million (147). Earnings per share amounted to SEK 3.08 (1.97).
- Gränges has a sound financial position. At 30 September 2014, the equity/assets ratio amounted to 44.3% and net debt corresponded to 1.5 times adjusted EBITDA (on a rolling 12-months basis).

KEY FIGURES FOR THE GROUP

Amounts in SEK million	Q3			Jan-Sep			12-month rolling	Full year	Δ
	2014	2013	Δ	2014	2013	Δ	Oct 2013 – Sep 2014	2013	
Sales volume (ktonnes)	39.3	39.2	0.1%	122.3	121.0	1.1%	160.0	158.6	0.8%
Net sales	1 198	1 104	8.5%	3 531	3 577	-1.3%	4 596	4 642	-1.0%
Adjusted operating profit ¹	106	98	7.7%	360	287	25.6%	444	371	19.8%
Adjusted operating margin, %	8.8	8.9	-0.1 ppt	10.2	8.0	2.2 ppt	9.7	8.0	1.7 ppt
Adjusted operating profit per tonne, kSEK	2.7	2.5	0.2	2.9	2.4	0.6	2.8	2.3	0.4
Operating profit	81	60	36.3%	326	226	43.8%	555	456	21.7%
Operating margin, %	6.8	5.4	1.4 ppt	9.2	6.3	2.9 ppt	12.1	9.8	2.3 ppt
Profit for the period	55	40	37.7%	230	147	55.9%	392	309	26.7%
Net cash flow before financing activities	-45	124	-136.4%	408	215	89.6%	643	450	42.9%
Return on capital employed, %	-	-	-	-	-	-	15.5	12.0	3.5 ppt
Earnings per share (SEK) ²	0.73	0.53	0.20	3.08	1.97	1.10	5.25	4.14	1.10

¹ Operating profit excluding other income and expenses of non-recurring nature.

² Earnings per share, basic and diluted. Previous periods have been restated based on the current number of outstanding shares.

COMMENTS BY THE CEO

Gränges continued to enjoy stable development during the third quarter with a sales volume level with the previous year and improved earnings. Adjusted operating profit increased by 8% to SEK 106 million which corresponds to a margin of 8.8%. The weakening of the SEK had a positive impact during the quarter and compensated for increased central costs and somewhat higher costs in the production facility in Shanghai. In Sweden, we can see that efficiency improvements continued to have an effect.

The sales development in the third quarter was largely in line with the trend we saw in the second quarter with good volume growth in Asia and slightly lower volumes in Europe and Americas. The production trend during the quarter was stable.

In mid-October, Gränges arranged its major technology seminar in China. Approximately 300 representatives from our key customers and partners in Asia attended the seminar. The theme for this year's event was energy efficiency and more environmentally friendly emissions – important issues for us and our customers. We received a very positive response and feel strengthened in our ambition to continue to grow in the region and be the technology leader in our niche.

SUCCESSFUL IPO

On 10 October 2014 we carried out a successful listing of Gränges' shares on Nasdaq Stockholm. There was considerable interest in Gränges and it feels gratifying that we have now been entrusted to realise our ambitions together with our new shareholders. As a public listed company we will have more focused governance and increase our visibility. Our customers are also positive about this development.



JOHAN MENCKEL, CEO Gränges

FUTURE PROSPECTS

In the third quarter we saw some slowdown in global vehicle production, particularly in Europe. We expect this trend to continue in the fourth quarter.

Like several others in the industry we have also noted rising aluminium premiums which is expected to have some impact next year provided the upswing continues. This means that there might be some lead time before Gränges receives full coverage for the entire premium cost. The Gränges business model is characterised by long-term customer relationships which often stretch over several years but is affected in the short term by underlying market development.

Overall we feel comfortable ahead of 2015. We have a leading global position and a clear growth strategy where both Asia and North America are prioritised geographical areas. Our aim is to secure and further strengthen our position with continued good profitability.

