

INTERIM REPORT JANUARY-SEPTEMBER 2018

Stable sales volume and operating profit in the third quarter

Third quarter 2018

- Sales volume increased by 0.4 per cent to 93.4 ktonnes (93.0). Net sales rose to SEK 3,322 million (2,728).
- Adjusted operating profit increased by 1.6 per cent to SEK 230 million (227), while adjusted operating profit per tonne increased to 2.5 kSEK (2.4). Production disturbances in the Finspång plant led to increased cost and lower sales volume with a total negative impact of SEK 22 million.
- Profit for the period increased to SEK 158 million (151).
- Diluted earnings per share increased to SEK 2.09 (2.00).
- Cash flow before financing activities decreased to SEK 81 million (148) and includes capital expenditure of SEK 236 million (74) and an increase in working capital of SEK 30 million due to US sanctions against one of Gränges' aluminium suppliers.

January-September 2018

- Sales volume increased by 0.4 per cent to 287.5 ktonnes (286.5). Net sales rose to SEK 9,836 million (8,701).
- Adjusted operating profit increased by 7.9 per cent to SEK 813 million (754), while adjusted operating profit per tonne increased to 2.8 kSEK (2.6).
- Profit for the period increased to SEK 539 million (500) and includes SEK –64 million of items affecting comparability and profit from joint ventures of SEK 22 million.
- Diluted earnings per share increased to SEK 7.14 (6.62).
- Cash flow before financing activities decreased to SEK 398 million (530) and includes capital expenditure of SEK 524 million (180) and an increase in working capital of SEK 165 million due to US sanctions against one of Gränges' aluminium suppliers.
- Net debt increased to SEK 2,565 million at 30 September 2018 (SEK 2,292 million at 31 December 2017), corresponding to 1.9 times adjusted EBITDA¹.

Financial summary

SEK million	Q3			Jan – Sep			12 months rolling	Full year	
	2018	2017	Δ	2018	2017	Δ	Oct 2017– Sep 2018	2017	Δ
Sales volume, ktonnes	93.4	93.0	0.4%	287.5	286.5	0.4%	374.0	373.0	0.3%
Net sales	3,322	2,728	21.8%	9,836	8,701	13.0%	12,570	11,435	9.9%
Adjusted operating profit ¹	230	227	1.6%	813	754	7.9%	992	933	6.4%
Adjusted operating margin, %	6.9	8.3	–1.4 ppt	8.3	8.7	–0.4 ppt	7.9	8.2	–0.3 ppt
Adjusted operating profit per tonne, kSEK	2.5	2.4	0.0	2.8	2.6	0.2	2.7	2.5	0.2
Operating profit	230	227	1.6%	749	754	–0.7%	912	917	–0.6%
Operating margin, %	6.9	8.3	–1.4 ppt	7.6	8.7	–1.0 ppt	7.3	8.0	–0.8 ppt
Profit for the period	158	151	4.5%	539	500	7.8%	691	652	6.0%
Earnings per share basic, SEK	2.09	2.00	0.08	7.14	6.63	0.50	9.16	8.65	0.51
Earnings per share diluted, SEK	2.09	2.00	0.09	7.14	6.62	0.52	9.15	8.64	0.51
Cash flow before financing activities	81	148	–45.5%	398	530	–24.9%	439	572	–23.1%
Equity to assets, %	–	–	–	41.7	40.3	1.5 ppt	41.7 ²	41.5	0.2 ppt
Net debt	–	–	–	2,565	2,280	285	2,565 ²	2,292	272
Return on capital employed, %	–	–	–	–	–	–	16.8	16.7	0.1 ppt

¹ Adjusted for items affecting comparability.

² Closing balances at the end of the period.

COMMENTS BY THE CEO

Stable sales volume, negative impact from production disturbances in Finspång

Gränges continued to experience good demand in North America during the third quarter, while the development of the European and Asian markets has been weaker. Overall, sales volume rose 0.4 per cent to 93 ktonnes and adjusted operating profit increased to SEK 230 million. Production disturbances when commissioning new equipment in Finspång, Sweden had a negative impact on adjusted operating profit of SEK 22 million due to lower deliveries and higher costs. At the same time, we have had negative effects of less efficient metal management in Asia related to move of production from Shanghai to Finspång, while price increases in North America have had a positive impact. Exchange rate fluctuations have positively affected the adjusted operating profit by SEK 30 million during the third quarter.

In Asia, sales volume was on par with third quarter last year, which was a better development than the overall market. In China, sales to the automotive industry rose by some 3 per cent during the quarter which also was a higher growth compared to the underlying market. In Europe, sales of heat exchanger materials decreased by about 5 per cent in the third quarter, to a large extent due to the production disturbances in Finspång. In the Americas, demand for domestically produced products continued to increase following the anti-dumping duties imposed by the US on rolled aluminium products from China. The sales volume of automotive heat exchanger materials to customers in the Americas was higher than in the previous year.

INVESTMENT TO EXPAND AND IMPROVE EFFICIENCY IN THE FINSPÅNG FACILITY

Gränges has decided to expand capacity and improve efficiency in the production facility in Finspång. The investment amounts to SEK 400 million over two years and will increase capacity by approximately 20 ktonnes to 120 ktonnes. By relocating and upgrading certain machinery and equipment, the logistics flow will be significantly improved, which means lower costs and less environmental impact. In addition, new capabilities to meet future customer demand will be added. Overall, the investment is expected to ensure cost competitiveness and enable a clear improvement of earnings in the coming years in Europe.

OUTLOOK

The global automotive market is expected to continue to grow in 2018. Research firm IHS estimates that light vehicle production will increase by 2 per cent globally in the fourth quarter and by 1 per cent for the full-year. In 2019, global growth is expected to be 2 per cent, according to IHS.

Gränges expects sales volume to increase by low single digits in the fourth quarter. For automotive products we foresee a stable sales volume on overall level with higher sales volume in Europe compared to last year. In Asia and the Americas, we foresee a somewhat lower sales volume than in the fourth quarter last year. For the HVAC & Other business, we expect a low single digit growth in the fourth quarter.

