

YEAR-END REPORT JANUARY-DECEMBER 2018

## Stable fourth quarter concluded a new record year

### Fourth quarter 2018

- Sales volume increased by 1.1 per cent to 87.4 ktonnes (86.5). Net sales rose to SEK 3,074 million (2,734).
- Adjusted operating profit increased by 6.8 per cent to SEK 191 million (179), while adjusted operating profit per tonne increased to 2.2 kSEK (2.1).
- Profit for the period amounted to SEK 149 million (152).
- Diluted earnings per share decreased to SEK 1.97 (2.02).
- Cash flow before financing activities increased to SEK 133 million (41) and includes capital expenditure of SEK 319 million (178). Of the total capital expenditure SEK 182 million relates to the expansion of the US production facilities.
- The Board of Directors proposes a dividend of SEK 3.20 (3.00) per share, corresponding to 35 per cent (35) of profit for the year.

### January-December 2018

- Sales volume increased by 0.5 per cent to 375.0 ktonnes (373.0). Net sales rose to SEK 12,910 million (11,435).
- Adjusted operating profit increased by 7.7 per cent to SEK 1,005 million (933), while adjusted operating profit per tonne increased to 2.7 kSEK (2.5).
- Profit for the period increased to SEK 688 million (652) 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 9.11 (8.64).
- Cash flow before financing activities decreased to SEK 531 million (572) and includes capital expenditure of SEK 843 million (358) 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 2,494 million at 31 December 2018 (SEK 2,292 million at 31 December 2017), corresponding to 1.8 times adjusted EBITDA<sup>1</sup>.

### Financial summary

SEK million	Q4			Jan - Dec		
	2018	2017	Δ	2018	2017	Δ
Sales volume, ktonnes	87.4	86.5	1.1%	375.0	373.0	0.5%
Net sales	3,074	2,734	12.5%	12,910	11,435	12.9%
Adjusted operating profit <sup>1</sup>	191	179	6.8%	1,005	933	7.7%
Adjusted operating margin, %	6.2	6.6	–0.3 ppt	7.8	8.2	–0.4 ppt
Adjusted operating profit per tonne, kSEK	2.2	2.1	0.1	2.7	2.5	0.2
Operating profit	191	163	17.1%	940	917	2.5%
Operating margin, %	6.2	6.0	0.2 ppt	7.3	8.0	–0.7 ppt
Profit for the period	149	152	–2.2%	688	652	5.5%
Earnings per share basic, SEK	1.97	2.02	–0.05	9.11	8.65	0.46
Earnings per share diluted, SEK	1.97	2.02	–0.04	9.11	8.64	0.47
Cash flow before financing activities	133	41	223%	531	572	–7.0%
Equity to assets, %	–	–	–	44.2	41.5	2.6 ppt
Net debt	–	–	–	2,494	2,292	201
Return on capital employed, %	–	–	–	16.5	16.7	–0.2 ppt

<sup>1</sup> Adjusted for items affecting comparability.

## COMMENTS BY THE CEO

# Stable quarter despite softening market conditions

During the fourth quarter, sales volume, profitability and cash flow continued to improve, which contributed to the full year 2018 becoming a new record year for Gränges. Sales volume increased by 1 per cent to 87.4 ktonnes during the quarter and the adjusted operating profit increased to SEK 191 million. The result includes costs for the US expansion projects of SEK 12 million and costs related to the production disturbance in Finspång in the third quarter of SEK 13 million. Exchange rate fluctuations had a positive impact on adjusted operating profit of SEK 32 million during the quarter. The cash flow before financing activities was very strong with SEK 133 million including expansion investments of SEK 182 million.

Although Gränges' sales volume development was stable, we continued to experience softening market conditions in the fourth quarter. Especially in Asia, where the sales volume to automotive customers declined by 3 per cent. This is, however, a better development than the underlying market where the light vehicle production in China slowed down significantly in the quarter causing inventory to build up in the supply chain. In Europe the automotive sales volume remained stable in the quarter whereas a growth of 7 per cent was recorded in Americas. For the HVAC & Other business, the demand in Americas continued to be strong in the quarter and the sales volume increased by 3 per cent over prior year.

### EXECUTING ON OUR STRATEGY

In 2018, we took several important decisions supporting our strategy execution. This includes our plans to re-open the production facility in Newport to serve the attractive US light gauge aluminium foil market, and investing in increased efficiency and capacity in our Finspång facility. We have in recent years increased our focus on research and innovation, with specific attention to the development of electric vehicles, and during 2018 we started to see the results from our efforts with the patent portfolio increasing by 20 per cent during the year. In addition,

we saw the sales of TRILLIUM®, our most innovative and advanced product, starting to take off. In 2018 we also continued to develop our sustainability platform and I am very pleased that Gränges is now a member of Aluminium Stewardship Initiative (ASI). We look forward to collaborating with the industry to improve the overall footprint of the aluminium value chain and we support ASI's commitment to promote greater sustainability and transparency.