Johan Menckel, CEO Gränges

THIRD QUARTER 2014

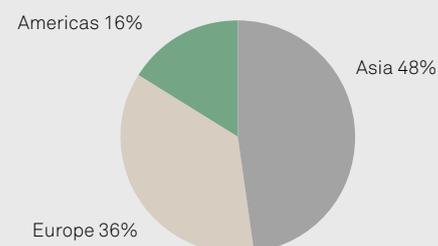
Sales volume

39.3 ktonnes

Net sales

SEK **1 198** million

Sales volume per region



Adjusted operating profit

SEK **106** million

Adjusted operating margin

8.8 %

MARKET DEVELOPMENT

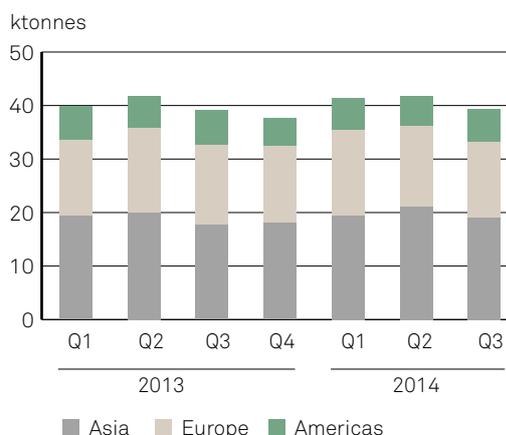
According to the international analysis company IHS, global light vehicle production rose 3% in the third quarter of 2014, compared with the corresponding quarter in 2013. In January–September 2014, growth was approximately 4%. In Asia, light vehicle production is estimated to have increased by approximately 5% in the third quarter of 2014 and almost 6% in the first nine months of the year. Growth was primarily driven by strong development in China. In Europe, light vehicle production fell by about 1% in the third quarter of 2014 but increased by almost 4% in the first nine months. In Americas, the increase was approximately 1% in the third quarter and unchanged for the nine-month period. The IHS forecast for the full-year 2014 is an increase in global light vehicle production of approximately 3%.

Demand for aluminium products for brazed heat exchangers, which is Gränges' main market and accounts for 90% of the company's sales volume, is strongly correlated with the market for light vehicles. Since Gränges is further up the supply chain, there is a lead time between vehicle production and growth in Gränges' markets.

SALES DEVELOPMENT

The sales volume for the third quarter of 2014 was 39.3 ktonnes (39.2), which is level with the corresponding quarter last year. Net sales totalled SEK 1 198 million (1 104). The increase was mainly explained by a positive net effect from changes in foreign exchange rates of SEK 47 million. Higher aluminium prices also contributed to the increase in net sales for the quarter.

QUARTERLY SALES VOLUME PER REGION



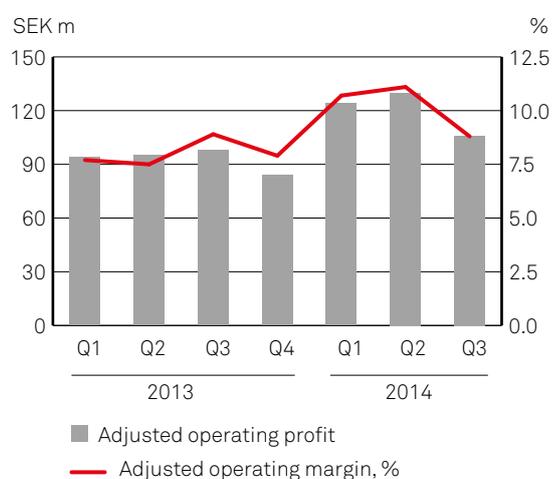
In the period January–September 2014, sales volume amounted to 122.3 ktonnes (121.0), an increase of 1.1% compared with the corresponding period last year. Net sales totalled SEK 3 531 million (3 577). The net effect of changes in foreign exchange rates was positive and amounted to SEK 60 million for the nine-month period. Lower aluminium prices contributed to a reduction in net sales for the period.

Asia

In the third quarter of 2014, sales volume to Asia increased by 7.7% to 19.1 ktonnes (17.7). Higher light vehicle production in China contributed to this upturn while the sales volume in other countries in Asia increased at a slightly lower rate. In January–September 2014, sales to Asia totalled 59.5 ktonnes (57.0), an increase of 4.3% compared with the corresponding period last year.



QUARTERLY OPERATING PROFIT AND OPERATING MARGIN, ADJUSTED



Europe

In the third quarter of 2014, sales volume in Europe fell 6.9% to 14.0 ktonnes (15.0). The lower volume is due to lower sales of scrap-based products for non-heat exchanger applications as well as lower contracted volumes for one heat exchanger customer. In the period January–September 2014, sales volume totalled 45.0 ktonnes (45.1), which is level with the corresponding period in 2013.

Americas

In the third quarter, sales to the Americas fell by 4.7% to 6.2 ktonnes (6.5). The reduction compared with the previous year is mainly a result of lower contracted volumes to some customers which was only partly offset by increased volumes to other customers. In the period January–September 2014, the sales volume totalled 17.9 ktonnes (18.9), a decline of 5.5% compared with the corresponding period last year.