As we look into 2019, we will continue to work actively with innovation and a more sustainable customer offering, which includes an increased focus on product development for electric vehicles.

Demand for advanced heat exchanger materials for electric vehicles is expected to increase significantly in the coming years, as more car manufacturers choose liquid cooling solutions for batteries. We also have a clear focus on growth. In the US, the expansion of the facility in Huntingdon is expected to be finalized in mid-2019 and the capacity at the facility

in Newport will gradually become available during next year.

We have now also decided to go ahead with the plans to expand and improve efficiency in Finspång. Altogether, we are determined to continue to grow with sustainable profitability in the coming years.

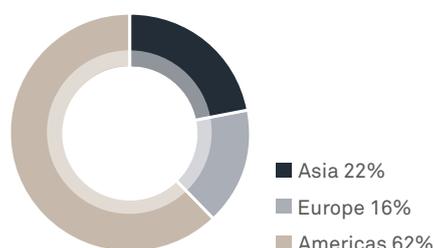
Johan Menckel
CEO



Third quarter 2018

- Sales volume **93.4** ktonnes
- Net sales SEK **3,322** million
- Adjusted operating profit SEK **230** million

Sales volume per region



US IMPORT DUTIES AND MOVE OF PRODUCTION

The US Department of Commerce has in 2017 and 2018 imposed anti-dumping and countervailing duties (AD/CVD duties) on imports of rolled aluminium products from China. Consequently, Gränges has moved production of the materials that have been produced in Shanghai and imported to the US to Finspång. From third quarter 2018, all imports to the US are produced in the facility in Finspång.

The high capacity utilization in Finspång means that the sensitivity to production disturbances has increased considerably. During the third quarter, disturbances in production resulted in reduced

sales volume and increased costs with a combined impact of SEK –22 million. The situation has been addressed, however, Gränges expects additional costs of about SEK 10 million in the fourth quarter related to the delivery situation in Finspång.

As of April 2018, the US also imposed general additional tariffs (Section 232) of 10 per cent on all imports of aluminium products, including imports from manufacturers in the EU. These tariffs are in most cases regulated by agreement with customers in the US reducing the net impact for Gränges. Filings for exemptions from the 232 tariffs have been made with support from customers. A decision is expected during the fourth quarter 2018.

Sales volume increased by 0.4 per cent in the third quarter primarily driven by sales of HVAC & Other material in the Americas

MARKET DEVELOPMENT

According to the international research firm IHS¹, global light vehicle production decreased by 0.7 per cent in the third quarter of 2018, compared to the corresponding quarter 2017. In Asia, light vehicle production decreased by 1.7 per cent during the third quarter. In the fourth quarter of 2018, an increase of 2.2 per cent is expected in Asia. In Europe, light vehicle production declined by 2.6 per cent in the third quarter, and a decrease of 0.4 per cent is expected in the fourth quarter of 2018. Light vehicle production in the Americas increased by 4.1 per cent in the third quarter, whereas an increase of 3.2 per cent is anticipated in the fourth quarter of 2018. For the full year 2018, IHS forecasts an increase in global light vehicle production of 1.4 per cent.

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

In the Americas, materials to the HVAC industry is the dominant product category. The growth in this market is partly driven by energy efficiency requirements and construction of new houses and buildings.

SALES DEVELOPMENT

Gränges' sales volume in the third quarter of 2018 increased by 0.4 per cent to 93.4 ktonnes (93.0) compared to the same quarter previous year. Net sales increased to SEK 3,322 million (2,728). The net sales increase was mainly driven by an increased aluminium price, and a net positive effect from changes in foreign exchange rates of SEK 253 million.

For the Automotive business, sales volume was stable at 44.1 ktonnes (44.1) while net sales increased to SEK 1,679 million (1,475) during the third quarter 2018. For the HVAC & Other business, sales volume increased to 49.3 ktonnes (48.9) and net sales increased to SEK 1,643 million (1,254).

During January–September 2018 Gränges' sales volume increased by 0.4 per cent to 287.5 ktonnes (286.5) compared to the corresponding period previous year. Net sales increased to SEK 9,836 million (8,701). The net effect of changes in foreign exchange rates was positive and amounted to SEK 130 million during January–September 2018.

During January–September 2018 sales volume for the Automotive business increased to 142.5 ktonnes (141.8) and net sales increased to SEK 5,247 million (4,811). For the HVAC & Other business, sales volume increased to 145.1 ktonnes (144.7) while net sales increased to SEK 4,588 million (3,891) during January–September 2018.

¹ Source: IHS, 14 September 2018.

ASIA

In the third quarter of 2018, sales volume in Asia increased by 0.2 per cent to 20.8 ktonnes (20.7). The growth was primarily driven by sales to customers in China. During January–September 2018, sales volume in Asia increased to 66.3 ktonnes (65.7), which represents an increase of 0.9 per cent compared to previous year.

EUROPE

In the third quarter of 2018, sales volume in Europe decreased by 2.6 per cent to 15.1 ktonnes (15.5). Sales of heat exchanger material decreased while sales of material for non-heat exchanger applications increased during the quarter. During January–September 2018, sales volume in Europe was stable at 50.2 ktonnes (50.2) compared to previous year.

AMERICAS

In the third quarter of 2018, sales volume in the Americas increased by 1.2 per cent to 57.5 ktonnes (56.8). Of this, 49.3 ktonnes (48.9) relates to the HVAC & Other business while 8.2 ktonnes (7.9) relates to the Automotive business. During January–September 2018, sales volume in the Americas increased to 171.1 ktonnes (170.5), which represents an increase of 0.3 per cent compared to previous year. 145.1 ktonnes (144.7) relates to the HVAC & Other business while 26.0 ktonnes (25.8) relates to the Automotive business.

