

YEAR-END REPORT JANUARY-DECEMBER 2019

Strong growth platform established - weaker fourth quarter concluded the year

Fourth quarter 2019

- Sales volume decreased by 10.9 per cent to 77.9 ktonnes (87.4). Net sales decreased to SEK 2,682 million (3,074).
- Adjusted operating profit was SEK 144 million (191) and adjusted operating profit per tonne was 1.9 kSEK (2.2).
- Profit for the period decreased to SEK 47 million (149) and includes items affecting comparability of SEK –30 million (–).
- Basic and diluted earnings per share decreased to SEK 0.63 (1.97).
- Cash flow before financing activities decreased to SEK 68 million (133) and includes capital expenditure of SEK 221 million (319). Adjusted cash flow before financing activities was SEK 191 million (316), representing a cash conversion of 132 per cent.
- Gränges has signed an agreement to acquire the Polish flat rolled aluminium producer Aluminium Konin. The transaction is subject to regulatory approval from relevant competition authorities and closing is expected in the second quarter of 2020.
- The Board of Directors proposes a dividend of SEK 3.40 (3.20) per share, corresponding to 43 per cent (35) of profit for the year.

January-December 2019

- Sales volume decreased by 7.4 per cent to 347.3 ktonnes (375.0). Net sales decreased to SEK 11,978 million (12,910).
- Adjusted operating profit was SEK 866 million (1,005) and adjusted operating profit per tonne was 2.5 kSEK (2.7).
- Profit for the period decreased to SEK 600 million (688) and includes items affecting comparability of SEK –30 million (–64).
- Basic and diluted earnings per share decreased to SEK 7.95 (9.11).
- Cash flow before financing activities was SEK –148 million (531) and includes capital expenditure of SEK 1,590 million (843) of which SEK 1,103 million refers to expansion investments. Adjusted cash flow before financing activities was SEK 1,048 million (977), corresponding to a cash conversion of 121 per cent.
- Net debt increased to SEK 3,465 million at 31 December 2019 (SEK 2,494 million at 31 December 2018), corresponding to 2.6 times adjusted EBITDA (1.8 times at 31 December 2018). Net debt at 31 December 2019 includes lease liabilities of SEK 259 million due to IFRS 16 Leases¹.

Financial summary

SEK million	Q4			Jan-Dec		
	2019	2018	Δ	2019	2018	Δ
Sales volume, ktonnes	77.9	87.4	–10.9%	347.3	375.0	–7.4%
Net sales	2,682	3,074	–12.7%	11,978	12,910	–7.2%
Adjusted operating profit	144	191	–24.5%	866	1,005	–13.8%
Adjusted operating margin, %	5.4	6.2	–0.8 ppt	7.2	7.8	–0.6 ppt
Adjusted operating profit per tonne, kSEK	1.9	2.2	–0.3	2.5	2.7	–0.2
Operating profit	115	191	–40.1%	836	940	–11.1%
Operating margin, %	4.3	6.2	–1.9 ppt	7.0	7.3	–0.3 ppt
Profit for the period	47	149	–68.1%	600	688	–12.8%
Earnings per share basic, SEK	0.63	1.97	–1.34	7.95	9.11	–1.16
Earnings per share diluted, SEK	0.63	1.97	–1.34	7.95	9.11	–1.16
Cash flow before financing activities	68	133	–49.1%	–148	531	n/a
Equity to assets, %	–	–	–	41.2	44.2	–3.0 ppt
Net debt	–	–	–	3,465	2,494	971
Return on capital employed, %	–	–	–	11.7	16.5	–4.8 ppt

¹ See Note 1 for further information on IFRS 16 Leases.

COMMENTS BY THE CEO

Important actions taken creating a solid foundation for growth

CONTINUED SOFT MARKET CONDITIONS

The fourth quarter concluded a challenging year for Gränges where the weak market conditions experienced in the first three quarters of the year continued. Lower end-market demand in combination with continued destocking in Europe and Americas resulted in a sales volume decline of 11 per cent to 77.9 ktonnes. The adjusted operating profit declined by SEK 47 million to SEK 144 million and included costs for the US expansion projects of SEK 12 million. Additional efficiency measures, including a general savings program and capacity adjustments, helped to reduce the cost base in the quarter. Exchange rate fluctuations had a positive impact on adjusted operating profit of SEK 20 million. The cash generation continued to be strong also in the fourth quarter. Cash flow before financing adjusted for expansion investments and acquisitions amounted to SEK 191 million, which represents a cash conversion of above 130 per cent.

During the fourth quarter market conditions were especially challenging in Europe and Americas, where the sales volume to automotive customers declined by 25 and 19 per cent respectively. This was driven by a continued significant slowdown of the light vehicle production in combination with further destocking in the supply chain. In Asia, the automotive sales volume increased by 2 per cent in the quarter. With regards to the HVAC & Other business in Americas, sales volume decreased with 11 per cent in the quarter primarily due to significant destocking activities at customer level.

EXECUTING ON OUR GROWTH STRATEGY

In the fourth quarter we announced the acquisition of Aluminium Konin, which will strengthen our product offering and presence in Europe and contribute with strong positions in new attractive niche markets. Aluminium Konin will add new capabilities and capacity to expand our offering for future transportation solutions, such as electric vehicles. In conjunction with the transaction we intend to undertake a rights issue, with preferential rights for existing shareholders, to a total amount of approxi-

mately SEK 2 billion, to finance the acquisition and future growth investments. During the year the expansion of the Huntingdon facility in the US was also completed and we have re-opened the production facility in Newport to enter the US light gauge foil market. In Europe we are running an investment program to increase efficiency and capacity in our Finspång facility. The acquisition of Aluminium Konin and the expansion projects will once fully finalized add new capabilities and increase the total annual capacity with 220 ktonnes to 640 ktonnes. The actions we have taken in 2019 positions Gränges very well and creates a strong platform for continued profitable growth.