OPERATING PROFIT

Operating profit for the third quarter of 2014 amounted to SEK 81 million (60), an increase of 36% compared with the corresponding quarter in 2013. Adjusted operating profit amounted to SEK 106 million (98), corresponding to an operating margin of 8.8% (8.9). Net changes in foreign exchange rates had a positive effect of SEK 15 million during the quarter, which compensated for increased central costs and somewhat higher costs in the production facility in Shanghai. Efficiency improvements in Sweden continued to have an effect.

Operating profit in January–September 2014 amounted to SEK 326 million (226). Adjusted operating profit was SEK 360 million (287), corresponding to an adjusted operating margin of 10.2% (8.0). The net effect of changes in foreign exchange rates was SEK 12 million for the nine-month period.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

In the third quarter of 2014, financial income and expenses amounted to SEK -9 million (-8), which is entirely attributable to interest expenses. Profit before tax amounted to SEK 73 million (53), including profits from joint ventures of SEK 0 million (1). Income tax for the period amounted to SEK -18 million (-13). This corresponds to an effective tax rate of 25% (25). Gränges has been pre-qualified for a tax rate in China of 15% instead of 25% during the period 2013–2015. Pending notice from the tax authorities, Gränges applies the higher tax rate in China.

Profit for the period rose to SEK 55 million (40) in the third quarter of 2014. Earnings per share, basic and diluted, amounted to SEK 0.73 (0.53). For the first nine months of the year, profit for the period increased to SEK 230 million (147) and earnings per share, basic and diluted, was SEK 3.08 (1.97).

CASH FLOW

Cash flow from operating activities for the third quarter of 2014 amounted to SEK -36 million (151). Increased working capital due to higher aluminium prices and higher paid tax had a negative impact on cash flow.

In January–September 2014, cash flow from operating activities amounted to SEK 451 million (324). Cash flow from operating activities includes a SEK 325 million (0) settlement of an insurance claim related to a fire in Finspång in 2010, whereof SEK 13 million has been paid to Sapa as compensation for a damaged building.

Cash flow from investing activities for the third quarter of 2014 amounted to SEK -9 million (-27). Gränges has recently completed an extensive investment programme and capital expenditure in the current year mainly comprises investments to maintain and improve efficiency in the production facilities. Sales of property, plant and equipment, primarily relating to the disposal of a real estate, had an impact of SEK 14 million on cash flow from investing activities in the quarter. In the period January–September 2014, cash flow from investing activities amounted to SEK -42 million (-109).

Net cash flow before financing activities amounted to SEK -45 million (124) in the third quarter of 2014 and SEK 408 million (215) in January–September.

Cash flow from financing activities for the third quarter of 2014 amounted to SEK -665 million (-134). Ahead of the listing of Gränges on Nasdaq Stockholm, a one-time dividend of SEK 1 650 million was paid to Orkla Industriinvesteringar, and a SEK 950 million loan was raised at the same time.

Cash and cash equivalents and short-term investments amounted to SEK 586 million at 30 September 2014 (SEK 896 million at 31 December 2013).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 4 448 million at 30 September 2014 (SEK 4 626 million at 31 December 2013). The equity/asset ratio amounted to 44.3% at 30 September 2014 (67.0% at 31 December 2013).

Consolidated net debt including pension liabilities amounted to SEK 951 million at 30 September 2014 (net cash SEK 126 million at 31 December 2013). In September 2014, a one-time dividend was paid to Orkla Industriinvesteringar AB of SEK 1 650 million, of which SEK 700 million was funded by existing cash balances and SEK 950 million via a loan from Orkla ASA. After the end of the quarter, the loan from Orkla was replaced by external bank financing.

At 30 September 2014 the Group's net debt was 1.5 times adjusted EBITDA (calculated on a rolling 12-month basis).

EMPLOYEES

The average number of employees in the Gränges Group was 955 (966) in the third quarter of 2014 and 951 (948) during the period January–September 2014.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

New credit facility

Gränges entered into a new SEK 1 800 million multicurrency credit facility, which came into force in conjunction with the IPO on 10 October 2014. The credit facility, which was signed on 20 August 2014, has a maturity of five years on prevailing market terms and will be used for general business purposes.

Focus on energy efficiency at Gränges' industry conference in China

Gränges hosted a technology seminar in China in mid-October 2014. The seminar, which is held every other year, was the eighth since Gränges started its operations

in China in 1996. Delegates included some 300 people representing Gränges' key customers and partners in Asia. Energy efficiency and more environmentally friendly emissions were in focus at the seminar.