OPERATING PROFIT

Adjusted operating profit for the third quarter of 2018 increased to SEK 230 million (227), while adjusted operating profit per tonne increased to 2.5 kSEK (2.4). Adjusted operating margin was 6.9 per cent (8.3). Production disturbances in the Finspång plant led to

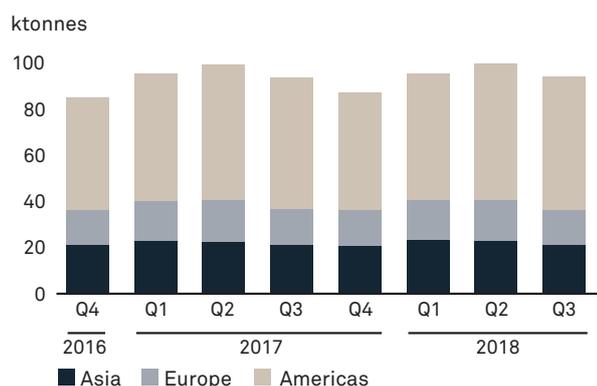
increased costs and lower sales volume with a total negative impact of SEK 22 million in the quarter. The positive effect from a slightly higher average conversion price was partly offset by less efficient metal management in the quarter. US duties on imports of aluminium had a neutral effect in the quarter as costs for Section 232 tariffs on imports from Sweden were offset by a retro-active adjustment in anti-dumping duty rates on imports from China with a positive impact of SEK 9 million. Net changes in foreign exchange rates had a positive impact of SEK 30 million in the quarter.

Operating profit during the third quarter 2018 amounts to SEK 230 million (227). No items affecting comparability were recorded in the third quarter of 2018 or in the corresponding quarter last year.

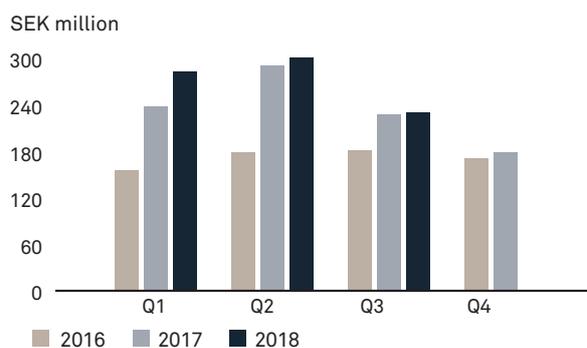
During the period January–September 2018, adjusted operating profit increased to SEK 813 million (754), while adjusted operating profit per tonne increased to 2.8 kSEK (2.6). Adjusted operating margin was 8.3 per cent (8.7). Costs for US anti-dumping duties on imports from China are included with SEK 19 million. The net effect of changes in foreign exchange rates was positive and amounted to SEK 27 million during the period January–September 2018, and the effect from changed depreciation periods had a positive impact of SEK 32 million.

Operating profit during January–September 2018 declined to SEK 749 million (754) and includes items affecting comparability of SEK –64 million (–) related to a change in the distribution model in the US on the imports from Sweden and China. For further information see Note 5.

Quarterly sales volume per region



Quarterly adjusted operating profit



PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before taxes for the third quarter 2018 decreased to SEK 201 million (203). Finance income and costs was SEK –30 million (–24) and includes interest expenses and financing costs of SEK 28 million, foreign exchange effects of SEK –2 million and interest income of SEK 1 million. Income tax for the third quarter of 2018 amounted to SEK –43 million (–52) which corresponds to an effective tax rate of 22 per cent (26). The profit for the period increased to SEK 158 million (151) during the third quarter of 2018 and diluted earnings per share was SEK 2.09 (2.00).

During the period January–September 2018 profit before taxes increased to SEK 688 million (671) and includes a positive effect from joint ventures of SEK 22 million (2) which is related to revaluation from book value to fair value of Norca¹. During January–September 2018, finance income and costs was SEK –83 million (–85) and includes interest expenses and financing costs of SEK 84 million, foreign exchange effects of SEK –2 million and interest income of SEK 3 million. Income tax for the period January–September 2018 was SEK –149 million (–172) which corresponds to an effective tax rate of 22 per cent (26). The decrease in the effective tax rate is mainly related to a decreased corporate tax rate in US from 35 per cent 2017 to 21 per cent 2018. During January–September 2018, the profit for the period increased to SEK 539 million (500) and diluted earnings per share was SEK 7.14 (6.62).

CASH FLOW

Cash flow from operating activities increased to SEK 316 million (222) in the third quarter of 2018 and was positively impacted by decreased working capital due to the decreased aluminium price. During the third quarter, Gränges has increased the stock of aluminium slabs to secure production if the exemption period for US sanctions against Rusal would not be further extended. This had a negative impact on working capital and cash flow of SEK 30 million in the quarter. Cash flow from investing activities was SEK –236 million (–74) in the third quarter and fully relates to capital expenditure. Of the total capital expenditure, SEK 88 million referred to investments to maintain and improve efficiency in current production facilities and SEK 147 million related to the expansion of the US production facilities. Cash flow before financing activities amounted to SEK 81 million (148) in the third quarter of 2018.

Cash flow from financing activities was SEK –41 million (–133) in the third quarter of 2018 and includes new loans of SEK 1,248 million and amortization of loans of SEK –1,262 million. New loans include bonds of SEK 600 million issued under the newly established MTN program, and amortized loans include USD 30 million

prepaid on a term loan. Net financing from commercial papers was SEK –350 million during the quarter.

During January–September 2018 cash flow from operating activities increased to SEK 901 million (710) and includes an increase in working capital of SEK 165 million due to US sanctions against Rusal. Cash flow from investing activities was SEK –503 million (–180) and includes a positive net effect of SEK 24 million mainly related to the acquisition of the remaining 50 per cent of Norca Heat Transfer LLC¹. Capital expenditure during January–September 2018 amounted to SEK –524 million (–180). Of this, SEK –236 million referred to maintenance investments and SEK –288 million related to expansion investments.

During January–September 2018 cash flow before financing activities amounted to SEK 398 million (530). Cash flow from financing activities was SEK –486 million (–641) and includes a dividend payment of SEK –227 million as resolved by Gränges' 2018 Annual General Meeting, new loans of SEK 2,510 million and amortization of loans of SEK –2,696 million.