STRONG CASH GENERATION FINANCING GROWTH

Despite challenging market conditions, 2019 has been a productive and successful year in many ways with strong focus on expansion, combined with cost reductions and efficiency improvements in all regions. We also continued to implement Gränges' sustainability framework and we raised our ambition further by launching clear long-term sustainability targets. For the full year 2019 sales volume decreased by 7 per cent to 347 ktonnes and the adjusted operating profit decreased to SEK 866 million. On the positive side, cash generation was very strong in the year with a cash conversion of 121 per cent and adjusted cash flow before financing of SEK 1,048 million. This means that the expansion investments of in total SEK 1,103 million were financed with cash generated in the operations and that we ended the year with a net debt equivalent to 2.6 times EBITDA. In view of the financial results, and our outlook into account, the Board of Directors proposes that the dividend for 2019 will be increased by 6 per cent to 3.40 SEK per share.

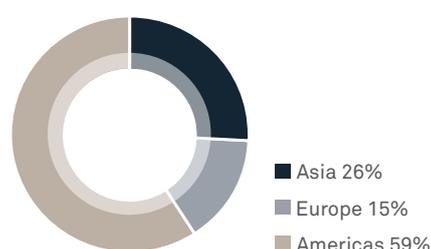


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Fourth quarter 2019

- Sales volume **77.9** ktonnes
- Net sales SEK **2,682** million
- Adjusted operating profit SEK **144** million

Sales volume per region



OUTLOOK

The global automotive market is expected to be relatively stable in 2020 compared with 2019, but for the first quarter the research firm IHS estimates a decline of 5 per cent in global light vehicle production. For the first quarter Gränges expects a decrease in sales volume by low single digits compared with last year. This includes a low double digit decline for Automotive materials, driven by lower light vehicle production and continued destocking, and a mid to high single digit growth for the HVAC and Other business, as new production capacity is being ramped up in Americas. The change in mix between the Automotive and the HVAC and Other business is expected to have a negative impact on profitability in the first quarter. Potential further consequences of the outbreak of coronavirus in China pose a downside risk to this outlook.

As we look into 2020, we will continue to work actively with innovation, efficiency improvements, and develop our sustainable customer offering even more, 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. With a strong commitment to constantly improve and develop, Gränges is well positioned to deliver sustainable and profitable growth throughout economic cycles.

Johan Menckel, CEO



The production facility in Konin, Poland.

MARKET DEVELOPMENT

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. About half of the Group's sales volume refers to sales to the automotive industry, while HVAC and other niche markets account for about one quarter each.

Light vehicle production is an important macro driver of Gränges' sales of heat exchanger materials to the automotive industry. An increasing share of hybrid vehicles, electric vehicles and advanced features such as autonomous driving is also positive for the demand of heat exchanger materials. According to the international research firm IHS¹, global light vehicle production decreased by 5.3 per cent in the fourth quarter of 2019, compared to the corresponding quarter in 2018. In Asia, light vehicle production decreased by 3.5 per cent during the fourth quarter. This includes an increase of 1.7 per cent in China while production in other Asian markets declined by 9.9 per cent. In the first quarter of 2020, a decrease of 8.4 per cent is expected in Asia. In Europe, light vehicle production declined by 6.2 per cent in the fourth quarter, and a decrease of 5.6 per cent is expected for the first quarter of 2020. Light vehicle production in the Americas decreased by 7.8 per cent in the fourth quarter, whereas an increase of 3.8 per cent is anticipated in the first quarter of 2020. For the full year 2020, IHS forecasts a decrease in global light vehicle production of 0.2 per cent.

With regards to sales to the HVAC industry, Americas is Gränges' most important market and US shipments of HVAC units is a key driver of Gränges' sales. The growth in this market is partly driven by energy efficiency requirements as well as construction of new

houses and buildings. According to the North American trade association AHRI², US shipments of HVAC units increased by 2 per cent in the fourth quarter of 2019 compared to the corresponding quarter 2018. For the full year 2020, US shipments of HVAC units are expected to remain stable.

SALES DEVELOPMENT

Gränges' sales volume in the fourth quarter of 2019 decreased by 10.9 per cent to 77.9 ktonnes (87.4) compared to the same quarter previous year. Net sales amounted to SEK 2,682 million (3,074). The negative effect from lower sales volume and a decreased aluminium price was partly offset by a net positive effect from changes in foreign exchange rates of SEK 118 million.

For the Automotive business, sales volume decreased to 38.8 ktonnes (43.7) and net sales was SEK 1,437 million (1,644) during the fourth quarter 2019. For the HVAC & Other business, sales volume decreased to 39.1 ktonnes (43.8) and net sales amounted to SEK 1,245 million (1,430).

During the full year 2019, Gränges' sales volume decreased by 7.4 per cent to 347.3 ktonnes (375.0) compared to the corresponding period previous year. Net sales was SEK 11,978 million (12,910). The net effect of changes in foreign exchange rates was positive and amounted to SEK 812 million.

In 2019 sales volume for the Automotive business decreased to 170.6 ktonnes (186.1) and net sales amounted to SEK 6,210 million (6,891). For the HVAC & Other business, sales volume decreased to 176.7 ktonnes (188.8) and net sales was SEK 5,768 million (6,019).

Light vehicle production¹

Year-on-year growth, %	Q4 2019	Q1 2020	Full year 2019
Region			
Asia	-3.5	-8.4	-6.3
Europe	-6.2	-5.6	-4.3
Americas	-7.8	3.8	-3.9
Global	-5.3	-5.1	-5.8

Gränges' sales volume

Sales volume, ktonnes	Oct-Dec 2019	Oct-Dec 2018	Δ
Region			
Asia Automotive	20.4	19.9	2.2%
Europe Automotive	11.5	15.3	-24.6%
Americas Automotive	6.9	8.5	-18.7%
Total Automotive	38.8	43.7	-11.2%
Americas HVAC & Other	39.1	43.8	-10.6%
Total	77.9	87.4	-10.9%

¹ Source: IHS, 13 December 2019.

