

# 4<sup>th</sup>

quarter 2015



## Growth and improved earnings during fourth quarter

### YEAR-END REPORT JANUARY-DECEMBER 2015

#### FOURTH QUARTER 2015

- Sales volume reached 38.9 ktonnes (37.7), an increase of 3.3% compared to previous year.
- Net sales totalled SEK 1,252 million (1,217), an increase of 2.9%.
- Adjusted operating profit increased by 12.9% to SEK 116 million (103), corresponding to an adjusted operating margin of 9.2% (8.4).
- Operating profit increased to SEK 128 million (97).
- Profit for the period was SEK 83 million (89). Earnings per share, basic, decreased to SEK 1.12 (1.19) and diluted, to SEK 1.11 (1.19).

#### JANUARY-DECEMBER 2015

- Sales volume reached 163.9 ktonnes (160.0), an increase of 2.5% compared to previous year.
- Net sales totalled SEK 5,494 million (4,748), an increase of 15.7%.
- Adjusted operating profit increased by 16.9% to SEK 541 million (463), corresponding to an adjusted operating margin of 9.8% (9.7).
- Operating profit increased to SEK 538 million (422).
- Profit for the period was SEK 379 million (319). Earnings per share, basic and diluted, increased to SEK 5.07 (4.27).
- Cash flow before financing activities was SEK 600 million (597) and net debt decreased to SEK 275 million at 31 December 2015, corresponding to 0.4 times adjusted EBITDA.
- The Board of Directors proposes a dividend of SEK 2.00 per share (1.50).

#### FINANCIAL SUMMARY

SEK million	Q4			Jan-Dec		
	2015	2014	Δ	2015	2014	Δ
Sales volume, ktonnes	38.9	37.7	3.3%	163.9	160.0	2.5%
Net sales	1,252	1,217	2.9%	5,494	4,748	15.7%
Adjusted operating profit <sup>1</sup>	116	103	12.9%	541	463	16.9%
Adjusted operating margin, %	9.2	8.4	0.8 ppt	9.8	9.7	0.1 ppt
Adjusted operating profit per tonne, kSEK	3.0	2.7	0.3	3.3	2.9	0.4
Operating profit	128	97	32.9%	538	422	27.6%
Operating margin, %	10.2	7.9	2.3 ppt	9.8	8.9	0.9 ppt
Profit for the period	83	89	-6.5%	379	319	18.8%
Earnings per share basic, SEK	1.12	1.19	-0.08	5.07	4.27	0.80
Earnings per share diluted, SEK	1.11	1.19	-0.08	5.07	4.27	0.80
Cash flow before financing activities	159	188	-15.4%	600	597	0.5%
Equity/assets, %	-	-	-	56.8	47.9	8.9 ppt
Net debt	-	-	-	275	765	-490
Return on capital employed, %	-	-	-	18.1	16.3	1.8 ppt

<sup>1</sup> Adjusted for items affecting comparability, see note 6.

## COMMENTS BY THE CEO

We continued to have good sales and improved earnings during the fourth quarter. The adjusted operating profit increased by 12.9% to SEK 116 million and the sales volume was 3.3% higher, which means a growth rate in line with the market. Favourable exchange rates continued to have a positive impact on profits while the decline in the aluminium premium earlier in the year entailed an unfavourable time lag between the premiums we pay and the premiums we receive.

In Asia the sales volume decreased as expected during the fourth quarter, even though a certain improvement could be seen towards the end of the year. Lower tax on smaller vehicles in China contributed to increased demand, and this is expected to continue to be an important incentive during 2016. In Europe we continued to have a strong development during the fourth quarter, with double digit growth in sales of heat exchanger materials. The sales volume in the Americas continued to increase due to new contracts entered into earlier in 2015.

### HIGHER DIVIDEND

When we summarise the full year for 2015, it was yet another record year for Gränges. We had a higher growth rate than the market, we continued to improve profits and at the same time we generated strong cash flows. We have a very good financial position today. In light of this, the Gränges Board proposes a dividend of SEK 2.00 per share, which is an increase of 33% compared with the previous year. Our solid position also means that we are well equipped for potential expansion, where increased production capacity in North America and Asia are prioritised areas.

### FOCUS DURING 2016

Important areas for 2016 include product development and innovation, something we will increase our focus on going forward. One example of this is that during the spring we will begin to offer folded tubes to help our customers transfer from competing technologies, such as extruded MPE tubes. Sustainability is another area of focus during the coming



year, as is the work on continuous improvements. Lower energy consumption, increased recycling of scrap and higher quality are factors that are very closely linked to the development of our profits.