Cash and cash equivalents amounted to SEK 658 million at 30 September 2018 (SEK 742 million 31 December 2017).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 8,882 million at 30 September 2018 (SEK 8,005 million at 31 December 2017). The equity to assets ratio was 41.7 per cent at 30 September 2018 (41.5 per cent at 31 December 2017).

Consolidated net debt including pension liabilities was SEK 2,565 million at 30 September 2018 (SEK 2,292 million at 31 December 2017). At 30 September 2018, the Group's net debt corresponds to 1.9 times adjusted EBITDA.

EMPLOYEES

The average number of employees was 1,695 (1,592) in the third quarter of 2018 and 1,673 (1,547) during the period January–September 2018.

PARENT COMPANY

Gränges AB is the parent company of the Gränges Group. The operations includes Group Management and group functions such as finance, treasury, legal and communications. For the period January–September 2018, net sales in the parent company was SEK 142 million (100) and the loss for the period was SEK –45 million (–58).

¹ For further information about Norca see Note 7.

SIGNIFICANT EVENTS DURING THE PERIOD

Gränges halts plans for a joint venture in North America

Gränges has decided to halt the plans for a joint venture with Mitsubishi Aluminium Co. Ltd in North America for manufacturing of advanced aluminium materials for brazed automotive heat exchangers. Gränges remains strongly committed to the North American market and the current expansion projects remain on schedule.

Gränges establishes an MTN program

Gränges has established an MTN program (Medium Term Note) with a framework amount of SEK 3 billion as a part of the Group's long term financing. During the period Gränges issued bonds of SEK 300 million with floating rate and a maturity of three years, and SEK 300 million with floating rate and a maturity of five years.

Gränges hosts Technical Seminar in China

In September Gränges arranged its Technical Seminar in Xiamen in China. About 350 participants from customers and other leading industry representatives attended the seminar, making it the largest seminar of its kind in the world. Gränges' Technical Seminar in China is arranged every other year.

SIGNIFICANT EVENTS AFTER THE PERIOD

Gränges invests SEK 400 million in Finspång

Gränges will invest SEK 400 million to improve efficiency and expand production facility in Finspång. The project is expected to take two years to complete and will increase capacity in the plant by 20 ktonnes, to 120 ktonnes annually. From 2022, positive effects are expected of the investment in terms of both efficiency measures and increased sales.

THE SHARE

The share capital in Gränges amounts to SEK 101 million split on 75,517,386 shares, each with a quota value of SEK 1,339775. Gränges has only one class of shares.

OWNERSHIP STRUCTURE

Largest shareholders in Gränges at 30 September 2018¹.

Shareholder	Number of shares	Share of capital and votes %
Fjärde AP-fonden	7,111,207	9.4
AFA Försäkring	5,684,893	7.5
Swedbank Robur Fonder	3,669,442	4.9
SEB Fonder	3,098,803	4.1
Allianz Global Investors	2,843,762	3.8
Dimensional Fund Advisors	2,682,314	3.6
Paradice Investment Management	2,239,611	3.0
Fidelity	1,916,573	2.5
Unionen	1,700,000	2.3
Columbia Threadneedle	1,534,781	2.0
Franklin Templeton	1,433,180	1.9
Lazard Asset Management	931,481	1.2
BlackRock	820,329	1.1
JP Morgan Asset Management	712,506	0.9
Avanza Pension	647,829	0.9
Total 15 largest shareholders	37,026,711	49.0
Other	38,490,675	51.0
Total	75,517,386	100.0

¹ Source: Modular Finance Holdings.

The number of shareholders in Gränges was 8,309 at 30 September 2018, according to Euroclear.



Johan Menckel, Gränges' CEO, speaks at the Technical Seminar in Xiamen, China, in September 2018.

OTHER

Nomination Committee appointed

Gränges Nomination Committee for the 2019 Annual General Meeting has been appointed. The committee constitutes representatives from Gränges' three largest shareholders on 31 August 2018 and the Chairman of Gränges Board of Directors, Anders G. Carlberg. Fourth National Swedish Pension Fund (AP4) is represented by Jannis Kitsakis, AFA Insurance is represented by Anders Algotsson and Swedbank Robur by Lennart Francke. The Chairman of the Nomination Committee is Jannis Kitsakis.

Annual General Meeting 2019

Gränges' 2019 Annual General Meeting will be held Wednesday, 8 May 2019 at 16.00 CEST at Näringslivets Hus in Stockholm. Shareholders wishing to have matters considered at the Annual General Meeting should submit such requests seven weeks before the meeting.

RISKS AND UNCERTAINTY FACTORS

As a global group with operations in many parts of the world, Gränges is exposed to various risks and uncertainties such as raw material price risk, market risk, operational and legal risk, as well as financial risk related to foreign exchange rates, interest rates, liquidity and funding opportunities. In its risk management, Gränges seeks to identify, evaluate, and reduce risks related to the Group's business and operations. More information about risk management is available on pages 46–49 in Gränges' 2017 annual report.

SEASONAL VARIATIONS

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

Stockholm, 25 October 2018

Johan Menckel
Chief Executive Officer



REVIEW REPORT

Gränges AB, corporate identity number 556001-6122

Introduction

We have reviewed the condensed interim report for Gränges AB as at September 30, 2018 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, 25 October, 2018
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

For additional information, please contact:

Pernilla Grennfelt
SVP Communications and Investor Relations
pernilla.grennfelt@granges.com
Telephone +46 (0) 702 90 99 55

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 25 October 2018 at 07.30 CEST.

Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' interim report for January–September 2018 at a web-casted conference call at 10.00 CEST, Thursday 25 October, 2018.

The webcast is available on www.granges.com/investors. To participate in the conference call, please call +46 8 51999355 (Sweden), +44 203 1940550 (UK) or +1 8552692605 (USA). Please call a few minutes before the conference call starts. The presentation will be in English.