### DELIVERING ON FINANCIAL TARGETS

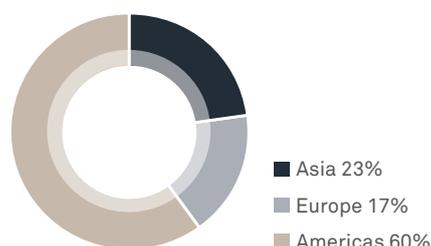
We continued to deliver on our financial targets in 2018. For the full year 2018, sales volume increased by 1 per cent to 375 ktonnes and the adjusted operating profit increased to SEK 1 005 million and cash conversion increased to 100 per cent before expansion investments. The sales volume in materials for the automotive industry was stable during the year despite a declining market. Return on capital employed was 16.5 per cent and we ended the year with a net debt equivalent to 1.8 times EBITDA. In view of the financial results, and taking into account our outlook, the Board of Directors proposes that the dividend for 2018 will be increased by 7 per cent to 3.20 SEK per share.



### Fourth quarter 2018

- Sales volume **87.4** ktonnes
- Net sales SEK **3,074** million
- Adjusted operating profit SEK **191** million

### Sales volume per region



## OUTLOOK

The global automotive market is expected to continue to slow down in the beginning of 2019. The research firm IHS estimates that light vehicle production will decrease by 1 per cent globally in the first quarter but turn to a 1 per cent growth for the full year.

For the first quarter Gränges expects a decline in sales volume by low single digits. For automotive materials we foresee a mid-single digit reduction driven by destocking in the supply chain in primarily Asia but also partly in Europe. In Americas we expect a low single digit growth for both the automotive and the HVAC & Other business in the first quarter.

As we look further 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. 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 the year. Altogether, we are determined to continue to grow with sustainable profitability in the coming years.

*Johan Menckel*  
CEO

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## CHANGES IN US TRADE LEGISLATION

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 the third quarter 2018, all imports to the US are produced in the facility in Finspång.

In April 2018, the US Department of Commerce also imposed general additional tariffs under 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 and a decision is expected during the first quarter 2019.

In April 2018, the US Department of the Treasury's Office of Foreign Asset Control designated certain legal and natural persons as subject to sanctions, including United Company Rusal, which is a supplier of Gränges in Sweden. As a consequence of this Rusal was required to exit the Gränges supply chain financing program and remove the consignment stock at Gränges' facility in Finspång, resulting in a negative impact on Gränges' working capital and cash flow. The sanctions against Rusal were lifted on 27 January, 2019 and Gränges expects this to have a positive impact on working capital and cash flow during the first half of 2019.

## Sales volume increased by 1.1 per cent in the fourth quarter with growth in Americas offsetting a decline in Asia

### MARKET DEVELOPMENT

According to the international research firm IHS<sup>1</sup>, global light vehicle production decreased by 3.4 per cent in the fourth quarter of 2018, compared to the corresponding quarter 2017. In Asia, light vehicle production decreased by 4.3 per cent during the fourth quarter. In the first quarter of 2019, an increase of 0.3 per cent is expected in Asia. In Europe, light vehicle production declined by 3.9 per cent in the fourth quarter, and a decrease of 2.8 per cent is expected in the first quarter of 2019. Light vehicle production in the Americas increased by 2.3 per cent in the fourth quarter, whereas an increase of 2.1 per cent is anticipated in the first quarter of 2019. For the full year 2019, 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, electric 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 fourth quarter of 2018 increased by 1.1 per cent to 87.4 ktonnes (86.5) compared to the same quarter previous year. Net sales increased to SEK 3,074 million (2,734). The net sales increase was mainly due to a net positive effect from changes in foreign exchange rates of SEK 216 million. In addition, an increased aluminium price and a slightly higher average conversion price contributed to the increase in net sales.

For the Automotive business, sales volume decreased to 43.7 ktonnes (43.9) while net sales increased to SEK 1,644 million (1,550) during the fourth quarter 2018. For the HVAC & Other business, sales volume increased to 43.8 ktonnes (42.7) and net sales increased to SEK 1,430 million (1,184).

During the full year 2018 Gränges' sales volume increased by 0.5 per cent to 375.0 ktonnes (373.0) compared to the corresponding period previous year. Net sales increased to SEK 12,910 million (11,435). The net effect of changes in foreign exchange rates was positive and amounted to SEK 346 million.

In 2018 sales volume for the Automotive business increased to 186.1 ktonnes (185.6) and net sales increased to SEK 6,891 million (6,360). For the HVAC & Other business, sales volume increased to 188.8 ktonnes (187.4) while net sales increased to SEK 6,019 million (5,075).

### ASIA

In the fourth quarter of 2018, sales volume in Asia decreased by 3.1 per cent to 19.9 ktonnes (20.6). The decline was primarily driven by lower sales to Chinese automotive customers. During the full year 2018, sales volume in Asia remained stable at 86.2 ktonnes (86.3).

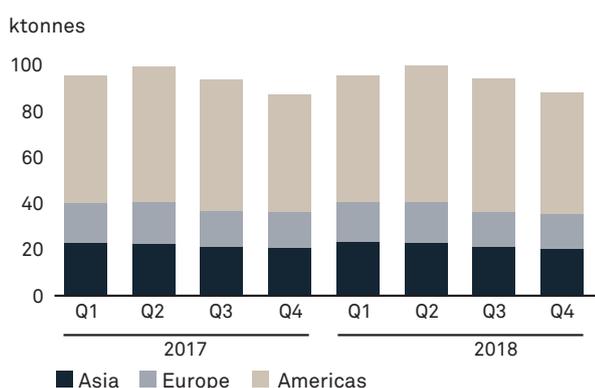
### EUROPE

In the fourth quarter of 2018, sales volume in Europe was stable at 15.3 ktonnes (15.4). Sales of heat exchanger material decreased while sales of material for non-heat exchanger applications increased during the quarter. For the full year 2018, sales volume in Europe remained stable at 65.4 ktonnes (65.6).