### OUTLOOK

According to the research firm IHS, global production of light vehicles is expected to increase by 3.1% in the current year. For the first quarter alone the forecast is a growth of 2.2%.

Gränges' sales volume is expected to develop better than the market during the first quarter, primarily due to continuing increases in Europe and the Americas. In Asia we expect a slightly lower growth than the market during the first quarter 2016.

It is estimated that the effects of last year's downturn in the aluminium premium will have a negative impact during the first quarter.

We now see signs of a more stable market in Asia. In China, which is the single most important market in the region, the government has taken a number of measures to stimulate the economy. The wage inflation and price competition in Asia are expected to continue and become more visible during 2016. A continued positive development is expected in Europe and the Americas. We have a strong position today and our aim is to strengthen it further with continued good profitability.

*Johan Menckel, CEO of Gränges*

## FOURTH QUARTER 2015

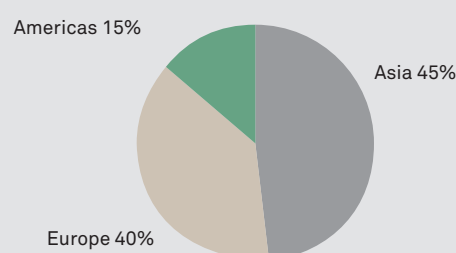
### Sales volume

**38.9** ktonnes

### Net sales

SEK **1,252** million

### Sales volume per region



### Adjusted operating profit

SEK **116** million

### Adjusted operating margin

**9.2** %

## MARKET DEVELOPMENT

According to the international research firm IHS, global light vehicle production increased by 3.8% in the fourth quarter of 2015, compared to the corresponding quarter 2014<sup>1</sup>. During the full year 2015, light vehicle production increased by 1.4%. In Asia, light vehicle production increased by 8.0% during the fourth quarter, with 12.9% growth in China. For the full year 2015, growth in Asia was 1.6%. In Europe, light vehicle production increased by 4.3% in the fourth quarter and by 3.8% during the full year 2015. Light vehicle production in the Americas decreased by 3.4% in the fourth quarter, as growth of 2.2% in North America was more than offset by a weak South American market. During the full year 2015, light vehicle production in the Americas decreased by 1.5%. For the full year 2016, IHS forecasts an increase in global light vehicle production of 3.1%.

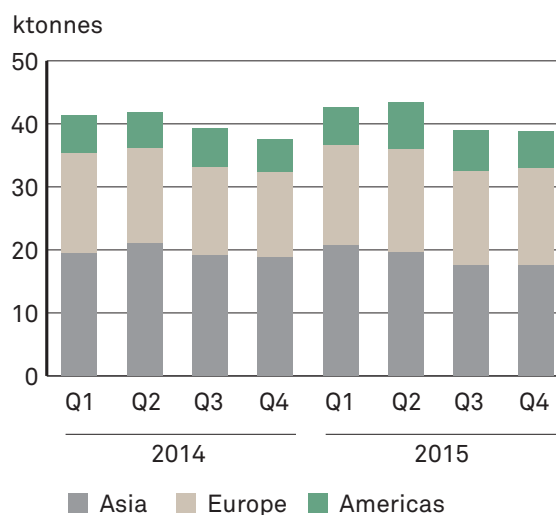
Demand for aluminium products for brazed heat exchangers, which is Gränges' main market and accounts for more than 90% of the sales volume, is strongly correlated with the market for light vehicles. Due to lead times in the supply chain there is, however, a time lag between growth in demand for Gränges' products and growth in vehicle production.

## SALES DEVELOPMENT

The sales volume in the fourth quarter of 2015 was 38.9 ktonnes (37.7), an increase of 3.3% compared with the same quarter previous year. Net sales totalled SEK 1,252 million (1,217). The increase was mainly due to the higher sales volume and a positive net effect from changes in foreign exchange rates amounting to SEK 78 million, while lower aluminium prices had a negative impact on net sales.

During the full year 2015, sales volume reached 163.9 ktonnes (160.0), an increase of 2.5% compared to the previous year. Net sales totalled SEK 5,494 million (4,748). The net effect of changes in foreign exchange rates was positive and amounted to SEK 625 million during the full year 2015.

## QUARTERLY SALES VOLUME PER REGION



### Asia

In the fourth quarter of 2015, sales volume in Asia decreased by 7.1% to 17.5 ktonnes (18.8). The volume decrease is due to further inventory reductions at some customers in combination with lower deliveries. During the full year 2015, sales volume in Asia decreased by 3.7% compared to previous year and reached 75.5 ktonnes (78.3).