Financial calendar

31 January 2019	Year-end Report 2018
14 March 2019	Annual Report 2018
25 April 2019	Interim Report January–March 2019
8 May 2019	Annual General Meeting 2019
18 July 2019	Half-year Report 2019
24 October 2019	Interim Report January–September 2019

CONSOLIDATED INCOME STATEMENT (CONDENSED)

SEK million	Note	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Net sales		3,322	2,728	9,836	8,701	11,435
Cost of materials	5	-2,267	-1,770	-6,619 ¹	-5,622	-7,396
Payroll and other operating expenses		-734	-649	-2,207	-2,038	-2,735
Depreciation, amortization and impairment charges		-90	-83	-261	-287	-370
Items affecting comparability	5	-	-	-	-	-16
Operating profit		230	227	749	754	917
Profit or loss from joint ventures	7	0	1	22	2	-5
Finance income and costs		-30	-24	-83	-85	-115
Profit before tax		201	203	688	671	797
Income tax	6	-43	-52	-149	-172	-145
Profit for the period		158	151	539	500	652
Earnings per share						
Earnings per share basic, SEK		2.09	2.00	7.14	6.63	8.65
Earnings per share diluted, SEK		2.09	2.00	7.14	6.62	8.64

¹ Includes items affecting comparability of SEK -64 million.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Profit for the period	158	151	539	500	652
Items not to be reclassified to profit/loss in subsequent periods					
Remeasurement of pensions after tax	0	6	-5	6	12
Items to be reclassified to profit/loss in subsequent periods					
Change in hedging reserve after tax	12	11	-39	44	41
Translation effects	-129	-63	115	-222	-160
Comprehensive income for the period attributable to owners of the parent company	41	104	609	328	545

CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS				
Intangible assets		708	591	640
Property, plant and equipment		3,454	2,955	3,076
Deferred tax assets		54	50	44
Investments in joint ventures		10	29	17
Interest-bearing receivables		–	33	33
Other non-current receivables	3	17	17	16
Non-current assets		4,243	3,674	3,827
Inventories		1,910	1,525	1,611
Receivables	3	2,071	1,812	1,826
Cash and cash equivalents		658	703	742
Current assets		4,639	4,040	4,179
TOTAL ASSETS		8,882	7,714	8,005
EQUITY AND LIABILITIES				
Share capital		101	101	101
Retained earnings		3,604	3,005	3,221
Equity		3,705	3,106	3,322
Interest-bearing liabilities	3	2,478	2,401	2,215
Provisions and other non-current liabilities	3	405	361	340
Non-current liabilities		2,884	2,762	2,555
Interest-bearing liabilities	3	450	345	576
Provisions and other current liabilities	3, 6	1,842	1,502	1,552
Current liabilities		2,293	1,847	2,128
TOTAL EQUITY AND LIABILITIES		8,882	7,714	8,005

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Opening balance	3,322	2,942	2,942
Profit for the period	539	500	652
Other comprehensive income for the period	71	-172	-107
Total comprehensive income for the period	609	328	545
Dividend	-227	-180	-180
Rights issue	–	16	16
Total transactions with owners	-227	-164	-164
Closing balance	3,705	3,106	3,322

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Operating profit	230	227	749	754	917
Depreciation, amortization and impairment charges	90	83	261	287	370
Other non-cash items	5	-	64	-	-
Change in working capital etc.	15	-42	-122	-268	-267
Income taxes paid	-19	-46	-51	-62	-53
Cash flow from operating activities	316	222	901	710	968
Acquisitions	7	-	24	-	-42
Investments in property, plant, equipment and intangible assets	-236	-74	-524	-180	-358
Other capital transactions	-	-	-3	-	4
Cash flow from investing activities	-236	-74	-503	-180	-396
Dividend	-	-	-227	-180	-180
Rights issue	-	-	-	16	16
Interest paid and received	-27	-4	-74	-90	-124
New loans	1,248	-	2,510	357	888
Amortization	-1,262	-128	-2,696	-744	-1,250
Cash flow from financing activities	-41	-133	-486	-641	-650
Cash flow for the period	40	16	-88	-111	-79
Cash and cash equivalents at beginning of period	636	702	742	851	851
Cash flow for the period	40	16	-88	-111	-79
Exchange rate differences in cash and cash equivalents	-18	-15	4	-37	-30
Cash and cash equivalents at end of period	658	703	658	703	742

PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Net sales	46	35	142	100	219
Payroll and other operating expenses	-65	-59	-197	-168	-240
Depreciation, amortization and impairment charges	-7	-6	-20	-20	-27
Operating profit/loss	-26	-30	-75	-89	-47
Dividends from subsidiaries	-	-	-	-	378
Finance income and costs	6	5	18	16	13
Profit/loss after financial items	-20	-26	-56	-73	344
Change in accelerated tax depreciation	-	-	-	-	-25
Group contributions	-	-	-	-	90
Income tax	4	16	11	15	-23
Profit/loss for the period	-15	-10	-45	-58	385

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 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Intangible assets	150	162	159
Property, plant and equipment	210	212	217
Investments related to Group companies	1,160	1,093	1,160
Receivables from Group companies	2,544	2,040	2,344
Interest-bearing receivables	0	33	33
Other non-current receivables	23	30	13
Non-current assets	4,087	3,569	3,925
Receivables from Group companies	45	-	147
Other receivables	47	127	95
Cash and cash equivalents	24	131	106
Current assets	117	258	348
TOTAL ASSETS	4,204	3,827	4,273
EQUITY AND LIABILITIES			
Restricted equity	106	107	107
Non-restricted equity	895	723	1,166
Equity	1,001	830	1,273
Untaxed reserves	80	55	80
Provisions and other liabilities	23	22	22
Interest-bearing liabilities	2,478	2,401	2,215
Other non-current liabilities	2	2	3
Non-current liabilities	2,504	2,424	2,240
Liabilities to Group companies	49	40	-
Interest-bearing liabilities	450	345	548
Other liabilities	119	134	132
Current liabilities	618	519	680
TOTAL EQUITY AND LIABILITIES	4,204	3,827	4,273

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) 2017, which is available at www.granges.com. 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.