Gränges listed on Nasdaq Stockholm

On 10 October 2014, Gränges was listed on Nasdaq Stockholm. The offering comprised existing shares sold by the principal owner Orkla at a rate of SEK 42.50 per share. In total, shares in the offering were sold for some SEK 2.2 billion. After the sale of shares in conjunction with the IPO, Orkla's ownership in Gränges amounts to 31.0% of the capital and voting rights.

The listing of Gränges is in line with the new strategy adopted by Orkla in 2011 which means that Orkla will focus its core business to the consumer goods sector.

Over-allotment option exercised in full

The over-allotment option comprising 6 717 500 shares in Gränges that the principal owner Orkla issued in connection with the listing of Gränges had been exercised in full when the stabilization period ended on November 7, 2014. Orkla's ownership thereafter amounts to 31% of the share capital in Gränges.

Incentive programme

In conjunction with the Gränges IPO, an employee option programme was established for senior executives and key people in the company. The programme comprises a total of 1 000 000 employee warrants, with a corresponding number of underlying shares, and has a term of two years from the listing on Nasdaq Stockholm. The programme subsequently has a conversion period of one year. If exercised in full, the employee option programme would lead to a dilution of approximately 1.3% of the total number of shares in Gränges.

FINANCIAL TARGETS

Gränges' Board has adopted the following financial targets for the Group.

Growth

Gränges aims to grow sales volumes at least in line with the company's end markets over time.

Return metric

Gränges aims to generate a return on average capital employed of 15–20% over time.

Capital structure

Gränges' net debt should normally be between 1-2 times EBITDA over the last twelve months.

Dividend policy

Gränges aims to pay a dividend on its shares of 30-50% of net profit for the period. Decisions on dividends will take into account the company's financial position, cash flow and future prospects.

PARENT COMPANY

Gränges' parent company is the former parent company of the Sapa Group. A legal split of the company took place in March 2013 when Gränges and Sapa became separate companies. As a consequence, the historical financial statements include Sapa through the first quarter of 2013. The lower costs in 2014 are explained partly by costs related to Sapa in the first quarter of 2013 being included in the comparative period, which did not affect the consolidated financial statements, and partly to a loss in connection with property disposals in 2013.

In January-September 2014 net sales in the parent company totalled SEK 71 million (105) and the loss for the period was SEK 19 million (-229).

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.

Ahead of the listing of the company's shares on Nasdaq Stockholm a reduction of the company's share capital was reduced from SEK 933 million to SEK 100 million and a 2:1 split of the company shares was carried out.

OWNERSHIP STRUCTURE

Largest shareholders in Gränges at 31 October 2014

	Number of shares	Share of capital and votes, %
Orkla Industriinvesteringar AB	23 138 286	31.0%
Lannebo Fonder	8 647 863	11.6%
Fjärde AP-fonden	5 810 000	7.8%
AFA Försäkring	3 368 000	4.5%
Canica	2 665 441	3.6%
Avanza Pension	2 275 180	3.0%
SEB	1 862 926	2.5%
Enter Fonder	1 798 300	2.4%
JPM Chase	1 635 000	2.2%
JP Morgan Chase	1 446 071	1.9%
Total, top ten shareholders	52 647 067	70.5%
Other shareholders	21 992 319	29.5%
Total	74 639 386	100.0%

Source: Euroclear Sweden AB

The number of shareholders in Gränges amounted to 4 984 at 31 October 2014.

OTHER

Risks and business uncertainties

As a group operating globally and in multiple jurisdictions, Gränges is exposed to various risks and uncertainties, such as raw material prices, market, operational and legal risks, as well as to financial risks related to changes in currency rates, interest rates, liquidity and funding capability. Risk management in Gränges is focused on identifying, evaluating and reducing risks related to the Group's business and operating environment. More information about risk management is available on pages 12-20 of the prospectus produced ahead of the listing of Gränges on Nasdaq Stockholm.

Seasonal variations

Gränges' business is subject to seasonal variations to a limited degree. Due to the summer vacations and Christmas holiday in Europe and Americas, the first six months are generally stronger than the second half of the year. Gränges' increased exposure to global markets has led to lower seasonal variations.

Stockholm, 13 November 2014

Johan Menckel
CEO Gränges

This report has not been reviewed by the auditors of the company

For additional information, please contact:

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Webcast telephone conference

On Thursday, 13 November 2014 at 10.00 CET, CEO Johan Menckel and CFO Oskar Hellström will present Gränges' interim report for January–September 2014 via a webcast telephone conference. The webcast can be accessed on Gränges website www.granges.com/investors. To take part in the telephone conference, please call +46 851999030 (Sweden), +44 2076602077 (United Kingdom) or +1 8552692607 (USA).