### Europe

In the fourth quarter of 2015, sales volume in Europe increased by 13.2% to 15.4 ktonnes (13.6). Sales of heat exchanger material increased while sales of scrap-based products for non-heat exchanger applications decreased according to plan. During the full year 2015, sales volume in Europe reached 62.7 ktonnes (58.6), representing an increase of 7.1% compared to previous year.

### Americas

In the fourth quarter of 2015, sales volume in the Americas increased by 15.0% to 6.0 ktonnes (5.2), due to higher contracted volumes with several customers. During the full year 2015, sales volume in the Americas reached 25.8 ktonnes (23.1), an increase of 11.7% compared to previous year.

<sup>1</sup> Source: IHS, January 16 2015.

## OPERATING PROFIT

Adjusted operating profit for the fourth quarter of 2015 increased to SEK 116 million (103), corresponding to an adjusted operating margin of 9.2% (8.4). During the quarter net changes in foreign exchange rates had a positive impact of SEK 39 million. Price lag effects on the aluminium premium were negative and amounted to SEK -20 million. Slightly lower conversion prices and wage inflation in China was partly offset by higher sales volume and lower cost of material, driven by more efficient recycling of process scrap.

Operating profit for the fourth quarter increased by 32.9% to SEK 128 million (97) compared to the same quarter last year. Operating profit includes items affecting comparability of SEK 12 million (-6), of which SEK 21 million refers to insurance compensation related to metal scrap embezzlement and SEK -8 million refers to a write-down of machiney and equipment.

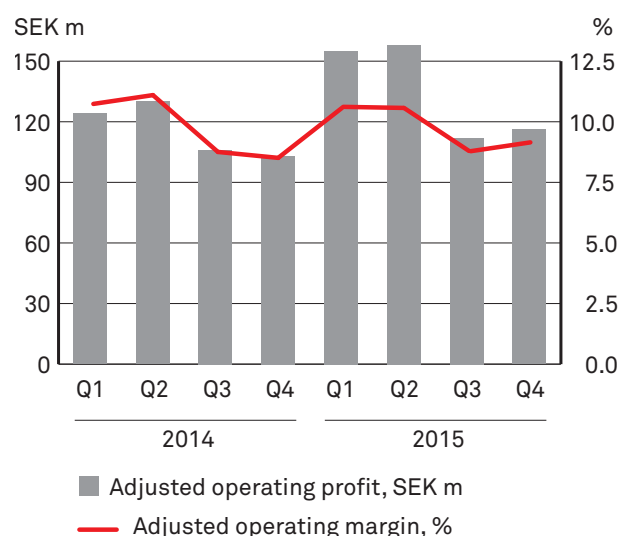
During the full year 2015, adjusted operating profit increased to SEK 541 million (463), corresponding to an adjusted operating margin of 9.8% (9.7). The net effect of changes in foreign exchange rates was positive and amounted to SEK 165 million for the year. Price lag effects on the aluminium premium totalled SEK -59 million. Operating profit during the year increased to SEK 538 million (422).

## PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Finance income and costs amounted to SEK -3 million (18) in the fourth quarter of 2015, including interest expenses of SEK -6 million and interest income of SEK 3 million. Finance income and costs in the fourth quarter of 2014 included SEK 25 million related to exchange gains on a dividend from the Chinese subsidiary. Profit before tax increased to SEK 126 million (116), including profits from joint ventures of SEK 1 million (1). Income tax for the fourth quarter of 2015 amounted to SEK -43 million (-27), which corresponds to an effective tax rate of 34% (23). Income tax for the period includes withholding tax of SEK -15 million on a dividend to Gränges AB from the Chinese subsidiary.

During the full year 2015, finance income and costs amounted to SEK -19 million (-5). Profit before tax was SEK 521 million (420), which includes profits from joint ventures of SEK 2 million (3). The tax expense for the year amounted to SEK -143 million (-102), corresponding to an effective tax rate of 27% (24).

## ADJUSTED QUARTERLY OPERATING PROFIT AND OPERATING MARGIN



The profit for the period was SEK 83 million (89) during the fourth quarter of 2015. Basic earnings per share amounted to SEK 1.12 (1.19) and diluted earnings per share was SEK 1.11 (1.19). During the full year 2015 the profit for the period increased to SEK 379 million (319) and earnings per share, basic and diluted, increased to SEK 5.07 (4.27).

## CASH FLOW

Cash flow from operating activities was SEK 184 million (227) in the fourth quarter of 2015, as income tax payments to a large extent were offset by working capital reductions. In the fourth quarter previous year, cash flow was positively impacted by refunded tax. During the full year 2015, cash flow from operating activities amounted to SEK 725 million (678). Cash flow during previous year includes insurance compensation of SEK 325 million related to a fire in Finspång in 2010.