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

New and updated standards applicable for periods commencing January 1, 2018 and later

From the financial year beginning 1 January 2018, Gränges applies IFRS 9 Financial Instruments and IFRS 15 Revenues from contracts with customers. The new standards have not had a material impact on the Group's financial statements.

IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments: Recognition and Measurement. The new model regarding calculation of credit loss impacts the impairment process, however it has not had a significant impact on the Group's financial statements. The new principles for hedge accounting have had no impact on the Group's financial statements. The transition has not had a material impact on the Group's financial statements and consequently previous periods have not been restated.

IFRS 15 Revenues from contracts with customers has replaced existing revenue standards and interpretations. Gränges has chosen to adopt IFRS 15 with full retrospective approach from 1 January 2018. The transition has not had a material impact on the Group's financial statements and consequently previous periods have not been restated.

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

IFRS 16 Leasing is effective 1 January 2019 and Gränges is currently working with evaluating the effects of the new standard. The assessment so far is that the new standard will impact Gränges in the way that leasing contracts for premises, vehicles and other large leasing objects will be recognized in the balance sheet.

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Gränges mainly sells goods in different regions and revenues from the sale is recognized in the income statement when control is passed to the customer. Revenues from sale of services are limited and primarily refer to rental income from properties owned by Gränges AB. The revenue recognition for goods occur at point in time, while the rental income is recognized on a straight-line basis over the lease term. Rental income has not been classified as revenue from contracts with customers and is recognized in other revenue in the table below.

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Sales by region					
Asia	732	676	2,310	2,202	2,911
Europe	574	510	1,827	1,657	2,210
Americas	2,011	1,536	5,683	4,826	6,294
Total revenue from contracts with customers	3,317	2,722	9,820	8,685	11,415
Other revenue	5	5	16	16	20
Net sales	3,322	2,728	9,836	8,701	11,435

The selling price for Gränges' products is divided into a metal price component for the aluminium and a conversion price component covering Gränges' processing costs and margin. The cost of the aluminium is mainly passed on to the customer through metal price clauses.

NOTE 3 FINANCIAL INSTRUMENTS

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

SEK million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Other non-current receivables	2	6	5
Receivables	45	68	68
Provisions and other non-current liabilities	3	2	3
Provisions and other current liabilities	78	59	67

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

Gränges' interest-bearing debt consists of USD term loans amounting to USD 190 million and SEK term loans of SEK 200 million. Gränges has established an MTN program (Medium Term Note) with a frame amount of SEK 3,000 million. In September two bonds of SEK 300 million each was issued under the program. Outstanding commercial papers amounted to SEK 450 million as of 30 September 2018 (SEK 300 million as of 31 December 2017). Gränges has a revolving credit facility of SEK 1,200 million, with a remaining maturity of two years. The revolving credit facility was unutilized as of 30 September 2018. The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio.

SEK million	Frame	Year			Total
		< 1	1-2	> 2	
Term loans					
SEK		-	200	-	200
USD		-	-	1,688	1,688
Bonds in MTN program	3,000	-	-	600	600
Commercial papers	1,500	450	-	-	450
Revolving Credit Facility	1,200	-	-	-	-
Other interest-bearing liabilities		-	-	2	2
Total		450	200	2,290	2,940

Borrowings are measured at amortized cost and the carrying amount as of 30 September 2018 was SEK 2,928 million (SEK 2,791 million as of 31 December 2017). The fair value of borrowings amounted to SEK 2,940 million as of 30 September 2018 (SEK 2,805 million as of 31 December 2017). For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value.

NOTE 4 RELATED PARTY TRANSACTIONS

As of 2 January, Gränges owns 100 per cent of Norca Heat Transfer LLC ("Norca") and Norca is from the first quarter of 2018, consolidated into Gränges by using the acquisition method. No other changes have been made to the group or parent company in relations or transactions with related parties, compared to what is described in the 2017 Annual Report. During 2018 there have been no significant transactions with related parties.

NOTE 5 ITEMS AFFECTING COMPARABILITY

SEK million	Financial statement line	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Inventory effect due to changed distribution model	Cost of materials	-	-	-64	-	-
Closure costs for US sales company	Items affecting comparability	-	-	-	-	-16
Items affecting comparability		-	-	-64	-	-16

On January 2 2018, Gränges acquired the remaining 50 per cent of the joint venture company Norca Heat Transfer LLC ("Norca"), which previously has managed import and distribution of Gränges' heat exchanger materials to customers in North America. This import is related to products that are produced at the facilities in Finspång and Shanghai. As of January 2018, the import and sales to customers in North America is managed by Gränges Americas. The acquisition of the remaining 50 per cent of Norca included finished products from Gränges that Norca had in inventory at the time for the acquisition. As Gränges already had reported the profit for these products when sold to Norca in 2017, a negative effect on operating profit of SEK -64 million occurred in the first quarter of 2018. This had no impact on the cash flow and is included in other non-cash items in the consolidated statement of cash flows.

During the third quarter 2018 no items affecting comparability were recorded.

NOTE 6 TAX

Gränges' Chinese subsidiary has obtained a pre-qualification as a High and New-Technology Enterprise for the three years period 2016 to 2018. The pre-qualification means that the company preliminary pays 15 per cent in corporate income tax instead of the ordinary tax of 25 per cent for the period. However, in order to finally obtain the lower tax rate, the company must meet special requirements established by the authorities in China for each one of the three years. In view of the difficulties to estimate whether these special requirements will be met, corporate income tax in the Chinese operation has been based on the standard rate of 25 per cent until the tax return has been approved by Chinese authorities. The provision for the higher tax rate amounted to SEK 93 million as of September 2018, of which SEK 54 million attributable to the financial year 2017 and the remaining SEK 39 million attributable to the financial year 2018.

During the second quarter 2018, the Swedish Parliament approved the proposal of reduced corporate taxation in Sweden, which will be in two steps from 22.0 to 20.6 per cent from 2019 to 2021. In the first two years, the tax will be reduced to 21.4 per cent and then to 20.6 per cent. As a result of the reduced corporate tax, deferred tax was recalculated during the second quarter 2018. This had no material impact on the profit for the period.