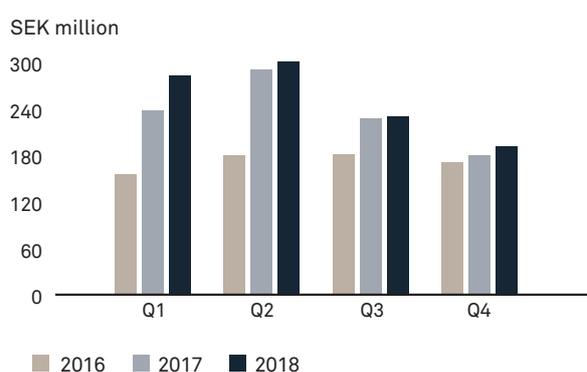
### AMERICAS

In the fourth quarter of 2018, sales volume in the Americas increased by 3.2 per cent to 52.2 ktonnes (50.6). Of this, 43.8 ktonnes (42.7) relates to the HVAC & Other business while 8.5 ktonnes (7.9) relates to the Automotive business. During

## Quarterly sales volume per region



## Quarterly adjusted operating profit



<sup>1</sup> Source: IHS, 14 December, 2018.

the full year 2018, sales volume in the Americas increased to 223.3 ktonnes (221.1), which represents an increase of 1.0 per cent compared to previous year. 188.8 ktonnes (187.4) relates to the HVAC & Other business while 34.5 ktonnes (33.7) relates to the Automotive business.

### OPERATING PROFIT

Adjusted operating profit for the fourth quarter of 2018 increased to SEK 191 million (179), while adjusted operating profit per tonne increased to 2.2 kSEK (2.1). Adjusted operating margin was 6.2 per cent (6.6). The positive effect from a slightly higher average conversion price was partly offset by costs related to the ramp-up of US expansion projects in the quarter. The net effect from US import duties was positive in the quarter as costs for Section 232 tariffs were more than offset by a provision release following a decision by the US Department of Commerce to not impose anti-dumping duties on imports from China retroactively. Additional costs related to the production disturbances in the Finspång plant in the third quarter amounted to SEK 13 million in the quarter. Net changes in foreign exchange rates had a positive impact of SEK 32 million in the quarter.

Operating profit during the fourth quarter 2018 amounts to SEK 191 million (163). No items affecting comparability were recorded in the fourth quarter of 2018 while items affecting comparability in the corresponding quarter last year amounted to SEK -16 million.

During the full year 2018, adjusted operating profit increased to SEK 1,005 million (933), while adjusted operating profit per tonne increased to 2.7 kSEK (2.5). Adjusted operating margin was 7.8 per cent (8.2). Costs for US anti-dumping duties on imports from China and Section 232 tariffs are included with SEK 18 million. The net effect of changes in foreign exchange rates was positive and amounted to SEK 59 million during the full year 2018, and the effect from changed depreciation periods had a positive impact of SEK 32 million.

Operating profit during the full year 2018 increased to SEK 940 million (917) and includes items affecting comparability of SEK -64 million (-16) related to a change in the distribution model in the US on the imports from Sweden and China. For further information see Note 5.

### PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before tax for the fourth quarter 2018 increased to SEK 162 million (126). Finance income and costs was SEK -30 million (-31) and includes interest expenses and financing costs of SEK 32 million and interest income of SEK 3 million. Income tax for the fourth quarter of 2018 amounted to SEK -13 million (26).

The income tax in the quarter includes the release of a provision for corporate income tax in China with a positive effect of SEK 55 million (53), as well as a withholding tax of SEK -26 million (-19) on dividend from the Chinese subsidiary to Gränges AB. Excluding the released tax provision and withholding tax, the effective tax rate was 26 per cent (6) in the fourth quarter of 2018. The profit for the period amounted to SEK 149 million (152) during the fourth quarter of 2018 and diluted earnings per share was SEK 1.97 (2.02).

During the full year 2018 profit before taxes increased to SEK 849 million (797) and includes a positive effect from joint ventures of SEK 22 million (-5) which is related to revaluation from book value to fair value of Norca<sup>1</sup>. Finance income and costs was SEK -113 million (-115) and includes interest expenses and financing costs of SEK 117 million, foreign exchange effects of SEK -2 million and interest income of SEK 6 million. Income tax for the year was SEK -161 million (-145) which corresponds to an effective tax rate of 19 per cent (18). Excluding the positive effect from release of corporate income tax in China of SEK 55 million (53) and cost for withholding tax on dividend of SEK -26 million (-19), the effective tax rate was 22 per cent (22). During the full year 2018, the profit for the period increased to SEK 688 million (652) and diluted earnings per share was SEK 9.11 (8.64).