Cash flow from investing activities for the fourth quarter of 2015 amounted to SEK -25 million (-39). Capital expenditure during the quarter was mainly related to investments to maintain and improve efficiency in current production facilities. During the full year 2015, cash flow from investing activities amounted to SEK -125 million (-81). Cash flow before financing activities amounted to SEK 159 million (188) in the fourth quarter of 2015 and to SEK 600 million (597) during the full year 2015.

Cash flow from financing activities for the fourth quarter 2015 was SEK -282 million (-155), as a consequence of a reduction in external bank financing. During the full year 2015 cash flow from financing activities amounted to SEK -647 million (-941) and was negatively impacted by a reduction of external working capital financing in China as well as a dividend payment of SEK -112 million.

Cash and cash equivalents amounted to SEK 634 million at 31 December 2015 (SEK 644 million at 31 December 2014).

## FINANCIAL POSITION

Gränges' total assets amounted to SEK 4,402 million at 31 December 2015 (SEK 4,460 million at 31 December 2014). The equity to assets ratio was 56.8% at 31 December 2015 (47.9% at 31 December 2014).

Consolidated net debt including pension liabilities was SEK 275 million at 31 December 2015 (SEK 765 million at 31 December 2014).

At 31 December 2015, the Group's net debt was 0.4 times adjusted EBITDA (calculated on a rolling 12-month basis).

## EMPLOYEES

The average number of employees in the Gränges Group was 949 (955) in the fourth quarter of 2015 and 964 (952) during the period January-December 2015.

## 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 full year 2015, net sales in the parent company amounted to SEK 128 million (95) and the profit for the period was SEK 254 million (108). The net profit includes a dividend from the Chinese subsidiary of SEK 306 million (100).

## SIGNIFICANT EVENTS DURING THE PERIOD

### Technical Seminar in India attracted many customers

Gränges India Technical Seminar took place in November, 2015, in Chennai, India. Approximately 70 of the company's largest customers and business partners in the region were attending.

India is one of the fastest growing markets in the world today, when it comes to production of light vehicles.

## SIGNIFICANT EVENTS AFTER THE PERIOD

No significant events have occurred after the end of the period until the report for the fourth quarter of 2015 was published.

## 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.

## OWNERSHIP STRUCTURE

Largest shareholders in Gränges at 31 December 2015<sup>1</sup>.

Shareholder	Number of shares	Share of capital and votes %
Orkla Industriinvesteringar AB	11,942,378	16.0
Lannebo Fonder	6,940,711	9.3
Fjärde AP-fonden	6,274,996	8.4
AFA Försäkring	5,451,881	7.3
SEB Fonder	1,501,462	2.0
DNB Fonder	1,462,591	1.9
Catella Fonder	1,413,400	1.9
Cliens Fonder	1,366,453	1.8
Länsförsäkringar Fonder	1,189,879	1.6
Invesco Fonder	1,061,388	1.4
<b>Total 10 largest shareholders</b>	<b>38,605,139</b>	<b>51.7</b>
Other	36,034,247	48.3
<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 7,912 at 31 December 2015.



Torkel Stenqvist, Senior Expert, Brazing, at Gränges India Technical Seminar in Chennai, India.

## MISCELLANEOUS

### Gränges 2016 Annual General Meeting

The 2016 Annual General Meeting of Gränges AB (publ) will take place in Kammarsalen at Berns, Berzelii Park in Stockholm on Thursday, 28 April, 2016 at 4.00 pm. CET. Registration starts and light refreshments is served from 3.00 pm CET.

Shareholders are entitled to have matters considered at the Annual General Meeting, on written request received by the Board of Directors no later than March 10, 2016 or later if such matter still could be prepared and listed in the Notice for the Annual General Meeting.

Additional information about registration for the AGM and the proposed decisions points of the Board of Directors and Nomination Committee will be published on the company's website in connection with the notice convening the AGM.

### Dividend

The Board of Directors proposes a dividend of SEK 149 million (112), or SEK 2.00 per share, (1,50) for the fiscal year 2015. The proposed dividend corresponds to 39% (35%) of the profit for the year 2015.

In its proposal, the Board has considered the company's financial position, cash flow and outlook, as well as expansion plans.

The proposed record date for the dividend is Monday 2 May 2016, which means that the dividend is expected to be paid on Friday, 6 May 2016, subject to approval by the AGM.