² Source: AHRI, 10 January 2020.

ASIA

In the fourth quarter of 2019, sales volume in Asia increased by 2.2 per cent to 20.4 ktonnes (19.9). The increase was primarily driven by higher sales to automotive customers in China. Sales to other Asian markets decreased in the quarter. During the full year 2019, sales volume in Asia decreased to 79.0 ktonnes (86.2), which represents a decrease of 8.4 per cent compared to previous year.

EUROPE

In the fourth quarter of 2019, sales volume in Europe decreased by 24.6 per cent to 11.5 ktonnes (15.3). The decline was driven by significantly lower automotive market demand and continued destocking in the supply chain. In 2019, sales volume in Europe reached 58.3 ktonnes (65.4), which represents a decrease of 11.0 per cent compared to previous year.

AMERICAS

In the fourth quarter of 2019, sales volume in the Americas decreased by 12.0 per cent to 46.0 ktonnes (52.2). Of this, 39.1 ktonnes (43.8) relates to the HVAC & Other business while 6.9 ktonnes (8.5) relates to the Automotive business. The decrease in sales volume for the HVAC & Other business was mainly due to significant customer destocking activities before the end of the year. During the full year 2019, sales volume in Americas decreased to 210.1 ktonnes (223.3) compared to previous year. 176.7 ktonnes (188.8) relates to the HVAC & Other business while 33.4 tonnes (34.5) relates to the Automotive business.

OPERATING PROFIT

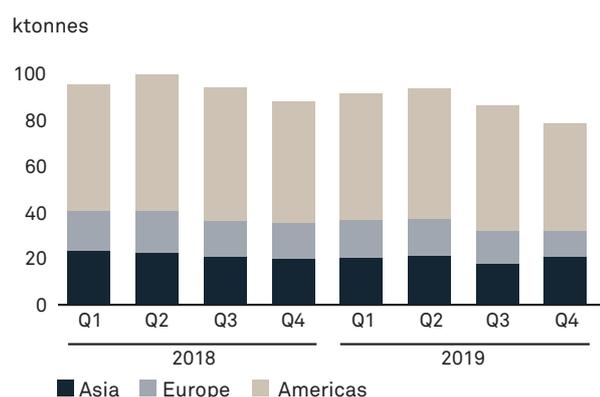
Adjusted operating profit for the fourth quarter of 2019 was SEK 144 million (191), corresponding to adjusted operating profit per tonne of 1.9 kSEK (2.2). Adjusted operating margin was 5.4 per cent (6.2). The decreased operating profit was mainly due to lower sales volume and less efficient metal management. Additional efficiency measures, including a general savings program and capacity adjustments, helped to reduce the cost base in the quarter. Costs related to the US expansion projects amounted to SEK 12 million in the quarter. Net changes in foreign exchange rates had a positive impact of SEK 20 million in the quarter.

Operating profit for the fourth quarter of 2019 amounted to SEK 115 million (191) and includes items affecting comparability of SEK -30 million (-). Items affecting comparability includes costs for merger and acquisition activities in Poland and restructuring costs related to manning reductions mainly in the Swedish operations. For further information see Note 5.

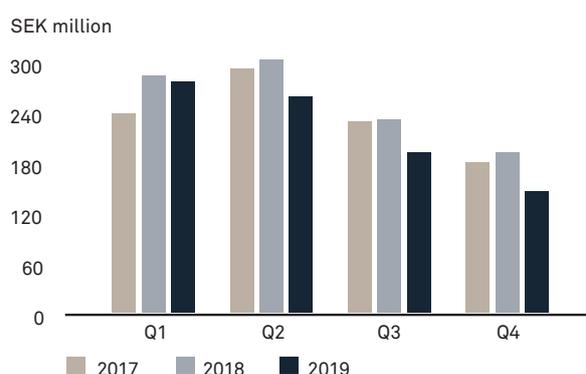
During the full year 2019, adjusted operating profit was SEK 866 million (1,005), while adjusted operating profit per tonne amounted to 2.5 kSEK (2.7). Adjusted operating margin reached 7.2 per cent (7.8). The net effect of changes in foreign exchange rates was positive and amounted to SEK 110 million in the period.

Operating profit during the full year 2019 was SEK 836 million (940) and includes items affecting comparability of SEK -30 million (-64). 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 tax for the fourth quarter of 2019 amounted to SEK 78 million (162). Finance income and costs was SEK -37 million (-30) and includes interest expenses and financing costs of SEK 38 million and interest income of SEK 2 million. Interest expenses and financing costs in the fourth quarter of 2019 includes interest expenses on lease liabilities of SEK 3 million (-) due to the implementation of IFRS 16 (for further information see Note 1).

Income tax for the fourth quarter of 2019 amounted to SEK -31 million (-13) and includes withholding tax of SEK -17 million (-26) on a dividend from the Chinese subsidiary to Gränges AB. Excluding the withholding tax the effective tax rate was 18 per cent in the quarter. The effective tax rate in the fourth quarter of 2018 was 26 per cent if excluding withholding tax on dividend and the positive effect from a released tax provision. The profit for the period was SEK 47 million (149) during the fourth quarter of 2019 and diluted earnings per share amounted to SEK 0.63 (1.97).