FINANCIAL CALENDAR

4 February 2015	Year-end report 2014
17 March 2015	Annual Report 2014
4 May 2015	AGM 2015
4 May 2015	Interim Report January–March 2015
21 July 2015	Interim Report January–June 2015
23 October 2015	Interim Report January–September 2015

The information in this interim report 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 Thursday, 13 November 2014 at 07.30 CET.



CONSOLIDATED INCOME STATEMENT (CONDENSED)

Amounts in SEK million	Note	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Net sales	4	1 198	1 104	3 531	3 577	4 642
Cost of materials		-721	-653	-2 080	-2 193	-2 806
Payroll and other operating expenses		-321	-306	-945	-959	-1 278
Depreciation and impairment charges		-50	-47	-147	-139	-187
Other income and expenses	5	-24	-39	-35	-60	85
Operating profit		81	60	326	226	456
Profit from joint ventures		0	1	2	3	5
Finance income and costs		-9	-8	-23	-31	-43
Profit before taxes		73	53	305	198	418
Taxes		-18	-13	-75	-51	-109
Profit for the period		55	40	230	147	309
<i>Profit attributable to parent company</i>		55	40	230	147	309
Earnings per share						
Earnings per share (SEK), basic and diluted		0.73	0.53	3.08	1.97	4.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

Amounts in SEK million	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Profit for the period	55	40	230	147	309
Items not to be reclassified to profit/loss in subsequent periods					
Actuarial gains and losses pensions after tax	-18	0	-18	0	8
Items to be reclassified to profit/loss in subsequent periods					
Change in hedging reserve after tax	-16	11	-6	-9	-15
Translation effects	180	-79	189	3	25
Comprehensive income	146	-68	165	-6	18
Comprehensive income attributable to owners of the parent	201	-28	395	141	327

CONSOLIDATED BALANCE SHEET (CONDENSED)

Amounts in SEK million	Note	2014-09-30	2013-09-30	2013-12-31
ASSETS				
Property, plant and equipment		1 665	1 651	1 661
Intangible assets		11	14	13
Deferred tax assets		65	40	34
Investments in joint ventures		30	36	25
Interest-bearing receivables		29	26	26
Non-current assets		1 801	1 767	1 759
Inventories		772	679	680
Receivables	2	1 289	1 325	1 291
Cash and cash equivalents		586	726	896
Current assets		2 647	2 730	2 867
TOTAL ASSETS		4 448	4 497	4 626
EQUITY AND LIABILITIES				
EQUITY				
Paid in equity		100	1 195	1 195
Retained earnings		1 869	1 717	1 903
Equity		1 969	2 912	3 098
LIABILITIES				
Interest-bearing liabilities		950	263	265
Provisions and other non-current liabilities		166	167	135
Non-current liabilities		1 116	430	400
Interest-bearing liabilities		488	487	412
Other current liabilities	2	876	668	716
Current liabilities		1 364	1 155	1 128
TOTAL EQUITY AND LIABILITIES		4 448	4 497	4 626

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

Amounts in SEK million	2014	2013
Opening balance as at 1 January	3 098	2 208
Profit/loss for the period	230	147
Items in comprehensive income for the period	165	-6
Total comprehensive income for the period	395	141
Group contributions/Shareholder contributions	126	563
Dividend	-1 650	-
Total transactions with owners, recognised directly in equity	-1 524	563
Closing balance as at 30 September	1 969	2 912

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK million	Note	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Operating profit		81	60	326	226	456
Depreciation and impairment charges		49	54	146	146	194
Items without cash flow effect		-	-	-	-	-136
Change in net working capital etc.	3	-90	42	111	6	118
Taxes paid		-77	-5	-132	-54	-31
Cash flow from operating activities		-36	151	451	324	601
Investments property, plant and equipment and intangible assets		-21	-25	-54	-74	-125
Sales of property, plant and equipment		14	-	14	1	5
Investment in joint ventures		-	-	-	-	-5
Other capital transactions		-2	-2	-3	-36	-26
Cash flow from investing activities		-9	-27	-42	-109	-151
Dividends/group contributions (net paid to/received from shareholders)		-1 650	9	-1 524	556	567
Interest paid/received (net)		-8	-8	-20	-35	-43
<i>Change in interest-bearing liabilities</i>		995	-109	761	-513	-586
<i>Change in interest-bearing receivables</i>		-2	-26	-3	-26	-26
Change in net interest-bearing liabilities		993	-135	758	-539	-612
Cash flow from financing activities		-665	-134	-786	-18	-88
Cash and cash equivalents at beginning of period		1 247	761	896	527	527
Change in cash and cash equivalents		-710	-11	-377	198	362
Currency effect of cash and cash equivalents		50	-25	67	1	7
Cash and cash equivalents at end of period		586	726	586	726	896