### CASH FLOW

Cash flow from operating activities increased to SEK 450 million (257) in the fourth quarter of 2018. Cash flow from investing activities was SEK -316 million (-216) in the quarter and mainly relates to capital expenditure of SEK -319 million (-178). Of the total capital expenditure, SEK 137 million referred to investments to maintain and improve efficiency in current production facilities and SEK 182 million related to the expansion of the US production facilities. Cash flow before financing activities amounted to SEK 133 million (41) in the fourth quarter of 2018.

Cash flow from financing activities was SEK -339 million (-9) in the fourth quarter of 2018 and includes new loans of SEK 568 million and repayment of loans of SEK -883 million. Repayment of loans include USD 20 million repaid on a term loan. Net financing from commercial papers were SEK -200 million in the quarter.

During the full year 2018 cash flow from operating activities increased to SEK 1,351 million (968) and includes an increase in working capital of SEK 165 million due to US sanctions against Rusal. Cash flow from investing activities was SEK -819 million (-396) 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 LLC<sup>1</sup>. Capital expenditure during the full year 2018

<sup>1</sup> For further information about Norca see Note 7.

amounted to SEK –843 million (–358). Of this, SEK –373 million referred to maintenance investments and SEK –470 million related to expansion investments.

During the full year 2018 cash flow before financing activities amounted to SEK 531 million (572). Cash flow from financing activities was SEK –825 million (–650) and includes a dividend payment of SEK –227 million as resolved by Gränges' 2018 Annual General Meeting, new loans of SEK 3,078 million and repayment of loans of SEK –3,579 million.

Cash and cash equivalents amounted to SEK 457 million at 31 December 2018 (SEK 742 million 31 December 2017).

#### FINANCIAL POSITION

Gränges' total assets amounted to SEK 8,773 million at 31 December 2018 (SEK 8,005 million at 31 December 2017). The equity to assets ratio was 44.2 per cent at 31 December 2018 (41.5 per cent at 31 December 2017).

Consolidated net debt including pension liabilities was SEK 2,494 million at 31 December 2018 (SEK 2,292 million at 31 December 2017). At 31 December 2018, the Group's net debt corresponds to 1.8 times adjusted EBITDA.

#### EMPLOYEES

The average number of employees was 1,777 (1,632) in the fourth quarter of 2018 and 1,699 (1,568) during the full year 2018. The increase in number of employees is mainly related to the expansion of the US production facilities.

#### 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 full year 2018, net sales in the parent company was SEK 203 million (219) and the profit for the period was SEK 560 million (385). The net profit includes dividend from the Chinese subsidiary of SEK 517 million (378). Income tax includes withholding tax of SEK –26 million (–19) relating to the dividend.

#### SIGNIFICANT EVENTS DURING THE PERIOD

##### Gränges Americas awarded quality certification IATF 16949

Gränges America's facility in Huntingdon, Tennessee, was awarded the International Automotive Task Force (IATF) 16949 certification, an international standard describing the quality management systems needed to supply highly engineered products within the automotive, transportation, HVAC, energy and electrical industries. The award signals Gränges' commitment to the highest standards and ensures that the customers can rely on delivery of high-quality products.



The Huntingdon plant in Tennessee, USA.

## SIGNIFICANT EVENTS AFTER THE PERIOD

### Gränges new member of Aluminium Stewardship Initiative

Gränges is since January 2019 a new member of Aluminium Stewardship Initiative (ASI), which is a global, multi-stakeholder, non-profit standards setting and certification organisation which works to maximise the contribution of aluminium to a sustainable society. ASI defines global standards for sustainability performance and material chain-of-custody for the aluminium value chain. ASI also works to promote measurable and continual improvements in key environmental, social and governance dimensions and to implement a credible assurance and certification system.

No additional significant events have occurred after the period end.

## 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

The number of shareholders in Gränges was 8,368 at 31 December 2018, according to Modular Finance.

## Largest shareholders in Gränges at 31 December 2018<sup>1</sup>

Shareholder	Number of shares	Share of capital and votes %
Fjärde AP-fonden	7,191,207	9.5
AFA Försäkring	5,684,893	7.5
Swedbank Robur Fonder	4,275,682	5.7
Dimensional Fund Advisors	2,853,027	3.8
Allianz Global Investors	2,843,762	3.8
SEB Fonder	2,438,488	3.2
Paradice Investment Management	2,239,611	3.0
Handelsbanken Fonder	2,206,041	2.9
Fidelity Investments (FMR)	2,090,164	2.8
Columbia Threadneedle	1,732,297	2.3
Unionen	1,700,000	2.3
Franklin Templeton	1,436,298	1.9
Lazard Asset Management	943,779	1.2
BlackRock	872,906	1.2
Avanza Pension	679,269	0.9
<b>Total 15 largest shareholders</b>	<b>39,187,424</b>	<b>51.9</b>
Other	36,329,962	48.1
<b>Total</b>	<b>75,517,386</b>	<b>100.0</b>

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



Recycling at the Finspång plant, Sweden.

## OTHER

### Annual General Meeting 2019

Gränges' Annual General Meeting 2019 will take place on Wednesday, 8 May, 2019, at 4 p.m CEST at Näringslivets Hus, Storgatan 19, Stockholm. Registration begins at 3 p.m CEST. Shareholders wishing to have matters considered at the Annual General Meeting should submit such requests to the Board of Directors seven weeks before the meeting, 20 March 2019. Further information on the notification and the proposals of the Board of Directors and the Nomination Committee will be published on the company's website in connection with the notification. Notice to attend the Annual General Meeting 2019 is expected to be published 27 March, 2019.