During the full year 2019 profit before taxes amounted to SEK 686 million (849). Finance income and costs was SEK -152 million (-113) and includes interest expenses of SEK 160 million and interest income of SEK 7 million. Interest expenses and financing cost in the period includes interest expenses on lease liabilities of SEK 12 million (-) due to the implementation of IFRS 16 (for further information see Note 1). Income tax for the year was SEK -86 million (-161). Excluding the positive effect of SEK 54 million (55) relating to a release of a provision for income tax in China and the cost for withholding tax on dividend of SEK 17 million (26), the effective tax rate was 18 per cent (22). The reduced effective tax rate in 2019 is due to a lower corporate income tax rate in China due to preliminary high-tech enterprise classification, see note 6 for further information. The profit for the period amounted to SEK 600 million (688) and diluted earnings per share was SEK 7.95 (9.11).

CASH FLOW

Cash flow from operating activities amounted to SEK 289 million (450) in the fourth quarter of 2019 and was positively impacted by decreased working capital driven by lower receivables. Cash flow from investing activities amounted to SEK -221 million (-316) in the quarter and fully relates to capital expenditure. Of the total capital expenditure, SEK 98 million refer to investments to maintain and improve efficiency in current production facilities and SEK 123 million refer to investments related to the expansion of the production facilities in the US and Sweden. Cash flow before financing adjusted for expansion investments and acquisitions amounted to SEK 191 million (316).

Cash flow from financing activities was SEK -69 million (-339) in the fourth quarter of 2019 and includes new loans of SEK 1,586

million and repayment of loans of SEK -1,619 million. Net financing from commercial papers was neutral in the quarter.

During the full year 2019, cash flow from operating activities increased to SEK 1,441 million (1,351). Cash flow from investing activities amounted to SEK -1,590 million (-819) and fully relates to capital expenditure. Of this, SEK 393 million refer to maintenance investments, SEK 1,103 million relates to expansion investments, and SEK 93 million relates to the acquisition of utilities infrastructure in Finspång, Sweden.

During the year cash flow before financing activities adjusted for expansion investments and acquisitions increased to SEK 1,048 million (977). Cash flow from financing activities was SEK 440 million (-825) and includes a dividend payment of SEK -242 million, new loans of SEK 5,546 million and repayment of loans of SEK -4,727 million.

Cash and cash equivalents amounted to SEK 747 million at 31 December 2019 (SEK 457 million at 31 December 2018).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 10,480 million at 31 December 2019 (SEK 8,773 million at 31 December 2018). The equity to assets ratio was 41.2 per cent at 31 December 2019 (44.2 per cent at 31 December 2018).

Consolidated net debt including pension and lease liabilities was SEK 3,465 million at 31 December 2019 (SEK 2,494 million at 31 December 2018). The increase in net debt is mainly due to investments related to the expansion of the production facilities in the US and Sweden. At 31 December 2019, the Group's net debt corresponded to 2.6 times adjusted EBITDA (1.8 times at 31 December 2018).

EMPLOYEES

The average number of employees was 1,781 (1,777) in the fourth quarter of 2019 and 1,805 (1,699) during the full year 2019. The increase in number of employees for the full year is mainly related to the expansion of the US production facilities. The decrease in number of employees in fourth quarter compared to the full year 2019 is due to temporary capacity adjustments.

PARENT COMPANY

Gränges AB is the parent company of the Gränges Group. The operations include Group Management and Group functions such as finance, treasury, legal and communications. For the full year 2019, net sales in the parent company was SEK 187 million (203) and the result for the period was SEK 335 million (560). The net profit includes dividend from the Chinese subsidiary of SEK 335 million (517). Income tax includes withholding tax of SEK -17 million (-26) relating to the dividend.

SIGNIFICANT EVENTS DURING THE PERIOD

Gränges has signed an agreement to acquire Aluminium Konin

In November, Gränges signed an agreement to acquire the Polish flat rolled aluminium producer Aluminium Konin. The acquisition strengthens Gränges' product offering and presence in Europe, adds new capability and capacity to expand Gränges' offering for future transportation solutions, such as electric vehicles, and contributes to a stronger position in growing markets. The acquired business will be a wholly owned subsidiary of Gränges AB.

The transaction is subject to regulatory approval by the relevant competition authorities and closing is expected in the second quarter of 2020. In conjunction with the transaction, Gränges intends to undertake a new share issue with preferential rights for existing shareholders to a total amount of approximately SEK 2 billion. The transaction is not conditional upon the rights issue, which is proposed to maintain Gränges' financial strength and to partly be used for future growth investments in line with Gränges' strategy.

Efficiency improvements in Europe

As part of Gränges' efficiency improvement work aiming to strengthen customer offer, cost-effectiveness and long-term competitiveness in the region, organizational changes were carried out in the Swedish operations. For further information see Note 5.

Interim SVP Communication for Gränges AB appointed

Camilla Weiner was appointed as Interim SVP Communication at Gränges AB. Camilla Weiner is a member of the Group Management team since 1 November 2019, and reports to the CEO, Johan Menckel.

SIGNIFICANT EVENTS AFTER THE PERIOD

No significant events have occurred after the period.

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 8,371 at 31 December 2019, according to Euroclear.

Largest shareholders in Gränges at 31 December 2019¹

Shareholder	Number of shares	Share of capital and votes %
Fourth Sw. National Pension Fund	7,155,679	9.5
AFA Insurance	6,892,585	9.1
Swedbank Robur Funds	4,950,360	6.6
Franklin Templeton	3,845,833	5.1
Handelsbanken Funds	3,728,041	4.9
Dimensional Fund Advisors	3,234,948	4.3
Paradice Investment Management	3,164,438	4.2
Allianz Global Investors	2,645,597	3.5
Unionen	1,850,000	2.4
Fidelity Investments (FMR)	1,741,031	2.3
Total 10 largest shareholders	39,208,512	51.9
Other	36,308,874	48.1
Total	75,517,386	100.0

¹ Source: Modular Finance.

OTHER

Annual General Meeting 2020

The Annual General Meeting 2020 in Gränges AB will take place on Thursday 7 May 2020, at 4 p.m. CEST at IVA Conference Centre (Wallenbergsalen), Grev Turegatan 16 in Stockholm. Registration begins at 3 p.m CEST.