### Risks and uncertainty factors

As a Group operating globally and in multiple jurisdictions, Gränges is exposed to various risks and uncertainties, such as raw material prices, market risks, operational and legal risks, as well as financial risks related to changes in foreign exchange 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. No additional significant risks affecting the operations of Gränges have emerged since year-end 2014. More information about risk management is available on pages 32-33 of Gränges' 2014 annual report.

### Seasonal variations

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

Stockholm, 4 February 2016

Johan Menckel  
CEO Gränges

*This year-end report has not been reviewed by the auditors of the company.*

### For additional information, please contact:

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### Webcasted telephone conference

On Thursday 4 February 2016 at 10.00 CET, CEO Johan Menckel and CFO Oskar Hellström will present Gränges' year-end report for January-December 2015 at a webcasted telephone conference. The webcast can be accessed on [www.granges.com/investors](http://www.granges.com/investors). To take part in the telephone conference, please call +46 856 642 701 (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

11 March 2016	Annual Report 2015
15 March 2016	Gränges Capital Markets Day
28 April 2016	Interim Report January-March 2016
28 April 2016	2016 Annual General Meeting
21 July 2016	Half-year Report 2016
27 October 2016	Interim Report January-September 2016

*The information in this year-end 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 4 February 2016 at 07.30 CET.*

## CONSOLIDATED INCOME STATEMENT (CONDENSED)

SEK million	Note	Oct-Dec 2015	Oct-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
<b>Net sales</b>	5	<b>1,252</b>	<b>1,217</b>	<b>5,494</b>	<b>4,748</b>
Cost of materials		-698	-739	-3,280	-2,819
Payroll and other operating expenses		-385	-321	-1,465	-1,265
Depreciation and amortisation		-52	-54	-208	-201
Items affecting comparability	6	12	-6	-3	-41
<b>Operating profit</b>		<b>128</b>	<b>97</b>	<b>538</b>	<b>422</b>
Profit from joint ventures		1	1	2	3
Finance income and costs		-3	18	-19	-5
<b>Profit before tax</b>		<b>126</b>	<b>116</b>	<b>521</b>	<b>420</b>
Income tax	4	-43	-27	-143	-102
<b>Profit for the period</b>		<b>83</b>	<b>89</b>	<b>379</b>	<b>319</b>
<b>Earnings per share</b>					
Earnings per share basic, SEK		1.12	1.19	5.07	4.27
Earnings per share diluted, SEK		1.11	1.19	5.07	4.27

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Oct-Dec 2015	Oct-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
<b>Profit for the period</b>	<b>83</b>	<b>89</b>	<b>379</b>	<b>319</b>
<b>Items not to be reclassified to profit/loss in subsequent periods</b>				
Remeasurement of pensions after tax	2	-7	10	-20
<b>Items to be reclassified to profit/loss in subsequent periods</b>				
Change in hedging reserve after tax	15	-15	23	-21
Translation effects	-35	101	62	285
<b>Comprehensive income for the period attributable to owners of the parent</b>	<b>65</b>	<b>168</b>	<b>474</b>	<b>563</b>

## CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>			
Property, plant and equipment		1,669	1,713
Intangible assets		9	11
Deferred tax assets		54	44
Investments in joint ventures		30	30
Interest-bearing receivables		34	31
Other non-current receivables	2	4	-
<b>Non-current assets</b>		<b>1,800</b>	<b>1,829</b>
Inventories		888	815
Receivables	2	1,080	1,172
Cash and cash equivalents		634	644
<b>Current assets</b>		<b>2,601</b>	<b>2,631</b>
<b>TOTAL ASSETS</b>		<b>4,402</b>	<b>4,460</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		100	100
Retained earnings		2,399	2,037
<b>Equity</b>		<b>2,499</b>	<b>2,137</b>
Interest-bearing liabilities		804	892
Provisions and other liabilities	2	185	178
<b>Non-current liabilities</b>		<b>989</b>	<b>1,071</b>
Interest-bearing liabilities		0	401
Other liabilities	2	913	852
<b>Current liabilities</b>		<b>914</b>	<b>1,253</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,402</b>	<b>4,460</b>

## CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	31 Dec 2015	31 Dec 2014
<b>Opening balance as at 1 January</b>	<b>2,137</b>	<b>3,098</b>
Profit for the period	379	319
Items in comprehensive income for the period	95	244
<b>Group comprehensive income for the period</b>	<b>474</b>	<b>563</b>
Employee stock option scheme	1	0
Group and shareholder contributions	-	126
Dividend	-112	-1,650
<b>Total transactions with owners, recognised directly in equity</b>	<b>-111</b>	<b>-1,524</b>
<b>Closing balance</b>	<b>2,499</b>	<b>2,137</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Note	Oct-Dec 2015	Oct-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Operating profit		128	97	538	422
Depreciation and amortisation		61	54	217	201
Change in working capital etc.	3	12	33	100	144
Income taxes paid		-16	43	-130	-88
<b>Cash flow from operating activities</b>		<b>184</b>	<b>227</b>	<b>725</b>	<b>678</b>
Investments in property, plant, equipment and intangible assets		-31	-41	-134	-94
Divestment of property, plant and equipment		1	-	5	14
Other capital transactions		4	2	4	-1
<b>Cash flow from investing activities</b>		<b>-25</b>	<b>-39</b>	<b>-125</b>	<b>-81</b>
Dividend and group contributions		-	-	-112	-1,524
Interest paid and received		-3	-8	-15	-28
Change in interest-bearing liabilities		-280	-145	-517	616
Change in interest-bearing receivables		0	-2	-3	-5
Change in interest-bearing liabilities and receivables		-280	-147	-520	611
<b>Cash flow from financing activities</b>		<b>-282</b>	<b>-155</b>	<b>-647</b>	<b>-941</b>
<b>Cash flow for the period</b>		<b>-123</b>	<b>33</b>	<b>-47</b>	<b>-344</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>748</b>	<b>586</b>	<b>644</b>	<b>896</b>
Cash flow for the period		-123	33	-47	-344
Exchange rate differences in cash and cash equivalents		9	25	37	92
<b>Cash and cash equivalents at end of period</b>		<b>634</b>	<b>644</b>	<b>634</b>	<b>644</b>

## PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Oct-Dec 2015	Oct-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
<b>Net sales</b>	<b>46</b>	<b>24</b>	<b>128</b>	<b>95</b>
Payroll and other operating expenses	-36	-44	-159	-152
Depreciation	-4	-4	-15	-16
<b>Operating profit/loss</b>	<b>5</b>	<b>-25</b>	<b>-47</b>	<b>-74</b>
Dividends from subsidiaries	306	100	306	100
Finance income and costs	-2	0	-10	30
<b>Profit/loss after financial items</b>	<b>309</b>	<b>75</b>	<b>249</b>	<b>56</b>
Change in accelerated depreciation	1	0	1	0
Group contributions	15	55	15	55
Income tax	-8	-3	-10	-3
<b>Profit/loss for the period</b>	<b>317</b>	<b>127</b>	<b>254</b>	<b>108</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	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>		
<b>Property, plant and equipment</b>	<b>223</b>	<b>234</b>
Participations in Group companies	426	422
Non-interest-bearing receivables from Group companies	306	130
Interest-bearing receivables	34	31
<b>Financial assets</b>	<b>766</b>	<b>582</b>
<b>Non-current assets</b>	<b>989</b>	<b>816</b>
Interest-bearing receivables from Group companies	159	300
Non-interest-bearing receivables from Group companies	38	166
Other receivables	50	21
Cash and cash equivalents	106	21
<b>Current assets</b>	<b>353</b>	<b>507</b>
<b>TOTAL ASSETS</b>	<b>1,342</b>	<b>1,323</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Restricted equity	100	100
Non-restricted equity	349	205
<b>Equity</b>	<b>449</b>	<b>305</b>
<b>Untaxed reserves</b>	<b>9</b>	<b>10</b>
Provisions and other liabilities	23	23
Interest-bearing liabilities	804	892
<b>Non-current liabilities</b>	<b>827</b>	<b>915</b>
Liabilities to Group companies	-	1
Other non-interest-bearing liabilities	57	63
Other interest-bearing liabilities	-	30
<b>Current liabilities</b>	<b>57</b>	<b>94</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>1,342</b>	<b>1,323</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) 2014, which is available at [www.granges.com](http://www.granges.com). There are no new accounting principles applicable from 2015 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 Annual Accounts Act and RFR 2 Reporting for Legal Entities.

### 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	31 Dec 2015	31 Dec 2014
Other non-current receivables	4	-
Receivables	42	55
Provisions and other liabilities	1	-
Other liabilities	51	85

### NOTE 5 RELATED PARTY TRANSACTIONS

At 31 December 2015 Orkla owned 16.0% of Gränges and 50.0% of SAPA. This means that both Orkla and SAPA still are related parties to Gränges. The transactions with Orkla Group (including SAPA) and

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

Borrowings are measured at amortised cost and the carrying amount in 2015 are SEK 804 million (892). The fair value of borrowings amounted in 2015 to SEK 810 million (900). For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value.