Gränges Annual Report for 2018, including sustainability report, is expected to be published on 14 March, 2019 on the company's website. A printed version of the Annual Report can be ordered at [reports@granges.com](mailto:reports@granges.com).

### Dividend

Gränges' Board of Directors proposes a dividend of SEK 242 million (227), equivalent to SEK 3.20 (3.00) per share, for the 2018 fiscal year. The proposed dividend represents 35 per cent (35) of the profit for 2018. In its proposal, the Board of Directors has taken into account the company's financial position, cash flow and future outlook, and the company's growth plans. The proposed record date for the dividend is Friday, 10 May 2019, which means that the dividend, assuming the AGM's approval, is expected to be distributed through Euroclear on Wednesday, 15 May 2019.

## 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 refinancing. 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, 31 January 2019

Johan Menckel  
Chief Executive Officer

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

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## For additional information, please contact:

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*The information in this report is such that Gränges must disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, through the agency of the contact person set out above, on Thursday 31 January, 2019 at 07.30 CET.*

## Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' year-end report for January–December 2018 at a webcasted conference call at 10.00 CET, Thursday 31 January, 2019.

The webcast is available on [www.granges.com/investors](http://www.granges.com/investors). To participate in the conference call, please call +46 8 5199 9355 (Sweden), +44 203 194 0550 (UK) or +1 855 269 2605 (USA). Please call a few minutes before the conference call starts. The presentation will be in English.

## Financial calendar

14 March 2019	Annual Report 2018
26 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	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
<b>Net sales</b>		<b>3,074</b>	<b>2,734</b>	<b>12,910</b>	<b>11,435</b>
Cost of materials	5	-1,982	-1,774	-8,601 <sup>1</sup>	-7,396
Payroll and other operating expenses		-809	-697	-3,016	-2,735
Depreciation, amortization and impairment charges		-92	-83	-353	-370
Items affecting comparability	5	-	-16	-	-16
<b>Operating profit</b>		<b>191</b>	<b>163</b>	<b>940</b>	<b>917</b>
Profit or loss from joint ventures	7	0	-7	22	-5
Finance income and costs		-30	-31	-113	-115
<b>Profit before tax</b>		<b>162</b>	<b>126</b>	<b>849</b>	<b>797</b>
Income tax	6	-13	26	-161	-145
<b>Profit for the period</b>		<b>149</b>	<b>152</b>	<b>688</b>	<b>652</b>
<b>Earnings per share</b>					
Earnings per share basic, SEK		1.97	2.02	9.11	8.65
Earnings per share diluted, SEK		1.97	2.02	9.11	8.64

<sup>1</sup> Includes items affecting comparability of SEK -64 million.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
<b>Profit for the period</b>	<b>149</b>	<b>152</b>	<b>688</b>	<b>652</b>
<b>Items not to be reclassified to profit/loss in subsequent periods</b>				
Remeasurement of pensions after tax	-15	6	-20	12
<b>Items to be reclassified to profit/loss in subsequent periods</b>				
Change in hedging reserve after tax	7	-3	-32	41
Translation effects	27	62	142	-160
<b>Comprehensive income for the period attributable to owners of the parent company</b>	<b>168</b>	<b>217</b>	<b>778</b>	<b>545</b>

## CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>			
Intangible assets		761	640
Property, plant and equipment		3,651	3,076
Deferred tax assets		54	44
Investments in joint ventures		10	17
Interest-bearing receivables		2	33
Other non-current receivables	3	11	16
<b>Non-current assets</b>		<b>4,489</b>	<b>3,827</b>
Inventories		1,968	1,611
Receivables	3	1,859	1,826
Cash and cash equivalents		457	742
<b>Current assets</b>		<b>4,285</b>	<b>4,179</b>
<b>TOTAL ASSETS</b>		<b>8,773</b>	<b>8,005</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		101	101
Retained earnings		3,772	3,221
<b>Equity</b>		<b>3,873</b>	<b>3,322</b>
Interest-bearing liabilities	3	2,117	2,215
Provisions and other non-current liabilities	3	406	340
<b>Non-current liabilities</b>		<b>2,522</b>	<b>2,555</b>
Interest-bearing liabilities	3	515	576
Provisions and other current liabilities	3, 6	1,862	1,552
<b>Current liabilities</b>		<b>2,378</b>	<b>2,128</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,773</b>	<b>8,005</b>

## CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	31 Dec 2018	31 Dec 2017
<b>Opening balance</b>	<b>3,322</b>	<b>2,942</b>
Profit for the period	688	652
Other comprehensive income for the period	90	-107
<b>Total comprehensive income for the period</b>	<b>778</b>	<b>545</b>
Dividend	-227	-180
Rights issue	-	16
<b>Total transactions with owners</b>	<b>-227</b>	<b>-164</b>
<b>Closing balance</b>	<b>3,873</b>	<b>3,322</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Note	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Operating profit		191	163	940	917
Depreciation, amortization and impairment charges		92	83	353	370
Other non-cash items	5	–	–	64	–
Change in working capital etc.		220	1	98	–267
Income taxes paid		–54	9	–105	–53
<b>Cash flow from operating activities</b>		<b>450</b>	<b>257</b>	<b>1,351</b>	<b>968</b>
Acquisitions	7	–	–42	24	–42
Investments in property, plant, equipment and intangible assets		–319	–178	–843	–358
Other capital transactions		3	4	0	4
<b>Cash flow from investing activities</b>		<b>–316</b>	<b>–216</b>	<b>–819</b>	<b>–396</b>
Dividend		–	–	–227	–180
Rights issue		–	0	–	16
Interest paid and received		–25	–34	–98	–124
New loans		568	531	3,078	888
Repayment of loans		–883	–506	–3,579	–1,250
<b>Cash flow from financing activities</b>		<b>–339</b>	<b>–9</b>	<b>–825</b>	<b>–650</b>
<b>Cash flow for the period</b>		<b>–206</b>	<b>32</b>	<b>–294</b>	<b>–79</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>658</b>	<b>703</b>	<b>742</b>	<b>851</b>
Cash flow for the period		–206	32	–294	–79
Exchange rate differences in cash and cash equivalents		5	7	9	–30
<b>Cash and cash equivalents at end of period</b>		<b>457</b>	<b>742</b>	<b>457</b>	<b>742</b>

## PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
<b>Net sales</b>	<b>61</b>	<b>119</b>	<b>203</b>	<b>219</b>
Payroll and other operating expenses	–60	–71	–257	–240
Depreciation, amortization and impairment charges	–6	–6	–26	–27
<b>Operating profit/loss</b>	<b>–5</b>	<b>41</b>	<b>–80</b>	<b>–47</b>
Dividends from subsidiaries	517	378	517	378
Finance income and costs	0	–2	18	13
<b>Profit/loss after financial items</b>	<b>511</b>	<b>417</b>	<b>455</b>	<b>344</b>
Appropriations	43	–25	43	–25
Group contributions	115	90	115	90
Income tax	–64	–38	–53	–23
<b>Profit/loss for the period</b>	<b>605</b>	<b>443</b>	<b>560</b>	<b>385</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 2018	31 Dec 2017
<b>ASSETS</b>		
Intangible assets	7	159
Property, plant and equipment	206	217
Investments related to Group companies	1,160	1,160
Receivables from Group companies	2,674	2,344
Interest-bearing receivables	–	33
Other non-current receivables	8	13
<b>Non-current assets</b>	<b>4,054</b>	<b>3,925</b>
Receivables from Group companies	85	147
Other receivables	75	95
Cash and cash equivalents	196	106
<b>Current assets</b>	<b>356</b>	<b>348</b>
<b>TOTAL ASSETS</b>	<b>4,411</b>	<b>4,273</b>
<b>EQUITY AND LIABILITIES</b>		
Restricted equity	108	107
Non-restricted equity	1,498	1,166
<b>Equity</b>	<b>1,606</b>	<b>1,273</b>
<b>Untaxed reserves</b>	<b>37</b>	<b>80</b>
Provisions and other liabilities	27	22
Interest-bearing liabilities	2,117	2,215
Other non-current liabilities	0	3
<b>Non-current liabilities</b>	<b>2,144</b>	<b>2,240</b>
Liabilities to Group companies	29	–
Interest-bearing liabilities	450	548
Other liabilities	144	132
<b>Current liabilities</b>	<b>922</b>	<b>680</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,411</b>	<b>4,273</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) 2017, which is available at [www.granges.com](http://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.

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.

From the financial year beginning 1 January 2019, Gränges applies IFRS 16 Leases. The new standard is adopted based on the modified retrospective transition method and mainly impacts the reporting of equipment, vehicles, office premises, warehouses and land areas that are not owned by Gränges. As a consequence, the implementation of IFRS 16 positively impacts the operating margin due to the elimination of operation leasing expenses which are partly compensated by depreciation of the right-of-use assets. In addition, the finance costs will increase due to the recognition of interest expenses on the finance lease liabilities. At initial application as of 1 January 2019, opening balances for right-of-use assets and leasing liabilities will be recognized by SEK 270 million each.

The interim information on pages 2-15 is an integrated part of these financial statements. Except for new and updated standards described above, accounting principles remain unchanged from those described in the Annual Report for 2017.

## 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	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
<b>Sales by region</b>				
Asia	694	709	3,004	2,911
Europe	577	552	2,404	2,210
Americas	1,799	1,468	7,482	6,294
<b>Total revenue from contracts with customers</b>	<b>3,069</b>	<b>2,729</b>	<b>12,890</b>	<b>11,415</b>
Other revenue	5	5	20	20
<b>Net sales</b>	<b>3,074</b>	<b>2,734</b>	<b>12,910</b>	<b>11,435</b>

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 consists of loans and accounts receivable as well as derivatives. The Group's financial liabilities consists of 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	31 Dec 2018	31 Dec 2017
Other non-current receivables	2	5
Receivables	76	68
Provisions and other non-current liabilities	5	3
Provisions and other current liabilities	71	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 170 million and a SEK term loan of SEK 200 million. In the fourth quarter of 2018 USD 20 million of an USD term loan was repaid. Interest bearing debt also includes corporate bonds of SEK 600 million, issued under the MTN program established in the third quarter. Outstanding commercial papers amounted to SEK 250 million as of 31 December 2018. 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 31 December 2018. The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio.