Shareholders wishing to have a matter considered at the Annual General Meeting shall send a written request to the Board of Directors. In order for the matter to be included in the notice to the Annual General Meeting, the request must have been received by Gränges' Board of Directors by 19 March 2020 at the latest. The request should be submitted to the Board of Gränges AB and sent to Gränges' General Counsel Niclas Nelson, Gränges AB, Box 5505, SE-114 85 Stockholm, Sweden. 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 is expected to be published 27 March, 2020.

Gränges' Annual Report for 2019, including sustainability report, is expected to be published on 19 March, 2020 on the company's website. A printed version of the Annual Report can be ordered at reports@granges.com.

Dividend

The Board of Directors proposes a dividend of SEK 3.40 (3.20) per share for the 2019 fiscal year, in total SEK 257 million (242). The proposed dividend corresponds to 43 per cent (35) of the profit for the year 2019. The proposed record date for the dividend is Monday, 11 May, 2020. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be distributed through Euroclear Sweden AB on Thursday, 14 May, 2020.

RISKS AND UNCERTAINTY FACTORS

As a global group with operations in different 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 risks related to foreign exchange rates, interest rates, liquidity and refinancing. Gränges' risk management process entails to identify, assess and reduce risks related to the Group's business and operations. More information about risk management is available on pages 44–47 in Gränges' 2018 annual report.

SEASONAL VARIATIONS

Gränges' end-customer markets consist primarily of the global automotive industry and the HVAC industry in North America. Gränges' sales of rolled aluminium products to the automotive industry is mainly 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 it is usually higher during summer months as there is a higher demand for cooling systems then. 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 is the strongest.

Stockholm, 30 January 2020

Johan Menckel
Chief Executive Officer

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

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 30 January, 2020 at 07.30 CET.

Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' year-end report for January–December 2019 at a webcasted conference call at 10.00 CET, Thursday 30 January, 2020.

The webcast is available on www.granges.com/investors. To participate in the conference call, please call +46 8 566 426 51 (Sweden), +44 3333000804 (United Kingdom) or +1 6319131422 (United States). PIN code: 69788601#. Please call a few minutes before the conference call starts. The presentation will be in English.

Financial calendar

19 March, 2020	Annual Report 2019
30 April, 2020	Interim Report January–March 2020
7 May, 2020	Annual General Meeting 2020
16 July, 2020	Half-year Report 2020
22 October, 2020	Interim Report January–September 2020

CONSOLIDATED INCOME STATEMENT (CONDENSED)

SEK million	Note	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Net sales	2	2,682	3,074	11,978	12,910
Cost of materials	5	-1,709	-1,982	-7,620	-8,601 ¹
Payroll and other operating expenses		-704	-809	-3,031	-3,016
Depreciation, amortization and impairment charges		-125	-92	-461	-353
Items affecting comparability	5	-30	-	-30	-
Operating profit	1	115	191	836	940
Profit or loss from joint ventures		0	0	1	22
Finance income and costs		-37	-30	-152	-113
Profit before tax		78	162	686	849
Income tax	6	-31	-13	-86	-161
Profit for the period	1	47	149	600	688
Earnings per share					
Earnings per share basic, SEK		0.63	1.97	7.95	9.11
Earnings per share diluted, SEK		0.63	1.97	7.95	9.11

¹ Includes items affecting comparability of SEK -64 million.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Profit for the period	47	149	600	688
Items not to be reclassified to profit/loss in subsequent periods				
Remeasurement of pensions after tax	-7	-15	-31	-20
Items to be reclassified to profit/loss in subsequent periods				
Change in hedging reserve after tax	27	7	22	-32
Translation effects	-135	27	91	142
Comprehensive income for the period attributable to owners of the parent company	-68	168	682	778

CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Intangible assets		874	761
Property, plant and equipment	1	5,101	3,651
Deferred tax assets		28	54
Investments in joint ventures		12	10
Interest-bearing receivables		2	2
Other non-current receivables	3	8	11
Non-current assets		6,025	4,489
Inventories		1,957	1,968
Receivables	3	1,748	1,859
Interest-bearing receivables	3	3	0
Cash and cash equivalents		747	457
Current assets		4,455	4,285
TOTAL ASSETS		10,480	8,773
EQUITY AND LIABILITIES			
Share capital		101	101
Retained earnings		4,213	3,772
Equity		4,314	3,873
Interest-bearing liabilities	1, 3	2,901	2,117
Provisions and other non-current liabilities	3	513	406
Non-current liabilities		3,414	2,522
Interest-bearing liabilities	1, 3	953	515
Provisions and other current liabilities	3, 6	1,799	1,862
Current liabilities		2,752	2,378
TOTAL EQUITY AND LIABILITIES		10,480	8,773

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	31 Dec 2019	31 Dec 2018
Opening balance	3,873	3,322
Profit for the period	600	688
Other comprehensive income for the period	82	90
Total comprehensive income for the period	682	778
Dividend	-242	-227
Total transactions with owners	-242	-227
Closing balance	4,314	3,873

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Note	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Operating profit		115	191	836	940
Depreciation, amortization and impairment charges		125	92	461	353
Other non-cash items	5	–	–	–	64
Change in working capital etc.		84	220	236	98
Income taxes paid		–34	–54	–92	–105
Cash flow from operating activities		289	450	1,441	1,351
Acquisitions		–	–	–	24
Investments in property, plant, equipment and intangible assets		–221	–319	–1,590	–843
Other capital transactions		–	3	–	0
Cash flow from investing activities		–221	–316	–1,590	–819
Cash flow before financing activities		68	133	–148	531
Dividend		–	–	–242	–227
Interest paid and received		–36	–25	–137	–98
New loans		1,586	568	5,546	3,078
Repayment of loans		–1,619	–883	–4,727	–3,579
Cash flow from financing activities		–69	–339	440	–825
Cash flow for the period		–1	–206	292	–294
Cash and cash equivalents at beginning of period		775	658	457	742
Cash flow for the period		–1	–206	292	–294
Exchange rate differences in cash and cash equivalents		–27	5	–2	9
Cash and cash equivalents at end of period		747	457	747	457

PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Net sales	46	61	187	203
Payroll and other operating expenses	–67	–60	–256	–257
Depreciation, amortization and impairment charges	–5	–6	–20	–26
Operating profit/loss	–26	–5	–88	–80
Dividends from subsidiaries	335	517	335	517
Finance income and costs	2	0	7	18
Profit/loss after financial items	310	511	254	455
Appropriations	97	158	97	158
Income tax	–25	–64	–16	–53
Profit/loss for the period	382	605	335	560

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Profit for the period	382	605	335	560
Items to be reclassified to profit/loss in subsequent periods				
Change in hedging reserve after tax	-1	-	-1	-
Comprehensive income for the period attributable to owners of the parent company	381	605	334	560

PARENT COMPANY BALANCE SHEET (CONDENSED)

SEK million	31 Dec 2019	31 Dec 2018
ASSETS		
Intangible assets	40	7
Property, plant and equipment	192	206
Shares in Group companies	1,160	1,160
Receivables from Group companies	2,102	2,674
Other non-current receivables	3	8
Non-current assets	3,497	4,054
Receivables from Group companies	164	161
Other receivables	47	75
Cash and cash equivalents	190	120
Current assets	402	356
TOTAL ASSETS	3,899	4,411
EQUITY AND LIABILITIES		
Restricted equity	111	108
Non-restricted equity	1,589	1,498
Equity	1,699	1,606
Untaxed reserves	30	37
Interest-bearing liabilities	1,065	2,117
Provisions and other non-current liabilities	32	27
Non-current liabilities	1,097	2,144
Liabilities to Group companies	75	29
Interest-bearing liabilities	901	450
Provisions and other current liabilities	96	144
Current liabilities	1,072	622
TOTAL EQUITY AND LIABILITIES	3,899	4,411

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) 2018, with exception for new and updated standards and interpretations described below. 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 2019 the parent company applies RFR 2 IFRS 16 item 1 and continues to recognize leases in the income statement on a straight-line basis over the lease term.

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

IFRS 16 Leases

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 lease liabilities. At initial application as of 1 January 2019, opening balances for right-of-use assets and lease liabilities were recognized by SEK 270 million each.

The effects from the implementation of IFRS 16 Leases in the income statement, balance sheet and cash flow are presented below.

SEK million	Oct–Dec 2019	Jan–Dec 2019
Consolidated income statement		
Payroll and other operating expenses	16	59
Depreciation, amortization and impairment charges	–14	–52
Operating profit	2	7
Finance income and costs	–3	–12
Profit before tax	–1	–5
Income tax	0	1
Profit for the period	–1	–4

SEK million	31 Dec 2019
Consolidated balance sheet	
Property, plant and equipment	255
Non-current assets	255
Retained earnings	–4
Equity	–4
Interest-bearing liabilities	207
Non-current liabilities	207
Interest-bearing liabilities	52
Current liabilities	52

SEK million	Oct–Dec 2019	Jan–Dec 2019
Consolidated statement of cash flows		
Operating profit	2	7
Depreciation, amortization and impairment charges	14	52
Cash flow from operating activities	16	59
Interest paid and received	–3	–12
Repayments of loans	–13	–47
Cash flow from financing activities	–16	–59
Cash flow for the period	–	–

IFRIC 23 Uncertainty over income tax treatments

The interpretation is effective from 1 January 2019 and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation has not had an impact on the Group's financial statements.

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Gränges mainly sells aluminium rolled products for heat exchangers and selected niche applications in different geographical regions. Gränges' customers are in the automotive industry, the HVAC industry and niche markets such as transformers and food packaging. Revenue is generated through sale of material that is produced for a certain customer and application. Revenue is recognized at the point in time when control is transferred to the customer. The transaction price for Gränges' products is based on the added value Gränges offers in terms of material properties and production complexity (fabrication price), and the price of the raw material, aluminium. The fabrication price is to a large extent fixed while the aluminium price is variable and based on metal price clauses connected to the market price. The tables below show Gränges' sales by geographical region and by market divided by type of revenue.

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Sales by region				
Asia	714	694	2,736	3,004
Europe	440	577	2,074	2,403
Americas	1,524	1,799	7,150	7,482
Total revenue from contracts with customers	2,679	3,069	11,960	12,889
Other revenue	3	5	18	21
Net sales	2,682	3,074	11,978	12,910

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Sales by market				
Automotive				
Fabrication revenue	653	760	2,925	3,117
Raw material and other revenue	781	879	3,267	3,754
Total	1,434	1,639	6,192	6,870
HVAC & Other				
Fabrication revenue	455	498	2,074	1,907
Raw material and other revenue	790	932	3,694	4,111
Total	1,245	1,430	5,768	6,019
Total revenue from contracts with customers	2,679	3,069	11,960	12,889
Other revenue	3	5	18	21
Net sales	2,682	3,074	11,978	12,910

NOTE 3 FINANCIAL INSTRUMENTS

The Group's financial assets consist of loans, accounts receivable, cash and cash equivalents as well as derivatives. The Group's financial liabilities consist 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 2019	31 Dec 2018
Non-current assets	3	2
Current assets	37	76
Non-current liabilities	38	5
Current liabilities	45	71

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 liabilities mainly consist of financing from banks and institutions. The amount of outstanding term loans was USD 150 million and SEK 200 million as per 31 December 2019. Gränges' revolving credit facilities amounted to SEK 2,467 million, whereof USD 50 million was utilized. Interest-bearing liabilities also include corporate bonds of SEK 600 million, issued under Gränges MTN program, and commercial papers of SEK 900 million. The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio.