PARENT COMPANY INCOME STATEMENT (CONDENSED)

Amount in SEK million	Jan-Sep 2014	Jan-Sep 2013
Net sales	71	105
Payroll and other operating expenses	-110	-200
Depreciation and impairment charges	-12	-16
Other income and expenses	2	-113
Operating profit	-49	-224
Financial income and costs	30	-5
Profit/loss before taxes	-19	-229
Taxes	0	0
Profit/loss for the period	-19	-229

PARENT COMPANY BALANCE SHEET (CONDENSED)

Amount in SEK million	2014-09-30	2013-12-31
ASSETS		
Property, plant and equipment	234	257
Participations in group companies	421	421
Receivables from group companies	128	575
Interest-bearing receivables	29	27
Financial fixed assets	578	1 023
Non-current assets	812	1 280
Receivables from group companies	335	747
Other receivables	45	32
Cash and cash equivalents	48	1
Current assets	428	780
TOTAL ASSETS	1 241	2 060
EQUITY AND LIABILITIES		
Equity		
Restricted equity	100	1 195
Unrestricted equity	79	653
Equity	179	1 848
Untaxed reserves, additional depreciation	9	9
Liabilities to group companies	950	27
Provisions and other non-current liabilities	23	22
Non-current liabilities	973	49
Liabilities to group companies	8	84
Other current liabilities	72	70
Current liabilities	80	154
TOTAL EQUITY AND LIABILITIES	1 241	2 060

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING PRINCIPLES

Grängeskongcernen tillämpar International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting principles adopted are consistent with those described in the Consolidated Financial Statements for Gränges AB (publ) 2011-2013, which are available at www.granges.com. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act.

Accounting principles for the Parent Company

The Parent Company applies the Annual Accounts Act and RFR 2 Reporting for legal entities. Application of RFR 2 entails that in interim reporting for legal entities, the Parent Company is to apply all IFRSs 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 taking into account the connection between accounting and taxation.

The main deviations between the accounting principles 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 FAR's Recommendation RedR4 Accounting of pension liabilities and pension costs. 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 recognises the difference between depreciation according to plan and tax depreciation as accumulated additional depreciation, included in untaxed reserves.

Group contributions received from subsidiaries are recognised as financial revenues and group contributions received from the parent company are recognised in equity.

Gränges Group applies IAS 39 Financial instruments: Recognition and measurement and measure derivatives at fair value. The Parent Company measures the derivatives at cost in accordance with the Swedish Annual Accounts Act.

New accounting principles 2014

No new IFRS or IFRIC-interpretations have had any material impact during 2014.

NOTE 2 FINANCIAL INSTRUMENTS

Financial instruments measured at fair value consist of derivative instruments (currency forwards, currency swaps and aluminium futures). Receivables include derivative instruments amounting to SEK 26 million (SEK 33 million for the corresponding period in 2013 and SEK 25 million as of 31st December 2013). Other liabilities include derivative instruments amounting to SEK 69 million (SEK 22 million for the corresponding period in 2013 and SEK 29 million as of 31st December 2013).

All derivatives measured at fair value are classified according to level 2, i.e., all significant inputs required to fair value of the instruments are observable. The derivatives are calculated as follows. Currency forwards and currency swaps are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the statement of financial position date. Aluminium futures are measured at fair value using the quoted futures price on the LME (London Metal Exchange).

The use of derivatives involves a counterparty risk, in that a potential gain will not be realized if the counterparty does not fulfill its part of the contract. The Group has entered into netting agreements (primarily ISDA) agreements with counterparties that are eligible for derivative transactions. Netting means that receivables and debts may be offset in some situations, including in the event of counterparty insolvency. These netting has no impact on the Granges Group's reported financial position, as derivative transactions are reported gross.

Management has assessed that there are no material differences between the fair values and carrying values of financial instruments carried at amortized cost. For current borrowings the impact of discounting is not significant and interest-bearing liabilities are also at variable interest rates.