SEK million	Frame amount	Year			Total
		< 1	1-2	> 2	
Term loans					
SEK		200	–	–	200
USD		–	–	1,512	1,512
Bonds in MTN program	3,000	–	–	600	600
Commercial papers	1,500	250	–	–	250
Revolving Credit Facility	1,200	–	–	–	–
Other interest-bearing liabilities		65	–	5	70
<b>Total interest bearing liabilities</b>		<b>515</b>	<b>–</b>	<b>2,117</b>	<b>2,632</b>

Borrowings are measured at amortized cost and the carrying amount as of 31 December 2018 was SEK 2,632 million (SEK 2,791 million as of 31 December 2017). The fair value of borrowings amounted to SEK 2,641 million as of 31 December 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 2018, 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	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Inventory effect due to changed distribution model	Cost of materials	–	–	–64	–
Closure costs for US sales company	Items affecting comparability	–	–16	–	–16
<b>Items affecting comparability</b>		<b>–</b>	<b>–16</b>	<b>–64</b>	<b>–16</b>

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. Items affecting comparability for 2017 relates to closure costs for Norca.

During the fourth 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. The tax return for 2017 has been approved during the fourth quarter 2018 and thereby also the special requirements to finally obtain the lower tax rate of 15 per cent for 2017. The provision related to the ordinary tax rate for 2017 has been released and effects the line income tax positive with SEK 55 million for the fourth quarter 2018. In view of the difficulties to currently estimate whether these special requirements will be met for the financial year 2018, corporate income tax for the Chinese operation has been based on the standard rate of 25 per cent for 2018. The provision for the higher tax rate applied on 2018 years profit for China amount to SEK 51 million per 31 December 2018.

Gränges AB, parent company of the group, has during the fourth quarter received a dividend from its Chinese subsidiary. On the dividend, income tax amounting to SEK 26 million has been paid, which have affected the items income tax and paid taxes during the period.

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.

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

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			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volume, ktonnes	87.4	93.4	99.1	95.0	86.5	93.0	98.7	94.8
<b>Income statement</b>								
Net sales	3,074	3,322	3,443	3,071	2,734	2,728	3,081	2,892
Adjusted EBITDA <sup>1</sup>	283	320	390	364	262	309	392	339
Adjusted operating profit <sup>1</sup>	191	230	301	282	179	227	290	237
Operating profit	191	230	301	217	163	227	290	237
Profit for the period	149	158	214	167	152	151	192	157
Adjusted EBITDA margin, %	9.2	9.6	11.3	11.8	9.6	11.3	12.7	11.7
Adjusted operating margin, %	6.2	6.9	8.7	9.2	6.6	8.3	9.4	8.2
Adjusted operating profit per tonne, kSEK	2.2	2.5	3.0	3.0	2.1	2.4	2.9	2.5
Operating margin, %	6.2	6.9	8.7	7.1	6.0	8.3	9.4	8.2
Net margin, %	4.8	4.7	6.2	5.4	5.6	5.5	6.2	5.4
<b>Balance sheet</b>								
Non-current assets	4,489	4,243	4,176	3,934	3,827	3,674	3,769	3,969
Current assets	4,285	4,639	4,823	4,596	4,179	4,040	3,957	3,822
Equity	3,873	3,705	3,665	3,601	3,322	3,106	3,001	3,096
Non-current liabilities	2,522	2,884	2,555	2,608	2,555	2,762	2,802	2,712
Current liabilities	2,378	2,293	2,780	2,321	2,128	1,847	1,923	1,983
<b>Cash flow</b>								
Operating activities	450	316	291	294	257	222	368	120
Investing activities	-316	-236	-166	-102	-216	-74	-61	-45
Cash flow before financing activities	133	81	125	192	41	148	307	75
Financing activities	-339	-41	-173	-272	-9	-133	-45	-464
Cash flow for the period	-206	40	-48	-80	32	16	263	-389
<b>Capital structure</b>								
Net debt	2,494	2,565	2,621	2,353	2,292	2,280	2,481	2,665
Equity to assets, %	44.2	41.7	40.7	42.2	41.5	40.3	38.8	39.7
<b>Data per share, SEK</b>								
Earnings per share basic	1.97	2.09	2.84	2.21	2.02	2.00	2.55	2.09
Earnings per share diluted	1.97	2.09	2.84	2.21	2.02	2.00	2.55	2.08
Equity <sup>2</sup>	51.29	49.07	48.53	47.68	44.00	41.13	39.81	41.10
Cash flow from operating activities <sup>2</sup>	5.95	4.19	3.85	3.89	3.40	2.94	4.89	1.60
Share price at the end of the period	80.50	106.00	117.30	97.95	84.25	93.25	77.50	82.00
Weighted outstanding ordinary shares, basic in thousands	75,517.4	75,517.4	75,517.4	75,517.4	75,513.7	75,512.4	75,295.0	75,155.4
Weighted outstanding ordinary shares, diluted in thousands	75,517.4	75,517.4	75,517.4	75,517.4	75,515.4	75,514.8	75,398.0	75,320.6

<sup>1</sup> Adjusted for items affecting comparability.