### NOTE 3 INSURANCE SETTLEMENT

In December 2013, an arbitral award was issued in the process between Gränges and the insurer related to a fire in Finspång in February 2010. A positive cash flow effect of SEK 325 million related to the settlement occurred in January 2014.

### NOTE 4 TAX

Gränges has been pre-qualified for a tax rate in China of 15% instead of 25% during the period 2013-2015. Pending final notice from the tax authorities, Gränges applies the higher tax rate in China. At 31 December 2015 the provision for the higher tax rate amounted to SEK 141 million.

the Group's joint ventures, Norca Heat Transfer LLC and Shanghai Gränges Moriyasu Aluminium Co Ltd, are specified in the table below.

SEK million	Oct-Dec 2015	Oct-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Sales to the Orkla Group and joint ventures	229	172	972	688
Expenses to the Orkla Group and joint ventures	-20	-19	-62	-29

SEK million	31 Dec 2015	31 Dec 2014
Interest-bearing receivables from joint ventures	34	31
Non-interest-bearing receivables from the Orkla Group and joint ventures	144	101
Non-interest-bearing liabilities to the Orkla Group and joint ventures	9	1

**NOTE 6 ITEMS AFFECTING COMPARABILITY**

SEK million	Oct-Dec 2015	Oct-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Restructuring costs	-	-	-15	-
Insurance settlement	21	-	21	-
Write-down of machinery and equipment	-8	-	-8	-
Listing costs	-	-25	-	-50
Demerger and divestment costs	-	15	-	15
Capital loss from sale of property	-	-	-	-4
Finspång fire costs (net)	-	-	-	-5
Other	-	4	-	4
<b>Total items affecting comparability</b>	<b>12</b>	<b>-6</b>	<b>-3</b>	<b>-41</b>

During the fourth quarter 2015 an insurance settlement of SEK 21 million was reached with the insurance company related to the embezzlement of metal scrap in Finspång.

Further items that affected the comparability during the fourth quarter 2015 was a write down of machinery and equipment of SEK 8 million.

As previous communicated a reorganisation in Sweden has been performed during the year and no additional costs have occurred during the fourth quarter in addition to previously incurred costs of SEK 15 million.

## CONSOLIDATED QUARTERLY DATA

SEK million	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volume, ktonnes	38.9	38.9	43.4	42.7	37.7	39.3	41.7	41.3
<b>Income statement</b>								
Net sales	1,252	1,281	1,506	1,456	1,217	1,198	1,176	1,157
Adjusted EBITDA <sup>1</sup>	168	165	210	206	157	156	178	173
Adjusted operating profit <sup>1</sup>	116	112	158	155	103	106	130	124
Operating profit	128	97	158	155	97	81	124	120
Profit for the period	83	69	115	111	89	55	90	85
Adjusted EBITDA margin, %	13.4	12.9	13.9	14.2	12.9	13.0	15.2	15.0
Adjusted operating margin, %	9.2	8.8	10.5	10.6	8.4	8.8	11.1	10.7
Adjusted operating profit per tonne, kSEK	3.0	2.9	3.6	3.6	2.7	2.7	3.1	3.0
Operating margin, %	10.2	7.6	10.5	10.6	7.9	6.8	10.5	10.4
Net margin, %	6.7	5.4	7.6	7.6	7.3	4.6	7.7	7.4
<b>Balance sheet</b>								
Non-current assets	1,800	1,849	1,867	1,942	1,829	1,801	1,720	1,715
Current assets	2,601	2,772	2,818	2,796	2,631	2,647	3,119	2,754
Equity	2,499	2,435	2,378	2,478	2,137	1,969	3,418	3,154
Non-current liabilities	989	1,262	1,293	1,086	1,071	1,116	191	163
Current liabilities	914	925	1,014	1,174	1,253	1,364	1,230	1,152
<b>Cash flow</b>								
Operating activities	184	300	212	28	227	-36	104	383
Investing activities	-25	-34	-37	-29	-39	-9	-13	-21
Cash flow before financing activities	159	267	175	-1	188	-45	91	362
Financing activities	-282	-57	-17	-291	-155	-665	120	-241
Cash flow for the period	-123	209	158	-292	33	-710	211	122
<b>Capital structure</b>								
Net debt	275	442	725	775	765	951	-711	-471
Equity/assets, %	56.8	52.7	50.8	52.3	47.9	44.3	70.6	70.6
<b>Data per share, SEK</b>								
Earnings per share basic <sup>2</sup>	1.12	0.93	1.54	1.49	1.19	0.73	1.21	1.14
Earnings per share diluted <sup>2</sup>	1.11	0.93	1.54	1.49	1.19	0.73	1.21	1.14
Equity <sup>3</sup>	33.49	32.62	31.86	33.16	28.63	26.38	45.80	42.26
Cash flow from operating activities <sup>3</sup>	2.47	4.02	2.84	0.38	3.04	-0.49	1.39	5.14
Share price at the end of the period	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	74,719.4	74,657.3	74,754.3	74,744.8	74,639.4	74,639.4	74,639.4	74,639.4

<sup>1</sup> Adjusted for items affecting comparability, see note 6.