NOTE 3 INSURANCE SETTLEMENT

In December 2013 an arbitral award was issued in the process between Gränges and the insurer related to the fire in Finspång in February 2010. The settlement entitled Gränges to a compensation of SEK 325 million, in addition to the SEK 120 million already received in 2010. As Gränges at the time of the settlement had a booked net claim of SEK 165 million the claim was increased by SEK 160 million to SEK 325 million in December 2013, recording an other income and an increase in receivables. The cash flow effect of the settlement occurred in January 2014.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTS 4 RELATED PARTY TRANSACTIONS

Transactions are made between Gränges Group and the owner Orkla Group. Gränges has paid joint expenses to Orkla. Orkla has

provided capital through equity and loans. Transactions are also made with the joint venture, Norca Heat Transfer LLC. The transactions with Orkla and Norca are specified in the table below.

Amounts in SEK million	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Joint expenses from Orkla ASA and SAPA Group	-2	-5	-4	-16	-17
Sales to group companies and joint venture	191	187	516	523	708

Amounts in SEK million	2014-09-30	2013-09-30	2013-12-31
Interest-bearing receivables joint ventures	29	26	26
Accounts payable	1	-	-
Interest-bearing liabilities (non-current)	950	263	265
Interest-bearing liabilities (current)	7	52	81

NOTE 5 OTHER INCOME AND EXPENSES

Amounts in SEK million	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
IPO costs	-20	-	-25	-	-
M&A costs	-	-3	-	-18	-24
Finspång fire costs (net)	-	-	-5	-	136
Finspång restructuring costs	-	-	-	-	-13
Capital loss from sale of property	-4	-	-4	-	-
Other costs	-	-35	-	-43	-14
Total other income and expenses	-24	-39	-35	-60	85
Of this:					
Write-down property, plant and equipment	-	-7	-	-7	-7

In 2014 a process was initiated to prepare Gränges for an IPO. The costs for this process amounted to SEK 25 million for the first three quarters of the year in 2014.

On July 1, 2014 Gränges divested an industrial property in Skultuna, Sweden. The book value of the property was SEK 11 million and the sale generated a loss of SEK 4 million.

CONSOLIDATED QUARTERLY DATA

Amounts in SEK million	2014			2013			
	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Sales volume (ktonnes)	39.3	41.7	41.3	37.6	39.2	41.8	40.0
Income statement							
Net sales	1 198	1 176	1 157	1 065	1 104	1 253	1 220
Adjusted EBITDA	156	178	173	132	145	143	138
Adjusted operating profit ¹	106	130	124	84	98	95	94
Operating profit	81	124	120	230	60	73	94
Profit for the period	55	90	85	162	40	48	60
Profitability							
Adjusted EBITDA margin, %	13.0	15.2	15.0	12.4	13.1	11.4	11.3
Adjusted operating margin, %	8.8	11.1	10.7	7.9	8.9	7.5	7.7
Adjusted operating profit per tonne, kSEK	2.7	3.1	3.0	2.2	2.5	2.3	2.4
Operating margin, %	6.8	10.5	10.4	21.6	5.4	5.8	7.7
Net margin, %	4.6	7.7	7.4	15.2	3.6	3.8	4.9
Cash flow							
Operating activities	(36)	104	383	277	151	149	25
Investment activities	(9)	(13)	(21)	(42)	(27)	(35)	(47)
Net cash flow before financing activities	(45)	91	362	235	124	114	(22)
Financing activities	(665)	120	(241)	(70)	(134)	57	59
Cash flow for the period	(710)	211	122	165	(11)	171	37
Data per share							
Earnings per share (SEK) ²	0.73	1.21	1.14	2.17	0.53	0.64	0.80
Number of outstanding shares							
Weighted outstanding ordinary shares, '000	74 639.4	74 639.4	74 639.4	74 639.4	74 639.4	74 639.4	74 639.4

1 Operating profit excluding other income and expenses of non-recurring nature.

2 Earnings per share, basic and diluted. Previous periods have been restated based on the current number of outstanding shares.