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

## CONSOLIDATED QUARTERLY DATA

SEK million	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Sales volume by region, ktonnes</b>								
Asia	19.9	20.8	22.5	23.0	20.6	20.7	22.3	22.7
Europe	15.3	15.1	17.8	17.2	15.4	15.5	17.9	16.9
Americas	52.2	57.5	58.8	54.8	50.6	56.8	58.5	55.3
<b>Total</b>	<b>87.4</b>	<b>93.4</b>	<b>99.1</b>	<b>95.0</b>	<b>86.5</b>	<b>93.0</b>	<b>98.7</b>	<b>94.8</b>
<b>Net sales by region</b>								
Asia	694	732	813	765	709	676	759	767
Europe	582	579	649	615	557	516	612	545
Americas	1,799	2,011	1,981	1,692	1,468	1,536	1,710	1,580
<b>Total</b>	<b>3,074</b>	<b>3,322</b>	<b>3,443</b>	<b>3,071</b>	<b>2,734</b>	<b>2,728</b>	<b>3,081</b>	<b>2,892</b>
<b>Employees</b>								
Average number of employees	1,777	1,695	1,669	1,655	1,632	1,592	1,548	1,500

## CONSOLIDATED 12-MONTHS ROLLING DATA

SEK million	Jan 2018 – Dec 2018	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
Sales volume, ktonnes	375.0	374.0	373.7	373.2	373.0	371.2	341.0	288.8
<b>Income statement</b>								
Net sales	12,910	12,570	11,976	11,614	11,435	11,247	10,379	8,740
Adjusted EBITDA <sup>1</sup>	1,357	1,336	1,325	1,328	1,303	1,308	1,249	1,085
Adjusted operating profit <sup>1</sup>	1,005	992	989	977	933	925	879	769
Operating profit	940	912	909	897	917	916	777	641
Adjusted EBITDA margin, %	10.5	10.6	11.1	11.4	11.4	11.6	12.0	12.4
Adjusted operating margin, %	7.8	7.9	8.3	8.4	8.2	8.2	8.5	8.8
Adjusted operating profit per tonne, kSEK	2.7	2.7	2.6	2.6	2.5	2.5	2.6	2.7
Operating margin, %	7.3	7.3	7.6	7.7	8.0	8.1	7.5	7.3
<b>Capital structure and return indicators</b>								
Capital employed	6,098	5,902	5,744	5,639	5,581	5,565	5,053	4,527
Return on capital employed, %	16.5	16.8	17.2	17.3	16.7	16.6	17.4	17.0
Equity	3,633	3,480	3,339	3,225	3,093	2,971	2,848	2,755
Return on equity, %	18.9	19.9	20.5	20.5	21.1	20.2	22.4	20.4
Net debt / Adjusted EBITDA	1.8	1.9	2.0	1.8	1.8	1.7	1.9	2.1

<sup>1</sup> 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	Q4		Jan – Dec	
	2018	2017	2018	2017
<b>Adjusted operating profit</b>				
Operating profit	191	163	940	917
Items affecting comparability	–	16	64	16
<b>Adjusted operating profit</b>	<b>191</b>	<b>179</b>	<b>1,005</b>	<b>933</b>
<b>Adjusted operating profit per tonne</b>				
Adjusted operating profit	191	179	1,005	933
Sales volume, ktonnes	87.4	86.5	375.0	373.0
<b>Adjusted operating profit per tonne, kSEK</b>	<b>2.2</b>	<b>2.1</b>	<b>2.7</b>	<b>2.5</b>
<b>Adjusted EBITDA</b>				
Adjusted operating profit	191	179	1,005	933
Depreciation and amortization	92	83	353	370
<b>Adjusted EBITDA</b>	<b>283</b>	<b>262</b>	<b>1,357</b>	<b>1,303</b>
<b>Return on capital employed</b>				
Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average	–	–	7,999	7,111
Non-interest-bearing liabilities, rolling 12 months average	–	–	–2,194	–1,810
Pensions, rolling 12 months average	–	–	293	280
<b>Capital employed</b>	<b>–</b>	<b>–</b>	<b>6,098</b>	<b>5,581</b>
Adjusted operating profit	–	–	1,005	933
<b>Return on capital employed, %</b>	<b>–</b>	<b>–</b>	<b>16.5</b>	<b>16.7</b>
<b>Net debt</b>				
Cash and cash equivalents and interest-bearing receivables	–	–	–459	–775
Interest bearing liabilities	–	–	2,632	2,791
Pensions	–	–	321	276
<b>Net debt</b>	<b>–</b>	<b>–</b>	<b>2,494</b>	<b>2,292</b>
<b>Equity to assets</b>				
Equity	–	–	3,873	3,322
Total assets	–	–	8,773	8,005
<b>Equity to assets, %</b>	<b>–</b>	<b>–</b>	<b>44.2</b>	<b>41.5</b>

## 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.



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### ABOUT GRÄNGES

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. In materials for brazed heat exchangers Gränges is the global leader with a market share of approximately 20 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 1,800 employees and net sales of SEK 13 billion. The share is listed on Nasdaq Stockholm. More information on Gränges is available at [granges.com](http://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 throughout the product's life-cycle. The performance of the customers' final product in terms of efficiency and environmental impact depends largely on material properties and design, which are Gränges' core competences.

### 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.