<sup>2</sup> Previous periods have been restated according to the current number of outstanding shares.

<sup>3</sup> Calculated on weighted outstanding ordinary shares, basic.

## CONSOLIDATED QUARTERLY DATA

SEK million	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Sales volume by region, ktonnes</b>								
Asia	17.5	17.6	19.6	20.7	18.8	19.1	21.1	19.4
Europe	15.4	14.9	16.4	16.0	13.6	14.0	15.0	16.0
Americas	6.0	6.5	7.4	5.9	5.2	6.2	5.7	6.0
<b>Total</b>	<b>38.9</b>	<b>38.9</b>	<b>43.4</b>	<b>42.7</b>	<b>37.7</b>	<b>39.3</b>	<b>41.7</b>	<b>41.3</b>
<b>Net sales by region</b>								
Asia	569	605	720	742	634	594	588	563
Europe	477	470	526	506	410	416	426	426
Americas	206	206	260	208	173	188	162	168
<b>Total</b>	<b>1,252</b>	<b>1,281</b>	<b>1,506</b>	<b>1,456</b>	<b>1,217</b>	<b>1,198</b>	<b>1,176</b>	<b>1,157</b>
<b>Employees</b>								
Average number of employees	949	975	975	958	955	955	947	952

## CONSOLIDATED 12-MONTH ROLLING DATA

SEK million	Jan 2015 - Dec 2015	Oct 2014 - Sep 2015	Jul 2014 - Jun 2015	Apr 2014 - Mar 2015	Jan 2014 - Dec 2014	Oct 2013 - Sep 2014	Jul 2013 - Jun 2014	Apr 2013 - Mar 2014
Sales volume, ktonnes	163.9	162.7	163.0	161.4	160.0	160.0	159.9	160.0
<b>Income statement</b>								
Net sales	5,494	5,460	5,377	5,047	4,748	4,596	4,502	4,579
Adjusted EBITDA <sup>1</sup>	749	738	728	697	664	639	628	593
Adjusted operating profit <sup>1</sup>	541	528	521	494	463	444	437	401
Operating profit	538	507	491	457	422	555	534	482
Adjusted EBITDA margin, %	13.6	13.5	13.5	13.8	14.0	13.9	14.0	12.9
Adjusted operating margin, %	9.8	9.7	9.7	9.8	9.7	9.7	9.7	8.8
Adjusted operating profit per tonne, kSEK	3.3	3.2	3.2	3.1	2.9	2.8	2.7	2.5
Operating margin, %	9.8	9.3	9.1	9.1	8.9	12.1	11.9	10.5
<b>Capital structure and return indicators</b>								
Capital employed	2,982	3,011	2,977	2,893	2,837	2,864	2,914	3,003
Return on capital employed, %	18.1	17.5	17.5	17.1	16.3	15.5	15.0	13.4
Equity	2,385	2,279	2,476	2,631	2,755	2,910	3,104	2,874
Return on equity, %	15.9	16.9	14.9	13.1	11.6	13.5	12.1	11.6
Net debt / Adjusted EBITDA	0.4	0.6	1.0	1.1	1.2	1.5	-1.1	-0.8

<sup>1</sup> Adjusted for items affecting comparability, see note 6.

## DEFINITIONS

**Adjusted EBITDA**

Adjusted operating profit before depreciation and impairment charges.

**Adjusted operating profit**

Operating profit excluding items affecting comparability.

**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.

**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.



### **ABOUT GRÄNGES**

Gränges is a leading global supplier of rolled products for brazed aluminium heat exchangers. The company develops, produces and markets advanced materials that enhance production economy in the customer manufacturing process and the performance of the final products; the brazed heat exchangers. Approximately 90% of the sales are to customers in the automotive industry. The production facilities are located in Sweden and in China and have a combined annual capacity of 220,000 metric tonnes. Gränges has 950 employees and net sales in 2015 totalled SEK 5,494 million. The shares have been listed on Nasdaq Stockholm since October 2014. More information about Gränges is available on [www.granges.com](http://www.granges.com).

### **BUSINESS CONCEPT**

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 and product complexity 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 strong customer focus, leading technology and high level of production expertise.



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