Gränges has entered into a bridge loan facility of SEK 2,300 million to finance the acquisition of Aluminium Konin. The loan, that was unutilized by December 31, 2019, is subject to extension options and has a maximum tenor of 18 months and is finally due on 27 May 2021.

SEK million	Limit/Program amount	Year			Total
		< 1	1–2	> 2	
Term loans					
SEK		–	200	–	200
USD		–	–	1,400	1,400
Bonds in MTN program	3,000	–	300	300	600
Commercial papers	1,500	900	–	–	900
Revolving Credit Facilities	2,467	–	–	467	467
Lease liabilities		52	52	155	259
Other interest-bearing liabilities		2	–	27	28
Total interest-bearing liabilities		953	552	2,348	3,853

Interest-bearing liabilities are measured at amortized cost and the carrying amount as of 31 December 2019 was SEK 3,853 million (SEK 2,632 million as of 31 December 2018). The fair value of interest-bearing liabilities amounted to SEK 3,864 million as of 31 December 2019 (SEK 2,641 million as of 31 December 2018). For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value.

NOTE 4 RELATED PARTY TRANSACTIONS

No changes have been made to the group or parent company in relations or transactions with related parties, compared to what is described in the 2018 Annual Report. During the period there have been no significant transactions with related parties.

NOTE 5 ITEMS AFFECTING COMPARABILITY

SEK million	Financial statement line	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
M&A costs	Items affecting comparability	–16	–	–16	–
Restructuring costs	Items affecting comparability	–14	–	–14	–
Inventory effect due to changed distribution model	Cost of materials	–	–	–	–64
Items affecting comparability		–30	–	–30	–64

Items affecting comparability for 2019 includes mergers and acquisition costs for acquisition activities in Poland of SEK 16 million and restructuring costs of SEK 14 million related to manning reductions within Gränges, mainly related to the Swedish operation. Items affecting comparability for the full year 2018 relates to costs due to changed distribution model for import of heat exchanger materials to Gränges' customers in North America.

NOTE 6 TAX

Gränges' Chinese subsidiary has for tax purpose received a pre-qualification as a High and New-Technology Enterprise for the three-year period 2019 to 2021. 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. 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. Gränges currently considers it to be more likely than not that the special requirements will be met for the financial year 2019 and therefore applies a tax rate of 15 per cent for the Chinese operation for the full year 2019. During the third quarter 2019 a provision was dissolved related to tax in China with a positive impact on tax of SEK 54 million.

During the fourth quarter of 2019, Gränges AB, the Parent Company of the Group, received a dividend from its Chinese subsidiary. Tax related to the dividend amounted to SEK 17 million, which affected income tax and income taxes paid during the quarter.

CONSOLIDATED QUARTERLY DATA

SEK million	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volume, ktonnes	77.9	85.8	92.9	90.8	87.4	93.4	99.1	95.0
Income statement								
Net sales	2,682	2,998	3,188	3,109	3,074	3,322	3,443	3,071
Adjusted EBITDA ¹	269	305	370	382	283	320	390	364
Adjusted operating profit ¹	144	190	257	275	191	230	301	282
Operating profit	115	190	257	275	191	230	301	217
Profit for the period	47	198	171	184	149	158	214	167
Adjusted EBITDA margin, %	10.0	10.2	11.6	12.3	9.2	9.6	11.3	11.8
Adjusted operating margin, %	5.4	6.3	8.1	8.8	6.2	6.9	8.7	9.2
Adjusted operating profit per tonne, kSEK	1.9	2.2	2.8	3.0	2.2	2.5	3.0	3.0
Operating margin, %	4.3	6.3	8.1	8.8	6.2	6.9	8.7	7.1
Net margin, %	1.8	6.6	5.4	5.9	4.8	4.7	6.2	5.4
Balance sheet								
Non-current assets	6,025	6,153	5,633	5,260	4,489	4,243	4,176	3,934
Current assets	4,455	4,609	4,508	4,516	4,285	4,639	4,823	4,596
Equity	4,314	4,382	4,077	4,227	3,873	3,705	3,665	3,601
Non-current liabilities	3,414	3,280	3,055	2,840	2,522	2,884	2,555	2,608
Current liabilities	2,752	3,100	3,009	2,709	2,378	2,293	2,780	2,321
Cash flow								
Operating activities	289	564	310	278	450	316	291	294
Investing activities	-221	-409	-508	-451	-316	-236	-166	-102
Before financing activities	68	155	-198	-173	133	81	125	192
Financing activities	-69	21	302	185	-339	-41	-173	-272
Cash flow for the period	-1	176	104	12	-206	40	-48	-80
Capital structure								
Net debt	3,465	3,606	3,560	3,057	2,494	2,565	2,621	2,353
Equity to assets, %	41.2	40.7	40.2	43.2	44.2	41.7	40.7	42.2
Data per share, SEK								
Earnings per share basic	0.63	2.62	2.26	2.44	1.97	2.09	2.84	2.21
Earnings per share diluted	0.63	2.62	2.26	2.44	1.97	2.09	2.84	2.21
Equity ²	57.13	58.02	53.99	55.97	51.29	49.07	48.53	47.68
Cash flow from operating activities ²	3.83	7.47	4.11	3.68	5.95	4.19	3.85	3.89
Share price at the end of the period	98.95	100.50	106.40	95.70	80.50	106.00	117.30	97.95
Weighted outstanding ordinary shares, basic in thousands	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4
Weighted outstanding ordinary shares, diluted in thousands	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4	75,517.4

¹ Adjusted for items affecting comparability, see Note 5 for further information.

² Calculated on weighted outstanding ordinary shares, diluted.