NOTE 7 ACQUISITIONS

Norca Heat Transfer LLC ("Norca"), in which Gränges held a 50 per cent ownership until January 2018, has previously administered the import and distribution of Gränges' heat exchanger materials to customers in North America supplied from the production sites in Finspång and Shanghai. As of 2 January 2018 Gränges acquired the remaining 50 per cent of Norca for a purchase price of USD 4 million. The Group's distribution in North America is during 2018 coordinated through Gränges Americas.

Purchase price allocation Norca	USD million	SEK million
Current assets, excluding cash	59.8	482
Cash	7.1	57
Interest-bearing liabilities	24.5	197
Other current liabilities	34.5	278
Net identifiable assets and liabilities	8.0	64
Goodwill	–	–
Consolidated value of share in associates	1.3	11
Revaluation of previously owned shares	2.7	22
Purchase consideration	4.0	32
Total purchase price	8.0	64
Consideration transferred	–4.0	–32
Cash and cash equivalents in acquired businesses	7.1	57
Effect on Group's cash and cash equivalents, acquisitions	3.1	26

Norca was until the acquisition classified as a joint venture and consolidated according to the equity method. Following the acquisition, the operation is consolidated according to the acquisition method. The consolidated value of share in associates was SEK 11 million at the time of acquisition. The result of revaluation at fair value amounted to SEK 22 million and is recognized as profit from joint ventures in the income statement during the first quarter 2018.

Norca only distributed products from Gränges, meaning that the inventory in Norca consisted of products only from Gränges. When consolidating using the equity method, 50 per cent of the intercompany profit in inventory was eliminated and accounted for in the line investments in joint ventures. When using the acquisition method 100 per cent of internal profit in inventory is eliminated and accounted for within cost of materials.

The purchase price allocation has been determined without adjustments and corresponds with the information about the acquisition presented in Note 29 in the Annual Report 2017.

CONSOLIDATED QUARTERLY DATA

SEK million	2018			2017			2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume, ktonnes	93.4	99.1	95.0	86.5	93.0	98.7	94.8	84.7
Income statement								
Net sales	3,322	3,443	3,071	2,734	2,728	3,081	2,892	2,546
Adjusted EBITDA ¹	320	390	364	262	309	392	339	267
Adjusted operating profit ¹	230	301	282	179	227	290	237	171
Operating profit	230	301	217	163	227	290	237	162
Profit for the period	158	214	167	152	151	192	157	101
Adjusted EBITDA margin, %	9.6	11.3	11.8	9.6	11.3	12.7	11.7	10.5
Adjusted operating margin, %	6.9	8.7	9.2	6.6	8.3	9.4	8.2	6.7
Adjusted operating profit per tonne, kSEK	2.5	3.0	3.0	2.1	2.4	2.9	2.5	2.0
Operating margin, %	6.9	8.7	7.1	6.0	8.3	9.4	8.2	6.4
Net margin, %	4.7	6.2	5.4	5.6	5.5	6.2	5.4	4.0
Balance sheet								
Non-current assets	4,243	4,176	3,934	3,827	3,674	3,769	3,969	4,071
Current assets	4,639	4,823	4,596	4,179	4,040	3,957	3,822	3,878
Equity	3,705	3,665	3,601	3,322	3,106	3,001	3,096	2,942
Non-current liabilities	2,884	2,555	2,608	2,555	2,762	2,802	2,712	3,209
Current liabilities	2,293	2,780	2,321	2,128	1,847	1,923	1,983	1,799
Cash flow								
Operating activities	316	291	294	257	222	368	120	171
Investing activities	-236	-166	-102	-216	-74	-61	-45	-68
Cash flow before financing activities	81	125	192	41	148	307	75	104
Financing activities	-41	-173	-272	-9	-133	-45	-464	-21
Cash flow for the period	40	-48	-80	32	16	263	-389	83
Capital structure								
Net debt	2,565	2,621	2,353	2,292	2,280	2,481	2,665	2,722
Equity to assets, %	41.7	40.7	42.2	41.5	40.3	38.8	39.7	37.0
Data per share, SEK								
Earnings per share basic	2.09	2.84	2.21	2.02	2.00	2.55	2.09	1.35
Earnings per share diluted	2.09	2.84	2.21	2.02	2.00	2.55	2.08	1.35
Equity ²	49.07	48.53	47.68	44.00	41.13	39.81	41.10	39.17
Cash flow from operating activities ²	4.19	3.85	3.89	3.40	2.94	4.89	1.60	2.28
Share price at the end of the period	106.0	117.3	97.95	84.25	93.25	77.50	82.00	86.00
Weighted outstanding ordinary shares, basic in thousands	75,517.4	75,517.4	75,517.4	75,513.7	75,512.4	75,295.0	75,155.4	74,897.4
Weighted outstanding ordinary shares, diluted in thousands	75,517.4	75,517.4	75,517.4	75,515.4	75,514.8	75,398.0	75,320.6	75,106.6

¹ Adjusted for items affecting comparability.

² Calculated on weighted outstanding ordinary shares, diluted.