CONSOLIDATED QUARTERLY DATA

Amounts in SEK million	2014			2013			
	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Sales volume (ktonnes)							
Asia	19.1	21.1	19.4	18.0	17.7	20.0	19.3
Europe	14.0	15.0	16.0	14.5	15.0	15.8	14.2
Americas	6.2	5.7	6.0	5.1	6.5	5.9	6.5
Gränges	39.3	41.7	41.3	37.6	39.2	41.8	40.0
Net sales							
Asia	594	588	563	535	504	626	607
Europe	416	426	426	385	412	454	421
Americas	188	162	168	145	187	174	193
Gränges	1 198	1 176	1 157	1 065	1 104	1 253	1 220

Amounts in SEK million	2014-09-30	2014-06-30	2014-03-31	2013-12-31	2013-09-30	2013-06-30	2013-03-31
Balance sheet							
Non-current assets	1 801	1 720	1 715	1 759	1 767	1 808	1 781
Current assets	2 647	3 119	2 754	2 867	2 730	2 907	2 664
Equity	1 969	3 418	3 154	3 098	2 912	2 941	2 266
Non-current liabilities	1 116	191	163	400	430	401	977
Current liabilities	1 364	1 230	1 152	1 128	1 155	1 373	1 202
Other							
Net cash/(debt)	(951)	711	471	126	(128)	(227)	(890)
Capital employed	2 919	2 707	2 683	2 972	3 039	3 167	3 156

CONSOLIDATED 12-MONTH ROLLING DATA

Amounts in SEK million	Oct 2013 - Sep 2014	Jul 2013 - Jun 2014	Apr 2013 - Mar 2014	Jan 2013 - Dec 2013	Oct 2012 - Sep 2013	Jul 2012 - Jun 2013	Apr 2012 - Mar 2013
Sales volume (ktonnes)	160.0	159.9	160.0	158.6	158.1	154.5	153.6
Income statement							
Net sales	4 596	4 502	4 579	4 642	4 757	4 809	4 931
Adjusted EBITDA	639	628	593	558	550	522	542
Adjusted operating profit	444	437	401	371	372	348	374
Operating profit	555	534	482	456	324	365	405
Margins							
Adjusted EBITDA margin, %	13.9	14.0	12.9	12.0	11.6	10.8	11.0
Adjusted operating margin, %	9.7	9.7	8.8	8.0	7.8	7.2	7.6
Adjusted operating profit per tonne, kSEK	2.8	2.7	2.5	2.3	2.4	2.3	2.4
Operating margin, %	12.1	11.9	10.5	9.8	6.8	7.6	8.2
Return indicators							
Return on capital employed, %	15.5	15.0	13.4	12.0	12.0	11.1	11.8
Return on equity, %	13.5	12.1	11.6	11.5	-	-	-
Other							
Net debt / Adjusted EBITDA	1.5	(1.1)	(0.8)	(0.2)	0.2	0.4	1.6
Equity/Assets, %	44.3	70.6	70.6	67.0	64.8	62.4	51.0

DEFINITIONS

Adjusted EBITDA

Adjusted operating profit before depreciation and impairment

Adjusted operating profit

Operating profit excluding other income and expenses.

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. Historical share date has been recalculated and based on the present number of shares to increase comparability.

ktonne

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.

Other income and expenses

Non-recurring income and expenses

Operating profit

Profit before net financial items and tax.

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.

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

Sold volume specified in tonnes

SEK

Swedish kronor.

GLOSSARY

Aluminiumband

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

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



ABOUT GRÄNGES

Gränges is a leading global supplier of rolled products for the brazed aluminium heat exchanger industry. The Group develops, produces and markets advanced materials that enhance both production economy during the customer manufacturing process as well as the performance of the final products, the brazed heat exchangers. Gränges has its headquarters in Stockholm, Sweden, and operates in three geographical regions: Europe, Asia and the Americas. The company has production, research and development facilities in Finspång, Sweden, and Shanghai, China, with total annual capacity of approximately 210,000 metric tonnes. Gränges was founded in 1896 and the company started its present operations in 1972 when it started to develop material for brazed heat exchangers. Gränges has some 1,000 employees and net sales in 2013 totalled SEK 4 642 million. For more information about Gränges, you are welcome to visit www.granges.com.

VISION

Gränges' vision is to help create smaller, lighter and more designable heat exchangers to increase economic efficiency and reduce environmental impact.

BUSINESS MODEL

Gränges' business model is based on long-term customer commitments where the company supports customers with product development, service and technical support during the entire lifecycle for a heat exchanger model. Revenue is generated through the sale of finished products. Prices are expressed per metric tonne and based on the added value Gränges offers in terms of material properties, product complexity and as well as the price of the raw material, aluminium.

STRATEGIES

Granges' strategy is to be a global niche player in the market for rolled products for brazed aluminium heat exchangers. By focusing on this niche and a global offering of customised products with a high technology content, Gränges aims to strengthen its leading position and continue to grow with good profitability. The strategy is based on a high level of production expertise, leading technology and a strong customer focus.



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