CONSOLIDATED QUARTERLY DATA

SEK million	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volume by region, ktonnes								
Asia	20.4	17.7	21.0	20.0	19.9	20.8	22.5	23.0
Europe	11.5	14.1	16.1	16.5	15.3	15.1	17.8	17.2
Americas	46.0	54.0	55.8	54.4	52.2	57.5	58.8	54.8
Total	77.9	85.8	92.9	90.8	87.4	93.4	99.1	95.0
Net sales by region								
Asia	714	617	717	687	694	732	813	765
Europe	443	537	522	589	582	579	649	615
Americas	1,524	1,845	1,949	1,832	1,799	2,011	1,981	1,692
Total	2,682	2,998	3,188	3,109	3,074	3,322	3,443	3,071
Employees								
Average number of employees	1,781	1,813	1,814	1,810	1,777	1,695	1,669	1,655

CONSOLIDATED 12-MONTHS ROLLING DATA

SEK million	Jan 2019 – Dec 2019	Oct 2018 – Sep 2019	Jul 2018 – Jun 2019	Apr 2018 – Mar 2019	Jan 2018 – Dec 2018	Oct 2017 – Sep 2018	Jul 2017 – Jun 2018	Apr 2017 – Mar 2018
Sales volume, ktonnes	347.3	356.9	364.5	370.8	375.0	374.0	373.7	373.2
Income statement								
Net sales	11,978	12,370	12,693	12,947	12,910	12,570	11,976	11,614
Adjusted EBITDA ¹	1,327	1,341	1,356	1,376	1,357	1,336	1,325	1,328
Adjusted operating profit ¹	866	913	953	997	1,005	992	989	977
Operating profit	836	913	953	997	940	912	909	897
Adjusted EBITDA margin, %	11.1	10.8	10.7	10.6	10.5	10.6	11.1	11.4
Adjusted operating margin, %	7.2	7.4	7.5	7.7	7.8	7.9	8.3	8.4
Adjusted operating profit per tonne, kSEK	2.5	2.6	2.6	2.7	2.7	2.7	2.6	2.6
Operating margin, %	7.0	7.4	7.5	7.7	7.3	7.3	7.6	7.7
Capital structure and return indicators								
Capital employed	7,411	7,109	6,769	6,432	6,098	5,902	5,744	5,639
Return on capital employed, %	11.7	12.8	14.1	15.5	16.5	16.8	17.2	17.3
Equity	4,175	4,053	3,909	3,814	3,633	3,480	3,339	3,225
Return on equity, %	14.4	17.3	16.9	18.5	18.9	19.9	20.5	20.5
Net debt / Adjusted EBITDA	2.6	2.7	2.6	2.2	1.8	1.9	2.0	1.8

¹ Adjusted for items affecting comparability, see Note 5 for further information.

Alternative performance measures

Gränges makes use of the alternative performance measures Return on capital employed, Net debt, Equity to assets ratio and Cash conversion. 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, Adjusted operating profit per tonne 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	
	2019	2018	2019	2018
Adjusted operating profit				
Operating profit	115	191	836	940
Items affecting comparability	30	-	30	64
Adjusted operating profit	144	191	866	1,005
Adjusted operating profit per tonne				
Adjusted operating profit	144	191	866	1,005
Sales volume, ktonnes	77.9	87.4	347.3	375.0
Adjusted operating profit per tonne, kSEK	1.9	2.2	2.5	2.7
Adjusted EBITDA				
Adjusted operating profit	144	191	866	1,005
Depreciation, amortization and impairment charges	125	92	461	353
Adjusted EBITDA	269	283	1,327	1,357
Return on capital employed				
Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average	-	-	9,375	7,999
Non-interest-bearing liabilities, rolling 12 months average	-	-	-2,311	-2,194
Pensions, rolling 12 months average	-	-	348	293
Capital employed	-	-	7,411	6,098
Adjusted operating profit	-	-	866	1,005
Return on capital employed, %	-	-	11.7	16.5
Net debt				
Cash and cash equivalents and interest-bearing receivables	-	-	-752	-459
Interest-bearing liabilities	-	-	3,853	2,632
Pensions	-	-	363	321
Net debt	-	-	3,465	2,494
Equity to assets				
Equity	-	-	4,314	3,873
Total assets	-	-	10,480	8,773
Equity to assets, %	-	-	41.2	44.2
Adjusted cash flow before financing activities				
Cash flow before financing activities	68	133	-148	531
Cash flow from expansion investments	123	182	1,103	470
Cash flow from other non-maintenance investments	-	-	93	-
Cash flow from acquisitions	-	-	-	-24
Adjusted cash flow before financing activities	191	316	1,048	977
Cash conversion				
Adjusted cash flow before financing activities	191	316	1,048	977
Adjusted operating profit	144	191	866	1,005
Cash conversion, %	132	165	121	97

Definitions

Adjusted EBITDA

Adjusted operating profit before depreciation and impairment charges.

Adjusted cash flow before financing activities

Cash flow before financing activities excluding cash flow from non-maintenance investments and acquisitions.

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 conversion

Adjusted cash flow before financing activities divided by adjusted operating profit.

Cash flow before financing activities

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

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.

Earnings per share

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

Equity to Assets

Equity divided by total assets.

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

Abbreviation for Heating, Ventilation and Air Conditioning systems including heat exchangers. 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.

SHFE

Shanghai Futures Exchange.

Slab

Input material to the rolling process that is produced by casting.



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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 460,000 metric tonnes. Gränges has around 1,800 employees and net sales of SEK 12 billion. The share is listed on Nasdaq Stockholm. More information on Gränges is available at www.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 that 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 the customer.

STRATEGY

Gränges has a clear strategy for the coming years. By offering customized products with a high technical content, Gränges aims to grow above market rate. The ambition is to be the market leader in all geographical regions within rolled aluminium heat exchanger materials in 2020. 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.