CONSOLIDATED QUARTERLY DATA

SEK million	2018			2017			2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume by region, ktonnes								
Asia	20.8	22.5	23.0	20.6	20.7	22.3	22.7	20.7
Europe	15.1	17.8	17.2	15.4	15.5	17.9	16.9	15.2
Americas	57.5	58.8	54.8	50.6	56.8	58.5	55.3	48.8
Total	93.4	99.1	95.0	86.5	93.0	98.7	94.8	84.7
Net sales by region								
Asia	732	813	765	709	676	759	767	719
Europe	579	649	615	557	516	612	545	497
Americas	2,011	1,981	1,692	1,468	1,536	1,710	1,580	1,330
Total	3,322	3,443	3,071	2,734	2,728	3,081	2,892	2,546
Employees								
Average number of employees	1,695	1,669	1,655	1,632	1,592	1,548	1,500	1,499

CONSOLIDATED 12-MONTHS ROLLING DATA

SEK million	Oct 2017 – Sep 2018	Jul 2017 – Jun 2018	Apr 2017 – Mar 2018	Jan 2017 – Dec 2017	Oct 2016 – Sep 2017	Jul 2016 – Jun 2017	Apr 2016 – Mar 2017	Jan 2016 – Dec 2016
Sales volume, ktonnes	374.0	373.7	373.2	373.0	371.2	341.0	288.8	239.1
Income statement								
Net sales	12,570	11,976	11,614	11,435	11,247	10,379	8,740	7,207
Adjusted EBITDA ¹	1,336	1,325	1,328	1,303	1,308	1,249	1,085	952
Adjusted operating profit ¹	992	989	977	933	925	879	769	687
Operating profit	912	909	897	917	916	777	641	559
Adjusted EBITDA margin, %	10.6	11.1	11.4	11.4	11.6	12.0	12.4	13.2
Adjusted operating margin, %	7.9	8.3	8.4	8.2	8.2	8.5	8.8	9.5
Adjusted operating profit per tonne, kSEK	2.7	2.6	2.6	2.5	2.5	2.6	2.7	2.9
Operating margin, %	7.3	7.6	7.7	8.0	8.1	7.5	7.3	7.8
Capital structure and return indicators								
Capital employed	5,902	5,744	5,639	5,581	5,565	5,053	4,527	3,930
Return on capital employed, %	16.8	17.2	17.3	16.7	16.6	17.4	17.0	17.5
Equity	3,480	3,339	3,225	3,093	2,971	2,848	2,755	2,636
Return on equity, %	19.9	20.5	20.5	21.1	20.2	22.4	20.4	18.9
Net debt / Adjusted EBITDA	1.9	2.0	1.8	1.8	1.7	1.9	2.1	2.1

¹ Adjusted for items affecting comparability.

Alternative Performance Measures

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

SEK million	Q3		Jan – Sep		12 months rolling	Full year
	2018	2017	2018	2017	Oct 2017 – Sep 2018	2017
Adjusted operating profit						
Operating profit	230	227	749	754	912	917
Items affecting comparability	–	–	64	–	80	16
Adjusted operating profit	230	227	813	754	992	933
Adjusted operating profit per tonne						
Adjusted operating profit	230	227	813	754	992	933
Sales volume, ktonnes	93.4	93.0	287.5	286.5	374.0	373.0
Adjusted operating profit per tonne, kSEK	2.5	2.4	2.8	2.6	2.7	2.5
Adjusted EBITDA						
Adjusted operating profit	230	227	813	754	992	933
Depreciation and amortization	90	83	261	287	344	370
Adjusted EBITDA	320	309	1,074	1,041	1,336	1,303
Return on capital employed						
Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average	–	–	–	–	7,732	7,111
Non-interest-bearing liabilities, rolling 12 months average	–	–	–	–	–2,113	–1,810
Pensions, rolling 12 months average	–	–	–	–	283	280
Capital employed	–	–	–	–	5,902	5,581
Adjusted operating profit	–	–	–	–	992	933
Return on capital employed, %	–	–	–	–	16.8	16.7
Net debt						
Cash and cash equivalents and interest-bearing receivables	–	–	–658	–736	–658 ¹	–775
Interest bearing liabilities	–	–	2,928	2,746	2,928 ¹	2,791
Pensions	–	–	294	270	294 ¹	276
Net debt	–	–	2,565	2,280	2,565¹	2,292
Equity to assets						
Equity	–	–	3,705	3,106	3,705 ¹	3,322
Total assets	–	–	8,882	7,714	8,882 ¹	8,005
Equity to assets, %	–	–	41.7	40.3	41.7¹	41.5

¹ Closing balance at the end of the period.

Definitions

Adjusted EBITDA

Adjusted operating profit before depreciation and impairment charges.

Adjusted operating profit

Operating profit excluding items affecting comparability.

Adjusted operating profit per tonne

Adjusted operating profit divided by sales volume.

Average number of employees

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

Capital employed

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

Cash flow before financing activities

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

Earnings per share

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

Equity to Assets

Equity divided by total assets.

Glossary

Alloy

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

Aluminium strip

Rolled aluminium in coil form.

Brazing

Joining of metals through melting and solidification.

Cladding

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

Heat exchanger

A device for transferring heat from one medium to another.

Items affecting comparability

Non-recurring income and expenses.

ktonnes

Volume expressed in thousands of metric tonnes.

Net debt

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

Operating profit

Profit before net financial items and tax.

Return on capital employed

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

Return on equity

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

Sales volume

Volumes sold in metric tonnes.

SEK

Swedish Krona.

HVAC

Heat exchangers for Heating, Ventilation and Air Conditioning, sometimes used to define the stationary heat exchanger market.

LME

London Metal Exchange.

Rolled aluminium

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

Scrap

Aluminium that can be re-melted.

SHFE

Shanghai Futures Exchange.



Head office

Gränges AB (publ)
Box 5505
SE-114 85 Stockholm
Sweden

Visiting address

Linnégatan 18
114 47 Stockholm

Tel: +46 8 459 59 00
www.granges.com
Reg. no. 556001-6122

ABOUT GRÄNGES

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. In materials for brazed heat exchangers Gränges is the global leader with a market share of approximately 20 per cent. The company develops, produces and markets advanced materials that enhance efficiency in the customer manufacturing process and the performance of the final products. The company's geographical markets are Europe, Asia and the Americas. Its production facilities are located in Sweden, China and the United States, and have a combined annual capacity of 420,000 metric tonnes. Gränges has some 1,600 employees and net sales of more than SEK 11 billion. The share is listed on Nasdaq Stockholm. More information on Gränges is available at granges.com.

VISION AND BUSINESS CONCEPT

Gränges vision is to transform the world through innovative, aluminium engineering. We support our customers with research and innovation, product development, and technical support during the product's life-cycle. 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 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 for the material is passed on to customer.

STRATEGY

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